20220617128 39

Årsredovisning

för

Abigo Medical AB

556336-7795

Räkenskapsåret

2021-01-01 - 2021-12-31

Styrelsen och verkställande direktören avger följande årsredovisning.

Innehållsförteckning

Förvaltningsberättelse	1
Resultaträkning	2
Balansräkning	3
Noter	6

Fastställelseintyg

Undertecknad styrelseledamot i Abigo Medical AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 2022-05-20. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Askim 2022-05-20

Fredrik Stenbäcker

20220617128 40

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Förvaltningsberättelse	1
Resultaträkning	4
Balansräkning	5
Kassaflödesanalys	8
Noter	9

Styrelsen och verkställande direktören för Abigo Medical AB avger följande årsredovisning för räkenskapsåret 2021-01-01 - 2021-12-31.

Förvaltningsberättelse

Information om verksamheten

Abigo Medical AB och dess dotterbolag bedriver utveckling, försäljning och tillverkning av medicintekniska produkter samt försäljning och marknadsföring av nutritionsprodukter. Bolaget är helägt av Essity Hygiene and Health AB org nr 556007-2356 med säte i Mölndal sedan maj 2021.

Väsentliga händelser under räkenskapsåret

Moderbolaget
Abigo Medical AB blev helägt dotterbolag till Essity Hygiene and Health.
I och med försäljningen har samtliga styrelser i ABIGO-gruppen förändrats under året och har fått en mer administrativ roll.

Bolaget fortsätter att vara inriktat på forsknings- och utvecklingsverksamhet av produkter inom det avancerade sårvårdsområdet, där bolagets Sorbact®-teknologi används.

Arbetet med att uppfylla de nya europeiska riktlinjerna enligt MDR-direktivet har fortsatt att konsumera stora personella resurser under året, men går helt i enlighet med planen.

Företagets likviditet och soliditet är fortsatt god och bolaget har högsta kreditvärdighet AAA.

Bolaget har i likhet med många andra bolag känt av kostnadsökningar på transporter och råvaror, som en följd av pandemin. Försäljningsmässigt har vi sett en återhämtning under hösten, men oklart hur länge och i vilken omfattning detta kommer fortsätta.

En av Sorbact produkterna har under räkenskapsåret fått en NICE rekommendation vilket är ett väldigt bra styrkebesked kring evidensen bakom technologin.
Bolaget färdigställde i slutet på september, länets då näst största, solenergianläggning på vår fabrik i Askersund. Investeringen kom helt rätt i tiden innan elpriserna gick i höjden under årets slutfas.

Bolagets Pharma division såldes under året till ABIGOs tidigare huvudägare och hösten präglades av en överlämningsfas till de nya ägarna. I övriga rörelseintäkter ligger en engångsvinst hänförande till försäljningen av nyss nämnda produktlinje med ca 19 msek.

Abigo Pharma A/S (Danmark)
Verksamhetsåret har även här präglats av försäljningen av Pharma divisionen till ABIGOs tidigare huvudägare och i resultatet för året ligger en engångsvinst på ca 7 mdkk.

20220617128 41

Abigo Medical AS (Norge)
Verksamhetsåret har även här präglats av försäljningen av Pharma divisionen till den tidigare ägaren i ABIGO och i resultatet för året ligger en engångsvinst på ca 2 mnok.

Arbetet med att nå ut till fler apotekskedjor med bolagets produktportfölj fortsätter att visa en mycket bra utveckling på fokuserade områden.

Abigo Medical OY (Finland)
Dotterbolaget marknadsför nutritionsprodukter på den finska marknaden. Verksamheten stöttas huvudsakligen av den svenska organisationen samt från en lokal konsultfirma. Någon anställd finns inte längre i bolaget.

Abigo Fastighets AB
Bolaget är helägt dotterbolag till Abigo Medical AB.
Verksamheten omfattar förvaltning av industrifastigheten Närlunda 1:202 på Vapenvägen i Askersund. Byggnaden som är på totalt ca 5.000 kvm är avsedd för lager, produktion och kontor. Fastigheten är uthyrd till 100% till Abigo Medical AB.

Bolaget äger dessutom industrifastigheten Närlunda 1:240 på Smidesvägen i Askersund med en industribyggnad om totalt ca 7.000 kvm. Byggnaden är avsedd för både lager- och kontor och har till största delen varit uthyrd till externa hyresgäster.

Bolaget äger industrimark om 5.400 kvm, Närlunda 1:230, i anslutning till den befintliga fastigheten på Vapenvägen.

Bolaget äger också en grannfastighet, Närlunda 1:219, där man under året byggt färdigt ett renrum för uthyrning till Abigo Medical AB.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Moderbolaget
Osäkerheten kring det geopolitiska läget i samband med kriget i Ukraina är mycket stor och svår att förutsäga hur mycket det kommer påverka bolaget.

Corona kommer att fortgå även om Covid-19 inte längre klassas som allmänfarlig och samhällsfarlig sjukdom och förväntas fortsätta bidra till osäkerhet kring leverans- och distributionsläget.

MDR kommer att fortsätta ta mycket resurser kommande år och även om första svaren från Notified Body har varit positiva så finns det alltid risker med engångskostnader och vissa störningar i försäljningen i samband med så pass stora förändringar på marknaden.

Abigo Pharma A/S (Danmark)
Organisationsförändringen i Abigo Medical AB möjliggör ett utökat fokus på de kvarstående affärs-områdena vilket vi förväntar oss kommer att ha ett positivt resultat.

Abigo Medical AS (Norge)
Organisationsförändringen i Abigo Medical AB möjliggör ett utökat fokus på de kvarstående affärs-områdena vilket vi förväntar oss kommer att ha ett positivt resultat.

Abigo Medical OY (Finland)
Den finska verksamheten har utvecklats positivt under det gångna året och förhoppningen är att nuvarande setup skall fortsätta bidra positivt.

Abigo Fastighets AB
Fortsatt vidareutveckling av fastigheterna i Askersund för att möta bolagets fortsatta expansion på bästa sätt. Externa hyresgäster kommer att flytta ut under året, så att det mesta av lagerbyggnaden på Smidesvägen kommer att nyttjas av Abigo Medical AB.

I och med bolagets expansion så ser vi att lånebasen kommer att utökas men i och med att expansioner och satsningar genomförs å hyresgästen (moderbolagets) räkning så ser vi inte att detta är en reell risk, inte heller eventuella korta dippar i likviditet i samband med investeringar.

Flerårsöversikt (Tkr)	**2021**	**2020**	**2019**	**2018**	**2017** (8 mån)
Nettoomsättning	369 380	339 423	328 889	275 844	156 509
Resultat efter finansiella poster	64 626	40 879	48 497	32 538	12 870
Antal anställda	150	151	146	131	119
Balansomslutning	276 247	224 918	211 557	182 141	139 468
Soliditet (%)	76	71	38	57	57

Nyckeltalsdefinitioner framgår av not 1

Förslag till vinstdisposition
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	110 522 383
årets vinst	41 301 597
	151 823 980
disponeras så att	
till aktieägare utdelas	80 000 000
i ny räkning överföres	71 823 980
	151 823 980

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning samt kassaflödesanalys med noter.

20220617128 42

Resultaträkning

	Not	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Nettoomsättning	2	369 380 229	339 422 921
Övriga rörelseintäkter		28 717 119	11 058 083
		398 097 348	**350 481 004**
Rörelsens kostnader			
Råvaror och förnödenheter		-136 542 125	-98 175 705
Övriga externa kostnader	3, 4	-70 787 701	-75 246 840
Personalkostnader	7	-115 097 214	-123 699 596
Avskrivningar och nedskrivningar av materiella och immateriella anläggningstillgångar	11, 13, 15, 16	-6 033 071	-6 161 117
Övriga rörelsekostnader		-5 011 428	-5 212 396
		-333 471 539	**-308 495 654**
Rörelseresultat	8	**64 625 810**	**41 985 350**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	28	0	799 815
Övriga ränteintäkter och liknande resultatposter	5	4 541 034	4 055 249
Räntekostnader och liknande resultatposter	6	-2 758 272	-5 961 326
		1 782 762	**-1 106 262**
Resultat efter finansiella poster		**66 408 572**	**40 879 088**
Bokslutsdispositioner	24	-13 800 000	-2 500 000
Resultat före skatt		**52 608 572**	**38 379 088**
Skatt på årets resultat	10	-11 306 975	-8 675 106
Årets resultat		**41 301 597**	**29 703 982**

Balansräkning

	Not	2021-12-31	2020-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Goodwill	13	0	4 187 574
Förskott avseende immateriella anläggningstillgångar	12	0	1 135 134
		0	**5 322 708**
Materiella anläggningstillgångar			
Förbättringsutgifter på annnans fastighet	14	3 046 653	0
Maskiner och andra tekniska anläggningar	15	21 315 689	25 517 983
Inventarier, verktyg och installationer	16	2 945 206	2 648 346
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	17	14 321 254	0
		41 628 802	**28 166 328**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	27	7 764 095	7 764 095
Fordringar hos koncernföretag		51 011 420	22 583 692
Andelar i intresseföretag och gemensamt styrda företag		0	1 000
		58 775 515	**30 348 786**
Summa anläggningstillgångar		**100 404 316**	**63 837 823**
Omsättningstillgångar			
Varulager m m			
Råvaror och förnödenheter		28 939 559	36 900 109
Färdiga varor och handelsvaror		28 374 283	52 713 120
		57 313 841	**89 613 229**
Kortfristiga fordringar			
Kundfordringar		30 852 825	30 517 911
Fordringar hos koncernföretag		38 012 535	2 726 043
Övriga fordringar		339 557	239 771
Förutbetalda kostnader och upplupna intäkter	18	5 657 337	4 556 114
		74 862 255	**38 039 838**
Kassa och bank		43 666 276	33 426 617
Summa omsättningstillgångar		**175 842 372**	**161 079 685**
SUMMA TILLGÅNGAR		**276 246 688**	**224 917 507**

20220617128 43

Balansräkning

	Not	2021-12-31	2020-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	31		
Bundet eget kapital			
Aktiekapital		950 000	950 000
Uppskrivningsfond		839 026	839 026
Reservfond		190 000	190 000
		1 979 026	**1 979 026**
Fritt eget kapital			
Balanserad vinst eller förlust		110 522 383	80 818 401
Årets resultat		41 301 597	29 703 982
		151 823 980	**110 522 383**
Summa eget kapital		**153 803 006**	**112 501 409**
Obeskattade reserver	30	72 100 000	58 300 000
Långfristiga skulder	21		
Övriga skulder		0	1 254 871
Summa långfristiga skulder		**0**	**1 254 871**
Kortfristiga skulder			
Leverantörsskulder		23 435 803	19 964 347
Skulder till koncernföretag		2 309 575	2 768 155
Aktuella skatteskulder		458 085	2 030 784
Övriga skulder		3 478 690	2 735 990
Upplupna kostnader och förutbetalda intäkter	25	20 661 530	25 361 952
Summa kortfristiga skulder		**50 343 682**	**52 861 228**
SUMMA EGET KAPITAL OCH SKULDER		**276 246 688**	**224 917 507**

Rapport över förändringar i eget kapital

	Aktie-kapital	Bundna reserver	Fritt eget kapital	Summa eget kapital
Ingående eget kapital 2020-01-01	**950 000**	**1 029 026**	**33 700 885**	**35 679 911**
Årets resultat			29 703 982	29 703 982
Ovillkorat aktieägartillskott			47 000 000	47 000 000
Fusionsresultat			117 516	117 516
Utgående eget kapital 2020-12-31	**950 000**	**1 029 026**	**110 522 383**	**112 501 409**
Årets resultat				41 301 597
Utgående eget kapital 2021-12-31	**950 000**	**1 029 026**	**110 522 383**	**153 803 006**

Aktiekapitalet består av 9.500 aktier till ett kvotvärde av 100 kr.

20220617128 44

Kassaflödesanalys

	Not	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Den löpande verksamheten			
Rörelseresultat		64 625 810	41 985 350
Avskrivningar		6 033 071	6 161 117
Justeringar för poster som inte ingår i kassaflödet	26	-1 095 959	-1 671 184
Erhållen ränta		2 424 775	1 770 411
Erlagd ränta		-477 533	-1 653 124
Betald skatt		-12 879 674	-7 734 416
Kassaflöde från den löpande verksamheten före förändring av rörelsekapital		**58 630 490**	**38 858 154**
Kassaflöde från förändring av rörelsekapitalet			
Förändring av varulager och pågående arbete		33 305 012	-6 401 240
Förändring av kortfristiga fordringar		-36 822 415	12 142 476
Förändring av kortfristiga skulder		-944 849	-52 092 038
Kassaflöde från den löpande verksamheten		**54 168 239**	**-7 492 649**
Investeringsverksamheten			
Investeringar i immateriella anläggningstillgångar		0	-1 135 134
Försäljning av immateriella anläggningstillgångar		1 135 134	0
Investeringar i materiella anläggningstillgångar		-18 851 818	-4 814 722
Förändring av långfristiga fordringar		-28 426 728	4 775 165
Försäljning av inkråm		3 469 704	0
Investering i dotterbolag		0	3 250 000
Kassaflöde från investeringsverksamheten		**-42 673 708**	**2 075 309**
Finansieringsverksamheten			
Förändring av långfristiga skulder		-1 254 871	-1 266 329
Amortering av lån		0	-13 316 109
Erhållna aktieägartillskott		0	47 000 000
Kassaflöde från finansieringsverksamheten		**-1 254 871**	**32 417 562**
Årets kassaflöde		**10 239 660**	**27 000 222**
Likvida medel vid årets början			
Likvida medel vid årets början		33 426 617	6 426 394
Likvida medel vid årets slut	23	**43 666 276**	**33 426 617**

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Abigo Medical ABs årsredovisning har upprättats enligt årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning (K3).

Redovisningsprinciperna är oförändrade i jämförelse med föregående år.

Koncernredovisning
Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Abigo Medical AB och dess samtliga dotterbolag ingår i Essity-koncernen och omfattas av koncernredovisning upprättad av Essity Aktiebolag (publ). För vidare information hänvisas till års- och hållbarhetsredovisning upprättad av Essity Aktiebolag (publ), org 556325-5511, med säte i Stockholm.

Utländska valutor
Monetära tillgångs- och skuldposter i utländsk valuta värderas till balansdagens kurs. Transaktioner i utländsk valuta omräknas enligt transaktionsdagens avistakurs.

Intäktsredovisning
Försäljning av varor redovisas när väsentliga risker och fördelar övergår från säljare till köpare i enlighet med försäljningsvillkoren. Försäljningen redovisas efter avdrag för moms och rabatter.

Inkomstskatter
Aktuella skatter värderas utifrån de skattesatser och skatteregler som gäller på balansdagen. Uppskjutna skatter värderas utifrån de skattesatser och skatteregler som är beslutade före balansdagen.
Uppskjuten skatteskuld avseende temporära skillnader som hänför sig till investeringar i dotterföretag redovisas inte i koncernredovisningen då moderföretaget i samtliga fall kan styra tidpunkten för återföring av de temporära skillnaderna och det inte bedöms sannolikt att en återföring sker inom överskådlig framtid.
Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den utsträckning det är sannolikt att avdraget kan avräknas mot överskott vid framtida beskattning.
Fordringar och skulder nettoredovisas endast när det finns en legal rätt till kvittning.
Aktuell skatt, liksom förändring i uppskjuten skatt, redovisas i resultaträkningen om inte skatten än hänförlig till en händelse eller transaktion som redovisas direkt i eget kapital. Skatteeffekter av poster som redovisas direkt mot eget kapital, redovisas mot eget kapital.

Immateriella tillgångar
Företaget tillämpar kostnadsföringsmodellen avseende internt upparbetade immateriella tillgångar. Utgifterna för detta redovisas som kostnad när de uppkommer.

Immateriella tillgångar hänförliga till goodwill redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar och nedskrivningar. Avskrivningarna görs linjärt över den bedömda nyttjandetiden. Avskrivningstiden uppgår till fem år.

20220617128 45

Materiella anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med avskrivningar. I anskaffningsvärdet ingår utgifter som direkt kan hänföras till förvärvet av tillgången.
När en komponent i en anläggningstillgång byts ut, utrangeras eventuell kvarvarande del av den gamla komponenten och den nya komponentens anskaffningsvärde aktiveras.
Tillkommande utgifter som avser tillgångar som inte delas upp i komponenter läggs till anskaffningsvärdet om de beräknas ge företaget framtida ekonomiska fördelar, till den del tillgångens prestanda ökar i förhållande till tillgångens värde vid anskaffningstidpunkten.
Utgifter för löpande reparation och underhåll redovisas som kostnader.
Realisationsvinst respektive realisationsförlust vid avyttring av en anläggningstillgång redovisas som Övrig rörelseintäkt respektive Övrig rörelsekostnad.

Materiella anläggningstillgångar skrivs av systematiskt över tillgångens bedömda nyttjandeperiod. När tillgångarnas avskrivningsbara belopp fastställs, beaktas i förekommande fall tillgångens restvärde.

Produkträttigheter	10 år
Maskiner och andra tekniska anläggningar	5-10 år
Inventarier, verktyg och installationer	5-10 år

Inga låneutgifter aktiveras.

Nedskrivningar av icke-finansiella tillgångar

När det finns en indikation på att en tillgångs värde minskat, görs en prövning av nedskrivningsbehov. Har tillgången ett återvinningsvärde som är lägre än det redovisade värdet, skrivs den ner till återvinningsvärdet. Vid bedömning av nedskrivningsbehov grupperas tillgångarna på de lägsta nivåer där det finns separata identifierbara kassaflöden (kassagenererande enheter). För tillgångar, andra än goodwill, som tidigare skrivits ner görs per varje balansdag en prövning av om återföring bör göras.

Utvecklingskostnader

Kostnadsföringsmodellen tillämpas för utvecklingskostnader, vilket innebär att samtliga utgifter som hör till ett utvecklingsprojekt kostnadsförs löpande, även om det rör sig om internt upparbetade eller externa kostnader.

Leasingavtal

Leasingavtal där de ekonomiska fördelar och risker som är hänförliga till leasingobjektet i allt väsentligt kvarstår hos leasegivaren, klassificeras som operationell leasing. Betalningar, inklusive en första förhöjd hyra, enligt dessa avtal redovisas som kostnad linjärt över leasingperioden.

Finansiella instrument

Finansiella instrument som redovisas i balansräkningen inkluderar värdepapper, kundfordringar och övriga fordringar, kortfristiga placeringar, leverantörsskulder, och låneskulder. Instrumenten redovisas i balansräkningen när Abigo Medical blir part i instrumentets avtalsmässiga villkor.
Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och koncernen har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten.
Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

<u>Kundfordringar och övriga fordringar</u>
Fordringar redovisas som omsättningstillgångar med undantag för poster med förfallodag mer än 12 månader efter balansdagen, vilka klassificeras som anläggningstillgångar. Fordringar tas upp till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar. Fordringar som

är räntefria eller som löper med ränta som avviker från marknadsräntan och har en löptid överstigande 12 månader redovisas till ett diskonterat nuvärde och tidsvärdeförändringen redovisas som ränteintäkt i resultaträkningen.

Låneskulder och leverantörsskulder
Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag bedömer Abigo Medical AB om det finns någon indikation på nedskrivningsbehov i någon utav de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående. Nedskrivning redovisas i resultaträkningsposten Resultat från övriga värdepapper och fordringar som är anläggningstillgångar.

Varulager
Varulagret värderas till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet. Anskaffningsvärdet fastställs med användning av först in, först ut-metoden (FIFU). För råvaror ingår alla utgifter som är direkt hänförliga till anskaffningen av varorna i anskaffningsvärdet. För varor under tillverkning och färdiga varor inkluderar anskaffningsvärdet råmaterial, direkt lön, andra direkta kostnader, hänförbara indirekta tillverkningskostnader. För att beakta eventuell inkurans i varulagret värderas varulagret till 97 % av anskaffningsvärdet, enligt inkomstskattelagens bestämmelser.

Ersättningar till anställda
Kortfristiga ersättningar: Kortfristiga ersättningar i koncernen utgörs av lön, sociala avgifter, betald semester, betald sjukfrånvaro och sjukvård. Kortfristiga ersättningar redovisas som en kostnad och en skuld då det finns en legal eller informell förpliktelse att betala ut en ersättning.

Ersättningar efter avslutad anställning
I Abigo Medical AB samt koncernföretagen förekommer endast avgiftsbestämda pensionsplaner. I avgiftsbestämda planer betalar företaget fastställda avgifter till ett annat företag och har inte någon legal eller informell förpliktelse att betala något ytterligare även om det andra företaget inte kan uppfylla sitt åtagande. Koncernens resultat belastas för kostnader i takt med att de anställdas pensionsberättigande tjänster utförts.

Kassaflödesanalys
Kassaflödesanalysen upprättas enligt indirekt metod. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- eller utbetalningar.
Som likvida medel klassificerar företaget, förutom kassamedel, disponibla tillgodohavanden hos banker och andra kreditinstitut samt kortfristiga likvida placeringar som är noterade på en marknadsplats och har en kortare löptid än tre månader från anskaffningstidpunkten. Förändringar i spärrade medel redovisas i investeringsverksamheten.

Eget kapital
Eget kapital delas in i bundet och fritt kapital, i enlighet med ÅRLs indelning.

Obeskattade reserver
Obeskattade reserver redovisas med bruttobelopp i balansräkningen, inklusive den uppskjutna skatteskuld som är hänförlig till reserverna.

20220617128 46

Bokslutsdispositioner
Förändringar av obeskattade reserver och koncernbidrag redovisas som bokslutsdispositioner i resultaträkningen.

Aktier och andelar i dotterföretag
Aktier i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott och koncernbidrag läggs till anskaffningsvärdet när de uppkommer. Utdelning från dotterföretag redovisas som intäkt.

Andelar i dotterföretag
Bolaget utvärderar kontinuerligt de bokförda värdena på anläggningstillgångar. Finns en indikation på att någon anläggningstillgångs värde kan ha minskat fastställs tillgångens återvinningsvärde. Med återvinningsvärde avses det högsta av en tillgångs nettoförsäljningsvärde och nyttjandevärde. En tillgångs nyttjandevärde beräknas genom att diskontera framtida kassaflöden. Detta har gjorts för posten Andelar i dotterföretag där det bokförda värdet överstiger dotterföretagets egna kapital. Nyttjandevärdet har beräknats utifrån bedömda framtida kassaflöden, vilka är baserade på fastställd budget och då det diskonterade framtida kassaflödet överstiger det bokförda värdet anses inget nedskrivningsbehov föreligga.

Materiella anläggningstillgångar
I moderföretaget görs inga avsättningar för återställandekostnader i samband med förvärv av materiella anläggningstillgångar. I stället tillämpas principen att avsättning för återställandekostnader görs successivt.

Likvida medel
Dessa klassificeras som fordran i balansräkningen och som likvida medel i kassaflödesanalysen.

Leasingavtal
Samtliga leasingavtal där företaget är leasetagare redovisas som operationell leasing (hyresavtal), oavsett om avtalen är finansiella eller operationella. Leasingavgiften redovisas som en kostnad linjärt över leasingperioden.
Hyra av kontorslokaler klassificeras som operationell leasing.

Nyckeltalsdefinitioner
Soliditet
Eget kapital och obeskattade reserver (med avdrag för uppskjuten skatt) i förhållande till balansomslutningen.

Not 2 Nettoomsättningens fördelning

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Nettoomsättningen per geografisk marknad		
Afrika	14 772	15 003
Australien	3 708 098	5 117 813
Asien	17 165 047	20 297 239
Europa exkl. Norden	203 403 874	178 132 774
Norden exkl. Sverige	31 345 417	27 226 405
Sverige	113 452 226	108 034 385
USA	290 795	599 301
	369 380 229	**339 422 920**

Not 3 Leasingavtal

Årets leasingkostnader avseende leasingavtal, uppgår till 10 756 681 kronor.

Framtida leasingavgifter, för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Inom ett år	12 445 167	11 003 252
Senare än ett år men inom fem år	35 181 352	36 780 619
Senare än fem år	0	0
	47 626 519	**47 783 871**

Not 4 Arvode till revisorer

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
PWC		
Revisionsuppdrag	170 499	384 615
Övriga tjänster	562	374 658
	171 061	**759 273**

Not 5 Övriga ränteintäkter och liknande resultatposter

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ränteintäkter från koncernföretag	750 641	709 037
Övriga ränteintäkter	5 348	218 211
Kursdifferenser	3 785 044	3 128 001
	4 541 033	**4 055 249**

20220617128 47

Not 6 Räntekostnader och liknande resultatposter

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Räntekostnader till koncernföretag	0	-74 819
Övriga räntekostnader	-68 172	-419 350
Kursdifferenser	-2 690 100	-5 467 157
	-2 758 272	**-5 961 326**

Not 7 Anställda och personalkostnader

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Medelantalet anställda		
Kvinnor	104	106
Män	46	51
	150	**157**
Löner och andra ersättningar		
Styrelse och verkställande direktör	1 696 402	4 449 316
Övriga anställda	73 829 500	76 278 730
	75 525 902	**80 728 046**
Sociala kostnader		
Pensionskostnader för övriga anställda	10 686 412	11 944 820
Övriga sociala avgifter enligt lag och avtal	26 489 512	27 876 150
	37 175 924	**39 820 970**
Totala löner, ersättningar, sociala kostnader och pensionskostnader	**112 701 826**	**120 549 016**
Könsfördelning bland ledande befattningshavare		
Andel kvinnor i styrelsen	33 %	33 %
Andel män i styrelsen	67 %	67 %

Not 8 Inköp och försäljning mellan koncernföretag

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Andel av årets totala inköp som skett från andra företag i koncernen	1,70 %	4,30 %
Andel av årets totala försäljningar som skett till andra företag i koncernen	2,50 %	4,20 %

Not 9 Transaktioner med närstående

Uppgifter om moderföretaget

Abigo Medical AB och dess samtliga dotterbolag ingår i Essity-koncernen och omfattas av koncernredovisning upprättad av Essity Aktiebolag (publ). Morderbolag är Essity Group Holding BV (33181970) med säte i Amsterdam, Nederländerna. För vidare information hänvisas till års- och hållbarhetsredovisning upprättad av Essity Aktiebolag (publ), org 556012-6293, med säte i Stockholm.

Nedanstående transaktioner genomfördes på affärsmässiga villkor i enlighet med Internprispolicy för Abigo koncernen.

	2021-12-31	2020-12-31
Inköp av varor		
Abigo Pharma A/S	0	7 731 922
	0	**7 731 922**
Inköp av tjänster		
Abigo Fastighets AB (hyra Askersund)	5 683 882	5 637 602
	5 683 882	**5 637 602**
Försäljning av varor		
Abigo Pharma A/S	4 377 851	3 457 983
Abigo Medical AS	5 531 598	3 471 308
Abigo Medical OY	77 022	268 914
	9 986 471	**7 198 205**

Lån till koncernbolag

Avser låneavtal mot Abigo Fastighets AB. Fordringar löper med ränta motsvarande Abigo Medical AB:s checkräkningskredit vid varje månadsslut.

Lån från moderbolag		
Ingående skuld	0	51 500 000
Amotering och avräkningar	0	-51 574 819
Ränta	0	74 819
Tillkommande lån		0
	0	**0**

Avser ägarlån från Gobia Enterprises AB.

Lån till dotterbolag		
Lång fordr Abigo Pharma A/S	0	1 908 696
Lång fordr Abigo Fastighets AB	51 011 420	20 674 996
	51 011 420	**22 583 692**

Avser förlagslån till Abigo Pharma A/S (varav 1.500.000:- DKK avser täckning av egenkapital) och låne avtal mot Abigo Fastighets AB. Fordringar löper med en ränta motsvarande Abigo Medical AB:s checkräkningskredit vid varje månadsslut.

20220617128 48

Not 10 Aktuell och uppskjuten skatt

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Skatt på årets resultat		
Aktuell skatt	11 242 775	8 675 106
Justering avseende tidigare år	64 200	0
Totalt redovisad skatt	**11 306 975**	**8 675 106**

Avstämning av effektiv skatt

		2021-01-01 -2021-12-31		2020-01-01 -2020-12-31
	Procent	**Belopp**	**Procent**	**Belopp**
Redovisat resultat före skatt		52 608 572		38 379 091
Skatt enligt gällande skattesats	20,6	-10 837 366	21,4	-8 213 125
Ej avdragsgilla kostnader	0,6	-309 311	1,5	-561 132
Ej skattepliktiga intäkter	0,0	1	-0,4	171 161
Justering avseende skatter för föregående år	0,1	-64 200	0,0	0
Skatteeffekt periodiseringsfond	0,2	-96 099	0,2	-72 011
Öresutjämning				0
Redovisad effektiv skatt	**21,5**	**-11 306 975**	**22,6**	**-8 675 107**

Not 11 Koncessioner, patent, licenser, varumärken samt liknande rättigheter

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ingående anskaffningsvärden	13 630 367	13 780 367
Försäljningar/utrangeringar	0	-150 000
Utgående ackumulerade anskaffningsvärden	**13 630 367**	**13 630 367**
Ingående avskrivningar	-13 630 367	-13 699 117
Försäljningar/utrangeringar	0	71 250
Årets avskrivningar	0	-2 500
Utgående ackumulerade avskrivningar	**-13 630 367**	**-13 630 367**
Utgående redovisat värde	**0**	**0**

Not 12 Förskott avseende immateriella anläggningstillgångar

	2021-12-31	2020-12-31
Påg. proj & förskott	0	1 135 134
	0	**1 135 134**

Not 13 Goodwill

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ingående anskaffningsvärden	7 178 698	7 178 698
Försäljningar/utrangeringar	-7 178 698	
Utgående ackumulerade anskaffningsvärden	**0**	**7 178 698**
Ingående avskrivningar	-2 991 124	-1 555 385
Försäljningar/utrangeringar	3 708 994	
Årets avskrivningar	-717 870	-1 435 739
Utgående ackumulerade avskrivningar	**0**	**-2 991 124**
Utgående redovisat värde	**0**	**4 187 574**

Not 14 Förbättringsutgifter på annnans fastighet

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	0	0
Inköp	3 072 255	0
Utgående ackumulerade anskaffningsvärden	**3 072 255**	**0**
Ingående avskrivningar	0	0
Årets avskrivningar	-25 602	0
Utgående ackumulerade avskrivningar	**-25 602**	**0**
Utgående redovisat värde	**3 046 653**	**0**

Not 15 Maskiner och andra tekniska anläggningar

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ingående anskaffningsvärden	49 384 877	46 194 543
Inköp	630 123	3 459 885
Försäljningar/utrangeringar	-247 830	-269 551
Utgående ackumulerade anskaffningsvärden	**49 767 170**	**49 384 877**
Ingående avskrivningar	-23 866 894	-19 674 152
Försäljningar/utrangeringar	456 724	188 304
Årets avskrivningar	-5 041 310	-4 381 046
Utgående ackumulerade avskrivningar	**-28 451 480**	**-23 866 894**
Utgående redovisat värde	**21 315 690**	**25 517 983**

20220617128 49

Not 16 Inventarier, verktyg och installationer

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ingående anskaffningsvärden	4 836 791	3 481 953
Inköp	828 188	1 354 838
Försäljningar/utrangeringar	-68 590	0
Utgående ackumulerade anskaffningsvärden	**5 596 389**	**4 836 791**
Ingående avskrivningar	-2 188 445	-1 846 613
Försäljningar/utrangeringar	58 064	0
Årets avskrivningar	-520 802	-341 832
Utgående ackumulerade avskrivningar	**-2 651 183**	**-2 188 445**
Utgående redovisat värde	**2 945 206**	**2 648 346**

Not 17 Pågående nyanläggningar och förskott avseende materiella anläggningar

	2021-12-31	2020-12-31
Inköp	14 321 254	0
Utgående ackumulerade anskaffningsvärden	**14 321 254**	**0**
Utgående redovisat värde	**14 321 254**	**0**

Not 18 Förutbetalda kostnader och upplupna intäkter

	2021-12-31	2020-12-31
Förutbetalda hyror	2 717 157	2 220 277
Förutbetalda årsavgifter	622 415	154 949
Förutbetalda försäkringar	1 605 221	1 145 239
Förutbetald mässsor/marknadsföring/CRM	303 675	53 517
Förutbetald datorprogram	195 667	538 175
Övriga förutbetalda kostnader	134 436	176 352
Upplupen intäkt	78 766	267 605
	5 657 337	**4 556 114**

Not 19 Exceptionella intäkter

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Försäljning Pharma division	-18 643 095	0
	-18 643 095	**0**

Not 20 Avsättningar

	2021-12-31	2020-12-31
Pensioner och liknande förpliktelser		
Belopp vid årets ingång	0	73 513
Under året återförda belopp	0	-73 513
	0	**0**
Uppskjuten skatteskuld		
Belopp vid årets ingång	0	19 995
Under året återförda belopp	0	-19 995
	0	**0**
Övriga avsättningar		
Belopp vid årets ingång	0	500 000
Under året återförda belopp	0	-500 000
	0	**0**

Not 21 Långfristiga skulder

	2021-12-31	2020-12-31
Förfaller senare än ett år men inom fem år efter balansdagen		
Tilläggsköpeskilling Amellnova	0	1 254 871
	0	**1 254 871**

Not 22 Checkräkningskredit

	2021-12-31	2020-12-31
Beviljat belopp på checkräkningskredit uppgår till	5 000 000	22 000 000
Utnyttjad kredit uppgår till	0	0
	5 000 000	**22 000 000**

Not 23 Likvida medel

	2021-12-31	2020-12-31
Likvida medel		
Kassamedel	43 666 276	33 426 617
	43 666 276	**33 426 617**

Not 24 Bokslutsdispositioner

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Avsättning till periodiseringsfond	-17 000 000	-5 000 000
Återföring från periodiseringsfond	4 200 000	4 200 000
Lämnade koncernbidrag	0	-300 000
Förändring av överavskrivningar	-1 000 000	-1 400 000
	-13 800 000	**-2 500 000**

Not 25 Upplupna kostnader och förutbetalda intäkter

	2021-12-31	2020-12-31
Upplupen löneskatt	5 363 774	5 378 566
Upplupna semesterlöner	9 465 038	9 589 180
Upplupna sociala avgifter	3 273 453	5 467 835
Upplupen revision	247 199	297 500
Övriga poster	2 312 064	4 628 872
	20 661 528	**25 361 953**

20220617128 50

Not 26 Justering för poster som inte ingår i kassaflödet

	2021-12-31	2020-12-31
Inkurans varulager	-1 005 624	192 184
Orealiserade kursvinster	2 116 259	2 284 838
Orealiserade kursförluster	-2 280 738	-4 308 202
Vinst/förlust vid utrangering maskiner och inventarier	74 145	159 996
	-1 095 958	**-1 671 184**

Not 27 Andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde 2021-12-31	Bokfört värde 2020-12-31
Abigo Pharma A/S	100	100	100	2 116 025	2 116 025
Abigo Medical AS	100	100	100	4 628 070	4 628 070
Abigo Medical OY	100	100	100	920 000	920 000
Abigo Fastighets AB	100	100	100	100 000	100 000
				7 764 095	**7 764 095**

	Org.nr	Säte
Abigo Pharma A/S	12927983	Roskilde DK
Abigo Medical AS	995602091	Askim NO
Abigo Medical OY	2653682-3	Helsingfors FI
Abigo Fastighets AB	556792-6935	Askim SE

Not 28 Resultat från andelar i koncernföretag

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Resultat vid avyttringar	0	799 815
	0	**799 815**

Not 29 Ställda säkerheter

	2021-12-31	2020-12-31
För skulder till kreditinstitut:		
Ställda säkerheter	29 200 000	29 200 000
	29 200 000	**29 200 000**

Not 30 Obeskattade reserver

	2021-12-31	2020-12-31
Ackumulerade överavskrivningar	16 400 000	15 400 000
P-fond 2016	0	4 200 000
P-fond 2017	10 750 000	10 750 000
P-fond 2018	3 450 000	3 450 000
P-fond 2019	7 500 000	7 500 000
P-fond 2020	12 000 000	12 000 000
P-fond 2021	5 000 000	5 000 000
P-fond 2022	17 000 000	0
	72 100 000	**58 300 000**
Skatteeffekt av schablonränta på periodiseringsfond	44 187	72 011

Not 31 Disposition av vinst eller förlust

	2021-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	110 522 383
årets vinst	41 301 597
	151 823 980
disponeras så att	
till aktieägare utdelas	80 000 000
i ny räkning överföres	71 823 980
	151 823 980

Resultat- och balansräkningen kommer att föreläggas på årsstämma för fastställelse.

Askim, den dag som framgår av vår elektroniska signatur.

Fredrik Stenbäcker
Ordförande

Johan Lindberg
Styrelseledamot

Christina Rydebrink
Styrelseledamot

Vår revisionsberättelse har lämnats den dag som framgår av vår elektroniska signatur
Öhrlings PricewaterhouseCoopers AB

Patrik Resebo
Auktoriserad revisor

Deltagare

ABIGO MEDICAL AB Sverige

Signerat med Svenskt BankID — *2022-05-17 11:10:35 UTC*

Namn returnerat från Svenskt BankID: Ralph Fredrik Stenbäcker — Datum

Fredrik Stenbäcker
Verkställande direktör

Leveranskanal: E-post

Signerat med Svenskt BankID — *2022-05-17 17:06:45 UTC*

Namn returnerat från Svenskt BankID: JOHAN LINDBERG — Datum

Johan Lindberg
CFO

Leveranskanal: E-post

Signerat med Svenskt BankID — *2022-05-19 15:02:29 UTC*

Namn returnerat från Svenskt BankID: CHRISTINA RYDEBRINK — Datum

Christina Rydebrink

Leveranskanal: E-post

ÖHRLINGS PRICEWATERHOUSECOOPERS AB 556029-6740 Sverige

Signerat med Svenskt BankID — *2022-05-20 06:37:40 UTC*

Namn returnerat från Svenskt BankID: PATRIK RESEBO — Datum

Patrik Resebo
Auktoriserad revisor

Leveranskanal: E-post

Revisionsberättelse

Till bolagsstämman i Abigo Medical Aktiebolag, org.nr 556336-7795

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Abigo Medical Aktiebolag för år 2021.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Abigo Medical Aktiebolags finansiella ställning per den 31 december 2021 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Abigo Medical Aktiebolag.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Abigo Medical Aktiebolag enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Abigo Medical Aktiebolag för år 2021 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Abigo Medical Aktiebolag enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Göteborg den dag som framgår av vår elektroniska underskrift

Öhrlings PricewaterhouseCoopers AB

Patrik Resebo
Auktoriserad revisor

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Deltagare

ÖHRLINGS PRICEWATERHOUSECOOPERS AB 556029-6740 Sverige

Signerat med Svenskt BankID — *2022-05-20 06:38:27 UTC*

Namn returnerat från Svenskt BankID: PATRIK RESEBO — Datum

Patrik Resebo
Auktoriserad revisor

Leveranskanal: E-post

essity

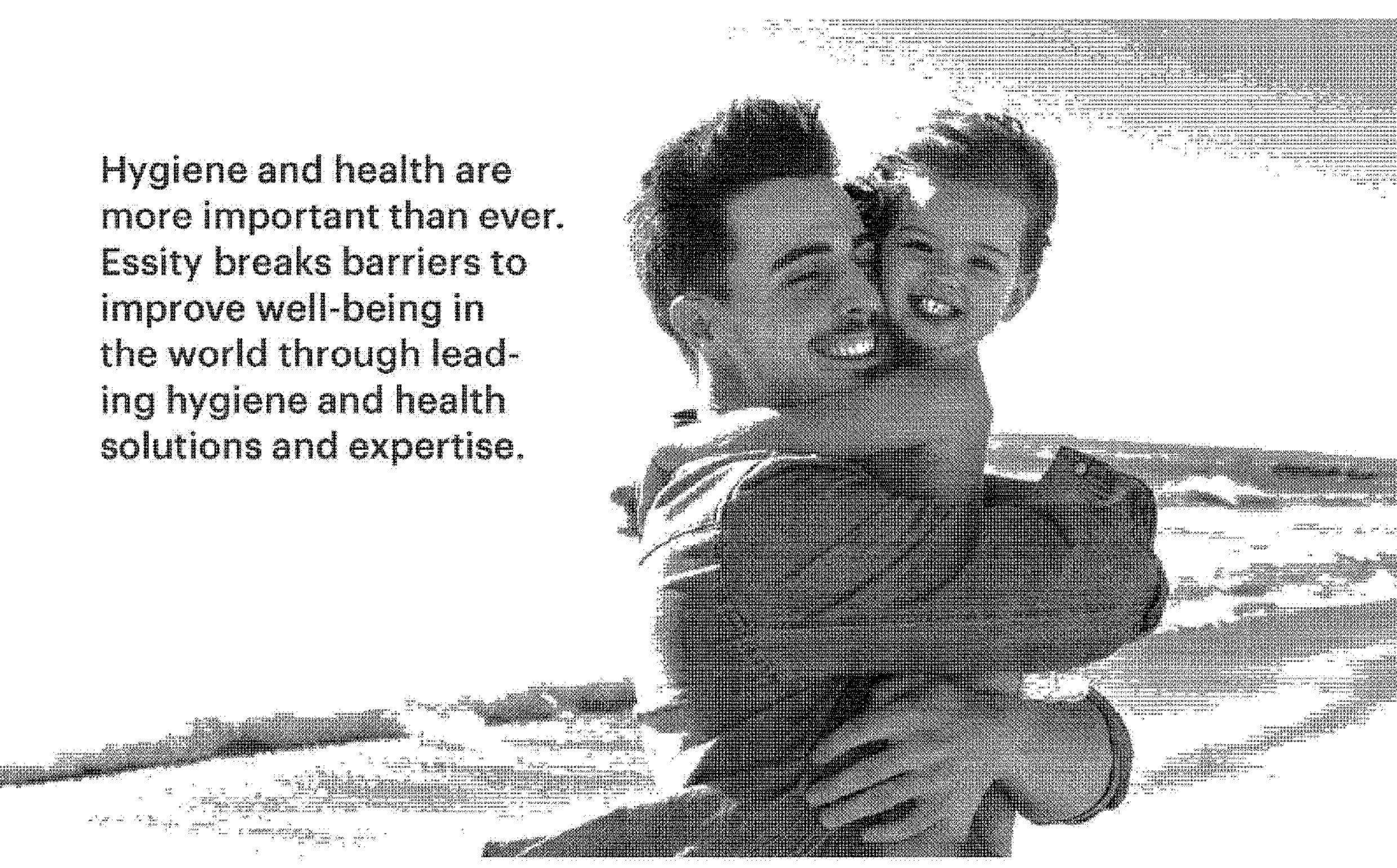
Breaking Barriers to Well-being

Under the JOBST brand, we offer compression therapy solutions that enable people with venous or lymphatic conditions to live the life they want without compromise.

Annual and Sustainability Report 2021

Essity Aktiebolag (publ)

Hygiene and health are more important than ever. Essity breaks barriers to improve well-being in the world through leading hygiene and health solutions and expertise.



Contents

Introduction

1 This is Essity
2 The year at a glance
4 CEO's message

The Essity share

6 The share
8 Information to shareholders

Strategy

9 External environment and market
11 Materiality analysis
12 Purpose and vision
13 Business model
14 Strategic priorities for profitable and sustainable growth
20 Targets and outcomes
21 Contribution to the UN Sustainable Development Goals

Business areas

22 Personal Care
24 Consumer Tissue
26 Professional Hygiene

Group

28 Operations and structure
29 Acquisitions, investments and divestments
30 Other Group information
32 Net sales and earnings
33 Cash flow and financing
34 Financial position
35 Risks and risk management

Sustainability

43 Essity's sustainability work
44 Improved well-being
46 Reduced environmental impact
50 Attractive and engaging employer
53 Business ethics and human rights
54 Sustainability governance

Corporate Governance Report

55 Corporate governance
62 Board of Directors and Auditors
64 Executive Management Team

Financial statements including notes

66 Contents
68 Financial statements, Group
74 Financial notes, Group
117 Financial statements, Parent company
118 Financial notes, Parent company
123 Sustainability notes, Group
132 Proposed disposition of earnings
133 Auditor's report

137 Index statutory sustainability report and GRI, TCFD and SASB index
139 Auditor's Combined Assurance Report
140 Remuneration report 2021

Essity data

142 Description of costs and Raw materials
143 Production facilities
144 Financial multi-year summary

The Annual and Sustainability Report 2021 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 6–8 and 22–136 and include the auditor's report. Essity's Sustainability Report is prepared in accordance with GRI Reporting Standards: Core, 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 137–138. It also constitutes Essity's Communication on Progress (COP) to the UN Global Compact. Pages 35–54 and 123–131 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 13.

This is Essity

Essity is a leading global hygiene and health company that is breaking barriers to well-being.

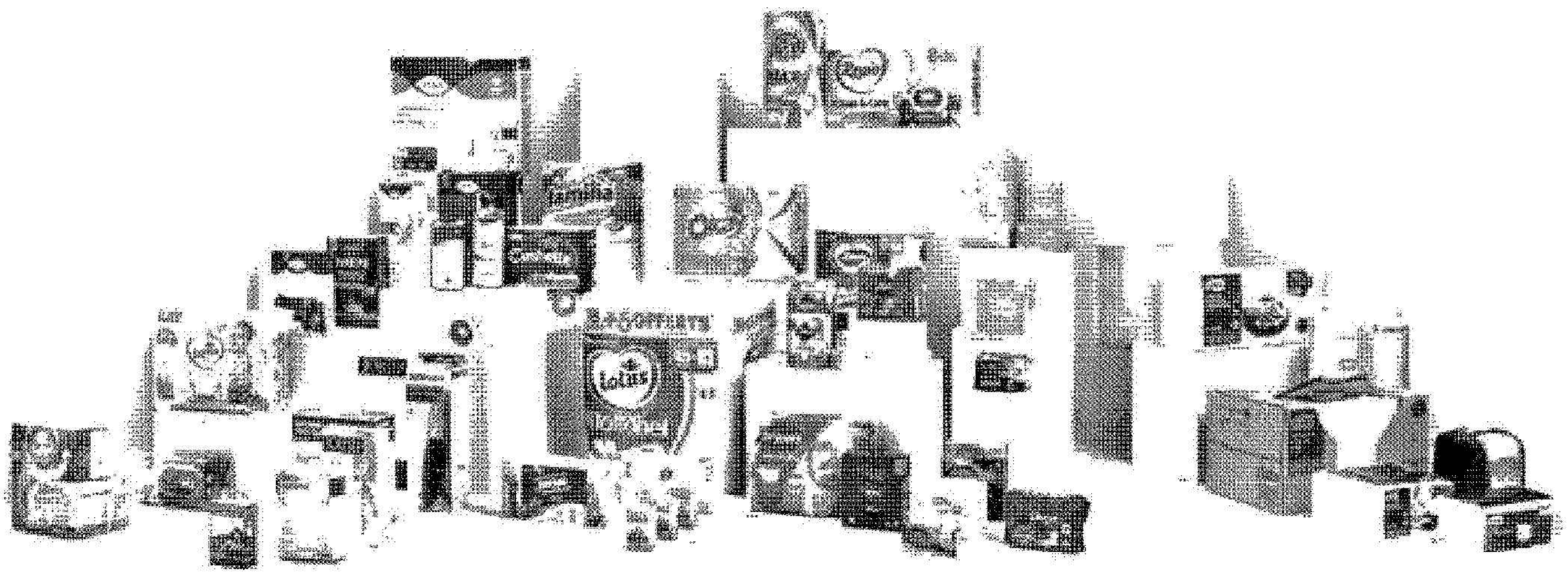
The company is listed on Nasdaq Stockholm. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands, such as JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa.

Essity is active in an expanding market where favorable trends such as longer life expectancy, higher living standards and greater awareness of the importance of hygiene and health support future growth. Essity is growing its presence in emerging markets.

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

Essity is continuing its transformation through growth, both organically and through acquisitions, within the categories and adjacent product areas with the highest profitability.

By leading in sustainability and by valuing diversity, equity and inclusion, Essity gains competitive advantages and increases value for customers, consumers, employees, society and shareholders.



Business areas

Personal Care

Personal Care includes the Incontinence Products, Medical Solutions, Baby Care and Feminine Care categories. The offering includes incontinence products, baby diapers, pads, panty liners, tampons, washable absorbent underwear, reusable menstrual cups, wet wipes, skincare products and digital solutions with sensor technology, as well as products and services in wound care, compression therapy and orthopedics.

Consumer Tissue

Consumer Tissue includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes, napkins and face masks.

Professional Hygiene

Professional Hygiene includes complete hygiene solutions, including toilet paper, paper hand towels, napkins, microfiber cloths, cleaning and wiping products, soap, lotion, sanitizer, dispensers, face masks and digital solutions, such as sensor technology that enables data-driven cleaning.

Think ahead.

The year at a glance
Key figures

Sales in approximately
150 countries

Employees, approximately
46,000

Market capitalization, December 31, 2021
208 SEKbn

Net sales, SEKm
121,867

Sales growth[1]
4.5%

Organic sales growth[2]
3.3%

Adjusted EBITA, SEKm[3]
13,680

Adjusted EBITA margin[3]
11.2%

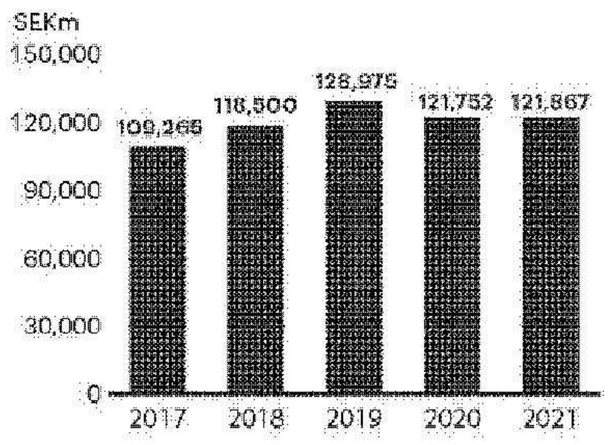
Adjusted return on capital employed[3]
12.0%

Operating cash flow, SEKm
11,118

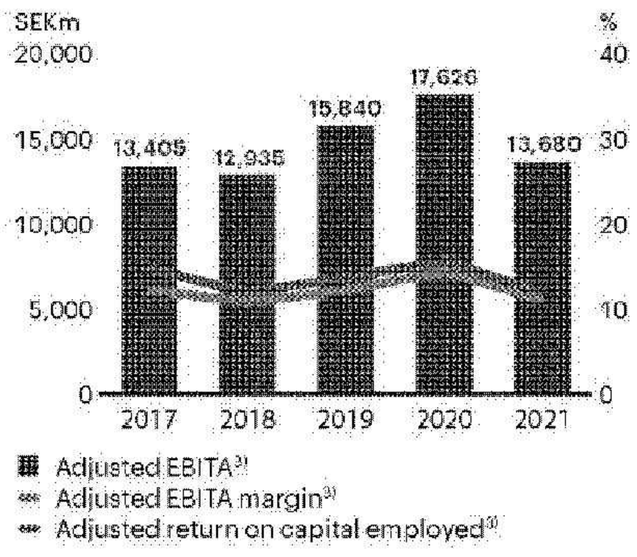
Earnings per share, SEK
12.27

Proposed dividend per share, SEK[4]
7.00

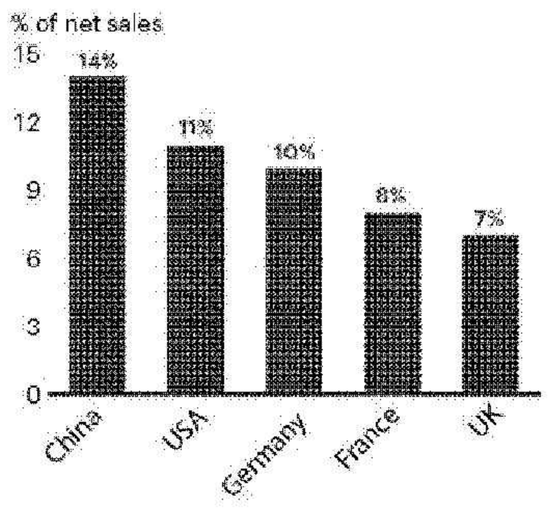
Net sales



Earnings trend



The Group's five largest markets



Net sales by business area



Net sales by distribution channel



E-commerce sales accounted for approximately 14% of net sales.

Net sales by region

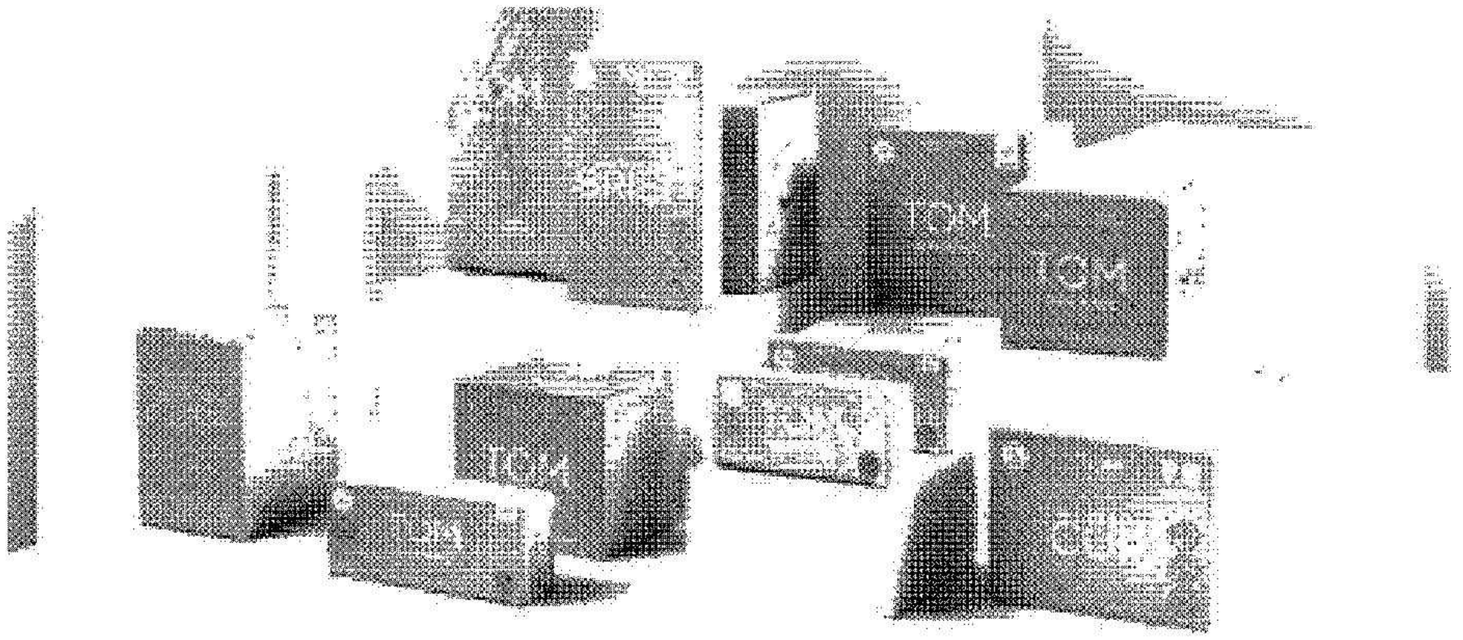


[1] Including organic sales growth and acquisitions.
[2] Excluding exchange rate effects, acquisitions and divestments.
[3] Excluding items affecting comparability.
[4] Board of Directors' dividend proposal.

The year at a glance
Key events

Six acquisitions

Six acquisitions were carried out during the year, which included the Australian hygiene company Asaleo Care and an increase of 45.8% in the shareholding to 95.8% in the Latin American hygiene company Familia. In Medical Solutions, Essity strengthened its presence in advanced wound care and orthopedics in the USA through the acquisitions of Hydrofera as well as AquaCast Liner and the sports tape brands Coach, Elastikon and Zonas. In addition, we finalized the acquisition of the remaining shares in ABIGO Medical AB in advanced wound care.



The TOM Organic brand is part of Essity's offering in Feminine Care following the acquisition of Asaleo Care.

Price increases and cost savings

Essity 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 Roadmap program. Continuous cost savings during the year amounted to SEK 698m.

More reusable products

Essity has expanded its range of reusable products in, for example, Incontinence Products and Feminine Care through the launch of washable absorbent underwear under TENA Silhouette and TENA for Men and under the Libresse, Nana and Bodyform brands. The Libresse® V-Cup menstrual cup was also launched and in Professional Hygiene the Tork microfiber cloths.

New sales growth target

Essity has a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions. This replaces the previous target of organic sales growth of more than 3%.

Increased e-commerce sales and higher market shares

E-commerce sales increased organically by 15.9% to about 14% of net sales. Market shares increased for approximately 70% of branded sales in the retail trade. Market shares also grew in the healthcare sector and the Professional Hygiene business.

Digital solutions

Several digital solutions were launched during the year. These included the TENA Family Care App, which facilitates care of family members in the home, and Cutimed Wound Navigator, a digital wound management solution. More customers are seeing the advantages of Tork Vision Cleaning, which enables cleaners to use real-time data to ensure good hygiene in professional environments.

Preparations for new division in Consumer Tissue

In the Consumer Tissue business area, Essity has begun work to create the new Consumer Tissue Private Label Europe division. Approximately 1,900 employees and seven production facilities in Belgium, France, Italy and Germany will be included in the new division.

Net-zero emissions of greenhouse gases by 2050

New and updated sustainability targets were adopted, including a commitment to reach net-zero greenhouse gas emissions by 2050. This includes raising the ambition level of the company's current Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing.

Production with less climate impact

Several new methods to achieve production free from emissions of fossil greenhouse gases were launched during the year. In Mainz-Kostheim, Germany, a pilot project was initiated with hydrogen from renewable sources, and in Lilla Edet, Sweden, natural gas is being replaced with biogas. In Kawerau, New Zealand, the drying process is using geothermal steam. Production based on pulp from wheat straw was launched in Mannheim, Germany. The pulp produced will have lower carbon emissions, use less water and energy as well as fewer chemicals.

Included in CDP's A List

The global non-profit environmental organization CDP once again recognized Essity's sustainability leadership. Essity was awarded a place on CDP's A List for its work in combating deforestation, and was also recognized for its leadership in relation to climate change.

Leader in diversity work

In the UK business daily Financial Times' annual ranking of diversity work in the business sector in 15 European countries, Essity was named "Diversity Leader" and was ranked 25th out of 15,000 companies. During the year, Essity presented new ambitions for diversity, equity and inclusion and a new Group target.

Cooperation on deforestation and biodiversity

Through the Consumer Goods Forum and its Forest Positive Coalition of Action, Essity is working together with other companies and organizations to address deforestation and promote biodiversity.

New business areas from January 1, 2022

Essity has decided on new business areas from January 1, 2022. The new business areas are Health & Medical, Consumer Goods and Professional Hygiene.

CEO's message

Strong sales growth and focus on price increases

Sales growth was strong during the year and net sales amounted to approximately SEK 122bn. The constant drive of our employees to change and do things better every day has helped to positively impact hygiene and health standards around the world and has strengthened Essity for the future. We continued to capture market shares and reported strong e-commerce growth. Six acquisitions were completed, of which four in Medical Solutions, one of our most profitable categories. In parallel, 2021 entailed significant challenges in our operating environment, which we addressed through strong actions. We implemented price increases and further price increases will be implemented in 2022 to offset the strong cost inflation.

Strong sales growth

Sales growth, including organic sales growth and acquisitions, was 4.5%, of which organic sales growth amounted to 3.3%. Net sales amounted to approximately SEK 122bn. All business areas demonstrated organic sales growth. Medical Solutions and Feminine Care had strong organic sales growth of 10.8% and 10.0%, respectively. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. At the same time, our hygiene and health solutions are more important than ever, and we see a rapid increase in sales when societies re-open and restrictions are lifted.

Earnings of SEK 13.7bn and higher dividend

Due to the significant cost inflation, primarily for raw materials, energy and distribution, adjusted EBITA fell 22% to SEK 13,680m and the adjusted EBITA margin was 11.2%. We implemented price increases in all business areas and further increases will be implemented in 2022 to offset the strong cost inflation. We delivered higher volumes, a better mix and efficiency improvements that offset some of the cost inflation. The adjusted return on capital employed was 12.0%. Earnings per share were SEK 12.27. The Board of Directors proposes an 4% increase in the dividend to SEK 7.00 per share for the 2021 fiscal year.

» Further price increases will be implemented in 2022 to offset the strong cost inflation.«

Value-creating acquisitions

We had a high acquisition pace. Six acquisitions were completed during the year. We now own 100% of the Australian hygiene company Asaleo Care and we have increased our shareholding by 45.8% to 95.8% in the Latin American hygiene company Familia.

In Medical Solutions, we strengthened our presence in advanced wound care and orthopedics in the USA through the acquisitions of Hydrofera as well as AquaCast Liner and the sports tape brands Coach, Elastikon and Zonas. In addition, we finalized the acquisition of the remaining shares in ABIGO Medical AB in advanced wound care.

Higher market shares, increased e-commerce and innovation

Successful product launches, appreciated brands and a leading position in e-commerce have helped us to increase our market shares for approximately 70% of branded sales in the retail trade. We also grew our market shares in the healthcare sector and in our Professional Hygiene operations.

E-commerce sales increased sharply during the year to approximately SEK 17bn, corresponding to about 14% of net sales.

During the year, we launched innovations with a focus on greater well-being, sustainability and digitalization under leading brands such as TENA, Tork, JOBST, Leukoplast, Libero, Libresse, Plenty, Saba, Tempo and Zewa. Demand for sustainable solutions and the willingness to pay more for these is increasing among customers and consumers. Our launches of reusable products with a lower environmental impact, such as washable absorbent underwear, were a success. We also launched a number of digital solutions during the year to improve everyday life for customers and consumers, such as Cutimed Wound Navigator, a digital solution for wound care.

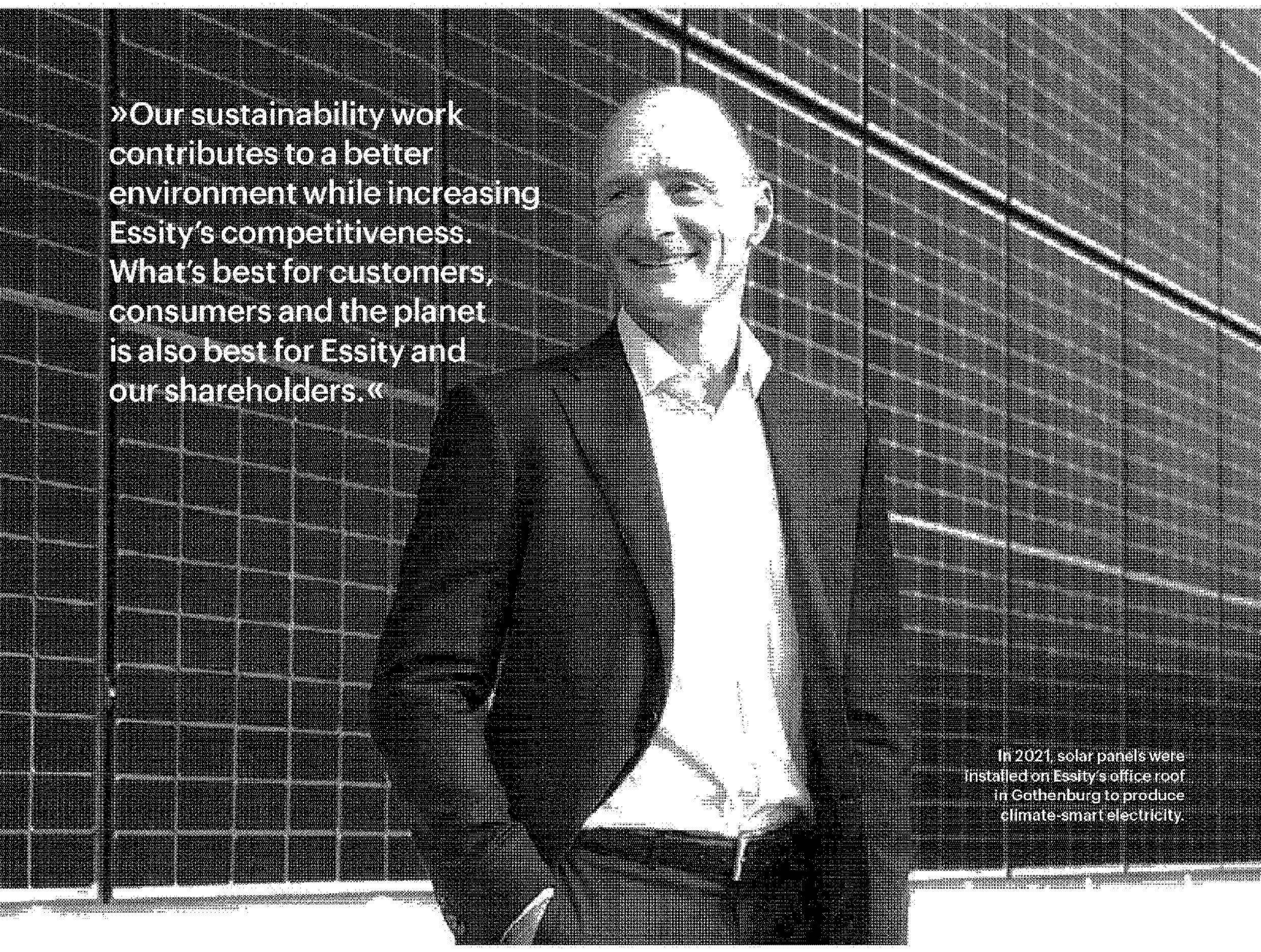
Profitable growth in Asia, Latin America and Eastern Europe

We are growing in emerging markets where market penetration of hygiene and health solutions is significantly lower than in mature markets. Growth is prioritized in markets where Essity already holds strong market positions, such as Asia, Latin America and Eastern Europe. Emerging markets' share of Essity's net sales and profitability has risen over time, supported by favorable market trends, a higher share of premium products, strong brands and broadening of our offerings. In 2021, emerging markets accounted for 38% of net sales and organic sales growth was 8.8%.

Sustainability, a competitive advantage

Sustainability is a strategic priority for long-term profitable growth. Our initiatives contribute to a better environment while increasing Essity's competitiveness.

During the year, we raised our ambitions and have, for example, committed to achieving net-zero emissions of greenhouse gases by 2050. The most important areas have been identified and a plan for target fulfillment drawn up for Science Based Targets 2030 and net-zero emissions by 2050. Actions will be taken throughout the value chain, from raw materials, production and distribution to used products. Fossil fuel is being replaced at



In 2021, solar panels were installed on Essity's office roof in Gothenburg to produce climate-smart electricity.

several of Essity's production facilities with, for example, hydrogen from renewable sources, biogas and geothermal steam, which have a lower environmental impact. Between 2016 and 2021, we reduced our carbon emissions under Science Based Targets, Scope 1 and 2, by 15%.

We will continue to lead in sustainability and during the year, Essity was awarded a place on the global non-profit environmental organization CDP's A List for our work in combating deforestation, and was also recognized for our leadership in relation to climate change. One of the ways Essity works to combat deforestation is through the Consumer Goods Forum and its Forest Positive Coalition of Action, in which we, together with other companies and organizations, work to address deforestation and promote biodiversity.

Diversity, equity and inclusion

As part of our corporate culture, we value and work to increase diversity, equity and inclusion as this deepens and broadens our knowledge and experiences, which benefits customers and consumers. A new Group target for increased diversity was presented during the year.

We have continued to follow the daily priorities we established at the start of the COVID-19 pandemic: care for our people, contribute to society and secure business success.

Essity is a UN Global Compact signatory and once again was a convening partner to the United Nations Foundation's annual Global Dialogue, on how we can work together with our customers to contribute to the UN Sustainable Development Goals.

Looking ahead

As of 2022, Essity's business areas are Health & Medical, Consumer Goods and Professional Hygiene. Based on the needs of our customers and consumers, we will expand our offering and increase the service content in each business area.

In 2022, our price increases will have a further effect and as the COVID-19 pandemic becomes endemic, I look forward to the easing of restrictions and an increase in our sales.

Together with my 46,000 colleagues, we will continue to develop Essity to improve quality of life, achieve our Group targets for growth, profitability and sustainability, and deliver increased shareholder value.

Magnus Groth
President and CEO

The share

The Essity share is quoted on Nasdaq Stockholm. Essity's market capitalization was SEK 208bn at December 31, 2021.

Share price performance in 2021
In 2021, the price of Essity's B share rose 12%. During the same period, the OMX Stockholm 30 Index rose 29% and the MSCI Household Products Index rose 9%. The closing price of Essity's B share at year-end was SEK 295.40. The highest closing price for Essity's Class B share during the year was SEK 305.70, which was noted on November 22, 2021. The lowest closing price was SEK 253.80 on February 26, 2021.

The total shareholder return for Essity's B share for the year was 14%. The total shareholder return for the OMX Stockholm 30 Index was 33% and for the MSCI Household Products 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 7.00 (6.75) per share for the 2021 fiscal year. The dividend represents a dividend yield of 2.4%, 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.

Earnings per share, 2021

12.27 SEK

Proposed dividend per share, 2021[1)]

7.00 SEK

Earnings, dividend and dividend yield



[1)] Board of Directors' dividend proposal.

Share trading
In 2021, the volume of Essity shares traded on Nasdaq Stockholm was about 362 million, corresponding to a value of approximately SEK 101bn. Average daily trading for Essity on Nasdaq Stockholm amounted to approximately 1.4 million shares, corresponding to a value of approximately SEK 398m. During the year, trading on CBOE had turnover of approximately 388 million Essity shares, and other trading venues approximately 363 million.

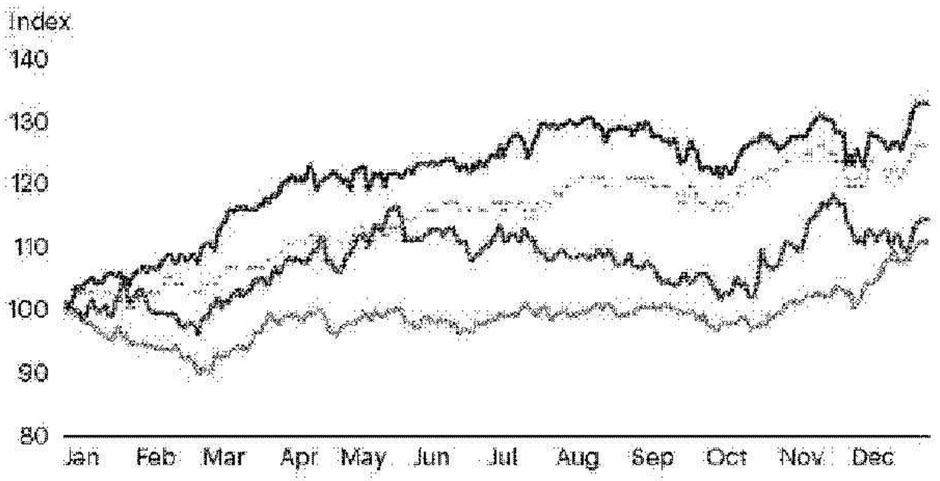
Shareholder structure
51% of the share capital is owned by investors registered in Sweden and 49% by foreign investors. The USA, Luxembourg and the UK account for the highest percentage of shareholders registered outside Sweden.

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.

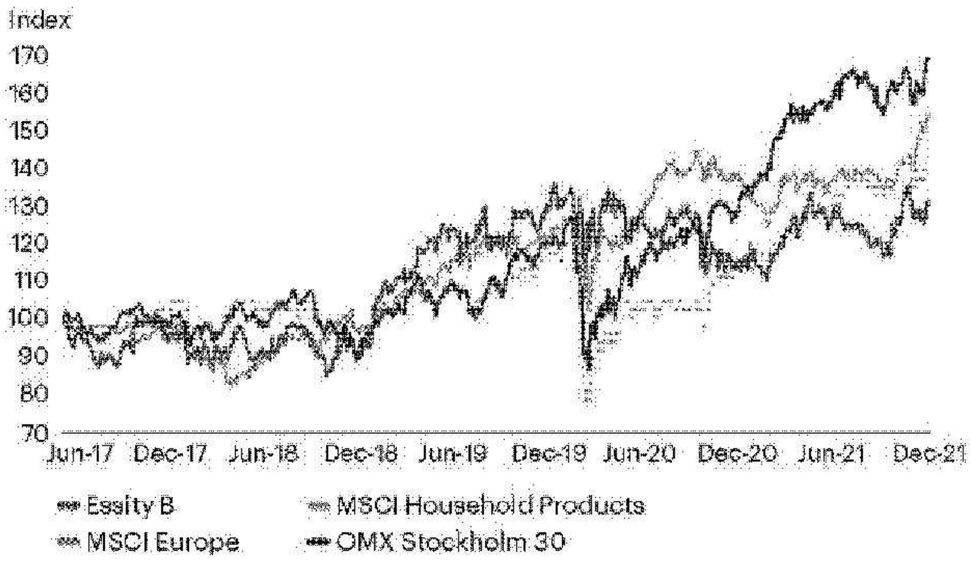
Beta coefficient
The beta coefficient for Essity's B share was 0.35 in 2021. A beta coefficient of less than 1 indicates that the share is less sensitive to market fluctuations than the average.

Shareholder communication and share analysts
Information about the company is available at www.essity.com/investors/ in the form of reports, presentations and financial data together with a current list of analysts that cover Essity.

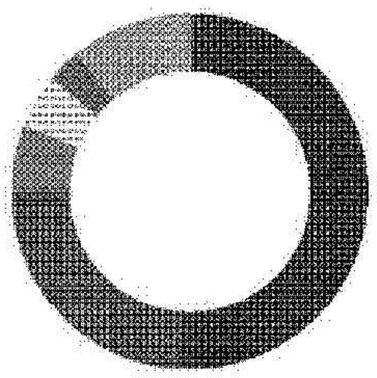
Total shareholder return 2021



Total shareholder return, June 15, 2017 – December 31, 2021



Ownership by country



Total foreign ownership, 49%

Source: Euroclear, December 31, 2021.

Shareholder structure

Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1–1,000	98,169	20,783,319	3.0	3.3
1,001–10,000	14,606	39,548,684	5.6	6.3
10,001–20,000	689	9,837,294	1.4	1.4
20,001–	854	632,173,212	90.0	89.1
Total	**114,318**	**702,342,489**	**100.0**	**100.0**

Source: Euroclear, December 31, 2021.

Share distribution

	Class A	Class B	Total
Number of registered shares	61,415,068	640,927,421	702,342,489

In 2021, 320,104 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 1,255,079,101.
Source: Euroclear, December 31, 2021.

Ticker names

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

Essity's largest shareholders

At December 31, 2021, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights:

Shareholders	Votes (%)	Holding (%)
AB Industrivärden	29.5	10.1
AMF Insurance and Funds	8.1	5.2
Norges Bank Investment Management	6.4	3.7
MFS Investment Management	2.8	5.0
Swedbank Robur Funds	2.0	3.5
Skandia	1.9	0.8
Handelsbanken Fonder	1.4	2.5
SEB Investment Management	1.2	2.1
Nordea Investment Funds	0.8	1.4
SCA AB's and Essity Aktiebolag's (publ) Employee foundations	0.8	0.1
Other owners	45.1	65.6
Total	**100.0**	**100.0**

Essity Aktiebolag (publ) holds no treasury shares.
Source: Euroclear, December 31, 2021.

Data per share

All performance measures include items affecting comparability unless otherwise stated.

SEK per share unless otherwise indicated	2021	2020
Earnings per share before and after dilution	12.27	14.56
Adjusted earnings per share[1]	12.50	15.45
Average price during the year	278.97	294.35
Closing price, December 31	295.40	264.50
Cash flow from current operations[2]	9.82	15.91
Cash flow from operating activities	20.88	25.37
Dividend	7.00[3]	6.75
Dividend yield, %	2.4	2.6
P/E ratio[4]	24	18
P/E ratio, excluding items affecting comparability[4]	24	17
Price/EBITA[5]	19	13
Price/EBITA, excluding items affecting comparability[5]	19	13
Beta coefficient[6]	0.35	0.46
Pay-out ratio, %	57	46
Equity	98	90
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 75–80.
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[1]	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

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:

FTSE4Good
MSCI AAA
Sustainability Award Silver Class 2022 S&P Global

Information to shareholders

Annual General Meeting

The Annual General Meeting will take place on March 24, 2022 and will be conducted in the form of advance voting (postal voting) pursuant to the Swedish Act Temporary Exemptions to Facilitate the Execution of General Meetings, which has been proposed due to coronavirus and is expected to enter into force on March 1, 2022. Hence, shareholders will not be able to physically attend the Meeting in person or by proxy. Instead, Essity welcomes shareholders to exercise their voting rights at the Meeting by advance voting in the manner described below. Information on the resolutions passed at the Meeting will be disclosed on March 24, 2022, as soon as the outcome of the advance voting has been finally confirmed.

The notice convening the Annual General Meeting can be found on the company website www.essity.com.

Right to participate

A person who wishes to participate in Essity's Annual General Meeting by advance voting must:

- *partly* be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Wednesday, March 16, 2022;
- *partly* give notice of its intention to participate no later than Wednesday, March 23, 2022, by submitting its advance vote in accordance with the instructions under *Advance voting* below, so that the advance vote is received by Euroclear Sweden AB no later than that day.

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 by submitting its advance vote, 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 Wednesday, March 16, 2022. 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 registrations that has been made by the nominee no later than Friday, March 18, 2022, will be taken into account in the presentation of the share register.

Advance voting

Shareholders can exercise their voting rights at the Annual General Meeting solely by voting in advance, so-called postal voting. A special form for advance voting must be used. The form is available on Essity's website, www.essity.com. Submission of the form in accordance with the instructions set out below is also considered as notice of participation in the Meeting. The completed form must be received by Euroclear Sweden AB no later than Wednesday, March 23, 2022. The completed form shall be sent to Essity Aktiebolag (publ), "Annual General Meeting", c/o Euroclear Sweden AB, 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 e-mail to GeneralMeetingService@euroclear.com. Further instructions and conditions can be found in the advance voting form.

Proxies

If a shareholder submits its vote through a proxy, a power of attorney shall be enclosed with the form. If the shareholder is a legal entity, a registration certificate or a corresponding document for the legal entity shall be enclosed with the form. Proxy forms are available upon request and on the company's website, www.essity.com.

Nomination Committee

- Helena Stjernholm, AB Industrivärden, the Chairman of the Nomination Committee
- Anders Oscarsson, AMF and AMF Funds
- Jonas Jølle, 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 55–65.

Dividend

The Board of Directors proposes a dividend of SEK 7.00 per share and that the record date for the dividend be Monday, March 28, 2022. Payment through Euroclear Sweden AB is expected to be made on Thursday, March 31, 2022.

Financial information 2022–2023

Report	Reporting period	Publication date
Interim Report	Jan 1–Mar 31, 2022	April 28, 2022
Half-year Report	Jan 1–Jun 30, 2022	July 21, 2022
Interim Report	Jan 1–Sep 30, 2022	October 27, 2022
Year-end Report	2022	January 26, 2023
Annual and Sustainability Report	2022	March 2023

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 Essity's website www.essity.com.

Subscriptions

Subscription to Essity's press releases, annual and sustainability reports, year-end reports, half-year reports and interim reports can be done by registering on the Essity website www.essity.com.

External environment and market

Essity's strategy work includes analyses of the external environment and market as a means of identifying trends, drivers, opportunities and risks. Several favorable market trends, such as demographics, hygiene and health, sustainability and digitalization, create conditions for good growth in the global hygiene and health market.

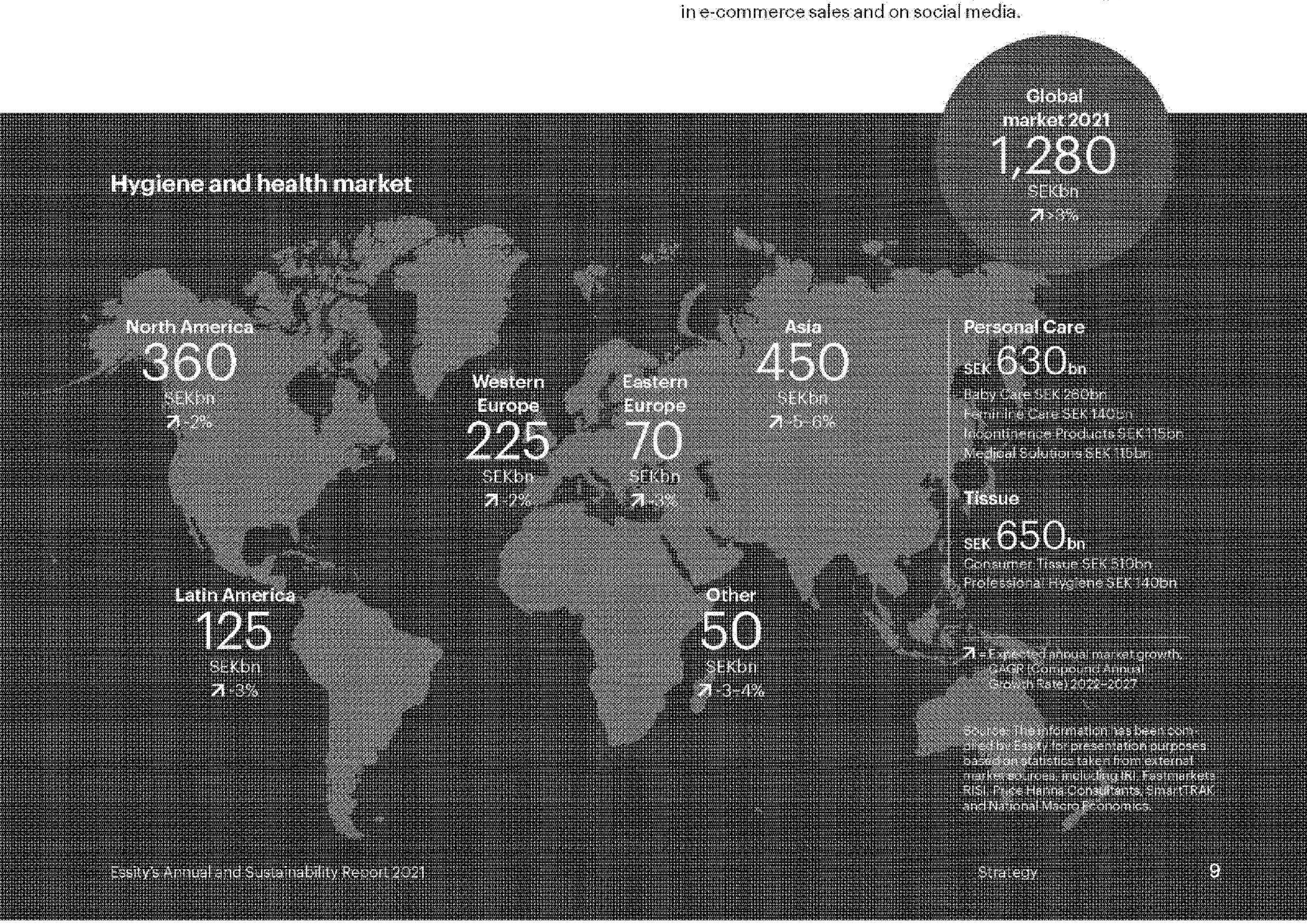
Demographics
The global population is growing and the global average life expectancy is rising. This means greater demand for hygiene and health solutions and offers growth opportunities for Essity. For example, the prevalence of incontinence and various chronic conditions rises with age, increasing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

Hygiene and health
Awareness of the importance of hygiene and health is increasing worldwide and has accelerated further due to the COVID-19 pandemic. There is greater awareness of the importance of preventive measures, good hand hygiene, and cleaning procedures and hygiene solutions in professional environments to avoid the spread of infections. This is expected to increase demand in several of Essity's product categories. Demand is also positively impacted by the reduction in poverty worldwide, the increase in the standard of living and disposable income, and the greater accessibility of healthcare.

Sustainability
There is a growing awareness of sustainability issues such as climate change, resource scarcity, biodiversity and equal opportunities for people. The COP26 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.

Sustainability has long been part of Essity's business strategy, with the aim to develop solutions for a sustainable and circular society. Essity values and works to increase diversity, equity and inclusion. It is crucial that the company is a leader in sustainability to ensure future growth and competitiveness, and to mitigate its risks.

Digitalization
The pace of digitalization in the world is high and the COVID-19 pandemic has further accelerated it. Digitalization concerns all parts of Essity's operations. In order to improve efficiency, quality, service, sales and profitability, Essity is digitalizing its 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.



Essity's market positions

	Global	Europe	North America	Latin America	Asia
Incontinence Products	1	1		1	
Professional Hygiene	1	1	2		
Consumer Tissue	2	1			1
Medical Solutions		1			2
Baby Care		2			
Feminine Care				1	

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.

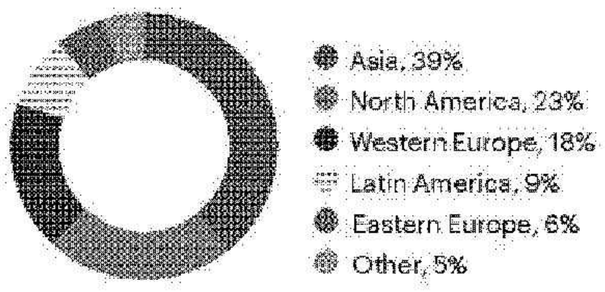
Growth potential in different regions

In emerging markets, market penetration of 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.

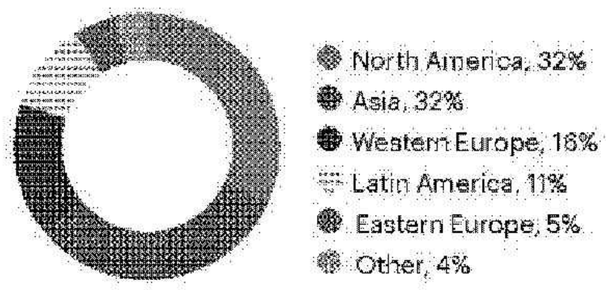
Most of the product categories in mature markets have attained high market penetration, such as baby care and feminine care. This means growth mainly takes place through innovation and higher market shares. While market penetration in incontinence products is relatively high, it is lower in certain product segments. Favorable growth opportunities exist by raising awareness and reducing the stigma surrounding incontinence.

Global market by region

Personal Care



Consumer Tissue



Professional Hygiene

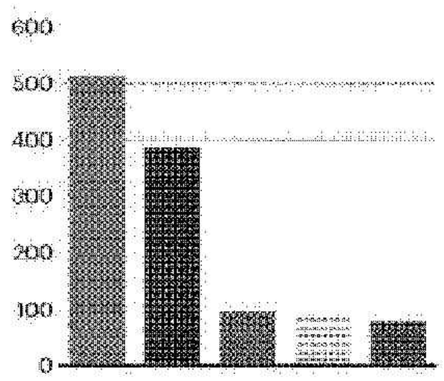


In 2021, the hygiene and health market in mature markets amounted to approximately SEK 670bn and in emerging markets to approximately SEK 610bn.

Use

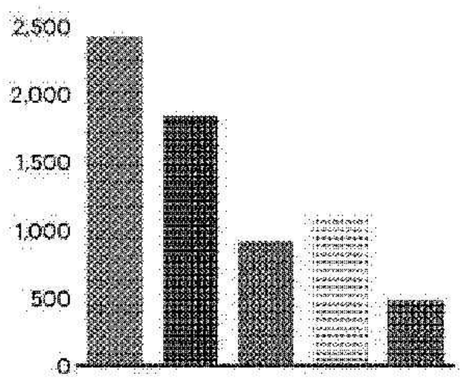
Incontinence Products

Number per person with incontinence/year



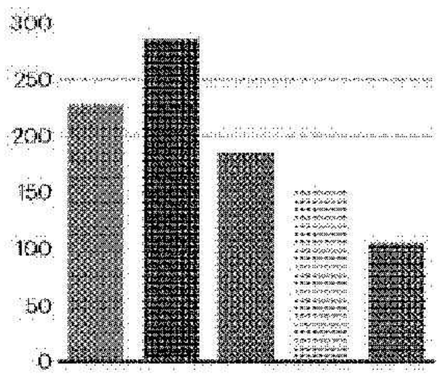
Baby Care

Number per child up to the age of 2.5/year



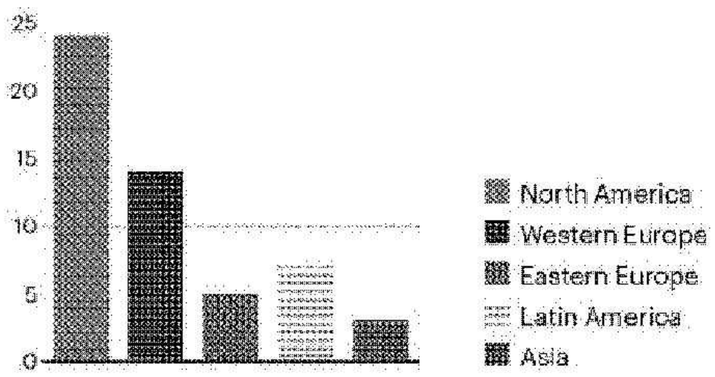
Feminine Care

Number per woman aged 10–54 years/year



Tissue

Kg per capita/year



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 a double materiality analysis, in 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 35–42. 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.

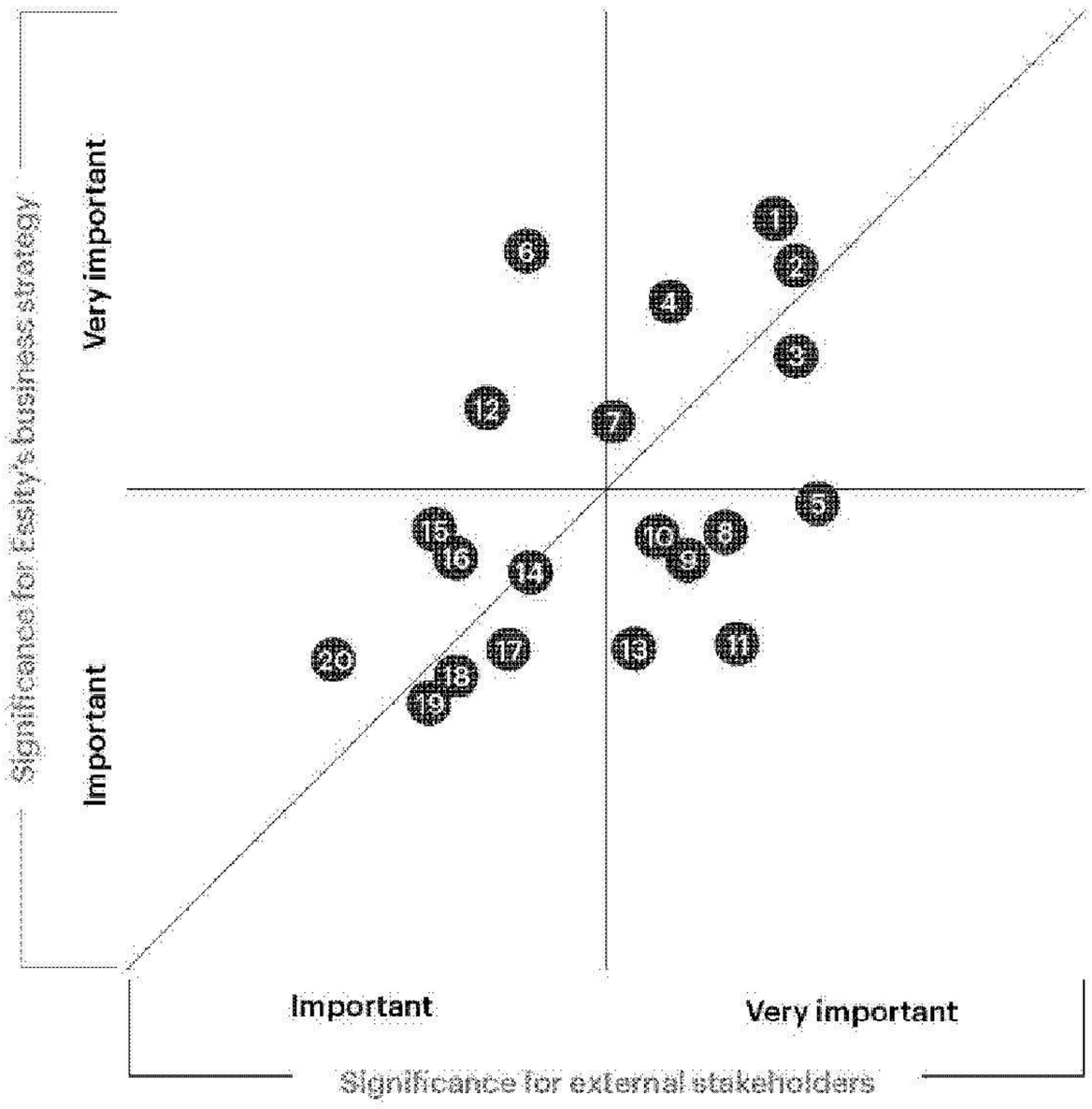
The survey asks the stakeholders to rank the most important topics. The latest survey was conducted in 2021, and resulted in approximately 600 answers. In addition to the materiality analysis, Essity maintains a continuous dialogue at Board of Directors meetings, meetings with shareholders and in daily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



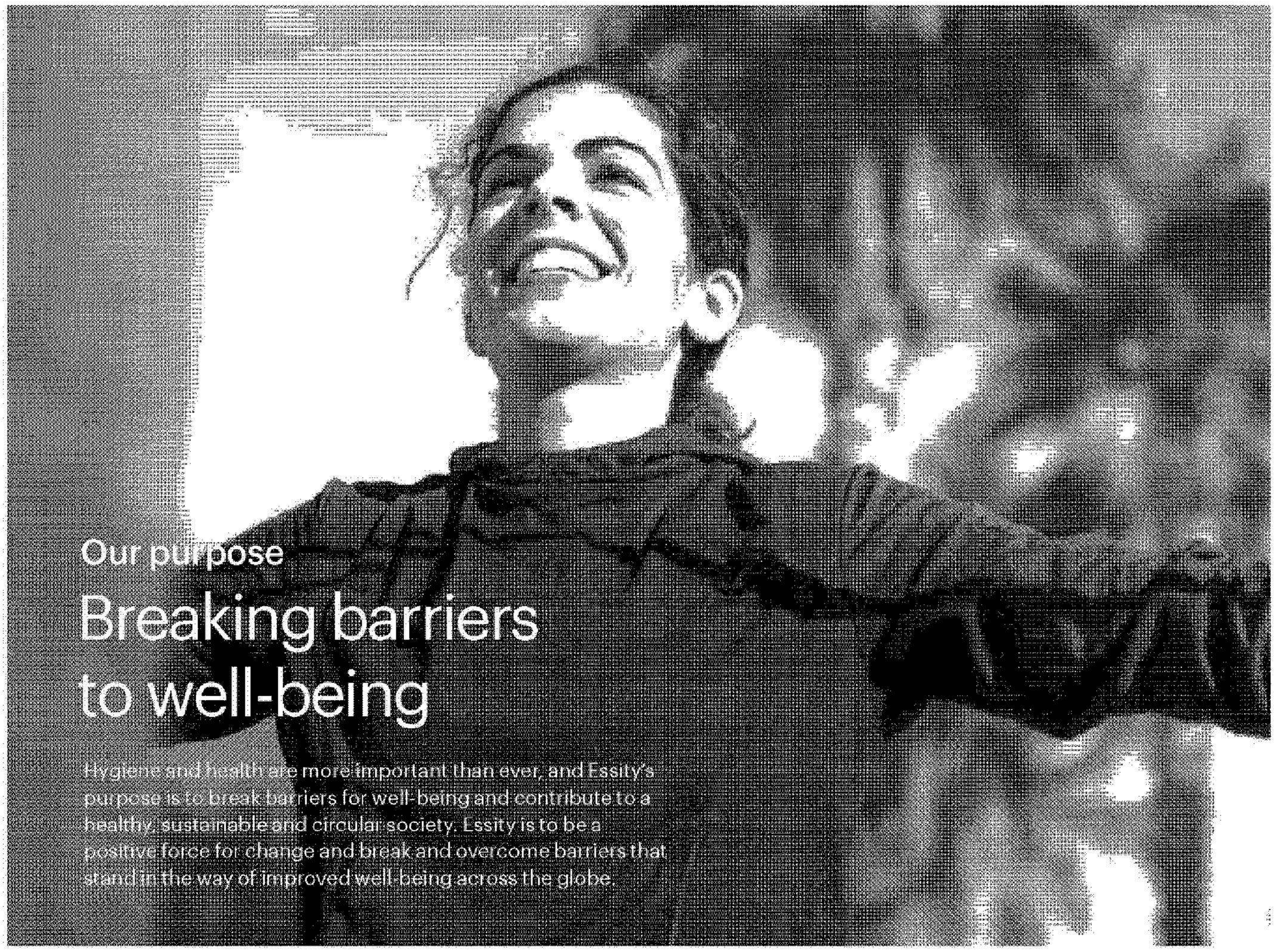
Essity's materiality analysis



The stakeholders' ranking of the subject areas

		Read more on pages
1	Innovation	4, 13, 16, 21, 46, 125
2	Climate action	41–42, 46–47, 127–128
3	Business ethics	53, 123–124
4	Health and well-being	44–45
5	Transparency	54
6	Attractive and responsible employer	50–52, 129–131
7	Plastic and waste	49, 126
8	Human rights	53, 123–124
9	Responsible sourcing and safe products	44–45, 53, 124
10	Corporate governance	55–57
11	Customer relations	9, 11, 125, 145
12	Digitalization	9, 17
13	Efficient supply chain	38
14	Risk management	35–42
15	Brands	22–27, 144
16	Market positions	10
17	Forests and biodiversity	48
18	Laws and regulations	53, 57
19	Water	48, 126
20	Cyber and information security	38

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 for well-being and contribute to a healthy, sustainable and circular society. Essity is to be a positive force for change and 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

Through the vision: Dedicated to improving well-being through leading hygiene and health solutions, Essity strives to achieve long-term value creation for customers, consumers, society, employees and shareholders.

Our mission

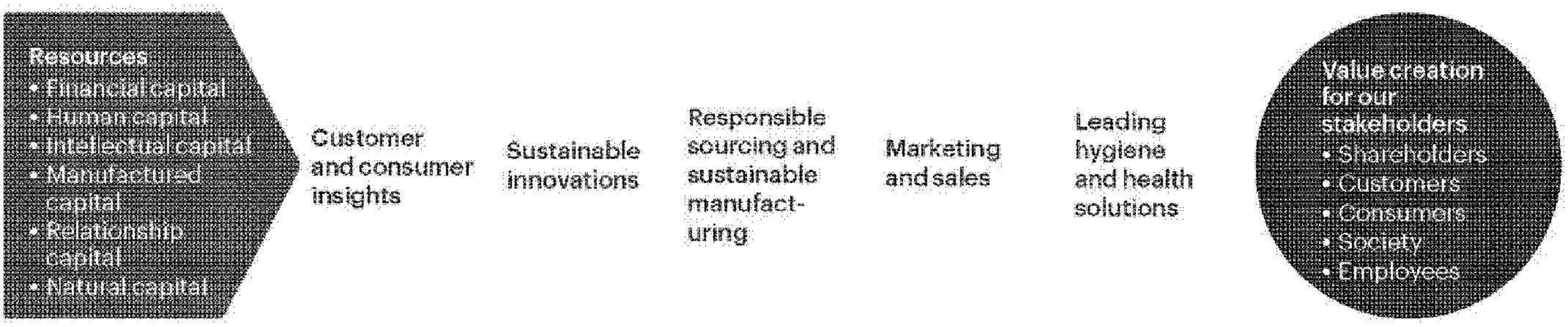
To sustainably develop, produce, market and sell value-added products and services within hygiene and health

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**
- Enable our **employees** to realize their full potential, as part of one winning team

Business model

Business model aimed at achieving profitable growth, sustainable value creation and increased well-being



Resources
Essity utilizes resources in the form of financial capital, where equity amounted to approximately SEK 69bn and net debt approximately SEK 55bn in 2021. Furthermore, human capital is used with approximately 46,000 employees and their expertise, skills and experience, and intellectual capital such as research and development, patents, licenses, innovation, systems and goodwill. Essity utilizes manufactured 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 with whom we share values, credibility and loyalty. Moreover, Essity uses natural capital in its operations, such as forest, energy and water.

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
Constant 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 1.5bn, corresponding to about 1.2% of consolidated net sales.

Responsible sourcing and sustainable manufacturing
In 2021, Essity purchased raw materials and consumables for approximately SEK 46bn. The main raw materials are pulp, recovered fiber and oil-based 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 a sustainable, efficient world-class production. Cost of goods sold amounted to approximately SEK 87bn, of which transport and distribution costs were approximately SEK 12bn. Essity subjects its suppliers to stringent demands and works throughout the supply chain to guarantee responsible sourcing.

Marketing and sales
Essity's marketing costs in 2021 amounted to approximately SEK 6.7bn, corresponding to 5.5% of net sales. An increasing share of marketing is conducted through digital channels. In 2021, the retail trade accounted for 60% of net sales, business-to-business for 22% and the healthcare sector for 18%.

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. Moreover, Essity holds the number one or number two position within at least one product category in approximately 90 countries.

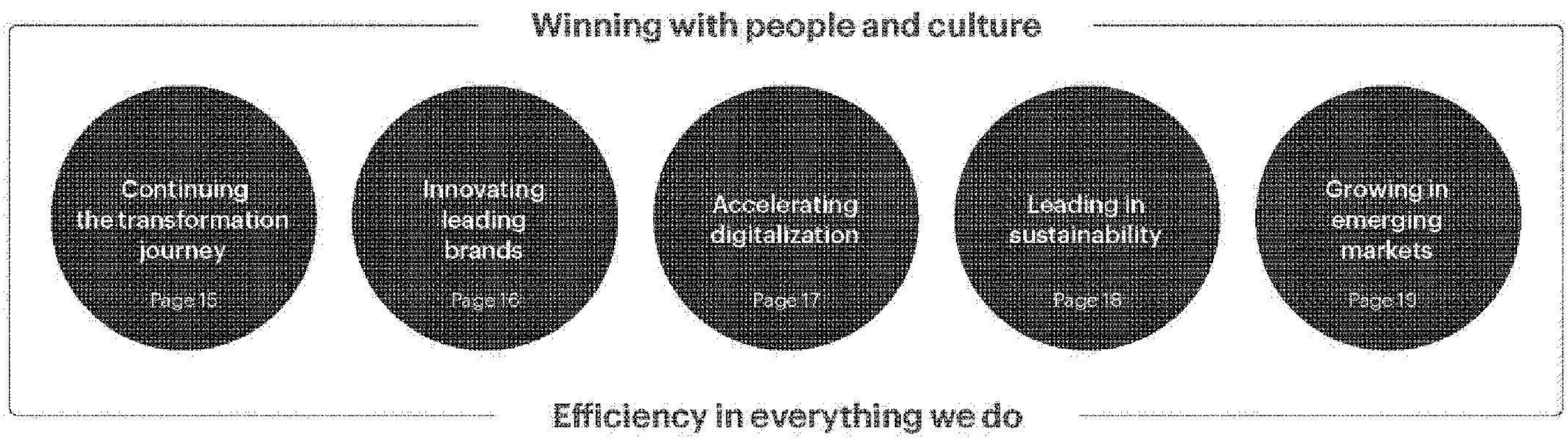
Value creation for our stakeholders
Essity generates value for shareholders through returns and dividends. We work to maximize shareholder value while prioritizing environmental and social issues by taking financial, environmental and social parameters into consideration in our business decisions. Customer and consumer value is created through our solutions by increasing well-being and improving 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.



Strategic priorities for profitable and sustainable growth

Profitable and sustainable growth is achieved through Essity's strategic priorities: continuing the transformation journey, innovating leading brands, accelerating digitalization, leading in sustainability and growing in emerging markets. We are winning with people and culture as well as increased efficiency.

Strategic priorities



Winning with people and culture

To deliver on Essity's strategic priorities and achieve profitable and sustainable growth, Essity is endeavoring to attract and develop the most talented employees and create a culture where people thrive and continuously evolve. The right expertise and good opportunities for development and cooperation form the basis for Essity's success and value creation. We value and work to increase diversity, equity and inclusion. Different backgrounds and experiences lead to successful solutions and results. All employees are to be treated fairly and with respect. Everyone at Essity makes a difference by helping to improve the well-being of people all over the world.

Efficiency in everything we do

Daily improvements are achieved at Essity by focusing on efficiency and quality, which yields greater customer satisfaction, improved profitability and lower climate impact. We strive to increase productivity, reduce material, energy and logistics costs and minimize waste. In parallel, rapid adjustments are enabled for innovations, product adaptations and the best service to customers and consumers. This strengthens the company's competitiveness, enhances financial performance and reduces environmental impact. Digitalization, innovation, global economies of scale and knowledge sharing contribute to increasing efficiency in the production and supply chain as well as logistics and distribution. During 2021, Essity achieved SEK 698m in continuous cost savings. These include savings in sourcing, production and material rationalization.

The Manufacturing Roadmap program extends until 2025 and is expected to contribute to Essity's total annual cost savings of SEK 500–1,000m through optimized production structure, efficiency improvements and raw material and energy savings. These measures facilitate growth without investments increasing at the same pace. Working capital is expected to decrease by more than SEK 1,000m. The objective is to also utilize new production methods to reduce exposure to wood-based fresh-fiber pulp by approximately 10%, which will result in reduced volatility for the company's profitability.



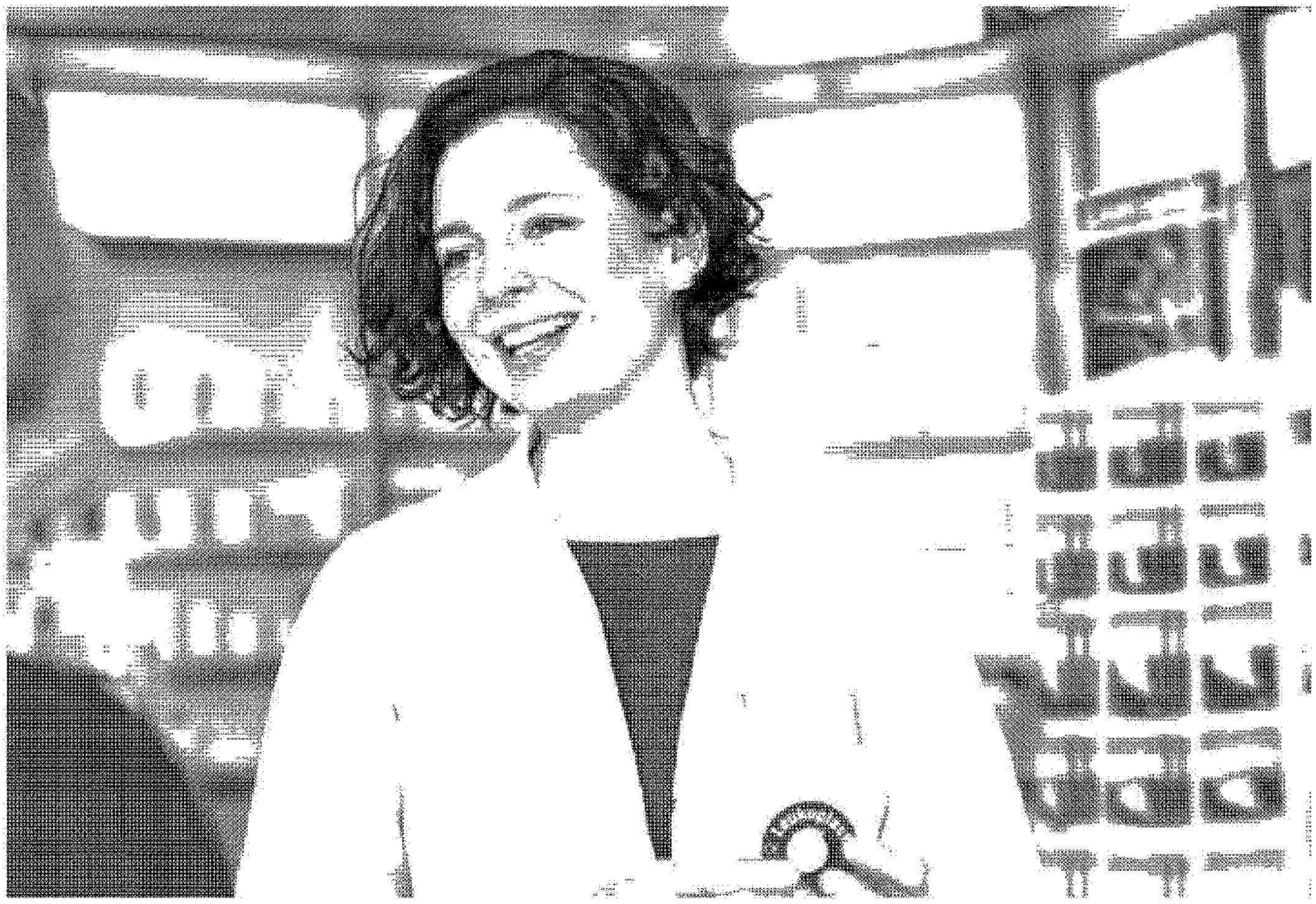
Continuing the transformation journey

With the target of growing, both organically and through acquisitions, within the categories and adjacent product areas with the highest profitability, we are continuing our transformation journey.

New sales growth target
As a consequence of higher growth ambitions, Essity decided in 2021 on a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions. The target will be reached through the continued implementation of our strategy: by leveraging favorable market trends, increasing market shares through successful innovation and strong brands, expanding the offering, and acquisitions in categories with high margins. Growth, both organic and through acquisitions, is prioritized in the Medical Solutions, Incontinence Products, Feminine Care and Professional Hygiene categories.

Higher acquisition pace
Essity carried out several acquisitions in 2021. We have acquired the Australian hygiene company Asaleo Care and increased our ownership in the previous jointly owned Colombian hygiene company Productos Familia S.A. Essity strengthened its offering in Medical Solutions with the acquisition of the remaining 25% of shares in ABIGO Medical AB, which develops, manufactures and markets the Sorbact® technology for advanced wound care. Through the acquisition of the sports tape brands Coach, Elastikon and Zonas, Essity is a leading distributor of sports medicine in the USA market. The offering in Medical Solutions was also strengthened with the acquisition of AquaCast Liner, a specialist orthopedics company that supplies waterproof cast liners in the USA market, and with the acquisition of Hydrofera, which offers technology and products in advanced wound care. We can see additional acquisition opportunities to accelerate the company's transformation journey.

New business areas in 2022
As of 2022, Essity's business areas are Health & Medical, Consumer Goods and Professional Hygiene. These 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. The new areas support the company's new sales growth target through strategies for organic and acquisition-driven growth, and aim to achieve higher growth and profit margins as well as less capital tied up.



Innovating leading brands

Successful innovations and strong brands are two of Essity's strengths and are crucial for the company's success. Awareness of the importance of hygiene and health and also demand for sustainable solutions have increased. This has favored Essity, as during the COVID-19 pandemic we strengthened and broadened our hygiene and health offering and launched reusable products in several categories.

First choice for customers and consumers
Essity's innovations improve people's everyday life. Our innovations are based on deep customer and consumer insight, which help us to develop unique and successful solutions. Over time, Essity has increased its share of branded sales that demonstrate "Product Superiority", meaning the first choice for customers and consumers, and further strengthened our leading brands. One example is how Essity has used innovation to grow branded sales and the number of premium products in Consumer Tissue, thereby improving structural profitability and value creation in this product category.

More sustainable solutions
During the COVID-19 pandemic, Essity has continued to maintain a high rate of innovation in pace with the increased awareness of hygiene and health. Customers and consumers are more interested in making sustainable choices and also paying a premium for these. In Incontinence Products and Feminine Care, washable absorbent underwear has been launched under brands including TENA Silhouette, TENA for Men, Bodyform, Libresse, Nana and Saba. The underwear offers the user a more sustainable alternative to disposable products. Essity has also launched Libresse® V-Cup in Feminine Care, a reusable menstrual cup. In Professional Hygiene, Tork reusable microfiber cloths were launched during the year.

Stronger market positions
Essity holds the number one or number two position in approximately 90% of the company's brand positions. In 2021, our market shares increased further for approximately 70% of branded sales in the retail trade. Essity also grew its market shares in the healthcare sector and in our Professional Hygiene operations. This is a result of our continued investment in innovation, high delivery reliability and high service levels, as well as strong presence within e-commerce during the COVID-19 pandemic. Moreover, our brands are strengthened through Essity's marketing campaigns with a clear purpose to break barriers and build self-esteem. Effectively reaching and following our customers and consumers through digital channels increases the value of the investments. Together with product innovation, this creates reliable and winning brands.

Examples of important and bold campaigns



Incontinence Products TENA
TENA strives to break the taboos in society related to incontinence. TENA's bold marketing has been recognized by leading marketing professionals. In 2021, the brand received the Channel 4Diversity award in the UK, a golden Effie and two awards at the Global Festival of Media.



Feminine Care Libresse and Bodyform
The "Womb Stories" campaign, from Libresse and Bodyform, is continuing to break the stigma surrounding the personal experiences of women. It was one of the most acclaimed campaigns in 2021 and received many prestigious awards, including 13 Cannes Lions and Effie awards.

Accelerating digitalization

The aim of Essity's digital strategy is to increase sales growth and efficiency. The strategy is based on four development areas: how we interact with customers and consumers, digital solutions and business models, efficiency improvements across the entire business, and building digital expertise in the organization.

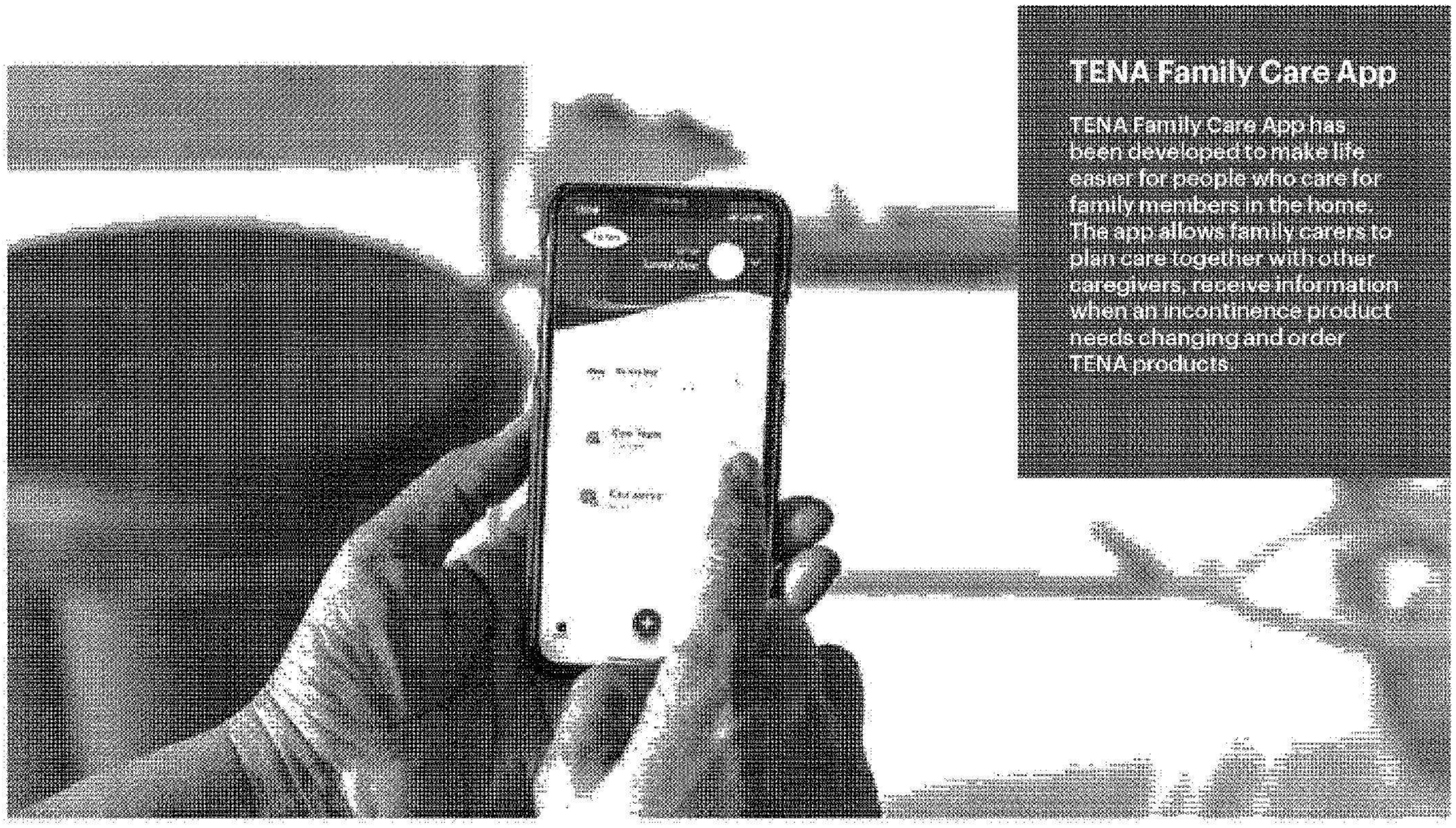
Effective communication
Through digital interaction with customers and consumers, we gain a better understanding of their needs, challenges and expectations. This helps us to develop the best solutions, campaigns and selling techniques. Digital channels are frequently used in marketing campaigns to reach the desired target audience and measure outcomes to maximize results.

Expanding e-commerce
In 2021, Essity's e-commerce sales grew 15.9% and amounted to approximately 14% of the company's net sales. E-commerce sales take place via retailer websites, e-tailers and distributors that sell our offering. We also develop our own sales directly to consumers. Our leading TENA brand has its own online stores that offer information about incontinence and the available solutions, and allow consumers to order home delivery of products.

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.

Digital solutions
New technology creates opportunities to deliver digital solutions that simplify and improve everyday life for customers and consumers. One of Essity's digital solutions is the TENA Family Care App, which makes life easier for people who care for family members in the home, and 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. During the year, the Cutimed Wound Navigator was also launched, 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. As a result of the COVID-19 pandemic, more of Essity's customers want to ensure good hygiene in professional environments. Tork Vision Cleaning is one example of the development of Tork EasyCube, which makes it possible to use real-time data to ensure that professional environments and toilets are clean and that dispensers of paper, soap and hand sanitizer are filled.

Internal improvements
Digitalization is also optimizing and improving Essity's internal operations. We are continuously looking for digital solutions that can increase automation and robotization of production, distribution, logistics and administration. Initiatives within "Industry 4.0" lead to improvements in quality, efficiency and sustainability, and enable data analysis for more effective control of production flows and maintenance planning, and better decision data. Another example is Essity's digitalization of its distribution chain and the establishment of a logistics center that includes digital planning of demand, deliveries, stocks and transportation worldwide.



TENA Family Care App

TENA Family Care App has been developed to make life easier for people who care for family members in the home. The app allows family carers to plan care together with other caregivers, receive information when an incontinence product needs changing and order TENA products.

Leading in sustainability

For Essity, sustainability is a strategic priority for long-term profitable growth. Our initiatives contribute to a better environment while increasing the competitiveness of the company. Demand for sustainable solutions and the willingness to pay more for these is increasing among customers and consumers.

Raised ambitions

For many years, Essity has had ambitious targets for the company's sustainability work, for example, our Science Based Targets were approved in 2018. In 2021, new and updated sustainability targets were set that included a commitment to achieve net-zero emissions of greenhouse gases by 2050.

We also raised our ambitions for our existing Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing. Essity values and works to increase diversity, equity and inclusion, which contributes to our success. During the year, we presented new ambitions in this area.

Strategy for target fulfillment

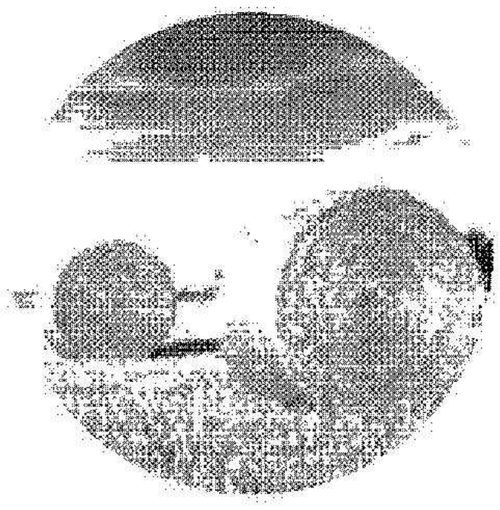
Essity has a clear strategy and plan for how it will achieve these targets. The most important areas have been identified for the Science Based Targets 2030 and net-zero emissions by 2050. Action will be taken throughout the value chain, from raw materials, production and distribution to used products. Within raw materials for example, Essity is working to find alternatives to fresh wood fiber pulp and to reduce the use of oil-based raw materials. At our production facility in Mannheim, Germany, pulp production has begun using wheat straw, which reduces carbon emissions compared with tissue from fresh wood fiber pulp. We are also working with solutions whereby used products become new products. One example is Tork PaperCircle, where used paper hand towels are made into new tissue. The business model was introduced to additional markets and more customers in 2021. Fossil fuel is being replaced by alternatives with a smaller environmental footprint, such as hydrogen from renewable energy, biogas and geothermal steam at several of Essity's production facilities around the world. Our continuous work to increase resource efficiency through programs for energy savings and material rationalization also helps to achieve the targets.

Essity's sustainability agenda is determined by such factors as customer and consumer demand, our own Group targets, policies, stakeholder expectations and the UN Sustainable Development Goals. Read more about Essity's sustainability work under Sustainability on pages 43–54.

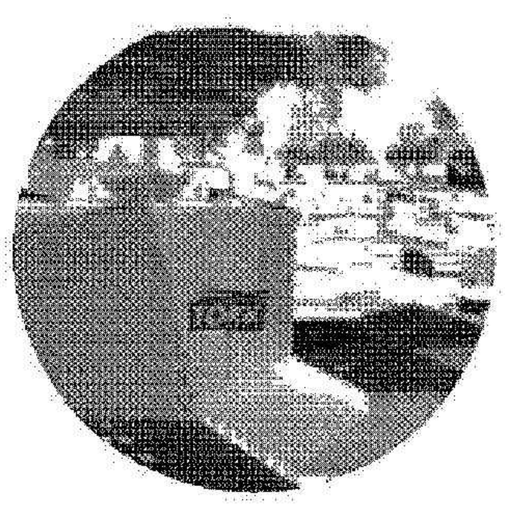
Key action areas for net-zero emissions 2050



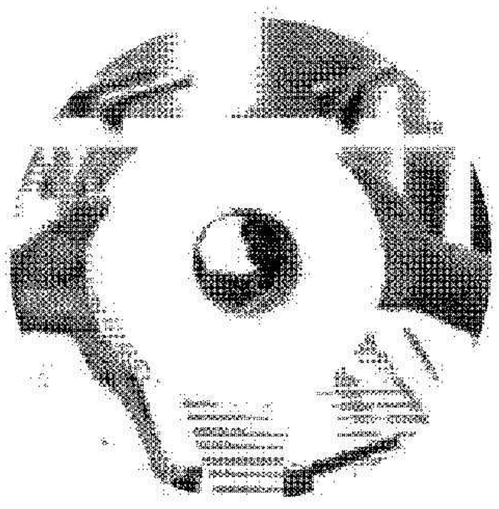
Sustainable solutions



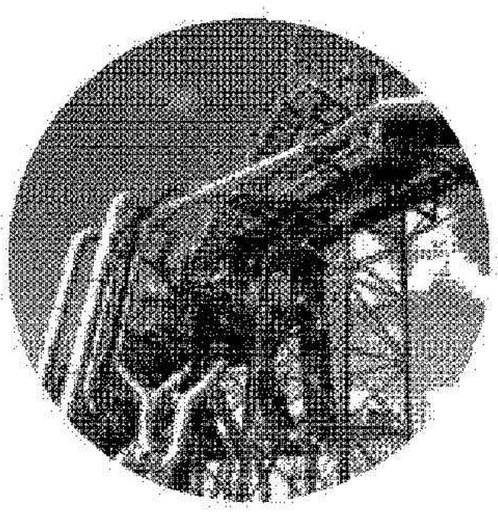
Low carbon raw materials



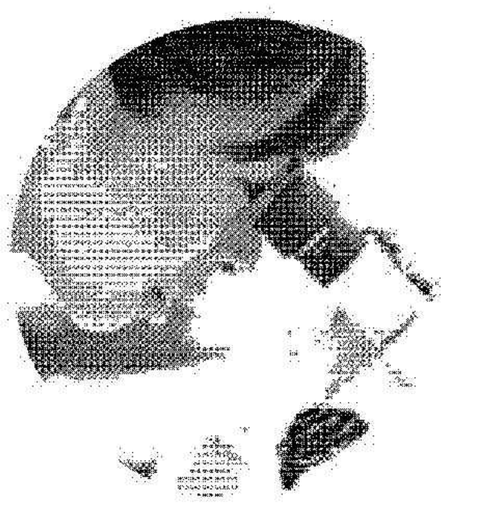
Fossil fuel free production



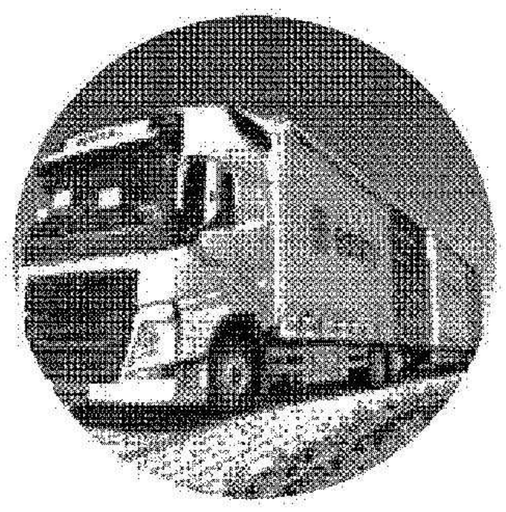
Resource efficiency



Breakthrough technology



Zero production waste



Clean transportation



Less waste after use

Growing in emerging markets

Essity is growing in emerging markets where market penetration of hygiene and health solutions is significantly lower than in mature markets. Growth is prioritized in markets where the company already holds strong market positions, such as Asia, Latin America and Eastern Europe.

Increased value creation
In 2021, emerging markets accounted for 38% of net sales and the adjusted EBITA margin for emerging markets was 10.5%, which is an improvement of 4.0 percentage points compared with 2015. Essity's ambition is to grow this share over time and in parallel continue to improve profitability supported by favorable market trends, a higher share of premium products, strong brands and a broadening of the company's offering. We have a clear priority for which geographic markets the company wants to operate in, and which product categories it will offer in these markets.

Asia
Essity is market leader in China and Asia in Consumer Tissue through its majority shareholding in Vinda and also has a strong presence in Personal Care and Professional Hygiene. Over several years, Vinda has increased its net sales and profitability as a result of greater market penetration, more premium products and efficiency improvements. In 2019, Libresse V-Comfort was relaunched in Feminine Care in China. Libresse has since grown strongly and is a leading brand in the premium segment in Feminine Care in China.

Latin America
Essity has strong brands and market positions in Latin America. The aim is to be the fastest growing hygiene and health company in the region, through innovation and more premium products, leading brands and digitalization, with increased e-commerce sales and "Direct to Consumer". In 2021, Essity strengthened its presence in Latin America by increasing ownership in the Colombian hygiene company Productos Familia S.A. by 45.8% to 95.8%.



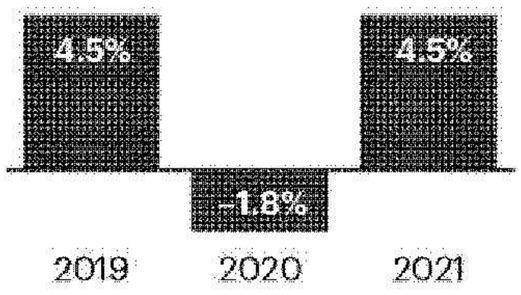
Targets and outcomes

Financial targets

Annual sales growth[1]

Target: >5%

Outcome:

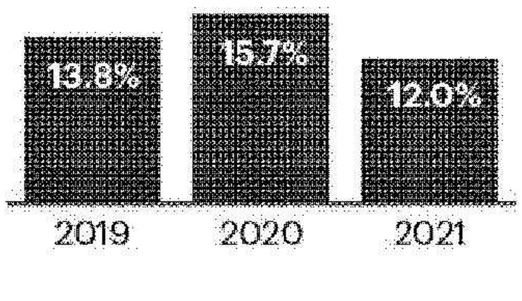


In 2021, sales growth, including organic sales growth and acquisitions, amounted to 4.5%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 3.3%, of which volume accounted for 1.8% and price/mix for 1.5%.

Adjusted return on capital employed[2]

Target: >17% by 2025

Outcome:



In 2021, return was negatively impacted by significant cost inflation, mainly for raw materials, energy and distribution. Higher sales prices, higher volumes, a better mix and cost savings had a positive impact on earnings.

Capital Structure Policy

Target: Maintain a solid investment grade rating

Outcome 2021:

"Solid investment grade rating"

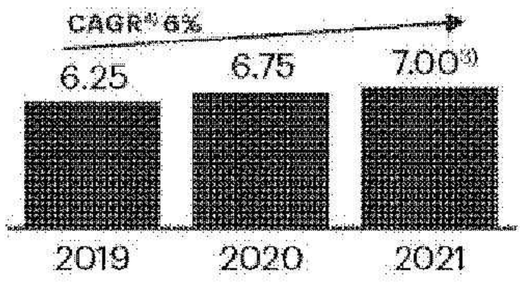
Net debt amounted to SEK 55,433m. Net debt in relation to adjusted EBITDA[2] amounted to 2.77.

Dividend Policy

Target: Long-term stable and rising dividends

Outcome:

Dividend per share, SEK



The Board of Directors proposes an increase in the dividend of 4% compared with 2020 to SEK 7.00 per share for the 2021 fiscal year.

Sustainability targets

Read more in the Sustainability section and in the sustainability notes.

Science Based Targets

Target 2030 (compared with 2016):

Scope 1 and 2 Scope 3

-35% -18%

Outcome 2021:

Scope 1 and 2 Scope 3[5]

-15% -9%

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. Scope 3 reports indirect emissions in Essity's value chain.

Packaging

Share of packaging manufactured from renewable and/or recycled material

Target 2025: 85%

Outcome 2021:

78%

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.

Production waste

Subject to material or energy recovery

Target 2030: 100%

Outcome 2021:

64%

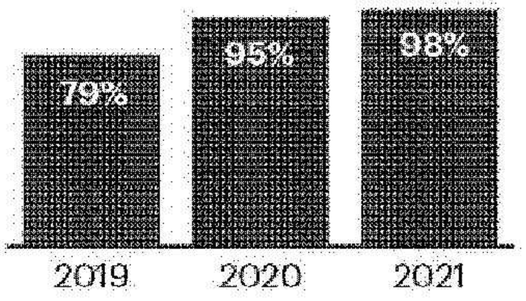
Resource efficiency and the reduction of waste are important in Essity's production facilities. The target is that all production waste will be subject to material and energy recovery by 2030, which reduces greenhouse gas emissions.

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 sourcing, thereby preventing deforestation and promoting biodiversity.

[1] Including organic sales growth and acquisitions.
[2] Excluding items affecting comparability.
[3] Board of Directors' dividend proposal.
[4] Compound Annual Growth Rate.
[5] Outcome in 2020.

Sustainable innovations

Share that yielded social and/or environmental improvements

Target: >50%

Outcome 2021:

59%

Sustainable innovations are measured as the share of revenue from innovations launched in the most recent three years. Examples of sustainable innovations in 2021 included Tork cleaning cloths, TENA Silhouette washable absorbent underwear, and the Libresse menstrual cup.

Health and safety

Decrease in total recordable incident rate compared with 2019

Target 2025: –75%

Outcome 2021:

–43%

In 2021, Essity began to measure the Total Recordable Injury Frequency Rate to highlight accidents that require medical treatment. All of Essity's production facilities are conducting purposeful and systematic work with safety issues.

Gender distribution at management levels

Target 2025: 40/60%[6)]

Outcome 2021:

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. The target is reported at an aggregate outcome level for the three management levels.

Responsible sourcing

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

Target 2025: 95%

Outcome 2021:

88%

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 2021:

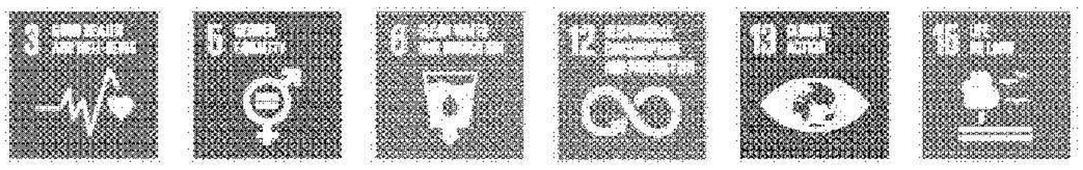
92%

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.

6) Majority group based on gender to constitute no more than 60%.

Contribution to the UN Sustainable Development Goals

As a leading global hygiene and health company, Essity has an important role to play in achieving the UN Sustainable Development Goals. We are working to overcome global challenges through partnerships and cooperation. We support the UN Global Compact and continue to be a partner to the UN Foundation.



The global goals also indicate where new solutions are needed, which creates favorable business opportunities for Essity. We focus on goals 3, 5, 6, 12, 13 and 15 where we can make a contribution through Essity's operations, offerings, expertise and experience.

Goal 3: Good health and well-being
Essity contributes through its intensive work toward better global hygiene and health standards. By providing access to leading solutions and expertise, we are contributing to increased quality of life and improved well-being. Essity has been working for many years to promote and raise awareness of the importance of hand hygiene to avoid the spread of disease. Read more on pages 44–45.

Goal 5: Gender equality
By pursuing educational initiatives and collaborations to break taboos surrounding issues such as menstruation, incontinence and lymphedema, Essity works for greater gender equality. Our collaboration with UNICEF Mexico, "Hygiene is our right", highlights the rights of children and young people in relation to health, education and gender equality focusing on hand hygiene and menstruation. Read more on pages 44–45.

Goal 6: Clean water and sanitation
Essity works for efficient water usage and to improve water treatment and the quality of our facilities' effluent water. The "Hand hygiene for all" initiative is run together with the WHO and UNICEF as part of Essity's work to contribute to good sanitation worldwide. We work to offer girls and women access to feminine care products, clean water and toilets. Read more on pages 44–45.

Goal 12: Responsible consumption and production
Together with our business partners, we are working toward a sustainable and circular society. Reusable products have been added to our product range and we are increasing the share of renewable material in our packaging. Read more on pages 46–49.

Goal 13: Climate action
In 2021, Essity raised its climate ambitions by committing to net-zero emissions by 2050. We address the challenge through investments in innovation and cooperation for more environmentally friendly raw materials and to achieve production with lower emissions. Read more on pages 46–47.

Goal 15: Life on land
We require our fresh fiber suppliers to maintain and safeguard the principles of biodiversity and forest conservation. Essity prioritizes FSC as a certification scheme and encourages all suppliers to strive for certification. Read more on page 48.

Personal Care

Key figures

Net sales, SEKm
46,639

Sales growth[1]
6.4%

Organic sales growth[2]
5.0%

Adjusted EBITA margin[3]
15.2%

Adjusted return on capital employed[3]
16.3%

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

Offering

Essity's offering includes Incontinence Products, Medical Solutions, Baby Care and Feminine Care. Products are sold under brands such as Actimove, TENA, JOBST, Leukoplast, Libero, Libresse, Nosotras, Saba and TOM Organic, and as retailer brands.

In Incontinence Products, with the globally leading brand TENA, Essity offers a broad range of incontinence products that also includes skincare products, wet wipes, wash gloves, washable absorbent underwear and digital solutions with sensor technology. 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. Essity's offering for Baby Care in Europe is sold under its own Libero and Lotus brands and as retailer brands. In Feminine Care, Essity offers a broad product portfolio that includes pads, panty liners, tampons, intimate soaps, intimate wipes, washable absorbent underwear and reusable menstrual cups. In Medical Solutions, Essity offers products and services in wound care, compression therapy and orthopedics.

Distribution channels are the retail trade, pharmacies, medical device stores, hospitals, distributors and care institutions and e-commerce.

Market positions

Essity is the global market leader in the market for incontinence products with the TENA brand. Essity is the market leader in Europe and Latin America. Essity is the third largest player in Asia and the fourth largest in North America.

In Baby Care, Essity is the world's fifth largest player and the second largest in Europe. Essity's strongest market is the Nordic region, where the Libero brand is the market leader. Examples of other strong regional brands are Drypers in South East Asia and Pequeñin in South America.

In Feminine Care, Essity is the world's fifth largest player, the third largest in Europe and the market leader in Latin America. Examples of regional brands supported by Essity's global brand platform in Feminine Care include Libresse in the Nordic region, Russia, Eastern Europe, the Netherlands, Malaysia and China, Bodyform in the UK, Nana in France and the Middle East, Saba and Nosotras in Latin America and Libra and TOM Organic in Australasia.

In Medical Solutions, in the product categories in which the company is active, Essity is the world's fourth largest player and the market leader in Europe. Essity is the largest global player in compression therapy and the third largest player in orthopedics. In wound care, which includes acute and advanced wound care, Essity is the sixth largest player. Essity holds the number three position within acute wound care. Examples of strong brands include JOBST, Leukoplast, Cutimed, Delta-Cast and Actimove.

Production facilities

At the end of 2021, Personal Care had production at 38 sites in 26 countries.

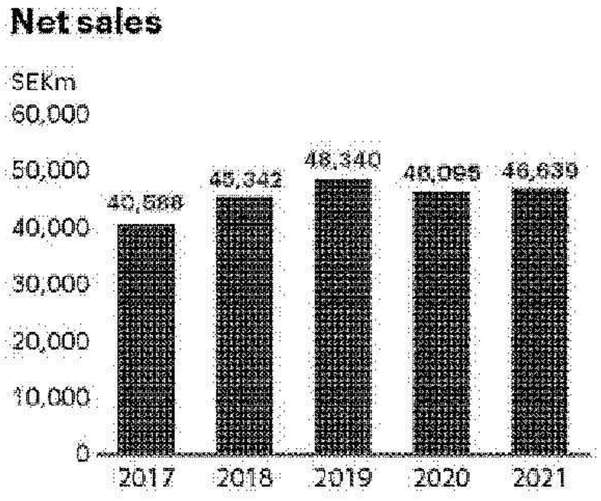
Operations in 2021

Net sales increased 1.2% to SEK 46,639m (46,095). The organic sales growth amounted to 5.0%, of

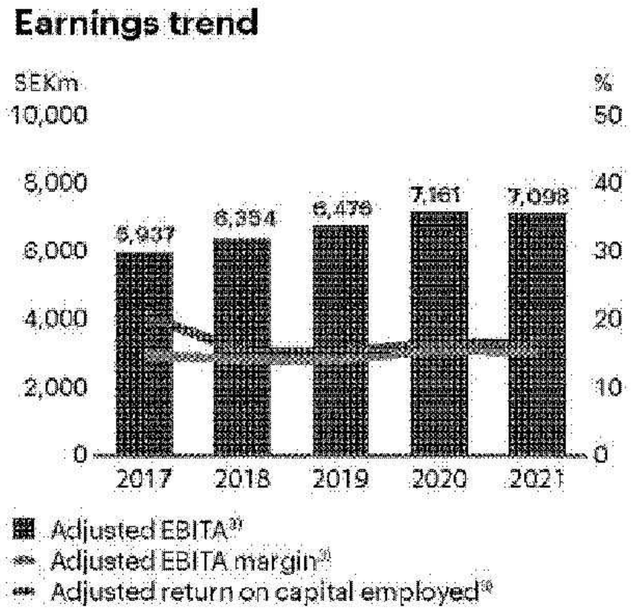
Brands

TENA, Leukoplast, JOBST, Actimove, Libero, Delta-Cast, Cutimed, Lotus, Drypers, Nosotras, Libresse

Net sales



Earnings trend



Key figures

SEKm	2021	2020	%
Net sales	46,639	46,095	1
Sales growth[1], %	6.4	0.3	
Organic sales growth[2], %	5.0	0.0	
Adjusted gross margin[3], %	40.2	41.4	
Adjusted EBITA[3]	7,098	7,161	–1
Adjusted EBITA margin[3], %	15.2	15.5	
Adjusted return on capital employed[3], %	16.3	16.4	
Operating cash flow	6,469	7,485	–14
Investments in non-current assets	–1,779	–1,658	7
Average number of employees	17,971	18,298	–2

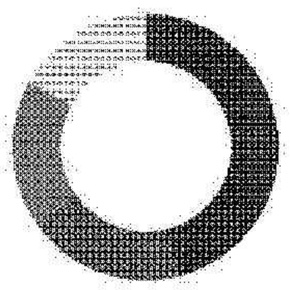
1) Including organic sales growth and acquisitions. 2) Excluding exchange rate effects, acquisitions and divestments. 3) Excluding items affecting comparability.

which volume accounted for 2.7% and price/mix for 2.3%. Organic sales growth amounted to 2.8% in mature markets. In emerging markets, which accounted for 35% of net sales, organic sales growth amounted to 9.0%. Exchange rate effects reduced net sales by 4.2%. The acquisition of Asaleo Care increased net sales by 1.4%. Divestments reduced net sales by 1.0%.

For Incontinence Products, with Essity's globally leading TENA brand, organic sales growth amounted to 3.5%. In Medical Solutions, organic sales growth amounted to 10.8%. For Baby Care, organic sales growth amounted to –0.6%. For Feminine Care, organic sales growth amounted to 10.0%.

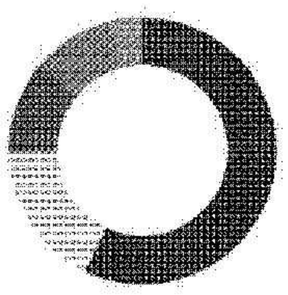
The adjusted gross margin decreased 1.2 percentage points to 40.2% (41.4). Higher costs for raw materials and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes, higher prices, a better mix and cost savings. The adjusted EBITA margin decreased 0.3 of a percentage point to 15.2% (15.5). Sales costs, excluding marketing costs, were lower also as a share of net sales. Marketing costs were higher but decreased as a share of net sales. Adjusted EBITA decreased 1% (increased 3% excluding currency translation effects, acquisitions and divestments) to SEK 7,098m (7,161).

Net sales by product category

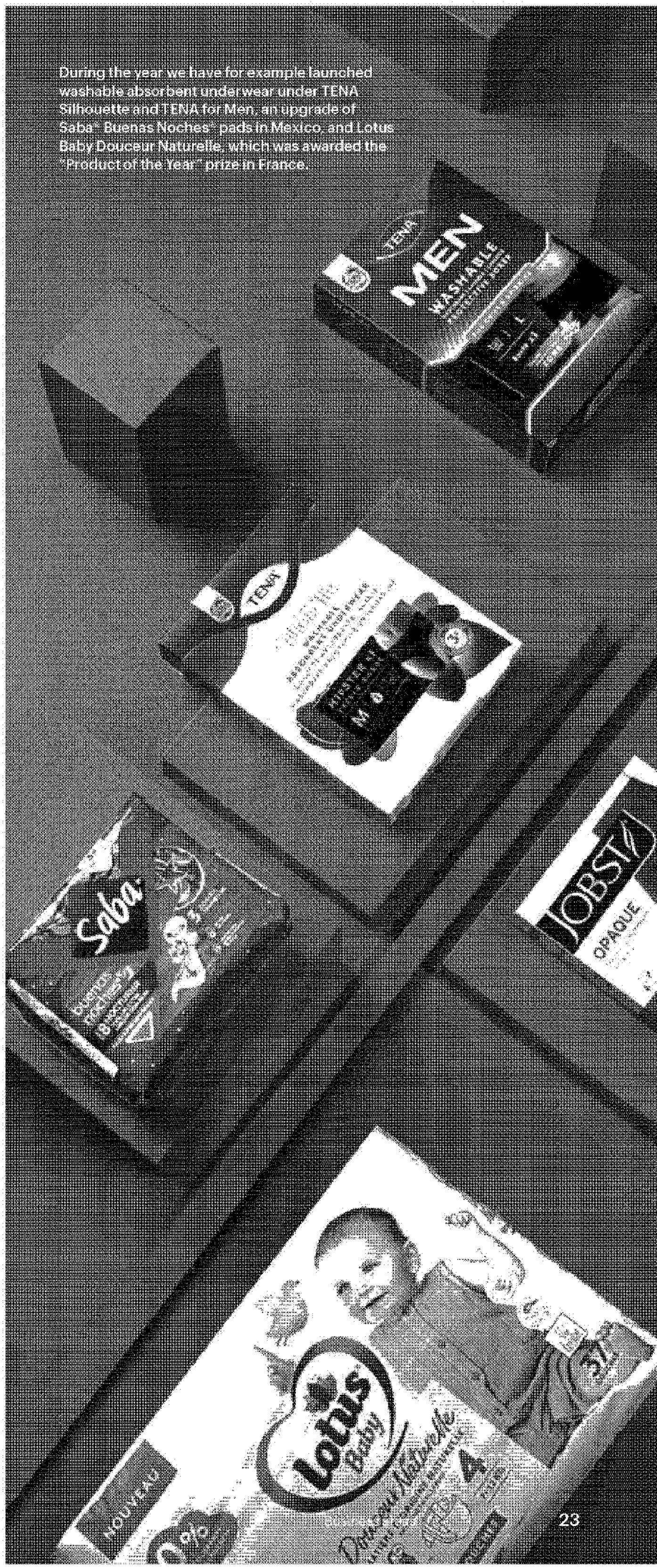


- Incontinence Products, 46%
- Medical Solutions, 19%
- Feminine Care, 18%
- Baby Care, 17%

Net sales by region



- Europe, 57%
- Latin America, 18%
- Asia, 11%
- North America, 10%
- Other, 4%



Consumer Tissue

Key figures

Net sales, SEKm
49,086

Sales growth[1]
1.2%

Organic sales growth[2]
0.5%

Adjusted EBITA margin[3]
9.5%

Adjusted return on capital employed[3]
9.6%

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

Offering

Essity's offering includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes, napkins and face masks. Products are sold under brands such as Lotus, Regio, Tempo, Vinda and Zewa. In Europe, Essity also sells products under retailer brands. Distribution channels for the products are the retail trade and e-commerce.

Preparations for a new division

In 2021, Essity commenced work to create a new division in Consumer Tissue, Consumer Tissue Private Label Europe. The new division accounts for approximately 14% of net sales in Consumer Tissue. Approximately 1,900 employees and seven production facilities in Belgium, France, Italy and Germany will be included in the new division.

Market positions

Essity is the world's second largest supplier of consumer tissue. Essity's brand portfolio comprises many strong brands.

In Europe, Essity is the market leader and holds a market share that is more than twice the size of the second largest player. Lotus, Tempo and Zewa are the leading brands in, for example, France, Germany and Russia. Cushelle and Plenty are strong brands in the UK and Ireland. Essity is the market leader in China and Asia through its majority shareholding in Vinda. Vinda is the leading brand in China. In Latin America, Essity is the market leader in Colombia and Ecuador and the company holds the number two position in Mexico. Familia and Regio are leading brands in Colombia and Mexico, respectively.

Production facilities

At the end of 2021, Consumer Tissue had production at 45 sites in 18 countries.

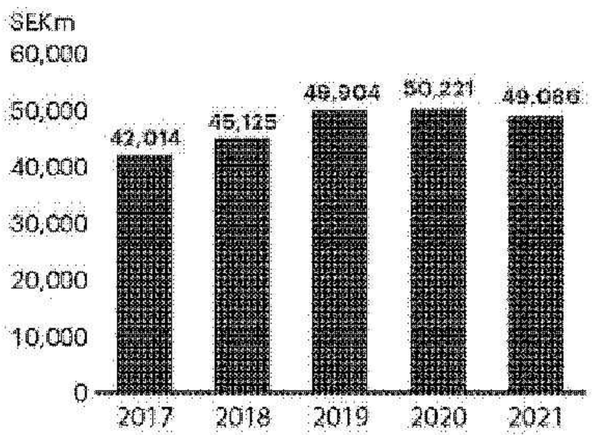
Operations in 2021

Net sales decreased 2.3% to SEK 49,086m (50,221). Organic sales growth amounted to 0.5%, of which volume accounted for 0.3% and the price/mix 0.2%. Organic sales growth amounted to –5.6% in mature markets. In emerging markets, which accounted for 50% of net sales, organic sales growth amounted to 7.3%. Exchange rate effects decreased net sales by 2.6%. The acquisition of Asaleo Care increased net sales by 0.8%. Divestments and deconsolidation decreased net sales by 1.0%.

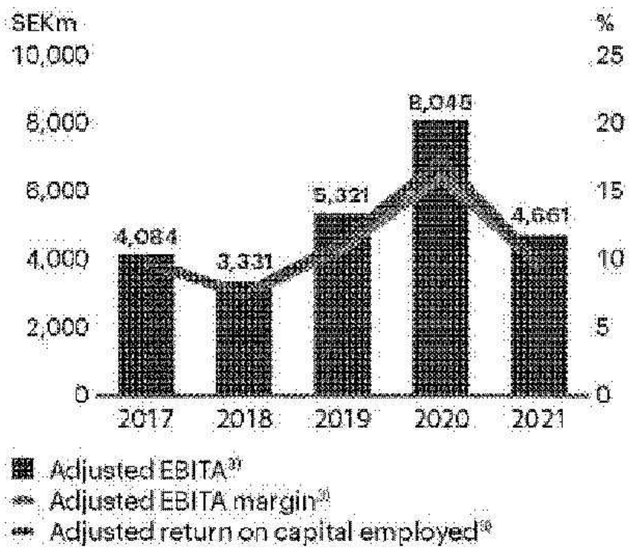
The adjusted gross margin decreased by 6.0 percentage points to 21.2% (27.2). Higher costs for raw materials, energy and distribution and lower prices had a negative impact on the margin. The margin was positively impacted by higher volumes, a better mix and cost savings. The adjusted EBITA margin decreased 6.5 percentage points to 9.5% (16.0). Sales and marketing costs were higher also as a share of net sales. Adjusted EBITA decreased 42% (40% excluding currency translation effects, acquisitions and divestments) to SEK 4,661m (8,045).

Brands

Net sales



Earnings trend



Key figures

SEKm	2021	2020	%
Net sales	49,086	50,221	–2
Sales growth[1], %	1.2	4.1	
Organic sales growth[2], %	0.5	4.1	
Adjusted gross margin[3], %	21.2	27.2	
Adjusted EBITA[3]	4,661	8,045	–42
Adjusted EBITA margin[3], %	9.5	16.0	
Adjusted return on capital employed[3], %	9.6	17.3	
Operating cash flow	3,691	6,455	–43
Investments in non-current assets	–3,563	–3,191	12
Average number of employees	21,244	20,878	2

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

During the year we have for example launched an upgrade of our moist toilet paper under the Lotus, Tempo and Zewa brands. It is just as safe to flush down the toilet as dry toilet paper and consists of 100% plant-based fibers.



Net sales by region

Professional Hygiene

Key figures

Net sales, SEKm
26,143

Sales growth[1]
7.5%

Organic sales growth[2]
5.7%

Adjusted EBITA margin[3]
10.4%

Adjusted return on capital employed[3]
11.8%

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

Offering

Essity's offering comprises complete and professional hygiene solutions, including toilet paper, paper hand towels, napkins, soap, lotion, sanitizer, dispensers, cleaning and wiping products, face masks, and service and maintenance. Essity also offers digital solutions, such as 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.

Market positions

Essity is the world's largest supplier of products and services in the market for professional hygiene with the globally leading Tork brand. We are the market leader in Europe and hold a market share that is nearly three times the size of the second largest player. Essity is the second largest supplier in North America and holds a particularly strong market position in the food service segment, where we estimate that the company supplies approximately every second napkin. Essity also has strong positions in emerging markets, such as Russia and Colombia, where we are the market leader. Essity is number three in the market in Asia through its majority shareholding in Vinda.

Production facilities

At the end of 2021, Professional Hygiene had production at 44 sites in 21 countries.

Operations in 2021

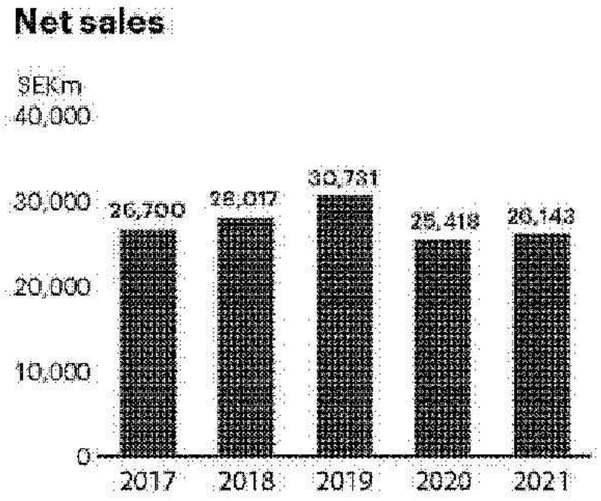
Net sales increased 2.9% to SEK 26,143m (25,418). Organic sales growth amounted to 5.7%, of which volume accounted for 2.8% and price/mix for 2.9%. Organic sales growth amounted to 3.3% in mature markets. In emerging markets, which accounted for 21% of net sales, organic sales growth amounted to 15.0%. Exchange rate effects reduced net sales by 4.5%. The acquisition of Asaleo Care increased net sales by 1.8%. Divestments decreased net sales by 0.1%.

The adjusted gross margin decreased 3.6 percentage points to 23.3% (26.9). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher prices, higher volumes, a better mix and cost savings. The adjusted EBITA margin decreased 2.6 percentage points to 10.4% (13.0). Sales and marketing costs were lower also as a share of net sales. Adjusted EBITA decreased 18% (14% excluding currency translation effects, acquisitions and divestments) to SEK 2,710m (3,317).

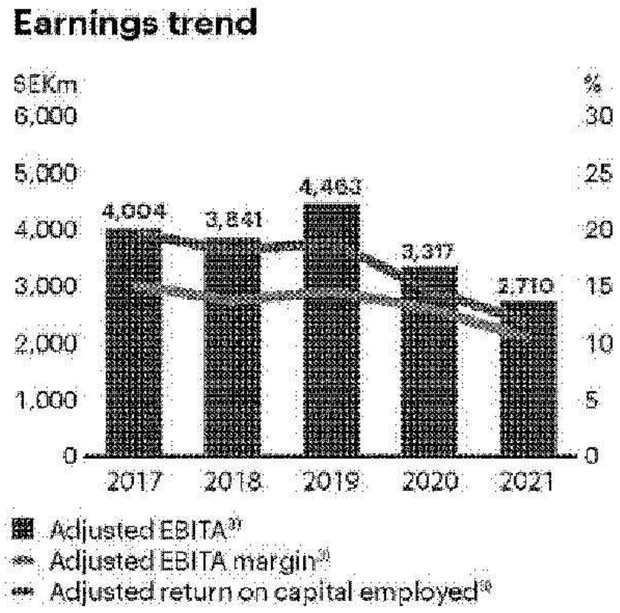
Brands

TORK
Think ahead.

Net sales



Earnings trend



Key figures

SEKm	2021	2020	%
Net sales	26,143	25,418	3
Sales growth[1], %	7.5	-14.16	
Organic sales growth[2], %	5.7	-14.6	
Adjusted gross margin[3], %	23.3	26.9	
Adjusted EBITA[3]	2,710	3,317	-18
Adjusted EBITA margin[3], %	10.4	13.0	
Adjusted return on capital employed[3], %	11.8	14.6	
Operating cash flow	2,512	3,193	-21
Investments in non-current assets	-941	-1,135	-17
Average number of employees	7,060	6,909	2

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

During the year we have for example launched Tork cleaning cloths and several different refillable variants of Tork hand soap and sanitizer.

Net sales by region



- Europe, 44%
- North America, 40%
- Asia, 7%
- Latin America, 6%
- Other, 3%

Operations and structure

Up to and including 2021, Essity reported its operations according to three business areas: Personal Care, Consumer Tissue and Professional Hygiene. Personal Care comprised the product categories of Incontinence Products, Medical Solutions, Baby Care and Feminine Care, and included incontinence products, baby diapers, pads, panty liners, tampons, washable absorbent underwear, reusable menstrual cups, wet wipes, skincare products and digital solutions with sensor technology, as well as products and services in wound care, compression therapy and orthopedics. Consumer Tissue included toilet paper, household towels, handkerchiefs, facial tissues, wet wipes, napkins and face masks. Professional Hygiene included complete hygiene solutions, including toilet paper, paper hand towels, napkins, microfiber cloths, cleaning and wiping products, soap, lotion, sanitizer, dispensers, face masks and digital solutions, such as sensor technology that enables data-driven cleaning.

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 has the following four business units:

- Consumer Goods, 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 Solutions, which markets and sells products in the category of incontinence products in Europe, North America, the Middle East and Africa, and markets and sells products in the category of medical solutions in Asia, Europe, North America, the Middle East and Africa.
- Latin America, which markets and sells products in the categories of consumer tissue, baby care, incontinence products, medical solutions, feminine care and professional hygiene in Latin America.
- Professional Hygiene, which markets and sells complete hygiene solutions as well as service and maintenance to the business area's customer segments in Europe, North America, the Middle East and Africa.

The financial reporting of these four business units is presented under one or more of the Personal Care, Consumer Tissue or Professional Hygiene business areas in the company's external financial reporting.

During the year, Essity acquired all of the shares in Asaleo Care, which was listed on the Sydney Stock Exchange and 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). Following the acquisition, the business is being operated as an independent unit under the name Essity AustralAsia.

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 production, technology, logistics and distribution in relation to all product categories with the exception of Medical Solutions.
- Global Operational Services has global responsibility for sourcing, business services, IT and digitalization.

Essity has five Group functions:

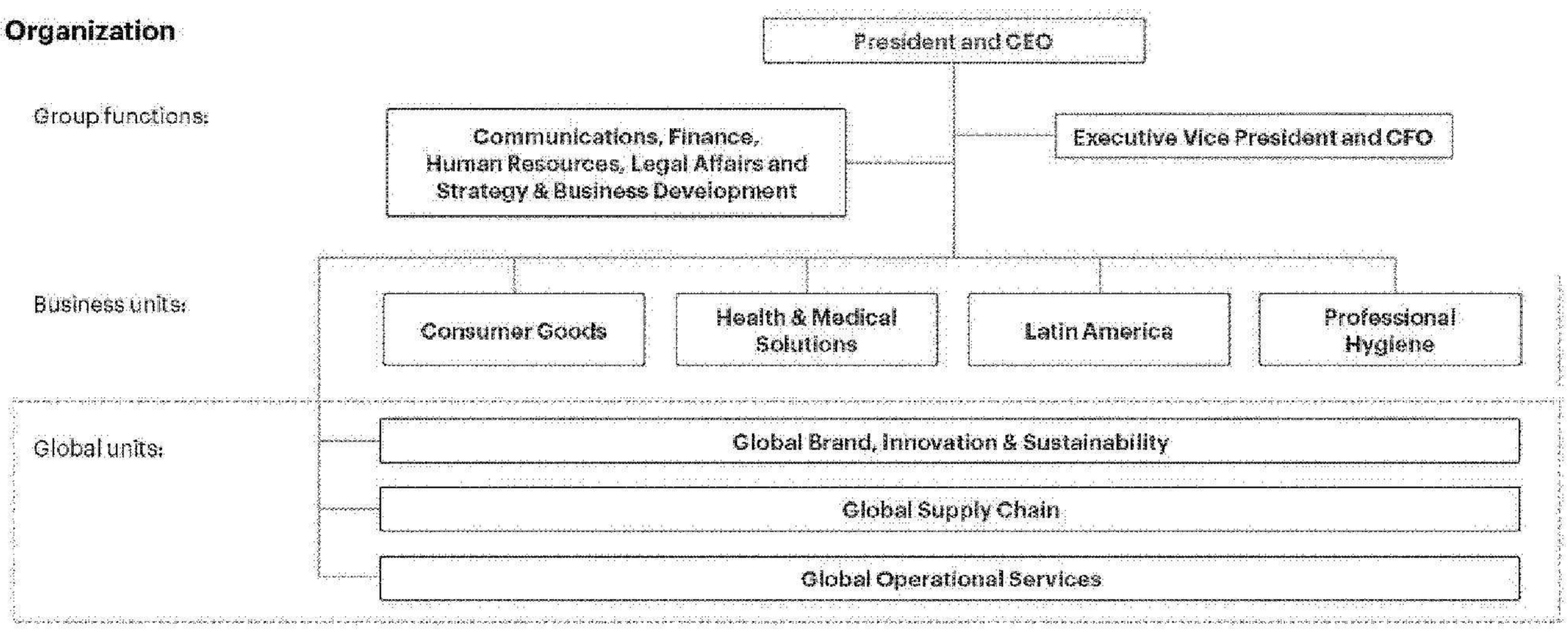
- Communications
- Finance
- Human Resources
- Legal Affairs
- Strategy & Business Development

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

Essity has a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions. This replaces the previous target of organic sales growth of more than 3%. New and updated sustainability targets have been presented, including a commitment to develop targets to reach net-zero emissions of greenhouse gases by 2050 at the latest. This includes raising the ambition level of Essity's current Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing.

Organization



Essity finalized the acquisitions of Asaleo Care, Productos Familia S.A., ABIGO Medical AB, AquaCast Liner, Hydrofera and the sports tape brands Coach, Elastikon and Zonas.

In the Consumer Tissue business area, Essity has begun work to create a new Consumer Tissue Private Label Europe division.

Essity has decided on new business areas from January 1, 2022. The business areas are Health & Medical, Consumer Goods and Professional Hygiene. Health & Medical comprises the categories Incontinence Products Health Care and Medical Solutions; Consumer Goods the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue; and Professional Hygiene the categories AfH Tissue, Skin Care and Cleaning & Wiping.

Events after year-end

On February 2, 2022, Essity announced that the company had acquired Legacy Converting, Inc., a USA-based company providing professional wiping and cleaning products.

Acquisitions, investments and divestments

Acquisition of distribution rights to Sorbact in Australia and New Zealand

On April 6, 2021, Essity announced that it had acquired the distribution rights to the wound care technology Sorbact® in Australia and New Zealand from the Australian company Bayport Brands. In 2020, sales of Sorbact® in the region amounted to AUD 1.7m (approximately SEK 11m).

Acquisition of Asaleo Care

On July 1, 2021, Essity announced that it had finalized the acquisition of the remaining 63.8% of the shares in Asaleo Care, listed on the Australian Securities Exchange, for AUD 1.40 cash per share. The consideration implies an equity value on a 100% basis of approximately AUD 760m (approximately SEK 4.9bn) and an enterprise value of AUD 855m (approximately SEK 5.5bn). Essity AustralAsia, which is the name of the regional unit, was consolidated into Essity's accounts as of July 1, 2021. In 2020, Asaleo Care reported sales of AUD 419m (approximately SEK 2.7bn) and underlying EBITDA of AUD 89m (approximately SEK 574m). Asaleo Care had approximately 700 employees and three manufacturing facilities.

Acquisition of ABIGO Medical AB

On July 2, 2021, Essity announced that it had finalized the acquisition of the remaining 25% of the shares in ABIGO Medical AB and the company is now a wholly owned subsidiary of Essity in the Medical Solutions product category. Essity acquired 75% of ABIGO Medical in February 2020. The shares were acquired from founder and chairman of the board Jan G. Smith at a valuation of SEK 900m for 100% of the company on a debt-free basis.

Acquisition of 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"). The purchase price amounted to SEK 5,961m on a debt-free basis. Essity now owns 95.8% of Familia. Familia is headquartered in Medellín, Colombia, and has a strong presence in Latin America. The company primarily operates in Personal Care in addition to Consumer Tissue and Professional Hygiene. Familia is already consolidated in Essity's accounts, and reported sales in 2020 of SEK 6,950m, an adjusted EBITDA of SEK 1,419m and adjusted EBITA of SEK 1,170m, equivalent to an adjusted EBITA margin of 16.8%.

Acquisition of sports tape brands

On November 1, 2021, Essity announced that it had acquired the professional sports tape brands Coach, Elastikon and Zonas, which are established premium products in the USA market. The purchase price is not material and is not disclosed.

Acquisition of AquaCast Liner

On December 21, 2021, Essity announced that it had acquired AquaCast Liner, a specialist orthopedics company that supplies waterproof cast liners in the USA market. The purchase price is not material and is not disclosed.

Acquisition of Hydrofera

On December 29, 2021, Essity announced that the company had acquired Hydrofera, which offers technology and products in advanced wound care in the USA and Canadian markets. The purchase price amounted to USD 116m (approximately SEK 1.1bn) with a potential additional earnout amount of USD 15m (approximately SEK 140m) on a cash and debt-free basis. During the first nine months of 2021, Hydrofera had net sales of USD 20.7m (SEK 176m) with EBITDA of USD 5.9m (SEK 50m), EBITA of USD 5.6m (SEK 48m), corresponding to an EBITA margin of 27.2%. Sales growth for the first nine months of 2021 amounted to 22%. In 2020, the company reported net sales of approximately USD 23.5m (SEK 216m) with EBITDA of USD 4.6m (SEK 42m) and EBITA of USD 4.3m (SEK 39m), corresponding to an EBITA margin of 18.1%. Sales growth in 2020 amounted to 13%. The acquisition is expected to contribute to Essity's earnings per share in 2022.

Investments to reduce climate impact

On July 6, 2021, Essity announced that the company is investing approximately EUR 11m (approximately SEK 110m) in its Hondouville tissue production facility in France. The investment will enable the extraction of 98% of the paper fibers contained in food and beverage cartons and enable Essity to recycling approximately 24,000 tons of packaging annually. The improved recycling system will be fully operational during the first half of 2022.

On October 6, 2021, Essity announced that the company is investing in enhanced efficiency at the company's site in Kawerau, New Zealand, which will include the world's first tissue machine running a fully geothermal steam drying process. Together with a reduction in pulp consumption, reduced waste and elimination of the burning of natural gas on the machine, the improvements will contribute to a reduction of carbon emissions by 23% from the Kawerau site. The investment of approximately AUD 15m (approximately SEK 95m) is partly funded through the Government Investment in Decarbonizing Industry (GIDI) Fund, administered by EECA (Energy Efficiency and Conservation Authority) in New Zealand.

On October 27, 2021, Essity announced that it is launching a pilot project to run a paper machine CO_2-free with hydrogen from renewable energy at the company's production facility in Mainz-Kostheim, Germany. Essity's investment in the project amounts to EUR 4m (approximately SEK 40m).

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 2021, the Parent company recognized operating income of SEK 312m (265) and profit before appropriations and tax of SEK 2,280m (2,605). 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 –1,471m (–1,559), corresponding to about 1.2% 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 2021, 320,104 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 7.00 (6.75) per share or SEK 4,916m (4,741). The record date for entitlement to receive dividends is proposed as March 28, 2022 and payment is expected to be made on March 31, 2022. 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 35–54 and 123–131 in the Board of Directors' Report. The company's business model can be found on page 13. 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 123.

Guidelines for remuneration of senior executives
Guidelines agreed by the most recent Annual General Meeting (AGM) can be found in Note C2 on pages 91–93. The company's application of the guidelines can be found in the remuneration report on pages 140–141 and in Note C2.

The Board has decided to propose the following new guidelines to the 2022 AGM concerning remuneration of senior executives in the Essity Group:

"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, incentivise 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 per cent of annual fixed salary and the long-term element shall not exceed 100 per cent 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 applicable 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 per cent 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. There shall be no severance pay.

Decision-making process and reporting
Matters relating to remuneration to 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 to 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.

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 doing so 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 may 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 of 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."

For information on the company's calculated expenses for remuneration of senior executives, see Note C2 on pages 91–93.

Net sales and earnings

Net sales

Net sales increased 0.1% compared with the corresponding period a year ago to SEK 121,867m (121,752). Sales growth, including organic sales growth and acquisitions, amounted to 4.5%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 3.3%, of which volume accounted for 1.8% and price/mix for 1.5%. All business areas reported organic sales growth. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. Organic sales growth in mature markets amounted to 0.0% and in emerging markets to 8.8%. Emerging markets accounted for 38% of net sales. Exchange rate effects reduced net sales by 3.6%. The acquisition of Asaleo Care increased net sales by 1.2%. Divestments and deconsolidation reduced net sales by 0.8%. Organic sales growth amounted to 1.3% compared with 2019.

Earnings

The Group's adjusted gross margin decreased by 3.6 percentage points year on year to 28.9% (32.5). Higher costs for raw materials, energy and distribution reduced the margin by 4.8 percentage points. The margin was positively impacted by higher volumes, higher selling prices, a better mix and cost savings. Continuous cost savings amounted to SEK 698m.

The Group's adjusted EBITA margin decreased 3.3 percentage points to 11.2% (14.5). Sales costs, excluding marketing costs, were lower also as a share of net sales. Marketing costs were higher but in line with the corresponding period a year ago as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 22% (19% excluding currency translation effects, acquisitions and divestments) to SEK 13,680m (17,626).

Items affecting comparability amounted to SEK 371m (–59) and were positively affected by the remeasurement of Essity's previous holding of 36.2% in Asaleo Care on July 1 in conjunction with the acquisition of the remaining shares, yielding a positive revaluation effect of SEK 706m. Other costs are mainly related to transaction costs for the acquisitions of Asaleo Care and Productos Familia S.A., as well as restructuring costs.

Financial items decreased to SEK –662m (–958), mainly due to lower interest.

Adjusted profit before tax decreased 23% (20% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 12,166m (15,859).

The tax expense, excluding effects of items affecting comparability, was SEK 2,803m (4,054).

Adjusted profit for the period decreased 21% (18% excluding currency translation effects, acquisitions and divestments) to SEK 9,363m (11,805).

Profit for the period decreased 16% (13% excluding currency translation effects, acquisitions and divestments) to SEK 9,810m (11,747). Earnings per share were SEK 12.27 (14.56). The adjusted earnings per share were SEK 12.50 (15.45).

Key figures

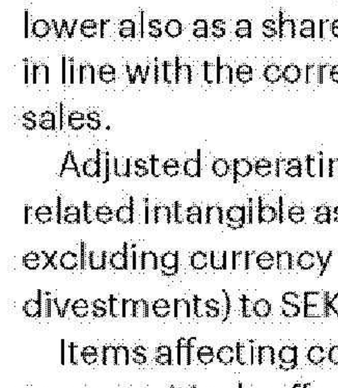
The adjusted return on capital employed[1] was 12.0% (15.7).
The adjusted return on equity[1] was 14.3% (18.3).

Summary income statement

SEKm	2021	2020	2019
Net sales	**121,867**	**121,752**	**128,975**
Adjusted EBITA[1]	**13,680**	**17,626**	**15,840**
EBITA	**14,051**	**17,567**	**15,127**
Adjusted operating profit[1]	**12,828**	**16,817**	**15,062**
Items affecting comparability	371	–59	–713
Operating profit	**13,199**	**16,758**	**14,349**
Financial items	–662	–958	–1,309
Adjusted profit before tax[1]	**12,166**	**15,859**	**13,753**
Profit before tax	**12,537**	**15,800**	**13,040**
Adjusted tax[1][2]	–2,803	–4,054	–2,987
Tax[2]	–2,727	–4,053	–2,828
Adjusted profit for the period[1]	**9,363**	**11,805**	**10,766**
Profit for the period	**9,810**	**11,747**	**10,212**

[1] Excluding items affecting comparability.
[2] 2019: A revaluation of deferred tax had a positive impact on the tax rate of SEK +253m.

Net sales, share of Group



Personal Care, 38%
Consumer Tissue, 40%
Professional Hygiene, 22%

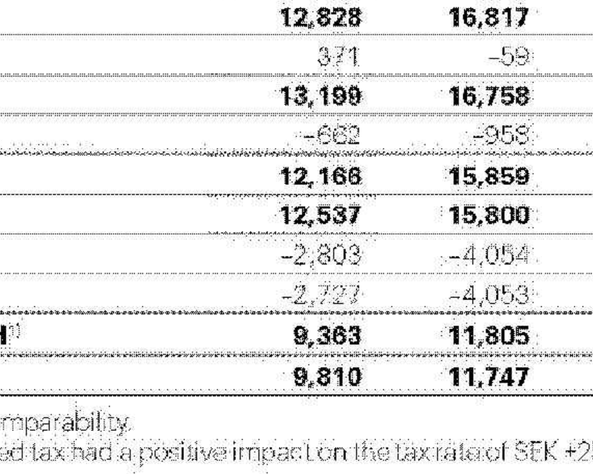
Adjusted EBITA[1] and adjusted EBITA margin[1]



Adjusted EBITA[1]
Adjusted EBITA margin[1]

[1] Excluding items affecting comparability.

Adjusted earnings per share[1]



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

Cash flow and financing

The operating cash surplus amounted to SEK 20,471m (24,653). The cash flow effect of changes in working capital was SEK –844m (–810). 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 –7,304m (–6,439). Operating cash flow before investments in operating assets through leases amounted to SEK 11,598m (16,427). Operating cash flow was SEK 11,118m (16,018).

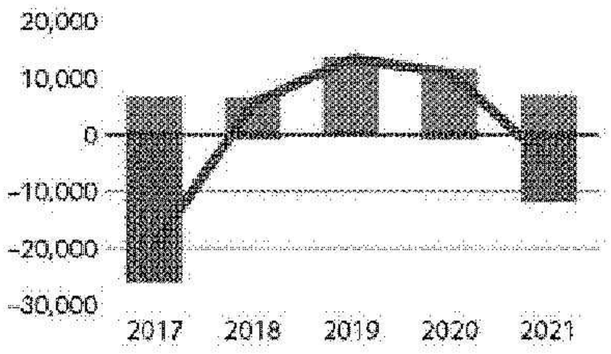
Financial items decreased to SEK –662m (–958), mainly due to lower interest.

Tax payments had an impact on cash flow of SEK –3,634m (–3,917).

The net sum of acquisitions and divestments was SEK –11,800m (–380). Net cash flow totaled SEK –10,193m (6,046).

Net debt increased SEK 12,745m during the period and amounted to SEK 55,433m. Excluding pension liabilities, net debt amounted to SEK 52,723m. Net cash flow increased net debt by SEK 10,193m. 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, increased net debt by SEK 147m. Exchange rate movements increased net debt by SEK 2,020m. Investments in non-operating assets through leases increased net debt by SEK 385m. The debt/equity ratio was 0.81 (0.67). Excluding pension liabilities, the debt/equity ratio was 0.77 (0.63). The debt payment capacity was 29% (46). Net debt in relation to adjusted EBITDA amounted to 2.77 (1.76).

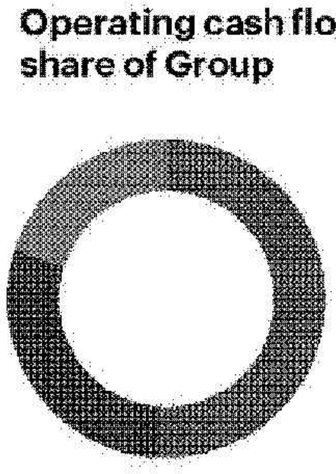
The Group's cash flow



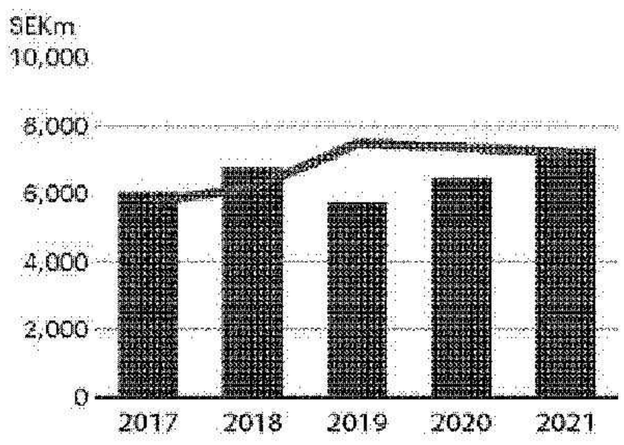
Operating cash flow statement

SEKm	2021	2020	2019
Operating cash surplus	20,471	24,653	22,932
Change in working capital	–844	–810	359
Investments in non-current assets, net	–7,304	–6,439	–5,707
Restructuring costs, etc.	–725	–977	–1,494
Operating cash flow before investments in operating assets through leases	**11,598**	**16,427**	**16,090**
Investments in operating assets through leases	–480	–409	–451
Operating cash flow	**11,118**	**16,018**	**15,639**
Financial items	–662	–958	–1,309
Income taxes paid	–3,634	–3,917	–1,190
Other	72	32	8
Cash flow from current operations	**6,894**	**11,175**	**13,208**
Acquisitions of Group companies and other operations	–11,813	–747	–143
Divestments of Group companies and other operations	13	367	220
Cash flow before transactions with shareholders	**–4,906**	**10,795**	**13,285**
Private placement to non-controlling interests	25	64	4
Dividend to non-controlling interests	–571	–423	–836
Dividend	–4,741	–4,390	–4,038
Net cash flow	**–10,193**	**6,046**	**8,915**

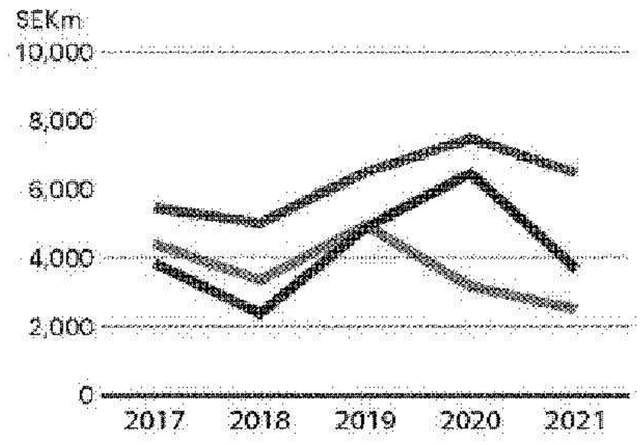
Operating cash flow, share of Group



Investments in non-current assets



Operating cash flow by business area



Financial position

Assets and capital employed
The Group's total assets increased 13% compared with the preceding year, amounting to SEK 175,050m (154,645). Non-current assets increased SEK 12,518m compared with the preceding year to SEK 124,047m (111,529), of which property, plant and equipment amounted to SEK 58,918m (53,631) and intangible assets to SEK 59,609m (50,898).

Current assets totaled SEK 51,003m (43,116). Working capital amounted to SEK 11,157m (7,146). Capital employed was 17% higher and totaled SEK 123,934m (106,030).

Equity
The Group's equity increased by SEK 5,165m during the period, to SEK 68,507m (63,342). Net profit for the period increased equity by SEK 9,810m. Equity decreased due to dividends to shareholders of SEK 5,269m. Equity decreased net after tax by SEK 161m 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 increased equity by SEK 2,071m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 4,641m. Equity decreased by SEK 5,961m due to the acquisition of the non-controlling interest in Productos Familia S.A. Other items increased equity by SEK 34m.

Financing
The Group's interest-bearing gross debt amounted to SEK 54,419m (43,353) at year-end. The maturity period was 4.1 (3.1) years.

Net debt increased SEK 12,745m during the period compared with the same point in time last year and amounted to SEK 55,433m. Excluding pension liabilities, net debt amounted to SEK 52,723m. Net cash flow increased net debt by SEK 10,193m. 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, increased net debt by SEK 147m. Exchange rate movements increased net debt by SEK 2,020m. Investments in non-operating assets through leases increased net debt by SEK 385m.

Key figures
The debt/equity ratio was 0.81 (0.67). Excluding pension liabilities, the debt/equity ratio was 0.77 (0.63). The visible equity/assets ratio was 34% (35). Adjusted return on capital employed and equity was 12.0% (15.7) and 14.3% (18.3), respectively. The capital turnover rate was 1.1 (1.1). At year-end, working capital amounted to 9% (6) of net sales.

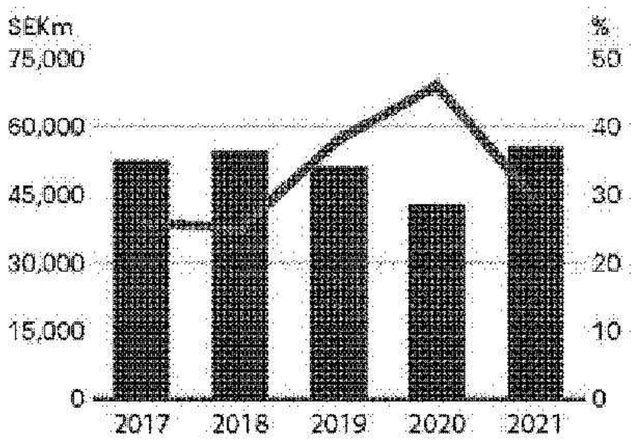
Consolidated capital employed by currency, SEKm

	2021	%	2020	%	2019	%
EUR	46,001	37	43,218	41	43,985	39
USD	20,211	16	17,458	16	20,173	18
CNY	19,904	16	17,750	17	17,378	15
MXN	5,988	5	5,519	5	6,570	6
GBP	5,843	5	4,794	5	5,432	5
Other	25,993	21	17,291	16	20,205	17
Total	**123,940**	**100**	**106,030**	**100**	**113,741**	**100**

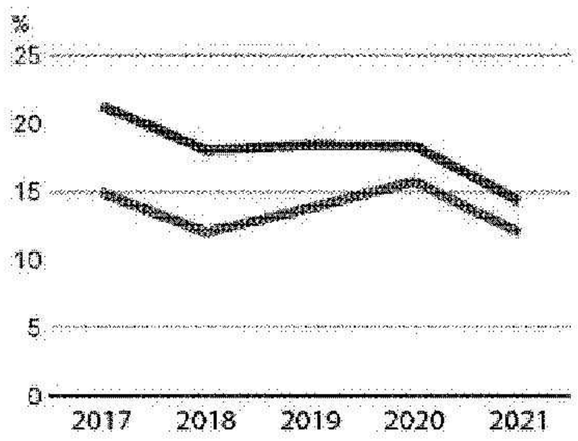
Consolidated balance sheet

SEKm	2021	2020	2019
Intangible assets	59,609	50,898	55,763
Property, plant and equipment	58,918	53,631	58,900
Other non-current assets	5,520	7,000	7,651
Total non-current assets	**124,047**	**111,529**	**120,314**
Current assets	51,003	43,116	41,981
Total assets	**175,050**	**154,645**	**162,295**
Equity	68,507	63,342	62,801
Non-current liabilities	59,648	50,230	56,214
Current liabilities	46,895	41,073	43,280
Total equity and liabilities	**175,050**	**154,645**	**162,295**
Working capital	11,157	7,146	6,792
Capital employed	123,940	106,030	113,741
Net debt	55,433	42,688	50,940

Net debt and debt payment capacity

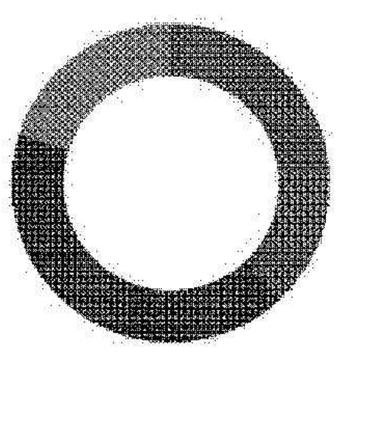


Adjusted return on capital employed and equity[1)]



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.

Essity has an internal audit function, which ensures up 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 41–42 and 46–49.

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 41–42 and 46–49.

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 facilitates 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.

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.

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.

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 16.

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 2021, Essity's ten largest customers, most of them retail companies and distributors, accounted for 19.6% 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 50–52.

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.

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.

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.

Information and IT

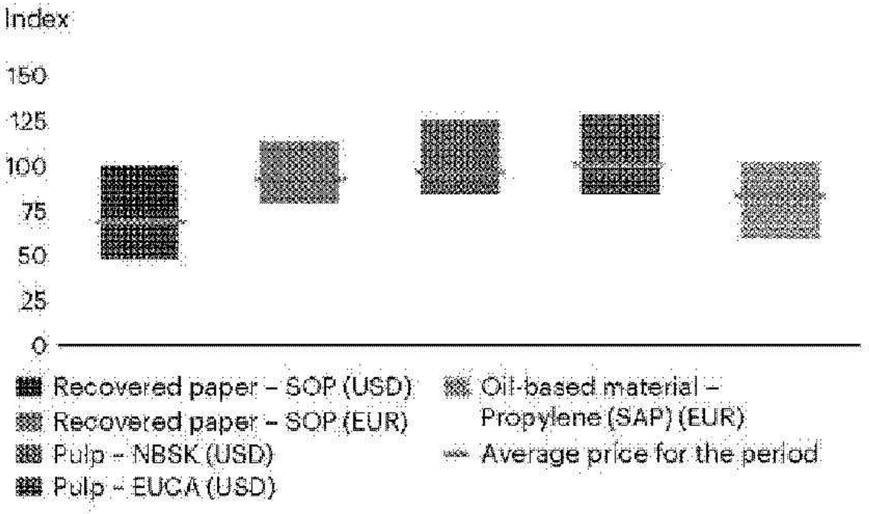
Risk
Essity is dependent on IT systems and information security. Disruptions or faults in critical systems, as well as the increasing prevalence of cyber-attacks, may have a direct impact on production and other important business processes. Errors in financial systems may affect the company's reporting 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 Operational Services, who is a member of the company's Executive Management Team, is responsible for managing IT and information security-related risks.

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) 2011–2021 per input goods



Action
Fiber (pulp and recovered paper) is a significant cost, mainly in the Consumer Tissue 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 Personal Care 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 142.

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.

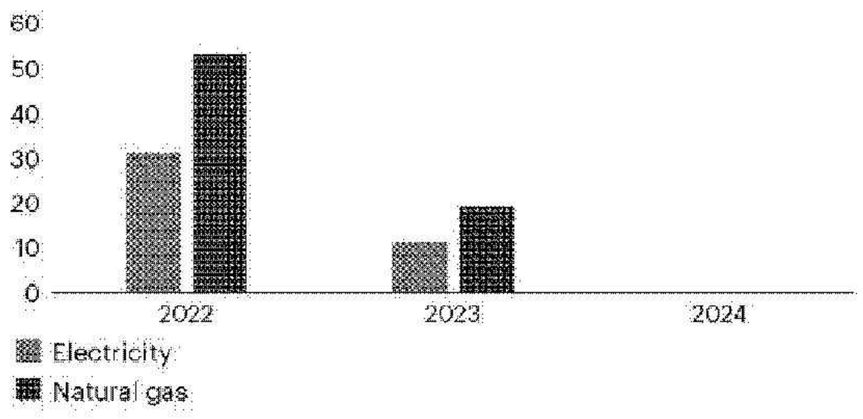
Action
Essity manages the energy price risk related to electricity and natural gas centrally. According to Essity's Energy Risk Policy, these price risks can be hedged for a period of up to 36 months. Exceptions are made for regulated and non-hedgeable markets. Energy prices are hedged through financial 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 2021, Essity purchased about 5 TWh (5; 5) of electricity and about 7 TWh (7; 8) 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 104.

Energy price hedges in relation to forecast consumption, December 31, 2021



Currency

Risk

Transaction exposure

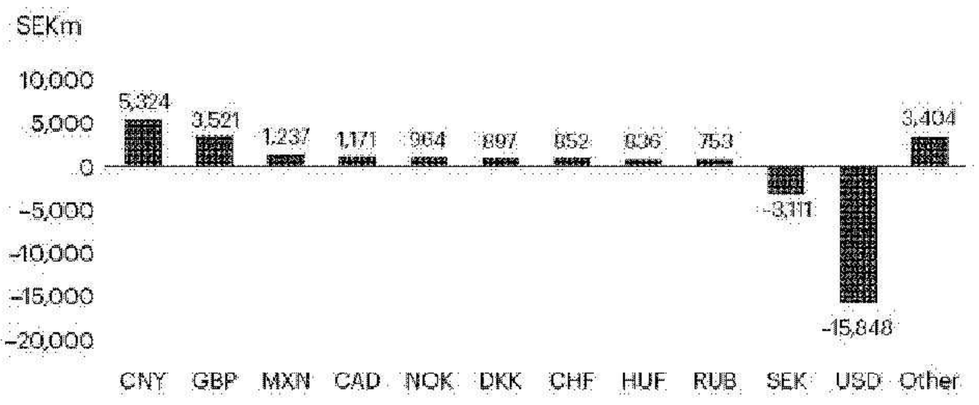
Transaction exposure is the risk that exchange rate movements in export revenues as well as import expenses and other costs could negatively impact the Group's operating profit and the cost of non-current assets.

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 2.0 months, CNY 0 months and GBP 1.7 months. During the year, there was continuous hedging of, primarily, trade receivables and payables, as well as future payments of non-current assets. The majority of hedges mature during the first quarter of 2022.

Net flows in 2021



For further information relating to hedging of transaction exposure, see Note E6 Derivatives and hedge accounting on page 104.

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, CNY, USD and GBP.

Currency	Sales %	Costs %	Adjusted EBITA[1] SEKm	Average rate 2021
EUR	36	35	6,108	10.1410
CNY	13	8	7,265	1.3291
USD	13	25	-11,076	8.5718
GBP	8	7	1,712	11.7929
MXN	5	5	379	0.4228
COP	3	3	516	0.0023
SEK	3	3	-318	1.0000
RUB	2	2	696	0.1164
Other	17	12	8,398	
Total	**100**	**100**	**13,680**	

[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, 2021, net debt amounted to SEK 55,433m (42,688; 50,940).

Net debt distributed by currency

Currency	Net debt SEKm	Percentage of net debt 2021 %	2020 %	2019 %
EUR	19,076	35	43	42
SEK	12,162	22	18	19
USD	8,272	15	16	10
GBP	6,724	12	12	14
AUD	3,334	6	1	1
HKD	2,308	4	1	4
COP	1,768	3	0	0
CNY	1,718	3	8	5
Other	71	0	1	5
Total	**55,433**	**100**	**100**	**100**

For further information relating to hedging of translation exposure, see Note E6 Derivatives and hedge accounting on page 104.

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 anticipated credit losses, see Note E3 Trade receivables on page 102.

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 4,784m (1,650; 971), gross. Taking net calculation agreements per counterparty into consideration, credit exposure of derivatives amounted to SEK 1,563m (887; 551). At year-end, the total credit exposure was SEK 6,338m (6,208; 3,750). This exposure includes credit risk of SEK 4,119m (5,048; 2,928) for financial investments.

Refer to the table below for the distribution of credit risk by category.

Financial credit exposure

	Category[1]			
SEKm	A	B	C	Total
Financial assets measured at fair value through other comprehensive income	–	–	99	99
Financial assets measured at amortized cost	146	–	62	208
Cash and bank balances	2,719	640	545	3,904
Derivative assets, net	853	0	710	1,563
Current investments	142	73	–	215
Bank guarantees	349	–	–	349
Total	**4,209**	**713**	**1,416**	**6,338**

[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 entitles 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 12,745m in 2021. At year-end, the average maturity of gross debt (excluding leases and pensions) was 4.1 years (3.1; 3.1). If short-term loans would be replaced with long-term unutilized credit facilities, the average maturity would amount to 4.7 years. Unutilized credit facilities amounted to SEK 20,459m at year-end. In addition, cash and cash equivalents totaled SEK 3,904m.

Liquidity reserve

SEKm	2021	2020	2019
Unutilized credit facilities	20,459	20,056	20,850
Cash and cash equivalents	3,904	4,982	2,928
Total	**24,363**	**25,038**	**23,778**

SEKm	2021	2020	2019
Net sales	121,867	121,752	128,975
Liquidity reserve[1]	20%	21%	18%

[1] Liquidity reserve as a percentage of net sales.

For further information, see Note E2 Financial assets, cash and cash equivalents on page 101, and Note E4 Financial liabilities on page 102.

Interest rate

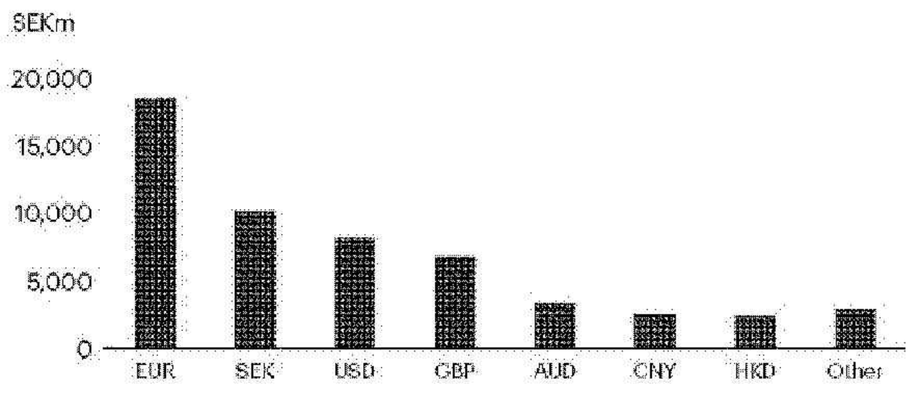
Risk

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 decreased in 2021. Lower average interest rates had a positive impact. Essity's major funding currencies are EUR, SEK and USD, refer to the graph on the right. To achieve the desired interest rate duration, Essity uses financial derivatives. The average interest rate duration for the gross debt, including derivatives, was 19.0 months (21.2; 24.7) at year-end. The average interest rate for the total outstanding net debt including derivatives, amounted to 1.30% (1.61; 2.11) 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 by means of, for example, scenario analyses. The purpose of this is to identify, manage and minimize the risks and to take action. Strengths and opportunities identified are further developed within the scope of the Group's sustainability work.

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 35. Sustainability issues are discussed on an ongoing basis by Essity's Executive Management Team and Board of Directors and has also in 2021 comprised a focus area in the work of the Board of Directors.

A steering committee has been appointed to ensure that Essity meets the company's climate targets. The steering committee is led by members of Essity's Executive Management Team and its tasks include preparing plans to deliver on all Scope 1, 2 and 3 targets.

Targets and key performance indicators

For many years, Essity has worked with sustainability throughout 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. Essity's target to reduce carbon emissions was approved by the Science Based Targets initiative for the first time in 2018. For Scope 1 and 2, Essity undertook to reduce greenhouse gas emissions by 25%, and for Scope 3 by 18% by 2030 compared with 2016. In 2021, Essity increased its ambitions for Scope 1 and 2, committing to reducing its Scope 1 and Scope 2 emissions by 35% no later than 2030[1] and to develop plans to achieve net-zero emissions of greenhouse gases by 2050[1].

Read more about the Essity's targets and outcomes on pages 20–21.

Climate-risk analysis

A climate-risk analysis based on the recommendations of the framework of TCFD is completed annually. In 2020, a more in-depth scenario analysis was conducted based on two different climate scenarios. Temperature change was studied from a long-term perspective until 2100. A ten-year perspective was used, until 2030, in order to draw conclusions about the impact this would have for Essity. The analysis was based on the impact of climate change and the impact of changes to legislation.

Reporting is conducted based on the recommendations of the framework of the Task Force on Climate-related Financial Disclosures (TCFD). See also page 137 for an index of where more TCFD-related information can be found in the Annual and Sustainability Report.

Process

Business intelligence and situation assessment from a climate perspective

Identification of possible climate scenarios and their consequences

Assessment according to Essity's risk process

Detailed analysis in centrally-coordinated internal expert group

Conclusions about the impact on Essity, assessment of risks and opportunities, and necessary action

Scenario 1: Global warming of 1.5°C

Description: Global warming is limited to no more than 1.5°C by 2100[2] through 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

- Increased investment costs in innovation, production and distribution are needed due to tougher legislation for manufacturing processes, energy sources and material use.
- Higher costs for goods sold due to price increases on raw materials, rising energy prices, higher distribution costs as well as higher carbon taxes and restrictions on carbon emissions.
- Changed consumption patterns.
- Deforestation leads to a shortage of fresh wood-based fiber, thereby resulting in a raw materials shortage.

[1] In accordance with SBTi's definitions, where targets for 2030 are referred to as "near-term targets" and for 2050 "long-term targets".
[2] Based on the International Panel for Climate Change (IPCC) scenario (RCP scenario 2.6).

Scenario 1: Global warming of 1.5°C, cont.

Opportunities

- Competitive advantages through Essity's long-term and robust efforts to achieve lower resource use, innovative green production methods and lower carbon emissions.
- Changed consumption patterns in the form of increased demand for sustainable solutions with a smaller climate footprint, rewarding companies with a strong sustainability profile, which also attracts new employees.
- Investments in and development of new business models in addition to green solutions attract more customers and consumers.
- Leading hygiene and health solutions are prioritized.

Actions

- 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.
- In 2021, Essity commenced production of pulp from alternative fiber at its facility in Mannheim, Germany. 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.
- Reduced resource consumption, efficiency enhancements, altered product specifications and price increases.
- Essity prioritizes emissions-effective transport methods for long-distance transportation. The company has a strong focus on and prioritizes 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 and electric trucks. Essity participates in various local projects and partnerships with customers and suppliers to jointly reduce carbon emissions from transportation.
- The targets for carbon emission reductions were approved by the Science Based Targets initiative in 2018. To ensure that it meets the climate targets, Essity has appointed a steering committee led by members of Essity's Executive Management Team.
- 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, washable absorbent underwear has been launched 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 work in a manner that promotes increased sustainability and several of Essity's major raw material suppliers have their own ambitious sustainability targets that are often approved by Science Based Targets initiative.
- Essity strives to increase the use of recycled and renewable material in packaging and products.
- Essity offers leading hygiene and health solutions to improve people's well-being all over the world. When people fulfill the most basic needs for food and shelter, the next priority is hygiene and health. Awareness of the importance of hygiene and health is increasing globally.
- Essity'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.

Scenario 2: Global warming of 4°C

Description: Global warming of 4°C in 2100[1], due to the failure to effectively reduce emissions and other negative environmental impacts. Extreme weather become 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

- Production disruptions due to extreme weather, which may result in water shortages and excessively high water temperatures, for example.
- Rising insurance costs and costs for reconstruction following extreme weather.
- Increased investments required to safeguard stable production and supply chain.
- Significantly higher cost for sold goods as resource scarcity leads to higher prices for raw materials, energy, water and distribution.
- Deforestation leads to a shortage of fresh wood-based fiber, thereby resulting in a raw materials shortage.
- Lower living standards and changed consumption behavior.

Opportunities

- Competitive advantages from safeguarded production and sourcing in regions at risk.
- Leading hygiene and health solutions are prioritized.

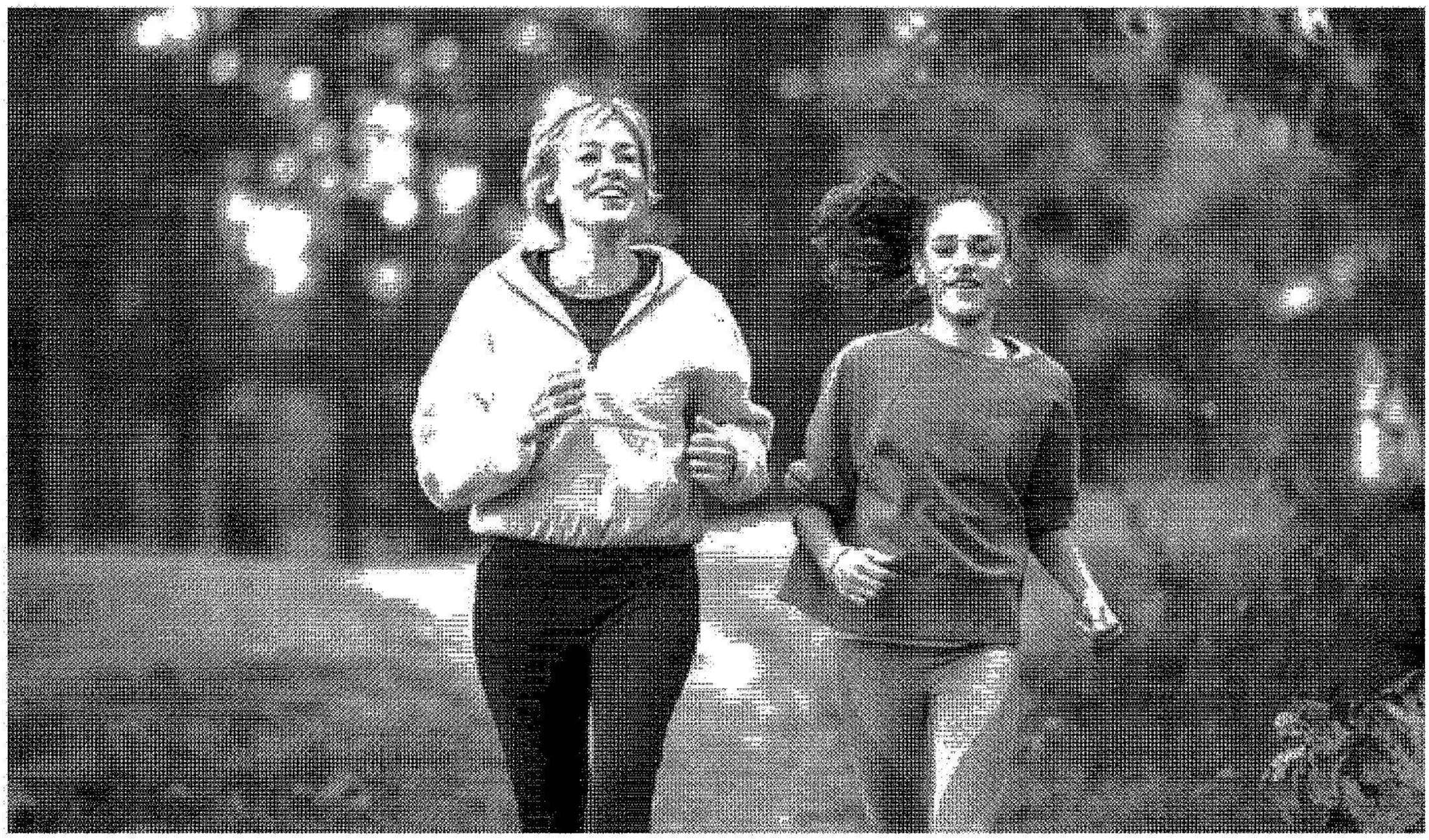
Actions

- 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.
- See also actions under Scenario 1.

[1] Based on the International Panel for Climate Change (IPCC) scenario (RCP scenario 6-8.5).

Essity's sustainability work

Essity improves people's well-being through leading solutions and expertise in hygiene and health. Sustainability is and has been high on our agenda for many years. We have achieved major progress in the field and continue to raise our ambitions. To reduce our environmental impact, we have set a commitment to reach net-zero emissions of greenhouse gases by 2050. During the year, we also set new ambitions to increase diversity, equity and inclusion.



Read about Essity's sustainability work

Improved well-being
Page 44
- Hygiene and health
- Transparency and safe products
- More inclusive society
- Partnerships and collaboration

Reduced environmental impact
Page 46
- Climate impact
- Biodiversity and ecosystems
- Recycling and less plastic use

Attractive and engaging employer
Page 50
- A culture that makes a difference and motivates
- Building for the future
- An inclusive workplace
- Sustainable working environment
- Employee relations

Business ethics and human rights
Page 53
- Code of Conduct
- Reporting breaches
- Risk management
- Compliance and monitoring

Sustainability governance
Page 54
- Purpose, implementation and follow-up
- External regulations and internal steering documents
- EU taxonomy
- Sustainability indexes and rankings

Read more on

Targets and outcomes ..... pages 20–21
Contribution to the UN Sustainable Development Goals .. page 21
Leading in sustainability ..... page 18
Essity's sustainability work ..... www.essity.com/sustainability

Improved well-being

Hygiene and health are fundamental to people's well-being in all phases of life, in all parts of the world. We increase access to hygiene and health solutions, develop products and services that enhance quality of life, use our expertise to drive dialogue, educate and contribute to a more inclusive society.

Hygiene and health

In pace with the growth of the world's population and rise in average life expectancy, the need and demand for hygiene and health products and services are increasing. As we expand and broaden our product range, we offer more customers and consumers knowledge about and access to hygiene and health solutions, which is important to stop the spread of disease and to help improve public health.

Our products and services play an important role in improving well-being and quality of life among people at various stages of life. Many people worldwide avoid going to school or work due to menstruation or incontinence. Our solutions for incontinence, menstruation, wound care and lymphedema create the preconditions for people to participate more in everyday life and to live more actively.

We constantly strive to develop our solutions, including the use of digitalization. More connected solutions enable, for example, better incontinence care, custom-fitting of compression garments, diagnosis of wound care and improved public hygiene solutions.

Transparency and safe products

Our highest priority is the well-being of our customers and consumers. This is why we never compromise on the safety or quality of our products. To ensure this throughout a product's entire life cycle, we have extensive requirements and procedures in place, which our internal experts continuously improve in accordance with a certified quality system. Essity collaborates with external experts in toxicology and life science to guarantee independent reviews. Every product or product component Essity receives from third parties must also comply with Essity's product safety and chemicals criteria according to the specifications in the company's Global Supplier Standard. Internal business practices ensure that information that may be relevant for product safety, including complaints and feedback from consumers and customers as well as quality incidents, are part of the product safety concept. Essity also actively participates in public debate on product safety.



Answers to frequently asked questions are published on 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 launched the "Product Safety, For Us it's Personal" and "Our 5 Pillars of Protection" campaigns in 2021.

More inclusive society

Essity promotes awareness to break the social stigma that is often linked to incontinence, menstruation and chronic conditions, such as endometriosis and lymphedema. The aim is to increase understanding of different conditions and help everyone participate more in everyday life and live as active a life as possible. In this way, we contribute toward, and create conditions for, a more inclusive society. Essity is helping to enable positive societal change through collaborations, partnerships, marketing, engagement on social media, reports, education and innovations. For many years, our brands have campaigned and driven initiatives to promote awareness and break social stigmas. Many of these have received attention for their creative content and engaging message. For example, in 2021 TENA's "TENA ageless" campaign challenged age stereotypes and "Despair no more" counteracted negative perceptions of incontinence and menopause. In the "Taboo tracker" campaign, brands including Libresse and Bodyform highlighted taboo issues regarding women's V-Zone, while "Pain Stories" increased awareness of the issue of endometriosis.



Partnerships and collaboration

Greater impact can be achieved by collaborating with organizations that share Essity's ambition to improve global hygiene and health. For a number of years now, Essity has been a strategic partner in the "Global Handwashing Partnership" and supported the "Hand hygiene for all" initiative together with the WHO and UNICEF, the aim of which is to guarantee access to products and services for hand hygiene in vulnerable countries and areas. As a means of contributing to global dialogue and driving forward societal solutions, we have over the past seven years regularly published "The Hygiene and Health Report" in cooperation with the Water Supply and Sanitation Collaborative Council (WSSCC), now the Sanitation and Hygiene Fund (SHF). The latest report was launched in conjunction with the United Nations Foundation's (UNF) annual Global Dialogue in 2020, where Essity was convening partner for the fifth year in a row. The Global Dialogue brings together leaders and experts from the private and public sectors to inspire and encourage accelerated action in achieving the UN Sustainable Development Goals.

Through our cooperation with UNICEF in Mexico, we have so far educated more than seven million young people in hand hygiene and menstruation. We have launched a virtual initiative to educate girls, boys, teachers and parents. We are involved in a range of different projects around the world. For instance, through our collaboration with the Red Cross in several countries, we have reached out to people in particularly vulnerable situations during the COVID-19 pandemic.

We engage in initiatives where we can make the greatest contribution and these must be politically and religiously independent, as set out in Essity's Community Relations Instruction. In 2021, Essity invested approximately SEK 38m in more than 400 projects.

A selection of our partnerships

unicef

For a number of years, Essity has been collaborating with UNICEF in Mexico to increase awareness of the importance of good hand hygiene, to break the taboos surrounding menstruation and strengthen standards and guidelines to encourage good hygiene and health.

UNITED NATIONS FOUNDATION

Essity has collaborated with the UNF since 2017. This included the role of convening partner for the UNF's annual Global Leadership Dialogue, when we held discussions with our customers on how we could work together to achieve the UN Sustainable Development Goals. In 2021, Essity enhanced this collaboration by joining an expert group in the fight against antimicrobial resistance (AMR).

Read more on

Customers and consumers.....Note H5, page 125
Role in society and community relations .....Note H6, page 125

Reduced environmental impact

Essity is acting to reduce its environmental impact across the value chain from the perspective of, for example, the climate, biodiversity and ecosystems, and also to increase recycling and reduce plastic waste.

Climate impact

As a global company in hygiene and health, Essity plays a leading role in driving change to reduce the company's climate impact. In 2021, new and updated sustainability targets were adopted, that included a commitment to achieve net-zero emissions of greenhouse gases by 2050. We also raised our ambitions for existing Science Based Targets in the so-called Scope 1 and 2. Essity has a clear strategy and plan for how it will achieve these targets. The most important areas have been identified for the Science Based Targets 2030 and net-zero emissions by 2050. Action will be taken throughout the value chain, from raw materials, production, distribution to the management of used products. Our targets encompass both our own operations and our value chain, meaning Scope 1, 2 and 3.

Key action areas

Essity is focusing on the following areas to achieve our ambition of net-zero emissions.

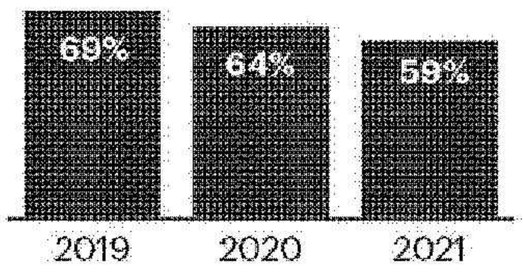
- **Sustainable solutions:** We act to develop new and more sustainable products and services. Our offering now includes reusable menstruation and incontinence products. Through innovation, Essity has reduced the greenhouse gas footprint in the company's different product categories by 10–30% over a ten-year period. Essity's Group target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2021, the outcome was 59%.
- **Low carbon raw materials:** Essity is striving 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 plastic used in our products and packaging. We collaborate with our suppliers to develop sustainable solutions with a focus on alternative, renewable and recycled materials, and encourage them to establish science-based targets and increase the use of renewable energy.
- **Fossil fuel free production:** In an industry that is traditionally energy intensive, one of our most important tasks to achieve net-zero emissions by 2050 is to become free from fossil fuels. To achieve this, measures include the increased use of hydrogen from renewable sources, biogas and geothermal steam.
- **Resource efficiency:** We have extensive experience of working with resource efficiency, including in our M-Save and E-Save programs that focus on material and energy efficiency, respectively. The reduction in CO_2 emissions per ton produced between 2005 and 2021 was 19%.
- **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.

Sustainable innovations

Share that yielded social and/or environmental improvements

Target: >50%

Outcome:

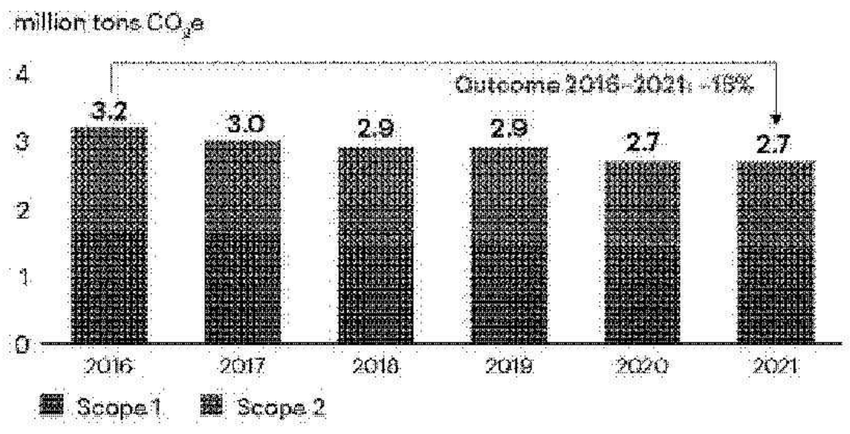


Sustainable innovations are measured as the share of revenue from innovations launched in the most recent three years. Examples of sustainable innovations in 2021 included Tork cleaning cloths, TENA Silhouette washable absorbent underwear, and the Libresse menstrual cup.

Science Based Targets

Target 2030 (compared with 2016):

- **Scope 1 and 2:** Target: –35% Outcome 2021: –15%
- **Scope 3:** Target: –18% Outcome 2020: –9%



Memberships

Essity's climate targets were approved by the Science Based Targets initiative in 2018 and, in 2021, Essity raised its ambitions for Scope 1 and 2. The climate targets are aligned with the ambitions of the Paris Agreement to reduce global warming. This climate initiative is supported by the CDP, WRI, WWF and UN Global Compact.

Essity has joined the UN Global Compact's "Business Ambition for 1.5°C", which includes an updated target in line with the scenario for "Well-under 2°C" and to develop targets to achieve net-zero emissions of greenhouse gases by 2050.

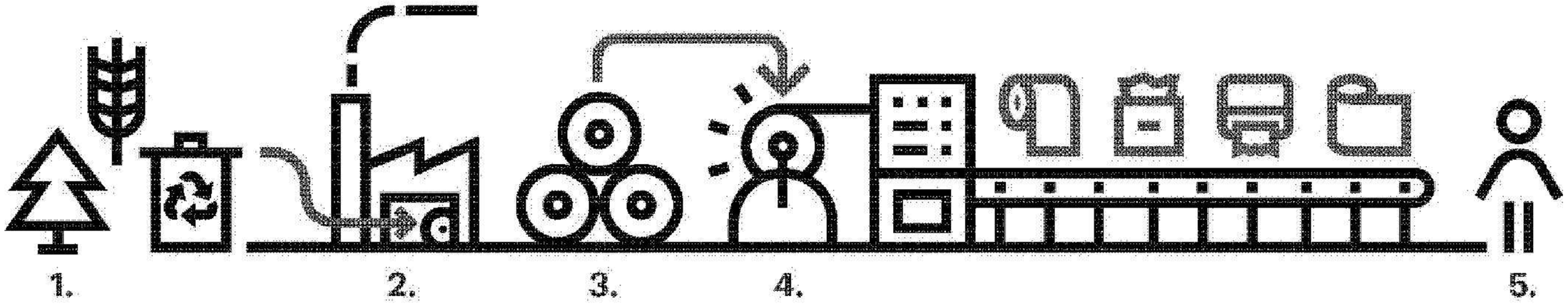
Essity has been a member of the UN Global Compact Action Platform on Climate Ambition since 2017. The platform provides an opportunity for collaboration between companies and important stakeholders to address the issues of limiting and adapting to climate change.


In 2021, Essity began tissue manufacturing using pulp from wheat straw at its production facility in Mannheim, Germany.

- **Zero production waste:** We act 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 2021, the total amount of production waste decreased, and 64% was recycled.
- **Clean transport:** When possible, we choose more sustainable modes of transport, such as sea and rail. By requesting highest emission standards we make use of the latest engine technology available. Essity also collaborates with partners to start pilot projects that involve the use of electric trucks and alternative fossil-free fuels to reduce transport emissions.
- **Less waste after use:** To reduce waste and create new uses for materials included in our products and packaging, we are developing innovative solutions to reduce consumption as well as new business models for recycling. For example, to reduce waste we offer compostable tissue products and the Tork Paper-Circle recycling service has been expanded to ten markets. To address plastic recycling, Essity joined the HolyGrail 2.0 initiative in 2021, which uses a digital watermark to improve sorting and increase the recycling rate of plastic packaging in the EU.

To ensure that we meet the climate targets, Essity has appointed a steering committee led by members of the Executive Management Team. We are identifying the impact of climate change on Essity based on the TCFD framework, see more under Risk and risk management on pages 41–42.

How we manufacture tissue



1. The main raw materials used to manufacture tissue are FSC and PEFC certified fresh fiber pulp and recovered paper. Manufacturing can also use alternative materials, such as pulp from wheat straw, and post-consumer waste, such as used paper hand towels, paper cups and food packaging.
2. Pulp is mixed with water in the paper machine and the paper is then dried.
3. The paper is wound into large reels, known as mother reels.
4. The mother reels are then converted into toilet rolls, household towels, napkins and handkerchiefs.
5. Our products create customer and consumer value and improve people's well-being and quality of life.

Biodiversity and ecosystems

Essity respects biodiversity and ecosystems by promoting sustainable forestry operations, reducing greenhouse gas emissions and plastic waste, and improving water use and water quality. As part of a major analysis of our impact on biodiversity, biodiversity was integrated into Essity's overall risk management in 2021.

Reduced material use and alternative materials

As a means of reducing wood fiber purchases, we strive to reduce material use in our solutions. We are investing 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.

Certification for sustainable forestry

Our long-standing work with responsible fiber sourcing is an important part of our sustainability strategy to support sustainable forestry and thereby promote biodiversity. We ensure sustainable fiber sourcing through certifications such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) and can therefore prevent deforestation and promote biodiversity in the forest. Every FSC-certified forest must be assessed by an accredited FSC certification body each year. Essity works with and encourages non-certified suppliers and forest owners to become certified. This secures our own sourcing of certified materials while increasing the availability of certified raw materials to other users. In order to further promote responsible forestry on global, regional and national levels, Essity is supporting the development of international certification systems.

Cooperation to combat forest degradation and deforestation

Essity cooperates within the framework of the Consumer Goods Forum (CGF) with leading consumer goods companies in the Forest Positive Coalition of Action initiative to combat global forest degradation and deforestation and to preserve biodiversity. In 2021, Essity took part in a project to strengthen sustainable forestry and care of forests with a high conservation value in north-western Russia, Europe's largest connected forest area with high nature values. The purpose is to increase the uptake of sustainable forest management practices, as well as engage communities and other local stakeholders in a landscape planning process. In 2021, Essity played a leading role in CGF's Forest Positive Coalition, where we worked with other global companies to strengthen forest management and prevent deforestation.

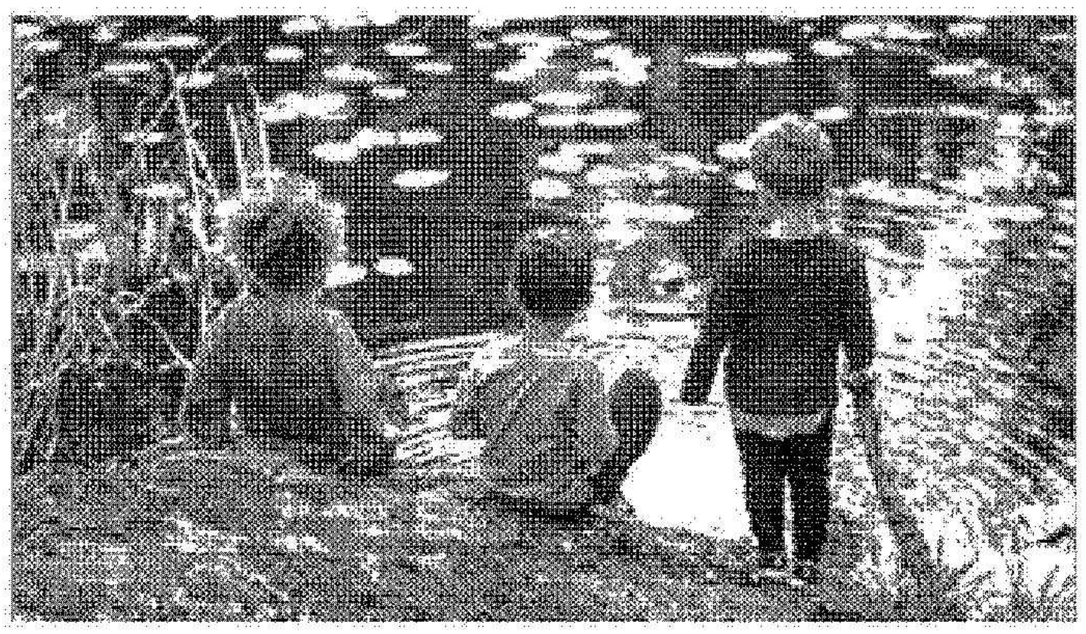
Targets and transparency

In 2021, Essity was awarded a place on the global non-profit environmental organization Carbon Disclosure Project's (CDP) A List for its efforts in combating deforestation. This was motivated by Essity's ambitious efforts to prevent deforestation and promote responsible forestry, and its leadership in terms of objectives, actions and transparency in the environmental field. 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.

Improved water use and water quality

Around the world, declining water levels are affecting people, local economies and ecosystems. This also affects Essity's operations, from access to raw materials and production facilities to the communities in which our employees and consumers live. The water risks differ around the world and we assess water-related risks and impacts individually for our production facilities, both from a geographic and operating perspective. Water is mainly needed for transporting fiber during the production process. Recirculating water that has been used in production several times helps to reduce energy use for heating and treatment of water. Most of the water is treated after use and is being 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 increasing requirements on the quality of the discharged water. This is particularly important in locations where water is a resource shared with a large number of users, such as along major rivers, where the temperature of the water released must also be carefully monitored.

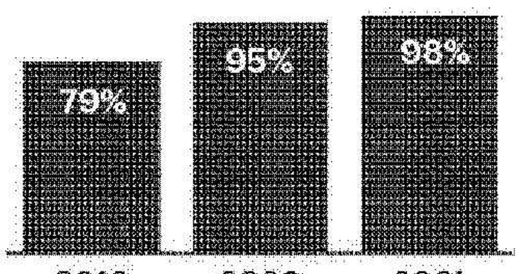


Fresh fiber

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 sourcing, thereby preventing deforestation and promoting biodiversity.

Memberships

Together with other companies and organizations in CGF's Forest Positive Coalition of Action, Essity works systematically to address deforestation and forest destruction and promote biodiversity.

Essity is one of the world's largest suppliers of FSC-certified hygiene and health products. We work with forest certification systems, such as FSC, which ensure sustainable forestry operations and respect for environmental, climate and social values.

In 2021, Essity was again awarded a place on CDP's A List for its work in combating deforestation. CDP's annual data collection and assessment process provides a benchmark for the transparency of companies' environmental activities.

Recycling and less plastic use

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

Production waste

Resource efficiency and the reduction of waste are important in Essity's production facilities and 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 the construction industry.

Waste after use

Our services are constantly improving and new designs are utilized to reduce waste, and thereby cut greenhouse gas emissions. Essity aims to increase the use of renewable materials and new reusable products. We carry out circularity assessments as part of the innovation process to obtain a better understanding of how waste can be avoided after use. Examples include TENA SmartCare, where product use is optimized and waste reduced, and Tork PaperCircle, where used paper hand towels are collected and recycled to become new tissue products.

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

Together with our suppliers, we are focusing on increasing the share of renewable and recovered plastic in our packaging. We also strive to broaden collaboration with our customers to further strengthen understanding of how their sustainability strategies and targets can be supported.

We are cooperating with customers, consumers, suppliers and other societal 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.



The Tork PaperCircle service collects used paper hand towels for reuse as new tissue products.

Partnerships and collaboration

We are taking part in discussions with actors throughout the value chain to promote the implementation of waste systems that promote circularity, including the CGF, Edana, Ellen MacArthur Foundation and RecyClass. In 2021, Essity joined the Digital Watermarks Initiative HolyGrail 2.0, which is striving to introduce a digital watermark to improve sorting and to 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.

Memberships

ELLEN MACARTHUR FOUNDATION Member

Essity's membership of the Ellen MacArthur Foundation provides scope to share, learn and put into practice ideas for increased circularity, and to jointly pursue 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 recovered plastic by 2025.

FORUM

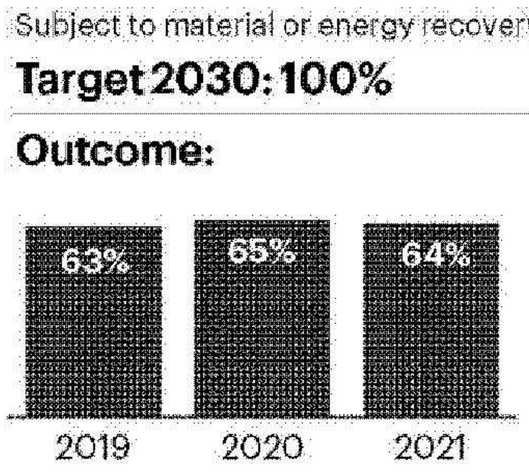
Through CGF's Coalition of Action on Plastic Waste, Essity works together with customers, other companies and organizations to jointly reduce plastic waste and strive to improve social systems, so no plastic waste is disposed of in nature.

Production waste

Subject to material or energy recovery

Target 2030: 100%

Outcome:



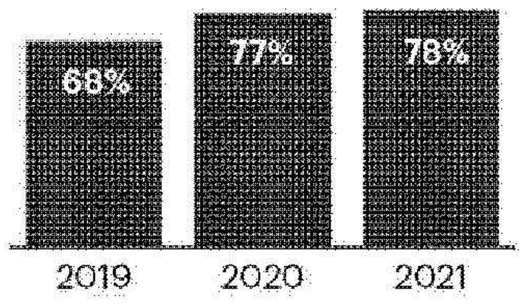
Resource efficiency and the reduction of waste are important in Essity's production facilities. The target is that all production waste will be subject to material and energy recovery by 2030, which reduces greenhouse gas emissions.

Packaging

Share of packaging manufactured from renewable and/or recycled material

Target 2025: 85%

Outcome:



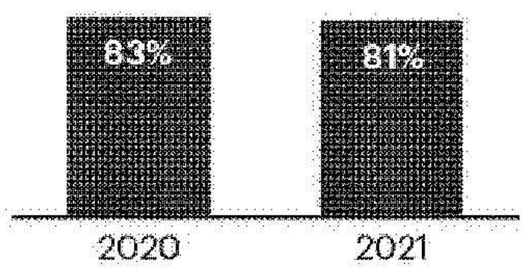
Essity is striving for 85% renewable and/or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands.

Packaging

Share of technically recyclable packaging[1]

Target 2025: 100%

Outcome:



In 2021, 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.

[1] Packaging is recyclable using existing infrastructures.

Read more on

Energy and emissions to air ..... Note H10, page 127
Climate impact and Science Based Targets .. Note H11, page 128
Innovation ..... Note H4, page 125
Fiber sourcing ..... Note H7, page 125
Water ..... Note H8, page 126
Packaging, plastic and waste ..... Note H9, page 126

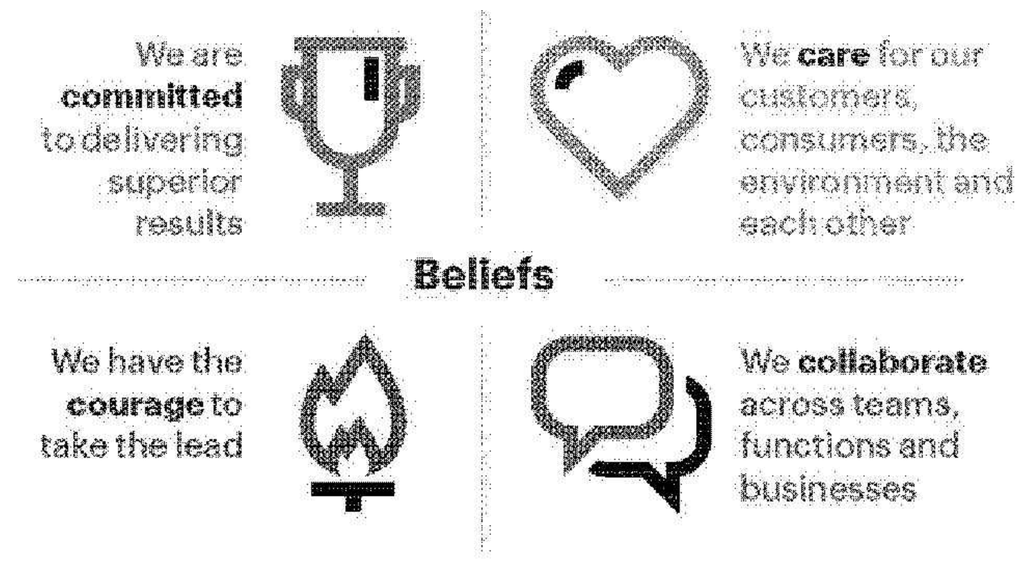
Attractive and engaging employer

Essity's employees work every day all over the world to improve well-being. We break taboos and contribute to solutions that are good for the individual and for the planet. Our ambition is to create attractive, inclusive and sustainable workplaces where our employees are motivated, engaged and deliver results.

A culture that makes a difference and motivates

Essity's culture is based on the company's purpose to break barriers to well-being and is characterized by an inclusive working environment where employees develop and are challenged. We believe in authentic leadership distinguished by courage, a will to change and engagement. Employees at Essity work on a daily basis to simplify everyday life for people all over the world. The foundation of our culture is set out in our "Beliefs & Behaviors";

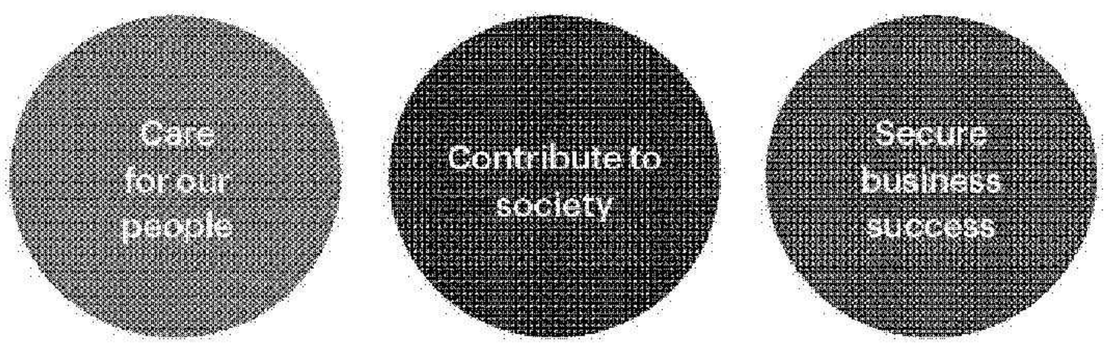
Essity's "Beliefs and Behaviors"



These are included in individual goals for employees and serve as a compass for how we work, make decisions and interact with each other, our customers and other stakeholders. A strong culture results in strong engagement and we are proud to have our highly dedicated employees. This parameter is followed up through regular employee surveys. The result of the latest survey was higher than the Global Benchmark.

Our daily priorities

Essity has three overall priorities as a basis for all employees and day-to-day work: care for our people, contribute to society and secure business success. These were used to guide decisions and measures during the COVID-19 pandemic and also demonstrate the importance of integrating business results with well-being of our employees and our contribution to society.



Building for the future

The continuous development of employees and leaders is crucial for Essity's long-term success and opportunity to attract and retain the right competence. The environment in which we operate is constantly changing and is highly complex. This requires us to be quick to develop, train and adapt. Learning and development must be a fundamental part of our employees' everyday life and takes place through a mix of training programs, learning from new challenges at work and through coaching. Essity has a structured approach to identifying the competence and talent needed to deliver on our business strategy.

Essity runs both leadership and functional academies. In recent years, we have shifted from a traditional approach to learning to more digital channels. Most of our development programs are available in a virtual format and employees have received training in how to use the digital tools to enhance efficiency. For example, our sales representatives have been trained to interact with customers in new ways outside conventional face-to-face meetings. Furthermore, 12,000 employees received training in work efficiency when using digital platforms, which ensured a continued high level of productivity during the COVID-19 pandemic.

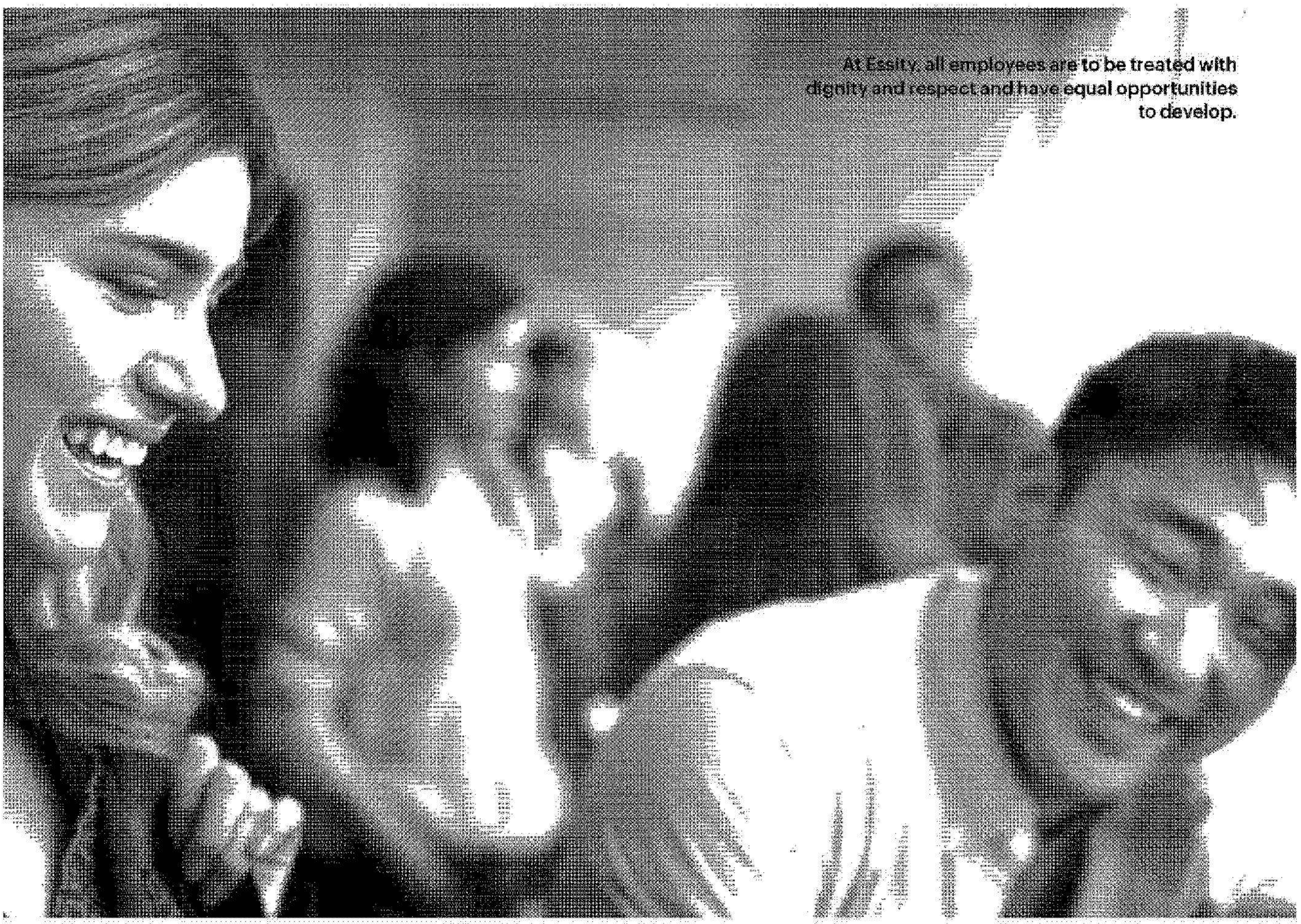
Recent years have shown that a face-to-face meeting is not always necessary for collaboration, which has accelerated our approach to the new workplace. In 2021, we launched a new workplace philosophy that includes an attractive office environment and the flexibility and opportunity to work remotely. We also encourage and support online meetings to reduce travel.

Leadership

Leadership is of the utmost importance to create a strong culture and achieve results. Matrix organizations and digital transformation require cross-functional collaboration and employees and leaders who can quickly adapt to complex and unexpected situations. We must constantly learn and develop to become the best possible leaders. During the COVID-19 pandemic, Essity's global offering of leadership programs, which is adapted for various leadership roles, was developed with a focus on increasing the company's organizational change competence. The purpose is to enable employees to improve their ability to lead, implement or contribute to change. A change concept has been introduced with a shared language and joint understanding about change in the company together with useful tools.

Remuneration and benefits

Essity offers a "Total Reward" concept, which entails a mixture of monetary and non-monetary components. We offer market-competitive remuneration comprising salary, variable remuneration, pension and other benefits. We also offer a good working climate, inclusive leadership, individual development plans and international development opportunities. The company follows local salary structures and respects internationally established rules for minimum wages and reasonable compensation. The programs for variable remuneration cover most employees at Essity.



An inclusive workplace

Our solutions contribute to increased diversity and inclusion, which also characterize the company's culture and work environment. We are convinced that diversity, equity and inclusion offer clear commercial benefits such as greater innovative strength, better decision making, profitability and attractiveness. Clear ambitions and measurable targets increase our focus on being an inclusive workplace and generate greater shareholder value.

At Essity, all employees are to be treated with dignity and respect and have equal opportunities to develop. 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.

All employees are recruited, evaluated and promoted based on objective criteria. In order to identify areas for improvement, an annual follow-up is conducted for all employees and management positions focusing on nationality, age structure and gender distribution. Pay differences due to gender, age or background are followed up every year and any unjustified differences are addressed. Breaches of our Code of Conduct and Diversity Policy can be reported using a reporting hotline, which is managed by a third party and offers anonymity.

A number of programs and networks are offered to increase diversity in senior positions. Local activities are being carried out in various countries to target specific employee groups. Work to increase inclusion involves constant improvement activities. Essity's employee survey shows that we are making good progress and it provides valuable knowledge for our continued efforts. We are continuing to strive for gender balance at all management levels and to reflect the broader diversity in society. In 2021, management established and appointed a new position as Vice President Diversity, Equity and Inclusion (DEI). The position is responsible for developing a more detailed DEI strategy and ensuring that Essity's priorities and targets are achieved. In addition, a global DEI Council was set up, led by Essity's President and CEO.



Essity leader in diversity work
In 2021, Essity was designated a Diversity Leader by the UK business daily Financial Times. In the newspaper's annual ranking of diversity work in the business sector in 15 European countries, Essity was ranked 25 out of 15,000 companies.

Sustainable working environment

Our highest priority is that everyone working at our production facilities and offices or otherwise working at or visiting Essity shall be safe and in good health. The safety, health and well-being of our employees is crucial to the success of operations and aligned with our "Beliefs & Behaviors", and the ethical standards and requirements expressed in our Code of Conduct.

During the COVID-19 pandemic, additional precautionary measures were taken in line with recommendations from medical experts and local health authorities at our offices, production facilities and distribution centers. Essity has regularly monitored employee perception of health and well-being and offered support whenever necessary. The company strives to promote physical and mental health and well-being. We have developed new digital ways of working, which include a global employee survey and other tools, training sessions and programs. These offer us a more effective and systematic manner with which to assess, analyze and work with continuous improvements in employee health, well-being and engagement.

Essity's target its to offer 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 potential accidents. In 2021, a National Safety Council survey was conducted to assess our safety culture and level of maturity in safety processes and working methods in the area of safety at our production facilities. The survey provides a basis for our strategy, and helps us to introduce effective action programs to improve safety.

We have also digitalized incident data and reporting in a shared system. This has improved the analysis and follow-up of trends, and raised awareness of risks to better prioritize preventive measures. The introduction of the term "Major Potential Incidents" provides us with information about all serious incidents and accidents at our facilities and allows us to share lessons learned worldwide.

Employee relations

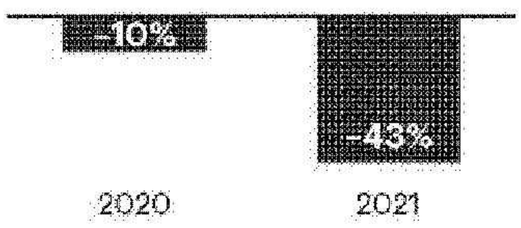
Essity has a positive and constructive dialogue with employee representatives. As a global company, we experience many changes that require information and consultation with employee representatives at all levels of the company. Essity recognizes the right of every employee to be a trade union member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

Health and safety

Decrease in total recordable incident rate compared with 2019

Target 2025: –75%

Outcome:



In 2021, Essity began to measure the Total Recordable Injury Frequency Rate to highlight accidents that require medical treatment. All of Essity's production facilities are conducting purposeful and systematic work with safety issues.



"Barrier Breakers"

In 2021, the global "Barrier Breaker of the Year" award was launched with the purpose of spotlighting initiatives and engagement among Essity's employees to break barriers for well-being. Four winners were chosen in different categories from a large number of nominations.

- **Better hygiene and health for everyone:** During 2020–2021, a group of volunteer employees offered training in hygiene and health issues to parents and children in poor and disadvantaged urban areas of Colombia. Through this collaboration with a local non-profit organization, "Hands to Create Dreams", Essity's employees changed the lives of many families by disseminating knowledge and offered them a better chance of a healthy and long life.
- **Better understanding of each other:** An internal menopause policy was launched in the UK together with training sessions to help managers recognize, discuss and support employees experiencing menopausal symptoms. The initiative also included collaboration with a national TV channel that showed how Essity is breaking the stigma of menopause, and several courageous employees shared their experiences.
- **Innovation and digitalization:** Modern 3D technology was used to develop a tool that enables colleagues to safely touch shared displays at Essity's production facilities during the COVID-19 pandemic to reduce the spread of the virus.
- **A circular and sustainable society:** A computer game was used to increase understanding among employees of their own environmental impact. Employees could measure their daily environmental impact, compete in being climate smart and in make sustainable choices. The initiative raised awareness of sustainability and led to changes in personal behavior as well as a reduction in greenhouse gas emissions.

Read more on

Employees.....Note H12, page 129
Health and safety.....Note H13, page 131

Business ethics and human rights

We are firmly committed to our zero-tolerance approach to violations of human rights in the value chains we have control over. This also encompasses our suppliers' employees and workplaces.

Code of Conduct

Work with business ethics and human rights requires constant perseverance. There will always be new challenges and new ways to demonstrate a commitment. This is why we are continuously learning, listening and raising standards.

Essity's Code of Conduct describes how employees are to act, how the company operates, stakeholder expectations of Essity and Essity's commitment to human 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. Essity expects its 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 of Essity's employees comply with the Code of Conduct, it is included as a training course in all of the company's onboarding programs. It is the responsibility of the respective line manager to ensure that the training is completed. In addition to training in the Code of Conduct, there is a program for compliance with competition rules, which is mandatory for employees in particularly exposed positions. In order 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. Essity's Compliance & Ethics department is responsible for the Code of Conduct training program and for the anti-corruption program.

All of our suppliers and other business partners are expected to follow principles equivalent to those included in the company's Code of Conduct. Essity also has a Global Supplier Standard to ensure responsible business operations and respect for human rights in the company's supply chain. 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 to human rights and employee relations, as well as health and safety. Compliance with these principles is a key factor when choosing suppliers and other business partners.

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 of legislation or the Code of Conduct. 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. Essity's 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 the Board of Directors.

Risk management

Essity is potentially exposed to a number of risks given that Essity's solutions are produced in and sold in several markets around the world. 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 the Supplier Ethical Data Exchange (Sedex) tool. Corruption risks are followed up and analyzed regularly within the scope of the anti-corruption program. In 2021, about 36% of Essity's revenue was from sales to countries with a relatively high risk of corruption. In the 2021 Sedex assessment, 98% of Essity's production facilities received a low to medium risk classification relating to human rights and corruption.

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 and business practice is ensured through audits under SA8000 conducted by the Internal Audit unit. Essity's own wholly owned production facilities that have conducted self-assessments in Sedex are available to Essity's customers who are also part of Sedex. Customers conduct audits in accordance with SMETA at Essity's production facilities.

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. Suppliers of raw materials and finished products located in countries that Sedex considers high-risk countries undergo an ethical audit that focuses on areas such as human rights, employment conditions and corruption. An ethical audit may also be initiated on the basis of other indicators, such as a low rating in Sedex or a low score in Essity's quality audits of suppliers. The preferred audit format is SMETA, which is the most widely used method in the world for social and ethical audits. 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.

92%

of Essity's new employees received training in Essity's Code of Conduct

88%

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

Read more on

Business ethics ..... Note H2, page 123
Responsible sourcing ..... Note H3, page 124

Sustainability governance

Sustainability is incorporated throughout Essity's operations, which is why sustainability governance forms an integrated part of the Group's overall corporate governance.

Purpose, implementation and follow-up

Sustainability-related issues are a standing item at the company's Board of Directors meetings and at meetings of the Executive Management Team. In addition to this, sustainability topics are regularly addressed by different business units, global units and the company's Group functions. Specific issues are also managed by a number of committees and steering groups with representatives from all of the company's business units, which provides cross-functional and supplemental expertise to ensure a consistent approach.

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 a number of sustainability targets that are regularly monitored and reported annually. We maintain an active and continuous dialogue with our stakeholders to ensure that Essity's priorities and methods are relevant over time. Based on well-defined areas of responsibility and follow-up, the company ensures that it delivers on established sustainability targets. To tackle increasing sustainability challenges, we continuously develop our ambitions in dialogue with our stakeholders and external experts.

Since sustainability is an integrated part of Essity's strategy and operations, the internal audit naturally also encompasses sustainability. Essity's Annual and Sustainability Report is also included in our external auditor's review. Read more on page 123.

External 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 its stakeholders and external experts. 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.

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

- Code of Conduct
- Sustainability Policy
- Anti-bribery and Corruption Policy
- Fiber Sourcing Policy
- Diversity Policy
- Global Supplier Standard
- Health and Safety Instruction
- Community Relations 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 in order to comply with current and future disclosure requirements. The company's sales, 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.

Sustainability indexes and rankings

Essity voluntarily takes part in a number of 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.

Essity was awarded a "Platinum Medal" in the "2020 Ecovadis CSR Rating".

In 2021, Essity was awarded a place on CDP's A List for its work in combating deforestation and was mentioned as leading for its management of climate change, with an A–.

Essity has been listed on the FTSE4Good global sustainability index since 2001.

In 2022, Essity was included in S&P Global's Sustainability Yearbook for its sustainability work in 2021, and was awarded a silver medal in the Household Products category.

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 2021 Annual and Sustainability Report. The report has been reviewed by the company's auditors.

Corporate governance, pages 55–65
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).

Risk management, pages 35–42
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. The section dealing with risk management describes the most significant risks and measures taken to eliminate or limit these risks.

Sustainability, pages 43–54 and 123–131
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 and costs, strengthens competitiveness, and attracts new employees and investors.

Governance at Essity

1. Shares and shareholders
Essity has engaged Euroclear Sweden AB to maintain the company's shareholders' register. On December 31, 2021, Essity had 114,318 shareholders. The five largest shareholders in terms of voting rights on this date were AB Industrivärden (29.5%), AMF Insurance and Funds (8.1%), Norges Bank Investment Management (6.4%), MFS Investment Management (2.8%) and Swedbank Robur Funds (2.0%). 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 relating 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 2021 Annual General Meeting (AGM) authorized the Board of Directors, for the period until the 2022 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
The company's auditor is elected at the AGM and is responsible for reviewing Essity'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. The auditor submits audit reports 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 team, and by issuing guidelines and reporting from internal control. 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 nine 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 provisions regarding appointment or dismissal of Board members or amendments to the Articles.

Chairman of the Board

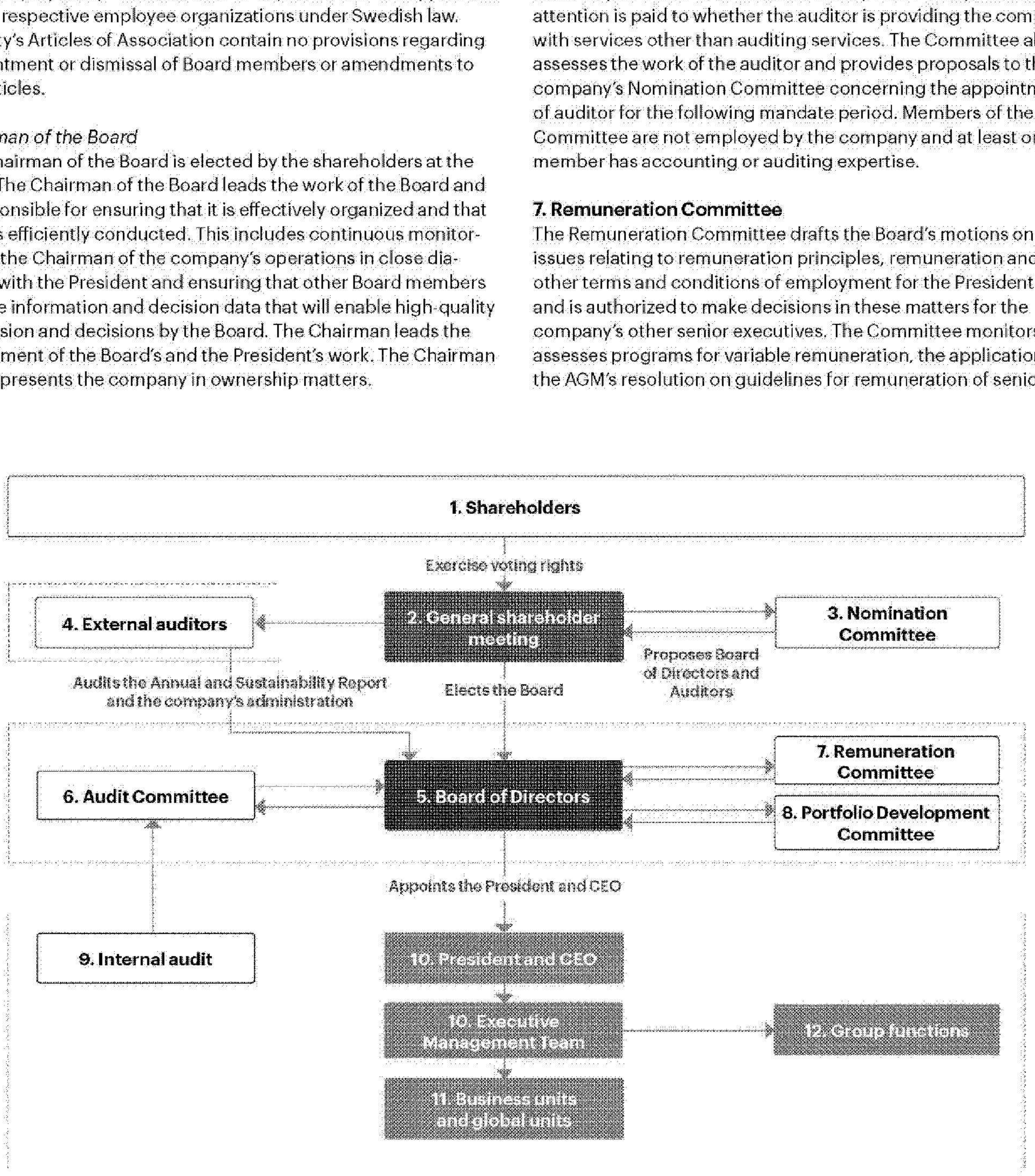
The Chairman of the Board is elected by the shareholders at the AGM. The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently conducted. This includes continuous monitoring by the Chairman of the company's operations 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 overseas 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 where applicable 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 was established in December 2021 and 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 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 and manages 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 64–65, 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 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
- Health & Medical Solutions
- Professional Hygiene
- Latin America

Furthermore, Essity has three global units:
- Global Brand, Innovation & Sustainability
- Global Supply Chain
- Global Operational Services

These business units and global units are described in more detail on page 28.

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 CEO 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.

Rules and regulations
Certain internal rules and regulations
- Articles of Association
- Working procedures of the Board of Directors, including instructions for the Audit Committee and the Remuneration Committee
- 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 rules 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.

More detailed information about Essity's corporate governance is available on www.essity.com
- Articles of Association
- Swedish Code of Corporate Governance
- Information from the Nomination Committee ahead of the 2022 Annual General Meeting (composition, proposals and work)
- Other information ahead of the 2022 AGM (notice, Board's proposals regarding guidelines for remuneration of senior executives and report on application of the guidelines that applied for 2021, information about routines for notifying attendance at the AGM, etc.)

Activities during the year

Annual General Meeting
Essity held its AGM in Stockholm on Thursday, March 25, 2021. 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 page 60 and Note C2 on pages 91–93. The Meeting also approved the Board's remuneration report for 2020.

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 2022 AGM is presented in the notice convening the AGM available on Essity's website www.essity.com. The 2022 AGM will be held on Thursday, March 24, see page 8.

The Nomination Committee was convened on seven occasions prior to the 2022 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 2022 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.

Nomination Committee for the 2022 AGM

Member	Representative of	Votes as of August 31, 2021 (%)
Helena Stjernholm, Chairman	AB Industrivärden	29.4
Anders Oscarsson	AMF and AMF Funds	7.9
Jonas Jölle	Norges Bank Investment Management	8.4
Marianne Nilsson	Swedbank Robur Funds	2.1
Par Boman	Chairman of the Board	

Board of Directors and composition of the Board of Directors
Essity's Board of Directors comprises nine members elected by the AGM. Ewa Björling, Pär Boman, Annemarie Gardshol, Magnus Groth, Torbjörn Lööf, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson were elected as Board members in 2021. Pär Boman was elected as the Chairman of the Board.

The independence of Board members is presented in the table below. 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 of the requirements incumbent upon a listed company. Four of the Board members are women, corresponding to approximately 45% 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 2022 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 committees have an even gender distribution.

Board activities
The Board was convened nine times, primarily in the form of virtual meetings due to the COVID-19 pandemic. 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 2021, 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 light of the COVID-19 pandemic and its general impact on the company and, in particular, the markets where the company is active. 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 was used. 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 Chairman Barbara Milian Thoralfsson, Pär Boman and Bert Nordberg. The Audit Committee held six meetings during the year. In addition, members have also held meetings with internal audit, the auditors and the CFO. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work, a review of various measurement issues, such as testing of impairment requirements for goodwill, and the preconditions for the year's pension liability calculations. 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 Chairman Pär Boman, Bert Nordberg and Louise Svanberg. The Remuneration Committee held five meetings in 2021. 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.

Portfolio Development Committee
The Portfolio Development Committee consists of Chairman Bert Nordberg and Pär Boman. During 2021, the Committee held some 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 analysis forms the basis of an audit plan, which is presented to the Audit Committee together with the risk analysis. In 2021, 98 audit projects were performed and reported at meetings with the Audit Committee.

Work in 2021 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 2021 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 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 2021. 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 for concern or discussion 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 detailed discussion on the accounts take place without representatives of corporate management being present.

			Committees			Attendance[1]		
Board of Directors	**Elected**	**Dependence**	**Audit Committee**	**Remuneration Committee**	**Portfolio Development Committee**	**Board of Directors (9)**	**Audit Committee (6)**	**Remuneration Committee (5)**
Ewa Björling	2016					9/9		
Pär Boman	2016	■	x	Chairman	x	9/9	6/6	5/5
Maija-Liisa Friman (until March 25)	2016					2/2		
Annemarie Gardshol	2016					9/9		
Magnus Groth	2016	▩				9/9		
Torbjörn Loof (From March 25)	2021					7/7		
Bert Nordberg	2016		x	x	Chairman	9/9	6/6	5/5
Louise Svanberg	2016			x		9/9		5/5
Lars Rebien Sørensen	2017					8/9		
Barbara Milian Thoralfsson	2016		Chairman			9/9	6/6	

[1] Board meetings January 1–December 31, 2021.
■ = Dependent in relation to the company's major shareholder, AB Industrivärden.
▩ = President of Essity, dependent in relation to the company and corporate management.

Remuneration, Management and Board of Directors

Guidelines
The 2021 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 a pension, see Note C2 on pages 91–93.

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 140–141. Furthermore, remuneration of the President and other senior executives is described in Note C2 on pages 91–93.

Remuneration of the Board
The total remuneration of the AGM-elected Board members amounted to SEK 9,500,000 in accordance with the AGM's resolution. See Note C3 on page 93 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 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 policies 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 issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the 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 it 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.
2008–2015 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 boards of Biogaia AB, Mobilaris AB and MD International AB (Min Doktor).
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



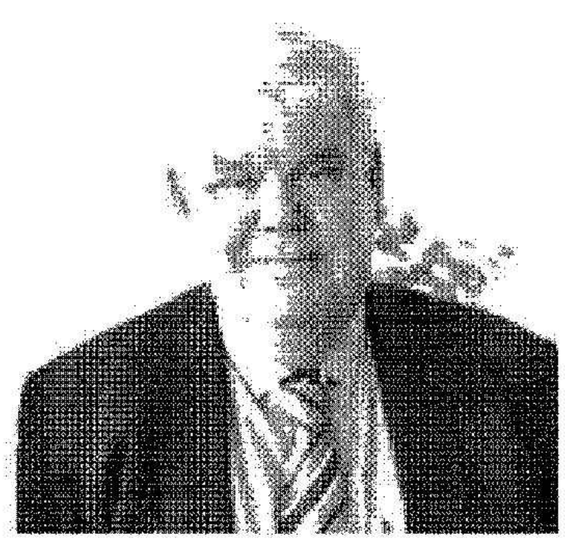
Annemarie Gardshol (1967)
MSc Eng.

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: 3,200



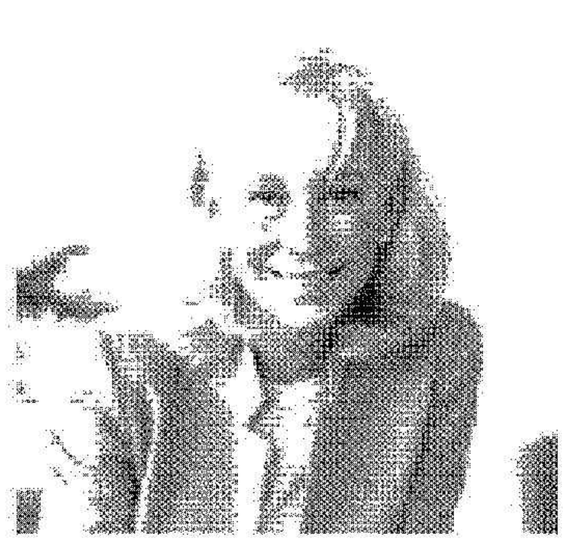
Torbjörn Lööf (1965)
Technician

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 2013–2016 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: 5,000



Bert Nordberg (1956)
Engineer

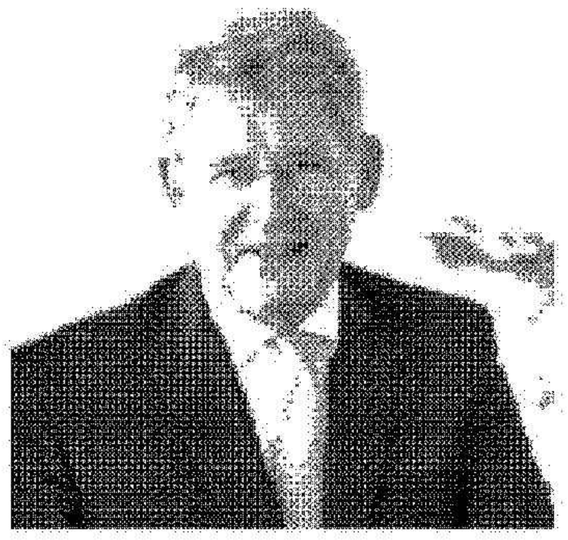
Chairman of the Board of Vestas Wind Systems A/S. Member of the Boards of Svenska Cellulosa Aktiebolaget SCA and SAAB.
Previously held various management positions in Digital Equipment Corp. and Ericsson, President of Sony Mobile Communications AB 2009–2012. Former Chairman of the Boards of Sony Mobile 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: 16,800



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

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2021.



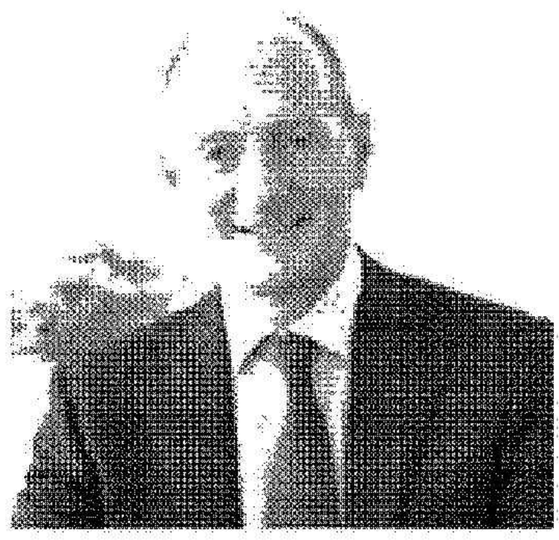
Lars Rebien Sørensen (1954)
BSc Forestry and MSc Econ.

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



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: 0



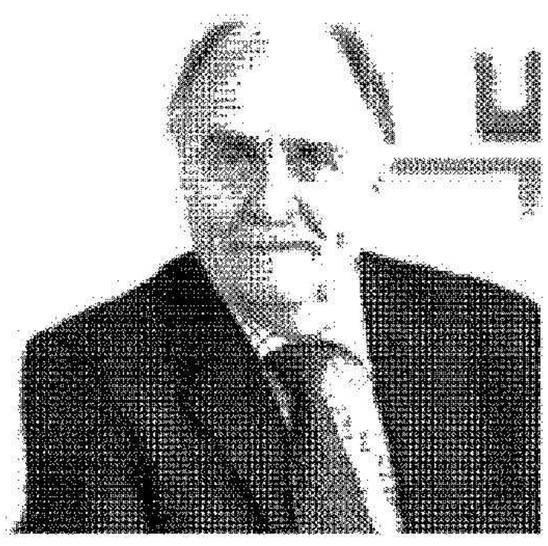
Magnus Groth (1963)
MBA and MSc ME

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 Addnode AB and Svenska Cellulosa Aktiebolaget SCA.
Elected: 2016
Independent of Essity's major shareholders.
Own shareholdings and those of related persons,
Class B shares: 68,500

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: 100



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.
Appointed: 2017
Own shareholdings and those of related persons, Class B shares: 112



Niclas Thulin (1976)
IT Specialist Collaboration & Workplace at Essity Hygiene & Health AB, Gothenburg.
Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2017
Own shareholdings and those of related persons, Class B shares: 66

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

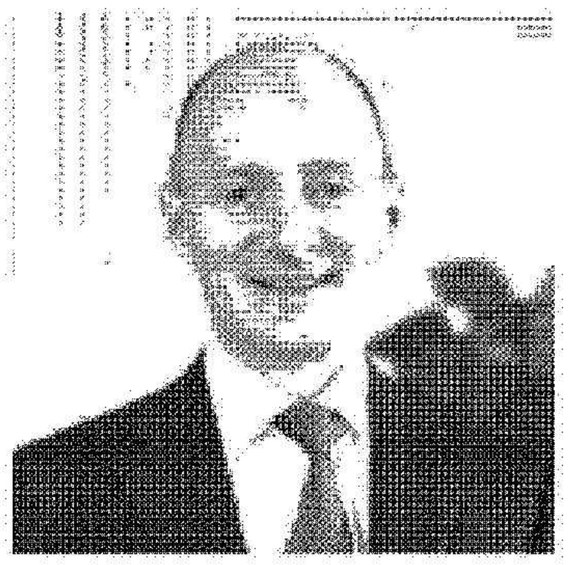
Ernst & Young AB
Senior Auditor:
Hamish Mabon, Authorized Public Accountant
Own shareholdings and those of related persons: 0

Secretary to the Board

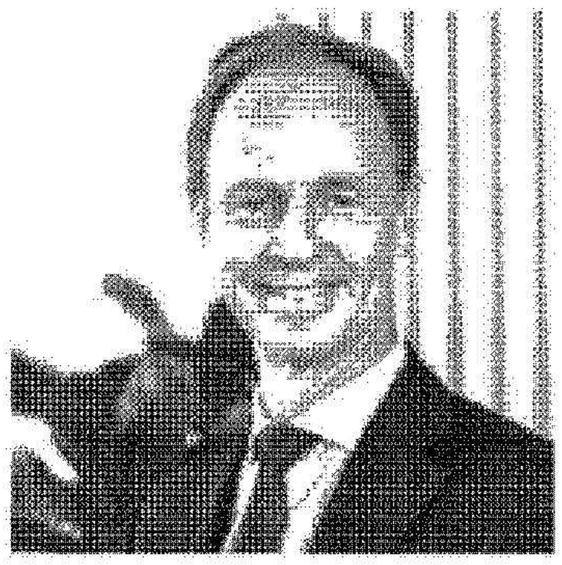
Mikael Schmidt (1980)
Master of Laws
Senior Vice President, Group Function Legal Affairs, General Counsel
Employed since: 1992
Own shareholdings and those of related persons, Class B shares: 31,000

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2021.

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: 68,500



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: 22,700



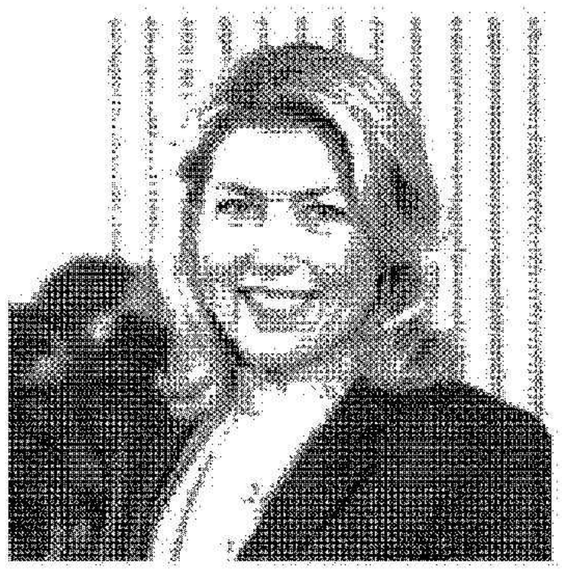
Joséphine Edwall Björklund (1964)
Senior Vice President, Group Function Communications
University Degree in Communications
Employed since: 2012
Own shareholdings and those of related persons,
Class B shares: 11,110



Pablo Fuentes (1973)
President, Latin America
MSc, MBA
Employed since: 2006
Own shareholdings and those of related persons,
Class B shares: 10,077



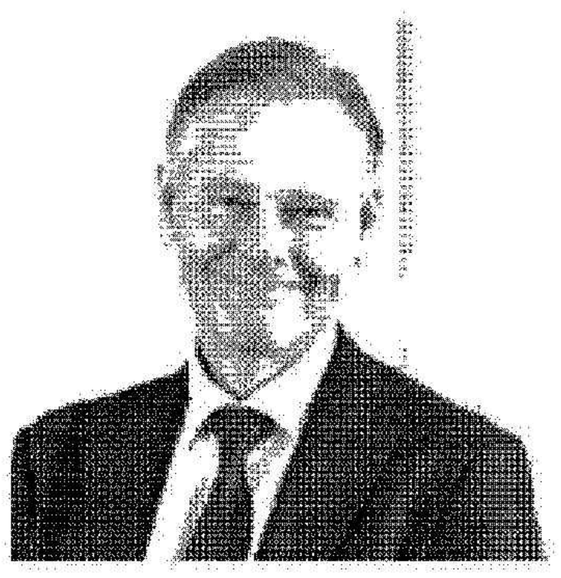
Donato Giorgio (1973)
President, Global Supply Chain
MSc Eng.
Employed since: 2009
Own shareholdings and those of related persons,
Class B shares: 10,665



Ulrika Kolsrud (1970)
President, Health & Medical Solutions
MSc Eng.
Employed since: 1995
Own shareholdings and those of related persons,
Class B shares: 6,553

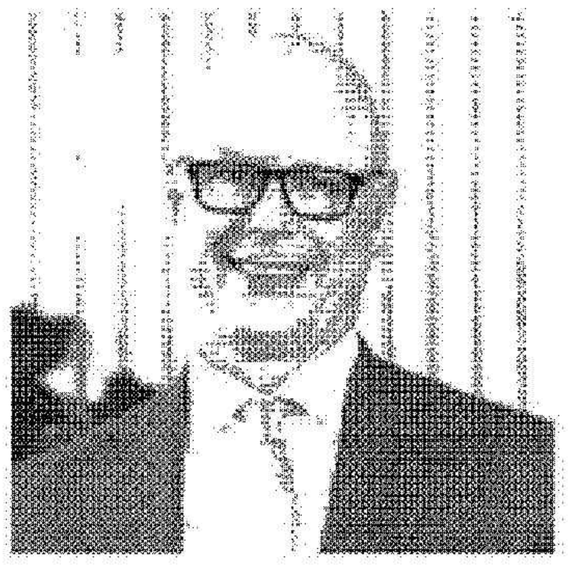


Don Lewis (1961)
President, Professional Hygiene
MSc Econ
Employed since: 2002
Own shareholdings and those of related persons,
Class B shares: 3,901

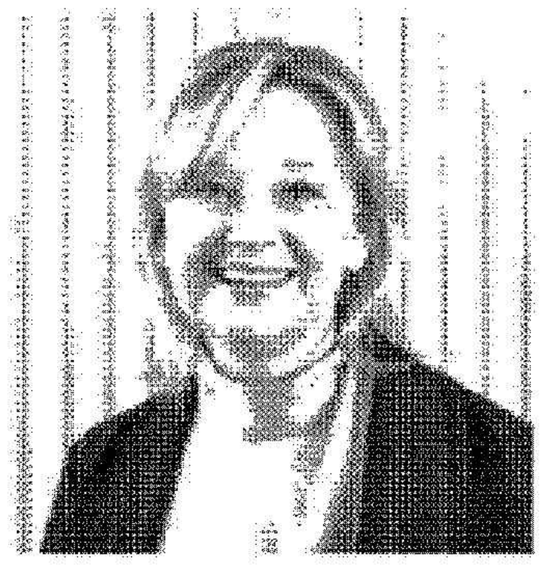


Mikael Schmidt (1960)
Senior Vice President, Group Function Legal Affairs, General Counsel and Secretary to the Board
Master of Laws
Employed since: 1992
Own shareholdings and those of related persons,
Class B shares: 31,000

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2021.



Robert Sjöström (1964)
President, Global Operational Services
MSc Econ, MBA
Employed since: 2009
Own shareholdings and those of related persons,
Class B shares: 28,000



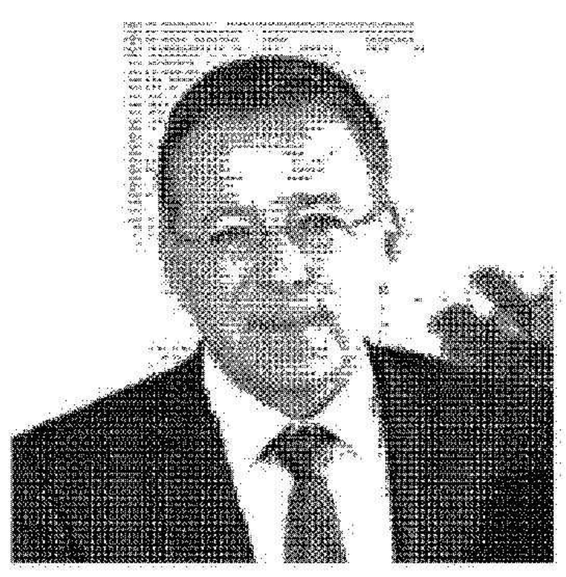
Anna Sävinger Åslund (1969)
Senior Vice President, Group Function Human Resources
BSc Human Resources
Employed since: 2001
Own shareholdings and those of related persons,
Class B shares: 7,145



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 Zöller (1967)
President, Consumer Goods
BSc BA
Employed since: 1994
Own shareholdings and those of related persons,
Class B shares: 11,846

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2021.

Financial statements including notes

Contents

Financial statements, Group

Consolidated income statement IS 68
Consolidated statement of comprehensive income SCI 68
Consolidated statement of change in equity SCE 69
Consolidated operating cash flow statement, supplementary disclosure OCF 70
Consolidated cash flow statement CF 71
Change in liabilities attributable to financing activities 72
Correlation between consolidated cash flow statement and operating cash flow statement, supplementary disclosure 72
Consolidated balance sheet BS 73

Auditor's report 133

Contents

Group notes

A. Accounting principles and basis of preparation as well as use of alternative performance measures pages 74–80

A1. General accounting principles, new accounting rules and basis of preparation 74

A2. Use of alternative performance measures 75

B. Sales and earnings pages 81–90

B1. Net sales – Revenues from contracts with customers 81

B2. Segment reporting 83

B3. Operating expenses 88

B4. Auditing expenses 88

B5. Income taxes 89

C. Employees pages 91–95

C1. Personnel costs 91

C2. Remuneration of senior executives 91

C3. Fees to Board members in the Parent company during the year 93

C4. Remuneration after completion of employment 93

D. Operating assets and liabilities pages 96–99

D1. Intangible assets 96

D2. Property, plant and equipment 98

D3. Inventories 98

D4. Other current receivables 99

D5. Other liabilities 99

D6. Other provisions 99

E. Capital structure and financing pages 100–108

E1. Financial instruments by category and measurement level 100

E2. Financial assets, cash and cash equivalents 101

E3. Trade receivables 102

E4. Financial liabilities 102

E5. Liquidity risk 103

E6. Derivatives and hedge accounting 104

E7. Financial income and expenses 107

E8. Equity 107

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
SCI Statement of comprehensive income
CF Cash flow statement
OCF Operating cash flow statement

Financial statements, Parent company 117
Parent company income statement
Parent company statement of comprehensive income
Parent company cash flow statement
Parent company balance sheet
Parent company statement of change in equity

Contents

Group notes, cont.

F. Group structure

pages 109–114

F1. Group companies 109
F2. Jointly owned Group companies with significant non-controlling interests 110
F3. Investments in associates and joint ventures 110
F4. Joint operations 112
F5. Shares and participations 112
F6. Acquisitions and divestments of Group companies and other operations 112

G. Other

pages 115–116

G1. Non-current assets held for sale 115
G2. Leases 115
G3. Contingent liabilities and pledged assets 116
G4. Transactions with related parties 116
G5. Events after the balance sheet date 116

Contents

Parent company notes

PC. Notes to the Parent company's financial statements

pages 118–122, 132

PC1. Basis for preparation of Parent company's annual accounts 118
PC2. Operating profit/loss 118
PC3. Personnel and Board costs 118
PC4. Income taxes 119
PC5. Intangible assets 120
PC6. Property, plant and equipment 120
PC7. Participations in subsidiaries 120
PC8. Receivables from and liabilities to Group companies 121
PC9. Other current receivables 121
PC10. Financial instruments 121
PC11. Other current liabilities 122
PC12. Share capital 122
PC13. Contingent liabilities and pledged assets 122
PC14. Adoption of the annual accounts 122
PC15. Events after the balance sheet date 122
PC16. Proposed disposition of earnings 132

Contents

Sustainability notes, Group

H. Notes to Group's sustainability information

pages 123–131

H1. General accounting principles 123
H2. Business ethics 123
H3. Responsible sourcing 124
H4. Innovation 125
H5. Customers and consumers 125
H6. Role in society and community relations 125
H7. Fiber sourcing 125
H8. Water 126
H9. Packaging, plastic and waste 126
H10. Energy and emissions to air: Scope 1 and 2 127
H11. Climate impact and Science Based Targets 128
H12. Employees 129
H13. Health and safety 131
H14. Certifications 131

Consolidated income statement IS

	Note	2021 SEKm	2021 EURm[1]	2020 SEKm	2020 EURm[1]	2019 SEKm	2019 EURm[1]
Net sales	B1, B2	121,867	12,017	121,752	11,626	128,975	12,193
Cost of goods sold	B3	-86,628	-8,542	-92,182	-7,843	-90,876	-8,591
Items affecting comparability – cost of goods sold	B2, B3	-146	-14	-181	-17	-243	-23
Gross profit		**35,093**	**3,461**	**39,439**	**3,766**	**37,856**	**3,579**
Sales, general and administration	B3	-21,617	-2,132	-22,088	-2,109	-22,319	-2,110
Items affecting comparability – sales, general and administration	B2, B3	517	51	122	11	-470	-45
Share of profits of associates and joint ventures	B3	58	6	94	9	60	6
Operating profit before amortization of acquisition-related intangible assets (EBITA)		**14,051**	**1,386**	**17,567**	**1,677**	**15,127**	**1,430**
Amortization of acquisition-related intangible assets	B3	-852	-84	-809	-77	-778	-73
Operating profit		**13,199**	**1,302**	**16,758**	**1,600**	**14,349**	**1,357**
Financial income	E7	102	10	109	10	106	10
Financial expenses	E7	-764	-75	-1,066	-101	-1,415	-134
Profit before tax		**12,537**	**1,237**	**15,800**	**1,509**	**13,040**	**1,233**
Income taxes	B5	-2,727	-269	-4,053	-387	-2,828	-268
Profit for the period		**9,810**	**968**	**11,747**	**1,122**	**10,212**	**965**
Earnings attributable to:							
Owners of the Parent company		8,620	850	10,228	977	9,216	871
Non-controlling interests		1,190	117	1,519	145	996	94
Earnings per share – owners of the Parent company							
Earnings per share before and after dilution effects, SEK		12.27	1.2	14.56	1.4	13.12	1.2
Dividend per share, SEK		7.00[2]		6.75		6.25	
Average number of shares before and after dilution, million		702.3		702.3		702.3	
1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used:			10.14		10.47		10.58
2) Board proposal.							

Consolidated statement of comprehensive income CI

SEKm	2021	2020	2019
IS **Profit for the period**	**9,810**	**11,747**	**10,212**
Other comprehensive income for the period			
Items that will not be reclassified to the income statement			
Actuarial gains/losses on defined benefit pension plans	-148	-202	482
Fair value through other comprehensive income	0	3	6
Income tax attributable to components in other comprehensive income	-13	279	52
Other comprehensive income that will not be reclassified to the income statement	**-161**	**80**	**540**
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity	4,142	-9	-725
Transferred to profit or loss for the period	-1,363	473	112
Translation differences in foreign operations	5,480	-8,092	2,095
Gains/losses from hedges of net investments in foreign operations	-1,012	1,504	-168
Other comprehensive income from associated companies	15	-20	-14
Income tax attributable to components in other comprehensive income	-539	-415	179
Other comprehensive income that has been or may be reclassified subsequently to the income statement	**6,723**	**-6,559**	**1,479**
Other comprehensive income for the period, net of tax	**6,562**	**-6,479**	**2,019**
Total comprehensive income for the period	**16,372**	**5,268**	**12,231**
Total comprehensive income attributable to:			
Owners of the Parent company	14,294	4,588	11,006
Non-controlling interests	2,078	680	1,225

By operating segment	Net sales			Adjusted EBITA[1]		
SEKm	2021	2020	2019	2021	2020	2019
Personal Care	46,639	46,095	48,340	7,098	7,161	6,746
Consumer Tissue	49,086	50,221	49,904	4,661	8,045	5,321
Professional Hygiene	26,143	25,416	30,731	2,710	3,317	4,463
Other	-1	18	0	-789	-897	-690
Total	**121,867**	**121,752**	**128,975**	**13,680**	**17,626**	**15,840**

1) Excluding items affecting comparability.

Consolidated statement of change in equity

SEKm	Share capital	Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
Value, January 1, 2021	**2,350**	**581**	**51,421**	**54,352**	**8,990**	**63,342**
Profit for the period			**8,620**	**8,620**	**1,190**	**9,810**
Other comprehensive income for the period						
Items that will not be reclassified to the income statement						
Actuarial gains/losses on defined benefit pension plans[1]			-148	-148		-148
Fair value through other comprehensive income		0		0		0
Income tax attributable to components in other comprehensive income		0	-13	-13		-13
Other comprehensive income that will not be reclassified to the income statement		**0**	**-161**	**-161**	**-**	**-161**
Items that have been or may be reclassified subsequently to the income statement						
Cash flow hedges:						
Result from remeasurement of derivatves 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 associated companies			15	15		15
Income tax attributable to components in other comprehensive income		-536	-3	-539		-539
Other comprehensive income that has been or may be reclassified subsequently to the income statement		**5,834**	**1**	**5,835**	**888**	**6,723**
Other comprehensive income for the period, net of tax		**5,834**	**-160**	**5,674**	**888**	**6,562**
Total comprehensive income for the period		**5,834**	**8,460**	**14,294**	**2,078**	**16,372**
Private placement to non-controlling interests			13	13	12	25
Acquisition of non-controlling interests			-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[2]			-4,741	-4,741	-528	-5,269
Value, December 31	**2,350**	**6,416**	**51,108**	**59,874**	**8,633**	**68,507**
Value, January 1, 2020	**2,350**	**6,284**	**45,491**	**54,125**	**8,676**	**62,801**
Profit for the period			**10,228**	**10,228**	**1,519**	**11,747**
Other comprehensive income for the period						
Items that will not be reclassified to the income statement						
Actuarial gains/losses on defined benefit pension plans[1]			-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
Other comprehensive income that will not be reclassified to the income statement		**2**	**77**	**79**	**1**	**80**
Items that have been or may be reclassified subsequently to the income statement						
Cash flow hedges:						
Result from remeasurement of derivatves 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 associated companies			-20	-20		-20
Income tax attributable to components in other comprehensive income		-419	4	-415		-415
Other comprehensive income that has been or may be reclassified subsequently to the income statement		**-5,703**	**-16**	**-5,719**	**-840**	**-6,559**
Other comprehensive income for the period, net of tax		**-5,701**	**61**	**-5,640**	**-839**	**-6,479**
Total comprehensive income for the period		**-5,701**	**10,289**	**4,588**	**680**	**5,268**
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[3]			-4,390	-4,390	-459	-4,849
Value, December 31	**2,350**	**581**	**51,421**	**54,352**	**8,990**	**63,342**

1) Including payroll tax.
2) Dividend of SEK 6.75 per share pertains to owners of the Parent company. For the 2021 fiscal year, the Board of Directors has decided to propose a divided of SEK 7.00 per share to the Annual General Meeting.
3) Dividend of SEK 6.25 per share pertains to owners of the Parent company.

SEKm	Share capital	Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
Value, January 1, 2019	**2,350**	**5,003**	**39,788**	**47,141**	**7,758**	**54,899**
Profit for the period			**9,216**	**9,216**	**996**	**10,212**
Other comprehensive income for the period						
Items that will not be reclassified to the income statement						
Actuarial gains/losses on defined benefit pension plans[1]			479	479	3	482
Fair value through other comprehensive income		6		6		6
Income tax attributable to components in other comprehensive income		-2	54	52	-	52
Other comprehensive income that will not be reclassified to the income statement		**4**	**533**	**537**	**3**	**540**
Items that have been or may be reclassified subsequently to the income statement						
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity		-725		-725		-725
Transferred to profit or loss for the period		112		112		112
Translation differences in foreign operations		1,869		1,869	226	2,095
Gains/losses from hedges of net investments in foreign operations		-168		-168		-168
Other comprehensive income from associated companies			-14	-14		-14
Income tax attributable to components in other comprehensive income		175	4	179		179
Other comprehensive income that has been or may be reclassified subsequently to the income statement		**1,263**	**-10**	**1,253**	**226**	**1,479**
Other comprehensive income for the period, net of tax		**1,267**	**523**	**1,790**	**229**	**2,019**
Total comprehensive income for the period		**1,267**	**9,739**	**11,006**	**1,225**	**12,231**
Private placement to non-controlling interests			2	2	2	4
Divestment of non-controlling interests				-	27	27
Transferred to cost of hedged investments		14		14		14
Dividend, SEK 5.75 per share[2]			-4,038	-4,038	-336	-4,374
Value, December 31	**2,350**	**6,284**	**45,491**	**54,125**	**8,676**	**62,801**

[1] Including payroll tax.
[2] Dividend of SEK 5.75 per share pertains to owners of the Parent company.

For further information, see Note E8 Equity on page 107.

Consolidated operating cash flow statement, supplementary disclosure

	Note	2021 SEKm	2021 EURm[1]	2020 SEKm	2020 EURm[1]	2019 SEKm	2019 EURm[1]
Net sales		121,867	12,017	121,752	11,626	128,975	12,193
Operating expenses		-101,885	-10,047	-97,555	-9,315	-106,416	-10,060
Operating surplus		**19,982**	**1,970**	**24,197**	**2,311**	**22,559**	**2,133**
Adjustment for non-cash items		489	49	456	43	373	35
Operating cash surplus		**20,471**	**2,019**	**24,653**	**2,354**	**22,932**	**2,168**
Change in							
Inventories		-1,047	-103	-2,207	-211	-194	-18
Operating receivables		-2,084	-206	53	5	-1,949	-184
Operating liabilities		2,287	226	1,344	128	2,502	237
Change in working capital		**-844**	**-83**	**-810**	**-78**	**359**	**35**
Investments in non-current assets, net		-7,304	-720	-8,439	-815	-5,707	-540
Restructuring costs, etc.		-725	-72	-977	-93	-1,494	-141
Operating cash flow before investments in operating assets through leases		**11,598**	**1,144**	**16,427**	**1,568**	**16,090**	**1,522**
Investments in operating assets through leases		-480	-48	-409	-39	-451	-43
Operating cash flow		**11,118**	**1,096**	**16,018**	**1,529**	**15,639**	**1,479**
Financial items	E7	-662	-65	-958	-91	-1,309	-124
Income taxes paid	B5	-3,604	-356	-3,917	-374	-1,130	-107
Other		72	7	32	3	8	1
Cash flow from current operations		**6,894**	**680**	**11,175**	**1,067**	**13,208**	**1,249**
Acquisitions of Group companies and other operations	F6	-11,813	-1,165	-747	-71	-143	-13
Divestments of Group companies and other operations	F6	13	1	367	35	220	21
Cash flow from acquisitions and divestments		**-11,800**	**-1,164**	**-380**	**-36**	**77**	**8**
Cash flow before transactions with shareholders		**-4,906**	**-484**	**10,795**	**1,031**	**13,285**	**1,257**
Private placement to non-controlling interests		25	2	64	6	4	0
Dividend to non-controlling interests		-571	-56	-423	-40	-336	-32
Dividend		-4,741	-467	-4,390	-419	-4,038	-382
Net cash flow		**-10,193**	**-1,005**	**6,046**	**578**	**8,915**	**843**

Net debt	2021 SEKm	2021 EURm	2020 SEKm	2020 EURm	2019 SEKm	2019 EURm
Net debt, January 1[2]	**-42,688**	**-4,257**	**-50,940**	**-4,886**	**-54,404**	**-5,294**
Changed opening balance for net debt due to IFRS 16 Leases[3]	-	-	-	-	-3,786	-358
Net cash flow[4]	-10,193	-1,005	6,046	578	8,915	843
Remeasurements to equity[5]	-147	-15	-199	-19	488	46
Investments in non-operating assets through leases[6]	-385	-38	-399	-38	-434	-41
Translation differences	-2,020	-104	2,804	108	-1,719	-82
Net debt, December 31[2]	**-55,433**	**-5,419**	**-42,688**	**-4,257**	**-50,940**	**-4,886**
[1] Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used:		10.14		10.47		10.58
[2] Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used:		10.23		10.03		10.43

Consolidated cash flow statement

	Note	2021 SEKm	2021 EURm[1]	2020 SEKm	2020 EURm[1]	2019 SEKm	2019 EURm[1]
Operating activities							
Operating profit		13,199	1,302	16,758	1,600	14,349	1,357
Adjustment for non-cash items		7,212	711	7,812	746	8,193	774
Operating profit excluding non-cash items		**20,411**	**2,013**	**24,570**	**2,346**	**22,542**	**2,131**
Interest paid		-724	-71	-872	-83	-1,010	-95
Interest received		91	9	101	10	105	10
Other financial items		-39	-4	-205	-20	-420	-40
Change in liabilities relating to restructuring programs, etc.		-594	-59	-1,048	-100	-1,095	-104
Paid tax	B5	-3,634	-358	-3,917	-374	-1,130	-107
Cash flow from operating activities before changes in working capital		**15,511**	**1,530**	**18,629**	**1,779**	**18,992**	**1,795**
Cash flow from changes in working capital							
Change in:							
Inventories		-1,047	-103	-2,207	-211	-194	-18
Operating receivables		-2,084	-206	53	5	-1,949	-184
Operating liabilities		2,287	226	1,344	128	2,502	237
Cash flow from operating activities		**14,667**	**1,447**	**17,819**	**1,701**	**19,351**	**1,830**
Investing activities							
Acquisitions of Group companies and other operations	F6	-4,427	-437	-668	-64	-143	-14
Divestments of Group companies and other operations	F6	16	2	65	6	5	0
Investments in intangible assets and property, plant and equipment		-7,301	-720	-6,587	-629	-5,908	-559
Paid interest capitalized in intangible assets and property, plant and equipment		-57	-6	-20	-2	-39	-4
Sale of property, plant and equipment		54	5	169	16	239	23
Loans granted to external parties		-418	-41	-54	-5	-62	-6
Cash flow from investing activities		**-12,133**	**-1,197**	**-7,095**	**-678**	**-5,908**	**-560**
Financing activities							
Private placement to non-controlling interests		25	2	64	6	4	0
Acquisition of non-controlling interests	F6	-5,961	-589	–	–	–	–
Proceeds from borrowings		19,444	1,918	6,474	618	2,449	231
Repayment of borrowings		-12,000	-1,184	-10,100	-964	-11,708	-1,107
Dividend to non-controlling interests		-571	-56	-423	-40	-936	-92
Dividend		-4,741	-469	-4,390	-419	-4,036	-382
Cash flow from financing activities		**-3,807**	**-376**	**-8,375**	**-799**	**-13,630**	**-1,290**
Cash flow for the period		**-1,273**	**-126**	**2,349**	**224**	**-187**	**-20**
Cash and cash equivalents, January 1[2]		4,982	497	2,928	281	3,008	293
Translation differences in cash and cash equivalents		195	11	-295	-8	107	8
Cash and cash equivalents, December 31[2]	E2	**3,904**	**382**	**4,982**	**497**	**2,928**	**281**
[1] Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used:			10.14		10.47		10.58
[2] Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used:			10.23		10.03		10.43

For information about the Group's liquidity reserve, refer to the Risk and risk management section on page 35.

Adjustment for non-cash items

SEKm	2021	2020	2019
Depreciation/amortization and impairment of non-current assets	7,391	7,671	7,529
Gain/loss on sale of assets	13	-44	24
Gain/loss on divestment and liquidation	21	-69	160
Non-cash items relating to efficiency program	-43	-19	128
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	610	460	352
Total	**7,212**	**7,812**	**8,193**

Investments in intangible assets and property, plant and equipment including paid capitalized interest

SEKm	2021	2020	2019
Measures to raise the capacity level of operations (Strategic capital expenditures)	-2,860	-2,675	-1,431
Measures to uphold capacity level (Current capital expenditures)	-4,498	-3,932	-4,516
Total	**-7,358**	**-6,607**	**-5,947**

Change in liabilities attributable to financing activities

SEKm	Value at January 1	Cash flow, net	Acquisitions/ divestments	Translation differences	Actuarial gains/ losses	Effect of IFRS 16 Leases	Other changes	Value at December 31
2021								
Non-current and current financial liabilities	46,890	6,643	1,425	2,377	–	–	854[1]	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
Total Financial liabilities including surplus in funded pension plans attributable to financing activities	**48,014**	**7,441**	**1,410**	**2,215**	**148**	**–**	**854**	**60,082**
2020								
Non-current and current financial liabilities	52,062	-2,655	-205	-3,102	–	–	790[2]	46,890
Provisions for pensions including surplus in funded pension plans	3,025	-532	–	3	202	–	-187[3]	2,511
Assets for hedging financial liabilities included in cash flow from financing activities	-948	-439	–	–	–	–	–	-1,387
Total Financial liabilities including surplus in funded pension plans attributable to financing activities	**54,139**	**-3,626**	**-205**	**-3,099**	**202**	**–**	**603**	**48,014**
2019								
Non-current and current financial liabilities	54,327	-8,498	-214	1,793	–	3,786	868[4]	52,062
Provisions for pensions including surplus in funded pension plans	4,141	-659	-1	26	-482	–	–	3,025
Assets for hedging financial liabilities included in cash flow from financing activities	-846	-103	–	1	–	–	–	-948
Total Financial liabilities including surplus in funded pension plans attributable to financing activities	**57,622**	**-9,260**	**-215**	**1,820**	**-482**	**3,786**	**868**	**54,139**

[1] 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.
[2] 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.
[3] Other changes 2020 relate to the impact from settlement of pension liability SEK -187m.
[4] Other changes 2019 relate to change in accrued interest SEK -17m, change in liability related to financial leases in accordance with IFRS 16 of SEK 885m, of which SEK 451m relates to operating assets and SEK 434m to non-operating assets.

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

SEKm	2021	2020	2019
Cash flow from operating activities			
Cash flow from operating activities	14,667	17,819	19,351
Adjustments			
Investments in non-current assets, net	-7,304	-6,439	-5,707
Accrued interest	10	18	17
Investments in operating assets through leases	-480	-409	-451
Impact from settlement of pension liability	–	187	–
Other	1	-1	-2
Cash flow from current operations according to consolidated operating cash flow statement	**6,894**	**11,175**	**13,208**
Cash flow from investing activities			
Cash flow from investing activities	-12,133	-7,095	-5,908
Adjustments			
Investments in non-current assets, net	7,304	6,439	5,707
Loans granted to external parties	418	54	62
Acquisition of non-controlling interests	-5,961	–	–
Net debt in acquired and divested companies	-1,410	205	215
Paid/Non-paid financial receivable upon divestment of Group companies	-18	18	–
Other	–	-1	1
Cash flow from acquisitions and divestments according to consolidated operating cash flow statement	**-11,800**	**-380**	**77**
Cash flow for the period			
Cash flow for the period	-1,273	2,349	-187
Adjustments			
Repayment of borrowings	12,003	10,100	11,708
Proceeds from borrowings	-19,444	-6,474	-2,448
Loans granted to external parties	418	54	62
Net debt in acquired and divested operations	-1,410	205	215
Paid/Non-paid financial receivable upon divestment of Group companies	-18	18	–
Investments in operating assets through leases	-480	-409	-451
Accrued interest	10	18	17
Impact from settlement of pension liability	–	187	–
Other	1	-2	-1
Net cash flow according to consolidated operating cash flow statement	**-10,193**	**6,046**	**8,915**

Consolidated balance sheet

	Note	2021 SEKm	2021 EURm[1]	2020 SEKm	2020 EURm[1]	2019 SEKm	2019 EURm[1]
ASSETS							
Non-current assets							
Goodwill	D1	37,803	3,696	32,324	3,223	34,581	3,316
Other intangible assets	D1	21,806	2,132	18,574	1,852	21,182	2,031
Property, plant and equipment	D2	58,918	5,760	53,631	5,348	56,900	5,457
Investments in associates and joint ventures	F3	239	23	847	84	865	83
Shares and participations	F5	7	1	7	1	8	1
Surplus in funded pension plans	C4	1,439	141	2,817	281	2,841	273
Non-current financial assets	E2	412	40	738	74	694	67
Deferred tax assets	B5	2,012	197	1,823	182	2,539	244
Other non-current assets	B1	1,411	138	768	76	704	68
Total non-current assets		**124,047**	**12,128**	**111,529**	**11,121**	**120,314**	**11,540**
Current assets							
Inventories	D3	19,339	1,891	16,283	1,624	15,764	1,512
Trade receivables	E3	19,871	1,943	17,825	1,777	19,864	1,906
Current tax assets	B5	952	93	760	76	745	71
Other current receivables	D4	5,787	566	2,178	217	2,113	203
Current financial assets	E2	1,150	112	993	99	525	50
Non-current assets held for sale	G1	–	–	–	–	42	4
Cash and cash equivalents	E2	3,904	382	4,982	497	2,928	281
Total current assets		**51,003**	**4,987**	**43,116**	**4,300**	**41,981**	**4,027**
Total assets	B2	**175,050**	**17,115**	**154,645**	**15,421**	**162,295**	**15,567**
EQUITY AND LIABILITIES							
Equity							
Owners of the Parent company							
Share capital		2,350	230	2,350	234	2,350	225
Reserves	E8	6,418	627	581	58	6,284	603
Retained earnings		51,108	4,997	51,421	5,128	45,491	4,363
Equity attributable to owners of the Parent company		**59,874**	**5,854**	**54,352**	**5,420**	**54,125**	**5,191**
Non-controlling interests		8,633	844	8,990	896	8,678	832
Total equity		**68,507**	**6,698**	**63,342**	**6,316**	**62,801**	**6,023**
Non-current liabilities							
Non-current financial liabilities	E4	47,443	4,639	38,202	3,810	43,079	4,131
Provisions for pensions	C4	4,149	406	5,328	531	5,866	563
Deferred tax liabilities	B5	7,574	740	6,150	613	6,545	628
Other non-current provisions	D6	396	39	445	44	541	52
Other non-current liabilities	D5	86	8	105	11	183	18
Total non-current liabilities		**59,648**	**5,832**	**50,230**	**5,009**	**56,214**	**5,392**
Current liabilities							
Current financial liabilities	E4	10,746	1,051	8,688	866	8,983	862
Trade payables		18,030	1,763	14,791	1,475	15,802	1,516
Current tax liabilities	B5	1,576	154	2,301	229	2,432	233
Current provisions	D6	736	72	748	75	1,065	102
Other current liabilities	D5	15,807	1,545	14,545	1,451	14,998	1,439
Total current liabilities		**46,895**	**4,585**	**41,073**	**4,096**	**43,280**	**4,152**
Total liabilities		**106,543**	**10,417**	**91,303**	**9,105**	**99,494**	**9,544**
Total equity and liabilities		**175,050**	**17,115**	**154,645**	**15,421**	**162,295**	**15,567**
Contingent liabilities and pledged assets, see Note G3 on page 116.							
Capital employed		123,940	12,116	106,030	10,573	113,741	10,910
Net debt		55,433	5,419	42,688	4,257	50,940	4,886
[1] Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used:			10.23		10.03		10.43

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 KA 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
[1] 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 6).

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, 2021. 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.

In December 2018, the EU adopted a directive to complement the Transparency Directive entailing that listed companies in the EU whose securities are admitted to trading on a regulated market shall issue a digital annual financial report in an electronic format called ESEF (European Single Electronic Format), which was developed by the European Securities and Markets Authority (ESMA). The regulation requires that the annual financial report is prepared in XHTML and consolidated financial statements prepared in accordance with IFRS shall be marked up using XBRL tags.

Essity applies the ESEF regulation as of January 1, 2021.

New or amended accounting standards 2021

A number of amended accounting standards published by the IASB are effective from January 1, 2021 following endorsement by the EU. Essity has applied these amendments, most of which have no impact on the Group's financial statements and are therefore not commented on. The amendments to standards that have had some impacts on Essity relates to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 linked to the Interest Rate Benchmark Reform.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform

The amendments address issues that may arise when an existing interest rate benchmark is replaced with an alternative benchmark interest rate and aims to facilitate the transition. The changes also include disclosures related to the transition. Essity is monitoring all changes concerning the development of interest rate benchmarks. The effects on the financial statements are continuously evaluated. The implementation of the changes is dependent on the development of changes in the transition from Interbank Offered Rates (IBORs) to alternative benchmark interest rates. The changes had no material impact on the Group's earnings or financial position.

New or amended accounting standards after 2021

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.

Use of assessments KA

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:

Taxes, B5 Income taxes, page 89
Pensions, C4 Remuneration after employment, page 93
Goodwill, D1 Intangible assets, page 96
Provisions, D6 Other provisions, page 99
Provision for doubtful receivables, E3 Trade receivables, page 102
Leases, G2 Leases, page 115
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 of 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 109, F3 Investments in associates and joint ventures on page 110 and F4 Joint operations on page 112. 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 F6 Acquisitions and divestments of group companies and other operations on page 112. 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.

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

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.

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 non-IFRS 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 compliment to the financial information required according to IFRS are presented below.

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**
Return on capital employed, ROCE	Accumulated 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.
Adjusted return on capital employed, ROCE	Accumulated 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.

SEKm	2021	2020	2019
ADJUSTED RETURN ON CAPITAL EMPLOYED, ROCE			
EBITA	14,051	17,567	15,127
Items affecting comparability	-371	59	713
Adjusted EBITA	13,680	17,626	15,840
Average capital employed	114,163	112,479	114,663
Adjusted return on capital employed, ROCE	**12.0%**	**15.7%**	**13.8%**

A2. Use of alternative performance measures, cont.

Capital measures	Shows how capital is utilized and the company's financial strength

Non-IFRS performance measure	Description	Reason for use of the measure
Return on equity	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.
Adjusted return on equity	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.
Equity	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.
Equity per share	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.
Equity/assets ratio	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.
Capital employed	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.

SEKm	2021	2020	2019
CAPITAL EMPLOYED			
Total assets	175,050	154,645	162,295
Financial assets	-6,905	-9,530	-6,988
Non-current, non-interest-bearing liabilities	-8,056	-6,700	-7,269
Current, non-interest-bearing liabilities	-36,149	-32,385	-34,297
Capital employed	**123,940**	**106,030**	**113,741**
CAPITAL EMPLOYED			
Personal Care	47,085	40,505	44,268
Consumer Tissue	51,255	45,283	47,345
Professional Hygiene	24,518	20,915	22,996
Other	1,082	-673	-868
Capital employed	**123,940**	**106,030**	**113,741**

Non-IFRS performance measure	Description	Reason for use of the measure
Capital turnover	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.
Working capital	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	2021	2020	2019
WORKING CAPITAL			
Inventories	19,339	16,383	15,764
Trade receivables	19,871	17,825	19,864
Other current receivables	5,787	2,173	2,113
Trade payables	-18,030	-14,791	-15,802
Other current liabilities	-15,807	-14,545	-14,998
Other	-3	101	-159
Working capital	**11,157**	**7,146**	**6,782**

Non-IFRS performance measure	Description	Reason for use of the measure
Net debt	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	2021	2020	2019
NET DEBT			
Surplus in funded pension plans	1,439	2,817	2,841
Non-current financial assets	412	738	684
Current financial assets	1,150	993	525
Cash and cash equivalents	3,904	4,982	2,938
Financial assets	**6,905**	**9,530**	**6,988**
Non-current financial liabilities	47,443	38,202	43,079
Provisions for pensions	4,149	5,328	5,866
Current financial liabilities	10,746	8,688	8,983
Financial liabilities	**62,338**	**52,218**	**57,928**
Net debt	**55,433**	**42,688**	**50,940**

A2. Use of alternative performance measures, cont.

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
Debt/equity ratio	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.
Debt payment capacity, %	Debt payment capacity is expressed as 12 months rolling cash earnings (see page 80) in relation to closing net debt.	A financial measure that shows the company's capacity to repay its debt.
Adjusted debt payment capacity, %	Adjusted debt payment capacity expressed as 12 months rolling adjusted cash earnings (see page 80) 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.
Net debt/EBITDA	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.
Net debt/Adjusted EBITDA	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.
Interest coverage ratio	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	2021	2020	2019
Debt/equity ratio, multiple	0.81	0.67	0.81
Debt payment capacity, %	29	46	38
Adjusted debt payment capacity, %	45	45	40
Net debt/EBITDA	2.69	1.75	2.33
Net debt/Adjusted EBITDA	2.77	1.76	2.25

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
Organic sales growth	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.
Sales growth including organic sales growth and acquisitions	Sales growth that includes organic sales growth and acquisitions.	This measure shows how the company grows organically and through acquisitions.

SEKm	2021	2020	2019
SALES GROWTH			
Personal Care			
Organic sales growth	2,308	–19	1,549
Acquisitions	626	165	37
Sales growth including organic sales growth and acquisitions	2,934	146	1,586
Divestments	–451	–143	–212
Exchange rate effects[1]	–1,939	–2,248	1,623
Recognized change	**544**	**–2,245**	**2,997**
Consumer Tissue			
Organic sales growth	232	2,060	2,754
Acquisitions	380	–	53
Sales growth including organic sales growth and acquisitions	612	2,060	2,807
Divestments	–494	–	–
Exchange rate effects[1]	–1,253	–1,743	1,972
Recognized change	**–1,135**	**317**	**4,779**
Professional Hygiene			
Organic sales growth	1,443	–4,501	1,010
Acquisitions	452	–	1
Sales growth including organic sales growth and acquisitions	1,895	–4,501	1,011
Divestments	–19	–	–
Exchange rate effects[1]	–1,151	–812	1,703
Recognized change	**725**	**–5,313**	**2,714**
Group			
Organic sales growth	3,962	–2,439	5,297
Acquisitions	1,458	165	91
Sales growth including organic sales growth and acquisitions	5,420	–2,274	5,388
Divestments	–964	–143	–212
Exchange rate effects[1]	–4,342	–4,806	5,299
Recognized change	**114**	**–7,223**	**10,475**
ORGANIC SALES GROWTH %			
Previous period sales	121,752	128,975	118,500
Organic sales growth	3,962	–2,439	5,297
Organic sales growth %	**3.3%**	**–1.9%**	**4.5%**
SALES GROWTH %			
Previous period sales	121,752	128,975	118,500
Sales growth including organic sales growth and acquisitions	5,420	–2,274	5,388
Sales growth including organic sales growth and acquisitions %	**4.5%**	**–1.8%**	**4.5%**

[1] Consists solely of currency translation effects.

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
Adjusted gross profit	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.
Operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)	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.
Adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)	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.
Operating profit before amortization of acquisition-related intangible assets (EBITA)	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.
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)	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.

SEKm	2021	2020	2019
Operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)			
Operating profit	13,199	16,758	14,349
Amortization of acquisition-related intangible assets	852	809	778
Depreciation/amortization	5,424	5,618	5,815
Depreciation right-of-use assets	938	922	884
Impairment	-2	125	79
Items affecting comparability, net of impairment	179	197	-27
EBITDA	**20,590**	**24,429**	**21,878**
Items affecting comparability excluding depreciation/amortization and impairment	-550	-138	740
Adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)	**20,040**	**24,291**	**22,618**

SEKm	2021	2020	2019
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)			
Operating profit	13,199	16,758	14,349
Amortization of acquisition-related intangible assets	852	809	778
Operating profit before amortization of acquisition-related intangible assets (EBITA)	**14,051**	**17,567**	**15,127**
EBITA margin	11.5%	14.4%	11.7%
Items affecting comparability, cost of goods sold	146	181	243
Items affecting comparability, sales, general and administration	-517	-122	470
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)	**13,680**	**17,626**	**15,840**
Adjusted EBITA margin	11.2%	14.5%	12.3%

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
Items affecting comparability	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 33 Operating expenses on page 89.	Separate reporting of items affecting comparability between periods provides a better understanding of the company's underlying operating activities.
Restructuring costs	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.
Adjusted gross margin	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.
EBITA margin	Operating profit before amortization of acquisition-related intangible assets as a percentage of net sales for the period.	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.
Adjusted EBITA margin	Operating profit before amortization of acquisition-related intangible assets, excluding items affecting comparability, as a percentage of net sales for the period.	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.
Operating margin	Operating profit as a percentage of net sales for the period.	The operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.
Adjusted operating margin	Operating profit, excluding items affecting comparability, as a percentage of net sales for the period.	Adjusted operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.
Adjusted operating profit	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.

SEKm	2021	2020	2019
ADJUSTED OPERATING PROFIT			
Operating profit	13,199	16,758	14,349
Items affecting comparability	–371	59	713
Adjusted operating profit	**12,828**	**16,817**	**15,062**
Adjusted operating margin	10.5%	13.8%	11.7%

Non-IFRS performance measure	Description	Reason for use of the measure
Financial net margin	Net financial items divided by net sales.	This measure shows the relationship between net financial items and net sales.
Adjusted profit before tax	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.
Adjusted tax	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.

SEKm	2021	2020	2019
ADJUSTED TAX			
Tax	–2,727	–4,053	–2,828
Tax relating to items affecting comparability	–76	–1	–159
Adjusted tax	**–2,803**	**–4,054**	**–2,987**

Non-IFRS performance measure	Description	Reason for use of the measure
Adjusted profit for the period	Profit for the period excluding items affecting comparability.	Shows the period's total underlying earnings capacity excluding items affecting comparability.
Net margin	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.
Earnings per share	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.
Adjusted earnings per share	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**
Cash earnings	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 77.
Adjusted cash earnings	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 77.
Operating cash surplus	Calculated as operating profit with a reversal of depreciation, amortization and impairment of property, plant and equipment and intangible assets. Share of profits of associated companies 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.
Investments in non-current assets, net	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.
Operating cash flow before investments in operating assets through leases	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 themselves.
Investments in operating assets through leases	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 themselves.
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 and investments in operating assets through leases.	This is an important control measure of operating activities that the units have control over themselves.
Investments in non-operating assets through leases	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 themselves. These are recognized in the operating cash flow statement as an explanatory item in changes to net debt.

SEKm	2021	2020	2019
OPERATING CASH FLOW			
Personal Care			
Operating cash surplus	8,882	9,089	8,785
Change in working capital	-471	236	401
Investments in non-current assets, net	-1,779	-1,659	-1,866
Restructuring costs, etc.	-89	-101	-644
Operating cash flow before investments in operating assets through leases	**6,543**	**7,566**	**6,676**
Investments in operating assets through leases	-74	-81	-181
Operating cash flow	**6,469**	**7,485**	**6,495**
Consumer Tissue			
Operating cash surplus	7,379	10,817	8,107
Change in working capital	403	-548	-553
Investments in non-current assets, net	-3,568	-3,191	-2,239
Restructuring costs, etc.	-281	-418	-251
Operating cash flow before investments in operating assets through leases	**3,938**	**6,660**	**5,064**
Investments in operating assets through leases	-247	-205	-194
Operating cash flow	**3,691**	**6,455**	**4,870**
Professional Hygiene			
Operating cash surplus	4,782	5,479	6,589
Change in working capital	-705	-960	438
Investments in non-current assets, net	-941	-1,135	-1,402
Restructuring costs, etc.	-466	-677	-603
Operating cash flow before investments in operating assets through leases	**2,670**	**3,307**	**5,022**
Investments in operating assets through leases	-158	-124	-84
Operating cash flow	**2,512**	**3,183**	**4,938**

B. Sales and earnings

B1. Net sales – Revenues from contracts with customers

Accounting policies and key assessments and assumptions

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, Personal Care, Consumer Tissue and Professional Hygiene on pages 22–27. 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 coupons 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 26. 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.

The tables below show consolidated net sales broken down by operating segment: Personal Care, Consumer Tissue 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 page 86 for further information.

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Total Group
2021					
Revenue from contracts with customers					
Sale of finished products	46,613	49,073	26,112	–1	121,797
Sale of services	26	13	31	–	70
Total revenues from contracts with customers	**46,639**	**49,086**	**26,143**	**–1**	**121,867**
Geographic markets					
Europe	26,619	27,328	11,595	–1	65,541
North America	4,790	98	10,360	–	15,248
Latin America	8,455	5,821	1,639	–	15,915
Asia	4,850	15,378	1,854	–	22,082
Other	1,925	461	695	–	3,081
Total revenues from contracts with customers	**46,639**	**49,086**	**26,143**	**–1**	**121,867**

B1. Revenue from contracts with customers, cont.

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Total Group
Product category					
Incontinence Products	21,079	–	–	–	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
Total revenues from contracts with customers	**46,639**	**49,086**	**26,143**	**–1**	**121,867**

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Total Group
2020					
Revenue from contracts with customers					
Sale of finished products	46,089	50,221	25,370	18	121,698
Sale of services	6	–	48	–	54
Total revenues from contracts with customers	**46,095**	**50,221**	**25,418**	**18**	**121,752**
Geographic markets					
Europe	26,611	29,822	11,970	18	68,421
North America	4,862	34	10,087	–	14,983
Latin America	8,078	5,805	1,386	–	15,269
Asia	4,832	14,390	1,734	–	20,956
Other	1,712	170	241	–	2,123
Total revenues from contracts with customers	**46,095**	**50,221**	**25,418**	**18**	**121,752**
Product category					
Incontinence Products	20,934	–	–	–	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
Total revenues from contracts with customers	**46,095**	**50,221**	**25,418**	**18**	**121,752**

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Total Group
2019					
Revenue from contracts with customers					
Sale of finished products	48,325	49,904	30,726	0	128,955
Sale of services	15	–	5	–	20
Total revenues from contracts with customers	**48,340**	**49,904**	**30,731**	**0**	**128,975**
Geographic markets					
Europe	27,417	29,880	13,322	–	70,619
North America	5,173	5	13,158	–	18,336
Latin America	8,869	5,946	1,816	–	16,631
Asia	5,007	13,902	2,178	–	21,087
Other	1,874	171	257	0	2,302
Total revenues from contracts with customers	**48,340**	**49,904**	**30,731**	**0**	**128,975**
Product category					
Incontinence Products	21,205	–	–	–	21,205
Baby Care	9,183	–	–	–	9,183
Feminine Care	8,361	–	–	–	8,361
Medical Solutions	8,936	–	–	–	8,936
Consumer Tissue	–	49,904	–	–	49,904
Professional Hygiene	–	–	30,731	–	30,731
Other	655	–	–	0	655
Total revenues from contracts with customers	**48,340**	**49,904**	**30,731**	**0**	**128,975**

Trade receivables and contractual liabilities

SEKm	Note	2021	2020	2019
Trade receivables	E3	19,871	17,825	19,864
Contractual liabilities – bonuses and discounts to customers	D5	6,253	6,070	6,038
Contractual liabilities – advance payments from customers		110	158	157

Trade receivables increased by SEK 187m in 2021 due to acquisitions but declined by SEK 24m due to divestments. Overall, trade receivables increased SEK 2,046m in 2021 due to increased sales compared with previous year and exchange rate effects.

Assets that have arisen from expenses to fulfill contracts with customers

SEKm	2021	2020	2019
Value, January 1	587	585	538
Costs for the year	374	473	498
Depreciation	–416	–375	–577
Translation differences	62	–96	16
Value, December 31	**607**	**587**	**585**

B2. Segment reporting

AD Accounting principles

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, Personal Care, Consumer Tissue and Professional Hygiene, comprise the operating segments. For management purposes, the Group is organized into business areas based on their products.

Essity's offering in Personal Care includes Incontinence Products, Medical Solutions, Baby Care and Feminine Care. Products are sold under brands such as TENA, JOBST, Leukoplast, Libero, Libresse, Nosotras and Saba, and as retailer brands. Distribution channels are the retail trade, pharmacies, medical device stores, hospitals, distributors and care institutions and e-commerce.

Essity's offering in Consumer Tissue includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Products are sold under brands such as Edet, Lotus, Regio, Tempo, Vinda and Zewa. In Europe, Essity also sells products under retailer brands. 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. 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 Solutions, Consumer Goods, Latin America and Professional Hygiene) and three global units (Global Supply Chain, Global Operational Services and Global Brand, Innovation & 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.

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.

The tables below show parts of the consolidated balance sheet and income statement broken down by operating segment: Personal Care, Consumer Tissue and Professional Hygiene.

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Eliminations	Total Group
2021						
REVENUES						
IS IC CSS **Net sales**	**46,639**	**49,086**	**26,143**	**–1**	**–**	**121,867**
RESULT						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	**7,098**	**4,661**	**2,710**	**–789**	**–**	**13,680**
Amortization of acquisition-related intangible assets	–837	–6	–9	–	–	–852
Adjusted operating profit/loss per operating segment	**6,261**	**4,655**	**2,701**	**–789**	**–**	**12,828**
IC CSS Items affecting comparability	252	–29	213	–65	–	371
IS **Operating profit/loss**	**6,513**	**4,626**	**2,914**	**–854**	**–**	**13,199**
IS Financial income						102
IS Financial expenses						–784
IS Tax expense for the period						–2,727
IS **Profit for the period**						**9,810**
OTHER DISCLOSURES						
Assets	64,451	70,854	34,502	3,289	–5,190	167,906
BS Investments in associates and joint ventures	14	226	–1	–	–	239
Unallocated financial assets				6,905		6,905
BS **Total assets**	**64,465**	**71,080**	**34,501**	**10,194**	**–5,190**	**175,050**
Net investments/acquisitions	–8,822	–6,719	–3,034	–1,022	–	–19,597
Depreciation	–2,633	–2,679	–1,686	–216		–7,214
Expenses, in addition to depreciation/amortization, not matched by payments	3	73	413	–	–	489
NET SALES BY REGION						
Europe	57%	56%	44%			54%
North America	10%	0%	40%			12%
Latin America	18%	12%	6%			13%
Asia	11%	31%	7%			16%
Other	4%	1%	3%			5%
Total	**100%**	**100%**	**100%**			**100%**
Mature markets	65%	50%	79%			62%
Emerging markets	35%	50%	21%			38%
Total	**100%**	**100%**	**100%**			**100%**

B2. Segment reporting, cont.

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Eliminations	Total Group
2020						
REVENUES						
IS **Net sales**	**46,095**	**50,221**	**25,418**	**18**		**121,752**
RESULT						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	**7,161**	**8,045**	**3,317**	**–897**	–	**17,626**
Amortization of acquisition-related intangible assets	–766	–6	–37	–	–	–809
Adjusted operating profit/loss per operating segment	**6,395**	**8,039**	**3,280**	**–897**	–	**16,817**
Items affecting comparability	–172	–7	–12	132	–	–59
IS **Operating profit/loss**	**6,223**	**8,032**	**3,268**	**–765**	–	**16,758**
IS Financial income						108
IS Financial expenses						–1,066
IS Tax expense for the period						–4,053
IS **Profit for the period**						**11,747**
OTHER DISCLOSURES						
Assets	55,778	61,928	28,723	–729	–1,429	144,271
BS Investments in associates and joint ventures	222	506	118	1	–	847
Unallocated financial assets				9,527		9,527
BS **Total assets**	**56,000**	**62,434**	**28,841**	**8,799**	**–1,429**	**154,645**
Net investments/acquisitions	–2,485	–3,396	–1,259	–455	–	–7,595
Depreciation	–2,718	–2,675	–1,788	–168	–	–7,349
Expenses, in addition to depreciation/amortization, not matched by payments	2	17	439	–2	–	456
NET SALES BY REGION						
Europe	58%	59%	47%			56%
North America	11%	–	40%			12%
Latin America	17%	12%	5%			13%
Asia	10%	29%	7%			17%
Other	4%	–	1%			2%
Total	**100%**	**100%**	**100%**			**100%**
Mature markets	64%	53%	80%			63%
Emerging markets	36%	47%	20%			37%
Total	**100%**	**100%**	**100%**			**100%**

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other operations	Eliminations	Total Group
2019						
REVENUES						
IS **Net sales**	**48,340**	**49,904**	**30,731**	**0**		**128,975**
RESULT						
Adjusted operating profit/loss before amortization of acquisition-related intangible assets	**6,746**	**5,321**	**4,463**	**–690**	–	**15,840**
Amortization of acquisition-related intangible assets	–732	–7	–39		–	–778
Adjusted operating profit/loss per operating segment	**6,014**	**5,314**	**4,424**	**–690**	–	**15,062**
Items affecting comparability	–345	–118	–88	–162	–	–713
IS **Operating profit/loss**	**5,669**	**5,196**	**4,336**	**–852**	–	**14,349**
IS Financial income						106
IS Financial expenses						–1,415
IS Tax expense for the period						–2,828
IS **Profit for the period**						**10,212**
OTHER DISCLOSURES						
Assets	60,704	64,094	32,252	9,035	–5,756	154,329
BS Investments in associates and joint ventures	226	514	123	2	–	865
Unallocated financial assets				7,101		7,101
BS **Total assets**	**60,930**	**64,608**	**32,375**	**10,138**	**–5,756**	**162,295**
Net investments/acquisitions	–2,061	–2,432	–1,486	–322	–	–6,301
Depreciation	–2,772	–2,706	–1,852	–147	–	–7,477
Expenses, in addition to depreciation/amortization, not matched by payments	10	31	339	–7	–	373
NET SALES BY REGION						
Europe	57%	60%	43%			55%
North America	11%	–	43%			14%
Latin America	18%	12%	6%			13%
Asia	10%	28%	7%			16%
Other	4%	–	1%			2%
Total	**100%**	**100%**	**100%**			**100%**
Mature markets	63%	53%	80%			63%
Emerging markets	37%	47%	20%			37%
Total	**100%**	**100%**	**100%**			**100%**

B2. Segment reporting, cont.

Items affecting comparability allocated by operating segment

SEKm	Personal Care	Consumer Tissue	Professional Hygiene	Other	Total
2021					
Items affecting comparability – cost of goods sold	16	–93	–69	–	–146
Items affecting comparability – sales, general and administration	236	64	282	–65	517
Total	**252**	**–29**	**213**	**–65**	**371**
2020					
Items affecting comparability – cost of goods sold	–104	–28	–49	–	–181
Items affecting comparability – sales, general and administration	–68	21	37	132	122
Total	**–172**	**–7**	**–12**	**132**	**–59**
2019					
Items affecting comparability – cost of goods sold	–123	–62	–58	–	–243
Items affecting comparability – sales, general and administration	–222	–56	–30	–162	–470
Total	**–345**	**–118**	**–88**	**–162**	**–713**

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 2021, 2020 or 2019 from which it generated income that accounted for more than 10% of the company's net sales. Essity's ten largest customers account for 19.6% (22.5, 23.7) of the company's sales.

New segment division as of January 1, 2022: On October 22, 2021, Essity announced that the company had decided on new business areas as of January 1, 2022. The business areas will be Health & Medical, Consumer Goods and Professional Hygiene. These 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. The new areas 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 business areas will replace the current business areas of Personal Care, Consumer Tissue and Professional Hygiene.

B2a. Segment reporting, cont.

	Net sales – sold to[1]						Net sales – sold by[1]					
	2021		2020		2019		2021		2020		2019	
Group by country	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Sweden	**3,087**	**2.5**	**3,049**	**2.5**	**2,774**	**2**	**3,569**	**2.9**	**3,485**	**2.9**	**3,338**	**3**
EU excluding Sweden												
Germany	12,023	9.9	13,672	11.2	13,884	11	12,547	10.3	14,266	11.7	14,644	12
France	9,505	7.8	10,074	8.3	10,621	8	9,694	8.0	10,270	8.4	10,859	9
Spain	5,248	4.3	5,451	4.5	6,004	5	5,375	4.4	5,593	4.6	6,103	5
Netherlands	3,683	3.0	3,985	3.3	3,966	3	3,862	3.1	4,128	3.4	4,121	3
Italy	3,311	2.7	3,344	2.7	3,762	3	3,589	3.0	3,616	3.0	4,028	3
Austria	1,905	1.6	1,967	1.6	1,911	2	2,093	1.8	2,168	1.8	2,114	2
Finland	1,606	1.3	1,689	1.3	1,609	1	1,601	1.3	1,693	1.4	1,606	1
Belgium	1,506	1.2	1,700	1.4	1,719	1	1,626	1.3	1,795	1.5	1,632	1
Denmark	1,405	1.2	1,407	1.2	1,280	1	1,447	1.2	1,447	1.2	1,246	1
Hungary	1,046	0.9	1,067	0.9	1,100	1	1,138	0.9	1,148	0.9	1,169	1
Poland	998	0.8	976	0.8	1,032	1	1,069	0.9	1,035	0.8	1,111	1
Czech Republic	747	0.6	697	0.6	698	1	750	0.6	687	0.6	666	1
Ireland	575	0.5	577	0.5	564	1	522	0.4	507	0.4	494	1
Greece	494	0.4	528	0.4	494	1	270	0.2	306	0.2	328	0
Romania	454	0.4	415	0.3	442	0	408	0.3	393	0.3	384	0
Portugal	432	0.3	402	0.3	414	0	339	0.3	335	0.3	352	0
Croatia	352	0.3	380	0.3	357	0	–	–	–	–	–	–
Slovakia	309	0.2	328	0.3	305	0	463	0.4	474	0.4	476	0
Lithuania	252	0.2	236	0.2	230	0	252	0.2	236	0.2	230	0
UK[2]	–	–	749	0.6	9,279	7	–	–	761	0.6	9,394	7
Rest of EU excluding Sweden	685	0.6	783	0.6	767	1	319	0.3	336	0.3	355	0
Total EU excluding Sweden	**46,536**	**38.2**	**50,277**	**41.3**	**60,438**	**48**	**47,404**	**38.9**	**51,154**	**42.0**	**61,414**	**48**
Rest of Europe												
UK[2]	9,079	7.5	8,234	6.8	–	–	9,154	7.5	8,369	6.9	–	–
Russia	2,844	2.3	2,862	2.3	3,380	3	3,044	2.5	3,060	2.5	3,613	3
Switzerland	1,474	1.2	1,588	1.3	1,446	1	1,426	1.2	1,540	1.2	1,398	1
Norway	1,435	1.2	1,321	1.1	1,344	1	1,428	1.2	1,304	1.1	1,269	1
Ukraine	405	0.3	399	0.3	418	0	355	0.3	352	0.3	369	0
Turkey	219	0.2	262	0.2	378	0	222	0.2	280	0.2	411	0
Rest of Europe, excluding EU	462	0.4	429	0.4	489	0	–	–	–	–	–	–
Total Rest of Europe	**15,918**	**13.1**	**15,095**	**12.4**	**7,407**	**5**	**15,629**	**12.9**	**14,905**	**12.2**	**7,060**	**5**
TOTAL EUROPE	**65,541**	**53.8**	**68,421**	**56.2**	**70,619**	**55**	**66,602**	**54.7**	**69,544**	**57.1**	**71,812**	**56**
North America												
USA	13,275	10.9	13,016	10.7	16,132	12	13,104	10.8	12,880	10.6	16,104	12
Canada	1,969	1.6	1,962	1.6	2,198	2	2,002	1.6	1,987	1.6	2,227	2
Rest of North America	4	0.0	5	0.0	6	0	–	–	–	–	–	–
TOTAL NORTH AMERICA	**15,248**	**12.5**	**14,983**	**12.3**	**18,336**	**14**	**15,106**	**12.4**	**14,867**	**12.2**	**18,331**	**14**
Latin America												
Mexico	6,122	5.0	5,754	4.7	6,051	5	6,749	5.5	6,250	5.1	6,655	5
Colombia	3,808	3.1	3,594	3.0	4,144	3	3,959	3.2	3,750	3.1	4,317	4
Ecuador	1,405	1.2	1,505	1.3	1,852	1	1,388	1.1	1,487	1.2	1,623	1
Chile	1,014	0.8	879	0.7	991	1	1,024	0.8	883	0.7	1,000	1
Brazil	634	0.5	526	0.4	637	1	635	0.5	526	0.4	637	1
Peru	492	0.4	558	0.5	590	1	483	0.4	550	0.5	581	1
Dominican Republic	454	0.4	442	0.4	483	0	454	0.4	442	0.4	483	0
Costa Rica	435	0.4	486	0.4	513	0	549	0.5	588	0.5	536	0
Argentina	348	0.3	351	0.3	381	0	358	0.3	369	0.3	395	0
Nicaragua	179	0.1	171	0.1	185	0	–	–	–	–	–	–
Rest of Latin America	1,031	0.9	1,003	0.8	1,094	1	345	0.3	367	0.3	324	0
TOTAL LATIN AMERICA	**15,915**	**13.1**	**15,269**	**12.6**	**16,631**	**13**	**15,942**	**13.0**	**15,212**	**12.5**	**16,549**	**13**
Asia												
China	17,189	14.1	16,021	13.2	15,887	12	17,493	14.3	16,421	13.5	16,212	12
Malaysia	1,744	1.4	1,762	1.4	1,740	1	2,045	1.7	2,055	1.7	2,086	2
Japan	931	0.8	1,003	0.8	1,065	1	580	0.5	646	0.5	725	1
Taiwan	374	0.3	388	0.3	370	1	380	0.3	398	0.3	382	0
Singapore	311	0.3	321	0.3	263	0	253	0.2	263	0.2	234	0
India	191	0.1	153	0.1	234	0	197	0.2	155	0.1	235	0
Rest of Asia	1,348	1.1	1,308	1.1	1,508	1	665	0.6	863	0.6	737	1
TOTAL ASIA	**22,082**	**18.1**	**20,956**	**17.2**	**21,087**	**16**	**21,603**	**17.8**	**20,601**	**16.9**	**20,611**	**16**
Rest of the world												
Australia	1,689	1.4	865	0.7	865	1	1,453	1.2	488	0.4	419	0
New Zealand	722	0.6	168	0.1	168	0	674	0.6	132	0.1	141	0
South Africa	293	0.2	263	0.2	344	1	382	0.3	352	0.3	457	0
Morocco	61	0.1	147	0.1	166	0	–	–	70	0.1	78	0
Other Rest of the world	316	0.3	680	0.6	759	0	105	0.1	506	0.4	577	1
TOTAL REST OF THE WORLD	**3,081**	**2.5**	**2,123**	**1.7**	**2,302**	**2**	**2,614**	**2.1**	**1,528**	**1.3**	**1,672**	**1**
Total Group	**121,867**	**100.0**	**121,752**	**100.0**	**128,975**	**100**	**121,867**	**100.0**	**121,752**	**100.0**	**128,975**	**100**

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.
3) From 2020 on one decimal is included in % numbers.

B2b. Segment reporting, cont.

	Average number of employees									Non-current assets[1]		
Group by country	2021	Of whom men, %	Of whom women, %	2020	Of whom men, %	Of whom women, %	2019	Of whom men, %	Of whom women, %	2021 SEKm	2020 SEKm	2019 SEKm
Sweden	**2,148**	**52**	**48**	**2,120**	**53**	**47**	**1,984**	**55**	**45**	**4,818**	**4,192**	**3,520**
EU excluding Sweden												
Germany	4,722	72	28	4,637	73	27	4,559	73	27	24,981	25,320	26,050
France	2,442	66	34	2,489	67	33	2,482	68	32	7,807	7,380	7,807
Netherlands	1,255	82	18	1,244	82	18	1,240	82	18	3,423	3,267	3,211
Spain	1,169	74	26	1,137	76	24	1,171	75	25	3,355	3,386	3,669
Slovakia	928	61	39	805	62	38	896	63	37	642	685	736
Italy	900	74	26	901	75	25	883	75	25	3,756	3,313	3,439
Poland	828	71	29	842	71	29	840	73	27	1,550	1,586	1,922
Austria	559	80	20	581	81	19	604	81	19	813	808	864
Belgium	486	80	20	482	80	20	472	81	19	657	668	700
Finland	307	71	29	303	73	27	296	74	26	1,094	1,097	1,211
Denmark	118	42	58	112	45	55	107	43	57	34	38	42
Hungary	113	35	65	113	35	65	129	39	61	12	9	13
Czech Republic	62	47	53	60	48	52	58	47	53	5	7	8
Greece	45	53	47	45	53	47	46	54	46	12	14	17
Romania	38	39	61	37	41	59	33	36	64	13	14	19
Lithuania	27	44	56	26	46	54	24	50	50	2	3	4
Portugal	22	50	50	20	60	40	20	60	40	76	75	79
Ireland	13	62	38	14	64	36	14	64	36	31	32	32
Croatia	11	36	64	11	36	64	14	29	71	1	1	2
UK[2]	–	–	–	134	75	25	1,614	76	24	–	–	5,742
Rest of EU excluding Sweden	17	29	71	16	25	75	16	25	75	2	2	3
Total EU excluding Sweden	**14,042**	**71**	**29**	**14,109**	**72**	**28**	**15,518**	**73**	**27**	**48,206**	**47,705**	**55,570**
Rest of Europe												
UK[2]	1,636	75	25	1,479	75	25	–	–	–	5,566	5,094	–
Russia	1,325	62	38	1,299	62	38	1,295	61	39	1,269	1,090	1,592
Turkey	114	74	26	125	77	23	134	80	20	24	39	60
Norway	88	48	52	85	49	51	84	50	50	11	13	15
Ukraine	67	40	60	70	43	57	71	42	58	21	5	5
Switzerland	37	30	70	35	29	71	34	29	71	86	80	140
Rest of Europe, excluding EU	5	100	–	5	100	–	4	100	–	–	–	–
Total Rest of Europe	**3,272**	**68**	**32**	**3,098**	**68**	**32**	**1,622**	**61**	**39**	**6,977**	**6,321**	**1,812**
TOTAL EUROPE	**19,462**	**68**	**32**	**19,327**	**69**	**31**	**19,124**	**70**	**30**	**60,001**	**58,218**	**60,902**
North America												
USA	3,137	71	29	3,215	71	29	3,214	71	29	19,187	16,529	19,283
Canada	287	65	35	286	64	36	306	65	35	588	537	598
Rest of North America	–	–	–	–	–	–	–	–	–	–	–	–
TOTAL NORTH AMERICA	**3,424**	**71**	**29**	**3,501**	**71**	**29**	**3,520**	**71**	**29**	**19,775**	**17,066**	**19,881**
Latin America												
Colombia	3,737	67	33	3,676	67	33	3,889	66	34	2,062	2,025	2,345
Mexico	3,220	68	32	3,007	69	31	3,027	70	30	4,721	4,366	5,207
Ecuador	1,048	71	29	1,086	69	31	1,163	66	34	618	542	626
Brazil	621	54	46	546	58	42	606	60	40	398	411	644
Chile	438	72	28	420	73	27	422	71	29	567	596	650
Argentina	368	65	35	369	66	34	323	65	35	95	26	40
Dominican Republic	266	67	33	266	67	33	268	66	34	224	200	236
Peru	138	54	46	140	40	60	130	37	63	356	343	439
Costa Rica	93	55	45	92	54	46	89	55	45	6	11	15
Nicaragua	–	–	–	–	–	–	9	67	33	–	–	–
Rest of Latin America	57	42	58	54	43	57	45	49	51	3	3	3
TOTAL LATIN AMERICA	**9,926**	**67**	**33**	**9,656**	**67**	**33**	**9,965**	**66**	**34**	**8,970**	**8,523**	**10,205**
Asia												
China	9,863	57	43	9,493	57	43	9,287	57	43	19,249	16,309	16,906
Malaysia	1,370	44	56	1,371	43	57	1,382	43	57	1,867	1,570	1,345
India	324	91	9	330	91	9	389	88	12	70	70	91
Taiwan	241	62	38	246	62	38	259	62	38	696	616	663
Japan	122	41	59	122	41	59	134	46	54	68	68	80
Singapore	37	29	71	34	29	71	33	28	72	2	3	16
Rest of Asia	510	62	38	515	62	38	359	53	47	681	601	709
TOTAL ASIA	**12,467**	**57**	**43**	**12,111**	**56**	**44**	**11,793**	**56**	**44**	**22,585**	**19,237**	**19,810**
Rest of the world												
South Africa	390	43	57	404	43	57	449	41	59	685	643	791
Australia	211	48	52	104	37	63	104	38	62	4,411	839	932
Tunisia	179	89	11	866	89	11	887	92	8	–	–	119
New Zealand	186	59	41	42	24	76	43	28	72	2,112	3	6
Other Rest of the world	56	71	29	73	51	49	95	63	37	38	–	17
TOTAL REST OF THE WORLD	**996**	**56**	**44**	**1,489**	**69**	**31**	**1,578**	**71**	**29**	**7,196**	**1,485**	**1,865**
Total Group	**46,275**	**65**	**35**	**46,084**	**65**	**35**	**45,980**	**66**	**34**	**118,527**	**104,529**	**112,663**

[1] 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 G2.
[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.

B3. Operating expenses

Operating expenses by function and type of cost

Operating expenses by function

SEKm	2021	2020	2019
Cost of goods sold	-86,628	-82,132	-90,878
Sales, general and administration	-21,617	-22,088	-22,319
Share of profits of associated companies and joint ventures	58	94	60
Amortization of acquisition-related intangible assets	-852	-809	-778
Items affecting comparability	371	-59	-713
Total	**-108,668**	**-104,994**	**-114,626**

Refer also to the Description of costs section on page 142.

Operating expenses by type of cost

SEKm	Note	2021	2020	2019
Other income		1,074	1,066	1,028
Change in inventory of finished products and products in progress[1]		1,033	87	-962
Raw materials and consumables[1]		-45,564	-41,384	-43,800
Personnel costs[1]	C1	-22,639	-22,914	-23,883
Other operating expenses[1]		-35,872	-34,318	-39,399
Amortization of intangible assets[1]	D1	-1,089	-1,140	-1,111
Depreciation of property, plant and equipment[1]	D2, G2	-6,125	-6,209	-6,366
Impairment of intangible assets[1]	D1	-87	-54	-19
Impairment of property, plant and equipment[1]	D2	-126	-276	-152
Reversal of impairment of property, plant and equipment[1]	D2	36	8	119
Share in profits of associated companies and joint ventures[1]		6	71	84
Revaluation of previously owned shares in associated companies[1]	F8	706	-	-
Gain/loss on divestment and liquidation[1][2]		-21	69	-160
Total		**-108,668**	**-104,994**	**-114,626**

1) Including items affecting comparability.
2) Including reversal of realized translation differences in divested companies to profit or loss.

Items affecting comparability

Distribution of items affecting comparability by type of cost

SEKm	2021	2020	2019
Impairment of inventory of finished products and products in progress, net	-18	-9	-70
Impairment of trade receivables	-	-	-10
Personnel costs	20	187	-445
Other operating expenses	-85	-86	-79
Impairment of intangible assets, net	-87	-54	-16
Impairment of property, plant and equipment, net	-92	-143	43
Share in profits of associated companies from impairment and divestments	-52	-23	24
Revaluation of previously owned shares in associated companies	706	-	-
Gain/loss on divestment and liquidation	-21	69	-160
Total	**371**	**-59**	**-713**

Distribution of items affecting comparability

SEKm	2021
Revaluation of previously owned shares in associated companies	706
Change in liability for ongoing competition case	54
Costs for restructuring measures	-202
Transaction costs related to acquisitions	-124
Other	-63
Total	**371**

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
Total	**-59**

Distribution of items affecting comparability, previous periods

SEKm	2019
Restructuring costs relating to the Group-wide cost-savings program	-409
Costs for other restructuring programs	-181
Transfer to profit or loss of realized translation differences relating to divested and liquidated companies	-178
Other	55
Total	**-713**

Other income

SEKm	2021	2020	2019
Sales not included in core operations	1,074	1,066	1,028
Total	**1,074**	**1,066**	**1,028**

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.

Distribution of other operating expenses

SEKm	2021	2020	2019
Transport expenses	-9,861	-9,107	-9,360
Energy costs[1]	-5,642	-4,493	-5,125
Purchased finished goods for resale	-3,062	-2,564	-6,811
Marketing costs	-6,704	-6,745	-6,804
Repairs and maintenance	-3,065	-2,968	-2,927
IT, telephony and lease of premises	-851	-974	-903
Other operating expenses, production	-3,012	-3,759	-4,092
Other operating expenses, distribution, sales and administration	-3,641	-3,515	-3,481
Other	-34	-194	-96
Total	**-35,872**	**-34,318**	**-39,399**

1) After deduction for revenues from energy in the amount of SEK 294m (186; 184).

Other disclosures

Exchange rate effects had a positive impact of SEK 3m (-11; -70) on operating profit.

Other disclosures[1]

SEKm	2021	2020	2019
Government grants received	82	241[2]	47
Research and development	-1,471	-1,559	-1,495

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 2020 pertains mainly to grants received in China related to the COVID-19 pandemic.

B4. Auditing expenses

Auditing expenses

SEKm	2021	2020	2019
EY			
Audit assignments	-65	-69	-70
Auditing activities other than the audit assignment	-0	-2	-2
Tax consultancy services	-4	-2	-2
Other assignments	-4	-1	-3
Total EY	**-73**	**-74**	**-77**
Other auditors			
Audit assignments	-15	-15	-18
Tax consultancy services	-9	-14	-10
Other assignments	-4	-2	-8
Total other auditors	**-28**	**-31**	**-36**
Total	**-101**	**-105**	**-113**

B5. Income taxes

Accounting principles

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

Current tax is calculated on the taxable profit for the period based on the tax rules prevailing in the countries where the Group operates. Since taxable profit excludes costs that are not tax deductible and income that is not taxable, this is differentiated from profit before tax in 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 associated companies, 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

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.

Tax expense

Tax expense (+), tax income (–)

SEKm	2021	%	2020	%	2019	%
Current tax						
Income tax for the period	2,699	21.5	3,603	22.8	2,764	21.2
Adjustments for prior periods[1]	–12	–0.1	139	0.9	1,020	7.8
Current tax expense	**2,687**	**21.4**	**3,742**	**23.7**	**3,784**	**29.0**
Deferred tax						
Changes in temporary differences	350	2.8	467	3.0	275	2.1
Adjustments for prior periods[1]	–278	–2.2	–45	–0.3	–1,252	–9.6
Revaluations	–32	–0.3	–111	–0.7	21	0.2
Deferred tax expense	**40**	**0.3**	**311**	**2.0**	**–956**	**–7.3**
Tax expense	**2,727**	**21.7**	**4,053**	**25.7**	**2,828**	**21.7**

1) During 2019, tax liabilities were reallocated between current tax and deferred tax, which resulted in an increase in current tax liabilities of SEK 936m and a corresponding impact on deferred tax income.

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	2021	%	2020	%	2019	%
Profit before tax	12,537		15,800		13,040	
Tax expense	2,727	21.7	4,053	25.7	2,828	21.7
Expected tax expense	2,883	23.0	3,789	24.0	3,036	23.3
Difference	**–156**	**–1.3**	**264**	**1.7**	**–208**	**–1.6**
The difference is explained by:						
Permanent differences between accounting and taxable result						
Effects of subsidiary financing[1]	49	0.4	57	0.4	–165	–1.3
Effects of acquisitions and divestments[2]	–158	–1.3	–19	–0.1	53	0.4
Taxes relating to profit-taking[3]	103	0.8	32	0.2	27	0.2
Other permanent effects[4]	44	0.3	1	–0.0	102	0.8
Taxes related to prior periods[5]	–290	–2.3	94	0.6	–232	–1.8
Changes in the value of deferred tax assets[6]	35	0.3	44	0.3	37	0.3
Changes in tax rates[7]	61	0.5	55	0.3	–90	–0.2
Total	**–156**	**–1.3**	**264**	**1.7**	**–208**	**–1.6**

1) The effects are principally attributable to financing of the operation in Germany for the years 2021 and 2020. The year 2019 pertains to the financing effects in the USA, Germany and France.
2) Relate mainly to effects of the Asaleo Care acquisition of SEK -190m. Year 2019 relates essentially to divested operations in Turkey and Brazil.
3) Mainly attributable to taxation at source on profit-taking to the Netherlands from Canada and Russia of SEK 51m.
4) The year 2019 primarily comprises BEAT effects in the USA of SEK 125m.
5) Taxes related to prior periods relate mainly to adjustments in Italy and Mexico to 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 carry-forwards of SEK -84m. For the year 2020, the largest share relates to adjustments in Mexico, Germany and the Netherlands. The year 2019 relates mainly to the effect of a remeasurement of the tax amount on non-current assets in Mexico of SEK -253m.
6) The change in value of deferred tax assets relates mainly to unrecognized tax loss carryforwards in Brazil of SEK 46m, the corresponding effect in 2020 was SEK 50m. For the year 2019, the effects relate mainly to unrecognized tax loss carryforwards in Brazil of SEK 109m, as well as the increase in a tax credit in Poland of SEK -68m.
7) Relates mainly to the revaluation of a deferred tax liability in the UK of SEK 18m and in Colombia of SEK 12m. The year 2020 relates mainly to the revaluation of SEK 87m concerning pension obligations in the UK.

B5. Income taxes, cont.

Current tax liability

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

SEKm	2021	2020	2019
Value, January 1	**1,541**	**1,687**	**–1,556**
Current tax expense	2,687	3,742	3,784
CF Paid tax	–3,634	–3,917	–1,130
Other changes from acquisitions, divestments and reclassifications[1]	–19	40	670
Translation differences	49	–11	–81
Value, December 31	**624**	**1,541**	**1,687**
BS of which current tax liability	1,576	2,301	2,432
BS of which current tax asset	952	760	745

1) During 2019, tax risks were reclassified as tax liabilities from provisions in line with the interpretation of IFRIC 23 Uncertainty over Income Tax Treatments, which has taken effect.

Tax by country

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	236	335	571	–575
Netherlands	359	–2	357	–856
China	386	–47	339	–508
UK	116	52	168	–119
Russia	168	–1	167	–62
USA	128	25	153	–108
Colombia	165	–14	151	–18
Mexico	203	–102	101	–167
Poland	43	40	85	–46
Canada	68	6	74	–51
France	28	30	58	–106
Ecuador	57	–1	56	–45
Belgium	52	3	55	–72
Norway	47	0	47	–39
Austria	45	1	46	–71
Denmark	41	0	41	–36
Slovakia	27	14	41	–19
Switzerland	35	0	35	–38
Japan	32	0	32	–48
Finland	46	–15	31	–70
Peru	32	–2	30	–39
Czech Republic	24	1	25	–28
Australia	46	–29	17	–45
New Zealand	21	–18	3	–4
Germany	120	–134	–14	–166
Italy	3	–83	–80	–84
Other countries[1]	159	–19	140	–266
CF BS **Total**	**2,687**	**40**	**2,727**	**–3,634**

1) Other countries comprise several countries where the tax expense and tax payments for the respective countries are of a low amount.

Deferred tax liability

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

SEKm	Value, January 1	Deferred tax expense	Other changes[2]	Translation differences	Value, December 31
Intangible assets	6,992	–152	563	272	7,675
Property, plant and equipment	1,585	–249	62	119	1,517
Non-current financial assets	501	43	–421	24	147
Current assets	–356	440	14	–21	77
Provisions	–753	–202	597	–35	–393
Liabilities	–1,796	179	176	–50	–1,491
Tax credits and tax loss carryforwards	–1,317	15	–28	–87	–1,412
Other	–529	–34	9	–4	–558
Total[1]	**4,327**	**40**	**977**	**218**	**5,562**

1) The net closing deferred tax liability comprises BS deferred tax assets of SEK 2,012m (1,823; 2,539) and BS deferred tax liabilities of SEK 7,574m (6,150; 6,545).
2) Other changes mainly include deferred tax recognized directly in other comprehensive income within equity according to IAS 19 Employee Benefits of SEK 19m and IFRS 9 Financial Instruments of SEK 536m, in addition to effects from acquisitions and divestments of SEK 428m.

Preceding periods' deferred tax liability (+), deferred tax asset (–), SEKm

YEAR	Value, January 1	Deferred tax expense	Other changes	Translation differences	Value, December 31
BS 2020	4,006	311	229	–219	4,327
BS 2019	5,114	–956	–234	82	4,006

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 BS in the amount of SEK –1,412m.

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 4,597m (4,342; 6,412), gross, at December 31, 2021.

The change in unrecognized tax loss carryforwards for the period includes SEK 147m in exchange rate effects, SEK –2m that has expired and SEK –127m that was either utilized or recognized. The tax value of unrecognized tax loss carryforwards amounted to SEK 1,256m (1,145; 1,791). The expiry dates 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	2021	2020	2019
Within 1 year	14	18	90
2 years	46	43	62
3 years	64	18	53
4 years	8	66	99
5 years or more	451	426	1,108
Indefinite life	4,014	3,781	5,000
Total	**4,597**	**4,342**	**6,412**

C. Employees

C1. Personnel costs

The table below presents the Group's total personnel costs.

Personnel costs

SEKm	Note	2021	2020	2019
Salaries and remuneration		–15,854	–16,228	–16,825
of which Group Executive Management Team	C2	–91	–103	–141
of which Board of Directors	C3	–10	–9	–9
Pension costs		–1,498	–1,215	–1,411
of which defined benefit pension costs	C4	–401	–240	–468
of which other pension costs		–1,097	–975	–943
Other social security costs		–3,835	–3,849	–4,194
Other personnel costs		–1,452	–1,622	–1,458
Total [1]		**–22,639**	**–22,914**	**–23,888**

1) Items affecting comparability of SEK 20m (187; –445) are included in total personnel costs.

C2. Remuneration of senior executives

Accounting principles

Incentive programs

Essity has variable remuneration programs: Short Term Incentive (STI) and Long Term Incentive (LTI). Variable remuneration is capped at a specific percentage of fixed salary and is recognized as an expense and current liability, 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 structure of the STI targets is related to the financial targets, or goals 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.

The LTI goal is based on the performance of the company's B share, measured as the TSR (Total Shareholder Return) index compared with the MSCI Household Products Index, Consumer Staples, which contains a weighted index of competitors' and consumer companies' shares performance (TSR) over a three-year period, where the performance target is higher TSR for the company than the benchmark index (maximum outcome requires a 5% better outcome than the benchmark index).

Variable remuneration under LTI is paid in cash to employees and accordingly does not have any dilutive effect. Participants in the LTI program are required to purchase shares in Essity for half of the LTI outcome paid 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 (one year) and long-term financial targets, targets which contribute thereto 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 50% of annual fixed salary.

Short-term performance targets shall include organic growth, product development, earnings, cash flow, capital efficiency, sustainability, return, individual targets or a combination thereof.

Long-term performance targets shall be linked to the performance of the company, measured as TSR value (TSR, Total Shareholder Return: the value shall be the composed of the total dividend and other returns as well as the share performance) over a three-year period. This value shall, for the same period, be compared with the MSCI Household products Index, Consumer Staples, which is a weighted index of competing companies and consumer companies' corresponding TSR value. A maximum outcome requires that the performance of the Essity share exceeds the benchmark index by more than 5% over the multi-year period. Payment of cash remuneration for achieved long-term performance targets shall also be subject to a requirement that one-half of such paid remuneration after tax shall be used for investment by the recipient in Essity shares. Such shares may not be divested during a period of three years from the date of purchase, among other things, to create a common ownership interest between the participants in the program and the shareholders.

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 and, 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. These guidelines shall apply commencing at the 2021 Annual General Meeting and 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, 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) for the CEO, Executive Vice President and Business Unit Presidents and equivalents may amount to a maximum of 50% of fixed salary. For the Business Unit Presidents, stationed in the Americas, the maximum outcome is 60–80% of the fixed salary, while the corresponding limit for other senior executives is 40–50%. The STI 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 goals.

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 goals. Furthermore, for certain senior executives, goals for cost efficiency and innovation also apply, accounting for 21% 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 9% of the variable remuneration.

The long-term portion ("Long Term Incentive", or LTI) may amount to a maximum of 50% of the fixed salary. The senior executive is to invest half of the variable LTI compensation, after tax withholdings, 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 5–7% of fixed salary for 2021. STI resulted in variable remuneration corresponding to 6–51% of fixed salary for the Business Unit Presidents. Based on 2021 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 38m.

The LTI target was not achieved for 2018–2020, resulting in no outcome for the CEO and other senior executives.

Other benefits

Other benefits pertain, in some cases, to a company car, commuter reimbursement and health insurance.

Remuneration and other benefits during the year 2021

SEK	Fixed salary	Variable remuneration[1]	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	15,750,000	1,053,281[2]	120,921	16,924,202
Other senior executives (12 people)	60,316,371	8,989,018[2]	5,169,945	74,475,334
Total	**76,066,371**	**10,042,299**	**5,290,866**	**91,399,536**

1) Variable remuneration covers the 2021 fiscal year, but is paid in 2022.
2) Of which LTI program SEK 0.

Pension costs 2021 [1]

SEK	
President and CEO Magnus Groth[2]	6,555,851
Other senior executives (12 people)[3]	27,658,471
Total	**34,214,322**

1) The pension costs pertain to the costs that affected profit for 2021, excluding special payroll tax.
2) Outstanding pension obligations amount to SEK 23,363,801.
3) Outstanding pension obligations amount to SEK 104,737,446.

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. The retirement age for the CEO is 65. Five other executives are covered by corresponding defined contribution pension benefits with an annual premium of approximately 30–40% and pension age of 65. One senior executive is covered by ITP1. 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 2020

SEK	Fixed salary	Variable remuneration[1]	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	15,000,000	5,670,000[2]	112,291	20,782,291
Other senior executives (11 people)	55,964,618	20,833,766[2]	5,611,119	82,409,503
Total	**70,964,618**	**26,503,766**	**5,723,410**	**103,191,794**

1) Variable remuneration covers the 2020 fiscal year but is paid in 2021.
2) Of which LTI program SEK 0.

C2. Remuneration of senior executives, cont.

Pension costs 2020 [1]

SEK	
President and CEO Magnus Groth[2]	6,269,391
Other senior executives (11 people)[3]	17,146,081
Total	**23,415,472**

1) The pension costs pertain to the costs that affected profit for 2020, excluding special payroll tax.
2) Outstanding pension obligations amount to SEK 25,707,004.
3) Outstanding pension obligations amount to SEK 95,585,302.

Pension costs 2019 [1]

SEK	
President and CEO Magnus Groth[2]	5,751,678
Other senior executives (11 people)[3]	15,176,118
Total	**20,927,796**

1) The pension costs pertain to the costs that affected profit for 2019, excluding special payroll tax.
2) Outstanding pension obligations amount to SEK 24,062,515.
3) Outstanding pension obligations amount to SEK 84,529,681.

Remuneration and other benefits during the year 2019

SEK	Fixed salary	Variable remuneration[1]	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	13,800,000	13,800,000[2]	110,732	27,710,732
Other senior executives (11 people)	55,608,750	54,523,552[3]	3,156,703	113,289,005
Total	**69,408,750**	**68,323,552**	**3,267,435**	**140,999,737**

1) Variable remuneration covers the 2019 fiscal year but is paid in 2020.
2) Of which LTI program SEK 6,900,000.
3) Of which LTI program SEK 27,804,376.

Obligations in relation to former presidents and CEOs

For former presidents and CEOs, Essity has outstanding, non-funded obligations amounting to SEK 161m. 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 25, 2021 for the period until the next AGM in March 2022. No remuneration is paid to the President and CEO and other employees.

	Board fee			Audit Committee fee			Remuneration Committee fee			Total		
SEK	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Pär Boman (Chairman)	2,445,000	2,310,000	2,310,000	280,000	275,000	275,000	150,000	150,000	150,000	2,875,000	2,735,000	2,735,000
Ewa Björling	815,000	770,000	770,000							815,000	770,000	770,000
Maija-Liisa Friman	0	770,000	770,000							0	770,000	770,000
Annemarie Gardshol	815,000	770,000	770,000							815,000	770,000	770,000
Louise Svanberg	815,000	770,000	770,000				120,000	115,000	115,000	935,000	885,000	885,000
Bert Nordberg	815,000	770,000	770,000	280,000	275,000	275,000	120,000	115,000	115,000	1,215,000	1,160,000	1,160,000
Barbara Milian Thoralfsson	815,000	770,000	770,000	400,000	380,000	380,000				1,215,000	1,150,000	1,150,000
Torbjörn Loof	815,000	0	0							815,000	0	0
Lars Rebien Sørensen	815,000	770,000	770,000							815,000	770,000	770,000
Total	**8,150,000**	**7,700,000**	**7,700,000**	**960,000**	**930,000**	**930,000**	**390,000**	**380,000**	**380,000**	**9,500,000**	**9,010,000**	**9,010,000**

C4. Remuneration after completion of employment

Accounting principles

Defined benefit pension plans

Defined benefit pension plans are characterized by the fact that payment is based on the period of employment and the employee's salary at, or just prior to, retirement. The actuarial and investment-related risks associated with defined benefit pension plans are carried by the company.

The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. 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.

C4. Remuneration after completion of employment, cont.

Key assessments and assumptions

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. 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 . The sensitivity of the recognized provision with respect to key actuarial assumptions is described in .

Provisions for pensions and similar obligations

SEKm	2021	2020	2019
Defined benefit obligations	32,698	32,717	38,510
Fair value of plan assets	-35,249	-31,260	-36,372
Effect of asset ceiling	5,261	1,054	887
Provision for pensions, net	**2,710**	**2,511**	**3,025**

Surpluses in funded plans recognized as financial non-current assets amounted to SEK 1,439m (2,817; 2,841) on the balance sheet date and provisions for pensions totaled SEK 4,149m (5,328; 5,866). Defined benefit obligations include obligations in an amount of SEK 2,751m (2,908; 2,889) 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

SEKm Country	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
UK	10	9,395	8,599	18,004	-22,118	4,144	35	18
Sweden	1,970	1,130	1,310	4,410	-3,920	1,117	1,607	19
Germany	2,443	759	1,603	4,805	-5,377	-	-572	17
USA	479	1,103	2,057	3,639	-3,486	-	153	12
Other	1,489	4	347	1,840	-353	-	1,487	12
Total	**6,391**	**12,391**	**13,916**	**32,698**	**-35,249**	**5,261**	**2,710**	

Costs for the period for defined benefit plans

SEKm	2021	2020	2019
Current service cost, after deduction for premiums paid by the employees	-422	-428	-528
Past service cost	8	-2	16
Pension-tax expense	-38	-41	-36
Remeasurement, net	13	-11	-26
Net interest income/expense	-49	-34	-93
Pension costs before effects of settlements	**-488**	**-516**	**-667**
Settlements	-	201	70
Pension costs after effects of settlements	**-488**	**-315**	**-597**

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.

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.

C4. Remuneration after completion of employment, cont.

Defined benefit obligations

SEKm	2021	2020	2019
Value, January 1	**32,717**	**38,510**	**33,082**
Current service cost	426	429	540
Interest expense	424	608	895
Past service cost	-8	2	-16
Pension-tax expense	38	41	36
Settlements and transfers	-17	-57	-293
Reclassification	-	-5,488	-
Acquisitions and divestments	-15	-	-1
Benefits paid	-1,248	-1,323	-1,398
Pension taxes paid	-11	-11	-10
Remeasurements financial assumptions	-1,907	3,345	4,668
Remeasurements demographic assumptions	169	-248	37
Remeasurements experience-based assumptions	60	-567	-538
Pension taxes pertaining to remeasurement	-131	-49	65
Translation differences	2,201	-2,475	1,440
Value, December 31	**32,698**	**32,717**	**38,510**

Reclassification of SEK 5,488m in 2020 pertains to the deconsolidation of the former defined benefit obligations attributable to the Dutch pension plan.

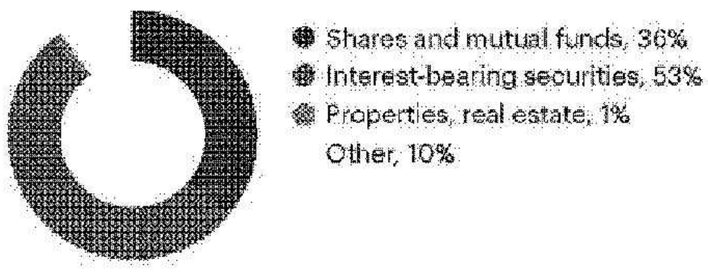
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include for example unexpectedly high or low employee turnover or salary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

Plan assets

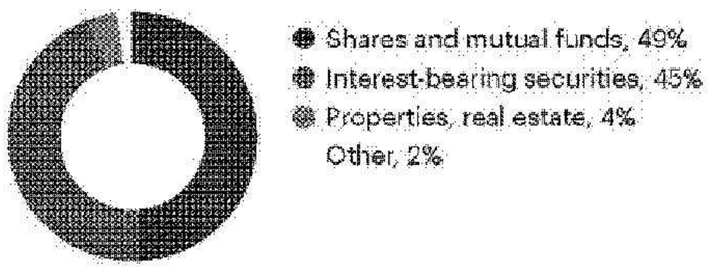
SEKm	2021	2020	2019
Fair value, January 1	**-31,260**	**-36,372**	**-29,648**
Interest income	-427	-586	-818
Contributions by plan participants	-4	-1	-12
Contributions by the employer	-405	-1,048	-1,292
Benefits paid, excluding settlements	1,237	1,812	1,396
Benefits paid for settlements	5	54	253
Reclassification	-	5,301	-
Return in excess of recognized interest income	-2,068	-2,434	-4,881
Administrative expenses for pension obligations	36	36	44
Translation differences	-2,363	2,478	-1,414
Fair value, December 31	**-35,249**	**-31,260**	**-36,372**

Reclassification of SEK 5,301m in 2020 pertains to the deconsolidation of the plan assets attributable to the Dutch pension plan.

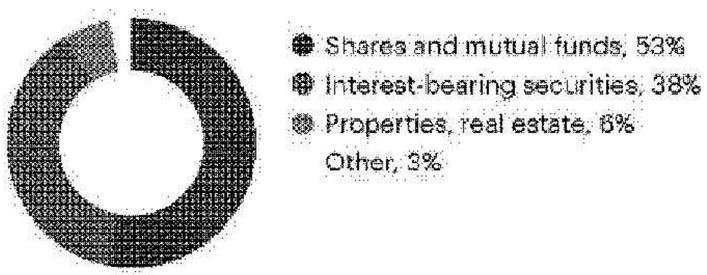
The plan assets are distributed according to the following classes of assets, 2021:



The plan assets are distributed according to the following classes of assets, 2020:



The plan assets are distributed according to the following classes of assets, 2019:



At the balance sheet date 97% (94; 93) 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, 2021.

Effect of asset ceiling

SEKm	2021	2020	2019
Value, January 1	**1,054**	**887**	**707**
Interest expense	52	12	16
Other changes to asset ceiling	4,025	155	164
Translation differences	130	-	-
Value, December 31	**5,261**	**1,054**	**887**

During 2021 the surplus in the UK pension plan was subject to an asset ceiling under the rules of IAS 19, since Essity is of the view that it will be unable to absorb the current surplus. 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 4,144m (-; -) 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 1,117m (1,054; 887).

Principal actuarial assumptions

	Sweden	UK	Germany	Netherlands[1]	USA
2021					
Discount rate	1.62	1.89	0.75	N/A	2.81
Expected salary increase rate	3.00	N/A	3.00	N/A	N/A
Expected inflation	2.00	3.25	1.75	N/A	N/A
Life expectancy, men[2]	22	22	20	N/A	20
Life expectancy, women[2]	25	25	24	N/A	21
2020					
Discount rate	0.83	1.37	0.38	N/A	2.56
Expected salary increase rate	2.75	N/A	2.75	N/A	N/A
Expected inflation	1.75	3.00	1.50	N/A	N/A
Life expectancy, men[2]	22	21	20	N/A	20
Life expectancy, women[2]	25	24	24	N/A	21
2019					
Discount rate	1.40	2.07	0.96	1.07	3.18
Expected salary increase rate	3.00	N/A	2.75	2.75	N/A
Expected inflation	2.00	3.00	1.50	1.50	N/A
Life expectancy, men[2]	22	22	20	21	20
Life expectancy, women[2]	25	24	24	24	22

[1] As of 2020, the Dutch pension plan is recognized as a defined contribution pension obligation.
[2] 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 (-)

SEKm	
Discount rate +0.25%	1,327
Price inflation, including salary inflation +0.25%	-1,059
Life expectancy +1 year	-1,483

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 company's defined benefit pension plans for 2022 are calculated at SEK 371m. Contributions for multiemployer plans for 2022 are calculated at SEK 40m.

D. Operating assets and liabilities

D1. Intangible assets

Accounting principles

Goodwill
Goodwill arises in connection with business combinations where the consideration transferred exceeds the fair value of the acquired net assets. Goodwill is 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 associated companies 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 expenditure is amortized on a straight-line basis from the date when the asset starts to be used over the estimated useful life of the asset. 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 Consumer Tissue, Professional Hygiene and Personal Care. 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.

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.

Key assessments and assumptions

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).

D1. Intangible assets, cont.

Goodwill

SEKm	2021	2020	2019
Accumulated costs	32,324	32,324	34,846
Accumulated impairment	–	–	-265
Total	**32,324**	**32,324**	**34,581**
Value, January 1	**32,324**	**34,581**	**33,553**
Company acquisitions	3,393	603	–
Company divestments	–	-36	-15
Reclassifications	-7	–	–
Translation differences	2,088	-2,824	1,043
Value, December 31	**37,803**	**32,324**	**34,581**

Intangible assets excluding goodwill

	Trademarks			Technologies, Customer relations and similar rights			Capitalized development costs			Total Other intangible assets		
SEKm	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Accumulated costs	14,726	13,401	14,668	14,015	10,963	12,305	577	532	513	29,318	24,896	27,504
Accumulated amortization	-645	-506	-559	-6,773	-5,731	-5,301	-209	-180	-132	-7,627	-6,417	-5,992
Accumulated impairment	–	–	-468	-88	-86	-94	-140	-51	–	-228	-137	-562
Total	**14,081**	**12,895**	**13,659**	**7,154**	**5,146**	**6,910**	**228**	**301**	**381**	**21,463**	**18,342**	**20,950**
Value, January 1	**12,895**	**13,659**	**13,546**	**5,146**	**6,910**	**7,478**	**301**	**381**	**360**	**18,342**	**20,950**	**21,384**
Investments[3]	–	–	–	834	459	138	38	43	58	872	502	196
Sales and disposals	–	–	-44	–	-1	–	-1	–	–	-1	-1	-44
Company acquisitions	729	50	–	1,812	185	–	–	1	–	2,541	236	–
Company divestments	–	–	–	-2	-2	–	–	–	–	-2	-2	–
Reclassifications[2]	1	–	1	51	-1,161	88	2	-1	-1	54	-1,162	88
Amortization[1]	-122	-137	-109	-932	-946	-958	-35	-57	-44	-1,089	-1,140	-1,111
Impairment	–	–	–	–	–	-19	-87	-54	–	-87	-54	-19
Translation differences	578	-677	265	245	-298	183	10	-12	9	833	-987	456
Value, December 31	**14,081**	**12,895**	**13,659**	**7,154**	**5,146**	**6,910**	**228**	**301**	**381**	**21,463**	**18,342**	**20,950**
Emission allowances, net value										343	232	232
Value, December 31 including emission allowances										**21,806**	**18,574**	**21,182**

1) 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.
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) In 2021, interest expenses were capitalized in Capitalized development costs in the amount of SEK 9m. The average interest rate used was 2%.

Impairment testing

Annual testing for impairment of goodwill is carried out in the fourth quarter. The testing showed that no impairment was needed for 2021, 2020 or 2019. 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, goodwill, trademarks with indefinite useful lives and individual assets are also tested when there is an indication of an impairment need. During the period, intangible assets, attributable to the operating segment Personal Care, were impaired by SEK -87m.

Distribution by operating segment

	Goodwill			Trademarks			WACC, before tax %		
SEKm	2021	2020	2019	2021	2020	2019	2021	2020	2019
Personal Care	19,537	16,678	17,545	8,837	8,016	8,544	8.2	8.2	8.6
Consumer Tissue	10,326	9,264	9,894	5,244	4,879	5,108	8.0	8.2	8.1
Professional Hygiene	7,940	6,382	7,142	–	–	7	6.8	6.2	7.3
Total	**37,803**	**32,324**	**34,581**	**14,081**	**12,895**	**13,659**			

Emission allowances

SEKm	2021	2020	2019
Accumulated costs	343	232	232
Value, January 1	**232**	**232**	**91**
Emission allowances received	210	187	174
Purchases	93	30	51
Settlement with the government	-201	-206	-84
Translation differences	9	-11	0
Value, December 31	**343**	**232**	**232**

D2. Property, plant and equipment

AP Accounting principles

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	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Accumulated costs	25,759	23,004	24,855	4,248	4,052	4,493	88,109	76,399	85,802	6,209	5,320	3,716
Accumulated depreciation	-12,045	-10,776	-10,986	-657	-599	-649	-55,880	-48,872	-52,516	-	-	-1
Accumulated impairment	-283	-283	-258	-24	-23	-25	-1,440	-1,401	-1,261	-31	-2	-1
Total	**13,431**	**11,945**	**13,611**	**3,567**	**3,430**	**3,729**	**30,789**	**28,326**	**32,025**	**6,178**	**5,318**	**3,714**
Value, January 1	**11,945**	**13,611**	**12,974**	**3,430**	**3,729**	**3,626**	**28,326**	**32,025**	**30,136**	**5,318**	**3,714**	**4,937**
Investments	318	124	208	44	9	34	1,426	1,127	1,808	4,614	4,882	3,829
Sales and disposals	-12	-6	-37	-3	-4	-1	-41	-57	-89	-	-4	-1
Company acquisitions	67	28	-	10	9	-	799	42	-	55	-	-
Company divestments	-	-38	-	-	-18	-	-	-73	-81	-	-	-3
Reclassifications	1,045	235	818	2	11	-4	3,014	2,551	4,045	-4,115	-2,844	-5,037
Depreciation [1]	-782	-802	-841	-36	-41	-44	-4,369	-4,444	-4,597	-	-	-
Impairment	-	-42	-6	-	-	-2	-97	-234	-144	-29	-	-
Reversal of impairment	32	-	70	-	-	22	4	8	27	-	-	-
Translation differences	618	-1,165	425	120	-265	98	1,727	-2,619	920	355	-430	189
Value, December 31	**13,431**	**11,945**	**13,611**	**3,567**	**3,430**	**3,729**	**30,789**	**28,326**	**32,025**	**6,178**	**5,318**	**3,714**

[1] Included primarily in Cost of goods sold.

Total property, plant and equipment

SEKm	2021	2020	2019
Accumulated costs	124,325	110,775	118,776
Accumulated depreciation	-68,582	-60,047	-64,152
Accumulated impairment	-1,778	-1,709	-1,545
Total	**53,965**	**49,019**	**53,079**
Value, January 1	**49,019**	**53,079**	**51,673**
Investments	6,402	6,142	5,679
Sales and disposals	-56	-71	-128
Company acquisitions	931	79	-
Company divestments	-	-129	-84
Reclassifications	-54	-47	-178
Depreciation [1]	-5,187	-5,267	-5,482
Impairment	-126	-276	-152
Reversal of impairment	36	8	119
Translation differences	3,000	-4,479	1,632
Value, December 31	**53,965**	**49,019**	**53,079**
IFRS 16 Right-of-use assets, net value	4,953	4,612	3,821
IFRS 16 Value, December 31 including right-of-use assets	**58,918**	**53,631**	**56,900**

[1] Included primarily in Cost of goods sold.

Impairment losses for the year totaling SEK 126m are related mainly to restructuring measures in Consumer Tissue in Finland as well as ongoing measures in Personal Care in Germany.

Reversal of impairments totaling SEK 36m is mainly related to previous impairments at production facilities in Consumer Tissue in Russia.

During the period, interest was capitalized in machinery and equipment in an amount of SEK 44m (18; 39) and in construction in progress in an amount of SEK 7m (1; 1). The average interest rate used was 2% (3; 4).

Contract obligations relating to the acquisition of property, plant and equipment amounted to SEK 3,178m (3,131; 3,836) at year end.

D3. Inventories

AP Accounting principles

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.

Inventories

SEKm	2021	2020	2019
Raw materials and consumables	6,064	5,890	4,749
Spare parts and supplies	2,103	1,783	1,862
Products in progress	1,725	1,349	1,424
Finished products	9,435	7,363	7,717
Advance payments to suppliers	12	4	12
IFRS 16 Total	**19,339**	**16,383**	**15,764**

Impairment of inventories amounted to SEK 484m (302; 78), of which SEK 18m (9; 70) was recognized in conjunction with restructuring as an item affecting comparability, refer to Note B3 Operating expenses on page 88.

D4. Other current receivables

Other current receivables

SEKm	2021	2020	2019
VAT receivables	1,113	701	702
Prepaid expenses and accrued income	568	529	568
Suppliers with debit balance	155	123	55
Receivables for electricity and gas	195	207	137
Receivables from authorities	61	58	90
Derivatives	3,310	185	20
Other receivables	365	370	540
BS Total	**5,787**	**2,173**	**2,113**

D5. Other liabilities

Other liabilities

SEKm	2021	2020	2019
Other non-current liabilities			
Derivatives	27	6	42
Other non-current liabilities	59	99	141
BS Total	**86**	**105**	**183**
Of which items that fall due for payment later than within five years	21	20	20
Other current liabilities			
Derivatives	397	108	282
Accrued expenses and prepaid income	12,370	11,592	11,720
VAT liabilities	1,148	1,075	1,042
Other operating liabilities	1,892	1,770	1,954
BS Total	**15,807**	**14,545**	**14,998**

Accrued expenses and prepaid income

SEKm	2021	2020	2019
Bonus and discounts to customers	6,253	6,070	6,038
Accrued vacation pay liability	801	712	699
Accrued social security costs	341	417	440
Other liabilities to personnel	894	1,325	1,538
Other items	4,081[1]	3,068	3,005
Total	**12,370**	**11,592**	**11,720**

[1] The increase in 2021 is primarily attributable to an increased liability for energy costs compared with the preceding year.

D6. Other provisions

Accounting principles

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

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 2021

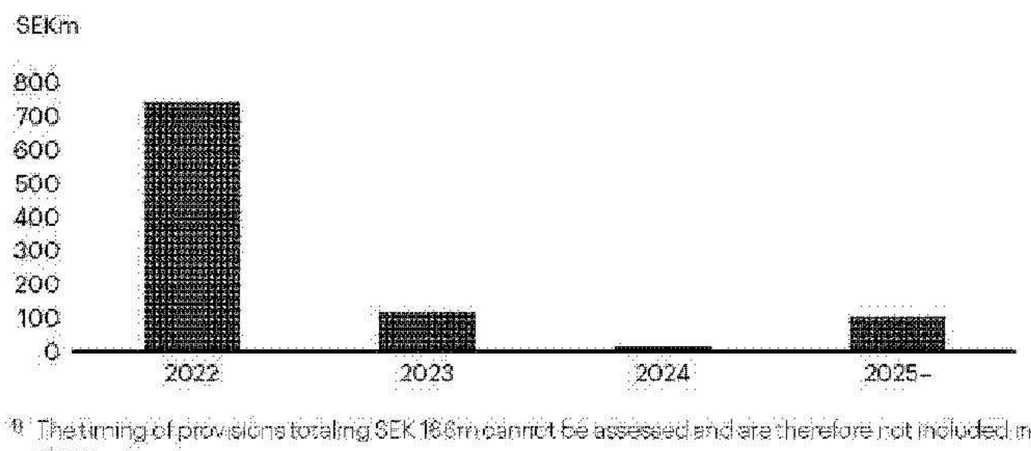
SEKm	Efficiency programs	Environment	Legal disputes	Other	Total
Value, January 1	**400**	**208**	**340**	**245**	**1,193**
Provisions	50	310	15	44	419
Company acquisitions	–	–	–	23	23
Utilizations	–128	–201	–14	–43	–386
Reclassifications	–	–	–	–2	–2
Dissolutions	–74	–	–49	–26	–149
Translation differences	8	–7	27	6	34
Value, December 31	**256**	**310**	**319**	**247**	**1,132**
Provisions comprise:					
BS Short-term component					736
BS Long-term component					396

Other provisions, previous periods

SEKm	2020	2019
Value, January 1	**1,606**	**3,166**
Provisions	429	912
Divestments of Group companies and other operations	–	–2
Utilizations	–696	–1,403
Reclassifications	–14	–949[1]
Dissolutions	–64	–157
Translation differences	–58	39
Value, December 31	**1,193**	**1,606**

[1] The reclassification in 2019 consists primarily of the reclassification of tax risks to tax liability, see Note B5 Income taxes on page 89.

Distribution of other provisions by maturity[1]



[1] The timing of provisions totaling SEK 186m cannot be assessed and are therefore not included in the above.

Of the provisions for the period for Environment, SEK 310m pertains to a liability for carbon dioxide emissions, which will be settled in 2022.

Utilizations for the period concerning Efficiency programs are mainly attributable to restructuring measures at the production facilities of Professional Hygiene and Consumer Tissue.

The provisions recognized at the end of the period attributable to Efficiency programs relate mainly to restructuring measures at production facilities of Consumer Tissue. Provisions for Environment pertain mainly to a liability for carbon dioxide emissions. Provisions for Legal disputes mainly consist of reserves 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

IFRS Accounting principles

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 103. 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 held to collect contractual cash flows, and which only consist of interest and the principal amount, and to sell the asset 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 99m 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 104.

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 104.

E1. Financial instruments by category and measurement level, cont.

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2021	2020	2019
Financial assets measured at fair value through profit or loss					
Derivatives – Non-current financial assets	E2	2	2	90	52
Derivatives – Current financial assets	E2	2	372	450	302
Derivatives – Other current receivables	D4	2	538	31	12
Total			**912**	**571**	**366**
Financial liabilities measured at fair value through profit or loss					
Non-current financial liabilities	E4	2	20,387	10,615	13,167
Current financial liabilities	E4	2	14	5,038	–
Derivatives – Non-current financial liabilities	E4	2	86	2	95
Derivatives – Current financial liabilities	E4	2	524	610	486
Derivatives – Other current liabilities	D5	2	25	70	48
Total			**21,036**	**16,335**	**13,796**
Loan and trade receivables measured at amortized cost					
Non-current financial assets	E2	–	25	18	20
Current financial assets	E2	–	620	231	155
Trade receivables	E3	–	19,871	17,825	19,864
Cash and cash equivalents	E2	–	3,904	4,982	2,928
Total			**24,420**	**23,056**	**22,967**
Financial assets measured at fair value through other comprehensive income					
Non-current financial assets	E2	1	99	96	96
Financial liabilities measured at amortized cost					
Non-current financial liabilities	E4	–	23,779	24,861	26,796
Non-current lease liabilities	E4	–	2,891	2,724	3,021
Current financial liabilities	E4	–	9,034	2,206	7,560
Current lease liabilities	E4	–	880	807	851
Accounts payables	–	–	18,030	14,791	15,802
Total			**54,664**	**45,389**	**54,030**
Derivatives used for hedge accounting					
Non-current financial assets	E2	2	286	534	526
Other non-current assets	–	2	656	79	3
Other current receivables	D4	2	2,772	154	8
Current financial assets	E2	2	158	312	68
Total			**3,872**	**1,079**	**605**
Non-current financial liabilities	E4	2	300		
Other non-current liabilities	D5	2	27	6	42
Current financial liabilities	E4	2	244	27	86
Other current liabilities	D5	2	372	38	234
Total			**943**	**71**	**362**

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 102.

Measurement levels

Level 1: Quoted prices on an active market for identical assets or liabilities, such as shares or bonds quoted on the stock exchange.

Level 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either directly (price quotations) or indirectly (obtained from price quotations), such as forward contracts or interest rate swaps.

Financial instruments in other notes to the balance sheet

SEKm	Note	2021 Financial instruments	2021 Of which derivatives	2020 Financial instruments	2020 Of which derivatives	2019 Financial instruments	2019 Of which derivatives
Assets							
Financial assets, cash and cash equivalents	E2	5,466	813	6,713	1,886	4,147	948
Other non-current assets		656	656	79	79	3	3
Trade receivables	E3	19,871		17,825	–	19,864	–
Other current receivables	D4	3,310	3,310	185	185	20	20
Total		**29,303**	**4,784**	**24,802**	**1,650**	**24,034**	**971**
Liabilities							
Financial liabilities	E4	58,169	1,154	48,890	639	52,062	887
Other non-current liabilities	D5	27	27	6	6	42	42
Accounts payables		18,030		14,791	–	15,802	–
Other current liabilities	D5	397	397	108	108	282	282
Total		**76,643**	**1,578**	**61,795**	**753**	**68,188**	**991**

E2. Financial assets, cash and cash equivalents

Accounting principles

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 2021	2020	2019
Non-current financial assets			
Financial assets measured at fair value through other comprehensive income	99	96	96
Financial assets measured at amortized cost			
Loan receivables, other	25	18	20
Derivatives	288	624	578
D5 **Total**	**412**	**738**	**694**
Current financial assets			
Financial assets measured at amortized cost			
Financial assets	186	165	155
Loan receivables, other	437	66	–
Derivatives	530	762	370
D5 **Total**	**1,150**	**993**	**525**
Cash and cash equivalents			
Cash and bank balances	3,284	4,074	2,315
Current investments <3 months	620	908	613
D5 C3 **Total**	**3,904**	**4,982**	**2,928**
Total financial assets, cash and cash equivalents	**5,466**	**6,713**	**4,147**

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 93. 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.

E2. Financial assets, cash and cash equivalents, cont.

Cash and cash equivalents at December 31, 2021 include SEK 3,115m (2,737; 1,946) 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 1,719m (1,454; 1,254).

E3. Trade receivables

Accounting principles

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 reserve for doubtful receivables in the balance sheet. When the credit loss has been confirmed, the trade receivable is written off against the provision to reserves 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

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	2021	2020	2019
Trade receivables, gross	20,169	18,063	20,177
Provision for doubtful receivables	-298	-238	-313
BS Total	**19,871**	**17,825**	**19,864**

Analysis of credit risk exposure in trade receivables

SEKm	2021	2020	2019
Trade receivables net after provision for doubtful receivables	19,871	17,825	19,864
Whereof: overdue			
< 30 days	1,432	1,316	1,615
30–90 days	669	761	775
> 90 days	364	361	404
Trade receivables, overdue	**2,465**	**2,438**	**2,794**

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 2021, Essity's ten largest customers accounted for 19.6% (22.5; 23.7) of Essity's sales. The single largest customer accounted for 3.0% (2.7; 4.4) of sales. Confirmed credit losses on trade receivables in 2021 amounted to 0.02% (0.02; 0.01) of net sales. Of the outstanding trade receivables on the balance sheet date 2021, the ten largest customers accounted for 22.2% (23.9; 23.2). Confirmed credit losses on trade receivables over the past five years amounted to an average of 0.02% (0.02; 0.02) of net sales. Essity's overall assessment, despite the ongoing COVID-19 pandemic, 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 2021; recognized bad debt losses remain at a low level. However, Essity continues to monitor development of GDP, financial stability and unemployment and will increase its provision for doubtful receivables if the situation deteriorates. Only one minor adjustment was therefore made in the collective assessment (see accounting principles and key assessment and assumptions above) regarding the expected impairment requirement for doubtful receivables in the 2021 year-end accounts.

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,056m (723; 1,251). Of this amount, SEK 4m (8; 13) relates to the category trade receivables overdue.

Provision for doubtful receivables

SEKm	2021	2020	2019
Value, January 1	**-238**	**-313**	**-276**
Provision for expected credit losses	-83	-38	-67
Confirmed losses	18	25	14
Decrease due to divestments	0	22	-
Decrease due to reversal of provisions for expected credit losses	18	31	27
Translation differences	-13	35	-11
Value, December 31	**-298**	**-238**	**-313**

The expense for the period for doubtful receivables amounted to SEK -65m (-7; -40).

E4. Financial liabilities

Accounting principles

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	2021	2020	2019
Non-current financial liabilities			
Bond issues	38,539	28,486	31,690
Derivatives	386	2	65
Non-current lease liabilities	2,891	2,724	3,021
Other non-current loans with maturities > 1 year < 5 years	5,590	6,971	7,944
Other non-current loans with maturities > 5 years	17	19	359
BS Total	**47,443**	**38,202**	**43,079**

Financial liabilities

SEKm	2021	2020	2019
Current financial liabilities			
Amortization within one year	63	219	255
Bond issues	–	5,087	–
Derivatives	768	637	572
Current lease liabilities	880	807	851
Loans with maturities of less than one year	8,895	1,833	7,137
Accrued financial expenses	140	155	168
Total[1]	**10,746**	**8,688**	**8,983**
Total financial liabilities	**58,189**	**46,890**	**52,062**
Fair value of financial liabilities excluding leases	53,925	43,947	49,106

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 61,376m) for issuing bonds in the European capital market. As of December 31, 2021, a nominal EUR 3,930m (3,440; 3,134) was outstanding in public and bilateral issues with a remaining maturity of 5.2 years (3.4; 3.8).

Public bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate, %
Notes EUR 500m	2023	5,285	5,305	2.50
Notes EUR 600m	2024	6,126	6,274	1.13
Notes SEK 2,150m	2025	2,159	2,128	0.42
Notes SEK 850m	2025	842	839	0.50
Notes EUR 300m	2025	3,168	3,145	1.13
Notes EUR 500m	2027	5,090	5,327	1.63
Notes EUR 600m	2029	5,940	5,718	0.25
Notes EUR 300m	2030	2,990	2,898	0.50
Notes EUR 700m	2031	6,959	6,528	0.25
Total		**38,559**	**38,162**	

Non-current financial liabilities	Carrying amount, SEKm	Fair value, SEKm
Other non-current loans with maturities > 1 year < 5 years	5,590	5,634
Other non-current loans with maturities > 5 years	17	16
Total	**5,607**	**5,650**

Essity has a Swedish and a Belgian commercial paper program that can be utilized for current borrowing.

Commercial paper program[1]

Program size	Issued SEKm
Commercial paper SEK 15,000m	–
Commercial paper EUR 1,200m	2,250
Total	2,250

1) Included in Loans with maturities of less than one year in the Financial liabilities table.

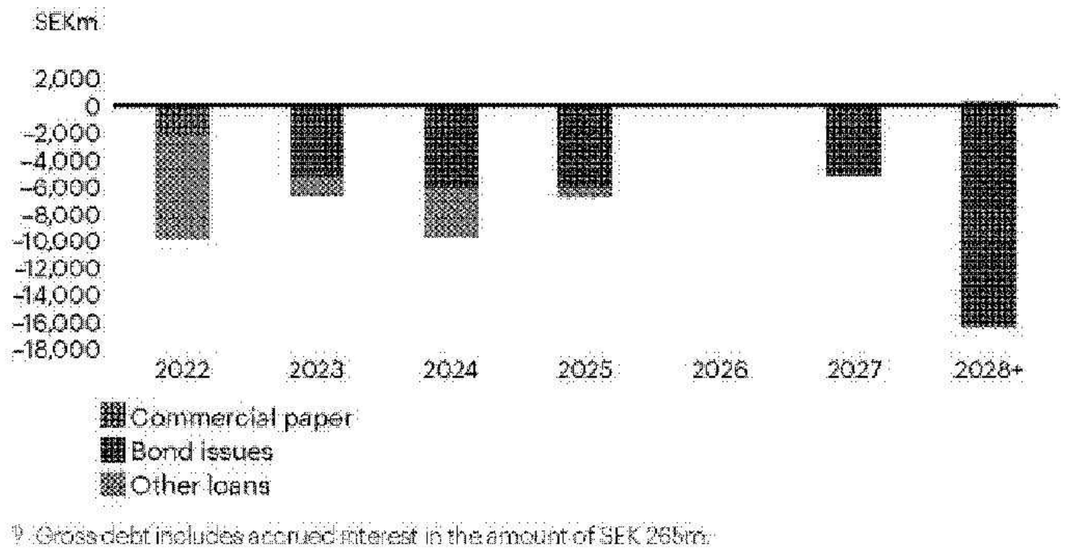
Essity has syndicated bank facilities to limit the refinancing risk and maintain a liquidity reserve. Contracted bilateral credit facilities with banks are used to supplement these syndicated bank facilities.

Credit facilities

	Nominal	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm
Syndicated credit facilities	EUR 59m	2024	602	–	602
	EUR 941m	2025	9,628		9,628
	EUR 62m	2025	639	–	639
	EUR 938m	2026[1]	9,590		9,590
Total			**20,459**		**20,459**

1) The syndicated credit facility expiring in 2026 was extended in January 2022 by EUR 938m until 2027. The remaining EUR 62m falls due in 2025.

Maturity profile of gross debt[1]



1) Gross debt includes accrued interest in the amount of SEK 265m.

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 55,433m (42,688; 50,940). For a description of the methods used by Essity to manage its refinancing risk, refer to the Risks and risk management section on page 35.

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 35.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
2021				
Loans including interest	9,448	16,708	7,023	21,524
Net settled derivatives	1	–	–	–
Energy derivatives	357	28	–	–
Lease liabilities	947	1,271	743	1,101
Trade payables	17,950	80	–	–
Total	**28,703**	**18,085**	**7,766**	**22,625**
Gross settled derivatives[1]	109,124	924	680	–
2020				
Loans including interest	7,602	16,590	11,910	8,153
Net settled derivatives	1	1	–	–
Energy derivatives	41	5	–	–
Lease liabilities	818	1,113	675	1,294
Trade payables	14,785	8	–	–
Total	**23,247**	**17,720**	**12,585**	**9,447**
Gross settled derivatives[1]	59,168	2,135	104	–
2019				
Loans including interest	8,003	18,438	14,325	8,850
Net settled derivatives	0	0	–	–
Energy derivatives	254	42	–	–
Lease liabilities	864	1,213	767	1,520
Trade payables	15,795	7	–	–
Total	**24,916**	**19,700**	**15,092**	**10,370**
Gross settled derivatives[1]	60,735	1,057	591	–

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

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

		Of which		
SEKm	Total	Currency[1]	Interest rate	Energy
2021				
Nominal	137,129	111,601	22,755	2,773
Asset	4,784	597	286	3,901
Liability	1,578	894	301	383
2020				
Nominal	80,489	62,251	16,514	1,724
Asset	1,650	856	558	236
Liability	753	706	2	45
2019				
Nominal	81,412	62,506	17,224	1,682
Asset	971	412	545	14
Liability	991	695	0	296

[1] Nominal SEK 124,914m (74,475; 64,183) is outstanding before the right of set-off.

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 35. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2021. For more information relating to derivatives in the balance sheet, see Note E1 Financial instruments by category and measurement level on page 100.

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2021		
Gross amount	4,790	1,584
Offsettable amount	–6	–6
Net amount recognized in the balance sheet	4,784	1,578
ISDA agreements whose transactions are not offset in the balance sheet	–1,131	–1,131
Collateral paid/received	–2,090	–264
Net after offsetting in accordance with ISDA agreements	**1,563**	**183**
December 31, 2020		
Gross amount	1,710	813
Offsettable amount	–60	–60
Net amount recognized in the balance sheet	1,650	753
ISDA agreements whose transactions are not offset in the balance sheet	–699	–699
Collateral received	–64	–
Net after offsetting in accordance with ISDA agreements	**887**	**54**
December 31, 2019		
Gross amount	972	992
Offsettable amount	–1	–1
Net amount recognized in the balance sheet	971	991
ISDA agreements whose transactions are not offset in the balance sheet	–420	–420
Collateral paid	–	–26
Net after offsetting in accordance with ISDA agreements	**551**	**545**

Profit or loss

Hedges pertaining to transaction exposure had an impact of SEK 118m (–37; –16) on operating profit for the period. At year-end, the net market value amounted to SEK 26m (–39; –17). Currency hedges increased the cost of non-current assets by SEK 1m (decreased: 2; increased: 14). At year-end, the net market value amounted to SEK 0m (–4; –3). Energy derivatives had an impact of SEK 1,857m (–451; –173) on operating profit for the period. Energy derivatives had an outstanding market value of SEK 3,518m (191; –282) at year-end. Derivatives impacted net interest items in an amount of SEK –19m (–169; –381). The net market value of outstanding interest rate derivatives amounted to SEK –15m (556; 545) at year-end. For further information relating to financial items, see Note E7 Financial income and expenses on page 107.

Sensitivity analysis

Essity has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2021 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 17m (13; 8).

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 0m (1; 0). 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 952m (245; 174). In addition to the earnings impact, equity would have increased/decreased by SEK 211m (124; 90). 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 35. 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.

E6. Derivatives and hedge accounting, cont.

IFRS 9 provides the option of hedging risk components. In 2021, 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 2021, SEK 0m (0; 0) was recognized in profit or loss as ineffectiveness concerning the cash flow hedges. Currency derivatives mature until March 2024, while energy derivatives mature until December 2023.

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 -1,012m (1,504; -168) during the year. This result is largely due to hedges of net investments in USD and EUR. In 2021, 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 -79m (374; 124). In total at year-end, Essity hedged net investments outside Sweden amounting to SEK -11,183m (-12,854; -11,550). Essity's total foreign net investments at year-end amounted to SEK 77,772m (71,222; 71,797). 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 107.

		2021		2020		2019	
Currency and energy derivatives, SEKm	**Line in the balance sheet**	**Nominal amount**	**Carrying amount**	**Nominal amount**	**Carrying amount**	**Nominal amount**	**Carrying amount**
Currency derivatives – cash flow hedges	Other non-current assets	117	9	84	–	–	–
Currency derivatives – cash flow hedges	Other current receivables	355	14	99	3	47	1
Currency derivatives – cash flow hedges	Other non-current liabilities	14	1	82	1	28	0
Currency derivatives – cash flow hedges	Other current liabilities	281	14	185	6	283	4
Energy derivatives – cash flow hedges	Other non-current assets	559	647	559	79	36	3
Energy derivatives – cash flow hedges	Other current receivables	1,423	2,758	706	151	68	7
Energy derivatives – cash flow hedges	Other non-current liabilities	63	26	79	5	516	42
Energy derivatives – cash flow hedges	Other current liabilities	531	358	354	33	994	230
Currency derivatives – hedging of net investments	Non-current financial assets	–	–	–	–	–	–
Currency derivatives – hedging of net investments	Current financial assets	7,929	159	8,904	288	4,499	68
Currency derivatives – hedging of net investments	Non-current financial liabilities	–	–	–	–	–	–
Currency derivatives – hedging of net investments	Current financial liabilities	9,815	244	2,096	27	2,691	86

Interest rate derivatives – hedging of fair value, SEKm

					Line in the balance sheet		
Maturity date	**Nominal amount**	**Change in fair value, hedged item**	**Change in fair value, derivatives**	**Ineffectiveness**	**Financial assets**	**Financial liabilities**	**Variable interest**
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	-94	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**	–	
2019							
Non-current derivatives							
2021	5,213	-11	11	0	93	–	Euribor 6m +0.5502–0.5527
2022	127	3	-3	0	3	0	Euribor 3m +0.698
2023	4,170	8	-13	-5	343	–	Euribor 6m +0.7215–0.73165
2025	3,128	-71	73	2	147	–	Euribor 6m +0.514–0.5168
Total	**12,638**	**-71**	**68**	**-3**	**526**	**0**	

E6. Derivatives and hedge accounting, cont.

Derivatives with hedge accounting [1]

SEKm	Asset	Liability	Net	Tax	Hedge reserve after tax	Recirculated before tax	Line in profit or loss/ balance sheet
2021							
Derivatives with hedge accounting in hedge reserve							
Cash flow hedges							
Energy risk	3,405	-384	3,021	-806	2,215	-1,363	3)
Currency risk	23	-15	8	-2	6	1	4)
Total	**3,428**	**-399**	**3,029**	**-808**	**2,221**		
Derivatives with hedge accounting without hedge reserve							
Hedges of net investments in foreign operations							
Currency risk [2]	165	-244	-79				
Fair value hedges							
Interest rate risk	286	-300	-14				
Total	**3,879**	**-943**	**2,936**	**-808**	**2,221**		
2020							
Derivatives with hedge accounting in hedge reserve							
Cash flow hedges							
Energy risk	230	-38	192	-46	144	473	3)
Currency risk	3	-7	-4	1	-3	-2	4)
Total	**233**	**-45**	**188**	**-47**	**141**		
Derivatives with hedge accounting without hedge reserve							
Hedges of net investments in foreign operations							
Currency risk [2]	344	-32	312				
Fair value hedges							
Interest rate risk	558	-	558				
Total	**1,135**	**-77**	**1,058**	**-47**	**141**		
2019							
Derivatives with hedge accounting in hedge reserve							
Cash flow hedges							
Energy risk	10	-272	-262	58	-204	112	3)
Currency risk	1	-4	-3	1	-2	14	4)
Total	**11**	**-276**	**-265**	**59**	**-206**		
Derivatives with hedge accounting without hedge reserve							
Hedges of net investments in foreign operations							
Currency risk [2]	68	-87	-19				
Fair value hedges							
Interest rate risk	526	-	526				
Total	**605**	**-363**	**242**	**59**	**-206**		

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.

The results from hedging of net investments in foreign operations are recognized in the translation reserve, refer to Note E8 Equity on page 107. 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 2022. With unchanged exchange rates, profit after tax will be affected in an amount of SEK 6m (0; 0). Currency derivatives relating to hedging of the cost of non-current assets mature until March 2024. With unchanged exchange rates, the cost of non-current assets will be unchanged (increase by 3; increase by 2) after tax. The derivatives intended to hedge energy costs in the Group mature during 2022 and 2023. With unchanged prices, the Group's profit after tax will be affected positively in an amount of SEK 2,215m (positive 144; negative 204).

E7. Financial income and expenses

Financial income and expenses

SEKm	2021	2020	2019
Result from non-current financial assets			
Dividend	–	1	1
Interest income and similar profit items			
Interest income, investments	86	107	105
Other financial income	16	–	–
IS Total financial income	**102**	**108**	**106**
Interest expenses and similar loss items			
Interest expenses, borrowing	–630	–762	–884
Interest expenses, derivatives	–52	–186	–378
Interest expenses, lease liabilities	–79	–98	–110
Fair value hedges, unrealized	33	17	–8
Other financial expenses	–36	–37	–40
IS Total financial expenses	**–764**	**–1,066**	**–1,415**
IS CF Total	**–662**	**–958**	**–1,309**

Other financial income and expenses include an exchange difference of SEK 16m (0; –4).

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 0m (87; 116) higher/lower. Sensitivity analysis calculations have been performed on the risk to which Essity was exposed at December 31, 2021 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 35.

E8. Equity

Accounting principles

Transaction costs directly relating to the issue of new shares or options are recognized, net after tax, in equity as a reduction in the issue proceeds. Expenditure for the purchase of 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 68,507m (63,342; 62,801) at December 31, 2021. Pages 69–70 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

	Revaluation reserve[1]			Hedge reserve[2]			Fair value through other comprehensive income			Translation reserve			Total reserves in Equity		
SEKm	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Value, January 1	**107**	**107**	**107**	**141**	**–206**	**245**	**10**	**8**	**4**	**323**	**6,375**	**4,647**	**581**	**6,284**	**5,003**
Fair value through other comprehensive income							0	3	6				0	3	6
Cash flow hedges:															
Result from remeasurement of derivatives recognized in equity				4,142	–9	–725							4,142	–9	–725
Transferred to profit or loss for the period				–1,368	473	112							–1,368	473	112
Acquired cash flow hedges				11									11		
Translation differences in foreign operations[3]				33	–6	10	–	–	–	4,559	–7,246	1,859	4,592	–7,252	1,869
Gains/losses from hedges of net investments in foreign operations										–1,012	1,504	–168	–1,012	1,504	–168
Tax on items recognized directly in/transferred from equity				–744	–109	138	0	–1	–2	208	–810	37	–536	–420	173
Other comprehensive income for the period, net of tax	**–**	**–**	**–**	**2,079**	**349**	**–465**	**0**	**2**	**4**	**3,755**	**–6,052**	**1,728**	**5,834**	**–5,701**	**1,267**
Transfer to cost of fixed assets concerning hedged investments, net of tax				1	–2	14							1	–2	14
Value, December 31	**107**	**107**	**107**	**2,221**	**141**	**–206**	**10**	**10**	**8**	**4,078**	**323**	**6,375**	**6,416**	**581**	**6,284**

1) Revaluation reserve includes effect on equity of step acquisitions.
2) See also Note E6 Derivatives and hedge accounting on page 104 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 –60m (4; –178).

E8. Equity, cont.

Specification of income tax attributable to components in other comprehensive income

	2021			2020			2019		
SEKm	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	-148	-13	-161	-202	280	78	482	54	536
Fair value through other comprehensive income	0	0	0	3	-1	2	6	-2	4
Cash flow hedges	2,779	-744	2,035	464	-109	355	-613	138	-475
Translation differences in foreign operations	5,480	-	5,480	-8,092	-	-8,092	2,095	-	2,095
Other comprehensive income from associated companies	15	-3	12	-20	4	-16	-14	4	-10
Gains/losses from hedges of net investments in foreign operations	-1,012	208	-804	1,504	-310	1,194	-166	37	-131
Other comprehensive income for the period	**7,114**	**-552**	**6,562**	**-6,343**	**-136**	**-6,479**	**1,788**	**231**	**2,019**

At December 31, 2021, the debt/equity ratio amounted to 0.81 (0.67; 0.81). Changes in liabilities and equity are described in the Financial position section on page 34. 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 35. The Essity share section on page 6 outlines Essity's dividend policy, while its capital structure is described in the Objectives, targets and outcomes section on page 20.

F. Group structure

F1. Group companies

AP Accounting principles

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 in the Group company. Most of the Group's 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. For information on the change in ownership in Familia, see Note F2 Jointly owned Group companies with significant non-controlling interests on page 110 and Note F6 Acquisitions and divestments of Group companies on page 112. For more information on the change in ownership in Asaleo Care, see Note F3 Investments in associates and joint ventures on page 110 and Note F6 Acquisitions and divestments of Group companies on page 112.

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.

List of major Group companies
The Group's participations in major Group companies at December 31, 2021 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 2021.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2021	Share of equity at December 31, 2020	Share of equity at December 31, 2019
Essity France SAS	509 995 109	Saint-Ouen, France	100	100	100
Essity Holding Netherlands B.V.	30-135 724	Zeist, Netherlands	100	100	100
Essity UK Ltd.	3226403	Dunstable, UK	100	100	100
Essity Professional Hygiene North America LLC	58-2494137	Delaware, USA	100	100	100
Vinda International Holdings Ltd[1]	90285	Hong Kong, China	52	52	52
Essity Operations Wausau LLC	41-2218501	Wisconsin, USA	100	100	100
Essity Germany GmbH	HRB 713 332	Mannheim, Germany	100	100	100
Essity Hygiene and Health AB	556007-2356	Gothenburg, Sweden	100	100	100
Essity Spain S.L.	B284513B9	Puigpelat, Spain	100	100	100
Essity Higiene y Salud Mexico, S.A. de C.V.	SCM-931101-3B5	Mexico City, Mexico	100	100	100
Productos Familia S.A. Colombia[1]	890900161-9	Medellin, Colombia	96	50	50
Productos Familia del Suncola Ecuador S.A.[1]	179131437900	Quito, Ecuador	96	50	50
Essity Italy S.p.A.	3 818 780 966	Altopascio, Italy	100	100	100
Essity LLC	1024700877200	Moscow, Russia	100	100	100
Essity Poland Sp.z.o.o.	KRS No. 0000427360	Warsaw, Poland	100	100	100
Essity Austria GmbH	FN 49537 z	Vienna, Austria	100	100	100
Essity Belgium SA-NV	BE0405.681.516	Stembert, Belgium	100	100	100
Essity Professional Hygiene Germany GmbH	HRB 710 878	Mannheim, Germany	100	100	100
Essity Canada Inc.	421984	Ontario, Canada	100	100	100
OY Essity Finland AB	0165027-5	Espoo, Finland	100	100	100
Essity HMS North America Inc.	23-3036884	Delaware, USA	100	100	100
Essity Norway AS	915 620 019	Oslo, Norway	100	100	100
Essity Switzerland AG	CH-020.3.917.992-8	Schenkon, Switzerland	100	100	100
Essity Denmark A/S	DK20 638 613	Allerød, Denmark	100	100	100
Essity Chile SA	94.282.000-3	Santiago de Chile, Chile	100	100	100
Essity Hungary Kft.	01-09-716945	Budapest, Hungary	100	100	100
Essity Czech Republic s.r.o.	485 99 468	Prague, Czech Republic	100	100	100
Essity Operations Alio SL	B31235260	Alio, Spain	100	100	100
Essity Slovakia s.r.o.	36590941	Gemerska Horska, Slovakia	100	100	100
Essity Operations Mainz-Kostheim GmbH	HRB 6301	Mainz-Kostheim, Germany	100	100	100
Essity Operations France SAS	702 055 187	Saint-Ouen, France	100	100	100
Essity Operations Mannheim GmbH	HRB 3246	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 Le Theil SAS	509 599 619	Saint-Ouen, France	100	100	100
Essity Operations Manchester Ltd	4119442	Dunstable, UK	100	100	100
BSN medical GmbH	HRB 124 187	Hamburg, Germany	100	100	100
BSN Radiante SAS	682 880 519	Le Mans, France	100	100	100
BSN Medical Inc.	3269728	North Carolina, USA	100	100	100
BSN-Jobst GmbH	HRB 3462	Emmerich, Germany	100	100	100
Essity Centroamérica S.A.	3-101-211115	San José, Costa Rica	100	100	100
Essity do Brasil Indústria e Comércio Ltda.	72.899.016/0001-99	Jarinu, Brazil	100	100	100
Essity Ireland Ltd.	184359	Dublin, Ireland	100	100	100
Essity Distribution B.V.	75490080	Amsterdam, Netherlands	100	100	100
Asaleo Personal Care Pty Ltd[2]	005 442 375	Springvale, Australia	100		
Asaleo Care New Zealand Ltd[2]	1470756	Auckland, New Zealand	100		
BSN Medical (Aust.) Pty Ltd	095 746 204	Victoria, Australia	100	100	100
BSN Medical (Proprietary) Limited	2001/008941/07	Pinetown, South Africa	100	100	100

[1] Since the acquisition of an additional 45.8% of the shares in Productos Familia S.A. on August 31, 2021, Essity has one jointly owned Group company with significant non-controlling interests, see Note F2 on page 110.
[2] Prior to the acquisition on July 1, 2021, Asaleo Care was recognized as an associated company, for more information see Note F3 on page 110.

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 26,480m (26,768, 20,266) at the end of the period.

Familia
Productos Familia S.A., Colombia (Familia) operates in the South American market and sells Personal Care, Consumer Tissue 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 of Familia since Essity had control over the activities with the most significant impact on Familia's return. For further information about the acquisition of the additional shares, refer to Note F6 Acquisitions and divestments of Group companies and other operations on page 112.

Financial information
Financial information is disclosed below for both Group companies. The financial information for Familia includes only the period January to August 2021. 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[1]

	Vinda			Familia		
SEKm	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Condensed income statement						
Net sales	20,584	19,521	19,355	4,394	6,950	7,603
Operating profit before amortization of acquisition-related intangible assets	2,321	2,973[2]	1,889	713[3]	1,170[2]	1,042[2][3]
Operating profit	2,245	2,893[2]	1,862	709[3]	1,162[2]	1,032[2][3]
Profit for the period	1,801	2,223	1,364	538	819	719
of which attributable to owners of the Parent company	929	1,151	709	269	410	371
Other comprehensive income for the period	–119	–60	62	–99	–803	191
of which attributable to owners of the Parent company	–62	–31	32	–51	–409	86
Comprehensive income for the period	**1,682**	**2,163**	**1,426**	**439**	**16**	**910**
of which attributable to owners of the Parent company	867	1,120	741	218	1	457
of which attributable to non-controlling interests	815	1,043	685	221	15	453
Dividend to non-controlling interests	298	212	146	190	187	151
Condensed balance sheet						
Non-current assets	23,301	19,886[2]	20,556		3,217	3,861
Current assets	9,635	8,799	7,043		3,466	3,616
Total	**32,936**	**28,687**	**27,599**		**6,683**	**7,477**
Equity attributable to owners of the Parent company	11,252	9,417[2]	9,110		2,094	2,381
Equity attributable to non-controlling interests	8,336	6,853[2]	6,397		2,013	2,190
Non-current liabilities	5,691	4,150[2]	5,399		802	1,080
Current liabilities	7,657	8,267	6,693		1,769	1,926
Total	**32,936**	**28,687**	**27,599**		**6,683**	**7,477**
Cash flow from operating activities	2,918	2,371	3,031		1,274	841
Cash flow from investing activities	–1,940	–2,041	–1,535		–253	–254
Cash flow from financing activities	–704	–37	–1,625		–468	–460
Cash flow for the period	**274**	**293**	**–129**		**553**	**126**

1) For more information about the companies, refer to the list of major Group companies on page 109.
2) Amounts for Vinda regarding 2020 have been adjusted.
3) For Familia, items affecting comparability in the amount of SEK –m (–; –22) are included.

F3. Investments in associates and joint ventures

Accounting principles

Joint arrangements
Essity classifies its joint arrangements as joint ventures or joint operations, which are presented in Note F4 Joint operations on page 112.

Joint ventures
Joint ventures are defined as companies in which Essity together with other parties 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 profits 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.

Associates
Associated companies 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 associated companies 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 associated companies includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associate after the acquisition is recognized in the consolidated income statement in the line "Share of profits of associates and joint ventures". Share of profits is calculated on the basis of Essity's share of equity in the respective associate.

F3. Investments in associates and joint ventures, cont.

Carrying amounts of investments in associates and joint ventures

SEKm	2021	2020	2019
Joint ventures			
Value, January 1	**189**	**181**	**171**
Net increase in joint ventures[1]	–12	17	8
Reclassification between joint operation and joint venture	8	–	–
Translation differences	5	–9	2
Value, December 31	**190**	**189**	**181**
Associates			
Value, January 1	**658**	**684**	**606**
Company acquisitions	–	–	3
Net change in associated companies[1]	–61	1	43
Reclassification between associated companies and Group companies	–565	–	–
Translation differences	17	–27	32
Value, December 31	**49**	**658**	**684**
Value, December 31, investments in associates and joint ventures	**239**	**847**	**865**

[1] Net increase for the period includes the Group's share of the profit after tax of joint ventures and associated companies, as well as items recognized directly in equity (both after deductions for any non-controlling interests). In addition, an adjustment is included for dividends received during the period, which amounted to SEK 8m (3; 8) for joint ventures and SEK 64m (28; –) for associated companies.

Associates and joint ventures

Asaleo Care

Asaleo Care Ltd (Asaleo Care) manufactures and markets Consumer Tissue, Professional Hygiene and Personal Care 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%. On account of this, the financial information concerning Asaleo Care below only includes the January to June 2021 period. For further information about the acquisition of the additional shares, refer to Note F6 Acquisitions and divestments of Group companies and other operations on page 112.

In 2020, the company discontinued the Baby Care operations in New Zealand. Essity recognized the effects of these transactions as items affecting comparability. During 2019, the company divested the Consumer Tissue operations in Australia.

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

	Joint ventures			Associates			Total		
	Bunzl & Biach			Asaleo Care					
SEKm	2021	2020	2019	2021[1]	2020	2019	2021	2020	2019
Condensed income statement									
Net sales	2,487	1,134	1,424	1,374	2,655	2,795	3,861	3,789	4,219
Depreciation/amortization	–18	–14	–13	–89	–171	–168	–107	–185	–181
Operating profit/loss	39	34	30	–42	390	346	–4	424	376
Interest income	0	0	0	–	1	3	0	1	3
Interest expenses	0	0	0	–26	–52	–80	–26	–52	–80
Other financial items	0	0	0	–1	–1	–4	–1	–1	–4
Tax expense	–10	–7	–9	10	–97	–73	0	–104	–82
Profit/loss for the period, continuing operations	29	27	21	–59	241	192	–30	268	213
Profit/loss for the period, discontinued operations	–	–	–	–	–37	–9	–	–37	–9
Profit/loss for the period	29	27	21	–59	204	183	–30	231	204
Other comprehensive income for the period	–	–	–	43	–44	–13	43	–44	–13
Comprehensive income for the period	**29**	**27**	**21**	**–16**	**160**	**170**	**13**	**187**	**191**
Condensed balance sheet									
Non-current assets	135	160	168		1,928	2,041	135	2,089	2,204
Cash and cash equivalents	17	64	31		345	216	17	409	247
Other current assets	502	174	167		690	969	502	864	1,136
Total assets	**654**	**398**	**361**		**2,964**	**3,226**	**654**	**3,362**	**3,587**
Non-current financial liabilities	169	90	69		932	1,114	169	1,022	1,183
Other non-current liabilities	109	63	69		206	363	109	269	432
Current financial liabilities	21	–	–		48	9	21	48	9
Other current liabilities	138	26	31		544	513	138	570	544
Total liabilities	**437**	**179**	**169**		**1,730**	**1,999**	**437**	**1,909**	**2,168**
Net assets	**217**	**219**	**192**		**1,234**	**1,227**	**217**	**1,453**	**1,419**
Group share of net assets	106	107	94		446	444	106	553	538
Surplus value	61	69	74		174	191	61	243	265
Carrying amount of the companies	**167**	**176**	**168**		**620**	**635**	**167**	**796**	**803**
Carrying amount of other joint ventures	23	13	13		–	–	23	13	13
Carrying amount of other associated companies				49	38	49	49	38	49
Carrying amount of investments in associates and joint ventures	**190**	**189**	**181**	**49**	**658**	**684**	**239**	**847**	**865**
Market value, December 31					**4,690**	**3,745**			

[1] Profit/loss for the period includes costs in conjunction with Essity's acquisition of Asaleo Care in the amount of SEK 150m.

F3. Investments in associates and joint ventures, cont.

Carrying amounts of investments in associates and joint ventures

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2021, %	Share of equity at December 31, 2020, %	Share of equity at December 31, 2019, %	Carrying amount December 31, 2021, SEKm	Carrying amount December 31, 2020, SEKm	Carrying amount December 31, 2019, SEKm
Joint ventures								
Bunzl & Biach OmbH	FN79555v	Vienna, Austria	49	49	49	167	176	168
Other						23	13	13
Associates								
Asaleo Care Ltd	61 154 461 300	Melbourne, Australia		38	38		620	635
Other						49	38	49
Carrying amount, December 31						**239**	**847**	**865**

F4. Joint operations

Accounting principles

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, 2021	Share of equity at December 31, 2020	Share of equity at December 31, 2019
Uni-Charm Mölnlycke B.V.	02-330 631	Hoogezand, Netherlands	40	40	40
ProNARO GmbH	HRB 8744	Stockstadt, Germany		50	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

A number of paper mills merged and formed the company ProNARO, whose main task is to negotiate prices, optimize inventory levels, improve timber quality and reduce lead times and costs when purchasing timber. Essity has previously recognized ProNARO as a joint operation according to the proportional method. ProNARO has expanded its operations and now also sells to external customers other than Essity and Sappi (the other owner). This change of focus means that the company is more independent and Essity has thus made the assessment that the company is to be recognized according to the equity method as of January 1, 2021. This change means that Essity's participation in ProNARO's assets and liabilities are deconsolidated in the accounts.

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. Shares and participations

Accounting principles

Shares and participations pertain to holdings in other companies that are not classified as Group companies, joint arrangements or associated companies. Since these holdings are of an operating nature, the holdings are not classified as available-for-sale financial assets. Carrying amounts are deemed to concur with fair value.

Shares and participations

SEKm	2021	2020	2019
Value, January 1	**7**	**8**	**29**
Divestments	–	–1	–14
Other reclassifications	–	–	–7
Translation differences	0	–	–
Value, December 31	**7**	**7**	**8**

F6. Acquisitions and divestments of Group companies and other operations

Accounting principles

Acquisition 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 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.

F6. Acquisitions and divestments of Group companies and other operations, cont.

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 the Parent company's shareholders. The same accounting procedure applies for divestments that take place without the loss of a controlling influence.

Acquisitions in 2021

ABIGO Medical AB
On May 14, 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, 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.

AquaCast LLC
On December 21, Essity acquired 100% of the shares in AquaCast Liner, 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. A preliminary purchase price allocation indicates goodwill of SEK 53m.

Hydrofera LLC
On December 29, Essity acquired 100% of the shares in the USA-based company Hydrofera, 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 preliminary purchase price for Hydrofera amounts to USD 129m.

Transaction costs 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 Essity Group. The purchase price allocation indicated 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 in 2019
Other than a minor acquisition of the associate China-Euro Healthcare Management of SEK 3m, no new acquisitions were carried out. Payments pertaining to earlier acquisitions mainly concern the final settlement of SEK 129m after the acquisition price was finalized for the compulsory redemption of shares in Essity Hygiene Products SE in Germany, former PWA, most of which was recognized as a liability in 2013. In addition to this, earn-out payments of SEK 11m were paid in accordance with the conditions of the purchase agreement from the acquisition of Sensassure in Canada in 2016.

Acquisitions of Group companies and other operations
The table on the next page 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.

F6. Acquisitions and divestments of Group companies and other operations, cont.

Acquisition balance sheets

SEKm	2021	2020	2019
Intangible assets	2,541	236	–
Property, plant and equipment	1,074	92	–
Other non-current assets	–	–	3
Operating assets	1,178	184	–
Cash and cash equivalents	185	47	–
Provisions and other non-current liabilities	-479	-69	–
Net debt excluding cash and cash equivalents	-1,425	-79	–
Operating liabilities	-658	-76	–
Fair value of net assets	**2,416**	**335**	**3**
Goodwill	3,398	603	–
Non-transferred consideration, recognized as a liability	69	-225	–
Consolidated value of share in associated companies	-565	–	–
Revaluation of previously owned shares in associated companies	-706	–	–
Non-controlling interests	1,919	1	–
Acquisition of non-controlling interests recognized in equity attributable to owners of the Parent company	4,042	1	–
Consideration transferred	**10,573**	**715**	**3**
Consideration transferred	-10,573	-715	-3
Earn-out payment	–	–	-22
Settled debt pertaining to acquisitions in earlier years	–	–	-118
Cash and cash equivalents in acquired companies	185	47	–
Effect on Group's cash and cash equivalents, acquisitions of Group companies and other operations	**-10,388**	**668**	**-143**
of which recognized as acquisitions in investing activities	-4,427	-668	-143
of which recognized as acquisitions of non-controlling interests in financing activities	-5,961[1]	–	–
Acquired net debt excluding cash and cash equivalents	-1,425	-79	–
Acquisitions of Group companies and other operations during the period, including net debt assumed	**-11,813**	**-747**	**-143**

[1] Relates to the acquisition of 43.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia").

Specification of preliminary acquisition balance sheet 2021

SEKm	Asaleo	Hydrofera	Other	Total
Intangible assets	1,822	495	224	2,541
Property, plant and equipment	1,041	33	–	1,074
Operating assets	1,092	82	4	1,178
Cash and cash equivalents	159	24	2	185
Provisions and other non-current liabilities	-467	–	-12	-479
Net debt excluding cash and cash equivalents	-1,416	-9	–	-1,425
Operating liabilities	-612	-45	-1	-658
Fair value of net assets	**1,619**	**580**	**217**	**2,416**
Goodwill	2,756	569	53	3,398
Non-transferred consideration, recognized as a liability	–	-141	210	69
Consolidated value of share in associated companies	-565	–	–	-565
Revaluation of previously owned share	-706	–	–	-706
Non-controlling interests	–	–	1,919	1,919
Acquisition of non-controlling interests recognized in equity attributable to owners of the Parent company	–	–	4,042	4,042
Consideration transferred	**3,104**	**1,028**	**6,441**	**10,573**
Consideration transferred	-3,104	-1,028	-6,441	-10,573
Cash and cash equivalents in acquired companies	159	24	2	185
Effect on Group's cash and cash equivalents, acquisitions of Group companies and other operations	**-2,945**	**-1,004**	**-6,439**	**-10,388**
of which recognized as acquisitions in investing activities	-2,945	-1,004	-478	-4,427
of which recognized as acquisitions of non-controlling interests in financing activities	–	–	-5,961	-5,961
Acquired net debt excluding cash and cash equivalents	-1,416	-9	–	-1,425
Acquisitions of Group companies and other operations during the period, including net debt assumed	**-4,361**	**-1,013**	**-6,439**	**-11,813**

Adjustment of preliminary acquisition balance sheets 2021

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 preliminary purchase price allocation must be confirmed not later than one year from the date of the acquisition. The preliminary purchase price allocations for Asaleo, Hydrofera and AquaCast Liner are preliminary and may be changed.

Divestments of Group companies and other operations

Essity has chosen to deconsolidate its 50% shareholding in ProNARO as of January 1, 2021 and instead recognize 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 now 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 Jan G. Smith for SEK 32m. In July 2021, Essity received SEK 18m in payment for 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 amounts 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 amounts 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.

In 2019, Essity divested its holding in the jointly owned company SCA Yildiz in Turkey and a minor operation in Medical Solutions in Brazil.

Assets and liabilities included in divestments of Group companies and other operations

SEKm	2021	2020	2019
Intangible assets	2	38	59
Property, plant and equipment	–	129	138
Other non-current assets	-1	24	1
Operating assets	33	322	93
Cash and cash equivalents	44	38	0
Net debt excluding cash and cash equivalents	-15	-284	-215
Other non-current liabilities	–	–	-7
Operating liabilities	-68	-268	-87
Non-controlling interests	–	57	27
Gain/loss on sale[1]	39	65	19
Compensation received	**34**	**121**	**20**
Less:			
Receivable for unpaid purchase consideration	–	–	-15
Financial receivable for unpaid purchase consideration	–	-18	–
Cash and cash equivalents in divested companies	-44	-38	0
Add:			
Payment of receivable for previously unpaid purchase consideration	8	–	–
Payment of financial receivable for previously unpaid purchase consideration	18	–	–
Impact on Group's cash and cash equivalents, divestments of Group companies and other operations	**16**	**65**	**5**
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	215
Divestments of Group companies and other operations during the period, including net debt transferred and financial receivable for unpaid purchase consideration	**13**	**367**	**220**

[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. Non-current assets held for sale

Accounting principles

Assets are classified as held for sale if their value, within one year, is expected to be recovered through a sale and not through continued use in the operations. On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassification. Any gain from remeasurement is limited to the amount equivalent to previously made impairment charges. Gains and losses recognized on remeasurement and divestment are recognized in profit or loss for the period.

When an independent business segment or a significant operation within a geographic area is divested, it is classified as a discontinued operation. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation.

Profit or loss after tax from discontinued operations is recognized on a separate line in the income statement. The income statement is adjusted for the comparative period as though the discontinued operation had already been disposed of at the start of the comparative period.

Non-current assets held for sale and discontinued operations

SEKm	2021	2020	2019
Buildings	–	–	28
Land	–	–	14
Total	**–**	**–**	**42**

Non-current assets held for sale are attributable to:
- 2019: closure of a production plant in the USA

G2. Leases

Accounting principles

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 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

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.

G2. Leases, cont.

2021

SEKm	Right-of-use assets: Properties	Vehicles	Other	Total	Lease liabilities
Value, January 1, 2021	**4,301**	**299**	**12**	**4,612**	**3,531**
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
Value, December 31	**4,552**	**372**	**29**	**4,953**	**3,771**

In addition to the expenses in the table above, Essity recognized SEK 284m (286; 255) relating to costs for short-term leases, leases of low-value assets and variable lease payments. The total earnings impact of leases, including depreciation and interest expenses, was SEK 1,301m (1,306; 1,249). Lease payments totaled SEK 1,258m (1,300; 1,203).

The maturity structure concerning undiscounted future lease payments during future lease terms is presented in Note E5 Liquidity risk on page 103.

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 43m distributed over the next three years.

2020

SEKm	Right-of-use assets: Properties	Vehicles	Other	Total	Lease liabilities
Value, January 1, 2020	**3,446**	**358**	**17**	**3,821**	**3,872**
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
Value, December 31	**4,301**	**299**	**12**	**4,612**	**3,531**

2019

SEKm	Right-of-use assets: Properties	Vehicles	Other	Total	Lease liabilities
Value, January 1, 2019	**3,357**	**410**	**14**	**3,781**	**3,786**
Additional right-of-use assets, net	716	159	10	885	885
Leases included in divestments	-46	-	-	-46	-46
Depreciation	-656	-221	-7	-884	
Interest expenses					110
Payments					-948
Translation differences	75	10	0	85	85
Value, December 31	**3,446**	**358**	**17**	**3,821**	**3,872**

G3. Contingent liabilities and pledged assets

A1 Accounting principles

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	2021	2020	2019
Guarantees for			
associated companies	1	1	1
customers and others	48	47	45
Other contingent liabilities	222	39	50
Total	**271**	**87**	**96**

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 2021	Total 2020	Total 2019
Real estate mortgages	309	-	309	300	21
Chattel mortgages	76	-	76	103	39
Other	56	249	305	283	284
Total	**441**	**249**	**690**	**686**	**344**

Liabilities for which some of these assets were pledged as collateral amounted to SEK 214m (302; 0).

G4. 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 table 2021 below. Due to the increased ownership stake, the financial information pertains solely 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 table 2021 below.

2021 **Transactions and dealings with associated companies, Asaleo Care**

SEKm	2021	2020	2019
Sales	269	395	424
Other income	14	23	36
Trade receivables		64	52

2021 **Transactions and dealings with joint ventures, Bunzl & Biach**

SEKm	2021	2020	2019
Purchases	303	260	319
Accounts payables	35	22	23

G5. Events after the balance sheet date

On February 1, 2022, Essity acquired 100% of the shares in the USA-based professional wiping and cleaning company Legacy Converting, Inc. The company offers products within the categories of sanitizing and disinfecting wet-wipes, napkins, chemical-ready wipes and dry wipes. The purchase price amounts 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. For the first nine months of 2021, Legacy Converting, Inc. reported net sales of USD 15.1m (SEK 140m) with an adjusted EBITDA of USD 2.5m (SEK 24m) and an adjusted EBITA of USD 1.8m (SEK 16m).

Financial statements, Parent company

Income statement

SEKm	Note	2021	2020
Administrative expenses		-734	-705
Other operating income		312	265
Operating loss	PC2	**-422**	**-440**
Financial items	PC10		
Result from participations in Group companies		4,119	4,170
Interest income and similar profit items		13	231
Interest expenses and similar loss items		-1,430	-1,356
Total financial items		**2,702**	**3,045**
Profit after financial items		**2,280**	**2,605**
Appropriations	PC4	-1	-1
Income taxes	PC4	-168	32
Profit for the period		**2,111**	**2,636**

Statement of comprehensive income

SEKm	2021	2020
Profit for the period	**2,111**	**2,636**
Other comprehensive income	-	-
Total comprehensive income	**2,111**	**2,636**

Cash flow statement

SEKm	2021	2020
Operating activities		
Profit after financial items	2,280	2,605
Adjustment for non-cash items	-260	-1,244
Paid tax	-18	0
Cash flow from operating activities before changes in working capital	**2,002**	**1,361**
Change in operating receivables	1,471	-383
Change in operating liabilities[1]	618	278
Cash flow from operating activities	**4,091**	**1,256**
Investing activities		
Acquisition of subsidiaries	-1,111	-
Investments in fixed assets	-1	-1
Cash flow from investing activities	**-1,112**	**-1**
Financing activities		
Proceeds from borrowings	1,762	6,305
Repayment of borrowings	-	-3,171
Dividend paid	-4,741	-4,389
Cash flow from financing activities	**-2,979**	**-1,255**
Cash flow for the period	**0**	**0**
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31[2]	0	0

Adjustment for non-cash items	2021	2020
Depreciation of fixed assets	2	3
Change in accrued items	-252	-1,236
Payments relating to efficiency program already recognized	-	0
Change in provisions	-10	-9
Total	**-260**	**-1,244**

1) Dealings 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	2021	2020
Dividends received	4,706	2,586
Group contribution received	1,937	1,468
Group contribution paid	-360	-57
Interest paid	-1,187	-1,340
Interest received	246	212
Total	**5,342**	**2,867**

Change in liabilities attributable to financing activities

SEKm	Value, January 1	Cash flow	Translation difference	Value, December 31
Non-current interest-bearing liabilities	31,710	2,617	245	34,572
Current interest-bearing liabilities	5,013	-1,083	-111	3,819
Current liabilities to Group companies	50,890	222	0	51,112
Current receivables from Group companies	-6	6	0	0
Total	**87,607**	**1,762**	**134**	**89,503**

Balance sheet

SEKm	Note	2021	2020
Assets			
Non-current assets			
Capitalized development costs		9	0
Intangible assets	PC5	**0**	**0**
Machinery and equipment		13	14
Property, plant and equipment	PC6	**13**	**14**
Participations in subsidiaries	PC7	176,559	175,447
Receivables from Group companies	PC8	286	542
Other non-current receivables		249	234
Deferred tax assets	PC4	185	178
Financial non-current assets		**177,279**	**176,401**
Total non-current assets		**177,292**	**176,415**
Current assets			
Receivables from Group companies	PC8	814	2,108
Other current receivables	PC9	38	32
Total current assets		**852**	**2,140**
Total assets		**178,144**	**178,555**
Equity, provisions and liabilities			
Equity	PC12		
Share capital		2,350	2,350
Statutory reserve		0	0
Total restricted equity		**2,350**	**2,350**
Retained earnings		81,448	83,553
Profit for the period		2,111	2,636
Total non-restricted equity		**83,559**	**86,189**
Total equity		**85,909**	**88,539**
Untaxed reserves	PC4	**6**	**5**
Provisions			
Provisions for pensions	PC3	878	872
Other provisions		2	2
Total provisions		**880**	**874**
Non-current liabilities			
Liabilities to Group companies	PC8	180	-
Non-current interest-bearing liabilities	PC10	34,572	31,710
Total non-current liabilities		**34,752**	**31,710**
Current liabilities			
Liabilities to Group companies	PC8	52,222	51,910
Current tax liabilities	PC4	159	3
Current interest-bearing liabilities	PC10	3,819	5,013
Trade payables		22	20
Other current liabilities	PC11	375	461
Total current liabilities		**56,597**	**57,427**
Total equity, provisions and liabilities		**178,144**	**178,555**

Change in equity (Refer also to Note PC12)

SEKm	Share capital	Statutory reserve	Retained earnings and profit for the period	Total equity
Equity at December 31, 2019	**2,350**	**0**	**87,942**	**90,292**
Profit for the period			2,686	2,686
Dividend, SEK 6.25 per share			-4,389	-4,389
Equity at December 31, 2020	**2,350**	**0**	**86,189**	**88,539**
Profit for the period			2,111	2,111
Dividend, SEK 6.75 per share			-4,741	-4,741
Equity at December 31, 2021	**2,350**	**0**	**83,559**	**85,909**

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	2021	2020
Other operating income		312	265
Other external costs		-442	-373
Personnel and Board costs		-290	-329
Depreciation of property, plant and equipment	PC6	-2	-3
Total		**-422**	**-440**

The item "Other external costs" includes primarily consultancy fees, travel expenses, lease expenses and management costs.

AUDITING EXPENSES

Auditing expenses

SEKm	2021	2020
EY		
Audit assignments	-9	-11
Auditing activities other than the audit assignment	1	0
Tax consultancy services	0	0
Other assignments	0	-1
Total	**-8**	**-12**

Leases

Accounting principles

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	2021	2020
Within 1 year	30	31
Between 2 and 5 years	115	116
Later than 5 years	86	114
Total	**231**	**261**

Cost for the period for leasing of assets amounted to SEK -34m (-33). Leased assets comprise means of transportation and office premises.

PC3. Personnel and Board costs

Salaries and remuneration

SEKm	2021	2020
Board of Directors[1], President, Executive Vice President and senior executives (5 (4))	-55	-63
of which variable remuneration	-2	-15
Other employees	-97	-125
Total	**-152**	**-188**

[1] Board fees decided by the Annual General Meeting amounted to SEK -10m (-9). For further information, see Notes C1–C4 on pages 91–95.

Social security costs

SEKm	2021	2020
Total social security costs	-131	-136
of which pension costs[1]	-84	-78

[1] Of the Parent Company's pension costs, SEK -17m (-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 90m (71).

Pension costs

SEKm	2021	2020
Self-administered pension plans		
Costs excluding interest expense	-64	-50
Interest expense (recognized in personnel costs)	1	-2
Sub-total	**-63**	**-52**
Retirement through insurance		
Insurance premiums	-24	-22
Other	26	16
Sub-total	**-61**	**-58**
Policyholder tax	0	0
Special payroll tax on pension costs	-19	-16
Cost of credit insurance, etc.	-4	-4
Pension costs for the period	**-84**	**-78**

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK -2m (-2). Premiums for 2022 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 -7m (-5).

Average number of employees

	2021	2020
Sweden	106	106
of whom women, %	58	54

Breakdown of employees by age groups, %

2021	21–30 years	31–40 years	41–50 years	51–60 years	61– years
	2	22	37	32	7

Women comprised 42% (50) of Board members and 31% (25) of senior executives.

PC3. Personnel and Board costs, cont.

Provisions for pensions

AP Accounting principles
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, 2021, amounted to SEK 281m (267). In 2021, compensation was received in the amount of SEK 6m (6). The capital value of the pension obligations at December 31, 2021 amounted to SEK 191m (182). Pension payments of SEK –7m (–6) were made in 2021. In 2021, the assets exceeded pension obligations by SEK 90m (85).

Other pension obligations

The Group's Note C2 Remuneration of senior executives on page 91 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	2021	2020
Provisions under Pension Obligations Vesting Act	771	777
Provisions outside the rules of the Pension Obligations Vesting Act	107	95
BS Value, December 31	**878**	**872**

Capital value of pension obligations under the Pension Obligations Vesting Act

SEKm	2021	2020
Value, January 1	**777**	**782**
Costs excluding interest expense	42	38
Interest expense (recognized in personnel costs)	–1	2
Payment of pensions	–47	–45
BS Value, December 31	**771**	**777**

Capital value of pension obligations outside the rules of the Pension Obligations Vesting Act

SEKm	2021	2020
Value, January 1	**95**	**93**
Costs excluding interest expense	21	12
Interest expense (recognized in personnel costs)	0	0
Payment of pensions	–9	–10
BS Value, December 31	**107**	**95**

Out of the total pension liability in 2021 amounting to SEK 878m, SEK 107m (95) 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 –0.1% (0.3). 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 60m.

PC4. Income taxes

AP Accounting principles
Due to the links between accounting and taxation, the deferred tax liability on untaxed reserves is recognized in the company's annual accounts as a component of untaxed reserves.

Tax expense

Tax expense (+), tax income (–)

SEKm	2021	2020
Deferred tax	–7	–46
Current tax	175	14
IS Total	**168**	**–32**

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.

	2021		2020	
Reconciliation	**SEKm**	**%**	**SEKm**	**%**
IS Profit before tax	2,279		2,604	
IS Tax expense/income	168	7.4	–32	–1.2
Expected tax	469	20.6	557	21.4
Difference	**–301**	**–13.2**	**–589**	**–22.6**
The difference is due to:				
Taxes related to prior periods	0	0.0	0	0.0
Non-taxable dividends from subsidiaries	–969	–42.5	–555	–21.3
Non-taxable Group contributions from Group companies[1)]	0	0.0	–283	–10.9
Non-deductible Group contributions to Group companies[1)]	385	16.9	–	–
Non-deductible interest expenses	282	12.3	234	9.0
Other non-taxable/non-deductible items	1	0.1	15	0.6
Changed tax rate	0	0.0	0	0.0
Total	**–301**	**–13.2**	**–589**	**–22.6**

1) Non-taxable and non-deductible Group contributions relate to repayment from/to Group companies amounting to 79.4% (76.6) 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% (21.4) 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.

Current tax expense (+), tax income (–)

SEKm	2021	2020
Income tax for the period	174	0
Adjustments for prior periods	1	14
Total	**175**	**14**

Current tax liability (+), tax asset (–)

SEKm	2021	2020
Value, January 1	**3**	**–11**
Current tax expense	175	14
Paid tax	–19	0
BS Value, December 31	**159**	**3**

Deferred tax expense (+), tax income (–)

SEKm	2021	2020
Changes in temporary differences	–6	–33
Adjustments for prior periods	–1	–13
Total	**–7**	**–46**

Deferred tax assets (–)

SEKm	Value, January 1	Deferred tax expense	Value, December 31
Provisions for pensions	–179	–1	–180
Other	1	–6	–5
BS Total	**–178**	**–7**	**–185**

Appropriations and untaxed reserves

Accumulated depreciation in excess of plan totaling SEK 6m (5) is included in the Parent company's untaxed reserves.

PC5. Intangible assets

Capitalized development costs

SEKm	2021	2020
Accumulated costs	0	0
Accumulated amortization	0	0
Residual value according to plan	**0**	**0**
Value, January 1	**0**	**0**
Investments	–	–
Sales and disposals	–	–
Amortization for the period	–	–
Value, December 31	**0**	**0**

PC6. Property, plant and equipment

Accounting principles

Essity Aktiebolag's property, plant and equipment are recognized in accordance with the Group's accounting principles.

Equipment

SEKm	2021	2020
Accumulated costs	23	22
Accumulated depreciation	-10	-8
Residual value according to plan	**13**	**14**
Value, January 1	**14**	**16**
Investments	1	1
Sales and disposals	0	0
Depreciation for the period	-2	-3
Value, December 31	**13**	**14**

PC7. Participations in subsidiaries

Accounting principles

Essity Aktiebolag recognizes all holdings in subsidiaries at cost after deduction of any accumulated impairment losses. Impairment testing occurs annually.

Participations in subsidiaries

	Subsidiaries	
SEKm	2021	2020
Accumulated costs	176,612	175,500
Accumulated impairment	-53	-53
Carrying amount	**176,559**	**175,447**
Value, January 1	**175,447**	**175,448**
Investments	1,391	–
Divestments	-279	-8
Reversal of impairment	–	7
Value, December 31	**176,559**	**175,447**

During the fiscal year, the Parent company made capital contributions amounting to SEK 1,370m to Essity Group Holding B.V., of which SEK 279m relates to 25% of the shares in Essity Italy S.p.A. In addition, SEK 21m was invested in Essity Capital B.V.

Essity Aktiebolag's holdings of shares and participations in subsidiaries, December 31, 2021

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries:					
Fastighets- och Bostadsaktiebolaget FOBOF	556047-6520	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	826
Foreign subsidiaries:					
Essity Group Holding B.V.	33181970	Amsterdam, Netherlands	248,847	100	175,698
Essity Capital B.V.	82525897	Amsterdam, Netherlands	2,000,000	100	21
Total carrying amount of subsidiaries					**176,559**

German Group companies that are subject to disclosure exemptions

The following German companies are fully consolidated 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 Wiesbaden, 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 am Rhein, Germany

PC8. Receivables from and liabilities to Group companies

Receivables from and liabilities to Group companies

SEKm	2021	2020
Non-current assets		
Derivatives	286	542
BS **Total**	**286**	**542**
Current assets		
Interest-bearing receivables	–	6
Financial derivatives	214	24
Trade receivables	114	138
Other receivables	486	1,940
BS **Total**	**814**	**2,108**
Non-current liabilities		
Derivatives	180	–
BS **Total**	**180**	**–**
Current liabilities		
Interest-bearing liabilities	51,112	50,890
Financial derivatives	24	687
Accounts payables	13	22
Other liabilities	1,073	361
BS **Total**	**52,222**	**51,910**

PC9. Other current receivables

Other current receivables

SEKm	2021	2020
BS/IS Prepaid expenses and accrued income	23	23
Other receivables	15	9
BS **Total**	**38**	**32**

BS/IS Prepaid expenses and accrued income

Prepaid lease of premises	8	8
Prepaid financial expenses	1	1
Prepaid insurance premiums	0	0
Other items	14	14
Total	**23**	**23**

PC10. Financial instruments

AP Accounting principles

The Parent company's financial instruments are recognized in accordance with the Group's accounting principles. Refer to Notes E1–E4 on pages 100–103. Hedge accounting was not applied by the Parent company.

Financial items

SEKm	2021	2020
Result from participations in Group companies		
Dividends from subsidiaries	4,706	2,593
Gain/loss on sales of shares in subsidiaries	–	–7
Group contributions received from Group companies	485	1,937
Group contributions paid to subsidiaries	–1,072	–360
Reversal of impairment of shares in subsidiaries	–	7
Interest income and similar profit items		
Interest income, external	13	1
Interest income, Group companies	0	230
Interest expenses and similar loss items		
Interest expenses, external	–459	–485
Interest expenses, Group companies	–957	–847
Other financial expenses[1]	–14	–24
IS **Total**	**2,702**	**3,045**

[1] The item other financial expenses includes financial fees and exchange rate differences. Exchange rate differences amounted to SEK 16m (7) net.

Interest-bearing liabilities

Non-current interest-bearing liabilities

	Carrying amount		Fair value	
SEKm	2021	2020	2021	2020
Bond issues	32,549	27,968	32,444	29,084
Other non-current loans with a term > 1 yr < 5 yrs	2,023	3,742	2,008	3,766
BS **Total**	**34,572**	**31,710**	**34,452**	**32,850**

Current interest-bearing liabilities

	Carrying amount		Fair value	
SEKm	2021	2020	2021	2020
Bond issues	–	5,013	–	5,037
Loans with maturities of less than one year	3,819	–	3,819	–
BS **Total**	**3,819**	**5,013**	**3,819**	**5,037**

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate %
Notes EUR 500m	2023	5,107	5,305	2.50
Notes EUR 600m	2024	6,125	6,274	1.13
Notes SEK 2,150m	2025	2,159	2,128	0.42
Notes SEK 850m	2025	849	839	0.50
Notes EUR 300m	2025	3,068	3,145	1.13
Notes EUR 500m	2027	5,090	5,327	1.63
Notes EUR 300m	2030	3,038	2,898	0.50
Notes EUR 700m	2031	7,115	6,528	0.25
Total		**32,549**	**32,444**	

Financial instruments by category

AP Accounting principles

In 2021, 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 101. 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	2021	2020
Financial assets measured at fair value through profit or loss			
Derivatives with Group companies – Non-current financial assets	PC8	285	542
Endowment insurances – Other non-current receivables		249	234
Derivatives with Group companies – Current financial assets	PC8	214	24
Total		**749**	**800**
Financial liabilities measured at fair value through profit or loss			
Derivatives with Group companies – Non-current financial liabilities	PC8	180	–
Derivatives with Group companies – Current financial liabilities	PC8	24	637
Total		**204**	**637**
Loan and trade receivables measured at amortized cost			
Current interest-bearing receivables with Group companies	PC8	–	6
Trade receivables with Group companies	PC8	114	138
Trade receivables – Other current receivables		1	5
Total		**115**	**149**
Financial liabilities measured at amortized cost			
Non-current interest-bearing liabilities		34,572	31,710
Current interest-bearing liabilities to Group companies	PC8	51,112	50,890
Current interest-bearing liabilities		3,819	5,016
Accounts payables to Group companies	PC8	13	22
Accounts payables		22	20
Other current liabilities to Group companies		1	1
Other current liabilities		256	275
Total		**89,795**	**87,931**

The nominal value of the derivatives before the right of set-off is SEK 146,694m (75,256). The nominal value of the derivatives after the right of set-off is SEK 146,366m (51,184).

PC11. Other current liabilities

Other current liabilities

SEKm	2021	2020
Accrued expenses and prepaid income	355	432
Other operating liabilities	20	49
Total	**375**	**481**

Accrued expenses and prepaid income

SEKm	2021	2020
Accrued interest expenses	255	275
Accrued social security costs	52	59
Accrued vacation pay liability	15	16
Other liabilities to personnel	8	45
Other items	30	37
Total	**355**	**432**

PC12. Share capital

The change in equity is shown in the financial report relating to Equity presented on page 118. 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
2021	**Number of shares, December 31, 2021**	**702,342,489**	**2,350.4**	**0.5**

The quotient value of the company's shares amounts to SEK 3.35 (3.35).

PC13. Contingent liabilities and pledged assets

Contingent liabilities

SEKm	2021	2020
Guarantees for Group companies	15,767	12,141
Other contingent liabilities	21	40
Total	**15,788**	**12,181**

Pledged assets

SEKm	2021	2020
Other	249	234
Total	**249**	**234**

PC14. Adoption of the annual accounts

The annual accounts are subject to adoption by Essity Aktiebolag's Annual General Meeting and will be presented for approval at the Annual General Meeting on March 24, 2022.

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 2021 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 Essity 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 Essity 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.

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 54 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 data in this report includes, as a general rule, all companies. The targets in the report apply, as a general rule, to wholly owned companies. Environmental reporting encompasses 76 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_2), methane (CH4) and nitrous oxide (N2O). 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), 2018. (Scope 2 emissions, location-based)

Comparability
This is Essity's fifth integrated Annual and Sustainability Report. The previous year's report is from February 18, 2021. 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 Reporting Standards: Core. 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. In addition, Essity reports a number of general standard disclosures according to the GRI Standards: Comprehensive option as this clarifies the information in the report. 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. The index can be found on pages 137–138.

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 second 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 137.

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 137.

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. The courses are held through classroom instruction at production facilities. In 2021, a total of 92% of Essity's new employees underwent this mandatory training.

Training in the Code of Conduct, percentage of new employees

	2021	2020	2019	2018
Outcome	92	92	96	90

Reported breaches of the Code of Conduct
The summary on the following page presents reports submitted to the whistleblower system and to Essity's Compliance & Ethics department.

H2. Business ethics, cont.

Reports submitted to the whistleblower system and to Essity's Compliance & Ethics department by category

Category[1]	2021	2020	2019	2018
Regulatory breach, Fraud and Corruption	14	11	17	20
Security Incidents	–	2	–	–
Operations	4	1	6	3
Sustainability	–	–	–	–
Human Resources	43	45	65	58
Other	3	2	–	–
Total	**64**	**61**	**88**	**81**

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 64 reported cases in 2021, 57 were closed and seven cases are still under investigation. Of the 14 reported cases in the Regulatory breach, Fraud and Corruption category, one person was dismissed for breaching the company's anti-corruption policy and a further seven people were dismissed for violations of the Code of Conduct. Of the 43 reported cases in the Human Resources category, 18 concern accusations of discrimination and harassment. None of the breaches identified were financially material.

Internal audits conducted of the Code of Conduct

Five audits of the Code of Conduct took place in 2021. These were mostly conducted remotely due to travel restrictions related to the COVID-19 pandemic. The audits were carried out in Gennep in the Netherlands, Gien in France, Hamburg in Germany, Harrodsburg in the USA and Uruapan in Mexico. The audit is based on the SA8000 standard and is divided into nine chapters. Roughly half of all observations were related to health and safety, such as fire drills that were not conducted on a frequent enough basis. Just under one third 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.

Internal audits conducted of business ethics

Four audits of business ethics took place in 2021. These were mostly conducted remotely due to travel restrictions related to the COVID-19 pandemic. The audits were carried out in Brazil, Mexico, Poland and Russia. The audits were based on Essity's Code of Conduct and the focus by area is decided in a risk assessment prior to the audit. The observations vary but included a need to revisit parts of training in the Code of Conduct, a need to improve internal control, employment contracts and a need to increase awareness of the whistleblower channels.

An action program is in place and has commenced or will be carried out in 2022. Read more about how Essity works with business ethics on page 53.

Internal audits conducted

	2021	2020	2019	2018
Code of Conduct Audits				
Number of audits	5	1	4	3
Number of observations	52	7	57	44
Average number of observations per audit	10.4	7.0	14.3	14.7
Business Ethics Audits				
Number of audits	4	1	3	6
Number of observations	28	8	28	65
Average number of observations per audit	7.0	8.0	9.3	10.8

Ongoing anti-trust cases

In 2021, the company was the subject of an anti-trust case, which was concluded during the year.

H3. Responsible sourcing

During 2021, Essity raised the ambitions to ensure responsible business methods and respect for human rights. The new target, which is based on Essitys total purchasing cost excluding energy, is that 95% of the purchasing cost should be from suppliers that share the company's values. The outcome in 2021 was 88%, 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 55% of Essity's strategic suppliers for raw materials and finished products are located in Europe, 36% in North and South America and 9% 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 2021, Essity had a total of 932 suppliers (1,008; 929) 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 subsuppliers, or chooses certified raw materials that guarantee more sustainable extraction and production.

Share of total purchase cost[1] from suppliers who comply with Essity's Global Supplier Standard

	2021	2020	2019	2018
Outcome	88%	83%	77%	64%

1. Excluding energy.

Geographical distribution of strategic suppliers 2021



Ethical audits conducted

Travel restrictions related to the COVID-19 pandemic have limited the number of audits conducted. During 2021, Essity evaluated the outcome from 49 ethical supplier audits, carried out in China, Mexico, Russia, South Africa, India, Sri Lanka, Brazil, Colombia, Malaysia and Estonia. Of these audits, 14 were carried out by Essity using an independent audit firm. The other 35 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 2021.

Ethical audits conducted

	2021	2020	2019	2018
Audits initiated by Essity[1]	14	12	33	30
Audits initiated by customers[2]	35	25	19	29
Total number of audits	**49**	**37**	**52**	**59**

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 53.

H4. Innovation

Essity's target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2021, 59% (64; 69) 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.

Sustainable innovations

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	2008–2019	
TENA Flex		–18
TENA Pads and Liner		–33
TENA Comfort		–19
TENA Men		–20
TENA Pants and Underwear		–33
TENA Slip		–20
TENA Bed		–11
Feminine Care	2008–2019	
Feminine Ultra towels		–17
Baby Care	2008–2017	
Libero and Lotus open diaper		–25
Libero and Lotus pant diaper		–16
Professional Hygiene		
Tork napkins	2011–2019	–9
Tork paper hand towels	2011–2017	–18
Consumer Tissue	2011–2018	
Toilet paper		–10
Household towels		–19
Handkerchiefs and facial tissues	2011–2020	–6

The life cycle assessments performed by Essity have been subject to third-party reviews.

Read more about how Essity works with sustainable innovation on pages 44–49.

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, 60%, 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.

Product safety

Essity ensures that all products are safe for their intended purpose throughout their entire life cycle. Essity sold no products containing substances on the California DTSC Candidate Chemicals List above 0.1%. The only exception was the use of isopropyl alcohol where this is important for the products' functionality, for example as biocide ingredient in hand sanitizer, an important hygiene product during the COVID-19 pandemic. Essity's sales of products containing chemicals on the REACH SVHC candidate list were below 0.1% of total sales.

Read more about how Essity works with product safety on pages 42–43.

H6. Role in society and community relations

Essity invested approximately SEK 38m (49; 38) in over 400 projects in 2021. Most of the projects, to which company employees also allocate a large number of working hours (including staff management), were related to hygiene and health.

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 2021.

Read more about Essity's role in society and community relations on pages 44–45.

Community relations (SEKm)

	2021
Charitable donations	28.6
Commercial initiatives	4.9
Community investments	4.3
Total	**37.8**
of which cash funds	21.8
of which products	16.0

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 2021 was 98%.

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 2021, Essity purchased 3.2 million tons of wood-based fresh fiber and 1.8 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. Of the sourced share of recycled fiber, 95% is used in tissue manufacturing. The remainder consists of recycled fiber, which is found in sourced packaging material and sourced mother reels.

Fiber use, pulp and recycled paper

	2021	2020	2019	2018	2017
Fiber used, million tons	**5.0**	**5.1**	**5.3**	**5.1**	**5.3**
of which, pulp consumption	3.2	3.2	3.1	3.0	3.1
share of total fiber use, %	64	62	60	60	59
of which, recovered paper consumption	1.8	1.9	2.1	2.1	2.2
share of total fiber use, %	36	38	40	40	41

Fiber sourcing wood-based fresh fiber by certification[1], %

	2021	2020	2019	2018	2017
FSC	63	59	57	48	39
PEFC	35	36	22	29	26
FSC Controlled Wood standard[2]	2	5	21	23	35
Total	**100**	**100**	**100**	**100**	**100**
Target fulfillment	**98**	**95**	**79**	**77**	**65**

1) The distribution applies to sourcing by wholly owned companies. Some information about the certification status for packaging data is reported with a one or two year delay.
2) Includes sourcing of fresh fiber to three of Essity's facilities in 2020 and 2021 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 2021. A share of mother reels and packaging purchased in 2021 from suppliers was not FSC Controlled Wood.

Despite the continued adverse impact of the COVID-19 pandemic in 2021, Essity has continued to utilize recycled fiber. Operations in North and South America used 79% recycled fiber, while the proportion of recycled fiber in Europe was 33%.

In 2021, Essity acquired the Australian hygiene company Asaleo Care and increased its shareholding in the Latin American hygiene company Familia. Essity has analyzed fiber supply and presented a plan to include the companies in the Essity Fiber sourcing policy in 2022.

H7. Fiber sourcing, cont.

As in 2020, restrictions due to the COVID-19 pandemic affected on-site audits in 2021. New questions concerning traceability have been added to the questionnaire, which will continue to be used, together with specific meetings.

Read more about how Essity works with fiber and biodiversity on page 48.

H8. Water

Withdrawal, use and discharge of 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.

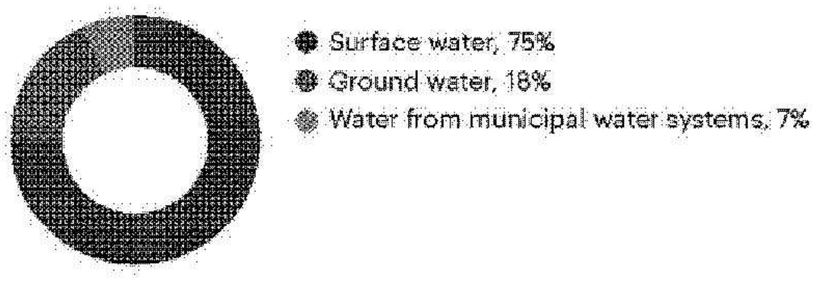
Essity's water discharge is divided into cooling water and process water. Cooling water has simply been heated and is not contaminated in any way. Process water is treated using mechanical and biological treatment systems before it is discharged.

In 2021, 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 32% from surface sources, 44% from groundwater and the remainder from recycled water or from municipal water systems. Total water withdrawal from these facilities in 2021 was 6.7 million m^3, water discharges 4.5 million m^3 and water consumption 2.2 million m^3.

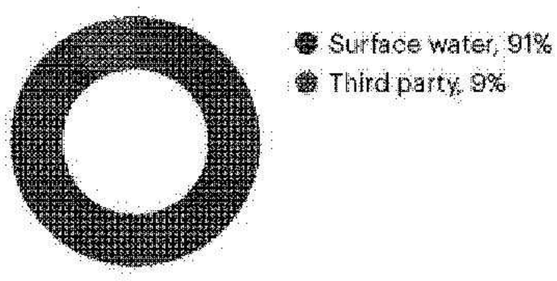
Any environmental incidents are registered in a central incident-reporting system. In 2021, no incidents relating to temporary exceedances of permitted limit values for waste water were registered. No incident was of such a magnitude that it posed a threat to an emissions permit.

Read more about how Essity works with water on page 48.

Source of water withdrawal 2021



Recipient of discharged water 2021



Water

Water, mm^3	2021	2020	2019	2018	2017
Water withdrawal	95	94	106	104	108
Water discharge	85	84	98	95	95
Water consumption[1]	10	10	8	9	11
Water emissions, tons					
COD	6,730	6,527	6,760	7,049	7,478
BOD	942	858	813	851	875
Suspended solids	1,000	856	912	1,001	1,060
AOX	6	4	3	3	5
P	26	33	39	44	37
N	127	151	187	199	238

[1] Water consumption is water withdrawn less water discharged.

H9. Packaging, plastics and waste

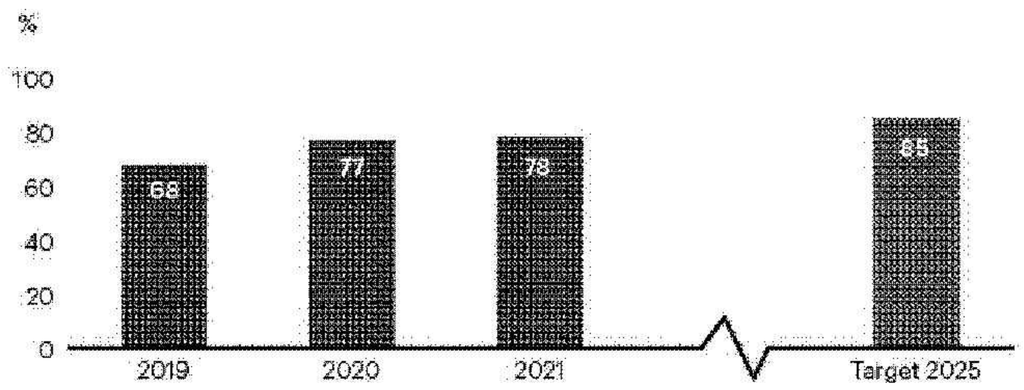
The packaging target for 2025 is that Essity is striving for 100% recyclability and 85% renewable or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands. Most of Essity's packaging comprises corrugated board and board for paper packaging and bags and flexible plastic film from polyethylene (PE) or polypropylene (PP) for plastic packaging. In 2021, Essity's packaging volume for its brands amounted to 172,800 tons (171,000 tons).

The proportion of renewable or recycled materials was 78% (77; 68). Of this figure, 81% (83) was recyclable. For plastic packaging, which accounts for about 23% of total packaging volume, 7% (3) was manufactured from renewable or recycled materials. Of this figure, the proportion of recovered plastic was 5% (2). The proportion of recyclable plastic packaging was 73% (77).

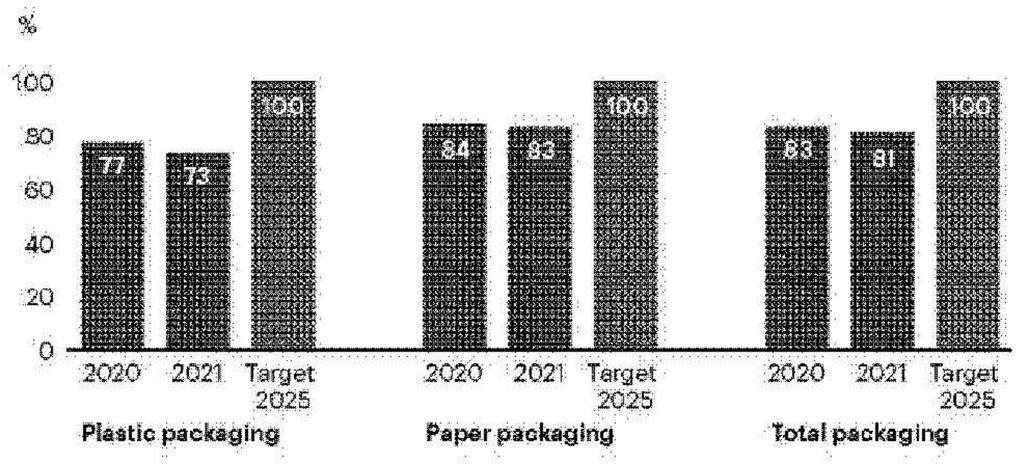
In 2021, Essity estimated the technical recyclability of a large portion of the company's packaging. Essity has thereby improved packaging design to facilitate recycling using existing infrastructures. Essity will continue to assess the technical recyclability of the remaining packaging in 2022 and 2023. 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 49.

Share of packaging manufactured from renewable or recycled material



Share of technical recyclability



Waste in production and after use

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 2021, the total volume of waste decreased. The recycling rate from Essity's production facilities varies due to differences in national legislation. Volume changes in 2021 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 2021, 64% (65; 63) of Essity's waste was recovered. The target applies to wholly owned companies and the Australian hygiene company Asaleo Care and the Latin American hygiene company Familia were integrated in 2021. A small proportion, 0.2% or 3,080 tons, is hazardous waste, which is primarily waste oil, but also includes organic solvents, batteries and strip lights.

Production waste, ktons[1]

	2021	2020	2019	2018	2017
Disposal	516	494	573	667	634
of which landfill	507	487	545	641	607
of which other disposals	9	7	28	26	27
Recovered	932	998	1,103	987	1,040
Total waste	1,448	1,492	1,676	1,654	1,674
of which hazardous waste, landfill	0.9	0.8	7.7	1.4	1.3
of which hazardous waste, recovered	2.2	2.3	8.4	1.8	1.2

[1] Data in the table represents the entire Essity Group and is therefore not equivalent to boundaries in Essity's production waste targets.

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 already in 2005 a program to reduce CO_2 emissions per ton of tissue products produced. The reduction in CO_2 emissions per ton produced between 2005 and 2021 was 19%.

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 Personal Care products 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. As a consequence of the COVID-19 pandemic, varying production volumes have had a negative impact on energy efficiency.

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, H11).

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 16 production facilities included in EU ETS 2021 and 4 in UK ETS 2021. 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 0.2 million tons per year in EU ETS and approximately 0.03 million tons per year in UK ETS for the period. The average market price for emission allowances in 2021 was about EUR 53.4 (24.8; 24.8) per ton in EU ETS and GBP 55.5 per ton in UK ETS. Essity purchased 210,000 (225,000; 240,000) EU emission allowances and 30,500 UK emission allowances to cover the annual deficit.

Energy and air emissions (Scope 1 and 2)

	2021	2020	2019	2018	2017
Production (ktons)	**3,647**	**3,754**	**3,849**	**3,897**	**4,005**
Total electricity, purchased (GWh)	**4,275**	**4,296**	**4,459**	**4,532**	**4,567**
Renewable electricity purchased	345	402	183	119	163
Non-renewable electricity purchased	3,930	3,894	4,276	4,413	4,404
Steam/heat purchased (GWh)	**232**	**252**	**338**	**337**	**290**
Steam/heat renewable	90	96	111	90	4
Geothermal steam	75	70	74	72	72
Steam/heat non-renewable	67	86	153	175	214
Total fuels (GWh)	**7,977**	**8,094**	**8,799**	**8,878**	**8,885**
Biofuels	1,178	1,129	1,336	1,376	1,398
Fossil fuels	6,799	6,965	7,463	7,502	7,487
Total energy (gross)[ii] (GWh)	**12,484**	**12,642**	**13,596**	**13,747**	**13,742**
Total renewable energy gross	1,688	1,697	1,704	1,657	1,637
Total non-renewable energy gross	10,796	10,945	11,892	12,090	12,105
Energy sold (GWh)	**249**	**248**	**252**	**289**	**233**
Renewable energy sold	166	167	155	179	171
Non-renewable energy sold	83	81	97	110	62
Total energy (net) (GWh)	**12,235**	**12,394**	**13,344**	**13,458**	**13,509**
Total renewable energy	1,522	1,530	1,549	1,478	1,466
Total non-renewable energy	10,713	10,864	11,795	11,980	12,043
Energy intensity (MWh/t)	**3.4**	**3.3**	**3.5**	**3.5**	**3.4**
GHG emissions (ktons)					
Scope 1, CO_2e	1,410	1,445	1,537	1,544	1,561
Scope 2, CO_2e (location based)	1,331	1,332	1,412	1,420	1,467
Scope 2, CO_2e (market based)	1,516	1,487	1,862	1,847	1,899
Biogenic CO_2 emissions (ktons)					
Biogenic CO_2 from biofuel use	475	455	470	463	476
Biogenic CO_2 from purchased steam	89	38	42	34	1

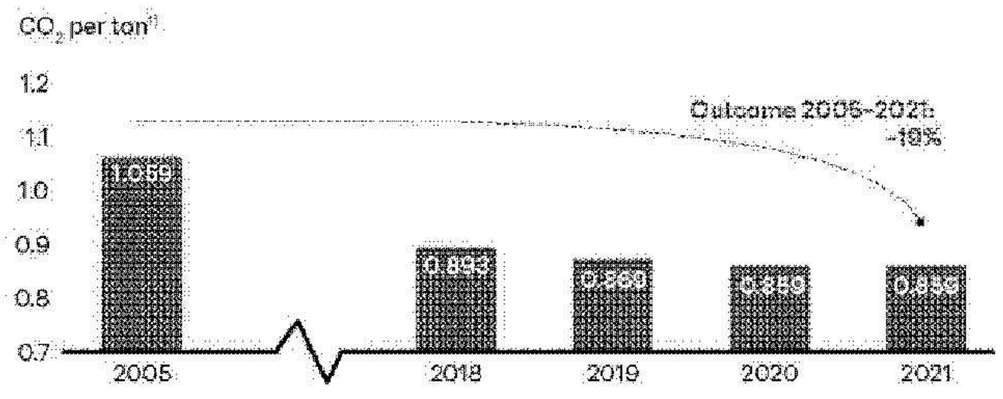
[ii] Total energy (gross) less energy sold = total energy net.

Other air emissions[1], tons

	2021	2020	2019	2018	2017
NOx as NO_2	1,631	1,771	1,530	1,770	1,831
SOx	463	488	586	676	789
Particulate matter	120	104	128	122	127

[1] Other air emissions from use of fuel in production facilities include nitrogen oxides and sulfur oxides (NOx and SOx).

CO_2 intensity



[1] Relates to tissue sites.

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. The target applies to wholly owned companies. 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 addition, Essity has undertaken to reduce greenhouse gas emissions by 18% within Science Based Targets' Scope 3, which applies to the most important suppliers of raw materials, transportation and waste.

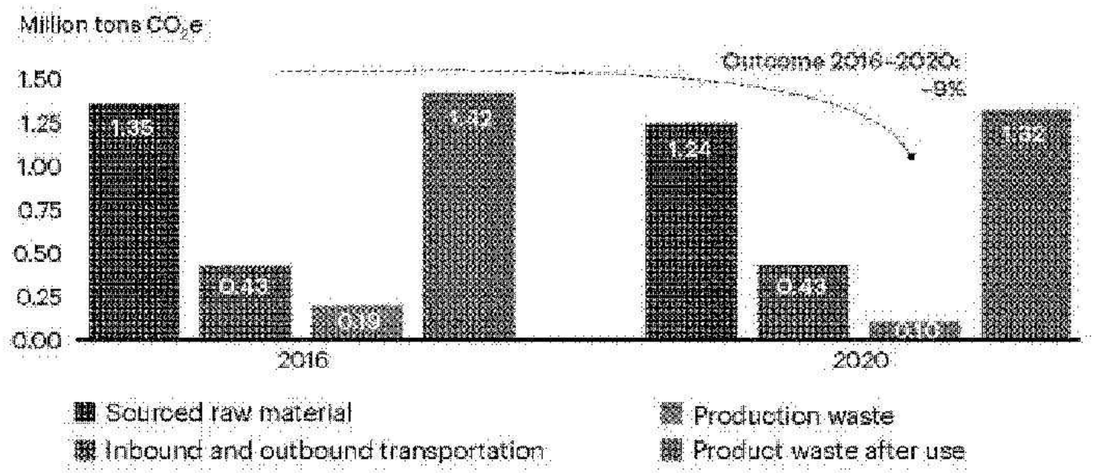
Scope 1 and 2

Essity's acquisitions, the Australian hygiene company Asaleo Care and the Latin American hygiene company Familia, were integrated in 2021. Emissions for the base year of 2016 were therefore restated to include equivalent emissions from Scope 1 and 2. The outcome for 2021 was –15% (–11; –5).

Scope 3

The most important categories in Scope 3 were emissions from purchased raw materials, transportation (inbound and outbound), 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 these emissions using data from several providers in the company's value chain. 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 outcome for 2020 was –9% (–4) for Scope 3.

Scope 3 emissions, Science Based Targets, results



Air emissions: Science Based Targets, ktons

	2021	2020	2019	2018	2017	2016
Scope 1, CO_2e	1,410	1,445	1,537	1,543	1,561	1,558
Prior year adjustment[1]		78	85	90	89	84
Scope 2, CO_2e[2]	1,287	1,290	1,371	1,381	1,449	1,602
Prior year adjustment[1]		5	3	–2	51	84
Total Scope 1 and 2, CO_2e	**2,697**	**2,735**	**2,908**	**2,924**	**3,010**	**3,160**
Scope 3, CO_2e		**3,091**	**3,262**			**3,386**

1) Acquisitions/divestments, updates of emission factors (location based) according to the GHG protocol.
2) Derived from location-based emission factors.

Read more about how Essity works with greenhouse gas emissions and Science Based Targets on pages 46–47.

H12. Employees

	2021	2020	2019	2018	2017
Personnel data[1]					
Average number of employees	46,275	46,084	45,990	47,222	46,385
of which companies fully integrated into HR platform	28,683	28,394	28,824	29,658	25,966
Permanent staff/temporary employees,[2] %	81/19	81/19	82/18	81/19	80/20
Full-time/part-time, %	96/4	97/3	96/4	97/3	97/3
Total number of part-time staff	1,642	1,194	1,614	1,052	1,362
of whom women	968	875	1,210	980	930
Staff mobility[1]					
Number of employees who joined the Group	9,278	6,691	5,516	6,945	13,585
of whom, through acquisitions	677	190	23	86	5,518
Number of employees who left the Group	7,258	7,402	6,485	7,815	7,321
due to divestments	20	945[3]	109	-	21
due to restructuring	105	260	345	544	584
due to retirement	468	443	524	383	418
of which temporary employees	959	1,939	1,420	1,799	1,857
Personnel turnover, excluding restructuring, retirements, divestments, temporary employees, %	12	8	9	11	10
of which companies fully integrated into HR platform, %	9	5	6	6	
of whom in jointly-owned companies, %	17	13	13	18	

[1] Companies acquired in December 2021 (AqueCast Liner and Hydrofera) are not included in the 2021 numbers.
[2] Fixed term employees in China with three or six-year contracts are classified as temporary employees.
[3] Since the divestment of Sancella Tunisia occurred at the end of the year, these are included in the "average number of employees" in 2020.

	2021	2020	2019	2018	2017
Gender[1]					
Women/men, %	35/65	35/65	34/66	34/66	34/66
Women (total number Board members)	5 (12)	5 (12)	6 (12)	6 (12)	6 (13)
Women (total number Executive Management Team)	4 (13)	3 (12)	3 (12)	3 (12)	5 (14)
Women (total number senior management)	35 (104)	30 (98)	30 (88)	25 (101)	30 (117)
Women (total number middle management)	195 (622)	177 (607)	168 (580)	177 (641)	163 (596)
Gender distribution at management levels, % (total for Executive Management Team, senior management and middle management)	32/68	29/71	28/72	27/73	26/74
Age, %					
Employees under 20 years of age	1	1	1	1	1
21–30 years	18	18	22	21	22
31–40 years	33	34	32	33	33
41–50 years	26	26	25	25	25
51–60 years	18	18	17	17	16
Employees over 60 years of age	4	3	3	3	3
Nationalities[1]					
Total number of nationalities	124	117	112	105	102
Number of nationalities in Executive Management Team (number of members)	6 (13)	5 (12)	6 (12)	6 (12)	5 (14)
Number of nationalities in senior management (number of senior managers)	19 (104)	18 (98)	20 (88)	17 (101)	18 (117)
Number of nationalities in middle management (number of middle managers)	44 (622)	44 (607)	39 (580)	39 (641)	36 (596)

[1] Refers to companies fully integrated into the HR platform.

Diversity, equity and inclusion

The right competence and experience form the basis for Essity's success and value creation. Essity works to increase diversity, equity and inclusion. It makes the company stronger when employees are different and contribute with their unique expertise, background and experience, and complement each other.

In 2021, a new Vice President Diversity, Equity and Inclusion was recruited and a steering group appointed under the leadership of the CEO. During the year, Essity also presented a Group target that gender distribution at all management levels (Executive Management Team, senior management and middle management) is to be within the interval 40/60% no later than 2025. The target is reported at an aggregate outcome level for the three management levels and the outcome for 2021 was 32/68%.

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[1], %	2021	2020[2]	2019[2]	2018[2]	2017[2]
Women's median wage compared with men's (men's wage 100%)	94	93	95	96	97
Women's median wage compared with men's in senior management (men's wage 100%)	80	79	81	81	79
Women's median wage compared with men's in middle management (men's wage 100%)	91	92	92	92	92

[1] Applies to full-time salaries (December 2021) for active employees from the five countries where Essity has most employees (Sweden, Germany, France, the USA and Mexico). Salaries for the President, Executive Vice President and CFO are excluded. Only refers to companies fully integrated into the HR platform.
[2] Average median wages have been restated for 2017–2020 and are now weighted based on the number of employees per country and at management level. Wages for the USA and Mexico 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.

H12. Employees, cont.

Performance and individual development

Engaged employees with the right competence who are continuously developing, form the basis for a successful Essity. 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 concerning current work and future aspirations and include for instance leadership, functional skills and the "Beliefs & Behaviors" set of values. In 2020, a global, digital HR platform was introduced that encompasses shared processes 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 and which is administered in the Essity Learning Management System. Certain local instructions and training of employees at production facilities are managed outside of the system.

Number of internal training hours (thousand)[1]	2021	2020	2019	2018	2017
Total number of internal training sessions	210.0	166.8	114.0	81.2	140.6
of which digital training sessions	89.6	93.6	39.5	23.8	24.8
of which virtual sessions	92.3	40.9	1.9	0.9	0.0
of which physical training sessions	28.2	32.3	72.7	56.5	116.2
The number of training hours per employee	7	6	4	3	5

[1] Refers to companies fully integrated into the HR platform.

Investments in skills-enhancement activities	2021	2020	2019	2018	2017
Total, SEKm	136	115	117	141	152
per employee, SEK	2,940	2,500	2,500	3,000	3,300
Value added (SEK) per employee	775	825	800	661	666
Return on human capital	1.58	1.73	1.61	1.50	1.59

Internally appointed vacancies[1], %	2021	2020	2019	2018	2017
Vacancies appointed through internal candidates	20	23	23	28	26

[1] Refers to companies fully integrated into the HR platform.

Employee goals and engagement

Essity's winning culture is based on the company's purpose to break barriers to well-being and the company's "Beliefs & Behaviors". From the outset, Essity has conducted regular employee surveys to monitor employee engagement. In 2020, "Pulse Surveys" were launched for white-collar employees and these were extended in 2021 to include all employees.

Culture and development[1], %	2021	2020	Long-term goals
Individual goals	57	[2]	100
of which white-collar employees	90	93	100
Individual development plans[3]	42	[2]	100
of which white-collar employees	78	65	100
Employee engagement	79	90[4]	above global benchmark

[1] Refers to companies fully integrated into the HR platform.
[2] In 2020, Essity implemented a new tool for Goal Setting and Development, which was introduced solely for white-collar employees during 2020.
[3] Individual goals are measured on a continuous basis.
[4] Includes solely white-collar employees due to the COVID-19 pandemic.

Employee relations[1]	2021	2020	2019	2018	2017
Percentage of Essity's employees covered by collective bargaining agreements	67	68	68	69	61

[1] Refers to companies fully integrated into the HR platform.

Read more about how Essity works with employees on pages 50–52.

H13. Health and safety

Essity's health and safety policy guides the company's journey toward a risk-free safety culture. In 2021, the company began to measure the Total Recordable Injury (TRI) Frequency Rate to highlight accidents that require medical treatment. This is supported by Essity's Group target to reduce the Total Recordable Injury Frequency Rate by 75% by 2025 and continue to conduct purposeful and systematic work with safety issues in all of Essity's production facilities. The term "potential consequences" was introduced in 2021 to identify potential incidents that, in a worst-case scenario, could result in injury or fatality. This enables global action and a fast-learning/preventive culture in the company's production facilities.

In 2021, Essity continued to follow the daily priorities the company established at the start of the COVID-19 pandemic: care for our people, contribute to society and secure business success. The health and safety of the company's employees remains a priority and Essity's crisis team offers continuous advice and guidance to the supply chain to guarantee continuity in operations.

In 2021, two tragic accidents occurred that resulted in two contractor fatalities. Essity's continues its intensive work to reduce risks and the on-going improvements of the company 's risk analyses. During 2022, Essity will prioritize on a number of risk areas, such as machine safety and contractor management. This is supported by the company's upcoming work-place related safety leadership training program. The training program will be rolled out in production facilities for all employees over the next few years, to strengthen the company's leadership and approach to sustainable working.

Accidents[1]

	2021	2020	2019	2018	2017
Fatalities, employees (F)	–	–	–	–	–
Lost Time Accidents (LTA)	152	133	166	195	199
Restricted work cases (RWC)	12	4	11	19	11
Medical treatment cases (MTC)	37	188	209		
Total recordable incidents (TRI)	**201**	**325**	**386**		
Total recordable incident rate (TRI-R) (TRI/1,000,000 WH)	**4.1**	**6.4**	**7.1**		
Total recordable incident rate, IR (TRI-IR) (TRI/200,000 WH)	0.8	1.3	1.4		
Lost time accident frequency rate (LTA-FR) (LTA/1,000,000 WH)	3.3	2.7	3.3	3.8	3.6
Lost time incident Rate (LTA-IR) (LTA/200,000 WH)	0.7	0.5	0.7	0.8	0.8
Contractor fatalities (CF)	2	0	0	0	1
Contractor lost time accidents, CLTA	35	30	34	50	34
Zero recordable incident sites (based on TRI)	25	14	20		
Number of sites included in reporting	85	81	86	85	85
Working hours, (1,000,000)	49.6	50.4	54.1	58.7	54.4

[1] 100% cover for production facilities, excluding sales and administration offices.

Sickness absence

	2021	2020	2019	2018	2017
Sickness absence, %[1]	5.2	5.3	5.2	4.9	4.9
Scope of reporting, % of companies integrated into Essity's HR platform	54	56	54	55	57

[1] Sickness absence is calculated using the number of hours absent (excluding planned and long-term illness), divided by the number of work hours.

Read more about how Essity works with health and safety on page 52.

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 improve workplace-related health and safety.

Certified volumes, Essity's main sites[1], %

	2021	2020	2019	2018	2017
ISO 9001/ISO 13485	78	77	80	77	78
ISO 14001	82	81	75	80	85
ISO 45001/OHSAS 18001	84	79	80	71	71

[1] A main site is a production facility that is wholly owned by Essity and that has at least 100 employees. The table excludes the acquisition of the hygiene companies Asaleo Care and Familia.

PC16. Proposed disposition of earnings

Annual accounts 2021

Disposition of earnings Essity Aktiebolag (publ)	
Non-restricted equity in the Parent company:	
retained earnings	81,447,665,538
net profit for the year	2,110,908,688
Total	**83,558,574,226**
The Board of Directors and the President propose:	
to be distributed to shareholders, a dividend of SEK 7.00 per share	4,916,397,423
to be carried forward	78,642,176,803[1]
Total	**83,558,574,226**

[1] The company's equity would have been SEK 235,130,502 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 22, 2022

Ewa Björling
Board member

Pär Boman
Chairman of the Board

Annemarie Gardshol
Board member

Magnus Groth
President,
CEO and
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, 2022
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 pages 55–65 and 123–131 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 6–8 and 22–136 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 2021 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 2021 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 pages 55–65 and 123–131. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial 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 (including trademarks) with an indefinite useful life as of 31 December 2021 amounted to 51.9 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. Our evaluation has included comparing to external data sources, such as forecasts of inflation or assessment of future market growth and by evaluating the sensitivity in the company´s valuation model. 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 raise 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 2021 which amounted to 6.3 billion SEK to underlying customer agreements and performed a retrospective analysis of the accruals per 31 December 2021. Our audit has also included review of credit invoices and other adjustments to trade receivables that have taken place after 31 December 2021. 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 2021 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.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 9–21 and 137–145. 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.

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.

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 Aktiebolag (publ) for the year 2021 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.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the 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 scepticism 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 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report [SHA256-checksum: e6533add7f4b836a9262ef81be7907b09366f1c23306f453d2c8f54a4cbaeea2] 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 55–65 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 35–54 and 123–131, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor´s opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared in accordance with the requirements of the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Essity Aktiebolag (publ) by the general meeting of the shareholders on the 25 March 2021 and has been the company's auditor since the 27 May 2016.

Stockholm 28 February 2022
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
General	
Business model	13
Environment	
Policy on environmental issues	46–49, 54
Risks and risk management on environmental issues	35, 41–42
Targets and outcomes related to environmental issues	20–21, 124–128

Disclosure	Page
Social conditions	
Policy on social issues	50–52, 54
Risks and risk management on social issues	35, 37, 50–52
Targets and outcomes related to social issues	21, 123–124, 129–130

Disclosure	Page
Respect for human rights	
Policy for human rights	50–52, 53, 54
Risks and risk management on human rights issues	35, 37, 50–52, 53
Targets and outcomes related to human rights issues	21, 123–124, 129–130

Disclosure	Page
Anti-corruption	
Policy for work in anti-corruption	53, 54
Risks and risk management in anti-corruption	35, 37, 53
Targets and outcomes related to anti-corruption	123–124

Index

Essity's 2021 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 following 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.

GRI Index

General Standard Disclosures

	Disclosure	Page
GRI 101:	Foundation 2016	
GRI 102:	General disclosures 2016	
Organizational profile		
102-1	Name of the organization	74
102-2	Activities, brands, products, and services	22–27
102-3	Location of headquarters	74
102-4	Countries in which operations are located	86–87
102-5	Nature of ownership and legal form	6–7
102-6	Markets served	9–10, 22–27
102-7	Scale of the organization	2, 82–84, 78, 86–87
102-8	Information on employees and other workers	91, 123–124, 129–130
102-9	Supply chain	18, 124
102-10	Significant changes to the organization and its supply chain	28–29, 112–114
102-11	Addressing the precautionary approach or principle	35
102-12	External initiatives	45, 46 48, 49
102-13	Membership in associations	45, 46, 48, 49
Strategy		
102-14	Statement from senior decision-maker	4–5
Ethics and integrity		
102-16	Values, principles, standards, code of conduct and code of ethics	50–52, 53, 54
Governance		
102-18	Governance structure	31
102-19	The process for delegating authority for sustainability topics	54
102-20	Executive-level positions with responsibility for sustainability topics	54, 65
102-21	Processes for consultation between stakeholders and the highest governance body	11, 56
102-22	Composition of the highest governance body and its committees	55–57, 62–63
102-23	Position of the chair of the board of directors	55–57, 62
102-24	Nomination and selection processes for the highest governance body and its committees	55–57
102-25	Report processes for the highest governance body to ensure conflict of interest is avoided and managed	55–57
102-26	Highest governance body's role in setting purpose, values, and strategy	55–59
Stakeholder engagement		
102-40	List of stakeholder groups engaged	11
102-41	Collective bargaining agreements	130
102-42	Identification and selection of stakeholders	11
102-43	Approaches to stakeholder engagement	11
102-44	Key topics and concerns raised by stakeholders	11
Reporting practice		
102-45	Entities included in the financial statements	109–112, 123
102-46	Defining report content and topic boundaries	11
102-47	List of material topics	11
102-48	Restatements of information	123
102-49	Changes in reporting	123
102-50	Reporting period	123
102-51	Date of most recent report	123
102-52	Reporting cycle	123
102-53	Contact point for questions regarding the report	Back cover
102-54	Claims of reporting in accordance with the GRI Standards	123
102-55	GRI content index	137–138
102-56	External assurance	123

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
Governance	
a) The Board's oversight of climate-related risks and opportunities	28, 35, 41–42
b) Management's role in assessing and managing climate-related risks and opportunities	28, 35, 41–42
Strategy	
a) Identified climate-related risks and opportunities	11, 35, 41–42
b) Impact of climate-related risks and opportunities on operations, strategy, and financial planning	35, 41–42
c) Resilience of strategy, taking into consideration different climate-related scenarios	35, 41–42
Risk management	
a) Processes for identifying and assessing climate-related risks	11, 35, 41–42
a) Processes for managing climate-related risks	41–42
c) Integration of the aforementioned processes into the organization's overall risk management	28, 35, 41–42
Metrics and targets	
a) Metrics used to assess climate-related risks and opportunities	127–129
b) Scope 1, Scope 2 and Scope 3 emissions under the Greenhouse Gas Protocol and related risks	41–42, 127–129
c) Targets used to manage climate-related risks and opportunities and performance against targets	20, 127–129

SASB Index

Sustainability disclosure topics & accounting metrics

Code	Disclosure	Page
Water management		
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	126
CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	126
Product environmental, health, and safety performance		
CG-HP-250a.1	Revenue from products that contain REACH substances of very high concern (SVHC) (SEK) *Comments:* 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.	125
CG-HP-250a.2	Revenue from products that contain substances on the California DTSC Candidate Chemicals List (SEK) *Comments:* 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.	125
CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern	44–45, 125
CG-HP-250a.4	Revenue from products designed with green chemistry principles *Comments:* Not reported.	–
Packaging lifecycle management		
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	126
CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	126
Environmental & social impacts of palm oil supply chain		
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 *Comments:* 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) *Comments:* 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	123

GRI index, cont.

Specific Standard Disclosures

GRI Standard		Description	Page	Comment/Omission	Topic in Essity's materiality analysis
Economic					
Indirect Economic Impacts GRI 203: Indirect Economic Impacts 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	54		Risk management
	203-2	Significant indirect economic impacts	20-21, 44-52		
Anti-corruption GRI 205: Anti-corruption 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	53, 54		Business ethics Transparency
	205-1	Operations assessed for risks related to corruption and the transparency-significant risks identified	123-124		
	205-3	Actions taken in response to confirmed incidents of corruption	123-124		
Anti-competitive Behavior GRI 206: Anti-competitive Behavior 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	54		Business ethics Transparency
	206-1	Anti-trust and monopoly court cases	124		
Environment					
Energy GRI 302: Energy 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	54		Climate change, Waste/circularity and plastics
	302-1	Energy consumption within the organization	127		
	302-4	Reduction of energy consumption	127		
Water GRI 303: Water and Effluents 2018	103-1/2/3[1] 303-1/2	Disclosure on management approach (DMA)	54		Water
	303-3	Water withdrawal	126		
	303-4	Water discharge	126		
	303-5	Water consumption	126		
Emissions GRI 305: Emissions 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	54		Climate change, Water, Waste/circularity and plastics, Fiber sourcing
	305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	127, 128		
	305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	127, 128		
	305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	127, 128		
	305-4	GHG emissions (Scope 3)	128		
	305-7	NO_x, SO_x, and other significant air emissions	127		
Waste GRI 306: Waste 2016	103-1/2/3[1]- 306-1/2	Disclosure on management approach (DMA)	54		Water, Waste/circularity and plastics
	306-3	Waste generated	126-127		
	306-4	Waste diverted from disposal	126-127		
	306-5	Waste directed to disposal	126-127		
Social performance indicators					
Employment GRI 401: Employment 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	50-52, 54		Human capital
	401-1	New employee hires and employee turnover	129		
Health and safety GRI 403: Occupational Health and Safety 2018	103-1/2/3[1] 403-1 to 7	Disclosure on management approach (DMA)	50-52, 121		Health and safety
	403-9	Work-related injuries	131		
Training and Education GRI 404: Training and Education 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	50-52, 54, 129-130		Human capital
	404-3	Percentage of employees receiving regular performance and career development reviews	130		
Diversity and equal opportunities GRI 405: Diversity and Equal Opportunity 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	50-52, 54, 129		Human capital
	405-1	Composition of governance bodies and employee breakdown	51, 62-63, 129		
	405-2	Ratio of basic salary and remuneration of women to men	129		
Non-discrimination GRI 406: Non-discrimination 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	50, 53, 54		Business ethics Transparency
	406-1	Actions taken in incidents of discrimination	124		
Freedom of Association and Collective Bargaining GRI 407: Freedom of Association and Collective Bargaining 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	52		Business ethics Transparency
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		No Essity sites were identified as high-risk sites by Sedex.	
Child Labor GRI 408: Child Labor 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	53, 54		Business ethics Transparency
	408-1	Measures taken to eliminate child labor in risk areas	123-124	No Essity sites were identified as high-risk sites by Sedex.	
Forced or Compulsory Labor GRI 409: Forced or Compulsory Labor 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	53, 54		Business ethics Transparency
	409-1	Measures taken to eliminate forced or compulsory labor in risk areas	123-124	No Essity sites were identified as high-risk sites by Sedex.	
Human rights GRI 412: Human Rights Assessment 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	53, 54		Human rights Business ethics Transparency
	412-2	Employee training on human rights	123-124	Work in the area of human rights takes many different forms via training sessions, for example, through the Code of Conduct.	
Supplier Social Assessment GRI 414: Supplier Social Assessment 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	53, 54		Human rights Business ethics Transparency
	414-2	Significant potential and actual negative impacts in the supply chain and actions taken	124		
Marketing and Labeling GRI 417: Marketing and Labeling 2016	103-1/2/3[1]	Disclosure on management approach (DMA)	44-45, 54, 145		Customer and consumer satisfaction, Safe products
	417-1	Product information required by procedures	44-45, 125		

[1] GRI 103: Management Approach 2016.

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 Aktiebolag (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 2021. The scope of the Sustainability Report has been defined on pages 137–138.

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 123, 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 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 page 127. 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 2022
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Outi Alestalo
Expert member of FAR

Remuneration report 2021

Essity Aktiebolag (publ)
to be presented at the 2022 Annual General Meeting (AGM)

Introduction

This report describes how the guidelines for remuneration of senior executives of Essity AB, as adopted by the 2021 AGM, were applied in 2021. 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 Swedish Corporate Governance Board's Remuneration Rules. More information about remuneration of senior executives is available in Note C (Employees) on pages 91–95 in the Annual and Sustainability Report for 2021. Information about the work of the Remuneration Committee in 2021 is presented in the Corporate Governance Report on pages 55–65 in the Annual and Sustainability Report for 2021.

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 93 of the 2021 Annual Report.

1. Key events and key figures in 2021

The President summarizes the company's overall performance in his statement on pages 4–5 in the Annual and Sustainability Report for 2021.

2. The company's guidelines for remuneration of senior executives: purpose, scope and deviations

The remuneration guidelines, as unanimously adopted by the 2021 AGM, and the application of these are described on pages 91–92 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 2021 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 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 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 2021 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 1. Total remuneration of the President and the Executive Vice President

SEK		Fixed remuneration		Variable remuneration[1]					
Name, position	Fiscal year	Fixed salary	Other benefits and remuneration	Short-term remuneration	Long-term remuneration	Extraordinary benefits	Pension costs	Total salary and remuneration	Proportion fixed and variable remuneration (%)
Magnus Groth President and CEO	2021	15,750,000	120,921	1,053,281	0	0	6,555,851	23,480,053	96/4
Fredrik Rystedt CFO and Executive Vice President	2021	7,878,000	60,549	526,841	0	0	2,462,785	10,928,175	95/5

[1] Variable remuneration pertains to 2021 but is paid in 2022.

Table 2. Outcome of the short-term program 2021 for the President and the Executive Vice President

Name, position	Target	Target's relative value	Target outcome	Remuneration (SEK)
Magnus Groth President and CEO	*Organizational target*			
	EBITA margin (adjusted)	17.5%	11.2%	0
	Operating cash flow (adjusted[1])	17.5%	SEK 9.6bn	0
	Organic sales growth	35%	8.3%	344,531
	Performance target			
	Profit for the period (adjusted)	21%	SEK 9.3bn	0
	Science Based Targets, Scope 1 and 2	9%	-15%	708,750
Fredrik Rystedt CFO and Executive Vice President	*Organizational target*			
	EBITA margin (adjusted)	21%	11.2%	0
	Operating cash flow (adjusted[1])	28%	SEK 9.8bn	0
	Organic sales growth	21%	8.3%	172,331
	Performance target			
	Profit for the period (adjusted)	21%	SEK 9.3bn	0
	Science Based Targets, Scope 1 and 2	9%	-15%	354,510

[1] Change in working capital is replaced with average calculated change in working capital during the year.

3.2 Long-term incentive program

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 each year 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 third 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 cost of any outcome within the program is charged to the third year.

The target for the long-term incentive program is based on the company's performance, measured as Total Shareholder Return (TSR). The TSR-value comprises dividends, share price performance and other returns that are compared with the performance of the MSCI Household Products Index, Consumer Staples, which is a weighted index of the corresponding TSR-values of competitors and consumer companies, during a three-year measurement period.

The average TSR-value during the final quarter before the start of the measurement period is compared with the average TSR-value during the final quarter of the measurement period.

Remuneration is paid if Essity's TSR-value reaches the performance interval between –5 percentage points of the average TSR-value of the comparison group for the same period (minimum outcome) and +5 percentage points of the average TSR-value of the comparison group (maximum outcome).

Resulting remuneration is not pensionable income.

The company pays any outcome as cash remuneration, and the maximum outcome may amount to 50% of the fixed cash salary for the senior executive. Within a specified period, the senior executive must acquire Essity shares for at least half of the 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 and is subsequently removed from the program before the end of the vesting period, entitlement to the remuneration proceeds is lost.

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.

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. The retirement age is 65.

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 guidelines were made. The auditor's report on the company's compliance with the guidelines is available on the company's website[1]. 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 22, 2022

[1] https://www.essity.com/sv-se/company/corporate-governance/remuneration-policy/

Table 3. Outcome of long-term program 2021 for the President and the Executive Vice President

Name, position	Target	Target's relative value	Target outcome (%)	Remuneration (SEK)
Magnus Groth President and CEO	Performance of the company's Total Shareholder Return (TSR) compared with MSCI Household Products Index, Consumer Staples' TSR, during the three-year measurement period.	100%	0.00%	0
Fredrik Rystedt CFO and Executive Vice President	Performance of the company's Total Shareholder Return (TSR) compared with MSCI Household Products Index, Consumer Staples' TSR, during the three-year measurement period.	100%	0.00%	0

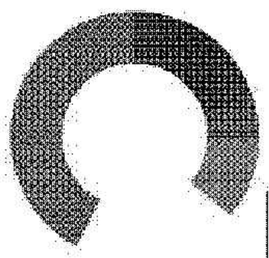
Table 4. Change in Total remuneration[1] and the company's performance in recent fiscal years

Name, position	Total remuneration[1] in 2021 (SEKm)	Year-on-year change – 2021/2020 (SEKm)	Year-on-year change – 2021/2020 (%)	Year-on-year change – 2020/2019 (SEKm)	Year-on-year change – 2020/2019 (%)	Year-on-year change – 2019/2018 (SEKm)	Year-on-year change – 2019/2018 (%)
Magnus Groth President and CEO	23.5	–9.6	–13%	–6.4	–19%	7.6	29%
Fredrik Rystedt CFO and Executive Vice President	10.9	–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.	1.4	–0.2	–12%	–0.2	–9%	0.3	18%
Company's performance – Profit for the period (adjusted)	9,363	–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

Essity Group



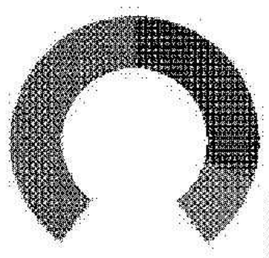
Total operating expenses[1]: SEK 109,097m

- Sales, general and administration[2], 20%
- Energy, 5%
- Transport and distribution expenses, 11%
- Other costs of goods sold[3], 22%
- Raw materials and consumables, 42%

Of which

Pulp	15%
Recovered paper	4%
Superabsorbents	2%
Non-woven	3%
Other[4]	18%
Total raw materials and consumables	**42%**

Personal Care



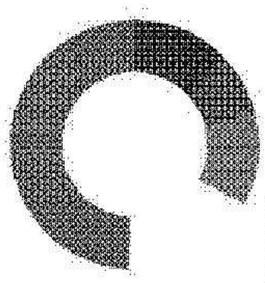
Total operating expenses[1]: SEK 40,393m

- Sales, general and administration, 29%
- Energy, 1%
- Transport and distribution expenses, 10%
- Other costs of goods sold, 20%
- Raw materials and consumables, 40%

Of which

Pulp	7%
Superabsorbents	5%
Non-woven	8%
Other	20%
Total raw materials and consumables	**40%**

Consumer Tissue



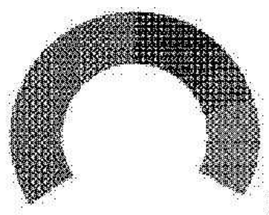
Total operating expenses[1]: SEK 44,456m

- Sales, general and administration, 13%
- Energy, 8%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 18%
- Raw materials and consumables, 49%

Of which

Pulp	26%
Recovered paper	4%
Other	19%
Total raw materials and consumables	**49%**

Professional Hygiene



Total operating expenses[1]: SEK 23,461m

- Sales, general and administration, 14%
- Energy, 6%
- Transport and distribution expenses, 13%
- Other costs of goods sold, 33%
- Raw materials and consumables, 34%

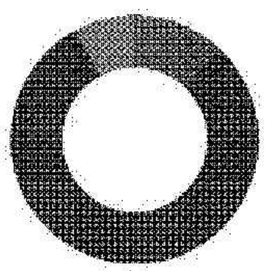
Of which

Pulp	9%
Recovered paper	9%
Other	16%
Total raw materials and consumables	**34%**

[1] Excluding items affecting comparability.
[2] Sales, general and administration include costs for marketing by 6 percentage points.
[3] The two largest items of Other costs of goods sold comprise personnel (10 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

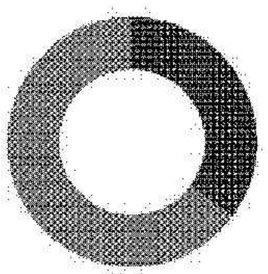
Pulp consumption



- Personal Care, 12%
- Consumer Tissue, 80%
- Professional Hygiene, 8%

3.2 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



- Consumer Tissue, 35%
- Professional Hygiene, 65%

1.8 million tons

Production facilities[1)]

(Capacity is stated in thousands of tons, unless otherwise indicated, and per year)

Personal Care

Production facility	Country
Buenos Aires	Argentina
Springvale	Australia
Jarinu	Brazil
Drummondville	Canada
Hubei	China
Zhejiang	China
Cali	Colombia
Caloto	Colombia
Rio Negro	Colombia
San Cristobal	Dominican Republic
Lasso	Ecuador
Cairo	Egypt
Radiante	France
Vibraye	France
Emmerich	Germany
Hausbruch	Germany
Goa	India
Amman	Jordan
Shah Alam 1&2	Malaysia
Ecatepec	Mexico
Reynosa	Mexico
Asser	Netherlands
Gennep	Netherlands
Hoogezand	Netherlands
Karachi	Pakistan
Olawa	Poland
Veniov	Russia
Gemerská Hôrka	Slovakia
Valls	Spain
Askersund	Sweden
Falkenberg	Sweden
Molndycke	Sweden
Pinetown	South Africa
KaoHsiung	Taiwan
Kartepe	Turkey
Bowling Green	USA
Connecticut	USA

Consumer Tissue and Professional Hygiene

Production facility	Country	Capacity
Ortmann	Austria	132
Stembert	Belgium	75
Santiago	Chile	28
Beijing	China	30
Hubei	China	935
Liaoning	China	55
Shangdong	China	110
Sichuan	China	75
Xinhui, Sanjiang	China	410
Yangjiang	China	130
Zhejiang	China	245
Cajica	Colombia	70
Medellin	Colombia	30
Inpaecsa	Ecuador	15
Lasso	Ecuador	26
Nokia	Finland	42
Gien	France	145
Hondouville	France	55
Kunheim	France	52
Le Theil	France	65
Kostheim	Germany	152
Mannheim	Germany	283
Neuss	Germany	112
Witzenhausen	Germany	82
Altopascio	Italy	25
Collodi	Italy	42
Lucca	Italy	100
Monterrey	Mexico	87
Sahagun	Mexico	95

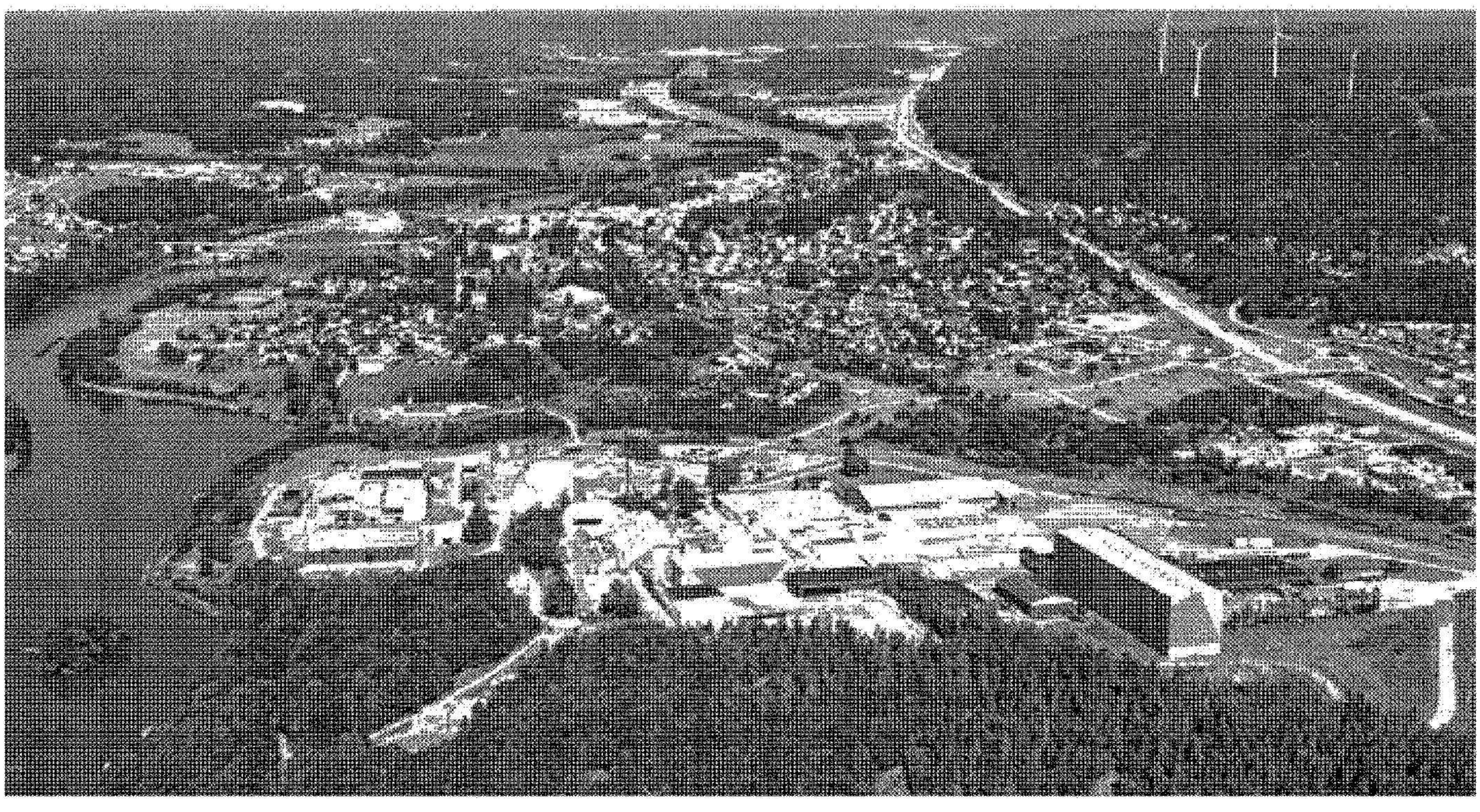
Production facility	Country	Capacity
Uruapan	Mexico	40
Cuijk	Netherlands	52
Suameer[2)]	Netherlands	9
Kawerau	New Zealand	60
Sovetsk	Russia	91
Svetogorsk	Russia	65
Alio	Spain	120
Valls	Spain	137
Lilla Edet	Sweden	100
Manchester	UK	50
Oskenholt	UK	70
Prudhoe	UK	94
Stubbins	UK	55
Tawd Mill	UK	30
Barton	USA	180
Harrodsburg	USA	55
Menasha	USA	211
Middletown	USA	100
South Glens Falls	USA	64

Converting facilities

Springvale	Australia
Jarinu	Brazil
Fiji	Fiji Islands
Veniov	Russia
Telde	Spain
Skelmersdale	UK
Greenwich	USA
Neenah	USA

Total **4,616**

1) As of December 31, 2021.
2) Non-woven production.



Financial multi-year summary

SEKm	2021	2020	2019	2018	2017	2016	2015
INCOME STATEMENT							
Net sales	**121,867**	**121,752**	**128,975**	**118,500**	**109,265**	**101,238**	**98,519**
Adjusted EBITA	**13,680**	**17,626**	**15,840**	**12,935**	**13,405**	**11,992**	**10,603**
Personal Care	7,098	7,161	6,746	6,354	5,937	4,283	3,997
Consumer Tissue	4,661	8,045	5,321	3,381	4,084	4,450	3,846
Professional Hygiene	2,710	3,317	4,463	3,841	4,004	3,836	3,497
Other operations	-769	-897	-690	-591	-620	-577	-737
Items affecting comparability	371	-59	-713	-1,375	-855	-2,845	-292
EBITA	**14,051**	**17,567**	**15,127**	**11,560**	**12,550**	**9,347**	**10,311[1]**
Amortization of acquisition-related intangible assets	-852	-809	-778	-732	-560	-159	-133
Items affecting comparability	0	0	0	-69	-85	-180	-494
Operating profit	**13,199**	**16,758**	**14,349**	**10,759**	**11,905**	**9,008**	**9,684**
Financial income	102	108	106	91	158	202	312[2]
Financial expenses	-764	-1,066	-1,415	-1,248	-1,340	-1,037	-1,140
Profit before tax	**12,537**	**15,800**	**13,040**	**9,602**	**10,723**	**8,173**	**8,856**
Income taxes	-2,727	-4,053	-2,828	-1,050	-1,938	-3,931	-2,278
Profit for the period	**9,810**	**11,747**	**10,212**	**8,552**	**8,785**	**4,242**	**6,578**
BALANCE SHEET							
Non-current assets (excluding financial receivables)	122,196	107,974	116,779	110,370	105,398	77,238	67,483
Receivables and inventories	45,949	37,141	38,486	36,648	34,684	29,917	29,171
Non-current assets held for sale	0	0	42	69	42	156	120
Financial receivables	1,851	3,555	3,535	1,751	1,700	1,052	766
Current financial assets	1,150	993	525	422	1,105	1,677	12,963
Cash and cash equivalents	3,904	4,982	2,928	3,008	4,107	4,244	4,828
Total assets	**175,050**	**154,645**	**162,295**	**154,266**	**147,016**	**114,284**	**115,351**
Equity	59,874	54,352	54,125	47,141	42,289	33,204	42,986
Non-controlling interests	8,633	8,990	8,676	7,758	7,281	6,376	5,289
Provisions	12,955	12,671	14,017	15,696	14,659	11,961	8,450
Interest-bearing debt	58,188	46,890	52,062	54,327	54,838	36,873	34,717
Operating and other non-interest bearing liabilities	35,499	31,742	33,415	29,344	27,949	25,870	23,909
Total equity and liabilities	**175,050**	**154,645**	**162,295**	**154,266**	**147,016**	**114,284**	**115,351**
Average capital employed	114,163	112,473	114,663	107,575	90,167	73,145	70,115
Net debt, including pension liabilities	55,433	42,688	50,940	54,404	52,467	35,173	19,058
OPERATING CASH FLOW STATEMENT							
Operating cash flow	11,118	16,016	15,639	9,900	10,622	10,998	8,261
Cash flow from current operations	6,894	11,175	13,208	6,363	6,644	6,530	5,371
Cash flow before transactions with shareholders	-4,906	10,795	13,285	5,737	-19,372	359	5,328
Investments in non-current assets, net	-7,804	-6,439	-5,707	-6,781	-8,012	-6,255	-5,472
Acquisitions of Group companies and other operations	-11,813	-747	-143	-694	-26,045	-6,540	-92
Divestments of Group companies and other operations	13	367	220	68	29	389	49
KEY FIGURES							
Equity/assets ratio, %	34	35	33	31	29	29	37
Interest coverage ratio	19.9	17.5	11.0	9.3	10.1	10.8	11.7
Debt payment capacity, including pension liabilities, %	29	48	38	25	26	29	65
Debt/equity ratio, including pension liabilities	0.81	0.67	0.81	0.99	1.06	0.89	0.39
Debt/equity ratio, excluding pension liabilities	0.77	0.63	0.76	0.92	0.99	0.76	0.34
Return on capital employed, %	12.3	15.6	13.2	10.8	13.9	12.8	13.8
Adjusted return on capital employed, %	12.0	15.7	13.8	12.0	14.9	16.4	15.1
Return on equity, %	16	18.2	17.4	16.1	19.8	9.9	13.9
EBITA margin, %	11.5	14.4	11.7	9.8	11.5	9.2	10.5
Adjusted EBITA margin, %	11.2	14.5	12.3	10.9	12.3	11.8	10.8
Operating margin, %	10.8	13.8	11.1	9.1	10.9	8.9	9.8
Adjusted operating margin, %	10.5	13.8	11.7	10.3	11.8	11.7	10.6
Net margin, %	8.1	9.7	7.9	7.2	8.0	4.2	6.7
Capital turnover rate	1.07	1.08	1.12	1.10	1.21	1.38	1.41
Cash flow from current operations per share, SEK	9.82	15.91	18.81	9.06	9.46	9.30	7.65
Earnings per share, SEK	12.27	14.56	13.12	11.23	11.56	5.41	6.73
Dividend per share, SEK	7.00[3]	6.75	6.25	5.75	5.75		

[1] 2015 includes the sale of securities, SEK 970m.
[2] 2015 does not include the sale of securities, SEK 970m.
[3] Board of Directors' dividend proposal.

The Essity brand

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 are essentials and necessities in everyday life. That is why we are called Essity.



Essity actively strives to build awareness of the company's brand and communicate Essity's transformation journey. A strong brand is important to strengthen Essity's position in relation to customers, consumers, shareholders, current and potential employees, and other stakeholders.

Essity's purpose is to break barriers to well-being and we are pursuing a range of global and local initiatives to raise awareness and standards for hygiene and health. By gathering insights, sharing stories, cooperating with partners and educating millions of people, Essity provides knowledge and promotes a public discussion about topics such as menstruation, incontinence, hand hygiene, lymphedema and endometriosis.

The company has a strong presence in social media. Digital campaigns help to build awareness and relevance about Essity. In 2021, Essity launched two seasons of the "Essential Talks" podcast. The podcast addresses topics where Essity makes a difference to increase well-being for people in all phases of life. The podcast has attracted international attention through "The Drum Award". Thanks to global and local partnerships, Essity reaches more people and together we can make a bigger difference. In collaboration with UNICEF in Mexico and the Global Handwashing Partnership, we are for example educating young people about the importance of hand hygiene and issues regarding menstruation. Our local collaborations with the Red Cross in several countries was particularly important during the COVID-19 pandemic.

For many years, Essity has been conveying partner to the UN Foundation's annual Global Dialogue, to which we have invited customers. The collaboration has developed during the year to promote awareness of antimicrobial resistance (AMR). The company's expertise in infection prevention and the healthcare of tomorrow played an important part in Essity's participation at the World Expo Dubai.

Sustainability and digitalization have a key role in Essity's brand work. The company regularly shares content on new, sustainable solutions and the transition of the value chain to achieve net-zero emissions by 2050. In 2021, The Green Response Report was launched. The report shows the growth in interest for sustainable solutions during the COVID-19 pandemic and it received widespread attention in the media.

In 2021, several initiatives were launched with the purpose of spotlighting stories, activities and engagement among Essity's employees to break barriers for well-being and increase gender equality.

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Breaking Barriers to Well-being

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