essity

Annual Report 2023

For everybody and every body

Essity Aktiebolag (publ)

Essity is a global, leading hygiene and health company. Every day our brands care for the hygiene and health of a billion people across 150 countries.

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■ The Board of Directors' Report and financial statements

Our business areas

Health & Medical
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The Annual Report 2023 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 9–11, 23–91 and 96–180 and include the auditor's report. Essity's Sustainability report has been prepared in accordance with GRI Reporting Standards, SASB Household & Personal Products Standard and includes disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Pages 23–25 and 40–91 encompass Essity's statutory Sustainability report according to the requirements stated in the Annual Accounts Act.

The official Annual Report 2023 is prepared in Swedish in European Single Electronic Format (ESEF). Refer to essity.com to access Essity's financial reports. The Annual Report is also published as a PDF in Swedish and English. These have not been prepared according to ESEF and thus do not constitute official versions. The English version is a translation of the Swedish original. All files were submitted for publication on February 28, 2024.

Essity classifies Vinda's financial reporting as discontinued operations as of the fourth quarter of 2023. For further information, see Note G4 Assets held for sale, on page 167.

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Invest in Essity

Essity is a global, leading hygiene and health company with the purpose to break barriers to well-being. Every day, we improve the hygiene and health of one billion people in 150 countries.

Leading in growing hygiene and health market

Leading in the growing global hygiene and health market with solutions used by people around the world every day. Growth is driven by market trends such as a growing and aging population, higher living standards and greater awareness of hygiene and health.

Clear value-creation strategy

Well-positioned for continued profitable growth with the strategy to grow organically and through acquisitions in the most profitable product segments and the fastest growing sales channels, and to increase the company's presence in North America, Latin America and East Asia.

Market-leading brands and successful innovations

Strong brands and innovative customer and consumer offerings. Essity holds the number 1 or 2 position in 90% of branded sales and is the global market leader with the Tork and TENA brands.

Attractive financial position

Attractive, stable business with strong cash flow and significant growth in sales and profitability. Long-term stable and rising dividends, which increased by 35%[3] during the 2018–2023 period.

Proven execution

Robust development and restructuring of the product portfolio and production structure have yielded a strong platform for growth. A winning corporate culture with a focus on results. High engagement index score in employee surveys.

Sustainability at the core

To lead in sustainability is a priority for long-term profitable growth. Group targets include science-based targets with the ambition to achieve net zero emissions by 2050. Essity's sustainability work has received recognition, including the following: AAA score in MSCI's ESG rating, inclusion in CDP's "A list" for its work to combat deforestation, and named a European diversity leader by the Financial Times.

Market capitalization, December 31, 2023

175 SEKbn

Earnings per share, SEK[2]

13.60

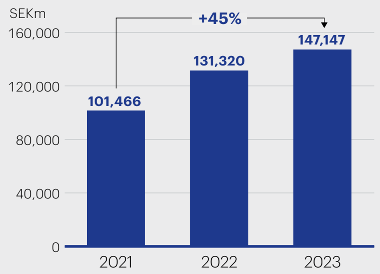
Employees, approximately[1]

36,000

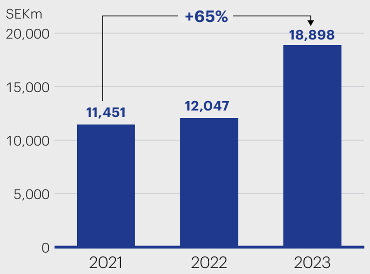
Proposed dividend per share, SEK[3]

7.75

Net sales



Adjusted profit (EBITA)[4]



1) Relates to average number of part-time and full-time employees during the year and calculated as an average over five quarters. 2) Refers to Total operations. 3) Board of Directors' dividend proposal. 4) Excluding items affecting comparability.

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Key events

Highest profit ever and strong platform for growth
Essity reached a net sale in 2023 of SEK 147bn and an adjusted EBITA of SEK 18.9bn excluding Vinda. All three business areas made a positive contribution through profitable growth and margin improvements. Higher selling prices, a better product mix and cost savings had a positive impact on earnings.

Pre-conditional public offer for 100% of the shares in Essity's subsidiary Vinda
The company Isola Castle Ltd has announced that it will make a pre-conditional public offer for the shares in Vinda. Essity has undertaken to accept the offer, which is very attractive, and provides a product portfolio with higher and more stable returns. Consumer Tissue's share of net sales in 2023 decreased from 41% to 33%. The launch of the offer and completion of the transaction are subject to approval by regulatory authorities in China and other relevant markets. The transaction is expected to be completed mid-2024.

Divestment of Russian operations
Essity completed the divestment of its operations in Russia for a purchase price of approximately SEK 1.2bn on a cash and debt-free basis. Essity has thus exited Russia.

Innovations that are good for you and the planet
Essity launched many innovations in 2023 that further strengthen its customer and consumer offerings and the company's leading brands. Under the Libero brand, a baby diaper featuring a "Capture Pocket" that improves leak prevention was launched. Under the Tork brand, a combined scrubbing and cleaning cloth, Tork 2 in 1, was launched.

Tork Period Care Dispenser is now available for feminine care products in public washrooms under the Tork and Libresse brands. Essity also developed the digital solutions and launched, for example, Caressa, a digital platform to assist family caregivers.

Tork 2 in 1 scrubbing and cleaning cloth for effective cleaning was launched.

In 2023, Essity launched the "For everybody and every body" campaign in Sweden.

Toward net zero emissions through sustainability leadership
Essity has taken further steps toward net zero emissions of greenhouse gases by 2050. For example, Essity is the first company in the industry to produce tissue in a CO_2-free production process using renewable hydrogen at its site in Mainz-Kostheim, Germany. 85% of Essity's innovations yielded social and/or environmental improvements. Essity has received several awards for the company's sustainability work, for example, the company was named one of the world's 100 most sustainable companies by Corporate Knights, was included in S&P Global's Sustainability Yearbook 2024, and was recognized by the global non-profit organization CDP for its sustainability leadership.

Examples of awards:

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Key figures

Net sales, SEKm
147,147

Adjusted EBITA, SEKm[1]
18,898

Operating cash flow, SEKm
17,685

Adjusted EBITA margin[1]
12.8%

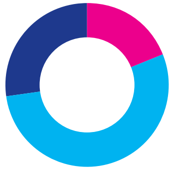
Sales growth[2]
+6.7%

Increase in adjusted EBITA[1]
+57%

Increase in operating cash flow
+130%

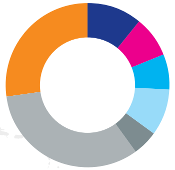
Adjusted return on capital employed[1]
16.4%

Net sales by business area



- Health & Medical, 19%
- Consumer Goods, 54%
- Professional Hygiene, 27%

Net sales by category

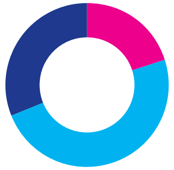


- Incontinence Products Health Care, 11%
- Medical Solutions, 8%
- Incontinence Products Retail, 7%
- Feminine Care, 9%
- Baby Care, 5%
- Consumer Tissue, 33%
- Professional Hygiene, 27%

Net sales by distribution channel

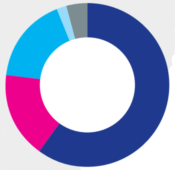
- Retail trade, 54%
- Business-to-business, 27%
- Healthcare sector, 19%

Adjusted EBITA[1] by business area



- Health & Medical, 20%
- Consumer Goods, 49%
- Professional Hygiene, 31%

Net sales by region



- Europe, 60%
- North America, 17%
- Latin America, 17%
- Asia, 2%
- Other, 4%

Group's ten largest markets, % of net sales 2023

- USA, 15%
- Germany, 12%
- France, 8%
- UK, 8%
- Mexico, 8%
- Spain, 5%
- Netherlands, 4%
- Colombia, 3%
- Italy, 3%
- Canada, 3%
- Other, 31%

Essity classifies Vinda's financial reporting as discontinued operations as of the fourth quarter of 2023. For further information, see Note G4 Assets held for sale, on page 167.

1) Excluding items affecting comparability.
2) Including organic sales growth and acquisitions.

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Magnus Groth
President and CEO

"An eventful year. Highest profit ever and strong platform for growth."

We leave an eventful year behind us in which we have focused on increasing profitability and created a stable platform for profitable growth. Through innovation, restructuring, efficiency improvements and price increases, we achieved an adjusted profit of SEK 18.9bn – the highest profit ever – while also increasing net sales to SEK 147bn. We have undertaken to accept the offer in respect of all shares in Vinda. It is a very attractive offer for Essity and our shareholders and provides us with a product portfolio with higher and more stable returns.

Structurally improved profitability
The year was characterized by high sales growth and a significantly higher EBITA margin, with positive contributions from all business areas. Our measures to structurally improve profitability were effective. In Health & Medical, well-executed price increases led to a sharp margin improvement. For Professional Hygiene, restructuring measures in North America and Europe increased the structural margin by approximately 2 percentage points. In Consumer Goods, the strong volume growth for Incontinence Products Retail and Feminine Care continued. Moreover, during the year we reversed the trend for Baby Care, which is now demonstrating a strong improvement. For Consumer Tissue, price increases yielded higher and more stable margins.

The adjusted return on capital employed improved by 5.5 percentage points to 16.4%. Earnings per share were SEK 13.60[1], increasing by 72%. For the 2023 fiscal year, the Board of Directors proposes an increase in the dividend of 7% to SEK 7.75 per share.

Portfolio shift
With the aim of making Essity's categories with the highest margins and lowest capital intensity a larger part of the company, we made investments during the year to grow in the categories and sales channels with high market growth and returns. The earlier acquisitions of, for example, Knix, Hydrofera and Legacy, have strengthened our product offerings and contributed with strong growth. The company Isola Castle Ltd has announced that it will make a pre-conditional public offer for the shares in Vinda, entailing a shift for Essity toward a product portfolio with a higher margin and lower volatility. Consumer Tissue's share of net sales in 2023 thus decreased from 41% to 33%. We look forward to growing a portfolio of more value-generating categories in the future.

Crucial innovation
Through innovation, we are continuously developing our product range. We have been active with new and attractive offerings to our customers and consumers in all our business areas. In Consumer Goods, for example, the 'Capture Pocket' innovation for Libero baby diapers and new models of washable leak-proof apparel for such brands as Libresse, Nosotras, TENA and Knix have resulted in more satisfied consumers. In Professional Hygiene, customers around the world are filling the world-leading Tork PeakServe and Tork Xpressnap dispensers with a new range of natural color paper hand towels made from 100% recycled fibers, with 30–50% originating from recycled cartons.

Under such brands as JOBST, Cutimed, TENA and Actimove, Health & Medical has launched new offerings for patients and caregivers.

Through innovation, we are continuously developing our product range. In 2023, for example, the 'Capture Pocket' innovation for Libero baby diapers was launched.

1) Refers to Total operations.

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An even more sustainable Essity
By providing hygiene and health solutions to a billion people every day across the globe, Essity has a substantial opportunity to impact people and the environment. We break barriers to well-being through innovation, campaigns, partnerships and educational initiatives, and have made significant progress toward becoming an even more sustainable company by lowering our climate and environmental footprint in 2023. We have taken further steps toward net zero emissions of greenhouse gases by 2050 and for science-based targets, Scope 1 and 2, the decrease is –26% for the 2016–2023 period. As a member of the Consumer Goods Forum and active in the Forest Positive Coalition of Action, Essity works, together with other companies and organizations, to combat deforestation and promote biodiversity.

Our sustainability efforts have received recognition. Essity has been named one of the world's most sustainable companies by Corporate Knights by its inclusion in the Global 100 ranking representing the top 1% of companies in the world in terms of sustainability performance. For the third consecutive year, we were designated a Diversity Leader by the Financial Times and were included in the S&P Global's Sustainability Yearbook 2024.

Focus on profitable growth in 2024
Thanks to innovative and committed employees, Essity is well on its way to becoming the global leader in hygiene and health. Based on the stable and profitable platform we have now established, the company's long-term portfolio shift for growth in our most value-generating categories will continue.

"Thanks to innovative and committed employees, Essity is well on its way to becoming the global leader in hygiene and health."

In 2023, a new production line for TENA Incontinence Products was inaugurated in Valls, Spain.

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The share

The Essity share is quoted on Nasdaq Stockholm Main Market and the market capitalization was SEK 175bn at December 31, 2023.

Share price performance 2023
In 2023, the price of Essity's Class B share declined 9%. During the same period, the OMX Stockholm 30 Index rose 17% and the Peer Group Index[1] rose 3%. The closing price of Essity's Class B share at year-end was SEK 250.00. The highest closing price for Essity's Class B share during the year was SEK 312.00, which was noted on May 4, 2023. The lowest closing price was SEK 230.70 on September 25, 2023.

The total shareholder return for Essity's Class B share for the year was –6%. The total shareholder return for the OMX Stockholm 30 Index was 21% and for the Peer Group Index 6%.

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 7% to SEK 7.75 (7.25) per share for the 2023 fiscal year. The dividend represents a dividend yield of 3.1%, based on Essity's share price at the end of the year.

Index
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 Main Market, Essity is included in other indexes, such as the FTSE All World Index and the MSCI Household Products Index within Consumer Staples. Essity is also represented in sustainability indexes such as the OMX Stockholm 30 ESG Responsible Index, FTSE4Good Europe and has the highest MSCI ESG rating of AAA.

Share trading[2]
In 2023, the volume of Essity shares traded on Nasdaq Stockholm Main Market was about 342 million, corresponding to a value of approximately SEK 92.7bn. Average daily trading for Essity on Nasdaq Stockholm amounted to approximately 1.4 million shares, corresponding to a value of approximately SEK 370m. During the year, trading on CBOE had a turnover of approximately 985 million Essity shares, on LSE Group approximately 385 million shares and other trading venues approximately 74 million shares.

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

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

Beta coefficient
The beta coefficient for Essity's Class B share was 0.28 in 2023. A beta coefficient of less than 1 indicates that the share is less sensitive to market fluctuations than average.

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

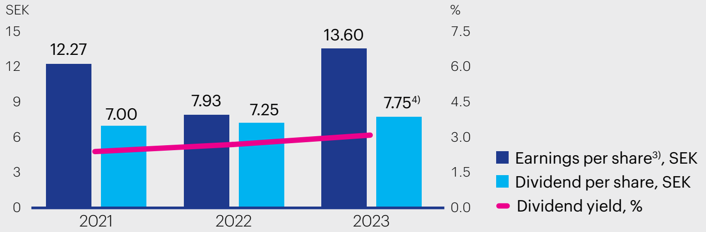
Earnings per share, 2023[3]

13.60 SEK

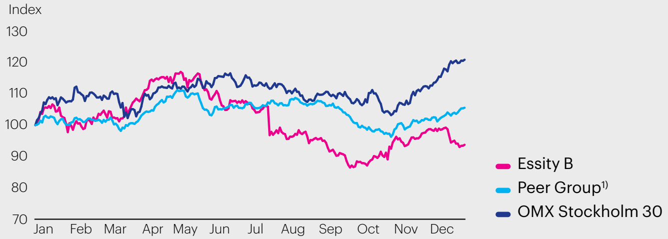
Proposed dividend per share, 2023[4]

7.75 SEK

Earnings, dividend and dividend yield



Total shareholder return 2023



1) Peer Group comprises a selection of competing companies in Essity's business areas Health & Medical, Consumer Goods and Professional Hygiene.
2) Data compiled by Modular Finance.
3) Total operations.
4) Board of Directors' dividend proposal.

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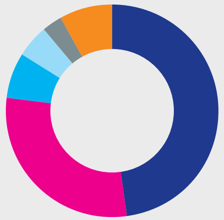
Ownership by country



Source: Euroclear, December 29, 2023.

Shareholder structure

Holding	No. of shareholders	No. of shares	Capital (%)	Votes (%)
1–1,000	93,428	19,194,737	2.7	3.1
1,001–10,000	13,711	37,404,564	5.3	6.0
10,001–20,000	649	9,171,430	1.3	1.3
20,001–	824	636,571,758	90.6	89.5
Total	**108,612**	**702,342,489**	**100.0**	**100.0**

Source: Euroclear, December 29, 2023.

Share distribution

	Class A	Class B	Total
Number of registered shares	60,977,881	641,364,608	702,342,489

In 2023, 231,033 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 1,251,143,418.
Source: Euroclear, December 29, 2023.

Ticker names

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

Essity's largest shareholders

At December 29, 2023, the following companies, foundations and mutual funds were the ten largest registered shareholders based on voting rights:

Shareholders	Votes (%)	Holding (%)
AB Industrivärden	29.6	10.2
Norges Bank Investment Management	7.5	5.8
AMF Insurance and Funds	6.3	1.8
MFS Investment Management	2.8	5.0
Swedbank Robur Funds	2.4	4.3
Skandia	1.9	0.7
Handelsbanken Fonder	1.7	3.1
Nordea Investment Funds	0.9	1.6
SCA AB's and Essity Aktiebolag's (publ) Employee foundations	0.8	0.1
Folksam	0.7	1.2
Other owners	45.4	66.2
Total	**100.0**	**100.0**

Source: Euroclear, December 29, 2023.
Essity Aktiebolag (publ) holds no treasury shares.

Data per share

All performance measures include items affecting comparability unless otherwise stated.

SEK per share unless otherwise indicated	2023	2022
Earnings per share before and after dilution [1]	13.60	7.93
Adjusted earnings per share [2) 3]	17.56	11.60
Average price during the year	271.72	250.44
Closing price, December 31	250.00	273.30
Cash flow from current operations	16.55	5.82
Cash flow from operating activities	27.16	14.24
Dividend [4]	7.75	7.25
Dividend yield, %	3.1	2.7
P/E ratio [5]	18	34
P/E ratio, excluding items affecting comparability [5]	14	24
Price/EBITA [6]	14	26
Price/EBITA, excluding items affecting comparability [6]	12	21
Beta coefficient [7]	0.28	0.64
Pay-out ratio, %	57	91
Equity	113	109
Number of registered shares, December 31 (millions)	702.3	702.3

1) Total operations.
2) Continuing operations
3) Excluding items affecting comparability and amortization of acquisition-related intangible assets.
4) Board of Directors' dividend proposal.
5) Share price at year-end divided by earnings per share.
6) Market capitalization plus net debt plus non-controlling interests divided by EBITA (EBITA = operating profit before amortization of acquisition-related intangible assets).
7) 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
2022	Conversion	–206,154	206,154	61,208,914	641,133,575	702,342,489	–	2,350,366,980	3.35
2023	Conversion	–231,033	231,033	60,977,881	641,364,608	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 ESG RATINGS AAA

ecovadis 2023 Platinum

CDP A LIST 2023 FORESTS

Sustainability Yearbook Member

Information to shareholders

Annual General Meeting

The Annual General Meeting will be held on Thursday, 21 March 2024 at 2 p.m. at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, Stockholm (registration from 1 p.m.).

The shareholders also have the opportunity to exercise their voting rights by voting in advance (so-called postal voting) ahead of the Annual General Meeting. Shareholders may thereby choose to exercise their voting rights at the Annual General Meeting 2024 by attending in person, through a proxy or by advance voting as instructed below.

Notice convening the Annual General Meeting can be found on essity.com.

A. Right to participate at the Meeting

Shareholders who wish to participate in the Annual General Meeting must

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB as of Wednesday, 13 March, 2024; and
- give notice of its intention to participate in the Meeting in accordance with the instructions set out in section "*B. Notice of participation at the meeting venue in person or by proxy*" no later than Friday, 15 March 2024, or by submitting its advance vote in accordance with the instructions under section "*C. Advance voting*" no later than Friday, 15 March 2024.

For shareholders who have their shares registered through a bank or other nominee, the following applies in order to be entitled to participate in the Meeting. In addition to giving notice of participation, such shareholder must re-register its shares in its own name so that the shareholder is listed in the presentation of the share register as of the record date Wednesday, 13 March, 2024. Such re-registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee in accordance with the nominee's routines, at such a time in advance as decided by the nominee. Voting rights registration that has been made by the nominee no later than Friday, 15 March 2024, will be considered in the presentation of the share register.

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

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

- on the company website www.essity.com,
- by mail to Essity Aktiebolag (publ), "Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, or
- by email to GeneralMeetingService@euroclear.com

Name, personal identity number/corporate registration number, address and telephone number, and number of accompanying persons (no more than two), if any, should be stated when notification is given. Shareholders represented by proxy shall issue a written and dated proxy for their representative signed by the shareholder. A proxy is valid one (1) year from its issue date or such longer period as set out in the proxy, however not more than five (5) years.

Proxy forms are available upon request and on www.essity.com. Anyone representing a legal entity must present a copy of the registration certificate or equivalent authorization document, not older than one (1) year, listing the authorized signatories. To facilitate registration at the Meeting, the proxy as well as the registration certificate and other authorization document should be sent to the company at the address stated above well in advance of the Meeting and no later than Friday, 15 March 2024.

C. Advance voting

Shareholders may exercise their voting rights at the Annual General Meeting by voting in advance, so-called postal voting. A person who wishes to attend the meeting venue in person or by proxy must however give notice in accordance with the instructions under section "*B. Notice of participation at the meeting venue in person or by proxy*" above. This means that a notice of participation only through advance voting is not sufficient for shareholders who wish to attend the meeting venue.

A special form must be used for the advance vote. The form is available on essity.com. Submission of the form in accordance with the instructions set out below is considered as notice of participation in the Annual General Meeting. The completed form must be received by Euroclear Sweden AB no later than Friday, 15 March 2024. The completed form may be sent to Essity Aktiebolag (publ), "Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden. A completed form may also be submitted electronically. Electronic submission can be made either through verification with BankID in accordance with instructions at https://anmalan.vpc.se/euroclearproxy, or by sending the completed form by email to GeneralMeetingService@euroclear.com. Electronic submission must be made no later than Friday, 15 March 2024.

Shareholders may not provide specific instructions or conditions to the advance vote. If so, the entire advance vote is invalid. Further instructions and conditions can be found in the advance voting form.

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

Nomination Committee

- Helena Stjernholm, AB Industrivärden, the Chairman of the Nomination Committee
- Amy Wilson, Norges Bank Investment Management
- Anders Oscarsson, AMF and AMF Funds
- 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 96–105.

Dividend

The Board of Directors proposes a dividend of SEK 7.75 per share and that the record date for the dividend be Monday, 25 March, 2024. Payment through Euroclear Sweden AB is expected to be made on Thursday, 28 March, 2024.

› For Essity's financial calendar 2024–2025 and other information, see page 187.

External environment

Several trends within areas such as demographics, hygiene and health, sustainability and digitalization, provide favorable conditions for good growth in the global hygiene and health market. Essity's strategy work includes analyses of the external macroeconomic environment, competition, and industry dynamics to identify opportunities, risks and drivers for growth.

Demographics

A growing global population and rising global average life expectancy are resulting in greater demand for hygiene and health products, solutions and services, thus offering growth opportunities for Essity. For example, incontinence and various chronic conditions, such as chronic wounds, are prevalent. In addition, the pressure on healthcare systems is increasing as well as the demand for new and effective solutions. Moreover, women's health issues, such as menopause, are receiving increased attention.

Generation Z (born 1997–2012) is becoming more influential and their disposable incomes are increasing. This group also places strong expectations on companies and brands in areas such as sustainability and equal opportunities in their purchasing and employment decisions. Essity is targeting all age groups to capture the increasing need for innovative solutions that cater to people at all stages of life.

Hygiene and health

There is an increased awareness of the importance of hygiene and health following the COVID-19 pandemic. This includes a widespread realization of the importance of preventive measures and self-care, including good hand hygiene and cleaning procedures both at home and in public spaces to avoid the spread of infections. At the same time, there is a growing threat from antimicrobial resistance (AMR), which according to the World Health Organization (WHO) represents a major threat to human health with significant global economic and security implications.

Demand for hygiene and health solutions is positively impacted by improved access to essential health and sanitation services in emerging markets, as well as increasing preventive expenditures in mature countries to avoid the spread of infections. Essity's product portfolio contains hand hygiene and cleaning products, solutions and services as well as wound care products that effectively prevent and treat infections.

Digitalization

Advances in connectivity and data transfer speeds, as well as greater commoditization of data, are enabling its value to be increasingly leveraged. Emerging technologies such as artificial intelligence and the metaverse are poised to make a significant impact in various industries. Consumers are spending more time and devoting more of their attention online, with a deepening integration of real and virtual worlds.

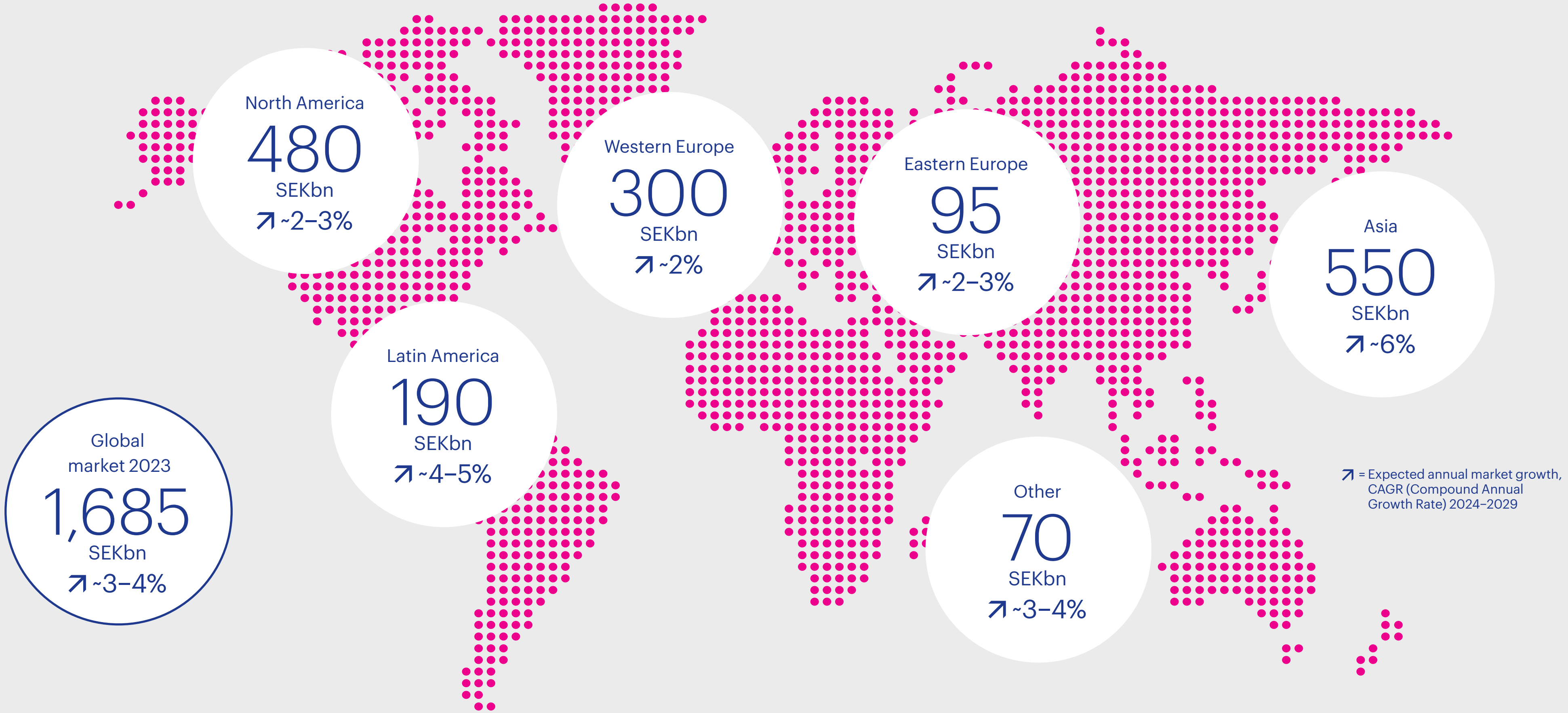
Essity is leveraging digitalization across the value chain and adopting new technologies where these create value for customers and consumers while increasing Essity's business performance.

Sustainability

There is growing awareness among public and private stakeholders of environmental and social sustainability issues such as climate change, nature conservation, human rights and equality. Essity is committed to improving the well-being of people and societies by reducing its impact on the planet. Social and environmental sustainability is a strategic priority for Essity to ensure future growth and competitiveness, while reducing risks.

Essity's products, solutions and services enable people all over the world to live more healthy and dignified lives. We conduct our business in a responsible manner and are reducing our environmental impact through climate and circularity actions and sustainable innovations, while respecting biodiversity and committing to reaching net zero emissions of greenhouse gases by 2050.

Hygiene and health market



Growth potential in different regions

The penetration and use of Essity's hygiene and health products, solutions and services vary between regions – from relatively high in mature markets to relatively low in emerging markets. For example, consumption of incontinence products in Latin America is only about one fourth of that in Western Europe, and tissue consumption in Eastern Europe is only about one third of that in Western Europe. Several trends are driving the increased demand in emerging markets, including the achievement of higher living standards, urbanization-induced expansion of retail trade and e-commerce, heightened awareness of hygiene and health, and growing access to medical care. Essity aims to grow and defend leading market positions in mature markets and capitalize on growth opportunities in emerging markets.

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.

Essity's market positions

	Global	Europe	North America	Latin America	Brands
Incontinence Products	1	1	5	1	TENA
Professional Hygiene	1	1	2	2	TORK
Medical Solutions[1]	2	1	8	3	Leukoplast, JOBST, Actimove, Cutimed
Consumer Tissue	3	1	–	3	Tempo, Lotus, Zewa
Feminine Care	5	3	–	1	Libresse, Saba, Nosotras, TOM Organic, knix, modibodi
Baby Care	5	2	–	–	Libero

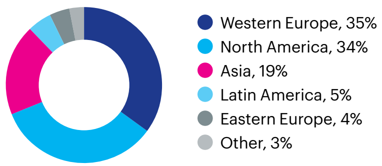
1) Consolidated position which includes the product segments Wound care, Compression Therapy and Orthopedics.

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.

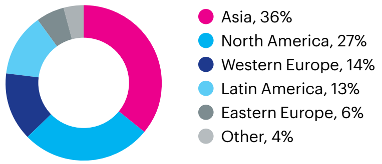
The hygiene and health market amounted to approximately SEK 870bn in mature markets and to approximately SEK 815bn in emerging markets in 2023.

Global market by region

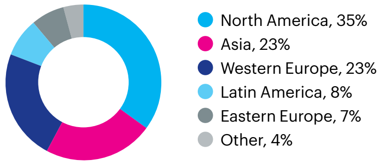
Health & Medical



Consumer Goods

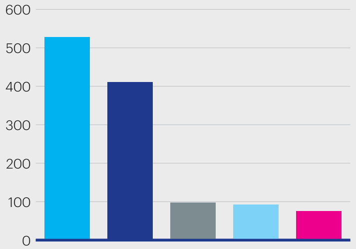


Professional Hygiene

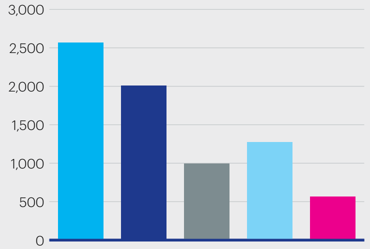


Use

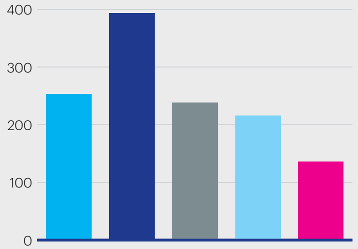
Incontinence Products
Number per person with incontinence/year



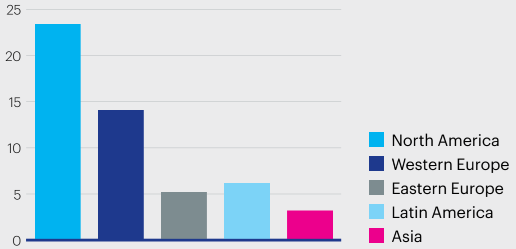
Baby Care
Number per child up to the age of 2.5 years/year



Feminine Care
Number per woman aged 10–54 years/year



Tissue
Kg per capita/year



Value creation for our stakeholders – Essity's strategic framework

Essity's environment and market includes trends, such as demographics, hygiene and health, sustainability, and digitalization. These provide favorable conditions for good growth in the global hygiene and health market. Read more on page 12.

Purpose

Breaking barriers to well-being

Value for our stakeholders

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

Vision and mission

Vision

To be the undisputed global leader in hygiene and health

Mission

Develop, supply and sell superior hygiene and health products, solutions and services

Strategy

Where to play:

- **Category** — Read more on page 16.
- **Geography** — Read more on page 17.
- **Channel** — Read more on page 18.

How to win:

- **People & culture** — Read more on page 19.
- **Brand building & innovation** — Read more on page 20.
- **Operations** — Read more on page 21.
- **Sustainability** — Read more on page 22.

Business areas

- Health & Medical
- Consumer Goods
- Professional Hygiene

Read more on pages 26–32.

Group targets

Profitable and sustainable growth

- Adjusted return on capital employed[1] >17% by 2025
- Annual sales growth[2] of >5%
- Solid investment grade rating
- Stable and rising dividends
- Sustainability includes, among other things, science-based targets with the ambition to achieve net zero emissions by 2050 and that all production waste should be subject to material or energy recovery by 2030

Read more on pages 23–25.

1) Excluding items affecting comparability.
2) Including organic sales growth and acquisitions.

Where to play

Category choices

We focus on hygiene and health categories where product performance and brand preference matter.

Hygiene and health are the essence of well-being. Our portfolio of hygiene and health products, solutions and services play an essential role in improving well-being for the benefit of consumers, patients, caregivers and customers across the globe. And for the benefit of society and the planet.

An attractive portfolio
Essity enable superior hygiene outcomes and experiences at home and away from home by supporting the effectiveness and efficiency of hygiene routines, and by preventing, treating and monitoring health conditions. Across our businesses, we are led by insights focused on providing the right product performance to meet the needs and expectations of consumers, customers, patients and caregivers.

We will continue to develop our portfolio toward higher margins and focus our expansion on where we can scale our core capabilities and gain the right to win while creating superior value.

Profitable growth opportunities
Through our portfolio, we tap into expanding markets where favorable trends fuel profitable growth opportunities. Essity's key priority is leveraging, growing and strengthening our core business to enable global growth into new categories and new business models with high growth outlooks, low capital intensity and high yields. In recent years, Essity has successfully expanded its portfolio into new product segments and new business models, such as leakproof apparel and menopause solutions. We have also invested in new digital solutions that support our core business, for example the TENA SmartCare Change Indicator™ and Caressa, a digital platform to assist family caregivers.

Another example of how Essity works with innovation and expands existing product segments is within incontinence products for men. With the TENA brand, Essity is a market leader in the area that has good growth potential as one in four men experience incontinence, but only one in ten use incontinence products. Essity works to offer new and innovative products as well as increase knowledge and break taboos.

With the TENA brand, Essity is a market leader within incontinence products for men.

Where to play

Geographic choices

We strive for growing positions in East Asia, Latin America and the USA, while leveraging our positions in Europe.

Essity sees growth opportunities in all its three business areas and across product categories and market combinations. Our strong market positions in Europe offer a solid base for scale and further expansion. Over time, Essity strives to increase the company's share of sales and earnings in emerging markets, mainly in East Asia and Latin America, where consumption of hygiene and health products, solutions and services is significantly lower than in mature markets. In addition, the USA is a significant growth opportunity in mature markets.

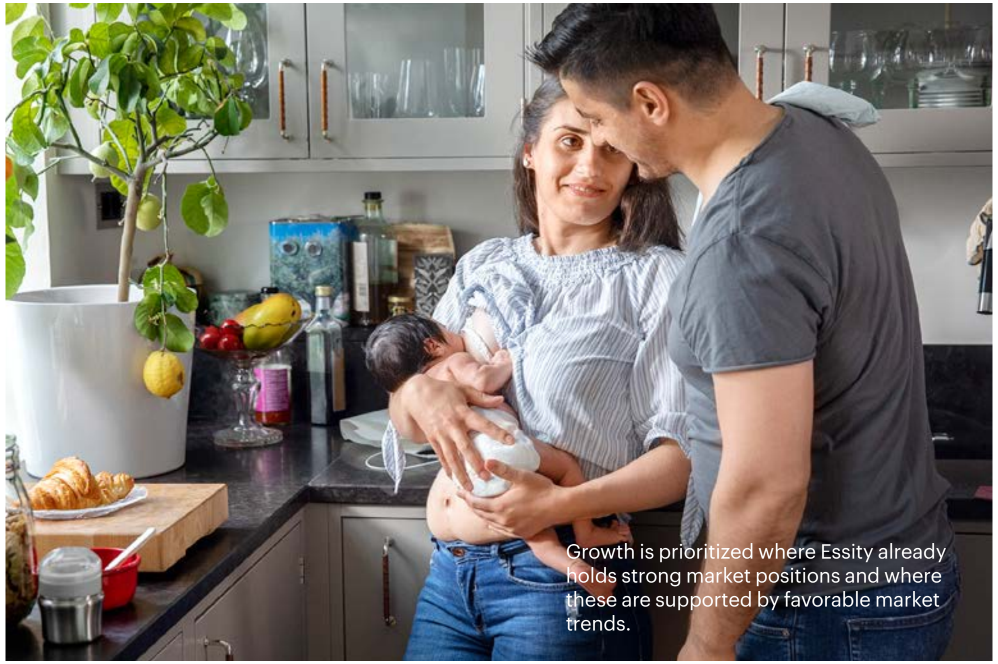
Growth is prioritized where Essity already holds strong market positions and where these are supported by favorable market trends. In 2023, organic sales growth in emerging markets amounted to 9.2% and accounted for 26% of net sales.

Europe

Europe accounts for 60% of Essity's business, where we are present with all three business areas across all the company's hygiene and health categories. Europe represent 23% of the value of the global hygiene and health market with an expected growth of approximately 2–3% in 2024–2029. A key priority for Europe is defending the company's strong leading market positions and growing in key markets through differentiation and innovation, and by extending the portfolio in adjacent categories.

East Asia

Asia represents 33% of the value of the global hygiene and health market with an expected growth of approximately 6% in 2024–2029. Growth is driven by population growth, higher living standards and increased disposable income. Essity's presence in East Asia has mainly been through the company's majority ownership in the Asian hygiene company Vinda. In 2023, Essity decided to initiate a strategic review of the company's ownership of Vinda, with the aim of reducing Consumer Tissue's share of the company's total sales. On December 15, a conditional public offer was made for all shares in Vinda, entailing a shift for Essity toward a product portfolio with a higher margin and lower volatility. An exclusive license to continue to market and sell certain Essity branded products will be offered to Vinda after closing of the transaction to replace the existing license agreement. Read more on page 34. Essity's long-term priority to develop a strong business in Asia across all three business areas stands firm.



Growth is prioritized where Essity already holds strong market positions and where these are supported by favorable market trends.

Latin America

Latin America accounts for 11% of the value of the global hygiene and health market, with an expected growth of approximately 4–5% in 2024–2029. The continent offers opportunities for further penetration of Essity's categories due to low per-capita consumption compared to developed economies. Essity has strong brands and market positions in Latin America, with leading positions in Feminine Care and Incontinence Products, and is growing within the Health & Medical and Professional Hygiene business areas. The aim is to be the fastest growing hygiene and health company in the region through innovation, increased premiumization, leading brands and growth in e-commerce sales. In 2023, we continued to deliver on our expansion plans in Brazil, the largest market in the region.

USA

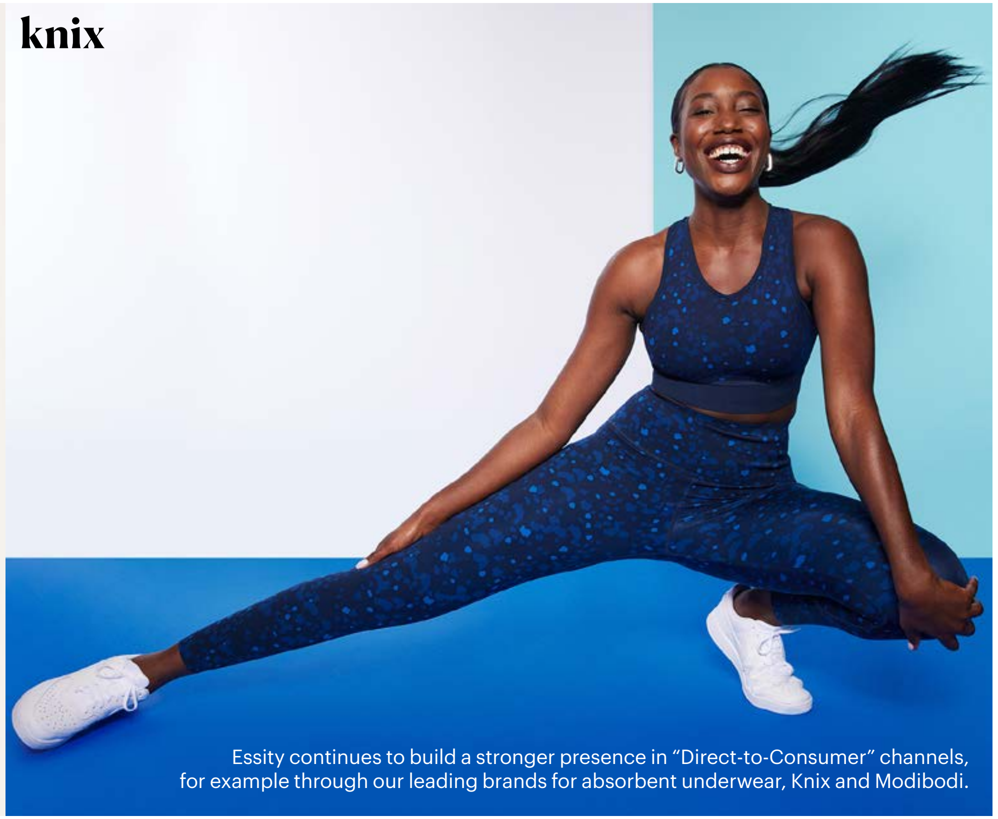
The USA is the world's largest economy and the largest hygiene and health market in the world. In the USA, Essity has a presence in all business areas: Health & Medical, Consumer Goods and Professional Hygiene. Essity is a market leader in leakproof apparel with the Knix brand. Over the past number of years, we have conducted acquisitions in all three business areas to strengthen the portfolio of products and brands, and our aim is for the business to continue to grow.

Contents

Where to play

Channel choices

We want to be present in all relevant channels for consumers, patients, caregivers and customers.



Essity continues to build a stronger presence in “Direct-to-Consumer” channels, for example through our leading brands for absorbent underwear, Knix and Modibodi.

Presence in channels for relevant target groups
The distribution channels for Essity’s products, solutions and services are the retail trade, distributors, pharmacies, hospitals, and e-commerce. We aim to have a presence in all relevant online and offline channels where consumers, patients, caregivers and customers can be found, with the objective to deliver superior experiences through an effective “Go-to-Market” model and best-in-class service. We also strive to create strong relationships with our customers. Essity monitors development of market trends and adjusts and adapts to new ways of interacting with customers and consumers in relevant touchpoints. In 2023, for example, we launched an explorative pilot of a gamified experience, Saba V-Land. It was introduced on the Roblox platform in Mexico, where Essity’s brand Saba is a market leader in Feminine Care, using the metaverse to increase knowledge about and normalize menstruation and targeting young girls and boys.

Investing in e-commerce to benefit customers and consumers
Digitalization is changing the way we market and sell our products, solutions and services and how we build relationships with consumers, patients, caregivers and customers. In recent years, Essity has increased its presence, moving from traditional distribution channels offline to more digital channels. Through digital interaction with customers and consumers, we also gain a better understanding of their needs and can effectively communicate and engage with them. In 2023, Essity’s e-commerce sales grew 9.8% to SEK 14bn, corresponding to approximately 9% of the company’s net sales.

“Direct-to-Consumer” presents an opportunity to attract new customers, and to grow our relationship with existing ones, while strengthening brand loyalty. Essity continues to build a stronger presence in “Direct-to-Consumer” channels, for example through our leading leakproof apparel brands Knix and Modibodi, and our global menopause e-commerce platform Issviva, which provides information, solutions and products for women during the various stages of menopause.

Contents

How to win

People and culture leadership

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

Culture and leadership

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

Essitys Beliefs & Behaviours

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

Diversity, equity, and inclusion

Essity's commitment in the field of diversity, equity, and inclusion (DEI) is specified in the Group's targets. According to our commitment, gender distribution at all management levels is to be within the interval 40/60%. In addition, we are committed to offering an inclusive work environment for all employees, as well as accelerating representation for underrepresented groups. In 2023, we activated key initiatives in a global roadmap to deliver on our DEI goals. Essity's DEI efforts are firmly supported by the company's Beliefs & Behaviors and its purpose. Moreover, they help to increase our innovative capacity and to attract and retain employees. Our focus on DEI is also important for our customers and consumers as we contribute to a more sustainable society.

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

- A culture where people thrive
- Learning as a part of everyday work
- Attract and grow talent
- A safe, sustainable and healthy workplace

Developing for the future

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

Essity operates academies that address both leadership and functional capabilities in addition to a range of different mentorship and coaching programs. We are continuing our shift from traditional to digital learning and are exploring new technologies that can help us make learning part of day-to-day work.

› Read more on pages 79–81.

Attracting and retaining talent

Essity aims to attract and engage the talent of today for the Essity of tomorrow. We focus on communicating our employer offering to specific target groups and building relationships and recruiting talent on and offline. To ensure a strong inflow of new talent, we conduct programs targeting recent graduates.

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

How to win

Brand building and innovation leadership

Through innovations and purposeful and strong brands we want to retain and strengthen product category leadership and build number one or two market positions.

Winning brands for improved well-being
Essity's solutions enable superior hygiene outcomes and experiences at home and away from home by supporting the effectiveness and efficiency of hygiene routines and by preventing, treating and monitoring health conditions. Continuous innovation is crucial to achieving product superiority and steadily improving people's well-being while contributing to a more sustainable and circular society. During the year, research and development (R&D) costs amounted to approximately SEK 1.7bn, corresponding to about 1.2% of net sales. We over-invest in the categories with the highest return, where the greatest value can be created.

Essity holds the number one or number two position in approximately 90% of the company's branded sales. A high proportion of branded sales demonstrates product superiority, products that our customers prefer in terms of the product's characteristics, brand, and price. In 2023, these accounted for 62% of Essity's branded sales. Our brands are strengthened through Essity's marketing campaigns, whose clear purpose is to break barriers to well-being. By reaching and following our customers and consumers in digital channels, we increase the value of marketing investments. Together with product innovation, this creates strong, purposeful and appreciated brands.

Sustainable and innovative solutions
Essity focuses on sustainable innovations that increase customer and consumer value and reduce the company's environmental impact. Our target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2023, the outcome was 85%. Examples of innovations launched in 2023 include natural color paper towels and toilet paper under the Tork brand made from 100% recycled fibers. Essity aims to increase the use of alternative recycled fiber as part of the company's sustainability work and to future-proof the availability of fiber and reduce raw material costs. Under the Plenty brand, Flexisheets Tubeless was launched, a more sustainable household towel that is 50% longer and has no cardboard core that otherwise goes to waste.

Essity's two leading brands, Tork and Libresse, launched a Tork Period Care Dispenser that offers feminine care products in public restrooms. The dispenser shows our strength in combining solutions from different brands to create value for customers and consumers, and profitable growth.

Solutions for an aging population
As the world's population increases and global average life expectancy rises, so too does the pressure on caregivers and healthcare facilities. Through digital solutions as TENA SmartCare Identifi™ Sensor Wear Flex, Essity facilitates better care of incontinence by saving time and reducing stress for caregivers. Another example is Caressa, a digital platform to assist family caregivers. Caressa brings together care essentials – tasks, medications and appointments – into one subscription-based app, enabling family members to collaborate and coordinate care.

In 2023, Essity's two leading brands, Tork and Libresse, launched a Tork Period Care Dispenser that offers feminine care products in public restrooms.

Expanded reusable range
In 2023 our reusable offering was expanded with soft cotton washable absorbent underwear under the TENA brand. In Latin America, washable pads were launched under the Saba and Nosotras brands. The pads last for about 25 washes, consume 85% less plastic and generate 70% less waste compared to a regular pad.

How to win

Operational leadership

We drive world-class efficiency and service excellence through digitalization, while focusing on continuous improvements, cost savings and sustainability.

Safety first
At Essity, safety, health and well-being are our highest priority. The "I Care" initiative is our journey for a safe and healthy work environment and guides us toward a culture where all Essity employees are empowered to come home from work safe and healthy, every day.

Through a robust governance process in the areas of Risk, Environment, Safety and Health (RESH), we secure compliance, leadership, systems and processes to protect our employees, our planet and our assets around the world. We track this by monitoring progress in total recordable injury (TRI) reduction as one of our Group targets. The target is to reduce the frequency of TRI by 75% by 2025 compared to 2019. The outcome for 2023 was a decrease of 58%.

› Read more on pages 83–84.

Manufacturing Excellence
Within the framework of Manufacturing Excellence, Essity works with continuous improvements through focus on people, process innovation, efficiency, quality, and sustainability. We strive to reduce waste, logistics and distribution costs, increase productivity, and optimize material and energy utilization. This contributes to a reduced environmental footprint ensuring cost savings through optimized production structure, efficiency improvements, and raw material and energy savings. These measures facilitate growth without investments increasing at the same pace. During 2023, Essity achieved cost savings of SEK 433m while we also reduced carbon emissions in scope 1 and 2 with 26% compared to 2016.

In the "Essity Manufacturing Academy", we train our employees and apply an operator-centric approach. Ensuring that all employees can master major assets is key, with the aim of having safe and optimized production facilities. Moreover, rapid adjustments are enabled for innovation, product adaptations and service excellence to customers and consumers.

We actively work with our suppliers, to optimize logistics and distribution, implement digital solutions and breakthrough technology that can lead to significant efficiency improvements, reduce waste, and provide circular solutions that use renewable energy sources and that decrease energy consumption.

Digitalization
Essity is leveraging digitalization across the value chain and adopting new technologies where these create value for customers and consumers while increasing Essity's business performance. Our aim is to optimize and improve internal operations through artificial intelligence and advanced analytics as well as increased automation and robotization of production, distribution, logistics and administration. By establishing global customer centric end-to-end processes and utilizing a user-friendly digital platform we support value creation and profitable growth.

Using advanced sensors, algorithms, and innovative vision systems we are working to achieve more efficient production, shorter lead times and higher quality and, consequently, lower environmental impact and the development of smart production facilities. We are investing in analytics tools to move beyond understanding what has happened across our supply chain to why and what actions can be taken to improve performance.

We have piloted support solutions for our operators that are now being progressively rolled out across key production facilities. These solutions improve communication between our operators so they easily can access support from their colleagues.

Essity's production facilities monitor more than 50 million data points every hour and by processing the data, we optimize material and energy usage to reduce greenhouse gas emissions and waste. Over the last three years, we have reduced converting waste by 20%. In some critical lines, we moved to 100% automatic product inspection. In the maintenance area, we are using artificial intelligence to prevent mechanical unplanned downtime, with a quantified cost avoidance. Our production optimization tools allow our sites to contribute to reduce greenhouse gas emission by adapting the process setpoints and monitoring consumption in real time.

Essity strives to reduce waste, logistics and distribution costs, increase productivity, and optimize material and energy utilization.

How to win

Sustainability leadership

Our hygiene and health solutions are essential to people's well-being and enable people all over the world to live healthier and more dignified lives.

We challenge taboos and stigmas around hygiene and health to contribute to healthier and more inclusive societies. At the same time, we continuously improve our operations and processes to innovate and launch new solutions to reduce our environmental impact. As one of the world's leading hygiene and health companies, we have the reach and the obligation to overcome global challenges throughout our business and operations, across our brands, and through partnerships and cooperation.

Priorities

In 2022, Essity introduced its "Sustainability Playing Field," summarizing Essity's priorities within social and environmental sustainability. We are focusing on the social areas of hygiene and health, diversity, equity, and inclusion (DEI), occupational health and safety, product safety, business ethics and human rights, and the environmental areas of emissions, forest and fiber, plastics, waste, and water. These are the most relevant topics for Essity to succeed in and targets, roadmaps, and initiatives are in place within all areas.

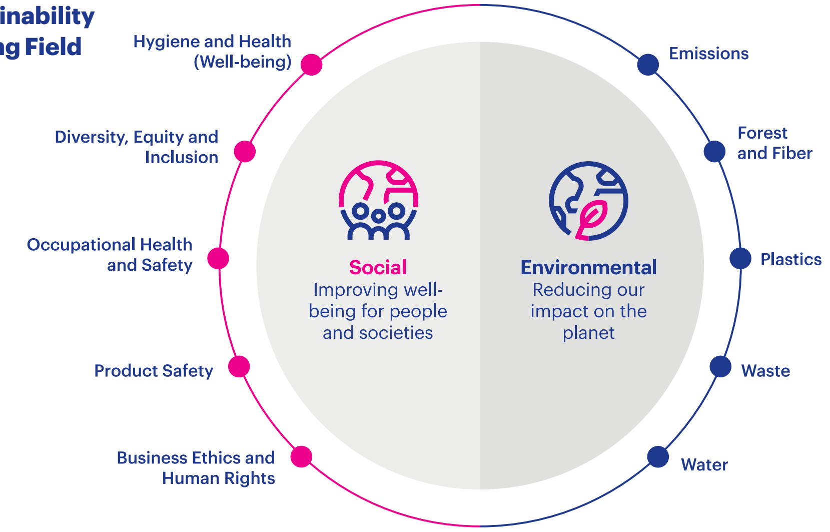
Social sustainability

In hygiene and health, we act through our brands to break taboos, increase awareness, increase access, raise standards and contribute to a more diverse and inclusive society. Internally, our DEI strategy provides an inclusive working culture for all. We recognize the visibility of professional and family caregivers and the value they bring to society each day. We also focus on women's health during all stages of life and on promoting knowledge of good hygiene as a basis for good health and fighting antimicrobial resistance (AMR) by increasing awareness of and training in infection prevention routines. Essity is committed to the highest safety standards for all employees, and we support human rights throughout the value chain and conduct our business in a socially responsible manner. We are committed to offering products with the highest safety standards throughout the product's full life cycle.

Environmental sustainability

With climate change being the defining issue of our time, reducing greenhouse gas emissions and our commitment to a net zero business by 2050 are central to Essity. Each business area contributes to the defined corporate science-based targets along specific roadmaps with key focus areas according to the highest environmental impact of the respective area of the business. We have a central steering group in place, coordinating and tracking progress. As the majority of our products contain fresh wood-based fiber, we are committed to zero net deforestation. Together with partners and the Consumer Goods Forum (CGF), we act for a forest-positive future. We consider responsible forest management critical to maintaining healthy forest ecosystems.

Sustainability Playing Field



We are committed to improving water efficiency in our operations to preserve the integrity of freshwater systems. Essity aims to reduce plastics in products and packaging by introducing new materials and increasing the content of renewable or recycled packaging materials. We work toward all production waste to be subject to material or energy recovery by 2030 and aim to reduce product waste after use by steering consumption, introducing alternative multi-use products and offering end-of-life solutions, such as tissue recycling.

› Read more about Essity's targets and progress in sustainability on pages 49–91.

Sustainable tissue production

As a part of our commitment to achieving net zero emissions of greenhouse gases by 2050, Essity has entered an exclusive partnership with the global technology company Voith to develop a new tissue-making process that will reduce energy and CO_2 emissions while cutting water consumption by up to 95%.

Financial targets and outcomes

Essity creates value for customers, consumers, communities, employees, and shareholders through profitable and sustainable growth. The concept of profitable and sustainable growth has been broken down into a number of Group targets and policies.

Capital Structure Policy

Target:

Maintain a solid investment grade rating

Outcome 2023:

Solid investment grade rating

Net debt amounted to SEK 49,964m. Net debt in relation to adjusted EBITDA[2] amounted to 2.00.

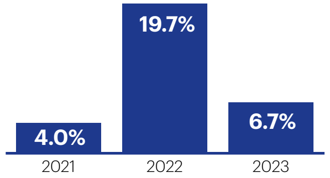
Annual sales growth[1]

Target:

>5%

Outcome 2023:

6.7%



In 2023, sales growth, including organic sales growth and acquisitions, amounted to 6.7%, of which volume accounted for –3.7%, price/mix for 9.5% and acquisitions 0.9%.

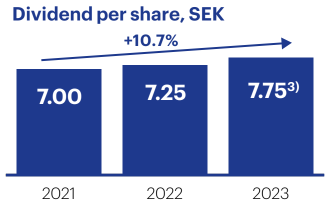
Dividend Policy

Target:

Long-term stable and rising dividends

Outcome 2023:

7.75[3] SEK



The Board of Directors proposes an increase in the dividend of 7% compared with 2022 to SEK 7.75 per share for the 2023 fiscal year.

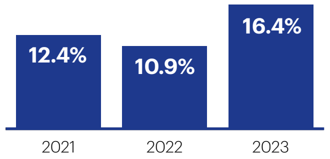
Adjusted return on capital employed[2]

Target by 2025:

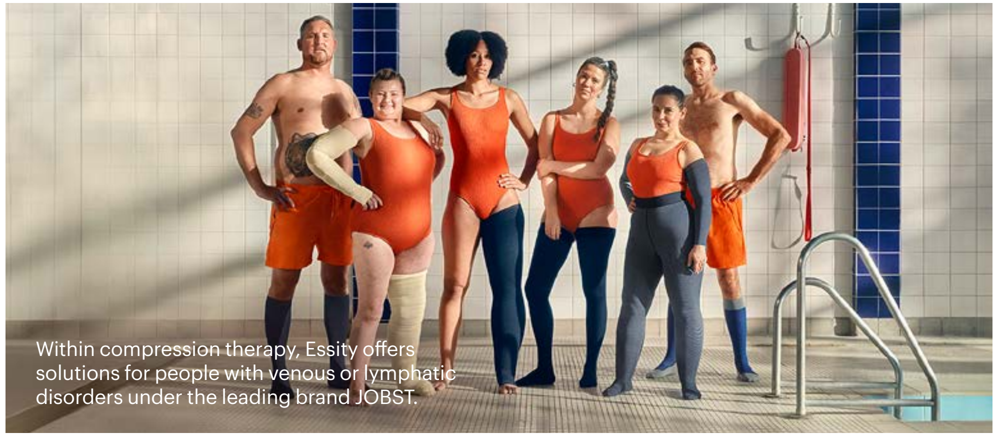
>17%

Outcome 2023:

16.4%



In 2023, the profit was positively impacted by higher sales prices, a better product mix, and cost savings.



Within compression therapy, Essity offers solutions for people with venous or lymphatic disorders under the leading brand JOBST.

1) Including organic sales growth and acquisitions. 2) Excluding items affecting comparability. 3) Board of Directors' dividend proposal.

Contents

Sustainability targets and outcomes

Science-based targets

Target 2030 (compared with 2016):		Outcome 2023:	
Scope 1 and 2	–35%	Scope 1 and 2	–26%
Scope 3	–18%	Scope 3	–10%[1]

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

Sustainable innovations

Share that yielded social and/or environmental improvements

Target: >50%

Outcome 2023: 85%

Sustainable innovations are measured as the share of revenue from innovations launched in the most recent three years. For example, in 2023 Essity launched washable pads under the brands Saba and Nosotras, and natural color paper towels and toilet paper made of 100% recycled fiber under the Tork brand.

Health and safety

Decrease in total recordable incident rate compared with 2019

Target 2025: –75%

Outcome 2023: –58%

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

1) Outcome in 2022.

Gender distribution at management levels

Target: 40/60%

Outcome 2023: 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%, where the majority group based on gender is to constitute no more than 60%. The target is reported at an aggregate outcome level for the three management levels.

Fresh fiber

Share of FSC™- or PEFC-certified fresh fiber

Target: 100%

Outcome 2023: 98%

Through certifications such as the Forest Stewardship Council™ (FSC™ C003255) and the Programme for the Endorsement of Forest Certification (PEFC/16-33-1406), Essity ensures sustainable fiber sourcing, thereby preventing deforestation and promoting biodiversity.

Production waste

Subject to material or energy recovery

Target 2030: 100%

Outcome 2023: 67%

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

Sustainability targets and outcomes

Packaging

Share of packaging manufactured from renewable and/or recycled material

Target 2025: 85%

Outcome 2023: 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.

Responsible sourcing

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

Target 2025: 95%

Outcome 2023: 92%

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 2023: 88%

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.

Essity's Tork PeakServe dispensers provide paper towels in an efficient manner and increase hygiene and health worldwide.

Our business areas

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

Health & Medical

› Read more on page 27.

19% of net sales 2023

Consumer Goods

› Read more on page 29.

54% of net sales 2023

Professional Hygiene

› Read more on page 31.

27% of net sales 2023

Health & Medical

Holistic health and medical solutions along the continuum of care

27,729
Net sales, SEKm

7.0%
Sales growth[1]

7.0%
Organic sales growth[2]

14.6%
Adjusted EBITA margin[3]

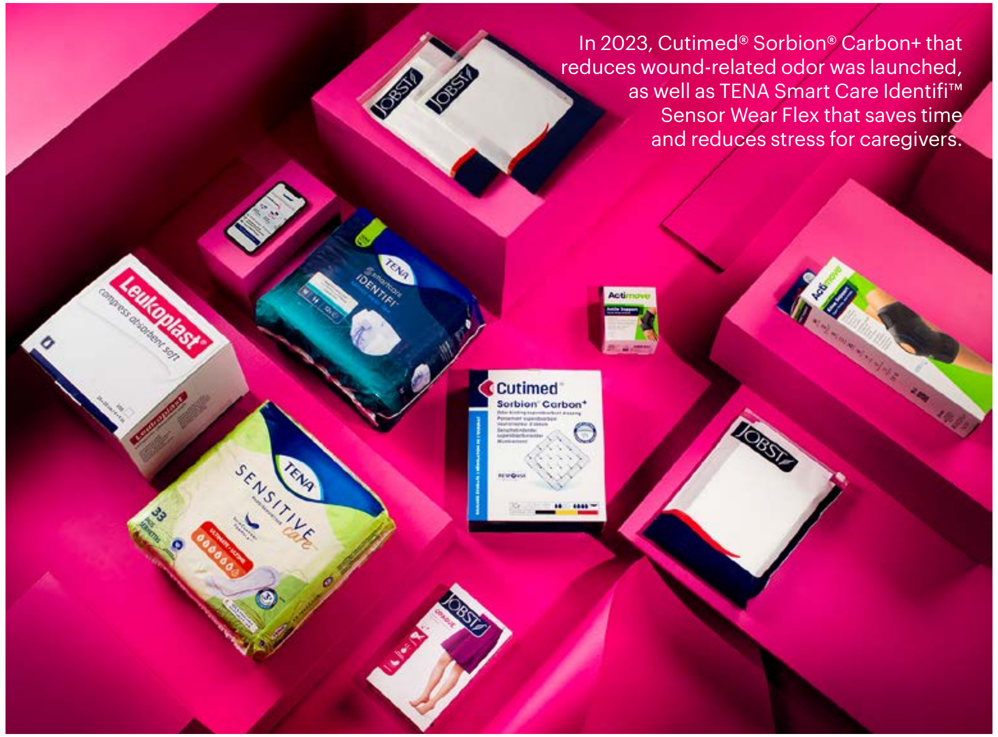
11.7%
Adjusted return on capital employed[3]

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

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

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

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



In 2023, Cutimed® Sorbion® Carbon+ that reduces wound-related odor was launched, as well as TENA Smart Care Identifi™ Sensor Wear Flex that saves time and reduces stress for caregivers.

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

Wound care
In wound care, under the Leukoplast brand, Essity offer a wide range of wound care products for the hospital setting, such as surgical tapes, post op dressing and wide area fixations as well as specialized band aids and other wound care products for minor wounds and scratches in the home environment. Essity also offers products for all stages of healing of chronic wounds, including, for example, the Sorbact and Sorbion technologies, under the Cutimed and Hydrofera brands. Essity is the fifth largest global player in wound care and a leading player in Europe.

Compression therapy
In the compression therapy compression garments such as arm sleeves and stockings as well as compression bandages are offered. The products are used to manage lymphatic and venous conditions as well as during exercise or for longer trips. With the globally leading brand JOBST, Essity is the largest player in

the world in compression therapy, holding the leading position in North American and number two position in Europe.

Orthopedics

Within orthopedics, solutions are offered for skeletal, muscular and joint injuries as well as for chronic conditions such as arthritis. Products include, for example, casts, splints, braces support products and athletic tapes. Essity sells orthopedic products under the Delta-Cast and Actimove brands and is the third largest player globally.

Earnings 2023

Net sales increased 12.2% to SEK 27,729m (24,708). Sales growth, including organic sales growth and acquisitions, amounted to 7.0%, of which volume accounted for –2.6%, price/mix for 9.6% and acquisitions for 0.0%. The lower volumes were mainly a result of the company's focus on profitable growth. Furthermore, volumes were negatively affected by lower volumes in Russia prior to the divestment. The organic sales growth amounted to 6.3% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 10.0%. Exchange rate effects increased net sales by 5.8%. Divestments reduced net sales by 0.6% and include the divestment of Russian operations.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 7.3%. In Medical Solutions, organic sales growth amounted to 6.7%.

The adjusted gross margin increased 2.9 percentage points to 40.3% (37.4). The margin was positively impacted by higher prices, a better mix, lower distribution costs and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin.

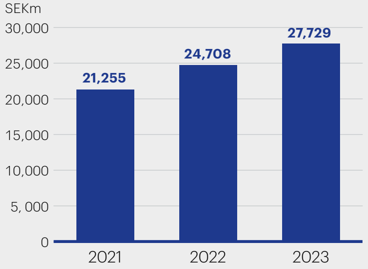
The adjusted EBITA margin increased 2.8 percentage points to 14.6% (11.8). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales. Adjusted EBITA increased 39% (31% excluding currency translation effects, acquisitions and divestments) to SEK 4,037m (2,904).

The operating cash surplus amounted to SEK 5,015m (3,774).

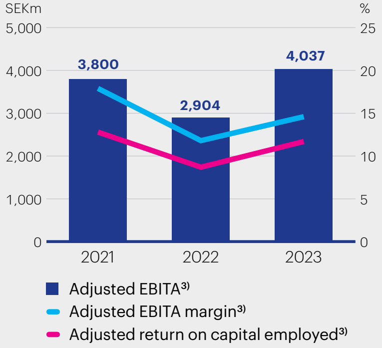
Brands:

TENA, Leukoplast, JOBST, Actimove, Cutimed, Delta-Cast, AquaCast Liner, Hydrofera

Net sales



Earnings trend

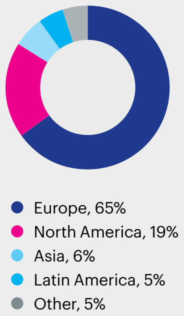


Key figures

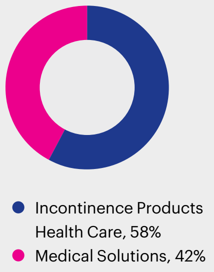
SEKm	2023	2022	%
Net sales	27,729	24,708	12
Sales growth[1], %	7.0	9.6	
Organic sales growth[2], %	7.0	7.2	
Adjusted gross margin[3], %	40.3	37.4	
Adjusted EBITA[3]	4,037	2,904	39
Adjusted EBITA margin[3], %	14.6	11.8	
Adjusted return on capital employed[3], %	11.7	8.7	
Operating cash flow	3,680	2,396	54
Investments in non-current assets	–931	–727	28
Average number of employees	8,544	8,415	2

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

Net sales by region



Net sales by product category



Consumer Goods

Personal and home hygiene for all stages of life

79,912
Net sales, SEKm

5.4%
Sales growth[1]

3.7%
Organic sales growth[2]

12.3%
Adjusted EBITA margin[3]

18.2%
Adjusted return on capital employed[3]

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

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

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

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

Baby Care
In Baby Care, Essity offers baby diapers and baby care products such as wet wipes, shampoo, lotion and baby oil.

Essity is the fifth largest player globally with sales mainly in Europe where Essity is the second largest player with the Libero and Lotus brands, as well as retailer brands. Essity's strongest market is the Nordic region, where the Libero brand is the market leader.

In 2023, cotton washable absorbent underwear under the TENA brand was launched, as well as washable pads under the Saba and Nosotras brands, Flexisheets Tubeless under the Plenty brand and Libero CapturePocket™ that better avoids leakage.

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

Essity is the fifth largest player globally with several strong regional brands supported by Essity's global V-brand platform for shared innovation, marketing and consumer insights. In Europe, Essity is the third largest player with brands such as Libresse, Bodyform and Nana. Essity is the market leader in Latin America with the Saba and Nosotras brands. In Australia, Essity is the market leader with the Libra, TOM Organic and Modibodi brands. Through the acquisition of Knix in 2022, Essity is also represented in Feminine Care in North America with the Knix brand.

Consumer Tissue
In Consumer Tissue, Essity offers toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Essity is the world's third largest supplier of consumer tissue, with a presence primarily in Europe and Latin America. In Europe, Essity is the market

Contents

leader with brands such as Lotus, Tempo, Zewa, Cushelle and Plenty, and under retailer brands. In Latin America, Essity is the third largest player with the Regio and Familia brands.

Earnings 2023

Net sales increased 10.6% to SEK 79,912m (72,241). Sales growth, including organic sales growth and acquisitions, amounted to 5.4%, of which volume accounted for –4.4%, price/mix for 8.1% and acquisitions for 1.7%. The lower volumes were mainly a result of the company's focus on profitable growth and lower volumes in Russia prior to the divestment. Organic sales growth amounted to 1.7% in mature markets. In emerging markets, which accounted for 33% of net sales, organic sales growth was 7.8%. Exchange rate effects increased net sales by 7.0%. Divestments reduced net sales by 1.8% and pertain to the divestment of Russian operations.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 13.8%, in Feminine Care to 12.8% and in Baby Care to –4.5%. In Consumer Tissue, organic sales growth amounted to 1.0%.

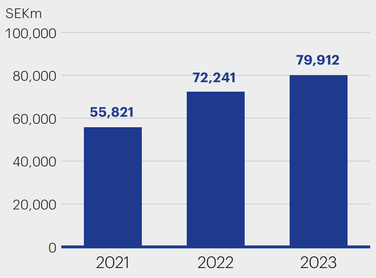
The adjusted gross margin increased 4.5 percentage points to 27.5% (23.0). The margin was positively impacted by higher prices and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation, had a negative impact on the margin.

The adjusted EBITA margin increased 3.5 percentage points to 12.3% (8.8). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 54% (47% excluding currency translation effects, acquisitions and divestments) to SEK 9,797m (6,354).

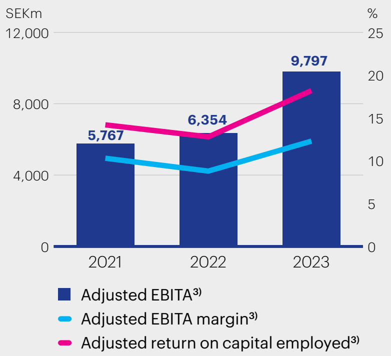
The operating cash surplus amounted to SEK 12,836m (9,289).

Brands:

Net sales



Earnings trend

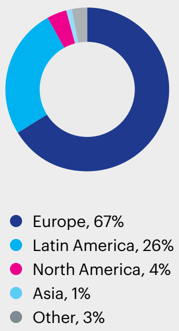


1) Including organic sales growth and acquisitions.
2) Excluding exchange rate effects, acquisitions and divestments.
3) Excluding items affecting comparability.

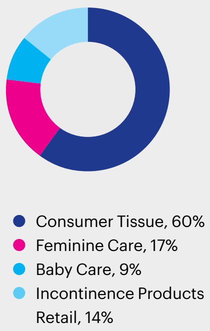
Key figures

SEKm	2023	2022	%
Net sales	79,912	72,241	11
Sales growth[1], %	5.4	20.0	
Organic sales growth[2], %	3.7	17.6	
Adjusted gross margin[3], %	27.5	23.0	
Adjusted EBITA[3]	9,797	6,354	54
Adjusted EBITA margin[3], %	12.3	8.8	
Adjusted return on capital employed[3], %	18.2	12.8	
Operating cash flow	8,233	3,567	131
Investments in non-current assets	–3,373	–2,647	27
Average number of employees	18,271	18,142	1

Net sales by region



Net sales by product category



In Consumer Goods, 36% of total net sales was related to retailer brands. In Incontinence Products Retail 1%, Baby Care 61%, Feminine Care 7% and Consumer Tissue 49%. The Consumer Tissue Private Label Europe division accounts for 22% of Consumer Tissue.

In Consumer Goods, emerging markets accounted for 33% of total net sales.

Professional Hygiene

Hygiene management solutions for a broad set of commercial applications

39,481
Net sales, SEKm

9.2%
Sales growth[1]

9.1%
Organic sales growth[2]

15.9%
Adjusted EBITA margin[3]

23.6%
Adjusted return on capital employed[3]

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

In 2023, natural color paper towels and toilet paper made from 100% recycled fibers under the Tork brand was launched, as well as Tork Airfreshener, which emits a pleasant odor in washrooms.

The Professional Hygiene business area comprises products and solutions within Tissue, Wiping, Cleaning, Soap and Sanitizers and dispensing systems as well as selected services. These are sold to companies for use in office buildings, universities, health care facilities, industries, airports, restaurants, hotels, stadiums and other public venues – via distributors, e-commerce or direct to the end-customer.

With the globally leading Tork brand, Essity is the world's largest supplier of hygiene solutions in Professional Hygiene. Essity is the market leader in Europe and holds a market share that is nearly three times the size of the second largest player. In North America, Essity is the second largest player with a particularly strong market position in the food service segment, where Essity estimates that the company supplies approximately every second napkin. Essity is also the second largest player in Latin America.

Tissue, Services & Solutions
In Tissue, Services & Solutions, Essity offers toilet paper, paper hand towels, napkins, reusable cloths, dispensers, service and maintenance, and digital solutions with sensor technology such as Tork Vision Cleaning, data-driven cleaning.

Wiping & Cleaning
In Wiping & Cleaning, Essity offers wipers and cloths for keeping surfaces clean and disinfected. In 2022, Essity acquired the US com-

pany Legacy Converting, Inc. to expand its range of Wiping & Cleaning solutions and further strengthen its presence in the North American market.

Soap & Sanitizers

In Soap & Sanitizers, Essity offers soap, lotion, sanitizers and dispensers. Good hand hygiene is the most effective way to prevent the spread of disease and infection. Through its Tork brand, Essity works to create awareness of the importance of hand hygiene through information campaigns and education. Essity's award-winning course "Tork Virtual Reality Clean Hands" is one example of how Essity provides inspiring training showing the correct hand washing and hand sanitation procedures for its customers in the health care sector.

Earnings 2023

Net sales increased 14.8% to SEK 39,481m (34,393). Sales growth, including organic sales growth and acquisitions, amounted to 9.2%, of which volume accounted for –3.4%, price/mix for 12.5% and acquisitions for 0.1%. The lower volumes were mainly a result of the company's focus on profitable growth and thereby decisions on restructuring measures in the USA and Europe. In addition, volumes were negatively impacted by lower volumes in Russia prior to the divestment. Organic sales growth amounted to 8.3% in mature markets. In emerging markets, which accounted for 15% of net sales, organic sales growth was 15.3%. Exchange rate effects increased net sales by 6.3%. Divestments reduced sales by 0.7% and pertain to the divestment of Russian operations.

The adjusted gross margin increased by 5.4 percentage points to 28.8% (23.4). The margin was positively impacted by higher prices, a better mix and lower costs for raw materials. Higher energy costs, lower volumes and salary inflation had a negative impact on the margin.

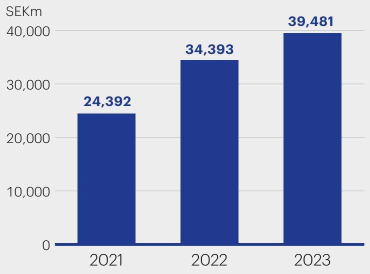
The adjusted EBITA margin increased 4.7 percentage points to 15.9% (11.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 64% (54% excluding currency translation effects, acquisitions and divestments) to SEK 6,288m (3,843).

The operating cash surplus amounted to SEK 8,676m (6,132).

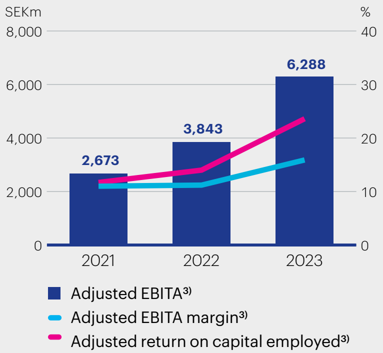
Brand:

Think ahead.

Net sales



Earnings trend

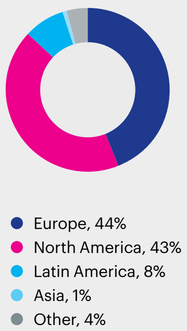


1) Including organic sales growth and acquisitions.
2) Excluding exchange rate effects, acquisitions and divestments.
3) Excluding items affecting comparability.

Key figures

SEKm	2023	2022	%
Net sales	39,481	34,393	15
Sales growth[1], %	9.2	27.7	
Organic sales growth[2], %	9.1	25.4	
Adjusted gross margin[3], %	28.8	23.4	
Adjusted EBITA[3]	6,288	3,843	64
Adjusted EBITA margin[3], %	15.9	11.2	
Adjusted return on capital employed[3], %	23.6	14.0	
Operating cash flow	7,330	3,219	128
Investments in non-current assets	–1,696	–1,213	40
Average number of employees	7,269	7,225	1

Net sales by region



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Operations and structure

Essity reports its operations in the following three business areas:

- Health & Medical comprises the categories Incontinence Products Health Care and Medical Solutions. The offering includes incontinence products, wound care, compression therapy, orthopedics, skincare products and digital solutions with sensor technology.
- Consumer Goods includes the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue. The offering includes incontinence products, pads, diapers, wet wipes, skin cream, intimate soaps, leakproof apparel, menstrual cups, toilet paper, household towels, handkerchiefs, facial tissues and napkins.
- Professional Hygiene comprises Tissue, Wiping, Cleaning, Soap and Sanitizer products, solutions and dispensing systems as well as selected services. The offering includes toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, and cleaning and wiping products.

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

Organization

Essity has four business units:

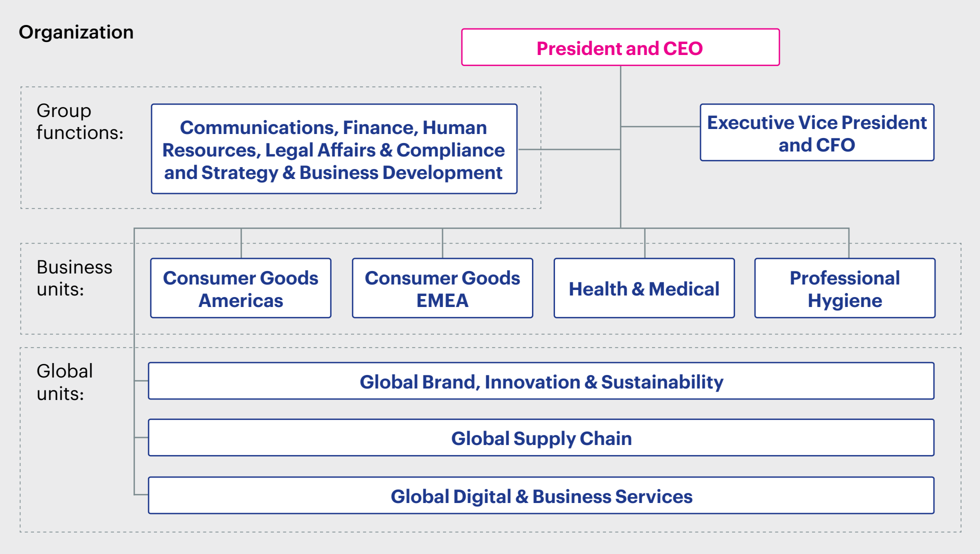
- Consumer Goods Americas, which markets and sells products in the categories of Consumer Tissue, Baby Care, Feminine Care and Incontinence Products Retail in Latin America and North America.
- Consumer Goods EMEA, which markets and sells products in the categories of Consumer Tissue, Baby Care, Feminine Care and Incontinence Products Retail in Europe, the Middle East and Africa.
- Health & Medical, which markets and sells products in Incontinence Products Health Care in Europe, North America, the Middle East and Africa, and markets and sells products in Medical Solutions in Asia, Oceania, Europe, North America, Latin America, the Middle East and Africa.
- Professional Hygiene, which markets and sells complete hygiene solutions as well as service and maintenance in Europe, North America, Latin America, the Middle East and Africa.

Essity markets and sells products primarily in Professional Hygiene as well as the categories of Incontinence Products and Feminine Care in Australasia (Australia, New Zealand and some of the Pacific Islands). The business is being operated as an independent unit under the name Essity Australasia.

The financial reporting of the business units and Australasia is presented under the respective business areas in the company's external financial reporting.

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

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



Essity has five Group functions:

- Communications
- Finance
- Human Resources
- Legal Affairs & Compliance
- 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

In April 2022, Essity initiated a process to exit the Russian market. The process was completed in July 2023 and Essity has now exited Russia.

During the year, Essity conducted a strategic review of its holding in Vinda. On December 15, 2023, it was announced that Asia Pacific Resources International Limited (APRIL), through its indirectly wholly owned subsidiary Isola Castle Ltd, will make a pre-conditional public offer to acquire all shares in Vinda. Essity has signed an irrevocable undertaking to accept the offer. If the conditions of the offer are met, it is expected to be completed in the first half of 2024.

Furthermore, in 2023 Essity conducted a strategic review of its Consumer Tissue Private Label Europe business. This review was completed on December 14 and concluded that the business was to remain part of the Essity Group.

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Acquisitions, investments and divestments

Divestment of Russian operations
On July 17, 2023, Essity announced that it had completed the divestment of its operations in Russia for a purchase price of approximately SEK 1.2bn on a cash and debt-free basis. Essity has thus exited Russia. The company's net sales in Russia in 2022 amounted to approximately 2% of total consolidated net sales.

Pre-conditional public offer for 100% of the shares in Essity's subsidiary Vinda
On December 15, 2023, Essity announced that Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), has announced that it will make a pre-conditional public offer to the shareholders of Vinda International Holdings Limited (Vinda) to acquire 100% of the shares in Vinda for a price per share of HKD 23.50. Essity supports the offer and has signed an irrevocable undertaking to accept the offer in respect of all of its 51.59% shareholding in Vinda. The price in the public offer will correspond to an equity value of Vinda of approximately HKD 28.3bn (SEK 37.3bn). The transaction is expected to generate cash proceeds to Essity of approximately HKD 15bn (SEK 19bn). An exclusive license to continue to market and sell certain Essity branded products will be offered to Vinda after closing of the transaction to replace the existing license agreement. The launch of the offer and completion of the transaction are subject to approval by regulatory authorities in China and other relevant markets. The transaction is expected to be completed mid-2024.

In 2023, Essity launched several innovations that improve people's well-being while supporting a more sustainable and circular society.

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 2023, the Parent company recognized operating income of SEK 382m (237) and profit before appropriations and tax of SEK 1,821m (–2,712). 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 –1,704m (–1,622), 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 2023, 231,033 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 7% to SEK 7.75 (7.25) per share or SEK 5,443m (5,092). The record date for entitlement to receive dividends is proposed as March 25, 2024 and payment is expected to be made on March 28, 2024. 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 23–25 and 40–91 in the Board of Directors' Report. This Sustainability report for Essity Aktiebolag (publ) encompasses the entire Group. Further information on the reporting principles for sustainability can be found on page 50.

Guidelines for remuneration of senior executives

The most recent guidelines approved by the Annual General Meeting may be found under Note C2 on pages 137–139. The company's application of the guidelines can be found in the remuneration report for 2023 on pages 185–186 and in Note C2. The Board of Directors has decided to propose to the 2024 Annual General Meeting the following guidelines for remuneration for senior executives:

"These guidelines shall govern remuneration to directors, the President, Executive Vice President and members of the executive team (below referred to as "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, short and long-term variable remuneration, other benefits and pension. The company's business strategy is described in the Annual Report.

Variable remuneration

Variable remuneration shall be based on results relative to short- and long-term targets for Essity's incentive program, which shall contribute to fulfilling 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 sustain-

Contents

ability. Furthermore, variable remuneration shall be paid as cash remuneration and shall not be included in the basis for pension computation. The short-term element shall not exceed 100% of annual fixed salary and the long-term element shall not exceed 100% of annual fixed salary. The maximum variable remuneration level shall be determined per individual, taking into account the total remuneration in relation to the specific role, the local market, the terms of employment or the individual performance.

Short-term performance targets shall include either organic growth, product development, earnings, cash flow, capital efficiency, sustainability, return or individual targets or a combination thereof. Long-term performance targets shall include either sustainability, total shareholder return (TSR) or a combination thereof and – in order to create a long-term perspective – be combined with requirements for senior executives to use the compensation net of tax to invest in the Essity share with a minimum holding period of three years.

The company shall have the possibility to withhold payment of variable remuneration where necessary and possible according to law, provided there are special reasons for so doing and such a measure is necessary to meet the company's long-term interests, including its sustainability. Furthermore, the company shall have the possibility provided by law to demand repayment of any variable remuneration paid based on erroneous grounds.

Pension and other benefits

Pension benefits shall be contribution-defined, and the annual premium shall not exceed 40% of the fixed annual salary.

Other, lesser benefits may include medical insurance, company car, fitness allowance as well as membership and service fees, training/education and other support.

A notice of termination period of not more than two years shall apply upon termination of the employment relationship where the termination is initiated by the company, and of not more than one year where the termination is initiated by the executive. Severance pay should not exist.

Decision-making process and reporting

Matters relating to remuneration of senior executives shall be addressed by the Board's Remuneration Committee and, with respect to the President, decided upon by the Board. The duties of the Remuneration Committee shall also include preparing board decisions regarding proposals for guidelines for remuneration of senior executives, performing oversight as well as monitoring and assessing the application thereof. When the Board or the Remuneration Committee addresses and decides on remuneration-related matters, senior executives may not be present insofar as the matter relates to them. With respect to the calculation of variable remuneration, an audit certificate must be obtained before any decision is taken regarding payment. In the preparation of the remuneration guidelines, consideration has been given to salary and employment conditions for the company's other employees, such as information regarding total remuneration, components of the remuneration as well as the increase in remuneration and the rate of increase over time, and the company's equality of opportunity policy.

The Board shall prepare a remuneration report.

Application of, and deviation from, the guidelines

The Board may decide to temporarily deviate from the guidelines, wholly or in part, if there are special reasons for so doing in an individual case and deviation is necessary to satisfy the company's long-term interests, including its sustainability. The duties of the Remuneration Committee include preparing board decisions on remuneration issues, including decisions regarding deviations from the guidelines. With respect to employment relationships governed by rules other than Swedish rules, appropriate adjustments shall take place with respect to pension benefits and other benefits to ensure compliance with such rules or local practice, whereupon the overarching purpose of these guidelines shall be attained as far as possible.

The guidelines shall not take precedence over mandatory terms or employment law legislation or collective agreements. Nor shall they apply to already executed agreements.

Description of significant changes compared to previous guidelines

The changes are solely editorial and are proposed for the purpose of clarification. These guidelines shall apply from the 2024 Annual General Meeting until further notice."

For information on the company's expenses for remuneration of senior executives, see Note C2 on pages 138–139.

Net sales and earnings

Net sales

Net sales increased 12.1% compared with the corresponding period a year ago to SEK 147,147m (131,320). Sales growth, including organic sales growth and acquisitions, amounted to 6.7%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 5.8%, of which volume accounted for –3.7% and price/mix for 9.5%. Organic sales growth in mature markets amounted to 4.7% and in emerging markets to 9.2%. Emerging markets accounted for 26% of net sales. Exchange rate effects increased net sales by 6.7%. Divestments reduced net sales by 1.3% and were largely attributable to the divestment of Russian operations.

Earnings

The Group's gross margin amounted to 29.3% (24.4). The Group's adjusted gross margin increased by 4.5 percentage points year on year to 30.3% (25.8). The margin was positively impacted by higher selling prices, a better mix, lower distribution costs and cost savings. Cost savings amounted to SEK 433m. Higher costs for raw materials and energy reduced the margin by 1.2 percentage points. The margin was also negatively impacted by lower volumes and higher salary inflation. The Group's EBITA margin increased to 11.3% (7.5). The Group's adjusted EBITA margin increased 3.6 percentage points to 12.8% (9.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 16,607m (9,876). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 57% (48% excluding currency translation effects, acquisitions and divestments) to SEK 18,898m (12,047).

Items affecting comparability amounted to SEK –2,641m (–2,445). Costs include the earnings impact from the divestment of Russian operations of approximately SEK –500m and costs mainly related to restructuring measures in Professional Hygiene in the USA and Europe of approximately SEK –2.0bn. Other costs amounted to approximately SEK –100m.

Financial items increased to SEK –2,356m (–1,320), on account of higher interest rates, at the same time as average net debt was lower, which positively impacted net interest items.

Profit before tax increased to SEK 12,792m (7,171). Adjusted profit before tax increased 60% (51% excluding currency translation effects, acquisitions and divestments) to SEK 15,433m (9,616). The tax expense was SEK 3,275m (2,006). The tax expense, excluding effects of items affecting comparability, was SEK 3,799m (2,206).

Profit for the period for continuing operations was SEK 9,517m (5,165). Adjusted profit for the period for continuing operations increased 57% (48% excluding currency translation effects, acquisitions and divestments) to SEK 11,634m (7,410). Profit for the period for total operations increased to SEK 9,796m (6,064). Earnings per share for continuing operations increased to SEK 13.44 (7.28). Adjusted earnings per share for continuing operations increased to SEK 17.56 (11.60). Earnings per share for total operations increased to SEK 13.60 (7.93).

Key figures

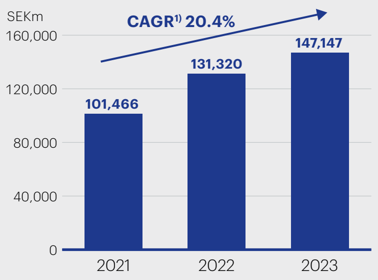
Return on capital employed was 14.4% (8.9). The adjusted return on capital employed was 16.4% (10.9). Return on equity for total operations was 12.5% (8.1). The adjusted return on equity for total operations was 15.3% (11.1).

Summary income statement

SEKm	2023	2022	2021
Net sales	**147,147**	**131,320**	**101,466**
Adjusted EBITA[1]	**18,898**	**12,047**	**11,451**
EBITA	**16,607**	**9,876**	**11,822**
Adjusted operating profit[1]	**17,789**	**10,936**	**10,607**
Items affecting comparability	–2,641	–2,445	371
Operating profit	**15,148**	**8,491**	**10,978**
Financial items	–2,356	–1,320	–567
Adjusted profit before tax[1]	**15,433**	**9,616**	**10,040**
Profit before tax	**12,792**	**7,171**	**10,411**
Adjusted tax[1]	–3,799	–2,206	–2,474
Tax	–3,275	–2,006	–2,398
Adjusted profit for the period[1]	**11,634**	**7,410**	**7,566**
Profit for the period	**9,517**	**5,165**	**8,013**

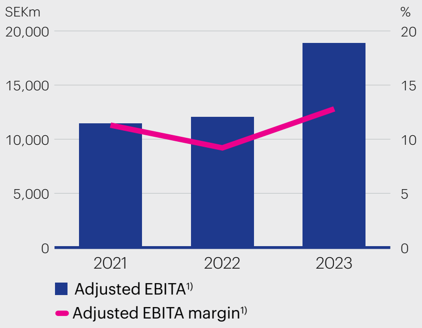
1) Excluding items affecting comparability.

Net sales



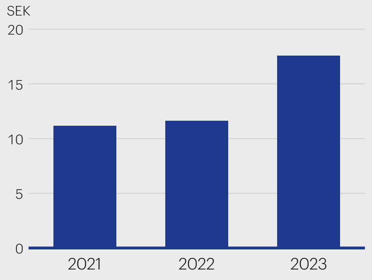
1) Compound Annual Growth Rate.

Adjusted EBITA[1] and 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

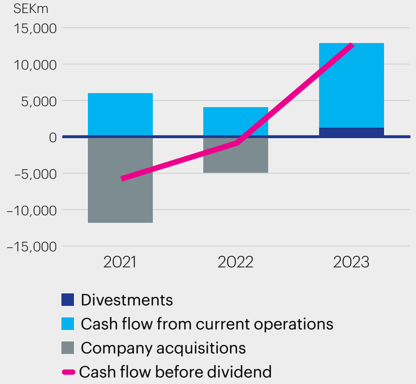
The operating cash surplus amounted to SEK 25,569m (18,401). The cash flow effect of changes in working capital was SEK 1,085m (–4,224). Working capital was positively impacted by lower inventory levels. Lower trade payables on account of lower purchasing volumes and lower prices for raw materials had a negative impact. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK –6,819m (–5,362). Operating cash flow before investments in operating assets through leases amounted to SEK 18,293m (8,156). Operating cash flow amounted to SEK 17,685m (7,680).

Financial items increased to SEK –2,356m (–1,320), on account of higher interest rates, at the same time as average net debt was lower, which positively impacted net interest items. Tax payments had an impact on cash flow of SEK –3,615m (–2,175). The net sum of acquisitions and divestments was SEK 1,067m (–4,955). Net cash flow for continuing operations was SEK 7,598m (–5,804). Net debt for total operations decreased by SEK 9,166m during the period to SEK 53,703m. Net debt for continuing operations was SEK 49,964m. Net cash flow for total operations reduced net debt for total operations by SEK 8,464m. Fair value measurement of pension assets and changed assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt for total operations by SEK 1,339m. Exchange rate movements increased net debt for total operations by SEK 146m. Investments in non-operating assets through leases increased net debt by SEK 491m. The debt/equity ratio for total operations was 0.68 (0.82). The debt payment capacity for continuing operations was 34% (24). Net debt for continuing operations in relation to EBITDA amounted to 2.16 (3.39). Net debt for continuing operations in relation to adjusted EBITDA amounted to 2.00 (3.33).

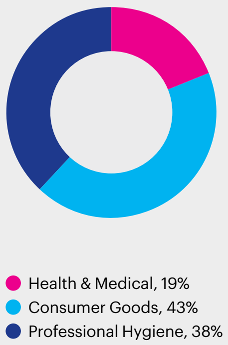
Operating cash flow statement

SEKm	2023	2022	2021
Operating cash surplus	25,569	18,401	16,987
Change in working capital	1,085	–4,224	–972
Investments in non-current assets, net	–6,819	–5,362	–5,182
Restructuring costs, etc.	–1,542	–659	–697
Operating cash flow before investments in operating assets through leases	**18,293**	**8,156**	**10,136**
Investments in operating assets through leases	–608	–476	–392
Operating cash flow	**17,685**	**7,680**	**9,744**
Financial items	–2,356	–1,320	–567
Income taxes paid	–3,615	–2,175	–3,147
Other	–89	–97	–39
Cash flow from current operations	**11,625**	**4,088**	**5,991**
Company acquisitions	–182	–4,955	–11,813
Divestments	1,249	–	15
Cash flow before dividend	**12,692**	**–867**	**–5,807**
Dividend to non-controlling interests	–2	–21	–273
Dividend	–5,092	–4,916	–4,741
Net cash flow	**7,598**	**–5,804**	**–10,821**

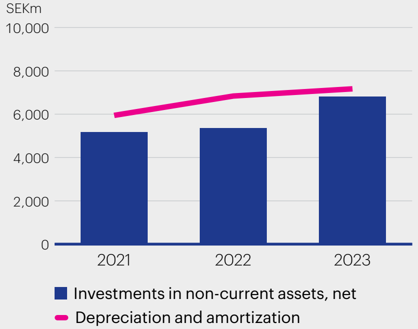
The Group's cash flow



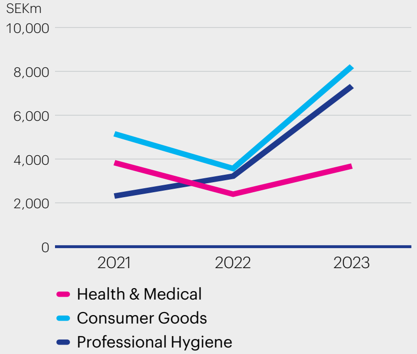
Operating cash flow, share of Group



Investments in non-current assets



Operating cash flow by business area



Financial position

Assets and capital employed

The Group's total assets decreased 4% compared with the preceding year, amounting to SEK 202,993m (210,600). Non-current assets decreased SEK 23,478m compared with the preceding year to SEK 116,102m (139,580), of which property, plant and equipment amounted to SEK 48,843m (62,898) and intangible assets to SEK 60,682m (70,132). Current assets totaled SEK 54,564m (71,020). Working capital amounted to SEK 8,771m (12,493). Capital employed for continuing operations was 4 percent lower and amounted to SEK 110,750m (114,793). The reduction in non-current assets, current assets and working capital is largely due to the subsidiary Vinda being classified as a discontinued operation from the fourth quarter of 2023. All assets and liabilities related to Vinda are recognized, from full year 2023, in the balance sheet as Assets held for sale and Liabilities directly attributable to assets held for sale; for further information, see Note G4 Assets held for sale, on page 167.

Equity

The Group's equity increased by SEK 2,841m during the period, to SEK 79,405m (76,564). Profit for the period for total operations increased equity by SEK 9,796m. Equity decreased due to dividends to shareholders of SEK 5,411m. Equity increased net after tax by SEK 1,172m as a result of fair value measurement of pension assets and changed assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments decreased equity by SEK 1,851m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 787m. Other items reduced equity by SEK 78m.

Financing

The Group's interest-bearing gross debt for continuing operations amounted to SEK 56,846m (63,068) at year-end. The average maturity period was 3.5 (3.9) years.

Net debt for total operations decreased by SEK 9,166m during the year to SEK 53,703m. Net cash flow for total operations reduced net debt by SEK 8,464m. Fair value measurement of pension assets and changed assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt for total operations by SEK 1,399m. Exchange rate movements increased net debt for total operations by SEK 146m. Investments in non-operating assets through leases increased net debt by SEK 491m.

Key figures

The debt/equity ratio for total operations was 0.68 (0.82). The visible equity/assets ratio was 35% (32). Return on capital employed was 14.4% (8.9). The adjusted return on capital employed was 16.4% (10.9). Return on equity for total operations was 12.5% (8.1). The adjusted return on equity for total operations was 15.3% (11.1). The capital turnover rate for continuing operations was 1.3 (1.2). At year-end, working capital for continuing operations amounted to 6% (10) of net sales.

Consolidated capital employed by currency[1], SEKm

	2023	%	2022	%	2021	%
EUR	46,915	42	48,549	43	46,001	46
USD	20,900	19	23,455	20	20,211	20
MXN	8,688	8	8,504	7	5,988	6
GBP	5,899	5	6,051	5	5,843	6
AUD	5,268	5	5,594	5	4,258	4
Other	23,080	21	22,640	20	18,156	18
Total	**110,750**	**100**	**114,793**	**100**	**100,457**	**100**

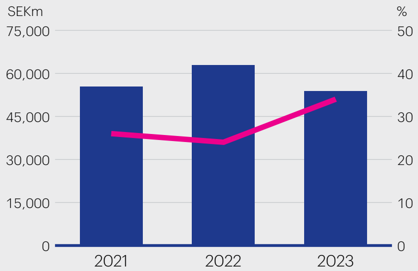
1) Continuing operations.

Consolidated balance sheet

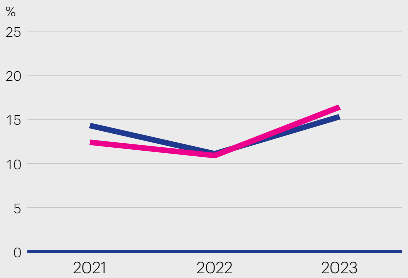
SEKm	2023	2022	2021
Intangible assets	60,682	70,132	59,609
Property, plant and equipment	48,843	62,898	58,918
Other non-current assets	6,577	6,550	5,520
Total non-current assets	**116,102**	**139,580**	**124,047**
Current assets	54,564	71,020	51,003
Assets held for sale	32,327	–	–
Total assets	**202,993**	**210,600**	**175,050**
Equity	79,405	76,564	68,507
Non-current liabilities	56,397	71,318	59,648
Current liabilities	53,483	62,718	46,895
Liabilities directly attributable to assets held for sale	13,708	–	–
Total equity and liabilities	**202,993**	**210,600**	**175,050**
Working capital[1]	8,771	12,493	9,189
Capital employed[1]	110,750	114,793	110,457
Net debt[2]	53,703	62,869	55,433

1) Continuing operations.
2) Total operations.

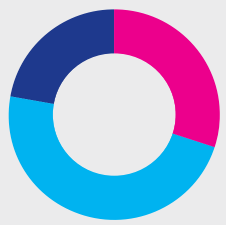
Net debt and debt payment capacity



Adjusted return on capital employed and equity[1]



Capital employed[3], share of Group



1) Total operations. 2) Excluding items affecting comparability. 3) Continuing operations.

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 risk management department.

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

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

Based on current knowledge, the following are deemed to be the main risks and uncertainty factors that may have a material negative effect on Essity's operations and 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 49–91.

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 49–91.

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.

Changes in demographics, consumer behavior and preferences

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

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

Political decisions and regulatory measures

Risk
Essity conducts operations in many different countries. In some countries, the institutional structures are more established and developed, while the political, financial, legal and regulatory systems in other countries are less predictable. Institutional structures and dialogs between countries may impact Essity and its operations. Various 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 are increasing.

Action
Essity works continuously to monitor, evaluate and anticipate changes in its business environment in the form of political decisions, dependencies 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 and dialogs. 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 an important stakeholder group and a significant customer for Essity. The company is therefore working actively on matters relating to health and medical care, as well as care for the elderly.

Geopolitical risks

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

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

Competition

Risk

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

Action

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

❯ Read more about innovation on page 20.

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 2023, Essity's ten largest customers, most of them retail companies and distributors, accounted for 26% 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 and major warehouses in some 30 countries. Fires, machinery breakdowns and other types of harmful incidents in plants (including damages caused by natural disasters) 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 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 participate.

Contents

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 19 and 79–84.

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 increasingly dependent on information and 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. Weaknesses in information security may lead to legal action.

Action
Essity's IT organization has a framework for governance and quality describing how changes in IT-systems and the daily operations are carried out through standardized processes. A management system for information security has been implemented and is continuously adapted based on risk assessments, digital development and external stakeholders. Technical protection, such as preventive, detective, responsive and restorative measures are implemented, in addition to regular security training courses for each employee. The head of Global Digital & Business Services, who is a member of the company's Executive Management Team, is responsible for managing information security-related risks.

Energy price

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

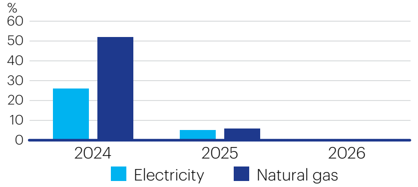
Action
Essity manages the energy price risk related to electricity and natural gas centrally. According to Essity's Energy Risk Policy, these price risks can be hedged for a period of up to 36 months. Exceptions are made for regulated and non-hedgeable markets. Essity also monitors the developments related to energy policy and decisions that may affect supply and price. 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 2023, Essity purchased about 4 TWh (4; 4) of electricity and about 7 TWh (7; 7) of natural gas.

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

› For further information concerning financial price hedges, see Note E6 Derivatives and hedge accounting on page 152.

Energy price hedges in relation to forecast consumption, December 31, 2023



Legal risks

Risk
Legal risks are found within a number of 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.

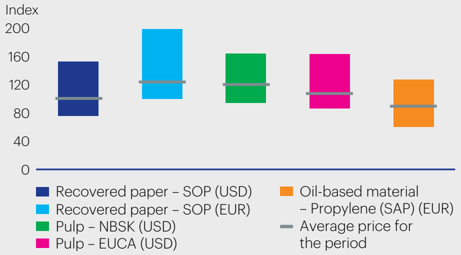
Action
Essity constantly monitors developments in a number of areas and addresses any legal risks that arise in cooperation with external advisers. Legal issues are often national, which means that local experts are also often engaged by Essity in various issues.

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) 2013–2023 per input goods



Action

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

❯ Essity's costs for input goods are described on page 181.

Currency

Risk

Transaction exposure

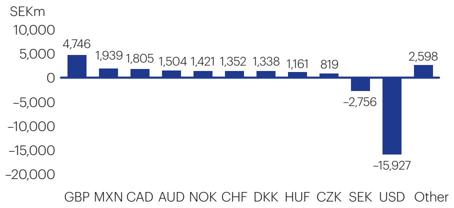
Transaction exposure is the risk that exchange rate movements in export revenues as well as import expenses and other costs could negatively impact the Group's operating profit and the cost of non-current assets.

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 GBP and MXN. 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 2.2 months, GBP 1.0 months and MXN 7.1 months. During the year, there was continuous hedging of, primarily, trade receivables and payables, as well as future payments for non-current assets. The majority of hedges mature during the first quarter of 2024.

Net flows in 2023



❯ For further information relating to hedging of transaction exposure, see Note E6 Derivatives and hedge accounting on page 152.

Risk

Long-term currency sensitivity

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

Currency	Sales %	Costs %	Adjusted EBITA[1] SEKm	Average rate 2023
EUR	42	35	17,116	11,4627
USD	17	24	–5,944	10,5993
GBP	8	18	–11,262	13,1793
MXN	8	–5	17,930	0,5983
COP	4	3	681	0,0025
SEK	2	11	–10,939	1,0000
CAD	2	4	–1,151	7,8562
AUD	2	2	577	7,0422
Other	15	8	11,890	
Total	**100**	**100**	**18,898**	

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, 2023, net debt amounted to SEK 49,964m (62,869; 55,433).

Net debt distributed by currency

		Percentage of net debt		
Currency	Net debt SEKm	2023 %	2022 %	2021 %
EUR	23,959	48	32	35
SEK	12,210	24	18	22
USD	6,295	13	11	15
AUD	5,832	12	11	6
MXN	2,061	4	4	3
GBP	1,548	3	12	12
NZD	529	1	1	1
CAD	441	1	1	0
Other	–2,911	–6	10	6
Total	**49,964**	**100**	**100**	**100**

❯ For further information relating to hedging of translation exposure, see Note E6 Derivatives and hedge accounting on page 152.

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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 life-time of all trade receivables at the balance sheet date. For further information concerning trade receivables and recognition of expected credit losses, see Note E3 Trade receivables on page 150.

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 1,989m (4,416; 4,784), gross. Taking net calculation agreements per counterparty into consideration, credit exposure of derivatives amounted to SEK 540m (1,096; 1,563). At year-end, the total credit exposure was SEK 5,847m (6,891; 6,338). This exposure includes credit risk of SEK 5,318m (4,461; 4,119) for financial investments. Refer to the table to the right for the distribution of credit risk by category.

Financial credit exposure

	Category[1]			
MSEK	**A**	**B**	**C**	**Total**
Financial assets measured at fair value through other comprehensive income			98	98
Financial assets measured at amortized cost	5		41	46
Cash and bank balances	2,396	1,530	1,233	5,159
Derivative assets, net	367	18		385
Current investments	159			159
Bank guarantees				–
Total	**2,927**	**1,548**	**1,372**	**5,847**

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

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

Essity's net debt decreased by SEK 12,905m in 2023. At year-end, the average maturity of gross debt (excluding leases and pensions) was 3.5 years (3.9; 4.1). If short-term loans would be replaced with long-term unutilized credit facilities, the average maturity would amount to 4.3 years. Unutilized short- and long-term credit facilities amounted to SEK 66,340m at year-end. In addition, cash and cash equivalents totaled SEK 5,159m.

Liquidity reserve

SEKm	**2023**	**2022**	**2021**
Unutilized credit facilities	66,340	22,245	20,459
Cash and cash equivalents	5,159	4,288	3,904
Total	**71,499**	**26,533**	**24,363**

SEKm	**2023**	**2022**	**2021**
Net sales	147,147	131,320	101,466
Liquidity reserve[1]	49%	20%	24%

1) Liquidity reserve as a percentage of net sales.

❯ For further information, see Note E2 Financial assets, cash and cash equivalents on page 149, and Note E4 Financial liabilities on page 151.

Interest rate

Risk

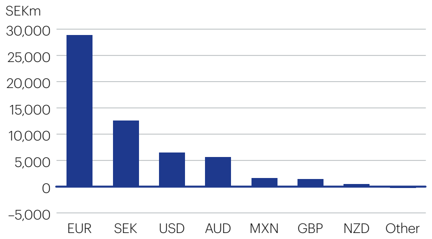
Interest rate risk relates to the risk that changes to interest rates could have a negative impact on Essity. Essity is affected by interest rate movements through financial income and expenses, cash flow and the value of its financial assets and liabilities.

Action

Essity strives to achieve a solid distribution of its interest maturity dates to avoid large debt volumes of renewals occurring at the same time. Essity's policy states that the average interest duration shall be a minimum of 3 months and a maximum of 36 months. Essity's financial items increased in 2023. Higher average interest rates had a negative impact. Essity's major funding currencies are EUR, SEK and USD, refer to the graph below. To achieve the desired interest rate duration, Essity uses financial derivatives. The average interest rate duration for the gross debt, including derivatives, was 10.7 months (13.9; 19.0) at year-end.

The average interest rate for the total outstanding net debt including derivatives, amounted to 4.07% (3.48; 1.30) at year-end.

Gross debt distributed by currency



Climate-related risks and opportunities

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

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

Responsibility for managing climate risks follows the company's delegation scheme, which is described on page 40. Sustainability issues are discussed on an ongoing basis by Essity's Executive Management Team and Board of Directors and has also in 2023 comprised a focus area in the work of the Board of Directors.

A steering committee has been appointed to ensure that Essity fulfills the company's ambitious climate and environmental targets. The steering committee is led by members of Essity's Executive Management Team and its tasks include preparing plans and strategies to deliver on all emission reductions targets for Scope 1, 2 and 3. Read more under Sustainability Governance on page 51.

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

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

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

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

Scenario 1: Global warming of 1.5°C – "transition scenario"
- Key legislative drivers impacting Essity's
- business?
- How will consumer/customer demand change and what are the underlying key drivers?
- How can Essity differentiate, have the greatest impact and contribute the most to the green transformation?

Scenario 2: Global warming of 4°C – "physical climate scenario"
- Where and how will Essity's business be affected by physical climate change impact and degradation of nature, and what are the biggest threats?

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

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 actions

Scenario 1: Global warming of 1.5°C[1)]

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

Risks	Description and impacts
• Shifting regulatory landscape • Changed consumption patterns • Shortage of green energy and sustainable materials	Transitional effects will impose stricter legislation for manufacturing processes, energy sources and material use: • Increased restrictions on carbon emissions through raised carbon taxes impact overall operational costs. • Limitations or stricter post-use solutions for single-use products to reduce waste impact operational costs. • Limitations on water use in production impacts production costs. • Consumer behavior and preferences move toward lower use of plastics. • Continued increase in demand leads to shortage of fresh wood-based fiber, in turn resulting in raw materials shortages and increased prices for raw materials.

Opportunities	Description and impacts
• Development of new business models • Sustainable innovations	• Competitive advantages through Essity's long-term and robust efforts to achieve lower resource use, innovative green production methods and lower carbon emissions. • Customers, consumers, investors and employees are attracted by changed consumption patterns in the form of increased demand for sustainable solutions with a lower climate footprint, that companies with a strong sustainability profile are rewarded and investments in and development of new business models and environmentally conscious solutions.

Scenario 2: Global warming of 4°C[2)]

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

Risks	Description and impacts
• Extreme weather • Permanent shortage of key raw materials and access to water • Linear consumption patterns continue • Dynamic and globally disharmonized regulatory landscape	Extreme weather and the continued rise of carbon emissions into the atmosphere may impact Essity's business in areas such as: • Water scarcity and excessively high water temperatures impacting production stability and operational costs. • Rising insurance costs and costs for reconstruction following extreme weather. • Increased investments required to safeguard stable production and supply chain. • Deforestation continues and forest fires limit availability of good quality certified wood fiber, impacting prices negatively and leading to raw material shortages. • Lower living standards and changed consumption behavior. • Permanent scarcity of natural resources, raw materials, energy and water may require site closures in specific areas and generally lead to higher prices for raw materials, energy, water and distribution. • Increasing amount of waste to be managed by communities and countries will impose higher waste costs. • Without bans, plastic use continues to increase resulting in higher costs. • Frequent shifts in the political landscape and regulations may impact cost of compliance and conducting business.

Opportunities	Description and impacts
• Competitive advantage • Leading hygiene and health solutions are prioritized	• Safeguarded production and sourcing in regions at risk builds trust in and loyalty to Essity's brands.

1) The scenario includes consideration of Shared Socioeconomic Pathways (SSP) scenarios 1-1.9 and the International Panel for Climate Change (IPCC) scenario (RCP scenario 2.6).
2) The scenario includes consideration of Shared Socioeconomic Pathways (SSP) scenarios 3-7.0 and the International Panel for Climate Change (IPCC) scenario (RCP scenario 6-8.5).

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

Essity researches and invests in several ground-breaking ideas in sustainable technology in its manufacturing processes with the aim of reducing the company's environmental impact and setting new standards for the entire industry.

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


Through Tork PaperCircle®, used paper towels are recycled to become new tissue products.

Essity prioritizes low-emission transportation options 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 (vehicle gas) and electric trucks.

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

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

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

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

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

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

› Read more about Essity's targets and outcomes on pages 23–25.

Sustainability report

Sustainability is integrated into Essity's strategy and a priority for long-term profitable growth. We are committed to reducing our environmental impact by improving circularity, decarbonizing our business and maintaining healthy ecosystems while contributing to a healthier and more inclusive society.

Improving well-being for people with less impact on the planet

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

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

As a leading global hygiene and health company, Essity plays an important role in contributing to the achievement of the UN Sustainable Development Goals (SDGs). We focus particularly on six goals, where we have our expertise and can make the greatest contribution. Essity supports the UN Global Compact and works to overcome global challenges through cooperation and partnerships.

General information

Basis for preparation

Sustainability reporting frameworks and assurance

Essity's Sustainability report is part of the Annual Report and in line with the requirements of the statutory sustainability report stated in the Annual Accounts Act. In addition, Essity applies the reporting framework for the United Nations Guiding Principles on Business Ethics and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct and has reported on the overarching aspects contained in these frameworks.

Essity's Sustainability report has been prepared in accordance with the requirements in the GRI Standards. For Essity's industry, no applicable GRI sector standard is currently available. In line with GRI reporting principles, the content of Essity's Sustainability report is determined by the topics most material to Essity and its stakeholders. The topics identified in the double materiality assessment (see pages 56–58) are matched against GRI disclosure requirements and determine the selection of disclosures that Essity presents in this report. Essity reports on all GRI disclosures identified as material and for which material data can be reported. Any omissions or incomplete data are commented on directly in the GRI index. The GRI index can be found on pages 92–94. The Sustainability report that is in accordance with GRI has been reviewed by Essity's auditors Ernst & Young AB. Additional information about Essity's work on social and environmental topics is available at essity.com/sustainability.

Timeframe, comparability, and restatements

Unless otherwise stated, Essity's Sustainability report relates to the calendar year ending on December 31, 2023. The report was published on February 28, 2024. Figures from previous years are included as comparatives in tables or in parentheses.

The following principles and adjustments of environmental and health and safety data for previous years apply:

- Newly acquired businesses are included in current and past reporting as soon as possible, though not later than one year after the acquisition.
- The data from divested companies is excluded in its entirety.
- Historical data for closed manufacturing sites and discontinued operations is retained.

For the remaining sustainability data in this report, historical data is unchanged. Reported weights are disclosed in metric tons.

Boundaries

This report includes data for all companies of which Essity owns at least 50%. Reported data includes information for the entire company regardless of the ownership structure. Any deviations from these principles are stated in the report. Exceptions are:

- For the Asian company Vinda, a Group company with significant non-controlling interest (see note F2), no data is included as the company is accounted for as a discontinued operation. Vinda publishes an Environmental, Social and Governance (ESG) report at vinda.com.
- For environmental and occupational health and safety information, the data included refers to more than 80 production facilities and warehouses.
- The targets in the report apply, as a rule, solely to wholly-owned companies.

General information

Sustainability governance

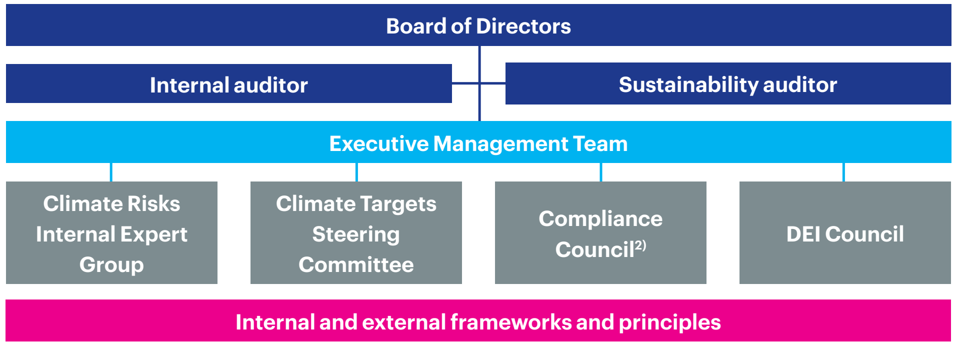
Sustainability is incorporated throughout Essity's operations and forms an integrated part of the Group's overall corporate governance. For additional details, read our Corporate governance report on pages 96–105.

Purpose, implementation, and follow-up
Essity's sustainability governance aims 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, strategies, and approaches. The targets have been established by the Board, are regularly monitored, and reported annually. Delivery on the targets is ensured in the separate responsibility areas. To verify priorities and methods over time, Essity maintains an active and continuous dialogue with internal and external stakeholders. Based on this dialogue, Essity continuously develops its ambitions, strategies and approaches to tackle the growing sustainability challenges. As sustainability is an integrated part of Essity's strategy and operations, the topic is covered by internal audits. Essity's Sustainability report is in accordance with GRI and has been reviewed by the external auditor. Read more on page 95.

Public policies, regulations, and internal steering documents
Essity's prioritized sustainability topics, strategies, and targets result from the company's internal work and dialogue with external stakeholders and partners, such as businesses, policymakers, consumers, NGOs, media, and the academic world. These topics are also aligned with a range of different principles and guiding frameworks. In addition to external frameworks and principles, Essity has several external and ISO certificates, 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 position papers stating the company's views on key topics. These are available on essity.com/sustainability.

Reliable management systems
Essity has an ISO 27001-based Information Security Management System (ISMS) in place for several years to meet internal and external requirements on information security. Selected products and services have also been certified according to the ISO/IEC 27001:2013 standard. Reliable management systems, certified by a third party, play an essential 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. Many production facilities are certified in accordance with ISO and/or EMAS. For medical technical classification, ISO 9001 or ISO 13485 is the most essential quality management system used by Essity. The company implements the international standard ISO 45001 (Occupational health and safety management systems) to ensure that uniform processes are used and that Essity's production facilities continuously strive to improve workplace-related health and safety. Essity intends to implement ISO 45001 and ISO 14001 certifications as well at Group level.

Essity's sustainability governance[1)]



= Cross-functional working groups that report to the Executive Management Team (EMT)

1) Significant functions in the company that influence sustainability work. For complete information on corporate governance, see page 96.
2) The Compliance Council also reports regularly to the Board of Directors.

Guiding external frameworks and principles
- UN Sustainable Development Goals (SDGs)
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business Ethics and Human Rights
- ILO Core Conventions, policies and guidelines

Guiding internal frameworks and principles
- Code of Conduct
- Sustainability Policy
- Anti-bribery and Corruption Policy
- Fiber Sourcing Policy
- Diversity Policy
- Global Supplier Standard
- Health and Safety Instruction
- Human Rights Policy

Certified volumes, Essity's main sites[1)], %

	2023	2022	2021	2020	2019
ISO 9001/ISO 13485	75	76	78	77	80
ISO 14001	76	77	82	81	75
ISO 45001	78	78	84	79	80

1) A main site is a production facility that is wholly owned by Essity and that has at least 100 employees.

General information

Sustainability strategy

Essity's commitment to sustainability
At Essity we improve well-being of people to contribute to a healthier and more inclusive society. We are also committed to reducing our environmental impact through climate and circularity actions and sustainable innovations, while respecting biodiversity and reaching net zero greenhouse gas emissions by 2050.

Priorities
In 2022, Essity introduced the "Sustainability Playing Field" (see page 22), summarizing our priorities within social and environmental sustainability. We focus on the social areas of hygiene and health, diversity, equity, and inclusion (DEI), occupational health and safety, product safety, business ethics, human rights, and the environmental areas of emissions, forest and fiber, plastics, waste, and water. These are the most relevant topics for Essity in terms of impact, and we have targets, roadmaps, and initiatives in place within all areas.

Reducing our environmental impact
The climate crisis is one of the defining issues of our time, and we are dedicated to minimizing our impact by decarbonizing the business and maintaining healthy ecosystems. We have set ambitious targets to reduce emissions across our entire value chain, from the materials we source and resource-efficient production, to sustainable innovations, and circular solutions during and after use. Our commitment is to reach net zero greenhouse gas emissions by 2050. Necessary steps toward achieving fossil fuel-free production and low-carbon materials and products well ahead of this date have been initiated. Our business depends on healthy and functioning ecosystems, and we are committed to respecting biodiversity by responsibly using natural resources. We engage, contribute, and collaborate with various stakeholders to tackle global deforestation, plastics, waste, and water challenges. In addition, we explore new circular solutions focused on Reduce, Reuse and Recycle. This will contribute to sustainable consumption, increased resource efficiency, and a more circular society.

Improving the well-being of people and societies
Through our leading solutions and expertise, we take the lead in improving global hygiene and health to enable people to live healthier and more dignified lives. We recognize and address the diverse requirements of our customers and consumers across various markets, while fostering a culture that promotes a deep sense of belonging and high employee engagement.

We take responsibility to conduct our business ethically and maintain zero tolerance toward any unethical behavior or human rights violations within the value chains we oversee. Additionally, we actively engage in building inclusive societies within the communities we serve. Our commitment extends to ensuring the highest standards of product safety and workplace well-being while providing transparent and easily accessible product information to our customers and consumers.

General information

Business model and value chain

Essity develops, supplies, and sells products, solutions and services that enable superior hygiene outcomes and experiences at home and away from home by supporting the effectiveness and efficiency of hygiene routines and by preventing, treating and monitoring health conditions.

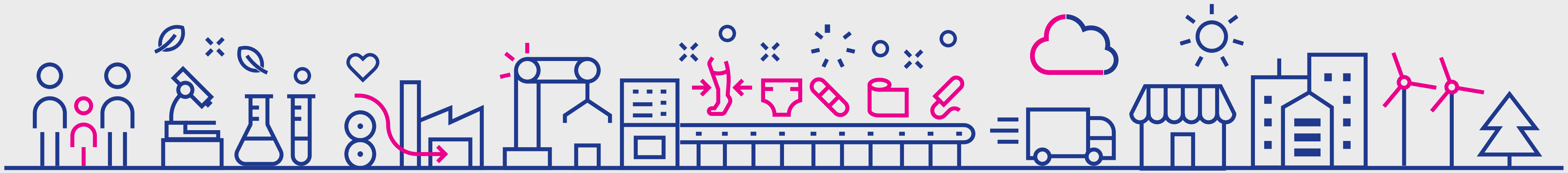
Essity's business model
Essity's business model aims to achieve profitable growth and create additional value for stakeholders in line with our mission. We are committed to social and environmental sustainability and constantly challenge ourselves to evolve.

Resources
Essity utilizes resources in the form of financial capital, where equity amounted to approximately SEK 79bn and net debt approximately SEK 54bn in 2023. Furthermore, human capital is used in the form of about 36,000 employees and their expertise and experience, as well as intellectual capital such as research and development, patents, licenses, innovation, systems and goodwill. Essity also utilizes capital in the form of raw materials, facilities, and the infrastructure necessary for production and relationship capital, including Essity's relationship with internal and external stakeholders. Moreover, Essity uses natural capital in its operations, such as forest, energy, and water. Essity strengthens the company's competitiveness and reduces its environmental footprint by increasing efficiency and reducing resource use.

Stakeholder insights
Through knowledge about people's daily needs and challenges, we create an offering that improves people's well-being and quality of life. Collaborating with internal and external stakeholders is crucial for understanding perspectives, improving decision-making, and enhancing overall organizational performance and our offering.

Business model

Resources | Stakeholder insights | Sustainable innovations | Responsible procurement and sustainable manufacturing | Responsible marketing and sales | Leading products, solutions and services within hygiene and health | Value creation for our stakeholders



Value chain

Upstream activities
- Purchase of raw materials and finished goods
- Purchase of other goods and services
- Inbound logistics

Own operations
- Research and development
- Production/manufacturing
- Warehousing
- Sales and marketing, management and administration

Downstream activities
- Outbound logistics
- Distribution
- Product use
- Disposal: "Reduce, Reuse and Recycle"

Sustainable innovations

Continuous innovations are crucial to improve people's hygiene, health and well-being and contribute to a more sustainable and circular society. Essity has a global unit that works with brands, innovation and sustainability with innovation centers in France, China, Mexico, Sweden, Germany and the USA. The year's research and development investments amounted to SEK 1.7bn, corresponding to about 1.2% of net sales.

Responsible procurement and sustainable manufacturing

Essity's primary raw materials are pulp, recovered fiber and oil-based materials. The company strives to reduce the use of raw materials. Work to increase efficiency at the facilities is a continuous process that includes digitalization and automation, with the aim to achieve sustainable, efficient, and world-class production. The cost of goods sold amounted to SEK 103bn, of which raw materials and consumables accounted for SEK 49.3bn, distribution costs for approximately SEK 14.3bn and energy for approximately SEK 8.8bn. Essity adopts a proactive and risk-based approach in line with OECD guidelines and relevant human resources legislation in our choice of suppliers and raw materials to guarantee responsible procurement.

Responsible marketing and sales

Essity actively strives to build awareness of the company's brand, purpose and product brands and pursues global and local initiatives to raise awareness and educate on standards for hygiene and health. Essity's marketing costs in 2023 amounted to approximately SEK 6.9bn, corresponding to 4.7% of net sales. The majority of our marketing is conducted through digital channels.

Leading hygiene and health products, solutions and services

Essity is the global market leader in professional hygiene with the brand Tork and in incontinence products with the brand TENA. In 90% of the company's branded sales, Essity holds the number one or two position. We drive a range of global and local initiatives that raise hygiene and health awareness and standards: we collect insights, share stories, collaborate with partners, educate millions of people, and stimulate a knowledge-based public dialogue.

Value creation for our stakeholders

Customer and consumer value is created through leading sustainable solutions that provide increased well-being and quality of life. Value is created for employees and their families, suppliers, governments and decision-makers, and society through, for example, jobs, compensation, tax, increased well-being and sustainability work, and community engagement. For Essity, shareholder values are generated through dividends and a positive share price trend. Essity aims to maximize long-term shareholder value by including financial, environmental, and social aspects into all business decisions.


Under the brand Plenty, Flexisheets Tubeless has been launched, a more sustainable household towel that is 50% longer and does not have a paper sleeve that would otherwise go to waste.

Essity's stakeholders

- Customers
- Consumers
- Investors
- Suppliers
- Governments and decision makers
- Employees and their families
- Communities

Essity's value chain

Essity's value chain assessment forms the basis for its double materiality assessment. A deep understanding of Essity's activities along the entire value chain is essential for the further analysis of impacts, risks, and opportunities.

Informed by the European Sustainability Reporting Standards (ESRS), Essity has already performed a value chain assessment for the 2023 financial year. For this exercise, numerous internal experts were interviewed. The value chain assessment covers upstream activities, such as suppliers and own operations, and downstream activities, such as customers.

Upstream activities

Essity is a major purchaser of raw materials for its production processes, engaging more than 32,000 suppliers for raw materials, products, and services. The materials purchased vary for different product categories, with responsibly procured fresh pulp and recovered paper being a key raw material from a Group perspective. In addition, plastic materials are included in Personal Care and Medical Solution products to provide better performance. The remaining upstream activities are of a minor nature compared with emissions, energy, and packaging materials. Over half of the suppliers are in Europe, a third in the Americas, and the remainder in Asia and Africa, indicating the widespread positive and potential negative impact Essity might have on workers in the supply chain. See also comments regarding responsible procurement and sustainable manufacturing in the business model description on page 53 and for additional details on suppliers, please consult pages 87 and 91.

Own operations

The core of Essity's value chain is its own operations, with production being the most material activity. Nearly 50% of the greenhouse gas emissions along the value chain are derived from Essity's production. Essity conducts operations requiring various permits for its production facilities. Such operations impact the environment through emissions to air and water, solid waste, and noise. Essity has approximately 70 production facilities in 28 countries worldwide and produces various hygiene and health products for all its product categories (see note B2 for more information about Essity's products and brands). Production is accompanied by warehousing, sales, marketing, as well as general and administrative activities. Essity also conducts research and development activities to create new and more sustainable products. A total of 36,000 employees in more than 57 countries are employed by Essity, indicating the direct impact Essity has on people (see the sections on Occupational health and safety as well as Business ethics and human rights on pages 83 and 87).

Downstream activities

Essity conducts sales in around 150 countries. Service providers are engaged for product distribution, generating emissions, and using energy in the process. Most of the products reach consumers via retail businesses and distributors. In addition, Essity serves a broad spectrum of other customer and distribution channels, see note B2 for explanations regarding the different business areas.

The majority of Essity's portfolio consists of single-use products that become waste after usage, ending up in landfill or incinerated with energy recovery. During the use and disposal of most of Essity's products, water is used, for example, when washing hands or flushing toilet paper. As we are progressing on our journey to become a more circular company, we are taking important steps to move from a linear to a more circular value chain.

General information

Double materiality assessment

The EU Corporate Sustainability Reporting Directive (CSRD) includes a new sustainability reporting standard ESRS, (European Sustainability Reporting Standards). The directive aims to ensure that companies report their operations' social and environmental impacts. The regulations require information about how companies affects its surroundings and how the environment affects the company from a sustainability perspective. The companies' business model and value chain are the starting point for the dual materiality analysis. For the areas companies identify as material, impacts, risks and opportunities shall be described. Essity's materiality analysis has since long been part of setting the company's strategic priorities and the direction of its sustainability work. During 2023, Essity has developed its materiality analysis work to also include the dual perspective. Essity's process has been based on ESRS, where Essity has identified several stakeholders, ESG experts in our organization who have provided different perspectives, such as input from our suppliers and customers. The stakeholder process includes workshops and interviews.

Understanding Essity's context
The aim of the first phase was to conduct a deep dive into Essity's business model and the respective activities in its value chain to identify key activities and relevant sustainability matters for further assessment. The previously identified stakeholders of the Group have been reviewed. In 2023, Essity consulted with internal and external experts to ensure that all stakeholder aspects were covered in the following steps.

Identifying potential material sustainability matters
The second phase included the identification, description and assessment of potential material sustainability matters and their related impacts, risks, and opportunities. Impacts were identified both from a positive as well as a negative perspective. We also decided on the scoring mechanism for assessing sustainability matters, considering Essity's existing risk and impact approach.

Double materiality assessment process

	1. Understanding	2. Identification	3. Assessment	4. Determination
Aim	**Understanding** of Essity's business model and value chain in order to identify key activities and relevant sustainability matters.	**Identification** of relevant impacts, risks and opportunities to be assessed.	**Scoring** of Essity's impact and financial materiality based on the knowledge gained in the preceding steps.	**Determination** of material sustainability matters and impacts, risks and opportunities based on a defined threshold.
Key activities	**1.1 Stakeholders** – Identifying stakeholders to be engaged in the assessment process. **1.2 Value chain analysis** – Mapping of Essity's activities along the value chain (i.e. upstream, own operations and downstream). **1.3 Identification of entity-specific disclosures** – Analysis of Essity's business model, previous reported topics and industry-specific topics to identify potential entity-specific sustainability matters.	**2.1 Identification of impacts, risks and opportunities** – Identifying and describing potential material sustainability matters and their related impacts, risks and opportunities based on the ESRS, previously published reports, internal documents, external sources and the input from stakeholders. **2.2 Definition of scoring mechanism** – Decision on scoring mechanism for assessing impacts, risks and opportunities considering Essity's existing risk and impact approach.	**3.1 Impact and financial materiality assessment workshops** – Quantitative assessment of the identified impacts and financial effects with stakeholders.	**4.1 Consolidation of assessment results** – Setting of a materiality threshold and aggregation of results to determine Essity's final list of material matters and related impacts, risks, and opportunities along the value chain. **4.2 Review of results by Board of Directors and Audit Committee** – Discussion and review of the aggregated double materiality results with Essity's Board of Directors and Audit Committee.

Stakeholder engagement and validation

Contents

Assessing impact materiality and financial materiality
In the third phase, each identified sustainability matter was assessed from the perspective of impact on people and the environment (impact materiality) and a financial perspective (financial materiality). This process was applied on the following time horizons:

- Short-term: up to 12 months
- Medium-term: 12 months to five years
- Long-term: five to ten years

Determination of material sustainability matters
Finally, by aggregating results and by applying a materiality threshold, Essity's material sustainability matters were summarized. A discussion and validation were conducted with Essity's management and key internal stakeholders to finalize the results and the double materiality assessment.

Outcome double materiality assessment
The graph on the next page shows the outcome of the short-term double materiality assessment. The threshold for the recognition of material topics, and following inclusion into Essity's Annual Report, has been set where Essity's impact and/or Essity's risks and opportunities were classified above a medium score. Essity forecasts the development of its double materiality assessment for the time horizons further in the future to be stable, with a few minor exceptions.

In advanced wound care, Essity offers dressings and digital services for more severe wounds such as chronic wounds, surgical wounds and bedsores, under brands such as Cutimed and Sorbact.

Contents

Outcome double materiality assessment

Topics are listed in no particular order.

■ Environmental topics ■ Social topics

Financial risk/opportunity \ Impact	Low	High
High	■ Water (environmental) ■ Extreme weather events (environmental)	■ Waste (environmental) ■ Forest and fiber (environmental) ■ Emissions and energy (environmental) ■ Hygiene and health (social) ■ Diversity, equity and inclusion – own operations (social) ■ Talent attraction, training and development (social) ■ Responsible procurement (social) ■ Corporate culture (social)
Low	■ Recovered waste (environmental) ■ Substances of concern (environmental) ■ Privacy protection (social) ■ Communities – direct impact (social) ■ Negative impact on consumers (social) ■ Animal welfare (social)	■ Plastics (environmental) ■ Pollution of soil, air and water (environmental) ■ Occupational health and safety (social) ■ Working conditions – own operations (social) ■ Working conditions – in the value chain (social) ■ Communities – indirect impact (social) ■ Rights of indigenous people (social) ■ Product safety (social) ■ Business ethics and human rights – own operations (social) ■ Business ethics and human rights – in the value chain (social) ■ Political engagement and lobbying (social)

The material topics are covered on the following pages:

Environmental topics

Water	22, 46–47, 75–76
Extreme weather events	22, 46–47
Waste	22, 61–66, 70–71, 72–75
Forest and fiber	22, 46–47
Emissions and energy	22, 46–47, 61–66
Plastics	22, 46–47, 70–71
Pollution of air, soil and water	22, 67, 71, 72

Social topics

Hygiene and health	22, 77–78
Diversity, equity and inclusion – own operations	19, 22, 79–82
Talent attraction, training and development	19, 82
Responsible procurement	21, 87–89, 91
Corporate culture	19, 22, 87–91
Occupational health and safety	21–22, 83–84, 89
Working conditions – own operations	83–84, 87–89
Working conditions – in the value chain	87–89
Communities – indirect impact	67, 75, 79–80, 91
Rights of indigenous people	67
Product safety	22, 85–86
Business ethics and human rights – own operations	22, 87–91
Business ethics and human rights – in the value chain	22, 89
Political engagement and lobbying	85, 91

Contents

Environmental information

Taxonomy report

Essity's taxonomy report is prepared in accordance with the EU taxonomy regulation, a regulation that aims for the EU to achieve established environmental goals of green transition and, climate neutrality by 2050, by enabling investors to compare and identify environmentally sustainable investments. NACE codes (industry classification) are used to define which economic activities are covered by the taxonomy and Essity's turnover, capital and operating expenses must be reported in accordance with these codes. The EU taxonomy also includes investments regarding fossil gas and nuclear energy power operations as these are considered to contribute to the transition to reach the climate goals. Essity's economic activities can mostly be attributed to the pulp and paper industry. For the pulp and paper industry and associated subordinate economic activities, the EU has not yet determined which economic activities are to be defined as environmentally sustainable. Essity's turnover, capital expenditure and operating expenditure are therefore not covered by the taxonomy regulation for this accounting period. Essity has no nuclear energy power operations to report. In this report, gas has not been reported as Essity uses the gas only for its own use. Thus, nuclear power and gas operations are not included in Essity's key figures. As Essity does not report any taxonomy-aligned or taxonomy-eligible environmentally sustainable activities, Essity does not report the extent of eligibility and alignment per environmental objective.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosures covering year 2023

	2023			Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
Financial Year 2023 Economic Activities (1)	**Code(s) (2)**	**Turnover (3)**	**Portion of turnover 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguard (17)**	**Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		SEKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		–	0%														0%		
Of which Enabling		–	0%														0%		
Of which Transitional		–	0%														0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	0%																
A. Turnover of Taxonomy eligible activities (A.1. + A.2.)		–	0%	0%	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		147,147	100%																
TOTAL (A+B)		147,147	100%																

See Essity's net sales in the income statement on page 108.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosures covering year 2023

	2023			Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
Financial Year 2023 Economic Activities (1)	**Code(s) (2)**	**CapEx (3)**	**Portion of CapEx 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguard (17)**	**Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		SEKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		–	0%														0%		
Of which Enabling		–	0%														0%		
Of which Transitional		–	0%														0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	0%																
A. CapEx of Taxonomy eligible activities (A.1. + A.2.)		–	0%	0%	0%	0%	0%	0%	0%								0%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities (B)		8,006	100%
TOTAL (A+B)		8,006	100%

The key figure for capital expenditure comprises investments in intangible asset SEK 528m, in property, plant and equipment of SEK 6,379m and additions to right-of-use assets of SEK 1,099m. Refer to notes D1, D2 and G1.

Proportion of OpEx from products or services associated with economic activities – disclosures covering year 2023

	2023			Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
Financial Year 2023 Economic Activities (1)	**Code(s) (2)**	**OpEx (3)**	**Portion of OpEx 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguard (17)**	**Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		SEKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomoy-aligned) (A.1.)		–	0%														0%		
Of which Enabling		–	0%														0%		
Of which Transitional		–	0%														0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	0%																
Total (A.1. + A.2.)		–	0%	0%	0%	0%	0%	0%	0%								0%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities (B)		5,424	100%
TOTAL (A+B)		5,424	100%

Applies to costs for research and development, short-term leases where the underlying asset has a low value.

Environmental information

Emissions

Why emissions matter

Greenhouse gas emissions contribute to rising temperatures, generating negative consequences such as glacial melting, rising sea levels, extreme weather events and biodiversity loss. Nearly half of Essity's greenhouse gas emissions stem from our own production. The most crucial action is to reduce greenhouse gas emissions from both our own operations and across the entire value chain. Essity has the scale and reach to act and contribute to a collective transformation, which is crucial to prevent the severe global effects on individuals, Essity's business and societies.

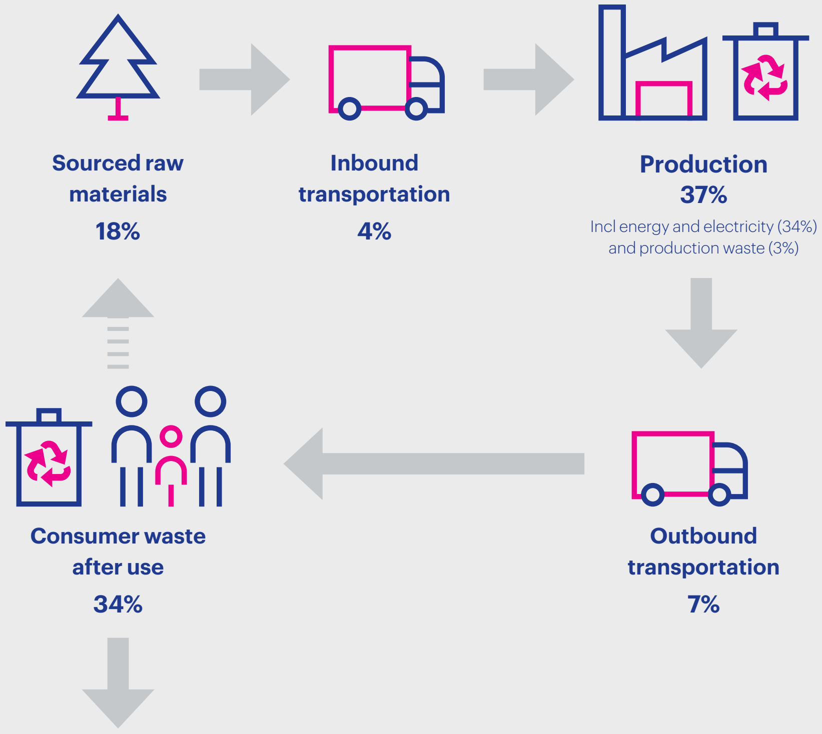
Impacts, risks, and opportunities

Essity has a direct and indirect negative impact on the climate due to the emission of greenhouse gases across its value chain. Impact occurs in all stages of the value chain, including raw material procurement, production, waste and transportation. A significant share of Essity's emissions results from tissue production. The remaining impacts are caused by raw materials production at suppliers and post-consumer waste. For the non-tissue part of the business, the upstream and downstream activities have a proportionally higher impact than Essity's own operations.

Reducing greenhouse gas emissions and the carbon footprint of our operations has been a major focus for Essity for many years. We have the ambition to achieve net zero emissions of greenhouse gases by 2050. Our commitment is accompanied by science-based targets for Scope 1, 2 and 3, encompassing our own operations and our entire value chain. Not achieving these targets constitutes a major risk for Essity, potentially resulting in reputational and, consequently, revenue losses, but may also lead to challenges in connection with raising and gaining access to capital and financing. Potential tightening of restrictions on emissions and related increased costs further drive Essity's ambitions to reduce its greenhouse gas emissions. Essity actively attracts and retains customers who have an increased focus on solutions with lower environmental impact. Inability to reduce greenhouse gas emissions may lead to increased restrictions or taxes on greenhouse gas emissions that could impact overall costs. Potential changes in consumption patterns may, in turn, have a negative effect on future income.

There are opportunities for Essity to increase energy efficiency during the production phase and use fossil-free energy to limit emissions. Greenhouse gas emissions in the value chain can be reduced by focusing on the design of products and waste after use. These all pose opportunities to attract customers and consumers through new products where we maintain performance with a reduced carbon footprint.

Distribution of Essity's greenhouse gas emissions in the value chain



Total reported emissions Scope 1 and 2: 2.2 million tonnes CO_2e (2023), Scope 3: 4.2 million tonnes CO_2e (2022)

Contents

Targets

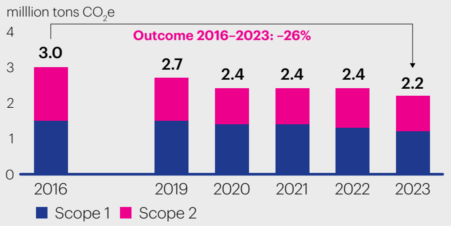
Essity's overall ambition is to achieve net zero greenhouse gas emissions throughout the value chain by 2050, applicable to wholly owned companies. The ambition is accompanied by science-based targets for Scope 1, 2, and 3, which have been validated by the Science Based Targets initiative (SBTi). This means that they are aligned with the ambitions of the Paris Agreement to reduce global warming. We have set two targets that guide our actions:

- A near-term emissions-reduction target to reduce our Scope 1 and 2 emissions by 35% and our Scope 3 emissions by 18% by 2030 relative to a 2016 baseline. Our near-term target for Scope 1 and 2 is aligned with the SBTi pathway of Well-below 2 Degrees Celsius (WB2D).
- A long-term commitment to achieve net zero emissions covering Scope 1, 2, and 3 emissions by 2050 in absolute terms.

Science-based targets

Target 2030 (compared with 2016):

- **Scope 1 and 2:**
  Target: –35% Outcome 2023: –26%
- **Scope 3:**
  Target: –18% Outcome 2022: –10%



Additional targets to lower our environmental impact

- >50% sustainable innovations
- 85% renewable or recycled packaging materials (2025)
- 100% packaging recyclability (2025)
- 100% FSC and PEFC-certified fresh wood-based fiber
- 100% of production waste subject to material or energy recovery (2030)

Strategy

A comprehensive climate transition strategy has been implemented to reduce Essity's greenhouse gas emissions and achieve our targets. As part of the strategy, the following eight key action areas have been identified:

- Sustainable innovations
- Low-carbon materials
- Fossil fuel-free tissue production
- Resource efficiency
- Breakthrough technology
- Zero production waste
- Clean transportation
- Less waste after use

BUSINESS AMBITION FOR 1.5°C

Essity joined the UN Global Compact's "Business Ambition for 1.5°C" in 2021. The CDP, World Resources Institute (WRI), WWF and UN Global Compact support the platform. It allows collaboration between companies and critical stakeholders to address limiting and adapting to climate change.

Approach

To deliver on the strategy, the following approaches are taken by Essity for each key action area:

Sustainable innovations

Since the 1990s, we have been conducting Life Cycle Assessments (LCAs) to measure the environmental impact throughout the entire life cycle of the product. We develop smarter designs and reduce material use in products without affecting functionality or quality. By expanding our assortment with more reusable products, solutions and services that reduce volume consumption, such as absorbent underwear, hybrid diapers, and digital services like TENA SmartCare Change Indicator, we support sustainable consumption. Through continuous development and daily improvements, Essity has reduced the carbon footprint of the company's different product offerings by up to 43% over a 15-year period in Europe. Essity's Group target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2023, the outcome was 85%.

Low-carbon materials

Essity strives to use more materials with lower greenhouse gas emissions. The largest share of greenhouse gas emissions from purchased raw materials is from fresh fiber, recovered fibers and primary fossil-based plastic used in our products and packaging. We collaborate with our suppliers to develop sustainable products focusing on alternative, renewable and recycled materials and encourage them to establish their own climate targets and increase the use of renewable energy.

Lifecycle perspective for Essity's products, solutions and services

Fossil fuel-free tissue production

One of our most important tasks to achieve net zero emissions by 2050 is to become free from fossil fuels as our tissue manufacturing is an energy-intensive process. To accomplish this, measures include the increased use of low-carbon hydrogen, biomass, biogas, geothermal steam and solar power, and the electrification of our tissue processes.

By completely replacing natural gas with biogas and shifting to certified renewable electricity, our Lilla Edet production facility in Sweden is reducing its fossil fuel CO_2 emissions to zero during normal production. It is the world's first large-scale tissue production facility with fossil CO_2 emission-free production. In 2023, we also became the first company in the industry to produce tissue in a CO_2 emission-free production process using renewable hydrogen at our production facility in Mainz-Kostheim, Germany.

Resource efficiency

Essity has extensive experience working with resource efficiency across the value chain, including its M-Save and E-Save programs focusing on material and energy efficiency in our production process. The reduction in greenhouse gas emissions per ton produced between 2005 and 2023 was 26%. During 2023, Essity focused on global sharing, implementing best practices and digital follow-up of our resource efficiency across our production facilities. We also made major investments in state-of-the-art technology, such as heat and fiber recovery, and improved process control and equipment.

Breakthrough technology

Since 2021, Essity has been manufacturing tissue using pulp from wheat straw, and in 2022 we launched our first products containing wheat straw. Essity's facility in Mannheim, Germany, is the world's first facility in the tissue industry to use these agricultural by-products for large-scale production. We are also exploring future tissue technology to reduce resources such as water and energy used in our production.

Zero production waste

To reduce Scope 3 emissions, Essity turns, where possible, production waste into a valuable resource. By 2030, all production waste should be subject to material and energy recovery.

Clean transportation

Within logistics we work with partners to focus on the shift to low-emission transportation options. We continue to reduce emissions in our transportation network by maximizing the load-fill, optimizing routes and transportation modes, and constantly introducing low-emission vehicles (multifuel vehicles using liquefied natural gas, electricity, and vegetable oil) from our service providers into our network. We are integrating sustainability into Essity's global transportation model by adding emission factors as criteria for optimizing our load planning.

Less waste after use

By integrating our prinicples of Reduce, Reuse and Recycle, we can reduce waste from our products and packaging across the entire life cycle.

Our approach is to reduce the impact of greenhouse gas emissions related to our suppliers, logistics partners,operations, customers, and consumers. Additionally, we are using the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify and reduce the impact of climate change on Essity's business.

Outcome

Energy utilization

Energy efficiency, breakthrough technology, and the increased use of renewable energy are required to achieve Essity's targets. Energy sources necessary for production include electricity, whether purchased or onsite generated, fuels such as fossil fuels and biomass, and purchased steam. The amount of these energy sources consumed in production is monitored, and the data is used in emissions calculations. Surplus heat is created during the onsite combustion of fuel, some of which is reused by Essity in production processes, while a minor share is sold externally.

The majority of Essity's energy demand, both fuel and electricity, is from tissue production. Electricity is the primary energy source used to produce products in the Incontinence Products, Baby Care, and Feminine Care categories. European facilities within these business categories have purchased certified renewable electricity with guarantee of origin certificates since 2020.

Partnerships to reduce environmental impact

Essity works with various key stakeholders, such as individual governments and their agencies or other policymakers, as for example the EU and the OECD, intergovernmental organizations as well as and non-governmental organizations such as Ellen MacArthur Foundation and Science Based Targets initiative (SBTi).

Greenhouse gas emissions

Essity calculates its greenhouse gas emissions across Scope 1, 2, and 3. We employ the operational control approach in line with the Greenhouse Gas (GHG) Protocol. Scope 1 and 2 involve calculations directly linked to Essity's production facilities and include direct emissions from fuel consumption (Scope 1) and indirect emissions from the use of purchased energy (Scope 2). Scope 3 consists of estimated indirect emissions in Essity's up- and downstream value chain and are reported with a one-year delay to enable data collation from the value chain.

The reported data for Scope 1 is based on onsite fuel use with associated emission factors. For Scope 2, data for emissions from electricity is calculated and disclosed according to location- and market-based methodology, using a country's grid mix emission factors. Data for emissions from purchased steam is calculated based on the fuel used by the suppliers to generate the steam. The calcu-

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lation of greenhouse gas emissions for Scope 1, 2, and 3, as well as progress tracking toward Essity's science-based targets, encompasses carbon dioxide (CO2), 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), 2020 (Scope 2 emissions, location-based and market-based).

For Scope 1 and 2, the emissions-reduction outcome in 2023 was –26%. In terms of Scope 3, the emissions-reduction outcome in 2022 was –10%, all measured against base year 2016.

Energy and emissions to air: Scope 1, 2 and 3

Essity's energy efficiency program will remain a cornerstone of the company's work to reduce energy use and emissions. It is strongly linked to its commitment to science-based targets under Scope 1 and 2.

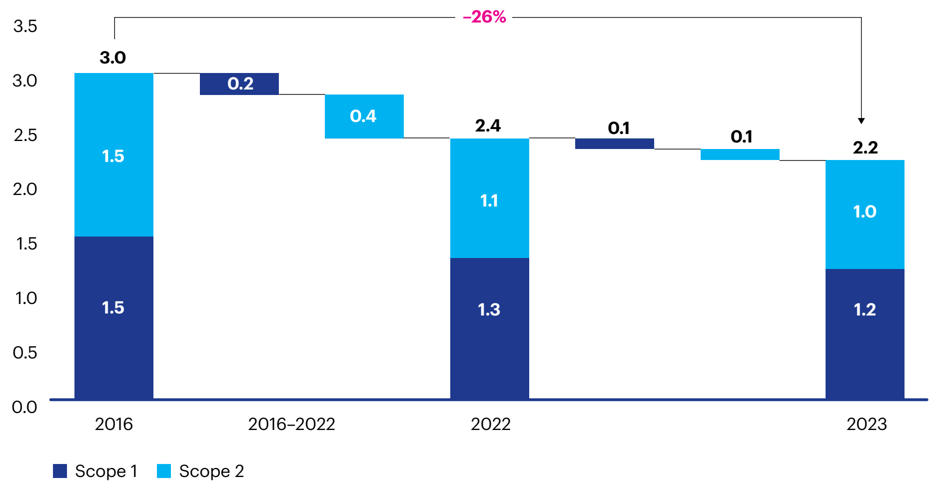
Essity's near-term Scope 3 science-based target applies to the most important emission categories from purchased raw materials, incoming and outgoing transportation, waste from the company's own production and product waste after use. These categories represent the majority of total Scope 3 emissions in the 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. For production waste to landfill, the waste streams containing fiber, such as deinking residuals and rejects from wastepaper, are reported into a centralized system that applies an emission factor to the disposed dry fiber portion. This emission factor is based on national averages considering incineration and landfilling practices, including methane capture in each area.

For the other key Scope 3 emissions categories, Essity conducts estimates using the company's data from purchased, transported, produced, and sold volumes, known as primary data. The emission factors are obtained through third-party information from suppliers and service providers in manufacturing and transportation and from publicly available statistics for waste management systems. Essity's restatement principles are in line with the GHG Protocol. Prior year adjustments are made due to structural changes, such as acquisitions and divestments, improved or updated methodology, or updated data from third-party suppliers. Essity's Scope 3 data for 2022 has been updated to include the acquisitions of Asaleo Care and Familia in 2021 and improved methodologies.

The EU Emissions Trading Scheme (EU ETS) and the UK Emissions Trading Scheme (UK ETS)

Essity had 17 production facilities included in EU ETS 2023 and five in UK ETS 2023. 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).

Science-based targets Scope 1 and 2, million tons CO_2e



The EU Emissions Trading Scheme (EU ETS) and the UK Emissions Trading Scheme (UK ETS)

	2023	2022	2021	2020	2019
EU ETS					
Average market price, EUR/ton	83.5	80.8	53.4	24.8	24.8
Emission allowances, ton	167,000	228,000	210,000	225,000	240,000
UK ETS					
Average market price, GBP/ton	53.6	77.4	55.5	–	–
Emission allowances, ton	34,000	40,000	30,500	–	–

Energy

	2023	2022	2021	2020	2019
Production, ktons	**3,261**	**3,504**	**3,410**	**3,508**	**3,622**
Purchased electricity, GWh	**3,838**	**4,192**	**4,041**	**4,062**	**4,225**
Renewable electricity purchased	614	378	345	402	183
Grid electricity purchased, GWh	3,224	3,814	3,696	3,660	4,042
Heat/steam purchased, GWh	**297**	**182**	**195**	**206**	**289**
Heat/steam renewable	82	87	90	96	111
Geothermal steam	83	68	75	70	74
Heat/steam non-renewable	132	27	30	40	104
Total fuels, GWh	**7,155**	**7,845**	**7,767**	**7,884**	**8,580**
Biofuels	1,081	1,181	1,178	1,129	1,336
of which wood fuels	168	188	197	161	339
of which black liquor	787	862	901	884	901
of which other biofuels	126	131	80	84	96
Fossil fuels, GWh	6,074	6,664	6,589	6,755	7,244
of which natural gas	5,931	6,502	6,300	6,463	6,873
of which coal	5	6	159	164	237
of which oil	131	148	123	123	127
of which other fossil fuels	7	8	7	5	7
Total energy (gross)[1], GWh	**11,290**	**12,219**	**12,003**	**12,153**	**13,095**
Total renewable energy (gross)	1,861	1,713	1,688	1,697	1,704
Total non-renewable energy and grid electricity (gross), GWh	9,429	10,506	10,315	10,456	11,391
Energy sold, GWh	**45**	**251**	**249**	**248**	**252**
Renewable energy sold	0	135	166	167	155
Non-renewable energy sold	45	116	83	81	97
Total energy (net), GWh	**11,245**	**11,968**	**11,754**	**11,905**	**12,843**
Total renewable energy	1,860	1,578	1,522	1,530	1,549
Total non-renewable energy	9,385	10,390	10,232	10,375	11,294
Energy intensity, MWh/t	**3.4**	**3.4**	**3.4**	**3.4**	**3.5**

Air emissions: Greenhouse Gas Emissions, Essity's science-based targets, ktons

	2023	2022	2021	2020	2019	2016
Scope 1, CO_2e	1,240	1,361	1,368	1,402	1,493	1,534
Scope 2, CO_2e, Location-based emission factors	1,005	1,069	1,022	1,020	1,183	1,514
Total Scope 1 and 2, CO_2e	**2,245**	**2,430**	**2,390**	**2,422**	**2,676**	**3,048**
Prior year adjustment[1]		–174	–192	–197	–112	–112
Scope 3, CO_2e		**4,220**	**4,213**	**4,247**		**4,707**

1) Updates of emission factors for Scope 2 (location-based), exclusion of divested operations and minor corrections.

Air emissions: Greenhouse Gas Emissions, Biogenic and Market-based CO_2-emissions, ktons

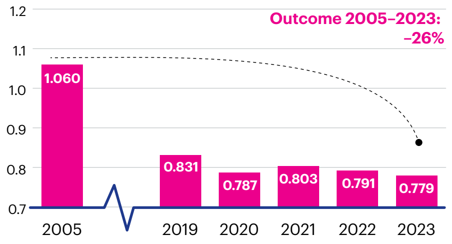
	2023	2022	2021	2020	2019
Scope 1, CO_2 biogenic, from biofuel use	431	469	475	455	470
Scope 2, CO_2 biogenic, from purchased steam	44	37	39	38	42
Scope 2, CO_2e, Market-based emission factors	1,236	1,442	1,393	1,327	1,549

Other air emissions[1], tons

	2023	2022	2021	2020	2019
NOx as NO_2	1,330	1,450	1,587	1,740	1,507
SOx	197	189	463	488	586
Particulate matter	37	85	100	85	105

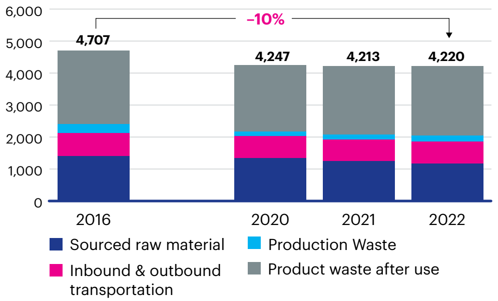
1) Other air emissions from use of fuel in production facilities include nitrogen oxides and sulfur oxides (NOx and SOx).

CO_2 intensity



1) Refers to fully owned Essity Tissue production facilities.

Scope 3 emissions, science-based targets, results



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Sustainable innovations

Essity's target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. We achieved 85% (68; 59) during 2023.

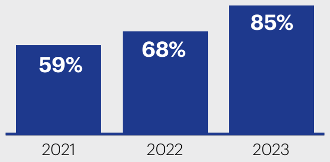
In parallel, we continuously evaluate our current product assortment to initiate social and/or environmental improvements. We use LCAs, which encompass most of the products sold in a region. This allows Essity to measure environmental performance for innovations and gradual improvements in the company's daily operations for the entire product assortment over several years.

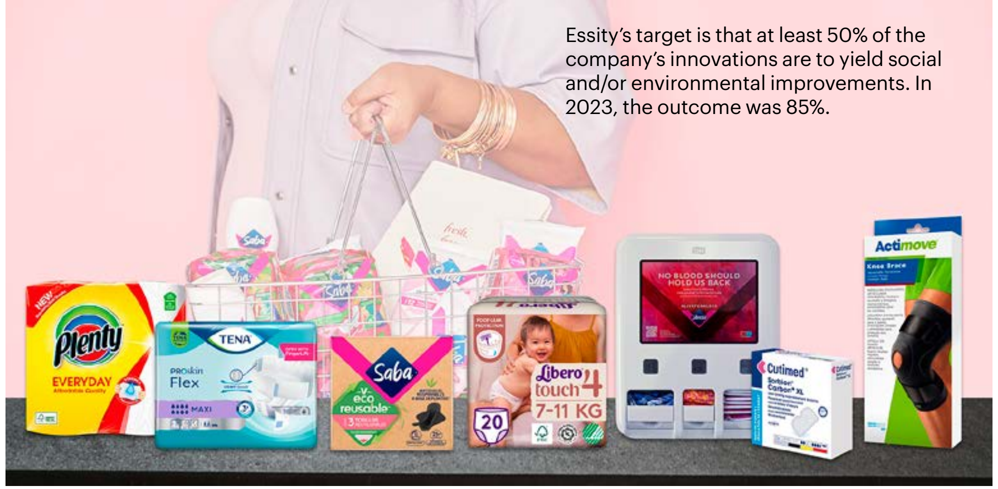
Sustainable innovations

Share that yielded social and/or environmental improvements

Target: >50%

Outcome: 85%





Essity's target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2023, the outcome was 85%.

Lower climate impact through the use of innovation

Products in Europe	Year	Carbon footprint reduction %
Incontinence Products	2008–2022	
TENA Flex		–22
TENA Pads and Liners		–43
TENA Comfort		–21
TENA Men		–26
TENA Pants and Underwear		–41
TENA Slip		–32
TENA Bed		–24
Feminine Care	2008–2023	
Feminine Ultra towels		–34
Baby Care	2008–2022	
Libero and Lotus open diaper		–31
Libero and Lotus pant diaper		–32
Professional Hygiene		
Tork toilet paper	2011–2022	–6
Tork napkins	2011–2019	–9
Tork paper hand towels	2011–2017	–18
Consumer Tissue		
Toilet paper	2011–2018	–10
Household towels	2011–2018	–19
Handkerchiefs and facial tissues	2011–2020	–8

The Life Cycle Assessments (LCAs) performed by Essity have been subject to third-party reviews.

Outlook

Based on the 2023 performance, the strategy and its focus on action-oriented areas will remain during 2024. Both the USA and EU have adopted policies to accelerate the fossil-free transition (Inflation Reduction Act in the USA and Green Deal for Industrial Policy/Net-Zero Act in the EU), indicating that fossil-free energy technologies will contribute to the shift. The EU has also revised its Emission Trading System, which is essential for our European production facilities, and will announce an updated 2040 emissions target in 2024. At the global level, UN Member States will take Global Stock (GST) of their performance in relation to the Paris Agreement climate targets. This process involves evaluating the collective efforts made by countries since the agreement's inception in 2015. Still, much more work will need to be done to remain within 1.5°C of global warming this century. The overall outlook and trend indicate that policymakers will continue to support more rigorous climate targets and demands while promoting a significant increase in public investment in fossil-free energy (technology). Essity's stocktake shows that our strategy is aligned with this global trend, but that progressively increasing efforts to meet stricter climate targets will be required.

We continue to execute our greenhouse gas emissions strategy according to the science-based target with close follow-up of the results and actions in each of our key action areas. In 2024, we expect – among several other investments – to commission the world's first tissue machine operating on geothermal steam. Sustainable innovations that enable us to improve resource efficiency, contain low-carbon materials, reduce waste, and provide more efficient or cleaner transportation remain a priority area across our value chain.

Environmental information

Forest and fiber

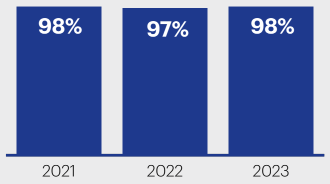
Why forest and fiber matter

Global forests are critical in the fight against climate change serving as a habitat for a variety of species and in sustaining rural livelihoods for local communities. Forest preservation is vital for functioning ecosystems. Fresh wood-based fiber is a key raw material for Essity, and as a global purchaser of pulp and other fiber-based materials, we have a responsibility to minimize potential impacts on forests. A joint effort along the value chain between Essity, our suppliers and other stakeholders is needed to mitigate the risks of biodiversity loss, end deforestation and secure responsible use of forest resources.

Fresh fiber
Share of FSC- and PEFC-certified fresh fiber

Target: 100%

Outcome: 98%



Through certifications such as FSC and PEFC, Essity ensures sustainable fiber procurement, thereby preventing deforestation and promoting biodiversity.

Impacts, risks, and opportunities

Renewable raw materials, fresh wood-based fiber, and recovered fiber account for the largest share of the total volume of material in Essity's products. Essity's biggest impact on forests and biodiversity is generated using fresh wood-based fiber. We are aware of the impact created through our operations and endeavor to use only fresh wood-based fiber certified through FSC and PEFC.

The use of fresh wood-based fiber could have a negative impact on people and the environment. If forests are not well managed, there is a risk of deforestation, habitat degradation, climate change, pollution, and negative impacts on local communities.

Growing demand for forest resources puts pressure on the existing forests and the supply chain. Increased transparency and traceability in the supply chain, as well as expectations in relation to certifications, are demanded by stakeholders and supported by new compliance requirements, such as the EU Deforestation Regulation. Essity sees this as an opportunity to eliminate illegal and unsustainable practices from the supply chain.

Targets

Nature conservation and respecting biodiversity through responsible forest and fiber management is a priority for Essity. Our 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 fresh wood-based fiber must fulfill the FSC Controlled Wood standard, as a minimum, to be eligible for purchase.

Strategy

As a part of Essity's sustainability strategy, there is a long-standing focus on responsible fiber procurement that includes fresh wood-based fibers, recycled fibers, and alternative fibers, thereby ensuring our work with nature conservation and respecting biodiversity. Our strategy aims to eliminate illegal and unsustainable practices from the supply chain and our suppliers' supply chains.

Essity has set three focus areas to ensure responsible fiber procurement strategically:

Certifications: International third-party certifications, FSC and PEFC are used to ensure responsible fiber procurement. Moreover, preventing deforestation and promoting biodiversity throughout the entire value chain are crucial for Essity to achieve its forest and fiber-related target.

Investments in innovation: We invest in breakthrough technologies that enforce our work toward circular business models where we can reduce the use of fresh wood-based fiber.

Partnerships: We use partnerships to gain knowledge and develop methods to measure impacts on forests and ecosystems.

Approach

In 2023, Essity reaffirmed its requirements for wood and fiber traceability from all suppliers of pulp mills and our commitment to promote forest certification via the Consumer Goods Forum Forest Positive coalition. We also expanded the discussions on climate targets with our pulp suppliers, to better understand and include emissions from forest management, and land-based emission reductions and removals (Forest, Land and Agriculture, SBTi FLAG).

To deliver on its forest and fiber-related strategy, the following approaches are taken by Essity:

Certified suppliers and forest owners

Essity works with and encourages non-certified suppliers and forest owners to become certified. This secures our procurement of certified materials while increasing the availability of certified raw materials to other users. To further promote responsible forestry at the global, regional, and national levels, we support further development of international certification systems.

We support our suppliers to maintain and safeguard responsible forest management based on biodiversity and forest conservation principles. Through robust procurement policies and due diligence systems, we ensure products are procured legally, ethically, and sustainably.

Essity's Fresh Wood-based Fiber Procurement Policy was updated in 2023 to address our stakeholders' increased transparency requirements in the supply chain and to describe the company's expectations in relation to suppliers' performance and disclosures.

Investments in innovation and new technology

To reduce the use of fresh wood-based fiber, we invest in new technology to increase the possibility of utilizing a larger share of recycled and alternative materials. In 2023, Essity inaugurated the world's first production line for tissue products under the brand Tork, where the raw material consists of used food and milk packaging. The facility has a capacity to recycle 25,000 tons per year, equivalent to 60% of all collected, sorted, and recycled food and beverage cartons in France. We are also investing in alternative renewable fibers such as wheat straw, an agricultural by-product that often remains unused. We develop business models supporting circularity, such as Tork PaperCircle, to recycle our products after use and recover valuable fibers, which are returned as raw material to our tissue production facilities.

Partnerships for knowledge and support

Together with partner organizations, Essity engages in different forestry projects to gain knowledge and develop methods to measure

In 2023, natural color paper towels and toilet paper were launched under the Tork brand. They are made from 100% recycled fiber, where 30–50% of the paper comes from recycled cardboard boxes.

Sustainable leadership

In 2023, Essity was again recognized for the company's leadership in sustainability by the non-profit environmental organization CDP. CDP's database provides access to information about how Essity works with fiber suppliers, industry organizations and other stakeholders, including non-profit organizations, to manage and promote sustainable forestry.

Promote a forest-positive change

Each year, Essity reports according to the agreed targets in the Forest Positive Coalition of Action, part of the Consumer Goods Forum (CGF) to drive a forest-positive change within our supply chains, our industry and beyond. Our joint targets are essential for our commitment to other coalition members.

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impacts on forests and ecosystems. We are participating in a project run by FSC on monitoring biodiversity improvements and demonstrating biodiversity value. Another project run by the UK Woodland Trust is studying afforestation and its impact on water flow and quality.

TENA SmartCare Change Indicator

Outcome

Essity's target is that all raw materials derived from fresh wood-based fiber in the company's products and packaging are to be certified in accordance with FSC or PEFC. In 2023, 98% (97; 98) of all used fresh wood-based fiber fulfilled the target. All fresh wood-based fiber must also fulfill the FSC's Controlled Wood standard, as a minimum, to be eligible for purchasing. Pulp comprises 99% of the fresh wood-based fiber while the remainder comprises packaging, externally sourced mother reels.

Fiber use, pulp and recycled paper[1]

	2023	2022	2021	2020	2019
Fiber used, million tons	**3.6**	**5.2**	**5.0**	**5.1**	**5.2**
of which, pulp consumption	1.8	3.3	3.2	3.2	3.1
share of total fiber use, %	50	64	64	63	59
of which, recovered paper consumption	1.8	1.9	1.8	1.9	2.1
share of total fiber use, %	50	36	36	37	41

Fiber sourcing wood-based fresh fiber by certification[2], %

	2023	2022	2021	2020	2019
FSC	59	59	63	59	57
PEFC	39	38	35	36	22
FSC Controlled Wood standard[3]	2	3	2	5	21
Total	**100**	**100**	**100**	**100**	**100**
Target fulfillment	**98**	**97**	**98**	**95**	**79**

1) 2023 excludes discontinued operations. Prior years are not adjusted.
2) The distribution applies to procurement by wholly-owned companies.
3) Includes procurement of fresh fiber to eight of Essity's facilities in 2020–2023 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 2023. A minor share of mother reels and packaging purchased in 2023 from suppliers was not FSC Controlled Wood.

Outlook

Essity will continue to increase the use of certified fiber raw materials based on the set target and the updated Global Fiber Procurement Policy. Through engagement with CGF, FSC and PEFC, as well as with key suppliers, we will promote forest certification and drive sustainable forest management practices.

Environmental transparency and accountability are vital for monitoring progress toward a net zero and deforestation-free future. We will continue to expand our public reporting about fiber supply and use, forest certification and other relevant information related to our forest and fiber-related target, initiatives, engagement, global fiber use and traceability.

Environmental information

Plastics

Why plastics matter

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

Targets

Essity has set targets to reduce the total amount of primary plastic in the company's packaging, to increase the use of renewable or recycled plastic and to make all plastic packaging recyclable.

By 2025, we aim to achieve 100% technical recyclability in our packaging. 85% of our total packaging materials should come from renewable or recycled materials, and 25% of plastic packaging should be based on recycled materials.

Strategy

Our strategy aims to reduce primary fossil-based plastics through several steps, such as:

- Reducing plastic materials in products and packaging.
- Replacing primary fossil-based plastics with renewable or recycled materials.
- Ensuring sustainable and controlled consumption during use.
- Introducing reusable design.

We want to accelerate development and create opportunities by cooperating with customers, consumers, suppliers and other partners to identify more sustainable and circular solutions.

Impacts, risks, and opportunities

Primary fossil-based plastics in Essity's packaging contribute to a negative climate impact. The same applies, due to the nature of our industry and product offering, to the production of primary fossil-based products and fossil-based plastic waste after use.

Single-use products and packaging are increasingly seen as unfavorable from a climate and circularity perspective. This puts pressure on reducing plastic and finding alternative materials that decrease the environmental impact. A challenge is that plastic is required in many hygiene and health products to ensure high sanitation, safety, and functionality levels. Accordingly, there is a risk that dependency on plastic could obstruct adaptation and that plastic use is not minimized. There is also a regulatory risk of extended producer responsibilities being applied to Essity's products, leading to higher costs.

Another market challenge is the lack of infrastructure for collecting used packaging or products. Essity, therefore, supports national initiatives for large-scale recycling of packaging.

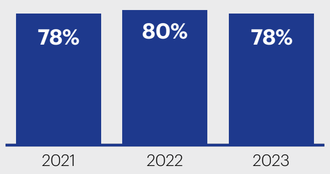
Increased demands and more robust requirements also give Essity an opportunity to shift to new renewable or recycled materials and reusable designs that reduce environmental impact. There are also opportunities for new partnerships that enable the development of materials and increase the availability of alternative materials best suited to fit our purpose and achieve our goals.

Packaging

Share of packaging manufactured from renewable and/or recycled material

Target 2025: 85%

Outcome: 78%



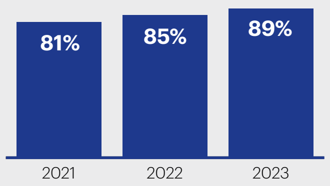
Essity is striving for 85% renewable and/or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands.

1) Packaging is recyclable using existing infrastructures.

Share of technically recyclable packaging[1)]

Target 2025: 100%

Outcome: 89%



In 2023, 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.

Approach

We have integrated climate-conscious and circularity principles into the company's business model, from responsible raw material procurement and more resource-efficient production to sustainable solutions that enable customers and consumers to minimize plastics during and after use.

- Resource efficiency is well integrated into our development, and we reduce materials where possible. Examples are lower grammage of plastic packaging or thinner hygiene products. This has contributed to a carbon footprint reduction for all our products.
- We aim to gradually replace primary fossil-based plastics in our packaging and personal care products, with new plant-based materials, such as sugar cane, corn, or materials from organic waste. Work to replace fossil-based primary plastics in our packaging with renewable or recycled plastics or new flexible paper packaging is already underway.
- Sustainable consumption is about working together with the user during use. We carry out circularity assessments as part of the innovation process to better understand how waste can be avoided during and after use. One example is TENA SmartCare, where care and product use is optimized, and waste is reduced through digital monitoring, so the product is replaced at the right time and fewer and thinner products are used.
- Another effective step is to develop smarter designs to reduce environmental impact. It is essential that current products continue to be improved, with enhancements to the design using less materials. This remains the biggest contribution to reducing the carbon footprint of our products. Reusable design is an additional and effective way to reduce materials and waste in the long-term. In recent years, we have launched several fully washable products and hybrid products where we can achieve the desired performance.

Partnerships

We are broadening our collaboration with suppliers and customers to better understand how we can support each other's sustainability strategies and targets. The aim is to create more value using less or alternative materials and create products that are compatible with a sustainable and circular society.

Essity is an Ellen MacArthur Foundation Partner and Circular Plastics Alliance stakeholder. The Ellen MacArthur Foundation is committed to the creation of a circular economy that eliminates waste and pollution, circulates products and materials, and regenerates nature, and its network provides a forum to share, learn and implement ideas to develop and scale circular economy solutions.

The Ellen MacArthur Plastics initiative is aligned with and impacts external prerequisites for Essity's target to ensure that all packaging is 100% recyclable and to increase the use of recycled plastic by 2025. We also participate in several projects to improve circularity.

Through the Ellen MacArthur Foundation, RecyClass, CGF's Coalition of Action on Plastic Waste, Essity works with customers, other companies, and organizations to jointly tackle plastic waste and strive to improve social systems, so that the plastic is kept in the economy and out of the environment.

Outcome

The proportion of renewable or recycled materials was 78% (80; 78). 89% (85; 81) were technically recyclable. For plastic packaging, which accounts for about 25% (23; 23) of the total packaging volume, 12% (12; 7) was manufactured from renewable or recycled materials. The proportion of recovered plastic was 10% (10; 5). The proportion of technically recyclable plastic packaging was 72% (72; 73).

Outlook

The UN began negotiations for an International legally binding instrument to end plastic pollution in November 2022. This global treaty will focus on all plastic products, including packaging. The multilateral negotiations on the treaty are expected to conclude in mid-2025. Essity joined the Business Coalition for a Global Plastics Treaty. This new Coalition convened by the Ellen MacArthur Foundation and WWF, brings together businesses and financial institutions committed to supporting the development of an ambitious, effective and legally binding UN treaty to end plastic pollution.

Packaging data[1)]

	Target	2023	2022	2021
Packaging, total ktons		**182**	**173**	**173**
whereof paper packaging, ktons		136	133	133
whereof plastic packaging, ktons		46	40	40
Technical recyclability of packaging, total %	**100**	**89**	**85**	**81**
whereof paper packaging, %		94	89	83
whereof plastic packaging, %		72	72	73
Renewable or recycled materials in packaging, total %	**85**	**78**	**80**	**78**
Renewable or recycled materials in plastic packaging, %		**12.4**	**12.0**	**7.0**
whereof renewable materials in plastic packaging, %		2.4	2.0	2.0
whereof recycled materials in plastic packaging, %		10.0	10.0	5.0

1) Essity have for 2023 expanded the scope of packaging disclosure. Acquisitions have been included and divestments excluded. Prior years are not adjusted.

Environmental information

Waste

Why waste matters

Reducing waste has a profound impact on the environment, the economy, and the overall well-being of societies. Excessive waste can contribute to pollution, strain primary resources, and accelerate climate change. Minimizing waste across the life cycle contributes to the use of fewer primary materials, promotes sustainable production and consumption, reduces the burden on waste management and creates healthier living spaces. Therefore, it is essential that Essity works actively to minimize waste throughout the value chain and product life cycle and to identify circular solutions after use.

Impacts, risks, and opportunities

Essity aims to reduce negative environmental impact by minimizing waste arising from our production and product waste after use. Some waste generated in our value chain, both product and production waste, ends up in landfills. Single-use products and packaging are increasingly seen as unfavorable from a circularity perspective. To reduce waste is a big challenge which requires changes in our supply chain, development, as well as behaviors during use and after use. Essity takes a step by step approach to reduce the environmental impact from production and product waste. The most challenging situation is to manage waste where there are no other alternatives to landfill.

Of Essity's production waste, a small proportion (0.1%) is hazardous waste, which is primarily waste oil that is considered hazardous under EU regulations, but also includes organic solvents, batteries and used lamps. Additionally, there is a regulatory risk of extended producer responsibilities being applied to Essity's products, which would risk leading to higher costs.

Future opportunities to utilize Essity's production waste are emerging. Some of the production waste by-products can be sold to other industries as a potential resource inflow, thereby saving costs related to waste management.

By minimizing waste throughout the product life cycle, we contribute to less use of primary materials, support sustainable production and consumption, reduce the burden on waste management and create healthier living spaces. Essity has ongoing initiatives and measures that involve rethinking circularity across the life cycle. An opportunity for us is the possibility to innovate additional low-carbon products developed to meet hygiene and health demands. This meets the increased demand for products with a longer life or the possibility of being reused several times before becoming waste.

Moving forward, we see the potential to offer a mixed range that features new, fully washable and reusable products, hybrid products and low-carbon products that improve user efficiency while reducing waste. In terms of process waste, Essity is investing in waste valorization research and pilot projects to treat and transform the current production waste streams into more reusable forms. These efforts could lead to the beneficial reuse of currently landfilled waste streams. Landfill is the last option for our production waste. In some cases, the methane created at the landfills is captured for energy creation, which lowers the actual climate impact.

Targets

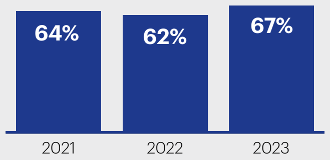
Essity's waste target is that all production waste will be subject to material and energy recovery by 2030. This will reduce the waste generated from Essity's value chain, reduce the related greenhouse gas emissions and contribute toward fulfilling our Scope 3 targets.

Production waste

Subject to material or energy recovery

Target 2030: 100%

Outcome: 67%



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.

Product waste is included in the science-based targets where Essity's Scope 3 goal is –18% by 2030.

Strategy

Our waste and circularity strategy is threefold; Reduce, Reuse and Recycle. It aims to reduce, reuse, and finally enable our customers and consumers to recycle our products. Essity has integrated circularity into the company's business model, from responsible raw material procurement and more resource-efficient production to solutions that enable customers and consumers to improve well-being while minimizing waste. We are developing innovative solutions to prevent waste by reducing materials, controlling consumption, and creating new business models for recycling after use.

Approach

To deliver on our waste-related strategy, the following approaches are taken by Essity for each of the three areas:

- ***Reduce:*** We reduce waste in production and waste produced during and after the use of our products. We carry out environmental assessments as part of the innovation process to obtain a better understanding of how waste can be avoided in production, during and after use. Reducing waste in production is about preventing waste and finding a second use for unavoidable production waste. Materials that can be feasibly recycled or recovered are handled in such a manner.

- ***Reuse:*** For our products, we employ an approach that ensures a smarter design that is more resource efficient. We can also reduce waste through controlled consumption. We want to continue introducing fully washable and reusable products or hybrid products where we ensure performance while reducing the use of primary materials and creating less waste.
- ***Recycle:*** We have improved the possibility for recyclability of our paper and plastic packaging. We offer compostable tissue products and Essity also encourages consumers to compost foodservice-related products such as Tork napkins and Consumer Tissue household towels. Tork PaperCircle® is our first recycling service for hand towels and we are exploring alternative solutions for all other products. Regarding production waste currently disposed of in landfills as a last resort, Essity is striving to transform the largest of these waste streams so that they can be recovered through our waste valorization initiatives.

Tissue production

Essity's production facilities for recycled tissue consume their own internal post-industrial sources of repulpable fiber in the form of tissue waste streams that would otherwise constitute process waste. In addition, in certain cases, these sites take back unused and repulpable tissue and wastepaper from other nearby Essity production facilities, providing a means of internal and circular production waste recovery. For example, in the USA, the Neenah converting site sends tissue waste streams for recovery to the Menasha paper mill. Similarly, the Harrodsburg tissue production site sends its tissue waste streams for recovery to the Middletown paper mill. Some non-pulpable wiper products are also recovered, for example, again at Neenah, in the USA, where these materials are sent offsite for production into other new products such as pellet fuel.

Tissue production waste streams

In volume, Essity's two largest production-related waste streams currently landfilled include deinking residuals, and pulper rejects. These waste streams come from the paper recycling process at our deink tissue mills. Deinking residuals comprise the unusable portions of the wastepaper entering the recycling process, for example, short fiber that passes through the tissue machines and minerals found in paper coatings. These residual materials are removed as solids from the onsite wastewater systems and dewatered.

Pulper rejects are materials rejected from the deinking process and primarily comprise contaminants such as plastics found in the incoming wastepaper bales. Some of Essity's sites, such as Lilla Edet, Sweden and Nokia, Finland, beneficially reuse the deink residuals in onsite biomass boilers as a fuel source. Most other recycled tissue mills in Europe recover the majority of their deink residuals by utilization of various other offsite outlets, including waste-to-energy, construction, or agriculture. In North America and Latin America, some volumes of deink residuals are also recovered through reuse in agriculture or construction, however, in these regions, waste-to-energy outlets are less commonly available, and the moisture and mineral content of this waste stream is often a limiting factor in available recovery outlets.

In Latin America, washable and reusable pads were launched under the Saba and Nosotras brands. The pads last for about 25 washes, consume 83% less plastic, and generate 70% less waste compared to a regular pad, thereby reducing the product's carbon footprint.

Personal Care production waste streams

Essity's Personal Care production facilities also have production-related waste streams that are often successfully recovered through recycling or energy recovery, including trimmings, and captured super absorbent material. The Personal Care and Tissue production facilities that support the Consumer Goods business successfully recover their production waste, turning it into materials or energy.

Production waste, ktons

	2023	2022	2021	2020	2019
Waste management	**457**	**531**	**467**	**449**	**522**
Non-hazardous waste					
landfill	451	520	458	442	490
incineration without energy recovery	1	1	5	4	22
other waste management	5	9	3	2	6
Hazardous waste					
landfill	0	0	0	0	4
incineration without energy recovery	0	0	0	0	0
other waste management	0	1	1	1	0
Waste recycling	**945**	**912**	**892**	**961**	**1,062**
Non-hazardous waste					
incineration with energy recovery	205	238	208	205	247
recycling	368	380	341	338	385
other waste recycling	371	292	342	416	422
Hazardous waste					
incineration with energy recovery	0	0	0	0	0
recycling	1	2	1	2	6
other waste recycling	0	0	0	0	2
Total waste	**1,402**	**1,443**	**1,359**	**1,410**	**1,584**
Waste management, %	33	37	34	32	33
Subject to material or energy recovery, %	67	63	66	68	67

Outcome
In 2023, the total amount of production waste decreased and 67% (63; 66) was recycled. The recovery rate from Essity's production facilities varies due to differences in national legislation and the availability of feasible waste-to-energy outlets. Volume changes over time may positively or negatively impact the mix of material and energy recovery. All waste data for Essity includes water content and the water content of waste to landfill is approximately 50%.

Production waste
Greenhouse gas emissions can be lowered by reducing the amount of production waste sent to landfills and instead recycling the waste or extracting energy from it, thereby helping Essity to achieve its science-based targets (Scope 3).

Outlook
We engage in conversations throughout the value chain to promote the implementation of circular economy solutions designed to tackle waste, including the CGF, Edana, Coalition for Epidemic Preparedness Innovations (CEPI), the Ellen MacArthur Foundation and RecyClass. Through CGF's Coalition of Action on Plastic Waste, Essity works with customers, other companies, and organizations to jointly reduce plastic waste and to strive to improve social systems so that no plastic waste is disposed of in nature. Together with national and European trade associations, we are actively involved in discussions with policymakers to establish new waste regulations and targets, often including extended producer responsibility schemes for both packaging and products, to ensure that this drives better collection and recycling. This will ultimately lead to an overall improvement in waste handling.

Globally, Essity is conducting research and trials on technologies needed to further reduce or transform the company's largest waste process streams. Essity will continue these activities as part of its internal waste valorization initiative.

Internal training for increased environmental awareness

Internal training is a crucial part of increasing awareness within our company. The better our employees understand how to combine climate and circularity actions to reach net zero, the more we can accelerate development. From a product waste perspective, TENA SmartCare Change Indicator™ is one example of product-use optimization, whereby waste is reduced through digital monitoring, so that the product is replaced at the right time. We are expanding our compostable range with Essity's certified compostable household towels, which can be disposed of in food waste collection.

Environmental information

Water

Why water matters

Beyond its essential role, water shortages and contamination pose significant challenges, casting a negative impact on people, societies, and the environment. Inefficient water use not only increases these challenges but also increases the risk of biodiversity loss. This intricate connection not only affects our global ecosystem, but it also directly influences Essity's operations, emphasizing the crucial importance of responsible water management in our processes.

Impacts, risks, and opportunities

Essity's impact on water is mainly from tissue production, as water is needed for transporting fiber during the papermaking process. There is an identified water-related risk concerning all tissue production facilities situated in water-stressed areas. Water shortages could disrupt Essity's operations and have a negative impact on local communities where we operate, which could risk Essity losing its social license to operate.

We assess water-related risks for our tissue production facilities, considering geographical and operational factors and recognizing the diverse challenges water presents worldwide.

Essity also addresses its impact on water resources by taking a proactive stance so that it is ready to manage emerging contaminants and heightened regulatory requirements, pushing the boundaries of feasible wastewater treatment technologies.

We are continuing to reassess our current water use, set best practices and explore new opportunities in water stewardship. In addition, Essity has entered an exclusive partnership with Voith to develop a tissue-making process that will reduce energy and greenhouse gas emissions while cutting water consumption by up to 95%. The partnership will include collaborations that Essity firmly believes will revolutionize and rethink tissue manufacturing.

Targets

Essity monitors and measures several water-related KPIs throughout our operations. The highest priority is given to Essity's sites located in areas with high risk of water related stress.

Strategy

Reducing our environmental impact from tissue making in the context of water use is a key priority for Essity. In 2023, we conducted a technical survey of how water is used internally as well as a study to determine locations of water-stressed areas. The survey included a global water baseline assessment for completion by each tissue facility, covering such aspects as current water consumption, identification of water risks and prioritization of actions.

Leveraging the results of the survey and study, initiatives are now under way to further assess and improve the way water is used at our tissue production facilities. This will lead to further water recycling and reduction, as well as the establishment of a broader strategic vision for Essity. Regarding the water-stressed areas portion of the study, eight of Essity's tissue sites were identified to be located in areas of high risk of water-related stress due to any combination of physical, regulatory, and reputational factors.

Approach

Ensuring effluent water quality is always a top priority for our production facilities, especially in locations with shared water resources, such as major rivers, where pollutant accumulation poses unique challenges and leads to extremely strict regulatory discharge limits. Environmental compliance for tissue production facilities is demonstrated by adherence to permits, which specify limits for common industrial pollutants and environmental factors such as temperature, pH values, chemical and/or biological oxygen demand (COD, BOD), absorbable organic halides (AOX), total suspended solids (TSS), phosphorus and nitrogen. In response to regulatory standards, Essity has wastewater treatment technology in the majority of our mills, and we continue to invest in this area when new facilities are added.

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In the tissue production process, water is recirculated several times to reduce water withdrawal and pollutant loadings within effluent water discharges, while also helping to reduce energy use for water heating needs. Water is treated after use, monitored, and discharged to meet or exceed regulatory requirements. Although water demand is high at tissue sites, water consumption or actual loss, is low, with most of the water being treated and returned to the environment.

Cooling water is another everyday use of water at production facilities. Essity's reporting of water discharge is divided into noncontact cooling water and process water. Cooling water has been heated through heat exchange to cool equipment or processes and is otherwise considered noncontact. Process water that is not directly discharged or otherwise leaves the site untreated is sent to third parties, such as publicly or privately owned treatment facilities, prior to final discharge. This is completed in a manner that complies with regulatory and other requirements.

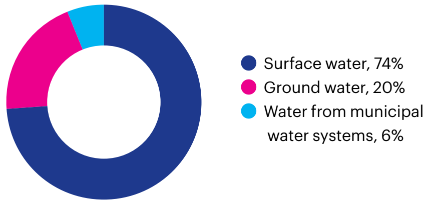
Outcome

Essity's reporting of water withdrawal states totals for surface water, groundwater, municipal water, and reclaimed water sources. Surface water, which represents the largest share of water withdrawn, must sometimes be treated before use in production, for example, when it is purified from dissolved and suspended solid content.

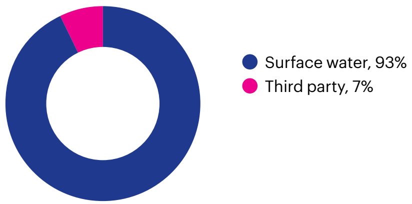
The study identified that eight of Essity's wholly-owned tissue mills were in water-stressed areas. The sites accounted for 8% of Essity's total water withdrawal, with 38% coming from surface sources, 42% from groundwater and the remainder from recycled water or municipal water systems. In 2023, total water withdrawal from these facilities was 8.1 million m³, water discharges 5.9 million m³, and water consumption 2.2 million m³. Overall, the water intensity (water consumption in relation to production volumes) is 50% in these eight sites, compared with Essity's total water intensity for its tissue operations.

Any environmental incidents that occur at Essity production facilities are registered in a central incident-reporting system. In 2023, no incident affecting water use or discharge was of such a magnitude that it posed a threat to the continuation of an operating permit.

Source of water withdrawal 2023



Recipient of discharged water 2023



Water

Water, Mm³	2023	2022	2021	2020	2019
Water withdrawal	**97**	**97**	**93**	**92**	**104**
of which surface water	72	72	70	68	78
of which ground water	19	19	17	18	20
of which municipal water systems	6	6	6	6	6
of which water to a third party	0	0	0	0	0
Water discharge	**89**	**87**	**83**	**82**	**96**
of which surface water	83	80	77	76	89
of which water to a third party	6	7	6	6	7
of which ground water	0	0	0	0	0
Water consumption[1]	**8**	**10**	**10**	**10**	**8**

Water emissions, tons	2023	2022	2021	2020	2019
COD	6,474	7,210	6,686	6,483	6,710
BOD	919	1,009	937	852	802
Suspended solids	1,098	1,290	996	853	909
AOX	4	4	6	4	3
P	34	31	25	33	38
N	246	282	124	143	184

Water intensity, withdrawal/production, Mm³/ktons	2023	2022	2021	2020	2019
Tissue production facilities, total	36	34	34	32	35
Tissue production facilities, water-stressed areas	15	16	16	15	15

1) Water consumption is water withdrawn less water discharged.

Outlook

Essity continues to invest in research into technology, pilot projects, and other water use and quality initiatives as appropriate to remain a sustainability leader. We will also increase our focus on compliance with expanded regulations, including those regarding emerging contaminants of concern.

For many years we have worked to reduce the levels of suspended solids and biological oxygen demand (BOD) in discharged effluent water. Essity also keeps abreast upcoming regulations regarding emerging contaminants to be prepared to adjust operations and treatment needs accordingly.

Social information

Hygiene and health

Why hygiene and health matters

Hygiene is essential to maintaining physical and mental health while preventing the spread of infectious diseases and bacteria. Better hygiene leads to better health, confidence, and overall personal well-being and development. Every day, we reach one billion people with Essity's leading hygiene and health solutions. Yet, important hygiene behaviors can only be practiced with the right knowledge and skills. This is why we constantly strive to break barriers to hygiene and health.

Impacts, risks, and opportunities

In pace with world population growth and a rise in average life expectancy, there is an increased need and demand for more preventive and easily accessible hygiene and health solutions and services. Essity's contribution to helping people live healthier and more active lives has a tangible positive impact on society.

Providing hygiene and health solutions drives awareness and improvements in this area. We promote a more inclusive society that positively influences the health of individuals by challenging taboos and stigmas around women's health, bodies, and life stages. Increasing the visibility of professional and family caregivers and the value they bring is at the heart of what we do.

By promoting access to and knowledge of good hygiene, Essity creates a base for good health. For example, we focus on infection prevention and control by fighting antimicrobial resistance (AMR) through training and infection-prevention routines.

As we contribute to a healthier and more inclusive society, we see an opportunity to drive change, and recognize that joint action is needed to elevate the significance of care in society. A shift is needed from seeing care investments as a cost to truly acknowledging the substantial returns that care yields in personal well-being, the societal and environmental benefits and economic returns it brings.

Targets

Essity's ambition within hygiene and health is reflected in our purpose of breaking barriers to well-being for the benefit of consumers, patients, caregivers, and customers across the globe. We develop, supply, and sell products, services and solutions that enable superior hygiene outcomes and experiences at home as well as away from home.

One of our hygiene and health-related targets is that at least 50% of the company's innovations are to yield social and/or environmental improvements.

Strategy

Improving the well-being of individuals and societies is at the core of Essity's purpose and strategy. Beyond our diverse portfolio of products, services and solutions, our brand initiatives aim to challenge taboos, raise awareness, and elevate standards in hygiene and health.

Essity takes strategic action through the following four focus areas:

Women's health: Our dedication to well-being extends to breaking taboos for women's health, bodies, and life stages. We strive to improve the overall well-being of women at every age, fostering an environment of understanding and support.

Care economy: In our pursuit of well-being, we focus on increasing the visibility of professional and family caregivers. Recognizing and appreciating the value they bring to societies each day is essential to our efforts, as we aim to support the efficient delivery of high-quality care.

Hygiene and sanitation: A cornerstone of our well-being initiatives involves promoting knowledge about good hygiene as the foundation for good health. We actively work toward fostering desirable behaviors and routines, and elevating hygiene standards while striving to increase access to clean and safe sanitation.

Infection prevention and control: In our commitment to infection prevention and control, we focus on increasing awareness and providing training on prevention routines to address the challenges of AMR. We strive to offer alternative treatment options as part of our broader strategy to contribute to infection prevention and control.

Approach

Essity actively promotes global awareness and dialogue on such critical issues as menstruation, incontinence, and hygiene, aiming to eliminate associated stigmas and enhance access to supportive products and solutions. We strategically collaborate with organizations sharing our commitment to hygiene, health, and equality, focusing on initiatives that address needs within our strategic areas. We gather and share insights through partnerships to identify solutions to societal challenges.

Over the past 15 years, our contribution to the global dialogue has included the regular publication of "The Hygiene and Health Report," providing new insights and actionable recommendations to drive essential changes for societal progress. Below, we elaborate on our approach to promote global awareness around these issues.

Women's health

Our commitment to breaking the stigma related to women's health is demonstrated through a continuous focus on campaigns such as #lastlonelymenopause, #despairnomore, #wombstories, #defygravity. In our strategic process for 2023, we are actively developing responses, including social engagement, to address such issues as period

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The TENA campaign, #NoLoveLikeIt, was launched in January 2023. The campaign ran throughout the year in a number of different countries and tells the stories of three carers and the family members they care for.

poverty and to promote period equity along with raising awareness and closing knowledge gaps relating to menopause.

Care economy

There is a need to better acknowledge the contributions of caregivers who dedicate their time, skills, and empathy to support others. There needs to be a greater focus on making these contributions visible and listening to the needs of patients and care recipients as well as professional and family caregivers. Furthermore, businesses are pivotal in introducing innovations that support caregivers and care recipients. Our ongoing initiatives focus on developing solutions that recognize and redistribute care efforts, such as the digital app Caressa, which simplifies family caregiving by bringing together care essentials – tasks, medications, and appointments. This also includes exploring care efficiency, new care models, and direct engagement with professional and family caregivers to tailor our efforts toward care needs.

Hygiene and sanitation

For several years Essity has collaborated with UNICEF in Mexico under the project "Hygiene is our right". This initiative aims to raise awareness about the importance of handwashing, provide greater access to clean and safe toilets, and empower children and adolescents to raise awareness, close knowledge gaps in menstrual health and challenge stereotypes surrounding menstruation. Through our Tork brand, we create awareness of the importance of hand hygiene through information campaigns and education.

Our award-winning "Tork Virtual Reality Clean Hands" training course is one example of how we provide inspiring training showing the correct hand washing and hand sanitation procedures for our customers in the healthcare sector. Additionally, we maintain our ongoing participation as a member of the Global Handwashing Partnership Coalition.

Infection prevention and control

Since 2019, our #WoundWarriors campaign has been actively working to reduce the excessive use of antibiotics in wound care. The campaign is designed to increase awareness among health professionals on the role of wound management in the global challenge of AMR. We also work across industries and through multi-stakeholder platforms to support systemic changes and address the challenges of AMR. Moreover, our commitment to infection prevention includes multiple Tork training courses targeting healthcare professionals. Notable programs include Tork Clean Nursing Homes (launched 2022), Tork Clean Hospital Education (launched 2020), and Tork VR Clean Hands Education (launched 2019). These training courses are designed to have a long lifespan, ensuring continuous customer engagement.

Outcome

Essity's target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. We achieved 85% during 2023. In 2023, Essity invested approximately SEK 81m in more than 500 hygiene and health-related projects. In order to establish a long-term solid platform for providing humanitarian support in disaster situations, Essity has now also formalized partnerships with the global emergency organizations UNHCR (the UN Refugee Agency) and the Red Cross Red Crescent Movement.

Outlook

We remain steadfast in our commitment to develop tomorrow's hygiene and health solutions. This extends to developing models and strategies for preventive measures, health promotion and improved self-care. This is particularly important in a world experiencing population growth and strained healthcare budgets. To ensure the continued improvement of global health and well-being, we work with hand hygiene, cleaning, wound care, solutions for chronic conditions, caretaking of family members, incontinence management, menstruation, and digital solutions. In addition, we are actively engaged in health promotion and the facilitation of care systems and models. We are leading the industry toward a future where improving the well-being of people and environment can be met by developing more sustainable products, solutions and services.

Social information

Diversity, equity, and inclusion

Why diversity, equity, and inclusion (DEI) matter

DEI is a strategic and operational necessity for organizations that seek to thrive in an increasingly diverse and interconnected world. It drives innovation, strengthens the talent pipeline and promotes fairness, ultimately contributing to improved performance and a more inclusive society. Most of our brands explicitly contribute to greater societal inclusion by challenging gender or age-related stigmas.

Impacts, risks, and opportunities

As a global, leading hygiene and health company, with Beliefs & Behaviors and a purpose, underpinned by DEI, we can positively impact this space. By integrating DEI into all our processes, we are well positioned to live up to our commitment to an inclusive work environment, a sustainable working life, and improved gender balance. In tandem with this commitment, our overall agenda includes policies and initiatives that positively impact the physical and mental well-being of our Essity employees. This reinforces our pursuit to build a culture that attracts, retains, and develops talent motivated by a clear purpose and progressive vision for social change.

Failure to work actively with DEI and not ensuring that this is an integrated part of Essity's organization may result in Essity being unable to leverage the valuable effects that DEI brings. Negative impacts could stem from unequal representation of stakeholders within the workforce, unequal treatment, gender pay gaps, or the lack of a work-life balance. These risks may lead to an erosion of trust in Essity, resulting in high employee turnover rates, loss of productivity and innovative capacity, declined decision-making and increased costs. Furthermore, there is the risk that we will be unable to meet the demands and expectations of our costumers and consumers, which could weaken our brands and, ultimately, lose business.

Reinforcing efforts in the DEI area is important both from a workplace and a marketplace perspective. Having DEI as a part of Essity's foundation generates positive effects, such as boosted innovation, improved decision-making, and increased employee engagement, which is critical for us to improve our business.

Targets

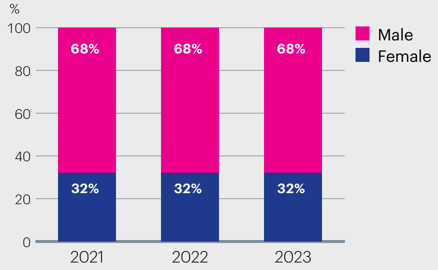
Our DEI ambitions:

- Achieve gender-balanced leadership on all levels, where gender distribution at all Essity management levels (Executive Management Team, senior management, middle management) is to be within the interval 40/60%, with the larger group based on gender to constitute no more than 60%.
- Provide an inclusive working environment for all.
- Accelerate our transition to reflect underrepresented groups.

Gender representation (female/male) at senior level

Target: 40/60%

Outcome: 32/68%



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

Strategy

Essity's DEI strategy is centered on creating an inclusive culture, meaning an environment where all employees feel a strong sense of belonging and engagement. Inclusion encompasses everyone and all of us at Essity, in all of our uniqueness. However, within the DEI agenda, we have a particular focus on reinforcing inclusion from a gender, ethnicity, racial identity, LGBT+, varying abilities and generations perspective.

By nurturing an inclusive culture, we build a workforce motivated by a clear purpose and vision for social change. This is not only about attracting talent but also recognizing that a culturally rich and diverse workplace fosters innovation and increases employee satisfaction.

With our internal strategy founded on an inclusive workplace culture, we also navigate the diverse demands of our audience externally. Essity reaches people globally, making it essential for us to recognize, understand and serve the diverse needs of our customers and consumers in multiple markets. This commitment aligns with our broader responsibility, as Essity conducts business in a responsible way and contributes to sustainable and inclusive societies in the communities where we operate.

At Essity, we have launched a global DEI strategy and roadmap to help deliver on our DEI ambitions. We enhance knowledge and skills in inclusive leadership among managers, enabling them to shape and reinforce an inclusive corporate culture for all. Our employee survey shows we are making progress. It provides valuable insights into our continued efforts, confirming our commitment to maintaining an inclusive workplace culture.

Contents

Our DEI strategy is centered around seven internal and external focus areas.

- Reinforce an inclusive culture, based on our values (Beliefs & Behaviors).
- Develop and promote inclusive leaders.
- Recruit and promote to increase diversity.
- Integrate DEI in all people processes.
- Leverage Inclusive Procurement and Supplier Diversity Program.
- Fulfill diverse customer needs through more inclusive products, brands and marketing.
- Support communities in line with our purpose and the United Nations Sustainable Development Goals.

Approach

At Essity, we strive for DEI to underpin what we do and how we do things. Our Beliefs and Behaviors form the foundation of our culture. To deliver on the DEI strategy, we apply the following approaches:

Code of Conduct and diversity policies

At Essity, all employees are to be treated with dignity and respect, and we work systematically to prevent discrimination based on gender, ethnicity, religion, disability, sexual orientation, age, or other grounds for discrimination protected by law. Essity's commitment to creating an inclusive workplace culture is stipulated in our Code of Conduct and Diversity Policy. Breaches to our Code of Conduct and Diversity Policy can be reported using a reporting hotline managed by a third party that offers anonymity. We strive to make our recruitment process fair, transparent and free from bias. We monitor representation from a nationality, age, and gender perspective for all employees and at all management levels yearly to ensure no systematic biases. Pay differences due to gender, age or background are followed up annually, and any unwarranted differences are addressed.

Employee engagement surveys and workshops reinforcing inclusivity

In 2023, we continued reinforcing inclusive leadership skills among managers and inclusive team cultures through continuous improvement dialogues linked to our bi-annual Employee Engagement Survey. We also continued our management team and workforce workshops. In addition, we activated a new global initiative aimed at increasing DEI awareness, boosting inclusion, and reinforcing our Beliefs and Behaviors, called Courageous Conversations.

Initiatives and partnerships

Our Courageous Conversations initiative includes a global community of 50 facilitators that run in-person and virtual DEI dilemma discussions across Essity. The initiative also includes a Podcast (available on Spotify) and Inclusion Toolboxes. Furthermore, our partnership with the United Nations Foundation has continued into 2023, including our support of the #EqualEverywhere initiative to accelerate progress toward achieving SDG 5, gender equality. We have an ongoing partnership with Catalyst, a global non-profit organization that aims to create inclusive workplaces, which will enable us to accelerate our journey moving forward.

Global DEI initiatives are complemented by local work, often driven by local DEI Councils.

Procurement and suppliers

Essity's commitment to DEI extends to our supply chain through Inclusive Procurement and our Supplier Diversity program. We emphasize an inclusive supplier selection process that adds business value to Essity and fosters innovations, quality improvements and resilience. Through our Supplier Diversity program, we actively work toward providing maximum opportunities for small and diverse-owned businesses, aligning with our DEI values and creating positive impacts in the societies where we operate.

Building for the future

The continuous development of employees and leaders is crucial for Essity's long-term success and its opportunity to attract and retain the right talent and skills. Learning and development is a fundamental part of our employees' everyday lives and takes place through on-the-job experiences, project assignments, training, and social learning activities.

We drive talent development and individual development plans based on business and role requirements, personal strengths, and individual development plans based on performance and talent management processes. Essity runs leadership and functional academies and a range of social learning programs. We are continuing our shift from traditional to digital learning and exploring recent technologies to help us make learning part of day-to-day work. A global learning management platform that encompasses shared processes and learnings for the entire company has been implemented to achieve this target.

FINANCIAL TIMES LEADER IN DIVERSITY 2021–2024 statista

In 2023, Essity was recognized as a Diversity Leader by the UK business daily Financial Times for the third consecutive year. The ranking surveyed more than 100,000 employees in European companies on a range of diverse aspects in their own and other companies.

Outcome

Diversity, equity and inclusion

DEI improvements build Essity's competitiveness as a business while also reinforcing our Beliefs and Behaviors and our Purpose. In 2023, Essity continued to implement the global DEI strategy and roadmap launched in 2022.

We closely monitor progress through our Engagement Survey results and people data. The global gender target has been translated into business area and Group-wide targets to drive improvement. To expedite progress toward our gender target, we conducted a gender root cause analysis. This initiative is designed to identify organizational opportunities and potential challenges that can impact the achievement of our gender representation goal.

At the end of 2023, nearly 3,000 people had participated in our Courageous Conversations, and the podcast had been streamed 1,200 times. The Courageous Conversations initiative will continue in 2024.

In the following tables, discontinued operations were excluded from 2023 data resulting in differences to prior years.

Employees

	2023	2022	2021[2]	2020	2019
Personnel data[1]					
Average number of employees	36,013	47,572	46,275	46,084	45,980
Permanent staff/temporary employees, %[3]	95/5	82/18	81/19	81/19	82/18
Full-time/part-time, %	97/3	97/3	96/4	97/3	96/4
Total number of part-time staff	1,236	1,494	1,642	1,194	1,614
of whom women	902	978	968	875	1,210
Employees in discontinued operations	11,903	–	–	–	–
Staff mobility					
Number of employees who joined the Group	5,763	9,380	9,278	6,891	5,516
of whom, through acquisitions	–	425	677	190	23
Number of employees who left the Group	6,575	7,625	7,256	7,402	6,485
due to divestments	1,435	–	20	945[4]	109
due to restructuring	442	243	105	260	345
due to retirement	420	513	468	443	524
of which temporary employees	625	756	959	1,939	1,420
Personnel turnover, excluding restructuring, retirements, divestments, temporary employees, %	10	13	12	8	9

1) Relates to average number of part-time and full-time employees during the year and calculated as an average over five quarters.
2) Companies acquired in December 2021 (AquaCast Liner and Hydrofera) are not included in the 2021 numbers.
3) Fixed-term employees in China with three or six-year contracts are classified as temporary employees for the years 2019-2022.
4) Since the divestment of Sancella Tunisia occurred at the end of the year, these are included in the Average number of employees in 2020.

Diversity, equity and inclusion

	2023	2022	2021	2020	2019
Gender					
Women/men, % [1]	33/67	35/65	35/65	35/65	34/66
Women (Board members elected by the AGM)	4 (9)	4 (10)	4 (9)	5 (9)	5 (9)
Women (Board members appointed by trade unions)	1 (3)	1 (3)	1 (3)	1 (3)	1 (3)
Women (total number Board members)	5 (12)	5 (13)	5 (12)	6 (12)	6 (12)
Women (total number Executive Management Team)	4 (13)	4 (12)	4 (13)	3 (12)	3 (12)
Women (total number senior management) [2]	39 (111)	38 (109)	35 (104)	30 (98)	30 (98)
Women (total number middle management) [2]	215 (670)	209 (666)	195 (622)	177 (607)	163 (580)
Gender distribution at management levels, % (total for Executive Management Team, senior management and middle management) [2]	32/68	32/68	32/68	29/71	28/72
Age, %					
Employees under 20 years of age	1	1	1	1	1
21–30 years	17	19	18	18	22
31–40 years	27	32	33	34	32
41–50 years	26	26	26	26	25
51–60 years	23	18	18	18	17
Employees over 60 years of age	5	4	4	3	3
Nationalities[2]					
Total number of nationalities	131	130	124	117	112
Number of nationalities in Executive Management Team (number of members)	6 (13)	6 (12)	6 (13)	6 (12)	6 (12)
Number of nationalities in senior management (number of senior managers)	17 (111)	19 (109)	19 (104)	18 (98)	20 (98)
Number of nationalities in middle management (number of middle managers)	48 (670)	48 (666)	44 (622)	44 (607)	39 (580)

1) Essity uses four gender alternatives in our personnel data: women, men, non-binary and gender-not-declared. Considering that the size of the non-binary and gender-not-declared groups is negligible, these are not presented separately.
2) Refers to companies fully integrated into the HR platform.

Average combined salary, %	2023[1]	2022[1]	2021	2020	2019
Women's median wage compared with men's (men's wage 100%)	94	94	94	93	95
Women's median wage compared with men's in senior management (men's wage 100%)	86	81	80	78	81
Women's median wage compared with men's in middle management (men's wage 100%)	90	91	91	92	92

1) Applies to full-time salaries for active employees from the 10 countries where Essity has most employees. Salaries to the CEO, Executive Vice President and CFO are excluded. Only refers to companies fully integrated into the HR Platform. Russia is not included.

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Pay gap

Essity is working to achieve a gender distribution at management levels within the interval of 40/60%. The total pay difference between men and women is because Essity has more men at higher management levels. As per Essity's 2023 Remuneration Report, page 186, table 4, the ratio of total remuneration for the President and CEO divided by the average remuneration per employee in Essity Aktiebolag (publ), excluding senior executives, was 25 (24).

Number of internal training hours[1] (thousand)	2023	2022	2021	2020	2019
Total number of internal training sessions	284.0	215.9	210.0	166.8	114.0
of which digital training sessions[2]	99.1	104.3	89.6	93.6	39.5
of which virtual sessions	115.0	77.4	92.3	40.9	1.9
of which physical training sessions	69.9	34.2	28.2	32.3	72.7
The number of training hours per employee	8 hours	7 hours	7 hours	6 hours	4 hours

1) Refers to companies fully integrated into the HR platform.
2) Includes initiatives outside of the global learning management platform.

Investments in skills-enhancement activities	2023	2022	2021	2020	2019
Total, SEKm	179	155	136	115	117
per employee, SEK	4,971	3,249	2,940	2,500	2,500
Value added (SEK) per employee	1,189	783	775	826	800
Return on human capital	1.55	1.34	1.58	1.73	1.61

Internally appointed vacancies[1], %	2023	2022	2021	2020	2019
Vacancies appointed through internal candidates	23	20	20	23	23

1) Refers to companies fully integrated into the HR platform.

Culture and development[1], %	2023	2022	Long-term goals
Individual goals	64	62	100
of which white-collar employees	90	87	100
Individual development plans[2]	47	42	100
of which white-collar employees	79	70	100
Employee engagement	78	77	above global benchmark

1) Refers to companies fully integrated into the HR platform. Excluding blue collar employees that record their goalsetting outside HR platform.
2) Individual goals are measured on a continuous basis.

Employee goals and engagement

Our culture is reinforced by our performance management practices, through which employees receive individual goals and development plans. Employee experience and engagement are monitored and continuously addressed, through bi-annual pulse surveys and team conversations.

Outlook

We will continue working toward our DEI-ambitions on global and local levels with the aim of ensuring that we meet both the demands and expectations of our organization and markets. A well-functioning and implemented DEI strategy and roadmap will help us boost innovation, improve decision-making, and increase employee engagement, which is important for our business.

Social information

Occupational health and safety

Why occupational health and safety matter

At Essity, the well-being and safety of our employees, contractors, suppliers, and workplace visitors is a top priority. We want to ensure everyone returns home safe and healthy at the end of each working day. Mitigating workplace risks is essential to safeguard our people and our business. Furthermore, a safe and healthy work environment fosters efficiency, engagement, and motivation among our workforce. Our commitment to health and safety aligns with our Beliefs and Behaviors and the ethical standards outlined in our Code of Conduct. This is crucial to the success of our operations.

Impacts, risks, and opportunities

Health and safety standards have always been a critical priority for Essity. Despite this, accidents do happen and, therefore, have a negative impact on the health and safety of our workforce. Safeguarding our 36,000 employees throughout the production chain and across diverse geographic locations is a priority to ensure a secure and protected work environment.

A lack of health and safety measures poses significant risks, not only for the individual in the value chain but also for Essity as a whole. Consequences for the company include reputational loss, non-compliance, and production loss. This could lead to temporary production stoppages, sanctions, fines, or legal liabilities. This, together with a potential loss of trust in Essity and its products and/or brands, could also have a negative impact on our revenues.

Essity recognizes that a safer workplace effectively manages risks and creates opportunities for increased employee satisfaction. Furthermore, operational efficiency is improved when employees, contractors, suppliers, and facility visitors are well-informed of safety protocols and empowered to navigate potential hazards. Through our "I Care" program, we seize the opportunity to cultivate a workplace where health and safety stand in the center. To read more about our "I Care" program, please refer to the approach section.

Targets

Essity's target is a 75% reduction in the Total Recordable Injury Rate (TRI-R) by 2025 compared to 2019, and to continue to conduct purposeful and systematic safety work at all Essity production facilities.

In addition, Essity has the following targets for occupational health and safety:

- Potential Serious Injuries and Fatalities Rate <1 by 2025
- Establish a safety culture among more than 70% of employees by 2025, measured by an international and standardized survey

Strategy

Essity's health and safety strategy has the following key focus areas:

- To reduce Total Recordable Incidents (TRI)
- To reduce major potential events
- To improve Essity's safety culture
- To foster safety leadership

The strategy focuses not only on technical improvements, but also on building a sustainable culture, through a framework to operate with a strong people component, which is brought to life as "I Care". Read more about our framework in the approach section.

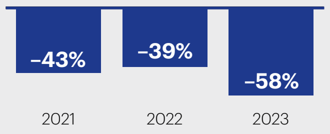
Essity is committed to offering a work environment that contributes to a long-term sustainable working life. We encourage an open culture, and our employees to be aware of and take immediate action against conditions, actions and behaviors that increase the risk of accidents.

Health and safety

Decrease in total recordable incident rate compared with 2019

Target 2025: –75%

Outcome: –58%



The Total recordable injury (TRI) figure includes Lost time accidents (LTA), Restricted work cases (RWC) and Medical treatment cases (MTC).

Approach

The following approaches are taken by Essity to deliver on the health and safety strategy:

I Care

In April 2022, the "I Care" program was launched, which is our cultural journey toward a safe and healthy work environment. The program brings essential tools to empower Essity to be a safety leader. "I Care" provides various elements of safety awareness, helping us to recognize and work safely by using our hearts and minds. To date, we have trained more than 9,000 employees, and our target is to train all 16,000 employees in our production facilities by 2025. We kicked off the "I Care Audits" at all our production facilities to assure compliance and adherence with our internal Essity global standards. Rewards are also part of "I Care", and this year, we recognized great achievements with our second edition of the Essity Global Health and Safety Award, delivered by Essity's President and CEO. The award was followed by a full month of activation, the "I Care Month," focusing on health and safety and aligned with the UN and ILO guidelines.

Safety processes

As a complement to our safety leadership program, Essity has implemented an ambitious roadmap for technical safety, as well as a health and safety framework, with the aim of being best-in-class and to reduce the occurrence of incidents that could result in fatalities. Key elements that have taken effect in 2022 and 2023 are upgrades to the following processes: Machine Safety Risk Assessment (MSRA), Job Safety Analysis and Traffic Management. Life-saving rules were renewed by providing more guidelines to Essity's highest-risk tasks identified within our production facilities. The upgrades to our safety processes are aligned with the ISO 45001 principles and allow us to work systematically to achieve continuous improvements.

Physical and mental health and well-being

We strive to promote both physical and mental health and well-being for our employees. By developing new digital ways of working and training courses, we offer a more effective and systematic manner to assess, analyze and work with continuous improvements in employee's health, safety, well-being, and engagement. We regularly monitor employee perception of health and well-being and the evolution of our safety culture, and we offer plans and programs to lead in this field. We use our Global Health and Safety Framework to develop processes and new or improved standards so our production facilities or distribution centers can implement them and improve their health and safety systems.

Moreover, in 2023, we initiated an important project focusing on the well-being of our front-line workers. This collaboration with a university and doctors establishes a scientific approach to designing and developing healthier working stations, routines, environments, and conditions for our operators.

Supplier base

Health and safety are also essential aspects of Essity's supplier evaluation. Suppliers should have a health and safety management system in place as stipulated in the Essity Global Supplier Standard to ensure a safe and healthy working environment. The health and safety standards of suppliers are also reviewed as part of supplier qualification audits, through Supplier Ethical Data Exchange (Sedex) self-assessment and Sedex Members Ethical Trade Audit (SMETA) audits.

Outcome

The TRI-R outcome in 2023 was a decrease of 58% (39; 45) compared with 2019. The target for 2025 is a reduction of 75%. The figures pertain to wholly owned companies of Essity and exclude sales and administrative offices.

Outlook

Looking forward, we will continue our preventive efforts to further reduce the risk of incidents, ensuring a secure work environment. We believe that sustained efforts in this direction not only enhance the well-being of our workforce but will also make our operations stronger and more efficient. By staying true to our principles and continuous improvement, we aim to shape a future where occupational health and safety remain at the forefront of our operations, contributing to the long-term success of our organization. Essity continues its comprehensive work to reduce risks through intensive application of the company's risk assessments to prioritize actions and focus areas.

We constantly advance risk-reduction efforts by applying the company's risk assessments. This approach enables the prioritization of actions and focus areas for a more comprehensive risk mitigation strategy. During 2023, there was increased focus on technical safety and "I Care" step audits.

Accidents[1]

	2023	2022	2021	2020	2019
Fatalities, employees (F)	–	–	–	–	–
Lost time accidents (LTA)	116	157	142	126	161
Restricted work cases (RWC)	6	23	12	4	11
Medical treatment cases (MTC)	24	32	37	187	204
Total recordable incidents (TRI)	**146**	**212**	**191**	**317**	**376**
Total recordable incident rate (TRI-R, TRI/1,000,000 WH)	**3.2**	**4.7**	**4.2**	**6.9**	**7.7**
Total recordable incident rate, IR (TRI-IR) (TRI/200,000 WH)	0.6	0.9	0.8	1.4	1.5
Lost time accident frequency rate (LTA-FR), (LTA/1,000,000 WH)	2.7	4.0	3.4	2.8	3.5
Lost time incident rate (LTA-IR) (LTA/200,000 WH)	0.5	0.8	0.7	0.6	0.7
Contractor fatalities (CF)	–	1	2	–	–
Contractor lost time accidents, CLTA	25	31	35	30	33
Zero recordable incident sites (based on TRI)	26	20	23	13	18
Number of sites included in reporting	81	80	78	74	78
Working hours, (1,000,000)	45.4	45.4	45.3	45.8	49.0

1) Pertains to all wholly owned production facilities of Essity, excluding sales and administrative offices.

Sickness absence

	2023	2022	2021	2020	2019
Sickness absence, %[1]	5.6	6.1	5.2	5.3	5.2
Scope of reporting, % of companies integrated into Essity's HR platform	47	49	54	56	54

1) Sickness absence is calculated using the number of hours absent divided by the number of work hours.

Social information

Product safety

Why product safety matters

Product safety is of the utmost importance for Essity and our stakeholders. For them, as well as for us, it is a given that everybody should have access to safe hygiene and health products. Essity's stakeholders, including, consumers, customers, investors, authorities, and NGOs, have high expectations with respect to transparency and detailed information on product content as our customers and consumers want to make informed purchasing choices. Our products must be trustworthy and protect the users, which we intend to safeguard through transparency as well as safety throughout the products' life cycle.

Impacts, risks, and opportunities

Essity's impact on society and individuals is significant as we offer products within the hygiene and health segment to a significant number of costumers and consumers every day through our business activities and operations. The impact is related to our entire value chain, and it is therefore crucial that the products we offer are safe and of high quality. Essity delivers hygiene and health products, solutions, and services to a substantial number of users, customers, and consumers every day. We have a responsibility to ensure that the materials and components we use are safe for all.

In the event of deficiencies in product safety, there is a risk of products being compromised or harmful. This could lead to negative impacts on the daily health and hygiene of the consumer. Furthermore, Essity could be exposed to reputational risks and potential liabilities, which could result in loss of sales or higher costs. It is therefore crucial that our products always meet safety and quality requirements.

Since we offer products within the hygiene and health segment, we can contribute significantly to health, safety and sanitation for our customers, consumers, and societies where we operate. Through active participation in discussions and a proactive approach, we can influence the debate and create awareness of product safety.

Strategy

Essity's ambition is always to ensure that our products are safe, high-quality, and in line with all applicable requirements. The well-being of our consumers is our highest priority, which is why we never compromise on the safety and quality of our products. Safety is an integral part of Essity's sustainable business model and our strategy for growth and value creation. We aim to meet or exceed the needs of our customers, consumers and patients for better products using innovative technologies, superior materials, and smart product design.

Our strategy is based on our Product Safety Policy, which aims to ensure safe products through the following principles:

- No product enters the market without safety approval.
- Safety is an integral part of the product life cycle.
- Regulations and Essity safety criteria combine to make up the safety assessment framework.
- Product safety is secured along the value chain.
- Continuous monitoring of and adjustment to changing external requirements.

Approach

We use a proactive, customer-centric approach, and we want every customer to have full confidence in our ability to deliver and "get it right the first time." In doing so, Essity does not compromise safety – all products must be safe for their intended use and any reasonably foreseeable misuse. To enable us to ensure this, the following approaches apply:

Business conduct

To ensure the safety and quality of our products, we have extensive requirements and procedures in place throughout a product's life cycle. To add value for our customers, we regularly review and monitor our processes. Essity uses quality management systems certified according to internationally accepted

Taking the lead in the fight against antimicrobial resistance (AMR)

Essity is engaged in raising awareness about AMR and takes the lead in the fight to tackle AMR by making conscious decisions in our product offering. AMR has been recognized as a major global threat to public health by the World Health Organization (WHO). A major driver for the development of antibiotic resistance is the use, misuse, and overuse of antimicrobial agents in products for humans and animals. Having safe and sound products, including controlled production, together with a transparent way of acting, will result in trusted products and brands.

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standards. Internal business practices ensure that information relevant to product safety, including complaints and feedback from customers and consumers and quality incidents, are part of the product safety concept.

Collaborations

We collaborate with external experts in toxicology and life science to guarantee independent reviews. Every product and product component Essity receives from third parties must comply with Essity's product safety and chemicals criteria, according to the specifications in our Global Supplier Standard. Moreover, we are members of several different trade associations and continuously monitor upcoming regulations to improve our procedures to ensure the safety and quality of our products. For example, Essity is a member of the leading global association and voice of the Nonwovens and related industries trade association (EDANA) and a co-developer of the EDANA Stewardship Program for Absorbent Hygiene Products, providing transparency and reassurance for consumers.

EU Product Safety Award

Essity was awarded a Silver Medal in the Product Safety Award for 2023 for the initiative concerning "washable period pants and related awareness-raising material." The award, which is organized every two years by the European Commission, honors businesses for their innovations and investments to protect consumers. By showing best practices, the European Commission wants to inspire other businesses to better protect consumers. The 2023 Product Safety Award focused on business initiatives that specifically make a difference in product safety for teenagers.

The Essity Feminine Care products that received the award are included in the teen range of period underwear launched in 2023. They are made of organic cotton, washable 50+ times and certified according to Oeko-tex 100, class II. The teen range offers different fits and colors and can accommodate different kinds of flows. Young girls need menstrual protection that is easy to use, fits their lifestyle and is secure. The product must also be safe from a chemical point of view, both from a health perspective and for the environment, to enable more sustainable choices. Reusable products like washable period pants have a lower carbon footprint than single-use alternatives.

Communication

We communicate with our stakeholders, such as customers, consumers, and regulatory bodies, to gain valuable insights and raise awareness. Essity actively contributes to public policy developments and discussions on improving product safety and transparency. Furthermore, we communicate with customers and consumers to raise awareness and understanding about our product content.

Training and development

Through ongoing training and development, employees can contribute to customer and consumer satisfaction by identifying problems and developing solutions.

Outcome

Due to our way of working, Essity did not ship any products that required the company to perform any major product recalls during 2023. The company initiated one voluntary recall to rectify minor deviations from the product specification.

Outlook

Due to constantly changing legislation, we monitor developments in regulations via active membership in important trade organizations, such as EDANA, MedTech Europe, CEPI, European Tissue Symposium (ETS) and Cosmetics Europe, enabling us to continuously implement new safety-related requirements and maintain the highest level of compliance and safety.

To keep pace with the debate regarding chemicals and AMR, we will continue our proactive approach through discussion, interaction and collaboration with all relevant stakeholders, customers, and consumers.

Answers to frequently asked questions about product safety are published on essity.com and each brand's local website, together with detailed information about product contents.

Social information

Business ethics and human rights

Why business ethics and human rights matter

Business ethics and human rights are fundamental pillars of a prosperous society and daily business operations. Human rights are essential for achieving sustainable development where no one is left behind. Business ethics not only serves as a common ground and general way of conducting business, but also promotes trust in the company among stakeholders and integrity among employees. Conducting Essity's business in a socially responsible manner is part of our corporate DNA. We have a zero-tolerance approach to unethical business behavior and human rights violations in the value chains where we exercise control.

Impacts, risks, and opportunities

Essity operates in several markets worldwide and thus may have a negative impact on a substantial number of individuals and societies. Regarding business ethics and human rights, risks and opportunities have been identified from the perspective of our business and value chain.

Essity's strategic suppliers of raw materials and finished products are located all over the world – in Europe, North and South America, Asia, and Africa. As a result, Essity works in countries where unethical business practices and violations of human rights may occur. Such breaches could entail serious effects on humans and societies as well as financial and reputational impacts on the company.

At the same time, through our value chain and operations, we have an opportunity to influence working conditions for a substantial number of people. Moreover, focusing on and prioritizing business ethics as one of our key issues promotes trustworthy and responsible business conduct.

Targets

Essity has set targets for its business ethics, Code of Conduct and responsible procurement.

Code of Conduct

Essity's target is for all new employees to receive training in the Code of Conduct as part of their onboarding program. Training is mainly conducted online. At production facilities, where not all employees have immediate online access, Code of Conduct courses are held through classroom instruction.

Responsible procurement

Essity's target for responsible procurement, which is based on our total purchasing spend excluding energy, is that 95% of the purchasing spend in 2025 should be from suppliers that share the company's values in accordance with our Global Supplier Standard.

Strategy

Essity actively supports human rights and conducts business in a manner that is socially responsible through principles that are embedded in our identity. Our approach to human rights is based on the UN Guiding Principles on Business and Human Rights. As a signatory to the UN Global Compact, we actively support human rights and conduct our business in a manner that is consistent with the principles of the Global Compact, the International Bill of Human Rights, ILO Core Conventions and OECD Guidelines for Multinational Enterprises. Human rights due diligence is integrated into our key processes. Whenever we identify a potential or actual negative impact, we will take steps to mitigate or remediate any harmful activities.

We support and respect internationally recognized human rights wherever we operate. When national laws conflict with international human rights standards, we will adhere to national law, while seeking ways to honor and respect the principles of international human rights.

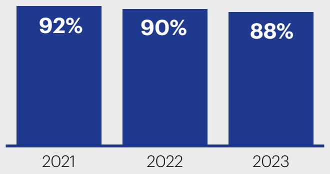
Our human rights commitment is reflected in our Code of Conduct, Human Rights Policy and other company policies. All our business partners, suppliers and customers are expected to follow principles equivalent to those included in Essity's Code of Conduct. Our Supplier Code of Conduct and our Business

Business ethics and Code of Conduct

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

Target: 100%

Outcome: 88%

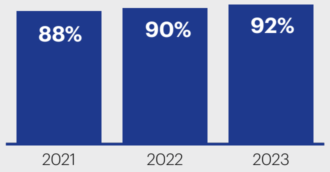


Responsible procurement

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

Target 2025: 95%

Outcome: 92%



Partner Code of Conduct include our expectations regarding human rights, employee relations, and health and safety. Adherence to these standards is an important factor when selecting our business partners and potential acquisitions. For more details on how we work with human rights, refer to Essity's Human Rights Framework and essity.com/humanrights.

Approach

To deliver on the Business Ethics and Human Rights Strategy, Essity has the following approaches:

Policies and standards

Essity's Code of Conduct describes how employees should act, how the company operates, stakeholder expectations of Essity, and Essity's commitment to human rights, including children's rights. The Code is based on international standards, such as the UNGP, ILO Core Conventions, OECD Guidelines for Multinational Enterprises, UN Global Compact Principles, and related legislation. All our business partners are expected to follow similar principles according to Essity's Business Partner Code of Conduct. Moreover, all Essity's wholly owned subsidiaries are bound by the Code of Conduct. We expect joint-venture companies to implement a Code of Conduct and guidelines equivalent to those stipulated in Essity's Code of Conduct. Essity also has a Global Supplier Standard to ensure responsible business operations and respect for human rights across the company's supplier base. This standard contains requirements concerning quality, product safety, the environment, and chemicals. It also contains a Code of Conduct for Suppliers that includes Essity's expectations regarding human rights and employee relations, health and safety and business ethics. Compliance with the below principles is a key factor when choosing suppliers and other business partners:

- Essity's Human Rights Policy
- Essity's Supplier Code of Conduct
- Business Partner Code of Conduct

Compliance and monitoring

Systematic activities, such as audits and other monitoring processes, are conducted to ensure compliance. For Essity's production facilities, compliance with the Code of Conduct is ensured through audits conducted by the Internal Audit unit using the SMETA audit format – Sedex social auditing methodology – which is the most widely used format in the world for social and ethical audits. Essity's production facilities that have conducted self-assessments in Sedex can share sustainability information with our customers who are Sedex members. Large international customers regularly request third-party SMETA audits to be conducted at Essity's production facilities. For our suppliers we apply a systematic and risk-based approach in accordance with OECD guiding principles for Multinational Enterprises and UN Global Compact to ensure that our suppliers globally operate in line with our Code of Conduct for Suppliers. Essity requires that the suppliers use Sedex to conduct a self-assessment linked to working conditions, environment, business ethics, as well as health and safety. Third party SMETA audits at the suppliers' sites are used to verify compliance and to identify and address potential social and ethical issues.

Reporting breaches

Essity encourages an open and honest culture in which all employees and external stakeholders 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 and external stakeholders several internal channels to report violations.

Risk management

Essity conducts comprehensive business ethics training programs, with training in the Code of Conduct constituting a mandatory part of the onboarding of all new employees. 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. Annual anti-corruption training is mandatory for Essity employees who have frequent contact with external stakeholders, in 2023, 6,500 of these employees completed the training. We are a sponsor of Transparency International (a global coalition against corruption) and Essity is a signatory to the UN Global Compact.

Proper due diligence in the supplier base requires efficient risk management. Risk management is performed for both new suppliers and existing suppliers. The applied risk-based approach is a method for managing risks by identifying, prioritizing, and addressing risks according to their potential impact and probability, considering scope and remediability. On a yearly basis, actions taken, chosen mitigation activities and prioritizations are reviewed considering a changing global context to assess the need to update processes and alter ways of working to better address risks. For this purpose, Essity has a Supplier Risk and Resilience Management Procedure to secure supply in accordance with agreed contracts, specifications, and sustainability requirements and to reduce costs, avoid regulatory fines and mitigate reputational harm.

Many of the production facilities of strategic suppliers 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 standard ethical third-party audits with a focus on health and safety, human rights, employment conditions and corruption.

Employee relations

Essity has a positive and constructive dialogue with employee representatives. As a global company, we experience many changes that require information to be provided to 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 as well as 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 Deal partnership, which has members from the private and public sectors. The purpose is to improve dialogue between parties in the labor market and national governments.

Reporting Breaches

Essity encourages an open and honest culture in which all employees and external stakeholders can report suspicions of violations of the Code of Conduct or legislation. Essity offers its employees internal channels to report violations and external stakeholders can report violations via essity.com where required. 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, managed by an external party. Our reporting hotline is available 24/7 by phone or online in over 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. Read more on essity.com.

Outcome

Essity reports on its outcome for business ethics, Code of Conduct, community relations and responsible procurement on the following pages.

Business ethics and Code of Conduct

	2023	2022	2021	2020	2019
Share of new employees who received training in the Code of Conduct, %	88	90	92	92	96

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.

Reported breaches of the Code of Conduct

The summary below presents reports submitted to the whistleblower system and to Essity's Compliance & Ethics department.

Reports submitted to the whistleblower system and to Essity's Compliance and Ethics Department by category.

Category[1]	2023	2022	2021	2020	2019
Human Resources (HR)	216	83	43	45	65
Regulatory breach, Fraud and Corruption	19	31	14	11	17
Security Incidents	1	–	–	2	–
Operations	5	3	4	1	6
Sustainability	–	–	–	–	–
Human Rights	1	–	–	–	–
Other	7	5	3	2	–
Total	**249**	**122**	**64**	**61**	**88**

1) Essity's Compliance & Ethics Department places the submitted reports into the relevant category. The category may be changed during the course of an investigation.

Of the 249 reported cases in 2023, 247 were closed and 2 are still under investigation. The reported case in the Human Resources category, does not concern degrading treatment. We have not received any reports of discrimination according to the ILO's definition, Convention no. 111, during the year. No individual was dismissed during the year for breaching the company's Anti-corruption Policy. No confirmed breaches were financially material.

Internal audits conducted of the Code of Conduct

	2023	2022	2021	2020	2019
In production					
Number of audits	8	5	5	1	4
Number of observations	118	98	52	7	57
Average number of observations per audit	14.8	19.6	10.4	7.0	14.3
In sales					
Number of audits	8	6	4	1	3
Number of observations	58	67	28	8	28
Average number of observations per audit	7.3	11.2	7.0	8.0	9.3

Ongoing anti-trust cases

The company was not subject to any anti-trust cases in 2023.

Risk analysis

Essity has an established process to perform continuous risk assessments of the company's suppliers and procurement categories. Approximately 54% of Essity's strategic suppliers of raw materials and finished products are in Europe, 37% in North and South America and 9% in Asia and Africa. At the end of 2023, Essity had a total of 958 suppliers (956; 932) that share data via Sedex. Certain materials, such as cotton and wood fiber, are considered to primarily have risks further down the value chain. In these cases, Essity takes further measures, such as audits of sub-suppliers, or choosing certified raw materials that promote more sustainable extraction and production.

During 2023, Essity evaluated the outcome from 55 ethical supplier audits carried out in China, Mexico, Türkiye, Brazil, Sri Lanka, Colombia, South Africa, Hungary, India, Indonesia, Malaysia, Vietnam and Sweden. Of these audits, 12 were initiated by Essity using an independent audit firm. The other 43 ethical audits, which meet Essity's requirements, were carried out on the initiative of other customers to the suppliers and were approved by Essity.

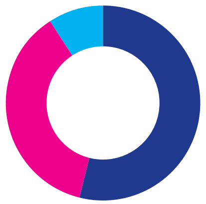
Essity is informed within 24 hours in the event of critical observations. No agreements with strategic suppliers were terminated due to sustainability related non-compliance in 2023.

Share of total purchasing spend[1] from suppliers that comply with Essity's Global Supplier Standard

	2023	2022	2021	2020	2019
Outcome	92%	90%	88%	83%	77%

1) Excluding energy.

Geographical distribution of strategic suppliers 2023



- Suppliers in Europe, 54%
- Suppliers in North and South America, 37%
- Suppliers in Asia and Africa, 9%

Ethical audits conducted

	2023	2022	2021	2020	2019
Audits initiated by Essity[1]	12	4	14	12	33
Audits initiated by customers[2]	43	41	35	25	19
Total number of audits	**55**	**45**	**49**	**37**	**52**

1) Audits initiated by Essity were conducted by Essity's independent audit firm in accordance with SMETA's 4-pillar format.
2) Customer-initiated audits have been conducted on behalf of other customers of the suppliers and approved by Essity.

Community relations (SEKm)

	2023	2022	2021	2020	2019
Charitable donations	53.6	29.3	28.6	39.8	24.6
Commercial initiatives	8.0	2.1	4.9	1.9	9.5
Community investments	19.3	5.8	4.3	7.5	4.1
Total	**80.9**	**37.2**	**37.8**	**49.2**	**38.2**
of which cash funds	25.6	14.0	21.8	21.4	17.8
of which products	55.3	23.2	16.0	27.8	20.4

Employee relations[1]	**2023**	**2022[2]**	**2021**	**2020**	**2019**
Percentage of Essity's employees covered by collective bargaining agreements	62	60	67	68	68

1) Refers to companies fully integrated into the HR platform.
2) The change in 2022 compared with 2021 is due to additional Latin American countries being included in the HR platform in 2022. These countries have a relatively low number of employees covered by collective bargaining agreements.

Community relations

Essity invested approximately SEK 81m (37; 38) in more than 500 projects in 2023. Most of the projects were related to hygiene and health, to which company employees also allocate many working hours (including staff management). Essity's steering document for community relations states that Essity shall be politically and religiously neutral. The company must not make payments or product donations to political parties or candidates, or their institutions, agencies, or representatives. Essity did not support any organizations or projects with political or religious aims in 2023.

Outlook

Looking forward, efforts in the areas of business ethics and human rights will be highly relevant. The aim is to ensure that human rights are not violated, even though we still operate in markets where unethical business practices and human rights breaches occur. Essity closely monitors the rapid changes in the legislative landscape regarding the obligation to perform due diligence as well as other trade-based legislation. Procedures are updated on a regular basis and key personnel are trained to ensure that risk assessments are conducted properly and that there is relevant documentation and transparency.

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Statutory sustainability report and GRI index

Statutory sustainability report

The table below, with page references, is provided for clarity on how Essity meets the Swedish Annual Accounts Act 6 chapter 11§.

Disclosure	Page
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Business model	53-54
Environment	
Policy on environmental issues	51
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Policy on social issues	51
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Targets and outcomes related to social issues	24-25, 77-79, 81-84, 86

Disclosure	Page
Respect for human rights	
Policy for human rights	51, 88
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Policy for work in anti-corruption	51
Risks and risk management in anti-corruption	40, 42, 89
Targets and outcomes related to anti-corruption	86, 90
Disclosures according to the EU taxonomy regulation	59-60

GRI index

Essity's reporting for the January 1, 2023 to December 31, 2023 period is in accordance with the GRI standards. GRI 1: Foundation 2021 was applied. No applicable GRI sector standard was available for Essity's industry. In 2023, the application of the GRI standards – 1, 2 and 3 – resulted in a review of the materiality assessment of the GRI standards. In light of this, certain standards have been added compared to the Annual and Sustainability Report for 2022.

General Standard Disclosures

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
GRI 2 2021	2-1	Organizational details	115, 125	
	2-2	Entities included in the organization's sustainability reporting	50, 158	
	2-3	Reporting period, frequency and contact point	50, 115-116, 187	
	2-4	Restatements of information	50, 65	
	2-5	External assurance	95-96, 100, 177-180	
	2-6	Activities, value chain and other business relationships	5, 27-32, 55	**Omission:** 2-6 c and d **Reason:** Confidentiality limitations. **Explanation:** Essity does not report details on relevant business relationships.
	2-7	Employees	81, 129	**Omission:** 2-7 b **Reason/Explanation:** Information unavailable/incomplete.
	2-8	Workers who are not employees	–	**Omission:** 2-8 **Reason/Explanation:** Information unavailable/incomplete.
	2-9	Governance structure and composition	96-98, 102-103	
	2-10	Nomination and selection of the highest governance body	96-100	
	2-11	Chair of the highest governance body	102-103	**Omission:** 2-11 b and c **Reason/Explanation:** Not applicable.

GRI index, cont.

General Standard Disclosures, cont

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
GRI 2 2021	2-12	Role of the highest governance body in overseeing the management of impacts	96-100	
	2-13	Delegation of responsibility for managing impacts	46-48, 51	
	2-14	Role of the highest governance body in sustainability reporting	46-48, 51	
	2-15	Conflicts of interest	96-100	
	2-16	Communication of critical concerns	25, 90	
	2-17	Collective knowledge of the highest governance body	98-100	
	2-18	Evaluation of the performance of the highest governance body	98-100	
	2-19	Remuneration policies	138-139, 185-186	
	2-20	Process to determine remuneration	100	
	2-21	Annual total compensation ratio	82	**Omission:** 2-21 b and c **Reason/Explanation:** Information unavailable/incomplete.
	2-22	Statement on sustainable development strategy	8	
	2-23	Policy commitments	25, 87-88, 96-98	
	2-24	Embedding policy commitments	90	
	2-25	Processes to remediate negative impacts	90	
	2-26	Mechanisms for seeking advice and raising concerns	90	
	2-27	Compliance with laws and regulations	90	
	2-28	Membership of associations	4, 12, 63, 71, 74, 78, 80, 85	
	2-29	Approach to stakeholder engagement	56	
	2-30	Collective bargaining agreements	91	

Specific disclosures – GRI 200: Economy

All GRI topics not listed below have been deemed as not material for Essity.

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
GRI 3: Material Topics 2021				
	3-1	Process to determine material topics	56-57	
	3-2	List of material topics	58	
Anti-corruption				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 89, 96-101	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	89	
Anticompetitive Behavior				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 96-101	
GRI 206: Anticompetitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	90-91	
Materials				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 96-101	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	74, 181	
	301-2	Recycled input materials used	74, 181	
Energy				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 61-64, 96-101	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	50, 65	
	302-3	Energy intensity	65	
Water and Effluents				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 75-76, 96-101	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	76	
	303-2	Management of water discharge-related impacts	76	
	303-3	Water withdrawal	76	**Omission:** 303-3 c **Reason/Explanation**: Information unavailable/incomplete.
	303-4	Water discharge	76	**Omission:** 303-4 b and c **Reason/Explanation**: Information unavailable/incomplete.
	303-5	Water consumption	76	

GRI index, cont.

Specific disclosures – GRI 200: Economy, cont.

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
Emissions				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 61-64, 96-101	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	63-65	
	305-2	Indirect (Scope 2) GHG emissions	63-65	
	305-3	Other indirect (Scope 3) GHG emissions	63-65	
	305-5	Reduction of GHG emissions	63-65	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	63-65	
Waste				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 70-73, 96-101	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	70, 72	
	306-2	Management of significant waste-related impacts	70-74	
	306-3	Waste generated	74	
	306-4	Waste diverted from disposal	74	
	306-5	Waste directed to disposal	74	
Employment				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 79-80, 96-101	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	81	**Omission:** 401-1 **Reason/Explanation**: Information unavailable/incomplete.
Occupational Health and Safety				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 83-84, 96-101	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	83-84	
	403-2	Hazard identification, risk assessment, and incident investigation	83-84	
	403-4	Worker participation, consultation, and communication on occupational health and safety	83-84	
	403-6	Promotion of worker health	83-84	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	83-84	
	403-9	Work-related injuries	84	

GRI Standard	Disclosure	Disclosure name	Page	Omission/Reason/Explanation
Training and Education				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 96-101	
GRI 404: Training and Education 2016	404-1	Average hours of training per year and employee	82	**Omission:** 404-1 **Reason/Explanation**: Information unavailable/incomplete.
	404-3	Percentage of employees receiving regular performance and career development reviews	82	**Omission:** 404-3 **Reason/Explanation**: Information unavailable/incomplete.
Diversity and Equal Opportunity				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 79-80, 96-101	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	81, 102-105	**Omission:** 405-1 b **Reason/Explanation**: Information unavailable/incomplete.
	405-2	Ratio of basic salary and remuneration of women to men	81	**Omission:** 405-2 **Reason/Explanation**: Information unavailable/incomplete.
Non-discrimination				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 79-80, 89-90, 96-101	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	90	
Public Policy				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 91, 96-101	
GRI 415: Public Policy 2016	415-1	Political contributions	91	
Customer Health and Safety				
GRI 3: Material Topics 2021	3-3	Management of material topics	51, 85-86, 96-101	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	85	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	86	

Auditor's report on the limited review and audit of the Sustainability report of Essity Aktiebolag (publ)

This is the translation of the auditor's report in Swedish.

To Essity AB (publ), corp id 556325-5511

Introduction
We have been engaged by the Board of Essity Aktiebolag (publ) to undertake a combined assurance engagement of the Sustainability report for Essity Aktiebolag (publ) for the year 2023. The scope of the Sustainability report has been defined on pages 92–94.

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 50, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability report based on the assurance procedures we have performed. Our engagement is limited to historical financial information and does therefore not include future oriented information.

We conducted our engagement in accordance with ISAE 3000 (revised) *Assurance engagements other than audits or reviews of historical financial information*. The engagement includes a limited assurance engagement on the complete Sustainability report and audit on fossil fuels and grid supply data on page 65. 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 ISQM 1 (International Standard on Quality Management 1) 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, 27 February 2024
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Outi Alestalo
Expert member of FAR

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 2023 Annual Report. The report has been reviewed by the company's auditors.

Corporate governance, pages 96–105
This section describes applicable regulatory rules and regulations for the Group's corporate governance and the company's management structure and organization. It presents 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 (corporategovernanceboard.se).

Risk management, pages 40–48
Essity's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and central level. The risk management sections describe the most significant risks and measures taken to eliminate or limit these risks.

Sustainability, pages 49–91
Essity's sustainability work is an integral part of the company's business model. The company's statutory sustainability report forms part of the Board of Directors' Report. Sustainability work contributes to a sustainable and circular society, reduces risks, strengthens competitiveness, and attracts new employees and investors.

More detailed information about Essity's corporate governance is available on essity.com

- Articles of Association
- Information from the Nomination Committee ahead of the 2024 Annual General Meeting (composition, proposals and work)
- Other information ahead of the 2024 AGM (notice, remuneration report and information about routines for notifying attendance at the AGM, etc.)

Governance at Essity

1. Shares and shareholders
Essity has engaged Euroclear Sweden AB to maintain the company's shareholders' register. On December 31, 2023, Essity had 108,612 shareholders. The five largest shareholders in terms of voting rights on this date were AB Industrivärden (29.6%), Norges Bank Investment Management (7.5%), AMF Försäkring och Fonder (6.3%), MFS Investment Management (2.8%) and Swedbank Robur Funds (2.4%). Essity has two listed classes of shares: Class A and Class B shares. Every Class A share represents ten votes while every Class B share represents one vote. There are no other restrictions to voting rights in respect of shares used by shareholders at the general shareholders meeting. The two share classes carry the same entitlement to the company's assets and profits. Furthermore, according to the Articles of Association, owners of Class A shares are entitled to request conversion of their Class A shares to Class B shares. The 2023 Annual General Meeting (AGM) authorized the Board of Directors, for the period until the 2024 AGM, to decide on the repurchase of Class B Essity shares. Essity has not utilized this share repurchase mandate and holds no treasury shares.

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

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

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

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

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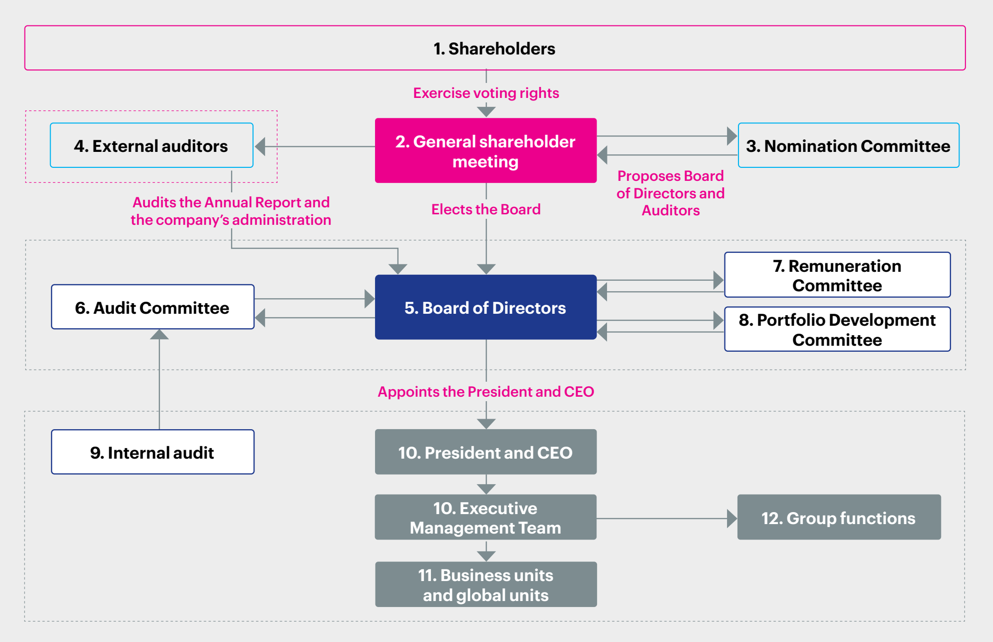
from the internal audit. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters. Furthermore, the Board annually prepares a report on the remuneration that has been paid or is outstanding in accordance with the remuneration 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 oversees the effectiveness of the company's internal control, internal audit and risk management. The Audit Committee keeps itself continuously informed about the audit of the Annual Report and consolidated financial statements and about the conclusions of the quality control by the Swedish Inspectorate of Auditors concerning the company's external auditor. The Committee receives and addresses the supplementary report to the audit report concerning the conducted audit that the auditor submits in accordance with the EU Audit Regulation. The Audit Committee informs the Board of its observations and the results of the audit. The Audit Committee also examines and monitors the impartiality and independence of the auditor. In respect to this, particular attention is paid to whether the auditor is providing the company with services other than auditing services. The Committee also assesses the work of the auditor and provides proposals to the company's Nomination Committee concerning the appointment of auditor for the following mandate period. Members of the Audit Committee are not employed by the company and at least one member has accounting or auditing expertise.

7. Remuneration Committee

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

8. Portfolio Development Committee

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

9. Internal audit

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

10. President and Executive Management Team

Essity's President and CEO is responsible for the day-to-day administration of the Group and follows the Board's guidelines and instructions. The President is supported by the Executive Management Team, see pages 104–105, the work of which is led by the President. The Executive Management Team comprises the President, five Group Function Senior Vice Presidents, four Business Unit Presidents and the Presidents of the three global units. The Executive Management Team holds regular meetings during the year to discuss and coordinate matters such as the business areas' economic development and budgets, important projects, strategy issues, sustainability

Rules and regulations

Certain internal rules and regulations

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

Certain external rules and regulations

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

Compliance with stock market regulations

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

issues and corporate culture. The Executive Management Team also has an advisory role for the President.

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

11. Business units and global units

Essity has four business units:

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

Furthermore, Essity has three global units:

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

These units are described in more detail on page 33.

Essity's business units and global units adhere to the principle of distinct decentralization of responsibility and authority. The business units and the global units have a delegated responsibility for managing and developing their respective operations through established objectives and strategies, a process that is also centrally coordinated. The business units are responsible for their operating results, capital and cash flow. The business and earnings position is followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are conducted during which the management of each business unit personally meets with the President and the CFO. These meetings function as a complement to the daily monitoring of operations. Through working procedures and terms of reference, a number of issues of material significance are placed under the control of the President and the company's Board of Directors.

12. Group functions

Essity has five Group functions:

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

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

Activities during the year

Annual General Meeting

Essity held its AGM in Stockholm on Wednesday, March 29, 2023.

The AGM elected the company's Board of Directors. Furthermore, the Board was authorized, for the period until the 2024 AGM, to decide on the repurchase of Class B Essity shares. The Meeting also approved the Board's remuneration report for 2022. The minutes from the AGM 2023 are available on essity.com.

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 2024 AGM is presented in the notice convening the AGM available on Essity's website essity.com. The 2024 AGM will be held on Thursday, March 21, see page 11.

The Nomination Committee was convened on seven occasions prior to the 2024 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 2024 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 2024 AGM

Member	Representative of	Votes as of August 31, 2023 (%)
Helena Stjernholm, Chairman	AB Industrivärden	29.6
Amy Wilson	Norges Bank Investment Management	7.2
Anders Oscarsson	AMF and AMF Funds	6.3
Marianne Nilsson	Swedbank Robur Funds	2.3
Pär 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, Maria Carell, Annemarie Gardshol, Magnus Groth, Jan Gurander, Torbjörn Lööf, Bert Nordberg and Barbara Milian Thoralfsson were elected as Board members in 2023. Pär Boman was elected as the Chairman of the Board.

The independence of Board members is presented in the table on page 100. Essity complies with the requirements of the Swedish Corporate Governance Code that stipulate that not more than one member elected by the AGM shall be a member of corporate management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the AGM-elected Board members have experience and a good understanding of the requirements incumbent upon a listed company. Four of the Board members are women, corresponding to approximately 40% of the total number of AGM-elected Board members. The employees have appointed Susanna Lind, Örjan Svensson and Niclas Thulin as representatives to the Board for the period until and including the 2024 AGM, and their deputies Niklas Engdahl, Martin Ericsson and Andreas Larsson.

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

Board activities

The Board was convened ten times during the year. The Board has fixed working procedures that describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, sustainability issues, investments and adoption of the financial reports. The Board also establishes and evaluates the company's overall targets and strategy and decides on significant internal rules. Another key task is to continuously monitor the internal control of the compliance of the company and its employees with relevant internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout the year, the Board has also dealt with reports from the Audit and Remuneration Committees and reports on strategy, market, internal audit, internal control and financial operations. The company's auditor regularly presents a report on its audit work and these issues are discussed by the Board. The Business Unit Presidents present their respective operations and current issues affecting them.

In 2023, in addition to customary Board work, the Board of Directors continued to maintain a strong focus on digitalization, strategy, portfolio-related issues and sustainability, and closely monitored developments in view of the geopolitical situation in the world.

Evaluation of the Board's work

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

Audit Committee

The Audit Committee comprises Barbara Milian Thoralfsson (Chairman), Pär Boman, Ewa Björling and Jan Gurander. In 2023, the Audit Committee held six meetings. 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, risk management, a review of various valuation matters, such as testing of impairment requirements for goodwill, and the preconditions for the year's pension liability calculations. In addition, the Committee addressed issues relating to sustainability reporting. The Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors.

Remuneration Committee

The Remuneration Committee comprises Pär Boman (Chairman), Bert Nordberg and Barbara Milian Thoralfsson. The Remuneration Committee held six meetings in 2023. 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 Bert Nordberg (Chairman), Pär Boman, Jan Gurander and Torbjörn Lööf. The Committee held nine meetings in 2023. During 2023, the Committee held discussions with the President and parts of corporate management in relation to such issues as the company's portfolio and acquisition strategy.

Internal audit

The basis of the work of the internal audit is a risk analysis based on external and internal information carried out in close dialogue with management teams at Essity. The risk evaluation forms the basis of an audit plan, which is presented to the Audit Committee together with the risk analysis. In 2023, 132 audit projects were performed and reported at meetings with the Audit Committee.

Work in 2023 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.

			Committees			Attendance[1]			
Board of Directors	**Elected**	**Dependence**	**Audit Committee**	**Remuneration Committee**	**Portfolio Development Committee**	**Board of Directors (10)**	**Audit Committee (6)**	**Remuneration Committee (6)**	**Portfolio Development Committee (9)**
Ewa Björling	2016		x			10/10	6/6		
Pär Boman	2016	■ (blue)	x	Chairman	x	10/10	6/6	6/6	9/9
Maria Carell (from March 29)	2023					8/8			
Annemarie Gardshol	2016					10/10			
Magnus Groth	2016	■ (grey)				10/10			
Bjørn Gulden (until March 29)	2022					0/2			
Jan Gurander (from March 29)	2023		x		x	8/8	5/5		6/6
Torbjörn Lööf	2021				x	10/10			9/9
Bert Nordberg	2016			x	Chairman	9/10		6/6	9/9
Louise Svanberg (until March 29)	2016			x		2/2		2/2	
Lars Rebien Sørensen (until March 29)	2017				x	2/2			2/3
Barbara Milian Thoralfsson	2016		Chairman	x		10/10	6/6	4/4	

1) Board meetings January 1–December 31, 2023.
■ (blue) = Dependent in relation to the company's major shareholder, AB Industrivärden.
■ (grey) = President of Essity, dependent in relation to the company and corporate management.

External auditor

The 2023 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 Erik Sandström, Authorized Public Accountant, would be the auditor in charge. Erik Sandström is also the auditor and has major assignments for Atlas Copco, Epiroc and Ratos. 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 2023. The auditor also attended each meeting of the Audit Committee. At these meetings, the auditor presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditor delivered an in-depth verbal report on the audit for the year. The working procedures specify a number of mandatory issues that must be addressed. These include matters of importance that have been a cause of discussion or concern during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting methods. The auditor shall also disclose consultancy work conducted for Essity as well as other dependencies in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the discussion on the accounts take place without representatives of corporate management being present.

Remuneration, Management and Board of Directors

Guidelines

The 2022 AGM adopted new guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable compensation and other benefits, and pension, see Note C2 on pages 137–139.

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 essity.com and on pages 185–186. Furthermore, remuneration of the President and other senior executives is described in Note C2 on pages 137–139.

Remuneration of the Board

The total remuneration of the AGM-elected Board members amounted to SEK 11,815,000 in accordance with the AGM's resolution. See Note C3 on page 139 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 principles and other circumstances of significance for reporting to ensure the quality of the financial statements. Furthermore, the company has a process and technical system support to limit the risk of price-sensitive information being leaked in conjunction with the submission of financial information ahead of the issue of interim reports.

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

External financial reporting

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

› Contact details to the Nomination Committee and the Board of Directors can be found on page 187.

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Board of Directors and Auditors

Elected by the Annual General Meeting

Pär Boman (1961)
Engineering and Business Administration degrees, Hon. D.B.
Chairman of the Board since 2016.
Chairman of the Board of Svenska Handelsbanken AB and Svenska Cellulosa Aktiebolaget SCA, Deputy Chairman of the Board of AB Industrivärden and member of the Board of Skanska AB. 2006–2015 President of Svenska Handelsbanken AB.
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 and PAR Foundation. Member of the Board of Nynas AB.
Former member of the Board of Svenska Cellulosa Aktiebolaget SCA, Biogaia AB, Bioarctic AB and Min Doktor AB. 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

Maria Carell (1973)
MSc BA
Member of the Board in RG Holdco.
President and CEO of RG Holdco.
Previous leading positions in Exeltis, Meda, Q-MED, Actavis, Novartis and Jansen-Cilag.
Elected: 2023
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.
President and 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: 5,100

Jan Gurander (1961)
MSc Econ.
Member of the Board of Skanska AB.
Former deputy CEO and CFO of AB Volvo. Previous leading positions in MAN, Volvo Cars, Swedbank Robur, Scania and Investor.
Elected: 2023
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 Husqvarna AB, Mercer International and AB Blåkläder.
Former President of Inter IKEA Group 2016–2020, Inter IKEA Systems 2013–2016 and IKEA of Sweden 2007–2013. Previously held various senior positions within IKEA since 1999. Former Chairman of the Board in a number of IKEA Group companies 2013–2020 and member of the Board of Inter IKEA Holding 2016–2020.
Elected: 2021
Independent of the company, corporate management and Essity's major shareholders.
Own shareholdings and those of related persons, Class B shares: 8,500

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2023.

Bert Nordberg (1956)
Engineer

Deputy Chairman of the Board of SAAB AB and chairman of the Board of Axis Communications AB.

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, Vestas Wind Systems A/S and TDC Group A/S and member of the Boards of Svenska Cellulosa Aktiebolaget SCA, BlackBerry Ltd, Skistar AB and AB Electrolux.

Elected: 2016

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

Own shareholdings and those of related persons, Class B shares: 36,800

Barbara Milian Thoralfsson (1959)
MBA, BA

Chairman of the Board of Exclusive Networks SA. Member of the Board of Hilti AG and Svenska Cellulosa Aktiebolaget SCA. Member of the Advisory Board Sparebank 1 Markets.

Former President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Former member of the Boards of Cable & Wireless Plc, AB Electrolux, G4S Plc, Orkla ASA, Tandberg ASA and Telenor ASA.

Elected: 2016

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

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

Magnus Groth (1963)
MBA and MSc ME

President and CEO of Essity.

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

Elected: 2016

Independent of Essity's major shareholders.

Own shareholdings and those of related persons, Class B shares: 94,000

Board members and deputies appointed by trade unions

Susanna Lind (1966)
Operator at Essity Hygiene and Health AB, Falkenberg

Member of the Swedish Trade Union Confederation (LO).

Appointed: 2019

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

Örjan Svensson (1963)
Senior Industrial Safety Representative at Essity Hygiene and Health AB, Edet Bruk, Lilla Edet

Member of the Swedish Trade Union Confederation (LO).

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

Appointed: 2017

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

Niclas Thulin (1976)
Senior IT Business Analyst at Essity Hygiene and Health AB, Gothenburg

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

Appointed: 2017

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

Deputies

Niklas Engdahl (1980)
Employed at Essity Hygiene and Health AB, Lilla Edet
Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2017
Own shareholdings and those of related persons: 0

Martin Ericsson (1968)
Employed at Essity Hygiene and Health AB, Falkenberg
Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2017
Own shareholdings and those of related persons, Class A shares: 200, Class B shares: 200

Andreas Larsson (1989)
Employed at Essity Hygiene and Health AB, Gothenburg
Member of the Council for Negotiation and Cooperation (PTK).
Appointed: 2018
Own shareholdings and those of related persons, Class B shares: 2,120

Auditors

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

Secretary to the Board

Mikael Schmidt (1960)
Master of Laws
Chief Group Function
Legal Affairs & Compliance, General Counsel
Employed since: 1992
Own shareholdings and those of related persons, Class B shares: 34,300

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2023.

Contents

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: 94,000

Fredrik Rystedt (1963)

CFO and Executive Vice President, Head of Group Function Finance

MSc Econ

Employed since: 2014

Own shareholdings and those of related persons, Class B shares: 38,000

Jessica Alm (1977)

Chief Communication Officer Group Function Communications

MSc. in Geological and Earth Sciences/ Geosciences and Journalism

Employed since: 2023

Own shareholdings and those of related persons: 0

Pablo Fuentes (1973)

President, Professional Hygiene

MSc, MBA

Employed since: 2006

Own shareholdings and those of related persons, Class B shares: 14,433

Donato Giorgio (1973)

President, Global Supply Chain

MSc Eng.

Employed since: 2009

Own shareholdings and those of related persons, Class B shares: 10,040

Andres Gomez (1977)

President, Consumer Goods Americas

MBA and MSc Eng

Employed since: 2021

Own shareholdings and those of related persons, Class B shares: 1,469

Ulrika Kolsrud (1970)

President, Health & Medical

MSc Eng.

Employed since: 1995

Own shareholdings and those of related persons, Class B shares: 13,380

Carl-Magnus Månsson (1966)

Chief Digital & Information Officer Global Digital & Business Services

Studies in Applied Physics

Employed since: 2023

Own shareholdings and those of related persons: 0

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2023.

Contents

Mikael Schmidt (1960)

Chief Group Function Legal Affairs & Compliance, General Counsel and Secretary to the Board

Master of Laws

Employed since: 1992

Own shareholdings and those of related persons, Class B shares: 34,300

Anna Sävinger Åslund (1969)

Chief HR Officer
Group Function Human Resources

BSc Human Resources

Employed since: 2001

Own shareholdings and those of related persons, Class B shares: 9,695

Sahil Tesfu (1982)

Chief Strategy Officer
Group Function Strategy & Business Development

MBA Business Administration

Employed since: 2021

Own shareholdings and those of related persons, Class B shares: 2,132

Tuomas Yrjölä (1978)

President, Global Brand, Innovation and Sustainability

MSc Econ

Employed since: 2014

Own shareholdings and those of related persons, Class B shares: 12,291

Volker Zöller (1967)

President, Consumer Goods EMEA

BSc BA

Employed since: 1994

Own shareholdings and those of related persons, Class B shares: 16,291

Information regarding own shareholdings and those of related persons pertains to the situation on December 31, 2023.

Financial statements including notes

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

Consolidated income statement IS

		2023		2022		2021	
	Note	SEKm	EURm[1]	SEKm	EURm[1]	SEKm	EURm[1]
Net sales	B1, B2	147,147	12,837	131,320	12,372	101,466	10,006
Cost of goods sold	B3	–102,627	–8,953	–97,395	–9,176	–72,176	–7,118
Items affecting comparability – cost of goods sold	B2, B3	–1,349	–118	–1,899	–179	–146	–14
Gross profit		**43,171**	**3,766**	**32,026**	**3,017**	**29,144**	**2,874**
Sales, general and administration	B3	–25,661	–2,239	–21,916	–2,065	–17,898	–1,765
Items affecting comparability – sales, general and administration	B2, B3	–942	–81	–272	–26	517	51
Share of results of associates and joint ventures	B3	39	3	38	4	59	6
Operating profit before amortization of acquisition-related intangible assets (EBITA)		**16,607**	**1,449**	**9,876**	**930**	**11,822**	**1,166**
Amortization of acquisition-related intangible assets	B3	–1,109	–97	–1,111	–105	–844	–84
Items affecting comparability – acquisition-related intangible assets	B2, B3	–350	–31	–274	–25	–	–
Operating profit		**15,148**	**1,321**	**8,491**	**800**	**10,978**	**1,082**
Financial income	E7	412	36	141	13	81	8
Financial expenses	E7	–2,768	–241	–1,461	–137	–648	–63
Profit before tax		**12,792**	**1,116**	**7,171**	**676**	**10,411**	**1,027**
Income taxes	B5	–3,275	–286	–2,006	–190	–2,398	–237
Profit for the period, continuing operations		**9,517**	**830**	**5,165**	**486**	**8,013**	**790**
Profit for the period, discontinued operations	G4	279	24	899	85	1,797	177
Profit for the period, total operations		**9,796**	**854**	**6,064**	**571**	**9,810**	**967**
Earnings attributable to:							
Owners of the Parent company							
Profit for the period, continuing operations		9,440	823	5,110	480	7,695	759
Profit for the period, discontinued operations	G4	114	10	457	44	925	91
Profit for the period, total operations		**9,554**	**833**	**5,567**	**524**	**8,620**	**850**
Non-controlling interests							
Profit for the period, continuing operations		77	7	55	5	318	31
Profit for the period, discontinued operations	G4	165	14	442	42	872	86
Profit for the period, total operations		**242**	**21**	**497**	**47**	**1,190**	**117**
Earnings per share – owners of the Parent company							
Earnings per share before and after dilution effects, continuing operations, SEK		13.44	1.17	7.28	0.69	10.95	1.08
Earnings per share before and after dilution effects, discontinued operations, SEK		0.16	0.02	0.65	0.06	1.32	0.13
Earnings per share before and after dilution effects, total operations, SEK		**13.60**	**1.19**	**7.93**	**0.75**	**12.27**	**1.21**
Average number of shares before and after dilution, million		702.3		702.3		702.3	
Dividend – owners of the Parent company							
Paid dividend per share, SEK		7.25		7.00		6.75	
Dividend paid, SEKm		5,092		4,916		4,741	
Proposed dividend per share, SEK		7.75		7.25		7.00	
Proposed dividend, SEKm		5,443		5,092		4,916	
1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;			11.46		10.61		10.14

Consolidated statement of comprehensive income CI

SEKm	2023	2022	2021
Profit for the period, continuing operations	9,517	5,165	8,013
Profit for the period, discontinued operations IS	279	899	1,797
Profit for the period, total operations IS	**9,796**	**6,064**	**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	1,334	2,298	–148
Fair value through other comprehensive income	5	–16	0
Income tax attributable to components in other comprehensive income	–161	–659	–13
Total, continuing operations	**1,178**	**1,623**	**–161**
Total, discontinued operations	–	1	0
Total operations	**1,178**	**1,624**	**–161**
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges:			
Result from remeasurement of derivatives recognized in equity	–4,360	3,110	4,142
Transferred to profit or loss for the period	1,681	–5,252	–1,363
Translation differences in foreign operations	–270	8,216	4,396
Gains/losses from hedges of net investments in foreign operations	572	–1,435	–1,006
Other comprehensive income from associates	–	–	15
Income tax attributable to components in other comprehensive income	612	856	–540
Total, continuing operations	**–1,765**	**5,495**	**5,644**
Total, discontinued operations	–932	125	1,079
Total operations	**–2,697**	**5,620**	**6,723**
Other comprehensive income for the period, net of tax	**–1,519**	**7,244**	**6,562**
Of which, continuing operations	–587	7,118	5,483
Of which, discontinued operations	–932	126	1,079
Total comprehensive income for the period	**8,277**	**13,308**	**16,372**
Of which, continuing operations	8,930	12,283	13,496
Of which, discontinued operations	–653	1,025	2,876
Total comprehensive income attributable to:			
Owners of the Parent company	8,617	12,338	14,294
Non-controlling interests	–340	970	2,078

Consolidated statement of change in equity EQ

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
Value, January 1, 2023	**2,350**	**11,477**	**53,519**	**67,346**	**9,218**	**76,564**
Profit for the period IS			**9,554**	**9,554**	**242**	**9,796**
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]			1,333	1,333	1	1,334
Fair value through other comprehensive income		5		5		5
Income tax attributable to components in other comprehensive income TE8:2		1	–162	–161	–	–161
Other comprehensive income that will not be reclassified to the income statement		**6**	**1,171**	**1,177**	**1**	**1,178**
Items that have been or may be reclassified subsequently to the income statement						
Cash flow hedges:						
Result from remeasurement of derivatives recognized in equity		–4,360		–4,360		–4,360
Transferred to profit or loss for the period		1,681		1,681		1,681
Translation differences in foreign operations		–737		–737	–583	–1,320
Gains/losses from hedges of net investments in foreign operations		720		720		720
Income tax attributable to components in other comprehensive income TE8:2		582		582		582
Other comprehensive income that has been or may be reclassified subsequently to the income statement		**–2,114**		**–2,114**	**–583**	**–2,697**
Other comprehensive income for the period, net of tax		**–2,108**	**1,171**	**–937**	**–582**	**–1,519**
Total comprehensive income for the period CI		**–2,108**	**10,725**	**8,617**	**–340**	**8,277**
Private placement to non-controlling interests			0	0	0	0
Acquisition of non-controlling interests			1	1	–0	1
Transferred to cost of hedged investments		52		52		52
Revaluation effect upon acquisition of non-controlling interests			–78	–78		–78
Dividend, SEK 7.25 per share[2] CF OCF			–5,092	–5,092	–319	–5,411
Value, December 31 BS	**2,350**	**9,421**	**59,075**	**70,846**	**8,559**	**79,405**

1) Including payroll tax.
2) Dividend of SEK 7.25 per share pertains to owners of the Parent company. For the 2023 fiscal year, the Board of Directors has decided to propose a divided of SEK 7.75 per share to the Annual General Meeting.

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

1) Including payroll tax.
2) Dividend of SEK 7.00 per share pertains to owners of the Parent company.

Consolidated statement of change in equity, cont. EQ

SEKm	Share capital	TE8:1 Reserves	Retained earnings	Equity attributable to owners of the Parent company	Non-controlling interests	Total equity
Value, January 1, 2021	**2,350**	**474**	**51,528**	**54,352**	**8,990**	**63,342**
Profit for the period IS			**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 TE8:2		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 derivatives recognized in equity		4,142		4,142		4,142
Transferred to profit or loss for the period		–1,363		–1,363		–1,363
Acquired cash flow hedges		11	–11	–		–
Translation differences in foreign operations		4,592		4,592	888	5,480
Gains/losses from hedges of net investments in foreign operations		–1,012		–1,012		–1,012
Other comprehensive income from associates			15	15		15
Income tax attributable to components in other comprehensive income TE8:2		–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 CI		**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[2]			–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[3] CF OCF			–4,741	–4,741	–528	–5,269
Value, December 31 BS	**2,350**	**6,309**	**51,215**	**59,874**	**8,633**	**68,507**

1) Including payroll tax.
2) For explanation, see note F5 Acquisitions and divestments of Group companies and other operations on page 162.
3) Dividend of SEK 6.75 per share pertains to owners of the Parent company.

For further information, see Note E8 Equity on page 156.

Consolidated cash flow statement CF

	Note	2023		2022		2021	
		SEKm	EURm[1]	SEKm	EURm[1]	SEKm	EURm[1]
Operating activities							
Operating profit IS		15,148	1,321	8,491	800	10,978	1,082
Adjustments for non-cash items T:1		9,459	825	9,669	911	5,853	577
Operating profit excluding non-cash items		**24,607**	**2,146**	**18,160**	**1,711**	**16,831**	**1,659**
Interest paid		–2,421	–211	–717	–68	–607	–60
Interest received		410	36	139	13	70	7
Other financial items		–320	–28	–670	–63	–38	–4
Capitalized expenditure to fulfill contracts with customers		–466	–41	–474	–45	–375	–37
Change in liabilities relating to restructuring programs, etc.		–203	–18	–41	–4	–205	–20
Paid tax	B5	–3,615	–315	–2,175	–205	–3,147	–310
Cash flow from operating activities before changes in working capital		**17,992**	**1,569**	**14,222**	**1,339**	**12,529**	**1,235**
Cash flow from changes in working capital							
Change in							
Inventories		2,505	219	–4,750	–448	–1,578	–156
Operating receivables		–19	–2	–3,492	–329	–2,171	–214
Operating liabilities		–1,401	–122	4,018	379	2,777	274
Cash flow from operating activities, continuing operations		**19,077**	**1,664**	**9,998**	**941**	**11,557**	**1,139**
Cash flow from operating activities, discontinued operations		2,491	217	2,876	271	3,110	306
Cash flow from operating activities, total operations		**21,568**	**1,881**	**12,874**	**1,212**	**14,667**	**1,445**
Investing activities							
Acquisitions of Group companies and other operations	F5	–178	–16	–4,797	–452	–4,427	–437
Divestments of Group companies and other operations	F5	1,234	108	–	–	17	2
Investments in intangible assets and property, plant and equipment T:2		–6,850	–598	–5,416	–510	–5,202	–513
Paid interest capitalized in intangible assets and property, plant and equipment T:2		–40	–4	–14	–1	–19	–2
Sale of property, plant and equipment		71	6	68	6	39	4
Investments in financial assets, etc.		–48	–4	–2,827	–266	–418	–41
Cash flows from investing activities, continuing operations		**–5,811**	**–508**	**–12,986**	**–1,223**	**–10,010**	**–987**
Cash flow from investing activities, discontinued operations		–1,298	–113	–1,514	–143	–2,123	–209
Cash flow from investing activities, total operations		**–7,109**	**–621**	**–14,500**	**–1,366**	**–12,133**	**–1,196**

	Note	2023		2022		2021	
		SEKm	EURm[1]	SEKm	EURm[1]	SEKm	EURm[1]
Financing activities							
Acquisition of non-controlling interests	F5	–	–	–14	–1	–5,961	–588
Proceeds from borrowings		5,878	513	15,137	1,426	16,244	1,602
Repayment of borrowings		–13,448	–1,173	–7,081	–667	–7,967	–786
Dividend to non-controlling interests		–2	0	–21	–2	–273	–27
Dividend EQ		–5,092	–444	–4,916	–463	–4,741	–467
Cash flows from financing activities, continuing operations		**–12,664**	**–1,104**	**3,105**	**293**	**–2,698**	**–266**
Cash flow from financing activities, discontinued operations		1,113	97	–1,297	–122	–1,109	–109
Cash flow from financing activities, total operations		**–11,551**	**–1,007**	**1,808**	**171**	**–3,807**	**–375**
Cash flow for the period, continuing operations		**602**	**52**	**117**	**11**	**–1,151**	**–114**
Cash flow for the period, discontinued operations		**2,306**	**201**	**65**	**6**	**–122**	**–12**
Cash flow for the period, total operations		**2,908**	**253**	**182**	**17**	**–1,273**	**–126**
Cash and cash equivalents, January 1[2]		4,288	386	3,904	382	4,982	497
Translation differences in cash and cash equivalents		–269	–12	202	–13	195	11
Cash and cash equivalents, total operations, December 31[2]	E2	**6,927**	**627**	**4,288**	**386**	**3,904**	**382**
1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;			11.46		10.61		10.14
2) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;			11.06		11.12		10.23

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

Adjustments for non-cash items T:1

SEKm	**2023**	**2022**	**2021**
Depreciation/amortization and impairment of non-current assets	7,998	9,012	6,122
Depreciation of prepaid selling expenses	490	465	400
Gain/loss on sale of assets	36	32	19
Gain/loss on divestment and liquidation	524	2	21
Non-cash items relating to efficiency program	393	84	–43
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	18	74	114
Total	**9,459**	**9,669**	**5,853**

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

SEKm	**2023**	**2022**	**2021**
Measures to raise the capacity level of operations (Strategic capital expenditures)	–1,563	–1,462	–1,883
Measures to uphold capacity level (Current capital expenditures)	–5,327	–3,968	–3,338
Total	**–6,890**	**–5,430**	**–5,221**

Change in liabilities attributable to financing activities

SEKm	Value at January 1	Liabilities directly attributable to assets held for sale	Cash flow, net	Acquisitions/ divestments	Translation differences	Actuarial gains/losses	Other changes	Value at December 31
2023								
Non-current and current financial liabilities	71,514	–4,372	–7,450	–11	179	–	1,124[1]	60,984
Provisions for pensions including surplus in funded pension plans	706	–9	144	–	8	–1,334	–	–485
Assets for hedging financial liabilities included in cash flow from financing activities	–1,491	–	–264	–	–	–	–	–1,755
Total liabilities including surplus in funded pension plans attributable to financing activities	**70,729**	**–4,381**	**–7,570**	**–11**	**187**	**–1,334**	**1,124**	**58,744**
2022								
Non-current and current financial liabilities	58,189		7,434	144	4,565	–	1,182[1]	71,514
Provisions for pensions including surplus in funded pension plans	2,710		339	–	–45	–2,298	–	706
Assets for hedging financial liabilities included in cash flow from financing activities	–817		–674	–	–	–	–	–1,491
Total liabilities including surplus in funded pension plans attributable to financing activities	**60,082**		**7,099**	**144**	**4,520**	**–2,298**	**1,182**	**70,729**
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 liabilities including surplus in funded pension plans attributable to financing activities	**48,014**		**7,441**	**1,410**	**2,215**	**148**	**854**	**60,082**

1) Other changes 2023 relate to change in accrued interest SEK 25m (73; –10), change in liability related to financial leases in accordance with IFRS 16 of SEK 1,099m (1,109; 865), of which SEK 608m (547; 480) relates to operating assets and SEK 491m (562; 385) to non-operating assets, and other items SEK –m (–; –1).

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

SEKm	2023	2022	2021
Cash flow from operating activities, continuing operations			
Cash flow from operating activities	19,077	9,998	11,557
Adjustments			
Investments in non-current assets, net	–6,819	–5,362	–5,182
Accrued interest	–25	–71	8
Investments in operating assets through leases	–608	–476	–392
Other	–	–1	–
Cash flow from current operations according to consolidated operating cash flow statement	**11,625**	**4,088**	**5,991**
Cash flows from investing activities, continuing operations			
Cash flow from investing activities	–5,811	–12,986	–10,010
Adjustments			
Investments in non-current assets, net	6,819	5,362	5,182
Investments in financial assets, etc.	48	2,827	418
Acquisition of non-controlling interests	–	–14	–5,961
Net debt in acquired and divested companies	11	–144	–1,409
Paid/Non-paid financial receivable upon divestment of Group companies	–	–	–18
Other	0	–	–
Cash flow from acquisitions and divestments according to consolidated operating cash flow statement	**1,067**	**–4,955**	**–11,798**

SEKm	2023	2022	2021
Cash flow for the period, continuing operations			
Cash flow for the period	602	117	–1,151
Adjustments			
Repayment of borrowings	13,448	7,081	7,967
Proceeds from borrowings	–5,878	–15,137	–16,244
Investments in financial assets, etc.	48	2,827	418
Net debt in acquired and divested operations	11	–144	–1,409
Paid/Non-paid financial receivable upon divestment of Group companies	–	–	–18
Investments in operating assets through leases	–608	–476	–392
Accrued interest	–25	–71	8
Other	–	–1	–
Net cash flow according to consolidated operating cash flow statement	**7,598**	**–5,804**	**–10,821**

Consolidated operating cash flow statement, supplementary disclosure OCF

		2023		2022		2021	
	Note	SEKm	EURm[1]	SEKm	EURm[1]	SEKm	EURm[1]
Net sales IS		147,147	12,837	131,320	12,372	101,466	10,006
Operating expenses		–122,162	–10,657	–113,542	–10,697	–84,975	–8,380
Operating surplus		**24,985**	**2,180**	**17,778**	**1,675**	**16,491**	**1,626**
Adjustment for non-cash items		584	51	623	59	496	49
Operating cash surplus		**25,569**	**2,231**	**18,401**	**1,734**	**16,987**	**1,675**
Change in							
Inventories		2,505	219	–4,750	–448	–1,578	–156
Operating receivables		–19	–2	–3,492	–329	–2,171	–214
Operating liabilities		–1,401	–122	4,018	379	2,777	274
Change in working capital		**1,085**	**95**	**–4,224**	**–398**	**–972**	**–96**
Investments in non-current assets, net		–6,819	–595	–5,362	–505	–5,182	–510
Restructuring costs, etc.		–1,542	–135	–659	–62	–697	–69
Operating cash flow before investments in operating assets through leases		**18,293**	**1,596**	**8,156**	**769**	**10,136**	**1,000**
Investments in operating assets through leases		–608	–53	–476	–45	–392	–39
Operating cash flow		**17,685**	**1,543**	**7,680**	**724**	**9,744**	**961**
Financial items	E7	–2,356	–206	–1,320	–124	–567	–56
Income taxes paid	B5	–3,615	–315	–2,175	–205	–3,147	–310
Other		–89	–8	–97	–9	–39	–4
Cash flow from current operations		**11,625**	**1,014**	**4,088**	**386**	**5,991**	**591**
Acquisitions of Group companies and other operations	F5	–182	–16	–4,955	–467	–11,813	–1,165
Divestments of Group companies and other operations	F5	1,249	109	–	–	15	1
Cash flow from acquisitions and divestments		**1,067**	**93**	**–4,955**	**–467**	**–11,798**	**–1,164**
Cash flow before transactions with shareholders		**12,692**	**1,107**	**–867**	**–81**	**–5,807**	**–573**
Dividend to non-controlling interests		–2	0	–21	–2	–273	–27
Dividend EQ		–5,092	–444	–4,916	–463	–4,741	–467
Net cash flow, continuing operations		**7,598**	**663**	**–5,804**	**–546**	**–10,821**	**–1,067**
Net cash flow, discontinued operations		866	76	952	89	628	62
Net cash flow, total operations		**8,464**	**739**	**–4,852**	**–457**	**–10,193**	**–1,005**
1) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;			11.46		10.61		10.14

	2023		2022		2021	
Net debt	SEKm	EURm	SEKm	EURm	SEKm	EURm
Net debt, January 1[1]	**–62,869**	**–5,652**	**–55,433**	**–5,419**	**–42,688**	**–4,257**
Net cash flow[2]	8,464	739	–4,852	–457	–10,193	–1,005
Remeasurements to equity[2]	1,339	116	2,281	214	–147	–15
Investments in non-operating assets through leases[2]	–491	–43	–562	–53	–385	–38
Translation differences	–146	–17	–4,303	63	–2,020	–104
Net debt, total operations, December 31[1]	**–53,703**	**–4,857**	**–62,869**	**–5,652**	**–55,433**	**–5,419**
1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;		11.06		11.12		10.23
2) Translation to EUR is provided for the convenience of the reader. The following average exchange rates were used;		11.46		10.61		10.14

Consolidated balance sheet BS

	Note	2023		2022		2021	
		SEKm	**EURm[1]**	**SEKm**	**EURm[1]**	**SEKm**	**EURm[1]**
ASSETS							
Non-current assets							
Goodwill	D1	39,337	3,558	44,786	4,027	37,803	3,696
Other intangible assets	D1	21,345	1,931	25,346	2,279	21,806	2,132
Property, plant and equipment	D2	44,909	4,062	57,471	5,167	53,965	5,276
Right-of-use assets	G1	3,934	356	5,427	488	4,953	484
Investments in associates and joint ventures	F3	294	26	291	26	239	23
Shares and participations		6	1	6	1	7	1
Surplus in funded pension plans	C4	3,072	278	1,965	177	1,439	141
Non-current financial assets	E2	117	10	123	11	412	40
Deferred tax assets	B5	2,343	212	2,545	229	2,012	197
Other non-current assets		745	65	1,620	145	1,411	138
Total non-current assets		**116,102**	**10,499**	**139,580**	**12,550**	**124,047**	**12,128**
Current assets							
Inventories	D3	17,546	1,587	28,888	2,597	19,339	1,891
Trade receivables	E3	21,920	1,983	25,990	2,337	19,871	1,943
Current tax assets	B5	1,289	117	1,152	104	952	93
Other current receivables	D4	3,391	306	5,761	517	5,787	566
Current financial assets	E2	5,259	476	4,941	444	1,150	112
Cash and cash equivalents	E2	5,159	467	4,288	386	3,904	382
Total current assets		**54,564**	**4,936**	**71,020**	**6,385**	**51,003**	**4,987**
Total assets, continuing operations		**170,666**	**15,435**	**210,600**	**18,935**	**175,050**	**17,115**
Assets held for sale	G4	32,327	2,924	–	–	–	–
Total assets, total operations		**202,993**	**18,359**	**210,600**	**18,935**	**175,050**	**17,115**
1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;			11.06		11.12		10.23

	Note	2023		2022		2021	
		SEKm	**EURm[1]**	**SEKm**	**EURm[1]**	**SEKm**	**EURm[1]**
EQUITY AND LIABILITIES							
Equity EQ							
Owners of the Parent company							
Share capital		2,350	213	2,350	211	2,350	230
Reserves	E8	9,421	852	11,477	1,032	6,309	617
Retained earnings including profit/loss for the year		59,075	5,343	53,519	4,812	51,215	5,007
Equity attributable to owners of the Parent company		**70,846**	**6,408**	**67,346**	**6,055**	**59,874**	**5,854**
Non-controlling interests		8,559	774	9,218	829	8,633	844
Total equity		**79,405**	**7,182**	**76,564**	**6,884**	**68,507**	**6,698**
Non-current liabilities							
Non-current financial liabilities	E4	45,336	4,100	58,242	5,236	47,443	4,639
Provisions for pensions	C4	2,587	234	2,671	240	4,149	406
Deferred tax liabilities	B5	6,935	627	8,718	784	7,574	740
Other non-current provisions	D6	466	43	491	44	396	39
Other non-current liabilities	D5	1,073	97	1,196	108	86	8
Total non-current liabilities		**56,397**	**5,101**	**71,318**	**6,412**	**59,648**	**5,832**
Current liabilities							
Current financial liabilities	E4	15,648	1,415	13,273	1,193	10,746	1,051
Trade payables		15,119	1,367	25,644	2,306	18,030	1,763
Current tax liabilities	B5	2,165	196	1,589	143	1,576	154
Current provisions	D6	1,408	127	1,217	109	736	72
Other current liabilities	D5	19,143	1,731	20,995	1,888	15,807	1,545
Total current liabilities		**53,483**	**4,836**	**62,718**	**5,639**	**46,895**	**4,585**
Total liabilities, continuing operations		**109,880**	**9,937**	**134,036**	**12,051**	**106,543**	**10,417**
Liabilities directly attributable to assets held for sale	G4	13,708	1,240	–	–	–	–
Total equity and liabilities, total operations		**202,993**	**18,359**	**210,600**	**18,935**	**175,050**	**17,115**
1) Translation to EUR is provided for the convenience of the reader. The following closing exchange rates were used;			11.06		11.12		10.23

Contingent liabilities and pledged assets, see Note G2 on page 166.

A. Accounting principles, basis of preparation and use of alternative performance measures

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

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

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

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

BS Balance sheet EQ Equity IS Income statement CI Statement of comprehensive income
CF Cash flow statement OCF Operating cash flow statement Tx:x 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 9).

The registered office of the company is Stockholm, Sweden, with the postal address of PO 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 Corporate 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, 2023. Essity applies the historical cost method for measurement of assets and liabilities except for financial assets and liabilities, including derivative instruments, measured at fair value through profit or loss. Changes in assets and liabilities measured at fair value through profit or loss are recognized either in profit or loss or other comprehensive income.

The annual report was approved for publishing by the Board of Directors on February 20, 2024. The financial statements are subject to approval by the Annual General Meeting of shareholders on March 21, 2024.

New or amended accounting standards 2023
A number of amended accounting standards published by the International Accounting Standards Board (IASB) are effective from January 1, 2023 following endorsement by the EU. Essity has applied these amendments, of which none have had a significant impact on the Group's financial statements and are therefore not commented on.

New or amended accounting standards after 2023
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.

The Group is subject to the OECD Pillar Two model rules. On December 13, 2023, the Swedish Parliament adopted legislation on top-up tax for companies in large-scale groups, which will enter into force on January 1, 2024.

According to the legislation, the parent company is to pay a top-up tax on the profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. As the Pillar Two legislation was not in force on the balance sheet date, the Group has no related current tax exposure. Based on Safe Harbour tests and further analysis, Essity does not foresee any material impact from future top-up tax payments.

Essity has applied the mandatory exemption to recognize and disclose information on deferred tax assets and deferred tax liabilities arising from income taxes under Pillar Two.

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

These assumptions and estimates are often based on historical experience, but also on other factors, including expectations of future events. Actual results may differ from these assessments.

In Essity's opinion, the areas that are impacted the most by assumptions and estimates are:
- Determination of transaction price in accounting of revenues , B1 Net sales – Revenues from contracts with customers, page 121.
- Taxes, B5 Income taxes, page 134
- Pensions, C4 Remuneration after completion of employment, page 140
- Goodwill, D1 Intangible assets, page 143
- Provisions, D6 Other provisions, page 147
- Provision for doubtful receivables, E3 Trade receivables, page 150
- Leases, G1 Leases, page 165

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

Principles of consolidation
The Group's consolidated financial statements include the Parent company and its Group companies, which comprise subsidiaries, joint ventures, associates and joint operations. Group companies are consolidated from the date the Group exercises control or influence over the company according to the definitions and accounting policies provided in Notes F1 Group companies on page 158, F3 Investments in associates and joint ventures on page 159 and F4 Joint operations on page 161. Divested Group companies are included in the consolidated accounts until the date the Group ceases to control or exercise influence over the companies. For additional information about accounting policies regarding acquisitions of Group companies and respective non-controlling interests, see Note F5 Acquisitions and divestments of group companies and other operations on page 162. 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 as its functional currency. The consolidated financial statements of Group companies are translated to the Group's presentation currency, which is also Swedish kronor. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate for the respective period. Translation differences during the period on the Group's net assets are recognized in other comprehensive income in the translation reserve as a component of equity.

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

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

Transactions and balance sheet items in foreign currency
Transactions in foreign currency are translated to a functional currency using the rate prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities in foreign currency are translated at the closing rate and any exchange rate effects are recognized in profit or loss. In cases where the exchange rate effect is related to the operations, the effect is recognized net in operating profit. Exchange rate effects pertaining to borrowing and financial investments are recognized as other financial items.

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

If a financial instrument has been classified as financial assets measured at fair value through comprehensive income, the portion of the value change pertaining to currency is recognized in profit or loss, any other unrealized changes are recognized in equity under other comprehensive income.

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 recog-

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

nized 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.

Reporting of discontinued operations
On December 15, 2023, Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), announced that it will make a pre-conditional public offer to the shareholders of Vinda International Holdings Limited (Vinda) to acquire 100% of the shares in Vinda for a price per share of HKD 23.50. Essity supports the offer and has signed an irrevocable undertaking to accept the offer in respect of all of its 51.59% shareholding in Vinda. The transaction is expected to be completed mid-2024. As of the fourth quarter of 2023, Essity will classify the financial reporting of Vinda as discontinued operations, meaning that assets and liabilities related to Vinda are presented on separate lines in the balance sheet and that the profit or loss after tax for the period from discontinued operations is reported on a separate line in the income statement. The income statement and cash flow statement are adjusted for comparative periods.

A2. Use of alternative performance measures

Guidelines concerning alternative performance measures for companies with securities listed on a regulated market in the EU have been issued by the ESMA (European Securities and Markets Authority). These guidelines are to be applied to alternative performance measures not supported under IFRS.

The Annual Report refers to a number of performance measures not defined in IFRS. These performance measures are used to assist investors and company management to analyze the company’s operations and objectives. As these non-IFRS measures may differ from similar terms used by other companies, descriptions of the various measures used as a complement to the financial information required according to IFRS are presented below. The comparative years for return, earnings and cash flow performance measures in the tables below have been restated and refer to continuing operations. In cases where the comparative years have been restated for capital measures, it is indicated whether this relates to continuing operations or total operations.

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	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 average 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	Adjusted return on capital employed is calculated as 12-months rolling operating profit before amortization of acquisition-related intangible assets (EBITA), excluding items affecting comparability, as a percentage of an average of capital employed during the five most recent quarters. The corresponding key figure for a single quarter is calculated as EBITA for the quarter, excluding items affecting comparability, multiplied by four as a percentage of average 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	2023	2022	2021
ADJUSTED RETURN ON CAPITAL EMPLOYED, ROCE			
EBITA	16,607	9,876	11,822
Items affecting comparability	2,291	2,171	–371
Adjusted EBITA	18,898	12,047	11,451
Average capital employed	115,105	110,727	92,227
Adjusted return on capital employed, ROCE	**16.4%**	**10.9%**	**12.4%**

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 attributable to non-controlling interests.
Equity per share	Equity in relation to the average number of outstanding shares in Essity Aktiebolag (publ).	A measure of the amount of equity per outstanding share which 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 assets held for sale, interest-bearing assets and pension assets, less total liabilities, excluding liabilities directly attributable to assets held for sale, 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	2023	2022	2021
CAPITAL EMPLOYED			
Total assets	202,993	210,600	175,050
Total assets in discontinued operations	–32,327	–	–
Financial assets	–13,607	–11,317	–6,905
Non-current, non-interest-bearing liabilities	–8,474	–10,405	–8,056
Current, non-interest-bearing liabilities	–37,835	–49,445	–36,149
Capital employed	**110,750**	**139,433**	**123,940**
Capital employed, continuing operations	**110,750**	**114,793**	**100,457**
CAPITAL EMPLOYED			
Health & Medical	32,762	34,062	30,938
Consumer Goods	52,009	52,667	43,947
Professional Hygiene	24,021	27,741	24,460
Other	1,958	323	1,112
Capital employed, continuing operations	**110,750**	**114,793**	**100,457**

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**
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 the amount of working capital tied up in the operations and can be put in relation to net sales to understand how effectively used the tied-up working capital is.

SEKm	2023	2022	2021
WORKING CAPITAL			
Inventories	17,546	28,888	19,339
Trade receivables	21,920	25,990	19,871
Other current receivables	3,391	5,761	5,787
Trade payables	–15,119	–25,644	–18,030
Other current liabilities	–19,143	–20,995	–15,807
Other	176	33	–3
Working capital	**8,771**	**14,033**	**11,157**
Working capital, continuing operations	**8,771**	**12,493**	**9,189**

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	2023	2022	2021
NET DEBT			
Surplus in funded pension plans	3,072	1,965	1,439
Non-current financial assets	117	123	412
Current financial assets	5,259	4,941	1,150
Cash and cash equivalents	5,159	4,288	3,904
Financial assets	**13,607**	**11,317**	**6,905**
Non-current financial liabilities	45,336	58,242	47,443
Provisions for pensions	2,587	2,671	4,149
Current financial liabilities	15,648	13,273	10,746
Financial liabilities	**63,571**	**74,186**	**62,338**
Net debt, continuing operations	49,964	59,315	51,968
Net debt, discontinued operations	3,739	3,554	3,465
Net debt, total operations	**53,703**	**62,869**	**55,433**

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 120) 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 120) 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	2023	2022	2021
Debt/equity ratio, multiple[1]	0.68	0.82	0.81
Debt payment capacity, %[2]	34	24	26
Adjusted debt payment capacity, %[2]	38	24	25
Net debt/EBITDA[2]	2.16	3.39	3.04
Net debt/Adjusted EBITDA[2]	2.00	3.33	3.14

1) Total operations
2) Continuing operations

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 previous 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 or 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.

A2. Use of alternative performance measures, cont.

Performance measures, cont. — **Various types of performance measures and margin measures expressed as a percentage of sales**

SEKm	2023	2022	2021
SALES GROWTH			
Health & Medical			
Organic sales growth	1,741	1,534	1,147
Acquisitions	–	511	226
Sales growth including organic sales growth and acquisitions	1,741	2,045	1,373
Divestments	–156	–100	–46
Exchange rate effects[1]	1,436	1,508	–789
Recognized change	**3,021**	**3,453**	**538**
Consumer Goods			
Organic sales growth	2,690	9,806	136
Acquisitions	1,224	1,384	811
Sales growth including organic sales growth and acquisitions	3,914	11,190	947
Divestments	–1,308	–8	–899
Exchange rate effects[1]	5,065	5,238	–2,142
Recognized change	**7,671**	**16,420**	**–2,094**
Professional Hygiene			
Organic sales growth	3,130	6,201	1,366
Acquisitions	24	549	452
Sales growth including organic sales growth and acquisitions	3,154	6,750	1,818
Divestments	–228	–	–19
Exchange rate effects[1]	2,162	3,251	–1,132
Recognized change	**5,088**	**10,001**	**667**
Group			
Organic sales growth	7,608	17,521	2,629
Acquisitions	1,248	2,444	1,489
Sales growth including organic sales growth and acquisitions	8,856	19,965	4,118
Divestments	–1,692	–109	–964
Exchange rate effects[1]	8,664	9,997	–4,062
Recognized change	**15,828**	**29,853**	**–908**
ORGANIC SALES GROWTH %			
Previous period sales	131,320	101,466	102,374
Organic sales growth	7,608	17,521	2,629
Total organic sales for the period	138,928	118,987	105,003
Organic sales growth %	**5.8%**	**17.3%**	**2.6%**
SALES GROWTH %			
Previous period sales	131,320	101,466	102,374
Sales growth including organic sales growth and acquisitions	8,856	19,965	4,118
Sales growth including organic sales growth and acquisitions %	**6.7%**	**19.7%**	**4.0%**

1) Consists solely of currency translation effects.

Performance measures, cont. — **Various types of performance measures and margin measures expressed as a percentage of sales**

Non-IFRS performance measure	Description	Reason for use of the measure
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	2023	2022	2021
Operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)			
Operating profit	15,148	8,491	10,978
Amortization of acquisition-related intangible assets	1,109	1,111	844
Depreciation/amortization	5,000	4,779	5,424
Depreciation right-of-use assets	1,061	948	938
Impairment	65	41	–2
Items affecting comparability, net of impairment	413	1,858	179
Items affecting comparability, impairment of acquisition-related intangible assets	350	274	–
EBITDA	**23,146**	**17,502**	**18,361**
Items affecting comparability excluding depreciation/amortization and impairment	1,878	313	–550
Adjusted operating profit before depreciation, amortization and impairment of property, plant and equipment and intangible assets (EBITDA)	**25,024**	**17,815**	**17,811**

SEKm	2023	2022	2021
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)			
Operating profit	15,148	8,491	10,978
Amortization of acquisition-related intangible assets	1,109	1,111	844
Items affecting comparability, impairment of acquisition-related intangible assets	350	274	–
Operating profit before amortization of acquisition-related intangible assets (EBITA)	**16,607**	**9,876**	**11,822**
EBITA margin	11.3%	7.5%	11.7%
Items affecting comparability, cost of goods sold	1,349	1,899	146
Items affecting comparability, sales, general and administration	942	272	–517
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)	**18,898**	**12,047**	**11,451**
Adjusted EBITA margin	12.8%	9.2%	11.3%

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 B3 Operating expenses on page 133.	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 and other expenses 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.	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.	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.	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.	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	2023	2022	2021
ADJUSTED OPERATING PROFIT			
Operating profit	15,148	8,491	10,978
Items affecting comparability	2,641	2,445	–371
Adjusted operating profit	**17,789**	**10,936**	**10,607**
Adjusted operating margin	12.1%	8.3%	10.5%

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**
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	2023	2022	2021
ADJUSTED TAX			
Tax	–3,275	–2,006	–2,398
Tax relating to items affecting comparability	–524	–200	–76
Adjusted tax	**–3,799**	**–2,206**	**–2,474**

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 the number of shares outstanding.	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 117.
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 117.
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 associates and joint ventures, items affecting comparability and capital gains/losses are excluded.	This measure shows the cash flow generated by profit and is part of the follow-up of the cash flow.
Investments in non-current assets, net	Comprise investments in non-current assets, net, to maintain competitiveness, such as efficiency 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 control.
Investments in operating assets through leases	Additional right-of-use assets directly attributable to operating activities. Mainly leases for distribution centers.	Investments in operating assets through leases is part of the follow-up of the cash flow that the units control.
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 control.
Investments in non-operating assets through leases	Additional right-of-use 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 control. These are recognized in the operating cash flow statement as an explanatory item in changes to net debt.

SEKm	**2023**	**2022**	**2021**
OPERATING CASH FLOW			
Health & Medical			
Operating cash surplus	5,015	3,774	4,608
Change in working capital	–433	–797	–85
Investments in non-current assets, net	–931	–727	–761
Restructuring costs, etc.	121	181	93
Operating cash flow before investments in operating assets through leases	**3,772**	**2,431**	**3,855**
Investments in operating assets through leases	–92	–35	–21
Operating cash flow	**3,680**	**2,396**	**3,834**
Consumer Goods			
Operating cash surplus	12,836	9,289	8,336
Change in working capital	223	–2,363	–77
Investments in non-current assets, net	–3,373	–2,647	–2,457
Restructuring costs, etc.	–1,129	–349	–438
Operating cash flow before investments in operating assets through leases	**8,557**	**3,930**	**5,364**
Investments in operating assets through leases	–324	–363	–212
Operating cash flow	**8,233**	**3,567**	**5,152**
Professional Hygiene			
Operating cash surplus	8,676	6,132	4,614
Change in working capital	1,425	–991	–738
Investments in non-current assets, net	–1,696	–1,213	–942
Restructuring costs, etc.	–886	–631	–464
Operating cash flow before investments in operating assets through leases	**7,519**	**3,297**	**2,470**
Investments in operating assets through leases	–189	–78	–159
Operating cash flow	**7,330**	**3,219**	**2,311**

B. Sales and earnings

B1. Net sales – Revenues from contracts with customers

Accounting principles AP

Revenue recognition
Essity primarily generates revenues from the sale of finished products to, for example, the retail sector, industries and the healthcare sector. Revenue from sales of services occurs to a certain extent but only accounts for a small portion of the Group's sales. Essity's operations and sales are divided into various segments that sell different products in several regions. The product portfolio is diversified but the principles for revenue recognition are the same for all segments. For a description of the products, see the section on Essity's three business areas, Health & Medical, Consumer Goods and Professional Hygiene on pages 26–32. Essity's contracts with customers primarily comprise framework agreements without established minimum volumes, which means that a binding contract 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 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
Essity's contracts with customers have essentially similar characteristics although specific terms may differ. The transaction price primarily comprises the agreed price for the products less any discounts, which means payments from customers include both fixed and variable amounts.

Typically, discounts are provided as credit after the end of the discount period relative to the value of the purchased goods. Discounts may also be provided for defined marketing activities performed by the customer during the period, or when Essity takes part in targeted campaigns with discount vouchers where Essity compensates customers for loss of income as consumers redeem discount vouchers. In a few markets, conditions are in place whereby Essity is subject to penalties if the terms of delivery are not met, in terms of date and volume. Essity's customers are normally not entitled to return products. Deliveries of faulty products are credited. A refund liability is recognized in the balance sheet under Other liabilities that includes the estimated discounts for each customer. The final discounts are determined at the end of the discount period and refund liability is reduced when the discount is credited to the customer.

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 advance payments from customers and 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 31. Expenses for these dispensers are recognized as prepaid expenses under Other non-current assets since Essity expects to receive indirect remuneration for 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.

Key assessments and assumptions KAA

Key assessments and assumptions are required to estimate the outcome of variable remuneration. The assessment uses the expected value method, which means revenue is recognized when it is highly probable that a reversal will not occur. The estimate of variable remuneration is made at the beginning of the contract and is evaluated for each reporting period.

The tables below show consolidated net sales broken down by operating segment: Health & Medical, Consumer Goods and Professional Hygiene.

Net sales in geographic markets reflects the perspective – sold to, which is based on sales to the countries where Essity has its customers, known as its "footprint." See pages 125–126 for further information.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2023					
Revenue from contracts with customers					
Sale of finished products	27,718	79,895	39,442	25	147,080
Sale of services	11	17	39	–	67
Total revenues from contracts with customers IS	**27,729**	**79,912**	**39,481**	**25**	**147,147**
Geographic markets					
Europe	17,981	53,258	17,538	25	88,802
North America	5,132	3,279	17,147	–	25,558
Latin America	1,465	20,562	3,171	–	25,198
Asia	1,641	472	199	–	2,312
Other	1,510	2,341	1,426	–	5,277
Total revenues from contracts with customers IS	**27,729**	**79,912**	**39,481**	**25**	**147,147**
Product category					
Incontinence Products	16,070	10,754			26,824
Baby Care		7,164			7,164
Feminine Care		13,584			13,584
Medical Solutions	11,659				11,659
Consumer Tissue		47,940			47,940
Professional Hygiene			39,481		39,481
Other		470		25	495
Total revenues from contracts with customers IS	**27,729**	**79,912**	**39,481**	**25**	**147,147**

Contents

B1. Net sales – Revenues from contracts with customers, cont.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2022					
Revenue from contracts with customers					
Sale of finished products	24,700	72,226	34,361	–21	131,266
Sale of services	8	15	31	–	54
Total revenues from contracts with customers IS	**24,708**	**72,241**	**34,392**	**–21**	**131,320**
Geographic markets					
Europe	15,692	50,414	15,940	–21	82,025
North America	4,609	1,974	14,546		21,129
Latin America	1,302	17,400	2,418		21,120
Asia	1,448	472	194		2,114
Other	1,657	1,981	1,294		4,932
Total revenues from contracts with customers IS	**24,708**	**72,241**	**34,392**	**–21**	**131,320**
Product category					
Incontinence Products	14,275	8,892			23,167
Baby Care		7,094			7,094
Feminine Care		10,659			10,659
Medical Solutions	10,433				10,433
Consumer Tissue		45,114			45,114
Professional Hygiene			34,392		34,392
Other		482		–21	461
Total revenues from contracts with customers IS	**24,708**	**72,241**	**34,392**	**–21**	**131,320**

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2021					
Revenue from contracts with customers					
Sale of finished products	21,244	55,794	24,360	–2	101,396
Sale of services	11	27	32	–	70
Total revenues from contracts with customers IS	**21,255**	**55,821**	**24,392**	**–2**	**101,466**
Geographic markets					
Europe	14,092	39,853	11,595	–2	65,538
North America	3,520	1,369	10,358	–	15,237
Latin America	964	13,310	1,638	–	15,915
Asia	1,314	354	130	–	1,798
Other	1,365	945	671	–	2,981
Total revenues from contracts with customers IS	**21,255**	**55,821**	**24,392**	**–2**	**101,466**
Product category					
Incontinence Products	12,553	7,181	–	–	19,734
Baby Care	–	6,722	–	–	6,722
Feminine Care	–	7,697	–	–	7,697
Medical Solutions	8,702	–	–	–	8,702
Consumer Tissue	–	33,764	–	–	33,764
Professional Hygiene	–	–	24,392	–	24,392
Other	–	457	–	–2	455
Total revenues from contracts with customers IS	**21,255**	**55,821**	**24,392**	**–2**	**101,466**

Trade receivables and contractual liabilities

SEKm	Note	2023	2022	2021
Trade receivables TE3:1	E3	21,920	25,990	18,971
Contractual liabilities – advance payments from customers		5	163	110

Trade receivables declined by SEK 419m due to divestments of group companies and other operations in Russia and New Zealand with SEK 3,135m due to reclassification of assets held for sale. Excluding divestments and reclassification of trade receivables to assets held for sale, trade receivables decreased by SEK 516m in 2023, due primarily to lower sales in the final two months of 2023 compared with the corresponding period in the preceding year.

Assets that have arisen from expenses to fulfill contracts with customers

SEKm	2023	2022	2021
Value, January 1 TE3:2	691	607	587
Costs for the year	466	474	374
Depreciation	–467	–481	–416
Translation differences	–40	91	62
Value, December 31	**650**	**691**	**607**

B2. Segment reporting

Accounting principles AP

Operating segments are recognized in a manner that complies with the internal reporting according to IFRS submitted to the chief operating decision maker. At Essity, this function is defined as the company's President who is responsible for allocating resources, assessing the result of the operating segments and manages the day-to-day administration of the Group in accordance with the Board's guidelines and terms of reference. One Executive Vice President and the Executive Management Team support him in his work. Essity's three business areas, Health & Medical, Consumer Goods and Professional Hygiene comprise the operating segments. For management purposes, the Group is organized into business areas based on the company's customer and sales channels which lead to an expansion of the offerings to new and adjacent categories as well as extended service content on the basis of customer and consumer needs.

Essity's offering in Health & Medical comprises the categories Incontinence Products, Health Care and Medical Solutions. The offering includes incontinence products, wound care, compression therapy, orthopedics, skincare products and digital solutions with sensor technology under brands such as TENA, Leukoplast, Cutimed, JOBST, Actimove and Delta-Cast. Distribution channels are pharmacies, medical device stores, hospitals, distributors and care institutions and e-commerce.

Essity's offering in Consumer Goods includes the categories Incontinence Products Retail, Baby Care, Feminine Care and Consumer Tissue. The offering includes incontinence products, pads, diapers, wet wipes, skin cream, intimate soaps, leakproof apparel, menstrual cups, toilet paper, household towels, handkerchiefs, facial tissues and napkins. The products are sold under brands such as the global leader TENA and other strong brands including Libero, Libresse, Nosotras, Saba, TOM Organic, Lotus, Regio and Tempo. Distribution channels for the products are the retail trade and e-commerce.

Essity's offering in Professional Hygiene comprises complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products as well as service and maintenance under the globally leading Tork brand. Essity also offers digital solutions, such as Internet of Things sensor technology that enables data-driven cleaning. Customers consist of companies and office buildings, universities, healthcare facilities, industries, restaurants, hotels, stadiums and other public venues. Distribution channels for the products consist of distributors and e-commerce.

Other operations comprise Group-wide functions and non-allocated tax.

Essity's business is an integrated operation in the form of a matrix organization with four business units (Health & Medical, Consumer Goods EMEA, Consumer Goods Americas and Professional Hygiene), the independent unit Essity Australasia and three global units (Global Supply Chain, Global Digital and Business Services and Global Brand, Innovation and Sustainability). The business units have limited responsibility to impact operational costs, since the global units are responsible for production, planning, technology development, sourcing and product development.

B2. Segment reporting, cont.

The tables below show parts of the consolidated balance sheet and income statement broken down by the operating segments Health & Medical, Consumer Goods and Professional Hygiene.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2023					
REVENUES					
Net sales IS TB2:2	**27,729**	**79,912**	**39,481**	**25**	**147,147**
RESULT					
Adjusted operating profit before amortization of acquisition-related intangible assets	**4,037**	**9,797**	**6,288**	**–1,224**	**18,898**
Amortization of acquisition-related intangible assets	–839	–248	–22	–	–1,109
Adjusted operating profit per operating segment	**3,198**	**9,549**	**6,266**	**–1,224**	**17,789**
Items affecting comparability TB2:1	–286	–828	–1,487	–40	–2,641
Operating profit IS	**2,912**	**8,721**	**4,779**	**–1,264**	**15,148**
Financial income IS					412
Financial expenses IS					–2,768
Tax expense for the period IS					–3,275
Profit for the period, continuing operations IS					**9,517**
OTHER DISCLOSURES					
Capital employed	32,762	52,009	24,021	1,958	110,750
Investments in associates and joint ventures BS	5	303	–15	1	294
Net investments/acquisitions	–1,205	–3,698	–1,886	–820	–7,609
Depreciation/amortization	–1,798	–3,221	–1,888	–263	–7,170
Expenses, in addition to depreciation/amortization, not matched by payments	4	59	519	2	584
NET SALES BY REGION					
Europe	65%	67%	44%		60%
North America	19%	4%	43%		17%
Latin America	5%	26%	8%		17%
Asia	6%	1%	1%		2%
Other	5%	2%	4%		4%
Total	**100%**	**100%**	**100%**		**100%**
Mature markets	81%	67%	85%		74%
Emerging markets	19%	33%	15%		26%
Total	**100%**	**100%**	**100%**		**100%**

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2022					
REVENUES					
Net sales IS TB2:2	**24,708**	**72,241**	**34,393**	**–22**	**131,320**
RESULT					
Adjusted operating profit before amortization of acquisition-related intangible assets	**2,904**	**6,354**	**3,843**	**–1,054**	**12,047**
Amortization of acquisition-related intangible assets	–846	–245	–20	–	–1,111
Adjusted operating profit per operating segment	**2,058**	**6,109**	**3,823**	**–1,054**	**10,936**
Items affecting comparability TB2:1	–126	–1,741	–451	–127	–2,445
Operating profit IS	**1,932**	**4,368**	**3,372**	**–1,181**	**8,491**
Financial income IS					141
Financial expenses IS					–1,461
Tax expense for the period IS					–2,006
Profit for the period, continuing operations IS					**5,165**
OTHER DISCLOSURES					
Capital employed	34,062	52,667	27,741	323	114,793
Investments in associates and joint ventures BS	7	288	–4	1	292
Net investments/acquisitions	–768	–7,513	–1,737	–775	–10,793
Depreciation/amortization	–1,715	–3,067	–1,798	–258	–6,838
Expenses, in addition to depreciation/amortization, not matched by payments	2	107	514	–	623
NET SALES BY REGION					
Europe	64%	70%	46%		62%
North America	19%	3%	42%		16%
Latin America	5%	24%	7%		16%
Asia	6%	1%	1%		2%
Other	6%	2%	4%		4%
Total	**100%**	**100%**	**100%**		**100%**
Mature markets	81%	66%	85%		74%
Emerging markets	19%	34%	15%		26%
Total	**100%**	**100%**	**100%**		**100%**

B2. Segment reporting, cont.

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other operations	Total Group
2021					
REVENUES					
Net sales IS TB2:2	**21,255**	**55,821**	**24,392**	**–2**	**101,466**
RESULT					
Adjusted operating profit before amortization of acquisition-related intangible assets	**3,800**	**5,767**	**2,673**	**–789**	**11,451**
Amortization of acquisition-related intangible assets	–718	–117	–9	–	–844
Adjusted operating profit operating segment	**3,082**	**5,650**	**2,664**	**–789**	**10,607**
Items affecting comparability TB2:1	67	156	213	–65	371
Operating profit IS	**3,149**	**5,806**	**2,877**	**–854**	**10,978**
Financial income IS					81
Financial expenses IS					–648
Tax expense for the period IS					–2,398
Profit for the period, continuing operations IS					**8,013**
OTHER DISCLOSURES					
Capital employed	30,938	43,947	24,460	1,112	100,457
Investments in associates and joint ventures BS	3	237	–1	–	239
Net investments/acquisitions	–1,105	–7,598	–2,077	–6,607	–17,387
Depreciation/amortization	–1,529	–2,646	–1,555	–215	–5,945
Expenses, in addition to depreciation/amortization, not matched by payments	3	77	415	1	496
NET SALES BY REGION					
Europe	66%	71%	48%		65%
North America	17%	2%	42%		15%
Latin America	5%	24%	7%		16%
Asia	6%	1%	1%		2%
Other	6%	2%	2%		2%
Total	**100%**	**100%**	**100%**		**100%**
Mature markets	82%	66%	85%		74%
Emerging markets	18%	34%	15%		26%
Total	**100%**	**100%**	**100%**		**100%**

Items affecting comparability allocated by operating segment TB2:1

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other	Total
2023					
Items affecting comparability – cost of goods sold	–102	–241	–1,003	–3	–1,349
Items affecting comparability – sales, general and administration	–184	–587	–134	–37	–942
Items affecting comparability – acquisition-related intangible assets	–	–	–350	–	–350
Total	**–286**	**–828**	**–1,487**	**–40**	**–2,641**
2022					
Items affecting comparability – cost of goods sold	–74	–1,685	–137	–3	–1,899
Items affecting comparability – sales, general and administration	–52	–34	–62	–124	–272
Items affecting comparability – acquisition-related intangible assets	–	–22	–252	–	–274
Total	**–126**	**–1,741**	**–451**	**–127**	**–2,445**
2021					
Items affecting comparability – cost of goods sold	25	–102	–69	–	–146
Items affecting comparability – sales, general and administration	42	258	282	–65	517
Total	**67**	**156**	**213**	**–65**	**371**

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 2023, 2022 or 2021 from which it generated income that accounted for more than 10% of the company's net sales. Essity's ten largest customers account for 25.8% (23.0; 21.9) of the company's sales.

B2a. Segment reporting, cont.

	Net sales – sold to[1]						Net sales – sold by[1]					
	2023		2022		2021		2023		2022		2021	
Group by country continuing operations TB2:2	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**
Sweden	**3,647**	**2.5**	**3,496**	**2.7**	**3,085**	**3.0**	**4,251**	**2.9**	**3,986**	**3.0**	**3,569**	**3.5**
EU excluding Sweden												
Germany	18,276	12.4	16,009	12.2	12,023	11.8	19,303	13.1	16,751	12.8	12,547	12.4
France	12,334	8.4	11,701	8.9	9,505	9.4	12,553	8.5	11,904	9.1	9,694	9.6
Spain	8,027	5.5	6,811	5.2	5,248	5.2	8,185	5.6	6,980	5.3	5,375	5.3
Netherlands	5,165	3.5	4,422	3.4	3,682	3.6	5,295	3.6	4,496	3.4	3,882	3.8
Italy	4,651	3.2	4,134	3.1	3,311	3.3	4,804	3.3	4,379	3.3	3,589	3.5
Austria	2,952	2.0	2,537	1.9	1,905	1.9	3,327	2.3	2,770	2.1	2,093	2.1
Finland	2,180	1.6	1,855	1.4	1,606	1.6	2,149	1.4	1,826	1.4	1,602	1.6
Belgium	2,054	1.4	1,786	1.4	1,506	1.5	2,214	1.3	1,937	1.5	1,626	1.6
Denmark	1,937	1.3	1,799	1.4	1,405	1.4	1,923	1.4	1,773	1.3	1,447	1.4
Poland	1,646	1.2	1,282	1.0	998	1.0	1,739	1.2	1,355	1.0	1,069	1.1
Hungary	1,580	1.1	1,357	1.0	1,047	1.0	1,664	1.1	1,422	1.1	1,138	1.1
Czech Republic	1,135	0.9	920	0.7	747	0.7	1,122	0.8	921	0.7	750	0.7
Ireland	763	0.5	721	0.5	575	0.6	692	0.5	662	0.5	523	0.5
Romania	697	0.5	573	0.4	454	0.4	606	0.4	495	0.4	408	0.4
Portugal	623	0.4	555	0.4	432	0.4	432	0.3	396	0.3	339	0.3
Croatia	549	0.4	446	0.3	352	0.3	–	–	–	–	–	–
Greece	477	0.3	513	0.4	494	0.5	361	0.2	337	0.3	270	0.3
Slovakia	472	0.3	370	0.3	309	0.3	784	0.5	619	0.5	483	0.5
Lithuania	424	0.3	322	0.2	252	0.2	424	0.3	322	0.2	252	0.2
Latvia	250	0.2	234	0.2	165	0.2	245	0.2	230	0.2	162	0.2
Estonia	235	0.2	204	0.2	157	0.2	235	0.2	204	0.2	157	0.2
Rest of EU excluding Sweden	600	0.5	487	0.4	363	0.4	–	–	–	–	–	–
Total EU excluding Sweden	**67,027**	**46.1**	**59,038**	**45.0**	**46,535**	**45.9**	**68,057**	**46.2**	**59,779**	**45.5**	**47,404**	**46.7**
Rest of Europe												
UK	11,495	7.8	11,099	8.5	9,079	8.9	11,640	7.9	11,230	8.6	9,154	9.0
Switzerland	2,153	1.5	2,041	1.6	1,474	1.5	2,054	1.4	1,980	1.5	1,426	1.4
Norway	1,844	1.3	1,770	1.3	1,435	1.4	1,856	1.3	1,776	1.4	1,428	1.4
Russia	1,166	0.8	3,346	2.5	2,844	2.8	1,237	0.8	3,559	2.7	3,044	3.0
Ukraine	591	0.4	451	0.3	405	0.4	534	0.4	420	0.3	355	0.3
Turkey	256	0.3	251	0.2	219	0.2	241	0.2	249	0.2	222	0.2
Rest of Europe, excluding EU	624	0.4	533	0.4	462	0.5	–	–	–	–	–	–
Total Rest of Europe	**18,129**	**12.5**	**19,491**	**14.8**	**15,918**	**15.7**	**17,562**	**12.0**	**19,214**	**14.6**	**15,629**	**15.4**
TOTAL EUROPE	**88,803**	**61.1**	**82,025**	**62.5**	**65,538**	**64.6**	**89,870**	**61.1**	**82,979**	**63.2**	**66,602**	**65.6**

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.

B2a. Segment reporting, cont.

	Net sales – sold to[1]						Net sales – sold by[1]					
	2023		2022		2021		2023		2022		2021	
Group by country continuing operations TB2:2	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**
North America												
USA	21,805	14.8	18,165	13.8	13,266	13.1	21,842	14.8	18,178	13.8	13,104	12.9
Canada	3,746	2.6	2,958	2.3	1,965	1.9	3,748	2.5	2,968	2.3	2,003	2.0
Rest of North America	8	0.0	6	0.0	4	0.0	–	–	–	–	–	–
TOTAL NORTH AMERICA	**25,559**	**17.4**	**21,129**	**16.1**	**15,235**	**15.0**	**25,590**	**17.3**	**21,145**	**16.1**	**15,107**	**14.9**
Latin America												
Mexico	11,090	7.6	8,418	6.4	6,121	6.0	12,060	8.2	9,257	7.0	6,749	6.7
Colombia	4,742	3.2	4,579	3.5	3,808	3.8	4,897	3.3	4,794	3.7	3,959	3.9
Ecuador	1,796	1.2	1,766	1.3	1,405	1.4	1,766	1.2	1,737	1.3	1,388	1.4
Chile	1,408	1.0	1,191	0.9	1,014	1.0	1,426	1.0	1,204	0.9	1,024	1.0
Brazil	1,404	1.0	1,024	0.8	635	0.6	1,404	0.9	1,024	0.8	635	0.6
Argentina	845	0.6	647	0.5	343	0.3	856	0.6	648	0.5	358	0.4
Costa Rica	800	0.6	581	0.4	435	0.4	980	0.7	719	0.5	549	0.5
Peru	740	0.5	683	0.5	492	0.5	722	0.5	665	0.5	483	0.5
Dominican Republic	571	0.4	625	0.5	452	0.4	556	0.4	625	0.5	452	0.4
Puerto Rico	297	0.2	245	0.2	216	0.2	234	0.2	194	0.1	170	0.2
Nicaragua	296	0.2	217	0.2	179	0.2	–	–	–	–	–	–
Guatemala	275	0.2	221	0.2	154	0.2	–	–	–	–	–	–
Panama	179	0.1	211	0.2	147	0.1	–	–	–	–	–	–
Rest of Latin America	754	0.5	712	0.5	512	0.5	231	0.2	216	0.2	175	0.2
TOTAL LATIN AMERICA	**25,197**	**17.3**	**21,120**	**16.1**	**15,912**	**15.7**	**25,132**	**17.2**	**21,083**	**16.1**	**15,942**	**15.7**
Asia												
Japan	572	0.4	585	0.4	604	0.6	538	0.4	533	0.4	580	0.6
Indonesia	277	0.2	241	0.2	172	0.2	277	0.2	246	0.2	228	0.2
India	272	0.2	237	0.2	190	0.2	274	0.2	233	0.2	187	0.2
South Korea	54	0.0	39	0.0	37	0.0	–	0.0	–	0.0	–	0.0
China	32	0.0	30	0.0	20	0.0	–	0.0	–	0.0	–	0.0
Malaysia	3	0.0	10	0.0	6	0.0	–	0.0	7	0.0	7	0.0
Singapore	2	0.0	2	0.0	3	0.0	–	0.0	–	0.0	–	0.0
Rest of Asia	1,101	0.8	969	0.7	766	0.8	358	0.2	300	0.2	206	0.2
TOTAL ASIA	**2,313**	**1.6**	**2,113**	**1.6**	**1,798**	**1.8**	**1,447**	**1.0**	**1,319**	**1.0**	**1,209**	**1.2**
Rest of the world												
Australia	3,044	1.4	2,908	2.2	1,669	1.6	3,061	2.1	2,902	2.2	1,453	1.4
New Zealand	1,378	0.6	1,265	1.0	714	0.7	1,368	0.9	1,261	1.0	673	0.7
South Africa	337	0.2	319	0.2	271	0.3	469	0.3	435	0.3	382	0.4
Other rest of the world	516	0.4	441	0.3	327	0.3	210	0.1	194	0.1	98	0.1
TOTAL REST OF THE WORLD	**5,275**	**2.6**	**4,933**	**3.8**	**2,982**	**2.9**	**5,108**	**3.4**	**4,793**	**3.6**	**2,607**	**2.6**
Total Group	**147,147**	**100.0**	**131,320**	**100.0**	**101,466**	**100.0**	**147,147**	**100.0**	**131,320**	**100.0**	**101,466**	**100.0**

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.

B2a. Segment reporting, cont.

	Net sales – sold to[1]						Net sales – sold by[1]					
	2023		2022		2021		2023		2022		2021	
Group by country total operations TB2:2	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**
Sweden	**3,626**	**2.1**	**3,496**	**2.2**	**3,087**	**2.5**	**4,251**	**2.4**	**3,986**	**2.6**	**3,569**	**2.9**
EU excluding Sweden												
Germany	18,278	10.5	16,009	10.3	12,023	9.9	19,303	11.1	16,751	10.7	12,547	10.3
France	12,335	7.1	11,701	7.5	9,505	7.8	12,553	7.2	11,904	7.6	9,694	8.0
Spain	8,027	4.6	6,811	4.4	5,248	4.3	8,185	4.7	6,980	4.5	5,375	4.4
Netherlands	5,165	3.0	4,422	2.8	3,683	3.0	5,295	3.0	4,496	2.9	3,882	3.1
Italy	4,651	2.7	4,134	2.6	3,311	2.7	4,804	2.8	4,379	2.8	3,589	3.0
Austria	2,952	1.7	2,537	1.6	1,905	1.6	3,327	1.9	2,770	1.8	2,093	1.8
Finland	2,180	1.4	1,855	1.2	1,606	1.3	2,149	1.3	1,826	1.2	1,601	1.3
Belgium	2,054	1.2	1,786	1.2	1,506	1.2	2,214	1.1	1,937	1.1	1,626	1.3
Denmark	1,937	1.1	1,799	1.2	1,405	1.2	1,923	1.2	1,773	1.2	1,447	1.2
Poland	1,646	1.0	1,283	0.8	998	0.8	1,739	1.0	1,355	0.9	1,069	0.9
Hungary	1,580	0.9	1,357	0.9	1,046	0.9	1,664	1.0	1,422	0.9	1,138	0.9
Czech Republic	1,135	0.8	920	0.6	747	0.6	1,122	0.6	922	0.6	750	0.6
Ireland	763	0.4	721	0.5	575	0.5	692	0.4	662	0.4	522	0.4
Romania	697	0.4	573	0.4	454	0.4	606	0.4	495	0.3	408	0.3
Portugal	623	0.4	555	0.4	432	0.3	432	0.3	396	0.2	339	0.3
Croatia	549	0.3	446	0.3	352	0.3	–	–	–	–	–	–
Greece	477	0.3	513	0.3	494	0.4	361	0.2	337	0.2	270	0.2
Slovakia	472	0.3	370	0.3	309	0.2	784	0.5	619	0.4	483	0.4
Lithuania	424	0.2	322	0.2	252	0.2	424	0.2	322	0.2	252	0.2
Latvia	250	0.1	234	0.1	165	0.1	245	0.1	230	0.2	162	0.2
Estonia	235	0.1	204	0.1	157	0.1	235	0.1	204	0.1	157	0.1
Rest of EU excluding Sweden	601	0.4	497	0.4	363	0.4	–	–	–	–	–	–
Total EU excluding Sweden	**67,031**	**38.9**	**59,049**	**38.1**	**46,536**	**38.2**	**68,057**	**39.1**	**59,780**	**38.2**	**47,404**	**38.9**
Rest of Europe												
UK	11,496	6.6	11,099	7.1	9,079	7.5	11,640	6.7	11,230	7.2	9,154	7.5
Switzerland	2,153	1.2	2,041	1.3	1,474	1.2	2,054	1.2	1,980	1.3	1,426	1.2
Norway	1,844	1.1	1,770	1.1	1,435	1.2	1,856	1.1	1,776	1.1	1,428	1.2
Russia	1,167	0.7	3,349	2.2	2,844	2.3	1,237	0.7	3,559	2.3	3,044	2.5
Ukraine	591	0.3	451	0.3	405	0.3	534	0.3	420	0.3	355	0.3
Turkey	256	0.2	251	0.2	219	0.2	241	0.1	249	0.2	222	0.2
Rest of Europe, excluding EU	624	0.4	533	0.4	462	0.4	–	–	–	–	–	–
Total Rest of Europe	**18,131**	**10.5**	**19,494**	**12.6**	**15,918**	**13.1**	**17,562**	**10.1**	**19,214**	**12.4**	**15,629**	**12.9**
TOTAL EUROPE	**88,788**	**51.5**	**82,039**	**52.9**	**65,541**	**53.8**	**89,870**	**51.6**	**82,980**	**53.2**	**66,602**	**54.7**

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.

Contents

B2a. Segment reporting, cont.

	Net sales – sold to[1]						Net sales – sold by[1]					
	2023		2022		2021		2023		2022		2021	
Group by country total operations TB2:2	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**
North America												
USA	21,816	12.5	18,179	11.7	13,275	10.9	21,842	12.6	18,178	11.6	13,104	10.8
Canada	3,754	2.2	2,963	1.9	1,969	1.6	3,748	2.2	2,968	1.9	2,002	1.6
Rest of North America	8	0.0	6	0.0	4	0.0	–	–	–	–	–	–
TOTAL NORTH AMERICA	**25,578**	**14.7**	**21,148**	**13.6**	**15,248**	**12.5**	**25,590**	**14.8**	**21,146**	**13.5**	**15,106**	**12.4**
Latin America												
Mexico	11,090	6.4	8,419	5.4	6,122	5.0	12,060	6.9	9,257	5.9	6,749	5.5
Colombia	4,742	2.7	4,579	2.9	3,808	3.1	4,897	2.8	4,794	3.1	3,959	3.2
Ecuador	1,796	1.0	1,766	1.1	1,405	1.2	1,766	1.0	1,737	1.1	1,388	1.1
Chile	1,409	0.8	1,192	0.8	1,014	0.8	1,426	0.8	1,204	0.8	1,024	0.8
Brazil	1,404	0.8	1,024	0.7	634	0.5	1,404	0.8	1,024	0.7	635	0.5
Argentina	845	0.5	647	0.4	343	0.3	856	0.5	648	0.4	358	0.3
Costa Rica	800	0.5	581	0.4	435	0.4	980	0.6	719	0.5	549	0.5
Peru	741	0.4	684	0.5	492	0.4	722	0.4	665	0.4	483	0.4
Dominican Republic	571	0.3	625	0.4	452	0.4	556	0.3	625	0.4	452	0.4
Puerto Rico	297	0.2	245	0.2	216	0.2	234	0.1	194	0.1	170	0.1
Nicaragua	296	0.2	217	0.2	179	0.1	–	–	–	–	–	–
Guatemala	275	0.2	221	0.1	154	0.1	–	–	–	–	–	–
Panama	183	0.1	212	0.1	147	0.1	–	–	–	–	–	–
Rest of Latin America	755	0.4	714	0.5	514	0.5	231	0.1	216	0.2	175	0.2
TOTAL LATIN AMERICA	**25,204**	**14.5**	**21,126**	**13.7**	**15,915**	**13.1**	**25,132**	**14.3**	**21,083**	**13.6**	**15,942**	**13.0**
Asia												
China	22,805	13.1	21,099	13.5	17,183	14.1	23,154	13.3	21,438	13.7	17,493	14.3
Malaysia	2,272	1.3	2,117	1.4	1,744	1.4	2,487	1.4	2,388	1.5	2,045	1.7
Japan	805	0.5	858	0.5	931	0.8	538	0.3	533	0.3	580	0.5
Singapore	414	0.2	377	0.3	311	0.3	350	0.2	315	0.2	253	0.2
South Korea	320	0.2	272	0.2	238	0.2	276	0.2	243	0.2	208	0.2
Indonesia	289	0.2	252	0.3	195	0.1	289	0.2	257	0.2	251	0.2
India	273	0.2	238	0.2	191	0.1	274	0.2	233	0.1	187	0.2
Rest of Asia	1,824	1.1	1,639	0.9	1,289	1.1	850	0.5	765	0.4	586	0.5
TOTAL ASIA	**29,002**	**16.8**	**26,852**	**17.3**	**22,082**	**18.1**	**28,218**	**16.3**	**26,172**	**16.6**	**21,603**	**17.8**
Rest of the world												
Australia	3,067	1.4	2,923	1.4	1,689	1.3	3,061	1.8	2,902	1.9	1,453	1.1
New Zealand	1,380	0.6	1,291	0.6	722	0.6	1,368	0.8	1,261	0.8	674	0.6
South Africa	368	0.2	345	0.2	293	0.2	469	0.3	435	0.3	382	0.3
Other Rest of the world	530	0.3	449	0.3	377	0.4	209	0.1	194	0.1	105	0.1
TOTAL REST OF THE WORLD	**5,345**	**2.5**	**5,008**	**2.5**	**3,081**	**2.5**	**5,107**	**3.0**	**4,792**	**3.1**	**2,614**	**2.1**
Total Group	**173,917**	**100.0**	**156,173**	**100.0**	**121,867**	**100.0**	**173,917**	**100.0**	**156,173**	**100.0**	**121,867**	**100.0**

1) Net sales have been recognized from two perspectives. The first column "Net sales – sold to" is based on sales to the countries where Essity has its customers, or Essity's "footprint". The second column "Net sales – sold by" takes the perspective of IFRS 8, meaning revenue from external customers where the company is domiciled and in all other countries from which the company receives revenues.

B2b. Segment reporting, cont.

	Average number of employees[1]									Non-current assets[2]		
Group by country continuing operations TB2:2	**2023**	**Of whom men, %**	**Of whom women, %**	**2022**	**Of whom men, %**	**Of whom women, %**	**2021**	**Of whom men, %**	**Of whom women, %**	**2023 SEKm**	**2022 SEKm**	**2021 SEKm**
Sweden	**2,027**	**52**	**48**	**2,040**	**52**	**48**	**2,018**	**53**	**47**	**5,279**	**5,126**	**4,818**
EU excluding Sweden												
Germany	4,423	74	26	4,247	74	26	4,147	75	25	27,462	26,822	24,981
France	2,327	66	34	2,294	66	34	2,285	67	33	9,172	8,861	7,807
Netherlands	1,222	83	17	1,163	83	17	1,142	84	16	3,256	3,509	3,423
Spain	1,203	73	27	1,156	73	27	1,104	75	25	3,522	3,516	3,355
Slovakia	956	64	36	964	62	38	907	62	38	585	636	642
Italy	924	74	26	900	75	25	869	75	25	3,594	4,049	3,756
Poland	815	72	28	797	72	28	803	72	28	1,967	1,612	1,550
Austria	502	83	17	497	83	17	500	84	16	914	888	813
Belgium	461	82	18	453	82	18	441	80	20	693	759	657
Finland	281	69	31	282	70	30	294	72	28	997	1,047	1,034
Portugal	193	45	55	40	48	53	20	55	45	228	148	76
Denmark	115	40	60	116	41	59	113	42	58	30	34	34
Hungary	108	39	61	106	39	61	107	37	63	10	11	12
Czech Republic	58	52	48	59	49	51	60	48	52	10	12	5
Greece	45	58	42	45	53	47	44	55	45	13	12	12
Rest of EU excluding Sweden	110	42	58	103	42	58	101	44	56	64	56	49
Total EU excluding Sweden	**13,743**	**72**	**28**	**13,222**	**72**	**28**	**12,937**	**72**	**28**	**52,517**	**51,972**	**48,206**
Rest of Europe												
UK	1,553	76	24	1,518	75	25	1,478	75	25	6,226	5,970	5,566
Russia	785	63	37	1,308	64	36	1,278	63	37	–	–	1,269
Turkey	85	71	29	108	73	27	113	75	25	12	20	24
Norway	80	47	53	83	48	52	84	49	51	5	9	11
Ukraine	62	40	60	65	40	60	63	43	57	10	15	21
Rest of Europe, excluding EU	39	36	64	42	40	60	41	39	61	64	61	86
Total Rest of Europe	**2,604**	**69**	**31**	**3,124**	**69**	**31**	**3,057**	**68**	**32**	**6,317**	**6,075**	**6,977**
TOTAL EUROPE	**18,374**	**69**	**31**	**18,386**	**69**	**31**	**18,012**	**70**	**30**	**64,113**	**63,173**	**60,001**

1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters.
2) Information about non-current assets by country refers to intangible assets and property, plant and equipment according to Notes D1 and D2 and right-of-use assets according to Note G1.

B2b. Segment reporting, cont.

Group by country continuing operations TB2:2	Average number of employees[1]									Non-current assets[2]		
	2023	Of whom men, %	Of whom women, %	2022	Of whom men, %	Of whom women, %	2021	Of whom men, %	Of whom women, %	2023 SEKm	2022 SEKm	2021 SEKm
North America												
USA	3,250	71	29	3,211	71	29	3,050	71	29	19,760	21,696	19,187
Canada	404	50	50	336	58	42	284	65	35	4,904	4,979	588
TOTAL NORTH AMERICA	**3,654**	**69**	**31**	**3,547**	**70**	**30**	**3,334**	**71**	**29**	**24,664**	**26,675**	**19,775**
Latin America												
Mexico	3,830	64	36	3,574	66	34	3,198	68	32	6,881	6,059	4,721
Colombia	3,386	69	31	3,413	69	31	3,447	67	33	2,461	2,013	2,062
Ecuador	959	71	29	979	72	28	1,008	71	29	674	699	618
Brazil	494	55	45	494	54	46	498	55	45	620	496	398
Chile	462	71	29	470	71	29	438	72	28	565	634	567
Argentina	312	62	38	310	63	37	307	66	34	11	26	35
Dominican Republic	260	67	33	257	68	32	262	67	33	247	263	224
Peru	136	46	54	135	49	51	132	54	46	388	395	336
Costa Rica	98	54	46	98	55	45	93	55	45	16	6	6
Rest of Latin America	60	42	58	56	41	59	57	42	58	2	2	3
TOTAL LATIN AMERICA	**9,997**	**66**	**34**	**9,786**	**67**	**33**	**9,440**	**67**	**33**	**11,865**	**10,593**	**8,970**
Asia												
India	316	91	9	318	91	9	323	90	10	65	68	70
Pakistan	218	76	24	227	74	26	230	73	27	4	5	5
Indonesia	146	64	36	148	62	38	146	62	38	384	416	413
Japan	108	46	54	114	44	56	120	41	59	48	58	68
Singapore	3	36	64	–	–	–	–	–	–	–	7	2
China	2	50	50	2	50	50	2	50	50	109	20,114	19,249
Malaysia	–			–	–	–	–	–	–	–	2,354	1,867
Rest of Asia	81	41	59	78	42	58	73	42	58	161	974	911
TOTAL ASIA	**874**	**72**	**28**	**887**	**71**	**29**	**894**	**71**	**29**	**771**	**23,996**	**22,585**
Rest of the world												
Australia	416	51	49	389	53	47	196	49	51	5,332	5,549	4,411
South Africa	365	41	59	385	43	57	388	44	56	582	675	635
New Zealand	317	73	27	316	71	29	146	64	36	2,153	2,327	2,112
Fiji	86	77	23	86	78	22	40	80	20	45	42	38
Other Rest of the world	1	100	–	1	100	–	188	86	14	–	–	–
TOTAL REST OF THE WORLD	**1,185**	**55**	**45**	**1,177**	**57**	**43**	**958**	**58**	**42**	**8,112**	**8,593**	**7,196**
Total Group	**34,084**	**68**	**32**	**33,783**	**68**	**32**	**32,638**	**69**	**31**	**109,525**	**133,030**	**118,527**

1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters.
2) Information about non-current assets by country refers to intangible assets and property, plant and equipment according to Notes D1 and D2 and right-of-use assets according to Note G1.

B2b. Segment reporting, cont.

	Average number of employees[1]								
Group by country total operations TB2:2	**2023**	**Of whom men, %**	**Of whom women, %**	**2022**	**Of whom men, %**	**Of whom women, %**	**2021**	**Of whom men, %**	**Of whom women, %**
Sweden	**2,027**	**52**	**48**	**2,040**	**52**	**48**	**2,018**	**53**	**47**
EU excluding Sweden									
Germany	4,424	74	26	4,244	74	26	4,145	75	25
France	2,327	66	34	2,294	66	34	2,285	67	33
Netherlands	1,222	83	17	1,163	83	17	1,142	84	16
Spain	1,203	73	27	1,156	73	27	1,104	75	25
Slovakia	956	64	36	964	62	38	907	62	38
Italy	924	74	26	900	75	25	869	75	25
Poland	815	72	28	797	72	28	803	72	28
Austria	502	83	17	497	83	17	500	84	16
Belgium	461	82	18	453	82	18	441	80	20
Finland	281	69	31	282	70	30	294	72	28
Portugal	193	40	60	40	47	53	20	55	45
Denmark	115	39	61	116	41	59	113	42	58
Hungary	108	52	48	106	39	61	107	37	63
Czech Republic	58	58	42	59	49	51	60	48	52
Greece	45	45	55	45	53	47	44	55	45
Rest of EU excluding Sweden	110	42	58	103	42	58	101	44	56
Total EU excluding Sweden	**13,744**	**72**	**28**	**13,219**	**72**	**28**	**12,935**	**72**	**28**
Rest of Europe									
UK	1,553	76	24	1,518	75	25	1,478	75	25
Russia	785	63	37	1,308	64	36	1,278	63	37
Turkey	85	71	29	108	73	27	113	75	25
Norway	80	47	53	83	48	52	84	49	51
Ukraine	62	40	60	65	40	60	63	43	57
Rest of Europe, excluding EU	39	36	64	42	40	60	41	39	61
Total Rest of Europe	**2,604**	**69**	**31**	**3,124**	**69**	**31**	**3,057**	**68**	**32**
TOTAL EUROPE	**18,375**	**69**	**31**	**18,383**	**69**	**31**	**18,010**	**70**	**30**

1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters.

B2b. Segment reporting, cont.

	Average number of employees[1]								
Group by country total operations TB2:2	**2023**	**Of whom men, %**	**Of whom women, %**	**2022**	**Of whom men, %**	**Of whom women, %**	**2021**	**Of whom men, %**	**Of whom women, %**
North America									
USA	3,250	71	29	3,211	71	29	3,050	71	29
Canada	404	50	50	336	58	42	284	65	35
TOTAL NORTH AMERICA	**3,654**	**69**	**31**	**3,547**	**70**	**30**	**3,334**	**71**	**29**
Latin America									
Mexico	3,830	64	36	3,574	66	34	3,198	68	32
Colombia	3,386	69	31	3,413	69	31	3,447	67	33
Ecuador	959	71	29	979	72	28	1,008	71	29
Brazil	494	55	45	494	54	46	498	55	45
Chile	462	71	29	470	71	29	438	72	28
Argentina	312	62	38	310	63	37	307	66	34
Dominican Republic	260	67	33	257	68	32	262	67	33
Peru	136	46	54	135	49	51	132	54	46
Costa Rica	98	54	46	98	55	45	93	55	45
Rest of Latin America	60	42	58	56	41	59	57	42	58
TOTAL LATIN AMERICA	**9,997**	**66**	**34**	**9,786**	**67**	**33**	**9,440**	**67**	**33**
Asia									
China	10,093	59	41	10,050	58	42	9,779	58	42
Malaysia	1,394	47	53	1,407	45	55	1,360	44	56
India	316	91	9	318	91	9	323	90	10
Pakistan	218	76	24	227	74	26	230	73	27
Indonesia	155	65	35	156	64	36	156	65	35
Japan	108	46	54	114	44	56	120	41	59
Singapore	41	31	69	40	30	70	37	30	70
Rest of Asia	361	53	47	356	54	46	361	54	46
TOTAL ASIA	**12,686**	**58**	**42**	**12,668**	**57**	**43**	**12,366**	**57**	**43**
Rest of the world									
Australia	419	50	50	391	53	47	203	49	51
South Africa	365	41	59	385	43	57	388	44	56
New Zealand	317	73	27	316	71	29	146	64	36
Fiji	86	77	23	86	78	22	40	80	20
Other Rest of the world	1	100	–	1	100	–	188	86	14
TOTAL REST OF THE WORLD	**1,188**	**55**	**45**	**1,179**	**56**	**44**	**965**	**58**	**42**
Total Group	**45,900**	**65**	**35**	**45,563**	**65**	**35**	**44,115**	**65**	**35**

1) Within the framework of Essity's employee data there are four ways to stipulate gender identity: woman, man, non-binary and gender-not-declared. The percentage of employees in the latter two response alternatives constitute a non-material share, which is why these groups are not reported separately. The average number of employees is calculated as an average over five quarters.

B3. Operating expenses

Operating expenses by function and type of cost

Operating expenses by function

SEKm	2023	2022	2021
Cost of goods sold IS	–102,627	–97,395	–72,176
Sales, general and administration IS	–25,661	–21,916	–17,898
Share of results of associates and joint ventures IS	39	38	59
Amortization of acquisition-related intangible assets IS	–1,109	–1,111	–844
Items affecting comparability IS TB3:1	–2,641	–2,445	371
Total	**–131,999**	**–122,829**	**–90,488**

Refer also to the Description of costs section on page 181.

Operating expenses by type of cost

SEKm	Note	2023	2022	2021
Other income TB3:2		1,753	1,411	1,014
Change in inventory of finished products and products in progress[1]		–2,633	516	–2,048
Raw materials and consumables[1]		–49,270	–52,484	–36,310
Personnel costs[1]	C1	–28,257	–25,089	–20,164
Other operating expenses[1] TB3:3		–45,108	–38,208	–27,550
Amortization of intangible assets[1]	D1	–1,436	–1,362	–1,031
Depreciation of property, plant and equipment[1]	D2, G1	–5,734	–5,476	–4,914
Impairment of intangible assets[1]	D1	–356	–305	–87
Impairment of property, plant and equipment[1]	D2, G1	–590	–1,868	–126
Reversal of impairment of property, plant and equipment[1]	D2, G1	118	–	36
Share in profits of associates and joint ventures[1]	F3	39	38	7
Revaluation of previously owned shares in associates[1]	F5	–	–	706
Gain/loss on divestment and liquidation[1,2]	F5	–525	–2	–21
Total		**–131,999**	**–122,829**	**–90,488**

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

Items affecting comparability TB3:1

Distribution of items affecting comparability by type of cost

SEKm	2023	2022	2021
Impairment of inventory of finished products and products in progress, net	–167	–83	–18
Personnel costs	–582	–97	20
Other operating expenses	–604	–131	–85
Impairment of intangible assets, net	–350	–305	–87
Impairment of property, plant and equipment, net	–413	–1,827	–92
Share in profits of associates from impairment and divestments	–	–	–52
Revaluation of previously owned shares in associates	–	–	706
Gain/loss on divestment and liquidation	–525	–2	–21
Total	**–2,641**	**–2,445**	**371**

Distribution of items affecting comparability

SEKm	2023
Costs for restructuring measures	–1,948
Net loss, divestments in Russia and New Zealand	–525
Transaction costs related to divestments	–77
Other	–91
Total	**–2,641**

Distribution of items affecting comparability, previous periods

SEKm	2022
Impairment of assets in Russia	–1,718
Costs for restructuring measures	–592
Transaction costs related to acquisitions	–69
Other	–66
Total	**–2,445**

Distribution of items affecting comparability, previous periods

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

Other income TB3:2

SEKm	2023	2022	2021
Sales not included in core operations	1,753	1,411	1,014
Total	**1,753**	**1,411**	**1,014**

Other income includes rental income, which is recognized in the period covered by the rental contract, royalties and similar items, which are recognized in accordance with the implied financial effect of the contract.

B3. Operating expenses, cont.

Distribution of other operating expenses TB3:3

SEKm	2023	2022	2021
Transport expenses	–11,142	–11,143	–8,700
Energy costs[1]	–8,809	–7,972	–4,429
Marketing costs	–6,898	–5,722	–5,203
Repairs and maintenance	–3,943	–3,279	–2,722
IT, telephony and lease of premises	–1,327	–1,005	–711
Other operating expenses, production	–6,752	–4,776	–2,678
Other operating expenses, distribution, sales and administration	–5,773	–4,123	–3,158
Other	–464	–188	51
Total	**–45,108**	**–38,208**	**–27,550**

1) After deduction for revenues from energy in the amount of SEK 167m (704; 294).

Other disclosures

Exchange rate effects had a negative impact of SEK –197m (–60; 27) on operating profit.

Other disclosures[1]

SEKm	2023	2022	2021
Government grants received	232	620	82
Research and development [2]	–1,704	–1,622	–1,455

1) These items are included in the tables above under the respective type of cost.
2) Represents Sales, general and administration in its entirety.

B4. Auditing expenses

Auditing expenses

SEKm	2023	2022	2021
EY			
Audit assignments	–91	–72	–65
Auditing activities other than the audit assignment	–2	–2	–0
Tax consultancy services	–1	–1	–4
Other assignments	–4	–9	–4
Total EY	**–98**	**–84**	**–73**
Other auditors			
Audit assignments	–15	–15	–15
Tax consultancy services	–3	–12	–9
Other assignments	–2	–14	–4
Total other auditors	**–20**	**–41**	**–28**
Total	**–118**	**–125**	**–101**
Of which, discontinued operations; other auditors	–16	–16	–13
Of which, continuing operations	–102	–109	–88

B5. Income taxes

Accounting principles AP

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

Current tax is calculated on the taxable profit for the period based on the tax rules prevailing in the countries where the Group operates. Since taxable profit excludes costs that are not tax deductible and income that is not taxable, this is different from profit before tax in profit or loss. Current tax also includes adjustments relating to recognized current tax from prior periods. Taxation at source on intra-Group transactions and interest attributable to income tax are also recognized as current income tax.

Deferred tax is calculated based on temporary differences between the carrying amounts and the tax base values of assets and liabilities and for tax loss carryforwards and other unutilized tax deductions where it is probable that these can be utilized against future taxable profits. Deferred taxes are measured in the balance sheet at their nominal amount and based on the tax rates enacted or substantively enacted on the balance sheet date. Deferred tax is not calculated on the initial recognition of goodwill or when an asset or liability is recognized for the first time, provided that the asset or liability is not attributable to a business combination. Essity does not recognize any deferred tax liability regarding temporary differences on undistributed earnings from shares in subsidiaries, joint ventures or associates, since Essity can control the reversal of the temporary differences and it is probable that such a reversal will not take place in the foreseeable future.

Essity has applied the mandatory exemption to recognize and disclose information on deferred tax assets and deferred tax liabilities arising from income taxes under Pillar Two.

The recognition of tax effects is determined by the manner in which the underlying transaction is recognized. For items in profit or loss, the tax effect is recognized in profit or loss, with the same applying for transactions in other comprehensive income within equity, whereby the tax effect is subsequently recognized in other comprehensive income.

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

Key assessments and assumptions KAA

To determine the value of current and deferred tax assets and tax liabilities on the balance sheet date, it is necessary to make certain assessments and assumptions. Given that Essity operates globally, the company monitors future changes to tax legislations in addition to the development of the business climate in many countries. These factors could impact the company's future taxable profits and thus its possibility to utilize deferred tax assets on loss carryforwards, tax credits and other temporary differences. Furthermore, Essity evaluates tax assets and tax liabilities on a regular basis.

If it is deemed probable that a chosen tax position will not be accepted by a tax authority or court, the tax liability is adjusted in accordance with the presumed outcome. Accordingly, a changed assessment of the probability of future taxable profits, or the probability that a tax authority or court will accept a chosen tax position, could have a positive or negative effect. The actual outcome may differ from the assessment that Essity has made.

B5. Income taxes, cont.

Tax expense

Tax expense (+), tax income (–)

SEKm	2023	%	2022	%	2021	%
Current tax						
Income tax for the period	3,957	30.9	2,297	32.0	2,272	21.8
Adjustments for prior periods[1]	117	0.9	–204	–2.8	47	0.5
Current tax expense TB5:1	**4,074**	**31.8**	**2,093**	**29.2**	**2,319**	**22.3**
Deferred tax						
Changes in temporary differences	–629	–4.9	–47	–0.6	413	4.0
Adjustments for prior periods	–187	–1.4	–50	–0.7	–293	–2.9
Revaluations	17	0.1	10	0.1	–41	–0.4
Deferred tax expense TB5:1 TB5:2 TB5:3	**–799**	**–6.2**	**–87**	**–1.2**	**79**	**0.7**
Tax expense IS	**3,275**	**25.6**	**2,006**	**28.0**	**2,398**	**23.0**

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	2023	%	2022	%	2021	%
Profit before tax, continuing operations IS	12,792		7,171		10,411	
Profit before tax, discontinued operations	295		938		2,126	
Profit before tax	**13,087**		**8,109**		**12,537**	
Expected tax expense	2,877	22.0	1,857	22.9	2,883	23.0
Permanent differences between accounting and taxable result						
Effects of subsidiary financing[1]	33	0.2	63	0.8	49	0.4
Effects of acquisitions and divestments[2]	162	1.2	3	0.0	–158	–1.3
Taxes relating to profit-taking[3]	63	0.5	29	0.4	103	0.8
Other permanent effects[4]	194	1.5	338	4.2	44	0.3
Taxes related to prior periods[5]	–55	–0.4	–331	–4.1	–290	–2.3
Changes in the value of deferred tax assets[6]	5	0.0	74	0.9	35	0.3
Changes in tax rates[7]	11	0.1	12	0.1	61	0.5
Total effective tax expense	**3,290**	**25.1**	**2,045**	**25.2**	**2,727**	**21.7**
Tax expense, continuing operations IS	3,275	25.6	2,006	28.0	2,398	23.0
Tax expense, discontinued operations	15		39		329	

1) The effects are principally attributable to financing of the operation in Germany.
2) Effects of acquisitions and divestments relate to the divestment of Russian operations of SEK 162m. The year 2021 relates mainly to effects of the Asaleo Care acquisition of SEK –190m.
3) Mainly attributable to taxation at source on profit-taking to Colombia from Ecuador of SEK 46m. The year 2022 is mainly attributable to taxation at source on profit-taking to the Netherlands, Germany and Sweden from Colombia of SEK 17m. The year 2021 mainly attributable to taxation at source on profit-taking to the Netherlands from Canada and Russia of SEK 51m.
4) Other permanent effects are mainly attributable to effects of state taxation in the USA of SEK 118m and the permanent tax impact from internal restructuring of SEK 75m. The year 2022 primarily comprises non-deductible impairment of assets in Russia of SEK 357m.
5) Taxes attributable to earlier periods relate mainly to adjustment of BEAT of SEK 76m and adjustment of capitalized R&D costs and loss carryforwards of SEK –105m in the USA. The year 2022 relates mainly to offsetting of taxation at source in the Netherlands of SEK –115m, additional deduction for R&D expenses and remeasurement of deferred tax assets in Vinda of SEK –77m and remeasurement of the tax amount on non-current assets in Mexico of SEK –72m. The year 2021 relates mainly to adjustments in Italy and Mexico for the remeasurement of the tax amount on non-current assets of SEK –102m and SEK –77m, respectively, as well as a tax effect in the USA relating to loss carryforwards of SEK –64m.
6) The change in value of deferred tax assets relates mainly to non-capitalized tax loss carryforwards in Greece of SEK 9m in contrast to 2022 and 2021 when the change mainly related to non-capitalized tax loss carryforwards in Brazil of SEK 43m and SEK 46m, respectively.
7) Relates mainly to the revaluation of a deferred tax liability in the USA of SEK 9m. In year 2022 relates mainly to the revaluation of a deferred tax liability in the UK of SEK 26m and a deferred tax asset in Vinda of SEK –11m. The year 2021 relates mainly to the revaluation of a deferred tax liability in the UK of SEK 18m and in Colombia of SEK 12m.

Current tax liability

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

SEKm	2023	2022	2021
Value, January 1	**437**	**624**	**1,541**
Current tax expense TB5:1	4,074	2,237	2,686
Liabilities directly attributable to assets held for sale	–24	–	–
Paid tax OCF CF TB5:1	–3,615	–2,426	–3,634
Other changes from acquisitions, divestments and reclassifications	25	–85	–19
Translation differences	–21	87	50
Value, December 31	**876**	**437**	**624**
of which current tax liability BS	2,165	1,589	1,576
of which current tax asset BS	1,289	1,152	952

Tax by country TB5:1

Tax expense (+), tax income (–)
Tax payments made by entities in different countries, paid tax (–), SEKm

Country	Current tax expense	Deferred tax expense	Total tax expense	Paid tax
Sweden	581	171	752	–339
Mexico	743	–185	558	–275
USA	535	–232	303	–554
France	335	–59	276	–404
Colombia	244	7	251	–342
Spain	188	21	209	–236
Austria	126	19	145	–351
UK	47	80	127	–91
Poland	85	35	120	–49
Italy	53	41	94	35
Canada	108	–16	92	80
Slovakia	72	3	75	–47
Belgium	77	–6	71	–98
Ecuador	81	–22	59	–65
Finland	69	–11	58	–22
Switzerland	57	0	57	–42
Denmark	54	0	54	–61
Peru	51	–2	49	–41
Argentina	1	39	40	–13
Norway	38	1	39	–48
Dominican Republic	36	3	39	–39
Czech Republic	35	0	35	–16
Hungary	22	4	26	–10
Netherlands	292	–278	14	–367
Australia	–25	–53	–78	35
Germany	20	–309	–289	–69
Other countries[1]	149	–50	99	–186
Total OCF CF IS	**4,074**	**–799**	**3,275**	**–3,615**

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

B5. Income taxes, cont.

Deferred tax liability TB5:2

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

SEKm	Value, January 1	Liabilities directly attributable to assets held for sale	Deferred tax expense	Other changes[2]	Translation differences	Value at December 31
Intangible assets	8,610	–732	–2,328	–2	–70	5,478
Property, plant and equipment	1,303	–40	1,760	18	–101	2,940
Financial non-current assets	199	–	563	26	–3	785
Current assets	104	59	–370	–89	–20	–316
Provisions	–6	0	–804	–236	11	–1,035
Liabilities	–1,767	404	–616	–151	–20	–2,150
Tax credits and tax loss carryforwards	–1,748	173	330	0	–5	–1,250
Other	–522	–	666	–6	2	140
Total[1]	**6,173**	**–136**	**–799**	**–440**	**–206**	**4,592**

1) The net closing deferred tax liability comprises BS deferred tax assets of SEK 2,343m (2,545; 2,012) and BS deferred tax liabilities of SEK 6,935m (8,718; 7,574).
2) Other changes mainly include deferred tax recognized directly in other comprehensive income within equity according to IAS 19 Employee Benefits of SEK 143m and IFRS 9 Financial instruments of SEK –584m, in addition to effects from acquisitions and divestments of SEK 1m.

Preceding periods' deferred tax liability (+), deferred tax asset (–), SEKm TB5:3

YEAR	Value, January 1	Deferred tax expense	Other changes	Translation differences	Value at December 31
2022 BS	5,562	-192	386	417	6,173
2021 BS	4,327	40	977	218	5,562

Tax loss carryforwards

Tax credits and tax loss carryforwards for which deferred tax assets were recognized have been reported at the tax amount on the line Tax credits and tax loss carryforwards in TB5:2 in the amount of SEK –1,250m.

Loss carryforwards for which no deferred tax assets were recognized amounted to SEK 5,071m (5,051; 4,505) at December 31, 2023.

The change in unrecognized tax loss carryforwards for the period includes SEK 55m in exchange rate effects, SEK –1m that has expired and SEK –34m that was either utilized or capitalized. The tax value of non-capitalized tax loss carryforwards amounted to SEK 1,438m (1,430; 1,236). The useful lives of these tax loss carryforwards are distributed as follows:

Loss carryforwards for which no deferred tax assets were recognized, SEKm

Year of maturity	2023	2022	2021
Within 1 year	74	3	14
2 years	–	6	46
3 years	7	9	64
4 years	7	–	8
5 years or more	51	446	419
Indefinite useful life	4,932	4,587	3,954
Total	**5,071**	**5,051**	**4,505**

C. Employees

C1. Personnel costs

The tables below present the Group's personnel costs for continuing operations and the Group's personnel costs total operations. Information concerning the average number of employees by country is presented in Note B2b on page 129.

Personnel costs, continuing operations TC2:1

SEKm	Note	2023	2022	2021
Salaries and remuneration		–20,465	–17,483	–14,048
of which Executive Management Team	C2	–144	–171	–91
of which Board of Directors	C3	–12	–12	–10
Pension costs		–1,415	–1,453	–1,310
of which defined benefit pension costs	C4	–316	–380	–399
of which other pension costs		–1,099	–1,073	–911
Other social security costs		–4,535	–4,510	–3,714
Other personnel costs		–1,842	–1,643	–1,092
Total[1)]		**–28,257**	**–25,089**	**–20,164**

1) Items affecting comparability of SEK –582m (–97; 20) are included in total personnel costs.

Personnel costs, total operations TC2:1

SEKm	Note	2023	2022	2021
Salaries and remuneration		–22,733	–19,506	–15,854
of which Executive Management Team	C2	–144	–171	–91
of which Board of Directors	C3	–12	–12	–10
Pension costs		–1,660	–1,627	–1,498
of which defined benefit pension costs	C4	–318	–381	–401
of which other pension costs		–1,342	–1,246	–1,097
Other social security costs		–4,704	–4,706	–3,835
Other personnel costs		–2,210	–2,031	–1,452
Total[1)]		**–31,307**	**–27,870**	**–22,639**

1) Items affecting comparability of SEK –582m (–97; 20) are included in total personnel costs.

C2. Remuneration of senior executives

Accounting principles AP

Incentive programs

Essity has the following remuneration programs: Short Term Incentive (STI), Bridge Incentive (BIP) for 2022 and 2023, and Long Term Incentive (LTI). Variable remuneration is capped at a specific percentage of fixed salary and is recognized as an expense and non-current provision, respectively, during the earning period in accordance with IAS 19 Employee Benefits. The programs are continuously evaluated and reported in the annual accounts. Payment is made in cash the year following the vesting period.

Description of incentive programs

The STI goals comprise financial targets and non-financial targets that contribute to the achievement of financial targets, such as operating cash flow, cost efficiency, EBITA margin, organic sales growth and consolidated profit before tax, as well as innovation goals. Essity has adopted a long-term incentive program to enable the company to recruit and retain key individuals and to promote the common interest of participants and shareholders in generating long-term returns. BIP contains a requirement to invest in the Essity share and aims to ensure continuity of long-term incentive and that the common interest of the participants and shareholders is retained during the period the new LTI program is introduced. BIP is a short-term incentive program that has three goals. These goals are sales growth, profit before tax and a short-term goal for reduction in carbon emissions.

Variable remuneration under BIP is disbursed in cash. Senior executives who participate in BIP must purchase shares for the entire amount allocated, after deduction for tax, and retain the shares for at least three years.

The LTI program has two goals. The first goal is based on the performance of the company's Class B share, measured as the TSR (Total Shareholder Return) index compared with a weighted TSR index of competing companies with operations in Essity's business areas of Consumer Goods, Health & Medical and Professional Hygiene over a three-year period, where the performance target is higher TSR for the company than the index for the benchmark group (maximum outcome requires a 5% better outcome than index for the benchmark group). The second goal is a relative goal for reduction in carbon emissions. For maximum outcome, a reduction of 7.5% on a liniar basis in carbon emissions is required compared with the estimated target that applied in the year immediately preceding the start of the measurement period.

Variable remuneration under LTI is paid in cash to employees and accordingly does not have any dilutive effect. Senior executives who participate in the LTI program are required to purchase shares in Essity for the entire amount of the LTI outcome after tax and must not divest these shares for a period of three years.

Annual General Meeting guidelines for remuneration of senior executives

These guidelines shall govern remuneration to directors, the President, the Vice President 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 Report.

Variable remuneration

Variable remuneration shall be based on results relative to established short-term and long-term incentive program targets, which shall contribute to the objectives established by the company or to the performance of the company's share. Remuneration shall be aimed at promoting the company's business strategy and long-term interests, including its sustainability. Furthermore, variable remuneration shall be paid as cash remuneration and shall not be included in the basis for pension computation. The short-term element shall not exceed 100% of annual fixed salary and the long-term element shall not exceed 100% of annual fixed salary. The maximum variable remuneration level shall be determined per individual, taking into account the total remuneration in relation to the specific role, the local market, the terms of employment or the individual performance.

Short-term performance targets shall include either organic growth, product development, earnings, cash flow, capital efficiency, sustainability, return or individual targets or a combination thereof. Long-term performance targets shall include either sustainability, total shareholder return (TSR) or a combination thereof and – in order to create a long-term perspective – be combined with requirements for senior executives to use the compensation net of tax to invest in the Essity share with a minimum holding period of three years.

The company shall have the possibility to withhold payment of variable remuneration where necessary and possible according to law, provided there are special reasons for so doing and such a measure is necessary to meet the company's long-term interests, including its sustainability. Furthermore, the company shall have the possibility provided by law to demand repayment of any variable remuneration paid based on erroneous grounds.

Pension and other benefits

Pension benefits shall be defined contribution, and the annual premium shall not exceed 40% of the fixed annual salary. The retirement age shall normally be 65.

C2. Remuneration of senior executives, cont.

Other, lesser benefits may include medical insurance, company car, fitness allowance as well as membership and service fees, training/education and other support.

A notice of termination period of not more than two years shall apply upon termination of the employment relationship where the termination is initiated by the company, and of not more than one year where the termination is initiated by the executive. Severance pay should not exist.

Decision-making process and reporting

Matters relating to remuneration of senior executives shall be addressed by the Board's Remuneration Committee and, with respect to the President, decided upon by the Board. The duties of the Remuneration Committee shall also include preparing board decisions regarding proposals for guidelines for remuneration of senior executives, performing oversight as well as monitoring and assessing the application thereof. When the Board or the Remuneration Committee addresses and decides on remuneration-related matters, senior executives may not be present insofar as the matter relates to them. With respect to the calculation of variable remuneration, an audit certificate must be obtained before any decision is taken regarding payment. In the preparation of the remuneration guidelines, consideration has been given to salary and employment conditions for the company's other employees, such as information regarding total remuneration, components of the remuneration as well as the increase in remuneration and the rate of increase over time, and the company's equality of opportunity policy. The Board shall prepare a remuneration report.

Application of, and deviation from, the guidelines

The Board may decide to temporarily deviate from the guidelines, wholly or in part, if there are special reasons for so doing in an individual case and deviation is necessary to satisfy the company's long-term interests, including its sustainability. The duties of the Remuneration Committee include preparing board decisions on remuneration issues, including decisions regarding deviations from the guidelines. With respect to employment relationships governed by rules other than Swedish rules, appropriate adjustments shall take place with respect to pension benefits and other benefits to ensure compliance with such rules or local practice, whereupon the overarching purpose of these guidelines shall be attained as far as possible.

The guidelines shall not take precedence over mandatory terms or employment law legislation or collective agreements. Nor shall they apply to already executed agreements.

Description of significant changes compared to previous guidelines

Other than editorial changes, these guidelines have been updated with respect to the Board of Directors' proposal on implementation of a new cash-based long-term incentive program. These guidelines shall apply from the 2022 Annual General Meeting until further notice.

Company's application of guidelines

The company applied the guidelines approved by the AGM in the following manner.

Fixed salary

The fixed salary is to be in proportion to the individual's position and the authority and responsibilities this entails, as well as performance. It is set individually at a level that, combined with other remuneration, is assessed as a market rate and competitive in the labor market in which the executive works.

Variable remuneration

Variable remuneration of the CEO, Executive Vice President and Business Unit Presidents and equivalents is maximized to a total of 100% of the fixed salary. For the Business Unit Presidents stationed in the Americas and in Germany, the maximum outcome is 110–130%. The corresponding limit for other senior executives is 90–100%. The program for variable remuneration is divided into short-term and long-term portions. The short-term portion ("Short Term Incentive", or "STI" and "Bridge Incentive Program", or "BIP") for the CEO, Executive Vice President and Business Unit Presidents and equivalents may amount to a maximum of 100% of fixed salary. For the Business Unit Presidents, stationed in the Americas and Germany, the maximum outcome is 110–130% of the fixed salary, while the corresponding limit for other senior executives is 90–100%. The STI and BIP goals set for the Business Unit Presidents are mainly based on organic sales growth, EBITA margin and operating cash flow for each business unit and Group-wide cash flow and profit goals and sustainability targets.

The goal for the CEO and his direct reports is based primarily on organic sales growth, EBITA margin, operating cash flow, the Group's profit and sustainability targets. Furthermore, for certain senior executives, goals for strategic projects and innovation also apply, accounting for 9–21% 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 a maximum of 10% of the variable remuneration.

With the aim of maintaining a long-term perspective during the transition to the company's revised LTI program, senior executives must invest the entire remuneration from BIP after tax in Essity shares. The shares may then not be sold before the end of the third year after the purchase of shares in the relevant BIP program.
The long-term portion ("Long-Term Incentive", or LTI) of the program may amount to no more than 50% of the fixed salary. The senior executive is to invest all 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 27.9–41.8% of fixed salary for 2023. STI resulted in variable remuneration corresponding to 43.5–70.2% of fixed salary for the Business Unit Presidents. The outcome for all senior executives during BIP amounted to 30.1% of fixed salary. Based on 2023 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 88.1m.

Other benefits

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

Pension

The CEO has a defined contribution pension based on an annual payment, to be paid by the company, amounting to 40% of the employee's fixed salary, in addition to the agreed contribution for the basic pension benefits in the ITP plan (supplementary pensions for salaried employees), with retirement pension benefits limited to a maximum salary income of 7.5 income base amounts. Six other executives are covered by corresponding defined contribution pension benefits with an annual premium of approximately 30–40% and pension age of 65. Two senior executives in Sweden have a combined defined benefit and defined contribution plan. Five senior executives that are employed in companies outside Sweden are encompassed by defined contribution pension plans on local market-based terms.

Notice period and severance pay

The agreement with the CEO stipulates a period of notice of termination of two years if such notice is given by the company. The CEO has a corresponding right with a period of termination of one year. If notice is given by the company, the CEO is not obligated to serve during the notice period. The agreement has no stipulations with regard to severance pay. Between the company and other senior executives, a period of notice of termination of one to two years normally applies, if such notice is given by the company. The executive has a corresponding right with a period of notice of termination of six months to one year. The executive is normally expected to be available to the company during the notice period. The agreements have no stipulations with regard to severance pay.

Preparation and decision process for remuneration

During the year, the Remuneration Committee submitted recommendations to the Board regarding the principles for remuneration of senior executives. The recommendations encompassed the ratio between fixed and variable remuneration and the size of any salary increases. In addition, the Remuneration Committee expressed an opinion on the criteria for assessing variable remuneration and pension terms. The Board discussed the Remuneration Committee's proposal and decided on the basis of the Committee's recommendations. The remuneration of corporate management for the fiscal year was based on the Remuneration Committee's recommendation and, with regard to the CEO, decided by the Board. The executives concerned did not participate in remuneration matters pertaining to themselves. When it was deemed appropriate, the work of the Remuneration Committee was carried out with the support of external expertise.

Remuneration and other benefits during the year 2023 TC2:1

SEK	Fixed salary	Variable remuneration[1]	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	17,000,000	11,018,626 [2]	150,979	28,169,605
Other senior executives (13 people)	65,135,658	48,807,880 [3]	2,581,682	116,525,220
Total	**82,135,658**	**59,826,506**	**2,732,661**	**144,694,825**

1) Variable remuneration covers the 2023 fiscal year but is paid in 2024.
2) Of which LTI program SEK 0, BIP program SEK 5,108,500.
3) Of which LTI program SEK 0, BIP program SEK 19,573 265.

C2. Remuneration of senior executives, cont.

Pension costs 2023[1)]

SEK	
President and CEO Magnus Groth[2)]	7,095,675
Other senior executives (13 people)[3)]	15,670,674
Total	**22,766,349**

1) The pension costs pertain to the costs that affected profit for 2023, excluding special payroll tax.
2) Outstanding pension obligations amount to SEK 20,659,029.
3) Outstanding pension obligations amount to SEK 80,762,166.

Remuneration and other benefits during the year 2022 TC2:1

SEK	Fixed salary	Variable remuneration[1)]	Other benefits	Total salaries and remuneration
President and CEO Magnus Groth	16,500,000	14,692,425[2)]	136,022	31,328,447
Other senior executives (12 people)	69,449,581	66,171,195[3)]	4,311,376	139,932,152
Total	**85,949,581**	**80,863,620**	**4,447,398**	**171,260,599**

1) Variable remuneration covers the 2022 fiscal year but is paid in 2023.
2) Of which LTI program SEK 0, BIP program SEK 7,663,425.
3) Of which LTI program SEK 0, BIP program SEK 32,255,857.

Pension costs 2022[1)]

SEK	
President and CEO Magnus Groth[2)]	6,876,833
Other senior executives (12 people)[3)]	19,545,865
Total	**26,422,698**

1) The pension costs pertain to the costs that affected profit for 2022, excluding special payroll tax.
2) Outstanding pension obligations amount to SEK 17,081,864.
3) Outstanding pension obligations amount to SEK 66,379,956.

Remuneration and other benefits during the year 2021 TC2:1

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.

Obligations in relation to former presidents and CEOs

For former presidents and CEOs, Essity has outstanding, non-funded obligations amounting to SEK 104m. 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 29, 2023 for the period until the next AGM in March 2024. No remuneration is paid to the President and CEO and other employees.

	Board fee			Audit Committee fee			Remuneration Committee fee			Portfolio Development Committee fee			Total		
SEK	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Pär Boman (Chairman)	2,625,000	2,550,000	2,445,000	300,000	290,000	280,000	155,000	150,000	150,000	300,000	290,000		3,380,000	3,280,000	2,875,000
Ewa Björling	875,000	850,000	815,000	300,000	290,000								1,175,000	1,140,000	815,000
Annemarie Gardshol	875,000	850,000	815,000										875,000	850,000	815,000
Björn Gulden		850,000												850,000	
Maria Carell	875,000												875,000		
Louise Svanberg		850,000	815,000					125,000	120,000					975,000	935,000
Jan Gurander	875,000			300,000						300,000			1,475,000		
Bert Nordberg	875,000	850,000	815,000			280,000	130,000	125,000	120,000	425,000	415,000		1,430,000	1,390,000	1,215,000
Barbara Milian Thoralfsson	875,000	850,000	815,000	425,000	415,000	400,000	130,000						1,430,000	1,265,000	1,215,000
Torbjörn Lööf	875,000	850,000	815,000							300,000	290,000		1,175,000	1,140,000	815,000
Lars Rebien Sørensen		850,000	815,000								290,000			1,140,000	815,000
Total	**8,750,000**	**9,350,000**	**8,150,000**	**1,325,000**	**995,000**	**960,000**	**415,000**	**400,000**	**390,000**	**1,325,000**	**1,285,000**		**11,815,000**	**12,030,000**	**9,500,000**

C4. Remuneration after completion of employment

Accounting principles AP

Defined benefit pension plans

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

The defined benefit obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. Calculations are based on actuarial assumptions. Actuarial assumptions comprise the company's best assessment of the variables that determine the final cost for providing the benefits. The obligation is measured at the present value of the anticipated future cash flows using a discount rate (see Key assessments and assumptions below). Actuarial gains and losses (remeasurements) are recognized directly in equity under other comprehensive income in the period in which they arise. The recognized cost for the defined benefit plans includes personnel costs, as well as net interest items. Net interest items comprise the discount rate calculated on the average net pension liability for the period, taking fee and remuneration payments into consideration. The difference between the calculated interest income (discount rate) on the plan assets and Essity's actual return on the plan assets is included in the remeasurement of the defined benefit net liability or net asset recognized in equity under other comprehensive income. Past service costs are recognized in profit or loss in the period in which they arise.

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

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

Defined contribution pension plans

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

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits. The obligation and anticipated costs for these benefits have been calculated and recognized in a similar manner to the defined benefit pension plans.

Severance pay

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

Key assessments and assumptions KAA

The calculation of recognized expenses and provisions for defined benefit pension plans, where the size of the future compensation is unknown and payment will occur far in the future, is dependent on assumptions and assessments. Key assumptions and assessments include the discount rate, future salary increases, inflation and life expectancy. Essity determines the discount rate based primarily on AA-rated corporate bonds issued in the currency in which the payments will be made that match the duration of the obligations. If no such corporate bonds are available, government bonds or mortgage bonds are used. Inflation assumptions are based on a combination of central bank targets, implicit market expectations and long-term analyst forecasts. Assumptions regarding salary increases are based on market expectations and market research forecasts. Key actuarial assumptions are presented in TC4:5. The sensitivity of the recognized provision with respect to key actuarial assumptions is described in TC4:6.

Provisions for pensions and similar obligations

SEKm	2023	2022	2021
Defined benefit obligations TC4:2	25,050	23,817	32,698
Fair value of plan assets TC4:3	–28,632	–26,377	–35,249
Effect of asset ceiling TC4:4	3,097	3,266	5,261
Provisions for pensions, net TC4:1	**–485**	**706**	**2,710**

Surpluses in funded plans recognized as financial non-current assets amounted to BS SEK 3,072m (1,965; 1,439) on the balance sheet date and provisions for pensions totaled BS SEK 2,587m (2,671; 4,149). Defined benefit obligations include obligations in an amount of SEK 2,413m (2,272; 2,751) pertaining to unfunded plans.

Essity has both defined contribution and defined benefit pension plans in a number of Group companies. The most significant defined benefit pension plans in the respective countries are described below.

Provisions for pensions and similar obligations per country TC4:1

SEKm Country	Active	Paid-up pension policies	Pensioners	Total obligation	Plan assets, fair value	Effect of asset ceiling	Net	Duration of obligation, years
UK	–	5,789	7,200	12,989	–14,772	1,803	20	14
Sweden	1,434	855	1,296	3,585	–4,425	1,294	454	15
Germany	1,921	511	1,484	3,916	–6,030	–	–2,114	13
USA	221	790	1,945	2,956	–3,025	–	–69	9
Other	1,293	3	308	1,604	–380	–	1,224	11
Total	**4,869**	**7,948**	**12,233**	**25,050**	**–28,632**	**3,097**	**–485**	

Costs for the period for defined benefit plans

SEKm	2023	2022	2021
Current service cost, after deduction for premiums paid by the employees	–296	–421	–420
Past service cost	–24	–	8
Pension-tax expense	–26	–38	–38
Remeasurement, net	4	43	13
Net interest income/expense	–66	–62	–49
Pension costs before effects of settlements	**–408**	**–478**	**–485**
Settlements		–2	–
Pension costs after effects of settlements	**–408**	**–480**	**–485**

C4. Remuneration after completion of employment, cont.

UK
The plan is a defined benefit plan with contributions paid by the company. The plan is based on final salary and consists of retirement pension, beneficiaries' pension and disability pension. The plan was closed to new participants in July 2007 and closed for future accrual in September 2018. The plan is managed by an independent trust and assets are held separately, according to UK law. Surpluses in the pension fund remain in the fund's assets. An asset ceiling has from 2021 been imposed on the surplus in the plan under the rules in IAS 19, since Essity is of the view that it will be unable to absorb the current surplus. The plan is obligated to meet the minimum funding level according to an agreement with the pension plan.

Sweden
In Sweden, the defined benefit obligation is mainly covered by the ITP2 plan and executive pensions. The ITP2 plan (supplementary pensions for salaried employees) encompasses employees born before 1979 and is a defined benefit plan that provides retirement pension based on final salary, as a percentage of various salary intervals. The ITP2 plan is safeguarded by a fund, and the company may compensate itself using any surpluses in the plan assets. The pension plans for executives are largely retirement and beneficiaries' pension plans based on final salary and are closed to new participants and the liability largely comprises paid-up pension policies or pensions in payment. The pension plans for executives are largely unfunded and are credit-insured with PRI Pensionsgaranti.

Germany
In Germany, the defined benefit obligation comprises a number of different pension plans offering retirement pension, beneficiaries' pension and disability pension. Plans based on final salary exist but these are closed to new participants and the benefit depends on the length of service and final salary at retirement. Defined contribution plans are also offered in which the benefit depends on provisions made by the company and, in certain plans, even by the employee during the period of service, and guaranteed return on the provisions. The obligations are largely financed by two different funds and the company may, in certain instances, compensate itself using any surpluses in the plan assets.

USA
In the USA, the defined benefit obligations comprise retirement pensions in which the premiums are paid by the company and the benefit is based on a standard amount per service year. Only one plan is still open for new accrual for about 200 employees. The benefits are financed via a pension fund that is obligated to meet the minimum legislated funding level. Surpluses in the pension fund can be utilized in the form of premium discounts.

Defined benefit obligations TC4:2

SEKm	2023	2022	2021
Value, January 1	**23,817**	**32,698**	**32,717**
Less discontinued operations	–21	–	–
Current service cost	302	424	426
Interest expense	1,136	557	424
Past service cost	24	–	–8
Pension-tax expense	26	38	38
Settlements and transfers	–2	–52	–17
Reclassification	–	–	–
Acquisitions and divestments	–	–	–15
Benefits paid	–1,299	–1,349	–1,248
Pension taxes paid	–10	–4	–11
Remeasurement: financial assumptions	1,130	–9,606	–1,907
Remeasurement: demographic assumptions	–50	–225	169
Remeasurement: experience-based assumptions	48	48	60
Pension taxes pertaining to remeasurement	–41	–277	–131
Translation differences	–10	1,565	2,201
Value, December 31	**25,050**	**23,817**	**32,698**

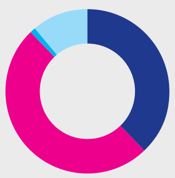
Remeasurements in the defined benefit obligations comprise changes in financial assumptions, such as changes to the discount rate, any changes in demographic assumptions and experience-based deviations. Experience-based deviations include for example unexpectedly high or low employee turnover or salary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

Plan assets TC4:3

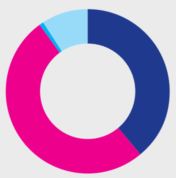
SEKm	2023	2022	2021
Fair value, January 1	**–26,377**	**–35,249**	**–31,260**
Less discontinued operations	12	–	–
Interest income	–1,191	–572	–427
Contributions by plan participants	–6	–2	–4
Contributions by the employer	–330	–283	–405
Benefits paid, excluding settlements	1,290	1,342	1,237
Benefits paid for settlements	–	10	5
Reclassification	–	–	–
Return in excess of recognized interest income	–2,086	9,951	–2,068
Administrative expenses for pension obligations	38	37	36
Translation differences	18	–1,611	–2,363
Fair value, December 31	**–28,632**	**–26,377**	**–35,249**

The plan assets are distributed according to the following classes of assets:	2023	2022	2021
Shares and mutual funds	38%	39%	36%
Interest-bearing securities	50%	51%	53%
Properties	1%	1%	1%
Other	11%	9%	10%
Total	**100%**	**100%**	**100%**

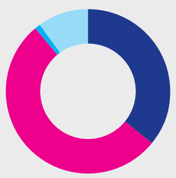
The plan assets are distributed according to the following classes of assets, 2023:



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



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



At the balance sheet date 99% (98; 97) 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, 2023.

C4. Remuneration after completion of employment, cont.

Effect of asset ceiling TC4:4

SEKm	2023	2022	2021
Value, January 1	**3,266**	**5,261**	**1,054**
Interest expense	121	77	52
Other changes to asset ceiling	–337	–2,190	4,025
Translation differences	47	118	130
Value, December 31	**3,097**	**3,266**	**5,261**

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 1,803m (2,271; 4,144) and funds in one Swedish foundation that can be used for possible future undertakings for early retirement for certain categories of employees amounting to SEK 1,294m (995; 1,117).

Principal actuarial assumptions TC4:5

	Sweden	UK	Germany	USA
2023				
Discount rate	3.47	4.62	3.23	4.56
Expected salary increase rate	3.25	N/A	3.50	N/A
Expected inflation	2.25	3.50	2.25	N/A
Life expectancy, men[1]	22	21	21	20
Life expectancy, women[1]	24	25	24	21
2022				
Discount rate	4.04	4.77	3.63	4.65
Expected salary increase rate	3.25	N/A	3.50	N/A
Expected inflation	2.25	3.50	2.25	N/A
Life expectancy, men[1]	22	22	21	20
Life expectancy, women[1]	24	25	24	21
2021				
Discount rate	1.62	1.89	0.75	2.81
Expected salary increase rate	3.00	N/A	3.00	N/A
Expected inflation	2.00	3.25	1.75	N/A
Life expectancy, men[1]	22	22	20	20
Life expectancy, women[1]	25	25	24	21

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

The sensitivity of the defined benefit obligations with respect to changes in the principal actuarial assumptions is as follows:

Change of obligation, increased obligation (–) TC4:6

SEKm	
Discount rate +0.25%	735
Price inflation, including salary inflation +0.25%	–641
Life expectancy +1 year	–891

The above sensitivity analysis is calculated by changing one assumption while the others remain constant.

Multiemployer plans

Essity has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. The company also has employees in Finland who are covered by the country's statutory TyEL pension plan. These obligations are secured through the insurance company Varma. These benefits are reported as defined contribution plans, since there is no basis for allocating the obligations, plan assets and costs to the individual companies covered by the plan.

Budgeted contributions

The budgeted contributions for the Essity's defined benefit pension plans for 2024 are calculated at SEK 494m. Contributions for multiemployer plans for 2024 are calculated at SEK 45m.

D. Operating assets and liabilities

D1. Intangible assets

Accounting principles AP

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

Trademarks
Trademarks can only be recognized when they have been acquired through a separate transaction or through the acquisition of an entire business that includes one or several trademarks. Trademarks are measured at cost after any accumulated amortization and accumulated impairment. Trademarks that have an indefinite useful life are not amortized, but rather tested annually for impairment along with the impairment testing of goodwill. Trademarks with a limited useful life are amortized on a straight-line basis during their anticipated useful life, which varies between 3–25 years.

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

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

Research and development
Research expenditure is recognized as an expense as incurred. Identifiable expenditure for development of new products and processes is capitalized to the extent it is expected to provide future economic benefits. In cases in which it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately. Development costs for packing and packaging materials are expensed directly. In general, development projects are conservatively assessed due to the difficulty in determining what will lead to commercial success. Capitalized expenditures are amortized on a straight-line basis over the estimated useful life, from the date when the asset is ready for use. The amortization period is between 5–10 years.

Impairment testing
Goodwill is tested annually for impairment and when there is an indication of an impairment need. When testing for impairment the goodwill is allocated to cash-generating units, or groups of cash-generating units, which for Essity coincide with the operating segments Health & Medical, Consumer Goods and Professional Hygiene. The test compares the carrying amounts of the cash-generating units with the recoverable amounts. The recoverable amount of each cash-generating unit is determined by discounting future cash flows in order to determine their value in use. The calculation of future cash flows is based on the strategic plans adopted by the Executive Management Team for the next three years. The carrying amount for the cash-generating unit includes goodwill, trademarks with indefinite useful lives and assets with definite useful lives, such as non-current assets, trademarks and working capital. Effects of expansion investments are excluded when calculating the value in use. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount might not be recoverable. In cases in which the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount, an impairment loss is recognized on the asset down to the recoverable amount. An impairment loss recognized earlier is reversed, if the reasons for the impairment no longer exist. The carrying amount after the reversal is limited to what it would have been had no past impairment been recognized. Impairment losses on goodwill are never reversed.

Emission allowances and costs for carbon dioxide emissions
Essity participates in the European system for emission allowances.

When emission allowances relating to carbon dioxide emissions are received from an individual EU state, they are recognized as an intangible asset and as deferred income (liability). Allowances are received free of charge and recognized at market value as of the date when the allocation is received. During the period, Essity provides for carbon dioxide emissions made. At the same time 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 KAA

In connection with the annual impairment testing of goodwill, the recoverable amount is calculated. The recoverable amount for the cash-generating units is determined by calculating value in use. Calculation of the value in use is based on the three-year strategy plans adopted by the Executive Management Team, which in turn are based on assessments and assumptions. The most important assessments and assumptions pertain to forecasts for organic growth, the profit margin and the discount rate used. The discount rate used in the present value calculation of the anticipated future cash flows is the current weighted average cost of capital (WACC) established within the Group for the markets in which the cash-generating units conduct operations.

Profit margin assumptions are based on current market prices and costs adjusted for anticipated price and cost changes as well as assumed productivity development. The growth assumptions are 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).

Goodwill

SEKm	2023	2022[1]	2021[1]
Value, January 1	**44,786**	**37,803**	**32,324**
Assets held for sale	–4,361	–	–
Company acquisitions	–14	3,617	3,398
Reclassifications	–	–20	–7
Impairment	–356	–292	–
Translation differences	–718	3,678	2,088
Value, December 31 BS	**39,337**	**44,786**	**37,803**

1) Including discontinued operations.

D1. Intangible assets, cont.

Intangible assets excluding goodwill

	Trademarks			Technologies, Customer relations and similar rights			Capitalized development costs			Total Other intangible assets		
SEKm	**2023**	**2022[1]**	**2021[1]**	**2023**	**2022[1]**	**2021[1]**	**2023**	**2022[1]**	**2021[1]**	**2023**	**2022[1]**	**2021[1]**
Accumulated costs	14,986	18,072	14,726	15,001	15,756	14,015	671	661	577	30,658	34,489	29,318
Accumulated amortization	–921	–915	–645	–8,850	–8,439	–6,773	–289	–260	–209	–10,060	–9,614	–7,627
Accumulated impairment	0	–	–	–80	–81	–88	–193	–188	–140	–273	–269	–228
Total	**14,065**	**17,157**	**14,081**	**6,071**	**7,236**	**7,154**	**189**	**213**	**228**	**20,325**	**24,606**	**21,463**
Value, January 1	**17,157**	**14,081**	**12,895**	**7,236**	**7,154**	**5,146**	**213**	**228**	**301**	**24,606**	**21,463**	**18,342**
Assets held for sale	–2,861			–332						–3,193		
Investments[2]	–	–	–	513	612	834	15	26	38	528	638	872
Sales and disposals	–	–	–	–	–	–	–	–	–1	–	–	–1
Company acquisitions	–	2,131	729	–	143	1,812	–	–	–	–	2,274	2,541
Company divestments	–	–	–	–	–	–2	–	–	–	–	–	–2
Reclassifications	–	–	1	20	38	51	–	–	2	20	38	54
Amortization[3]	–117	–171	–122	–1,282	–1,225	–932	–37	–30	–35	–1,436	–1,426	–1,089
Impairment	–	–	–	–	–	–	–	–31	–87	–	–31	–87
Translation differences	–114	1,116	578	–84	514	245	–2	20	10	–200	1,650	833
Value, December 31	**14,065**	**17,157**	**14,081**	**6,071**	**7,236**	**7,154**	**189**	**213**	**228**	**20,325**	**24,606**	**21,463**
Emission allowances, net value TD1:1										1,019	740	343
Value, December 31 including emission allowances BS										**21,344**	**25,346**	**21,806**

1) Including discontinued operations.
2) In 2023, interest expenses were capitalized in Capitalized development costs in the amount of SEK 6m (9; 8). The average interest rate used was 4%.
3) Amortization of other acquisition-related intangible assets such as Trademarks, Customer relations and Technologies is recognized on separate lines in the income statement while amortization of Other intangible assets is included in Cost of goods sold and Sales, general and administration.

Impairment testing

Annual testing for impairment of goodwill and other intangible assets is carried out in the fourth quarter. The testing showed that no impairment was needed for 2023, 2022 or 2021. The WACC before tax used in the impairment testing of goodwill is presented in the table below. Sensitivity analyses show that reasonable changes to key parameters do not give rise to any impairment requirement. In addition to annual impairment testing of the cash-generating units, outlined above under the section Impairment testing, cash-generating units and individual assets are also tested when there is an indication of an impairment need. During the period, intangible assets, primarily attributable to restructuring measures in Professional Hygiene in North America and Europe, were impaired by SEK 356m.

Distribution by operating segment

	Goodwill			Trademarks			WACC, before tax %		
SEKm	**2023**	**2022[1]**	**2021[1]**	**2023**	**2022[1]**	**2021[1]**	**2023**	**2022[1]**	**2021[1]**
Health & Medical	16,948	17,483	15,923	7,837	8,069	7,570	12.1	10.5	7.5
Consumer Goods	14,135	18,443	13,940	6,153	9,010	6,511	12.4	11.5	8.5
Professional Hygiene	8,254	8,860	7,940	75	78	–	11.1	9.8	6.8
Total BS	**39,337**	**44,786**	**37,803**	**14,065**	**17,157**	**14,081**			

1) Including discontinued operations.

Emission allowances TD1:1

SEKm	**2023**	**2022**	**2021**
Value, January 1	**740**	**343**	**232**
Emission allowances received	837	534	210
Purchases	151	136	93
Settlement with the government	–695	–313	–201
Translation differences	–14	40	9
Value, December 31	**1,019**	**740**	**343**

Contents

D2. Property, plant and equipment

Accounting principles AP

Property, plant and equipment
Property, plant and equipment is measured at cost less accumulated depreciation and any impairment. In cases where an investment in foreign currency has been recognized using hedge accounting, the gain/loss from the hedge is recognized as part of the acquisition cost. In major projects, costs for running-in and start-up are included in the cost for properties and production facilities. Borrowing costs are included in the cost of investments exceeding SEK 250m that take more than 12 months to complete. Expenses for repairs and maintenance are expensed directly in profit or loss.

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

Expected useful lives

Type of asset	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	2023	2022[1]	2021[1]	2023	2022[1]	2021[1]	2023	2022[1]	2021[1]	2023	2022[1]	2021[1]
Accumulated costs	22,515	29,533	25,759	4,329	4,973	4,248	84,186	100,835	88,109	7,197	5,617	6,209
Accumulated depreciation	–12,553	–14,008	–12,045	–755	–752	–657	–57,441	–65,051	–55,880	–	–1	–
Accumulated impairment	–424	–863	–283	–38	–57	–24	–2,068	–2,679	–1,440	–39	–76	–31
Total	**9,538**	**14,662**	**13,431**	**3,536**	**4,164**	**3,567**	**24,677**	**33,105**	**30,789**	**7,158**	**5,540**	**6,178**
Value, January 1	**14,662**	**13,431**	**11,945**	**4,164**	**3,567**	**3,430**	**33,105**	**30,789**	**28,326**	**5,540**	**6,178**	**5,318**
Assets held for sale	–4,884	–	–	–610	–	–	–7,784	–	–	–799	–	–
Investments	147	258	318	4	16	44	1,134	982	1,426	5,094	5,037	4,614
Sales and disposals	–26	–17	–12	–5	–27	–3	–65	–58	–41	–4	–4	–
Company acquisitions		–	67		–	10	–	106	799	–	2	55
Company divestments		–	–		–	–	–1	–	–	–	–	–
Reclassifications	375	1,208	1,045	7	357	2	2,365	4,567	3,014	–2,767	–6,170	–4,115
Depreciation[2]	–724	–891	–782	–37	–37	–36	–3,912	–4,978	–4,369	–	–1	–
Impairment	–156	–594	–	–15	–32	–	–415	–1,151	–97	–2	–45	–29
Reversal of impairment	22	–	32		–	–	57	–	4	2		–
Translation differences	122	1,267	818	28	320	120	193	2,848	1,727	94	543	335
Value, December 31	**9,538**	**14,662**	**13,431**	**3,536**	**4,164**	**3,567**	**24,677**	**33,105**	**30,789**	**7,158**	**5,540**	**6,178**

1) Including discontinued operations.
2) Included primarily in Cost of goods sold.

D2. Property, plant and equipment, cont.

Total property, plant and equipment

SEKm	2023	2022[1]	2021[1]
Accumulated costs	118,227	140,958	124,325
Accumulated depreciation	–70,749	–79,812	–68,582
Accumulated impairment	–2,569	–3,675	–1,778
Total	**44,909**	**57,471**	**53,965**
Value, January 1	**57,471**	**53,965**	**49,019**
Assets held for sale	–14,077	–	–
Investments[2]	6,379	6,293	6,402
Sales and disposals	–100	–106	–56
Company acquisitions	–	108	931
Company divestments	–1	–	–
Reclassifications	–20	–38	–54
Depreciation[3]	–4,673	–5,907	–5,187
Impairment	–588	–1,822	–126
Reversal of impairment	81	–	36
Translation differences	437	4,978	3,000
Value, December 31	**44,909**	**57,471**	**53,965**

1) Including discontinued operations.
2) Government grants received in 2023 reduced recognized investments by SEK 0m (36; 7).
3) Included primarily in Cost of goods sold.

Impairment losses for the year totaling SEK 588m are related mainly to impairment of non-current assets in Professional Hygiene in the USA and Consumer Goods in Europe.

During the period, interest was capitalized in machinery and equipment in an amount of SEK –m (41; 44) and in construction in progress in an amount of SEK 34m (3; 7). The average interest rate used was 4% (3; 2).

Contract obligations relating to the acquisition of property, plant and equipment amounted to SEK 4,048m (5,052; 3,178) at year-end.

D3. Inventories

Accounting principles AP

Inventories are measured at the lower of cost and net realizable value. Cost is calculated mainly by applying the first-in, first-out (FIFO) principle or weighted average cost formula. The cost of inventories and work in progress includes raw material costs, direct labor, other direct expenses and production-related overheads, based on a normal capacity utilization.

The net realizable value is the calculated sales price received for normal business transactions less calculated sales costs.

Inventories

SEKm	2023	2022	2021
Raw materials and consumables	4,022	10,023	6,064
Spare parts and supplies	2,519	2,572	2,103
Products in progress	1,772	2,482	1,725
Finished products	9,210	13,775	9,435
Advance payments to suppliers	23	36	12
Total BS	**17,546**	**28,888**	**19,339**

Impairment of inventories amounted to SEK 1,084m (821; 484), of which SEK 167m (83; 18) was recognized in conjunction with restructuring as an item affecting comparability, refer to Note B3 Operating expenses on page 133.

D4. Other current receivables

Other current receivables

SEKm	2023	2022	2021
VAT receivables	951	1,522	1,113
Prepaid expenses and accrued income	986	895	588
Suppliers with debit balance	103	198	155
Receivables for electricity and gas	282	168	195
Receivables from authorities	89	156	61
Derivatives[1]	228	2,158	3,310
Other receivables	752	664	365
Total BS	**3,391**	**5,761**	**5,787**

1) For financial instruments, refer to Note E1 on page 148.

D5. Other liabilities

Other liabilities

SEKm	2023	2022	2021
Other non-current liabilities			
Derivatives[1]	155	345	27
Other non-current liabilities[2]	918	851	59
Total BS	**1,073**	**1,196**	**86**
Of which items that fall due for payment later than within five years	21	23	21
Other current liabilities			
Derivatives[1]	1,755	1,072	397
Accrued expenses and prepaid income TD5:1	14,497	16,316	12,370
VAT liabilities	1,348	1,388	1,148
Other operating liabilities	1,543	2,219	1,892
Total BS	**19,143**	**20,995**	**15,807**

1) For derivatives and hedge accounting, refer to Note E6 on page 152.
2) The post includes deferred purchase considerations for acquired operations and liabilities to non-controlling interests.

D5. Other liabilities, cont.

Accrued expenses and prepaid income TD5:1

SEKm	2023	2022	2021
Bonus and discounts to customers	7,782	8,016	6,253
Accrued vacation pay liability	996	944	801
Accrued social security costs	496	459	341
Other liabilities to personnel	2,000	2,014	894
Other items	3,223	4,883	4,081
Total	**14,497**	**16,316**	**12,370**

D6. Other provisions

Accounting principles AP

Provisions are recognized in the consolidated balance sheet when there is a legal or informal obligation arising from past events and it is probable that payments will be required to settle the obligation. It must also be possible to reliably estimate the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation.

A provision for restructuring measures is recognized when the Group has established a detailed plan and either implementation has begun or the main features of the measures have been communicated to the parties involved. Restructuring costs include, for example, costs for plant closures, impairment of production machinery and costs for personnel reductions. Provisions for environment contain provisions for carbon dioxide emissions as well as provisions for site restorations. See note D1 Intangible assets for accounting principles on carbon dioxide emission rights and carbon dioxid emissions.

Key assessments and assumptions KAA

The amount of the provisions made relating to legal disputes is based on the company’s best assessment, which was determined in consultation with local expertise in the field.

Other provisions 2023

SEKm	Restructuring program	Environment	Legal disputes	Other	Total
Value, January 1	**318**	**729**	**363**	**298**	**1,708**
Provisions	968	703	9	196	1,876
Utilizations	–486	–696	–251	–102	–1,535
Dissolutions	–112	–	–18	–11	–141
Translation differences	–20	–14	3	–3	–34
Value, December 31	**668**	**722**	**106**	**378**	**1,874**
Provisions comprise:					
Current provision BS					1,408
Non-current provision BS					466

Other provisions, previous periods

SEKm	2022	2021
Value, January 1	**1,132**	**1,193**
Provisions	1,044	419
Company acquisitions	–	23
Utilizations	–476	–386
Reclassifications	–	–2
Dissolutions	–78	–149
Translation differences	86	34
Value, December 31	**1,708**	**1,132**

Distribution of other provisions by maturity, SEKm

Year of maturity	
2024	1,408
2025	278
2026	95
2027 and later	93
Total	**1,874**

Provisions for the period for Environment pertain to SEK 703m for carbon dioxide emissions, which will be settled in 2024. The provisions recognized at the end of the period attributable to Restructuring programs relate mainly to restructuring measures at production facilities of Professional Hygiene. Provisions for Legal disputes relate to a number of cases of minor monetary value. Other provisions mainly comprise reserves linked to the LTI programs.

E. Capital structure and financing

E1. Financial instruments by category and measurement level

Accounting principles AP

Financial instruments recognized in the balance sheet include cash and cash equivalents, securities, other financial receivables, trade receivables, trade payables, loans and derivatives.

Current investments and derivatives are recognized on the trade date. Financial assets and loans are recognized on the settlement date. Trade receivables and trade payables are recognized in the balance sheet once the invoice has been sent or received, respectively.

Financial assets are initially recognized at cost, and transaction costs are included for 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 151. The fair value of current financial liabilities and investments is considered to correspond to the carrying amount, since a change in market interest rates does not have a significant effect on market value.

Classification and subsequent recognition

Under IFRS 9 Financial instruments, financial assets are to be classified on the basis of the company's business model and the purpose of contractual cash flows.

Amortized cost

Financial assets held to collect contractual cash flows, and whose cash flows only consist of interest and the principal amount, are to be measured at amortized cost. The main rule is that financial liabilities are measured at amortized cost with the exception of the liabilities described in the measurement categories below. Since the majority of Essity's financial assets is held to collect contractual cash flows and are held to maturity, they are recognized at amortized cost according to the effective interest method. All liabilities, excluding derivatives and the liabilities included in a hedging relationship, are measured at amortized cost.

Fair value through comprehensive income

Financial assets, which are held for the purpose of collecting contractual cash flows (only interest and principal amount) and which are to be sold before maturity, are measured at fair value through other comprehensive income with reclassification 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 reclassification to profit or loss. Essity has an asset valued at SEK 98m 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 152.

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 152.

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2023	2022	2021
Financial assets measured at fair value through profit or loss					
Derivatives – Non-current financial assets	E2	2	–	9	2
Derivatives – Current financial assets	E2	2	461	1,109	372
Derivatives – Other current receivables	D4	2	78	513	538
Total			**539**	**1,631**	**912**
Financial liabilities measured at fair value through profit or loss					
Non-current financial liabilities	E4	2	24,993	23,763	20,387
Current financial liabilities	E4	2	–	4,489	14
Derivatives – Non-current financial liabilities	E4	2	167	276	86
Derivatives – Current financial liabilities	E4	2	1,780	424	524
Derivatives – Other current liabilities	D5	2	277	65	25
Total			**27,217**	**29,017**	**21,036**
Loan and trade receivables measured at amortized cost					
Non-current financial assets	E2	–	19	22	25
Current financial assets	E2	–	3,504	3,459	620
Trade receivables	E3	–	21,920	25,990	19,871
Cash and cash equivalents	E2	–	5,159	4,288	3,904
Total			**30,602**	**33,759**	**24,420**
Financial assets measured at fair value through other comprehensive income					
Non-current financial assets	E2	1	98	92	99
Financial liabilities measured at amortized cost					
Non-current financial liabilities	E4	–	14,068	26,935	23,779
Non-current lease liabilities	E4	–	3,326	3,392	2,891
Current financial liabilities	E4	–	12,907	7,338	9,084
Current lease liabilities	E4	–	812	889	880
Trade payables	–	–	15,119	25,644	18,030
Total			**46,232**	**64,198**	**54,664**
Derivatives used for hedge accounting					
Non-current financial assets	E2	2	–	–	286
Other non-current assets	–	2	6	767	656
Other current receivables	D4	2	150	1,645	2,772
Current financial assets	E2	2	1,294	373	158
Total			**1,450**	**2,785**	**3,872**

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

Financial instruments by category and measurement level

SEKm	Note	Measurement level	2023	2022	2021
Non-current financial liabilities	E4	2	2,781	3,876	300
Other non-current liabilities	D5	2	155	345	27
Current financial liabilities	E4	2	150	133	244
Other current liabilities	D5	2	1,478	1,007	372
Total			**4,564**	**5,361**	**943**

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 151.

Measurement levels

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

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

Financial instruments in other notes to the balance sheet

		2023		2022		2021	
SEKm	Note	Financial instruments	Of which derivatives	Financial instruments	Of which derivatives	Financial instruments	Of which derivatives
Assets							
Financial assets, cash and cash equivalents	E2	10,535	1,755	9,352	1,491	5,466	818
Other non-current assets	–	6	6	767	767	656	656
Trade receivables	E3	21,920	–	25,990	–	19,871	–
Other current receivables	D4	228	228	2,158	2,158	3,310	3,310
Total		**32,689**	**1,989**	**38,267**	**4,416**	**29,303**	**4,784**
Liabilities							
Financial liabilities	E4	60,984	4,878	71,515	4,709	58,189	1,154
Other non-current liabilities	D5	155	155	345	345	27	27
Trade payables	–	15,119	–	25,644	–	18,030	–
Other current liabilities	D5	1,755	1,755	1,072	1,072	397	397
Total		**78,013**	**6,788**	**98,576**	**6,126**	**76,643**	**1,578**

E2. Financial assets, cash and cash equivalents

Accounting principles AP

Cash and cash equivalents are defined as cash and bank balances as well as current investments with a maturity of less than three months from the acquisition date. Restricted deposits are not included in cash and cash equivalents. Loan receivables are recognized at amortized cost.

Financial assets measured at amortized cost are continuously reviewed to assess the need for credit loss provisions.

Financial assets, cash and cash equivalents

	Carrying amount		
SEKm	2023	2022	2021
Non-current financial assets			
Financial assets measured at fair value through other comprehensive income	98	92	99
Financial assets measured at amortized cost			
Loan receivables, other	19	22	25
Derivatives	–	9	288
Total BS	**117**	**123**	**412**
Current financial assets			
Financial assets measured at amortized cost			
Financial assets	27	207	183
Loan receivables, other	3,477	3,252	437
Derivatives	1,755	1,482	530
Total BS	**5,259**	**4,941**	**1,150**
Cash and cash equivalents			
Cash and bank balances	3,055	3,781	3,284
Current investments <3 months	2,104	507	620
Total BS	**5,159**	**4,288**	**3,904**
Total financial assets, cash and cash equivalents	**10,535**	**9,352**	**5,466**

Financial assets measured at fair value through comprehensive income relate to an equity instrument which was irrevocably classified without any option of reclassification 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 140. Changes in value excluding exchange gains and losses are recognized in equity under other comprehensive income, while exchange gains and losses are recognized in profit or loss.

Cash and cash equivalents at December 31, 2023 include SEK 2,790m (3,391; 3,115) 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 501m (1,040; 1,719).

E3. Trade receivables

Accounting principles AP

Trade receivables are measured at amortized cost after a provision is made for doubtful receivables. Provisions for doubtful receivables are made using the simplified impairment method in IFRS 9 Financial instruments for trade receivables, meaning the provision is measured at an amount that corresponds to the expected credit losses for the remaining terms of all outstanding trade receivables as per the balance sheet date.

An impairment of trade receivables due to a possible credit loss impacts Essity's operating profit as a selling cost in profit or loss and as a reduction of trade receivables by increasing the provision for doubtful receivables in the balance sheet. When the credit loss has been confirmed, the trade receivable is written off against the provision for doubtful receivables. A credit loss is regarded as confirmed when it has been determined that the customer is unable to fulfill the legal obligation to pay Essity, when debt-collection measures are no longer cost efficient, the customer's operations have ceased or the customer has been declared bankrupt and this process has ended. Essity's Trade receivables are generally current and are not discounted.

Key assessments and assumptions KAA

The measurement of the provision for doubtful receivables is based on a combination of a collective and individual assessment. The collective assessment is based on the historical confirmed credit loss level in relation to net sales in the most recent five-year period, adjusted for changes in credit risk based on current and forward-looking information regarding macroeconomic factors that can impact the payment capacity of customers. These adjustments are made when necessary to take into account changed credit risk due to material changes in financial stability, GDP and employment in the countries where Essity conducts the majority of its sales. Individual assessment of the need to impair doubtful receivables is made in cases when it has been determined that the customer is experiencing financial problems, when no payment has been received for receivables that have long fallen due or because of other significant events, such as financial crises or natural disasters.

Trade receivables

SEKm	2023	2022	2021
Trade receivables, gross	22,162	26,316	20,169
Provision for doubtful receivables TE3:2	–242	–326	–298
Total BS TE3:1	**21,920**	**25,990**	**19,871**

Analysis of credit risk exposure in Trade receivables TE3:1

SEKm	2023	2022	2021
Trade receivables net after provision for doubtful receivables	21,920	25,990	19,871
Whereof: overdue			
< 30 days	2,054	1,976	1,432
30–90 days	459	669	669
> 90 days	600	733	364
Trade receivables, overdue	**3,113**	**3,378**	**2,465**

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 2023, Essity's ten largest customers accounted for 25.8% (23.0; 21.9) of Essity's sales. The single largest customer accounted for 4.4% (4.5; 3.6) of sales. Of the outstanding trade receivables on the balance sheet date 2023, the ten largest customers accounted for 21.7% (18.2; 17.0). Comparative figures for sales and trade receivables have been adjusted and exclude discontinued operations. During 2023, confirmed credit losses on trade receivables amounted to 0.02% (0.01; 0.02) of net sales, confirmed credit losses on trade receivables over the past five years amounted to an average of 0.01% (0.02; 0.02) of net sales. Recognized bad debt losses remain at a low level and despite increased risks arising from increased inflation and geopolitical unrest in the surrounding world, Essity's overall assessment is that the credit risk within the customer segments in the countries where Essity conducts the majority of its sales has not changed materially during 2023. No adjustment was therefore made in the collective assessment (see accounting principles, key assessments and assumptions above) regarding the expected impairment requirement for doubtful receivables in the 2023 year-end accounts. However, Essity continues to monitor development of GDP, financial stability and unemployment and will increase its provision for doubtful receivables if the situation deteriorates.

In total, the Group has collateral mainly in the form of credit insurance taken out amounting to SEK 1,125m (1,239; 1,056). Of this amount, SEK 25m (3; 4) relates to the category trade receivables overdue.

Provision for doubtful receivables TE3:2

SEKm	2023	2022	2021
Value, January 1	**–326**	**–298**	**–238**
Liabilities directly attributable to assets held for sale	63	–	–
Provision for expected credit losses	–33	–52	–83
Confirmed losses	26	17	18
Decrease due to divestments	23	–	0
Decrease due to reversal of provisions for expected credit losses	4	36	18
Translation differences	1	–29	–13
Value, December 31	**–242**	**–326**	**–298**

The expense for the period for doubtful receivables amounted to SEK –29m (–16; –65).

E4. Financial liabilities

Accounting principles AP

The main principle for recognition of Essity's financial liabilities is that they are initially measured at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method.

In cases where loans with fixed interest rates are hedged using derivatives, both the loan and the derivative are measured at fair value through a fair value hedge. Non-current loans that are subject to hedge accounting are discounted to the market interest rate without a credit spread. The cash flows from the interest rate derivatives are discounted to the market interest rate and the changes in value are recognized in profit or loss.

Financial liabilities

SEKm	2023	2022	2021
Non-current financial liabilities			
Bond issues	32,763	38,400	38,559
Derivatives	2,949	4,152	386
Non-current lease liabilities	3,326	3,392	2,891
Other non-current loans with maturities > 1 year < 5 years	971	5,892	5,590
Other non-current loans with maturities > 5 years	5,327	6,406	17
Total BS	**45,336**	**58,242**	**47,443**
Current financial liabilities			
Amortization within one year	55	14	63
Bond issues	6,632	5,599	–
Derivatives	1,930	557	768
Current lease liabilities	812	889	880
Loans with maturities of less than one year	5,989	6,000	8,895
Accrued financial expenses	230	214	140
Total[1] BS	**15,648**	**13,273**	**10,746**
Total financial liabilities	**60,984**	**71,515**	**58,189**
Fair value of financial liabilities excluding leases	55,984	64,324	53,925

1) Fair value of current loans is estimated to be the same as the carrying amount.

Borrowing

Essity has a Euro Medium Term Note (EMTN) program with a program amount of EUR 6,000m (SEK 66,340m) for issuing bonds in the European capital market. As of December 31, 2023, a nominal EUR 3,952m (4,450; 3,930) was outstanding in public and bilateral issues with a remaining maturity of 4.0 years (4.5; 5.2).

Public bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate, %
Notes EUR 600m	2024	6,633	6,633	1.13
Notes SEK 2,150m	2025	2,153	2,173	STIB3M+0.50
Notes SEK 850m	2025	825	822	0.50
Notes EUR 300m	2025	3,250	3,226	1.13
Notes EUR 500m	2026	5,506	5,509	3.00
Notes EUR 500m	2027	5,512	5,288	1.63
Notes EUR 600m	2029	5,696	5,636	0.25
Notes EUR 300m	2030	2,851	2,828	0.50
Notes EUR 700m	2031	6,969	6,292	0.25
Total		**39,395**	**38,407**	

Non-current financial liabilities	Carrying amount, SEKm	Fair value, SEKm
Other non-current loans with maturities > 1 year < 5 years	971	1,326
Other non-current loans with maturities > 5 years	5,327	5,386
Total	**6,298**	**6,712**

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	600
Commercial paper EUR 1,200m	2,764
Total	**3,364**

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.

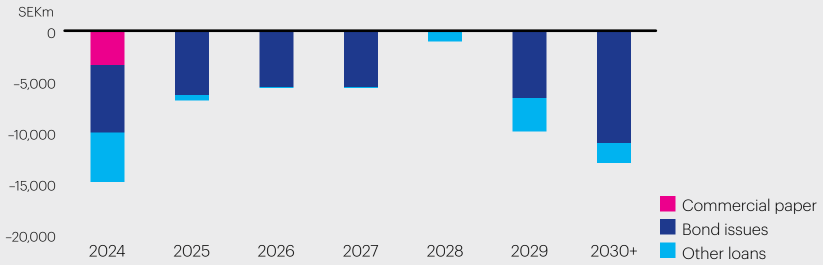
Credit facilities	Nominal	Maturity	Total SEKm	Utilized SEKm	Unutilized SEKm
Syndicated credit facilities	EUR 4,000m[1]	2024	44,226	–	44,226
	EUR 62m	2025	691	–	691
	EUR 938m	2027	10,366	–	10,366
	EUR 1,000m	2028	11,057	–	11,057
Total			**66,340**		**66,340**

1) Essity has a unilateral right to extend the maturity with up to 18 months from December 2024.

Maturity profile of gross debt[1], SEK m	Total	2024	2025	2026	2027	2028	2029	2030+
Commercial paper program	–3,364	–3,364	–	–	–	–	–	–
Bond issues	–41,698	–6,634	–6,317	–5,528	–5,528	–	–6,634	–11,057
Other borrowings	–11,783	–4,838	–509	–102	–57	–1,044	–3,283	–1,951
Total[1]	**–56,846**	**–14,836**	**–6,826**	**–5,630**	**–5,585**	**–1,044**	**–9,917**	**–13,008**

1) Gross debt includes accrued interest in the amount of SEK 348m.

Maturity profile of gross debt[1]



1) Gross debt includes accrued interest in the amount of SEK 348m.

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 49,964m (62,869; 55,433). For a description of the methods used by Essity to manage its refinancing risk, refer to the Risks and risk management section on page 40.

E5. Liquidity risk

The table below shows the Group's liquidity risk regarding financial liabilities (including interest payments), net settled derivatives that constitute financial liabilities and negative cash flows from gross settled derivatives. For a description of the methods used by Essity to manage its liquidity risk, refer to the Risks and risk management section on page 40.

Liquidity risk

SEKm	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
2023				
Loans including interest	13,409	10,545	7,123	23,431
Net settled derivatives	928	1,565	1,386	746
Energy derivatives	1,634	155	–	–
Lease liabilities	1,019	1,508	926	1,291
Trade payables	15,119	0	–	–
Total	**32,109**	**13,773**	**9,435**	**25,468**
Gross settled derivatives[1]	102,341	914	812	590
2022				
Loans including interest	12,492	16,645	11,747	24,588
Net settled derivatives	171	330	344	347
Energy derivatives	998	333	–	–
Lease liabilities	1,082	1,450	937	1,285
Trade payables	25,559	85	–	–
Total	**40,302**	**18,843**	**13,028**	**26,220**
Gross settled derivatives[1]	85,026	1,660	1,120	821
2021				
Loans including interest	9,448	16,708	7,023	21,524
Net settled derivatives	1	–	–	–
Energy derivatives	357	26	–	–
Lease liabilities	947	1,271	743	1,101
Trade payables	17,950	80	–	–
Total	**28,703**	**18,085**	**7,766**	**22,625**
Gross settled derivatives[1]	109,124	924	680	–

1) The gross settled derivatives have, largely, corresponding positive cash flows and therefore, in the opinion of Essity, do not constitute any real liquidity risk.

E6. Derivatives and hedge accounting

Accounting principles AP

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously measured at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below. When using hedge accounting, the relationship between the hedging instrument and the hedged item is documented. Assessment of the effectiveness of the hedge is also documented, both when the transaction is initially executed and on an ongoing basis. Hedge effectiveness is the extent to which the hedging instrument offsets changes in value in a hedged item's fair value or cash flow. The ineffective portion is recognized directly in profit or loss.

Cash flow hedges

Gains and losses on remeasurement of derivatives intended for cash flow hedges are recognized in equity under other comprehensive income and reversed to profit or loss at the rate at which the hedged cash flow affects profit or loss. If a hedge relationship is interrupted and cash flow is still expected, the result is recognized in equity under other comprehensive income until the cash flow affects the result. If the hedge pertains to a balance sheet item, the result is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is determined for the first time. In cases in which the forecast cash flow that forms the basis of the hedging transaction is no longer assessed as probable, the cumulative gain or loss that is recognized in equity under other comprehensive income is transferred directly to profit or loss. Cash flow hedges relating to energy are recognized as energy costs, that is, cost of goods sold. Cash flow hedges related to transaction exposure are recognized in consolidated net sales and expenses.

Hedges of net investments in foreign operations

Gains and losses on remeasurement of derivatives intended to hedge Essity's net investments in foreign operations are recognized in equity under other comprehensive income. The cumulative gain or loss in equity is recognized in profit or loss in the event of divestment of the foreign operation.

Fair value hedges

The gain or loss from remeasurement of a derivative relating to fair value hedges is recognized in profit or loss together with changes in fair value of the hedged asset or liability. For Essity, this means that non-current loans that are subject to hedge accounting are discounted without a credit spread to the market interest rate and meet inherent interest rate derivatives' discounted cash flows at the same interest rate.

Economic hedges

When Essity conducts hedges and the transactions do not meet requirements for hedge accounting according to IFRS 9, changes in fair value of the hedging instrument are recognized directly in profit or loss.

Outstanding derivatives

		Of which		
SEKm	Total	Currency[1]	Interest rate	Energy
2023				
Nominal	138,632	106,756	27,386	4,490
Asset	1,989	1,810	–	179
Liability	6,788	2,218	2,781	1,789
2022				
Nominal	135,197	95,423	31,993	7,781
Asset	4,416	1,522	40	2,854
Liability	6,126	927	3,868	1,331
2021				
Nominal	137,129	111,601	22,755	2,773
Asset	4,784	597	286	3,901
Liability	1,578	894	301	383

1) Nominal SEK 108,717m (110,196; 124,914) is outstanding before the right of set-off.

E6. Derivatives and hedge accounting, cont.

Balance sheet

Essity uses financial derivatives to manage currency, interest rate and energy price risks. For a description of how Essity manages these risks, refer to the section on Risk and risk management on page 40. The table above shows the derivatives that impacted the Group's balance sheet on December 31, 2023. For more information relating to derivatives in the balance sheet, see Note E1 Financial instruments by category on page 148.

Offsetting of outstanding derivatives

SEKm	Assets	Liabilities
December 31, 2023		
Gross amount	1,989	6,788
Offsetable amount	0	0
Net amount recognized in the balance sheet	1,989	6,788
Collateral received/paid	–7	–3,476
ISDA agreements whose transactions are not offset in the balance sheet	–1,442	–1,442
Net after offsetting in accordance with ISDA agreements	**540**	**1,870**
December 31, 2022		
Gross amount	4,436	6,146
Offsetable amount	–20	–20
Net amount recognized in the balance sheet	4,416	6,126
Collateral received/paid	–1,186	–3,252
ISDA agreements whose transactions are not offset in the balance sheet	–2,134	–2,134
Net after offsetting in accordance with ISDA agreements	**1,096**	**740**
December 31, 2021		
Gross amount	4,790	1,584
Offsetable amount	–6	–6
Net amount recognized in the balance sheet	4,784	1,578
Collateral received/paid	–2,090	–264
ISDA agreements whose transactions are not offset in the balance sheet	–1,131	–1,131
Net after offsetting in accordance with ISDA agreements	**1,563**	**183**

Profit or loss

Hedges pertaining to transaction exposure had an impact of SEK –268m (164; 118) on operating profit for the period. At year-end, fair value amounted to SEK –34m (0; 26). Currency hedges increased the cost of non-current assets by SEK 52m (increased: 31; increased: 1). At year-end, fair value amounted to SEK –32m (–15; 0). Energy derivatives had an impact of SEK –2,288m (5,185; 1,857) on operating profit for the period. Energy derivatives had an outstanding fair value of SEK –1,610m (1,523; 3,518) at year-end. Derivatives impacted net interest items for the period in an amount of SEK –1,290m (–585; –19). The net fair value of outstanding interest rate derivatives amounted to SEK –2,781m (–3,828; –15) at year-end. For further information relating to financial items, see Note E7 Financial income and expenses on page 156.

Sensitivity analysis

Essity has performed sensitivity analysis calculations on the financial instruments' risk at December 31, 2023 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 51m (2; 17).

If the Swedish krona had unilaterally weakened/strengthened by 5%, currency hedges relating to the cost of non-current assets would have increased/decreased equity by SEK 1m (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 464m (1,172; 952). In addition to the earnings impact, equity would have increased/decreased by SEK 79m (541; 211). However, the total energy cost for the Group would have been affected differently if the price risk related to supply contracts was taken into account.

Derivatives with hedge accounting

The various risk management strategies are presented in the Risks and risk management section on page 40. The derivatives to which hedge accounting is applied are presented below. Essity also continuously hedges the transaction exposure and energy price risks for the risks that are recognized in the balance sheet and profit or loss. Hedge accounting is not applied in respect of these risks. For currency derivatives, the revaluation from the risks meets derivatives in the financial positions. For energy derivatives, the result is recognized in profit or loss.

IFRS 9 provides the option of hedging risk components. In 2023, 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 2023, SEK 0m (0; 0) was recognized in profit or loss as ineffectiveness concerning the cash flow hedges. Currency derivatives mature until December 2024, while energy derivatives mature until December 2025.

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 720m (–1,397; –1,012) during the year. This result is largely due to hedges of net investments in USD and EUR. In 2023, SEK 0m (0; 0) was recognized in profit or loss as ineffectiveness. The fair value of outstanding hedging transactions at the end of the period was SEK 1,143m (203; –79). In total at year-end, Essity hedged net investments outside Sweden amounting to SEK –16,870m (–14,874; –11,183). Essity's total foreign net investments at year-end amounted to SEK 82,972m (87,796; 77,772). 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 156.

E6. Derivatives and hedge accounting, cont.

		2023		2022		2021	
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	–	–	68	5	117	9
Currency derivatives – cash flow hedges	Other current receivables	355	6	811	29	355	14
Currency derivatives – cash flow hedges	Other non-current liabilities	–	–	176	12	14	1
Currency derivatives – cash flow hedges	Other current liabilities	1,722	61	949	31	281	14
Energy derivatives – cash flow hedges	Other non-current assets	63	5	1,579	761	559	647
Energy derivatives – cash flow hedges	Other current receivables	272	144	1,767	1,616	1,423	2,758
Energy derivatives – cash flow hedges	Other non-current liabilities	556	155	877	333	63	26
Energy derivatives – cash flow hedges	Other current liabilities	3,212	1,417	3,027	976	531	358
Currency derivatives – hedging of net investments	Non-current financial assets	–	–	300	0	–	–
Currency derivatives – hedging of net investments	Current financial assets	25,908	1,293	10,579	334	7,329	158
Currency derivatives – hedging of net investments	Non-current financial liabilities	–	–	450	8	–	–
Currency derivatives – hedging of net investments	Current financial liabilities	7,013	150	6,166	133	9,815	244

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**
2023							
Non-current derivatives							
2025	4,167	–117	110	–7	–	–150	Euribor 6m + 0.514–0.5168, Stibor +0.3375
2026	5,528	–137	120	–17	–	–64	Euribor 6m + 0.5902–0.5904
2029	9,951	–612	581	–31	–	–1,248	Euribor 6m + 0.0517–0.3449
2030	3,317	–212	210	–2	–	–501	Euribor 6m + 0.5077–0.5102
2031	4,423	–303	299	–4	–	–818	Euribor 6m +0.4298
Total	**27,386**	**–1,381**	**1,320**	**–61**	**–**	**–2,781**	
2022							
Current derivatives							
2023	4,449	144	–143	1	40	–	Euribor 6m + 0.7215–0.73165
Non-current derivatives							
2025	4,187	308	–302	6	–	–226	Euribor 6m + 0.514–0.5168, Stibor +0.3375
2026	5,561	184	–157	27	–	–148	Euribor 6m + 0.5902–0.5904
2029	10,010	1,593	–1,598	–5	–	–1,769	Euribor 6m + 0.0517–0.3449
2030	3,337	606	–617	–11	–	–666	Euribor 6m + 0.5077–0.5102
2031	4,449	882	–893	–11	–	–1,059	Euribor 6m + 0.4298
Total	**31,993**	**3,717**	**–3,710**	**7**	**40**	**–3,868**	
2021							
Non-current derivatives							
2023	4,092	91	–96	–5	185	–	Euribor 6m + 0.7215–0.73165
2025	3,919	73	–73	0	101	–7	Euribor 6m + 0.514–0.5168, Stibor + 0.3375
2029	6,138	156	–121	35	0	–113	Euribor 6m + 0.3449
2030	3,069	119	–124	–5	0	–34	Euribor 6m + 0.5077–0.5102
2031	4,092	165	–157	8	0	–146	Euribor 6m + 0.4298
Total	**21,310**	**604**	**–571**	**33**	**286**	**–300**	

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
2023							
Derivatives with hedge accounting in hedge reserve							
Cash flow hedges							
Energy risk	149	–1,572	–1,423	386	–1,037	1,665	[3]
Currency risk	6	–63[5]	–57	16	–41	68	[4]
Total	**155**	**–1,635**	**–1,480**	**402**	**–1,078**		
Derivatives with hedge accounting without hedge reserve							
Hedges of net investments in foreign operations							
Currency risk[2]	1,293	–150	1,143				
Fair value hedges							
Interest rate risk	–	–2,781	–2,781				
Total	**1,448**	**–4,566**	**–3,118**	**402**	**–1,078**		
2022							
Derivatives with hedge accounting in hedge reserve							
Cash flow hedges							
Energy risk	2,377	–1,309	1,068	–289	779	–5,260	[3]
Currency risk	41[5]	–43	–2	2	–	39	[4]
Total	**2,418**	**–1,352**	**1,066**	**–287**	**779**		
Derivatives with hedge accounting without hedge reserve							
Hedges of net investments in foreign operations							
Currency risk[2]	350	–145	205				
Fair value hedges							
Interest rate risk	40	–3,868	–3,828				
Total	**2,808**	**–5,365**	**–2,557**	**–287**	**779**		
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**		

1) Outstanding derivatives with hedge accounting are included in the table Outstanding derivatives.
2) Derivatives before offsetting.
3) Cost of goods sold.
4) Cost of goods sold, Net sales and Property, plant and equipment.
5) Of which SEK –2m is realized and included in cash and cash equivalents.

E6. Derivatives and hedge accounting, cont.

The results from hedging of net investments in foreign operations are recognized in the translation reserve, refer to Note E8 Equity on page 156. 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 half of 2024. At unchanged exchange rates, profit after tax will be affected in an amount of SEK –16m (5; 6). Currency derivatives relating to hedging of the cost of non-current assets mature until November 2024. At unchanged exchange rates, the cost of non-current assets will increase by SEK 25m (increase by 5; unchanged) after tax. The derivatives intended to hedge energy costs in the Group mature during 2024 and 2025. At unchanged prices, the Group's profit after tax will be affected negatively in an amount of SEK 1,037m (positive 779; positive 2,215).

E7. Financial income and expenses

Financial income and expenses

SEKm	2023	2022	2021
Result from non-current financial assets			
Dividend	1	2	–
Interest income and similar profit items			
Interest income, investments	411	139	65
Other financial income	0	0	16
Total financial income IS	**412**	**141**	**81**
Interest expenses and similar loss items			
Interest expenses, borrowings	–1,259	–690	–523
Interest expenses, derivatives	–1,220	–592	–52
Interest expenses, lease liabilities	–138	–98	–70
Fair value hedges, unrealized	–70	7	33
Other financial expenses	–81	–88	–36
Total financial expenses IS	**–2,768**	**–1,461**	**–648**
Total OCF	**–2,356**	**–1,320**	**–567**

Other financial income and expenses include an exchange difference of SEK –43m (–38; 16).

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 219m (332; 0) higher/lower. Sensitivity analysis calculations have been performed on the risk to which Essity was exposed at December 31, 2023 using assumptions on market movements that are regarded as reasonably possible in one year's time.

For a description of the methods used by Essity to manage its interest rate risk, refer to the Risks and risk management section on page 40.

E8. Equity

Accounting principles AP

Total equity is defined as equity attributable to owners of the Parent company and non-controlling interests. Equity attributable to owners of the Parent company includes reserves and retained earnings.

Reserves

Hedge reserve

Gains and losses on remeasurement of derivatives intended for cash flow hedges are recognized in the hedge reserve as a component of other comprehensive income and reversed to profit or loss at the rate at which the hedged cash flow affects profit or loss. See also Note E6 Derivatives and hedge accounting on page 152 for further information on the accounting principles for derivatives used to hedge cash flows.

Fair value through other comprehensive income

Essity has a financial asset that consists of an equity instrument for which an irrevocable choice was made to, from initial recognition, recognize the asset at fair value in the fair value reserve in other comprehensive income without the option of reclassification to profit or loss.

Translation reserve

Exchange rate differences arising upon the translation of the financial statements of foreign operations, that have prepared their financial statements in a currency other than the currency in which the Group's financial statements are presented, are recognized in the translation reserve as a component of other comprehensive income. Gains and losses on remeasurement of derivatives intended to hedge Essity's net investments in foreign operations are also recognized in the translation reserve as a component of other comprehensive income. The cumulative gain or loss in the translation reserve is recognized in profit or loss in the event of divestment of the foreign operation.

Retained earnings

Retained earnings includes profits for the period and previous years earned in the Parent company, subsidiaries and associates.

Non-controlling interests

Non-controlling interests are recognized as a separate item in consolidated equity.
Refer also to accounting principles relating to acquisition of non-controlling interests in Note F5 Acquisitions and divestments of Group companies and other operations on page 162.

Call/put options issued for future acquisitions of non-controlling interests

The call option gives Essity the right to buy the seller's remaining share either at a fixed price or at fair value at the future time when the option is exercised. The put option gives the seller the right to sell the remaining share either at a fixed price or at fair value at the future time when the option is exercised. The amount to be paid is initially recorded at present value as a financial liability. The liability is revalued and the change is reported in equity. If the options are not exercised at maturity, the liability will be reclassified to equity. Accordingly, in accounting terms, the acquisition is treated as though 100% of the company had been acquired.

Repurchase of shares

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.

E8. Equity, cont.

The Annual General Meeting on March 29, 2023 resolved to distribute SEK 7.25 per share as an ordinary dividend to shareholders, or a total of SEK 5,092m. For the 2023 fiscal year, the Board of Directors proposes an ordinary dividend of SEK 7.75 per share, or a total of SEK 5,443m. Equity totaled SEK 79,405m (76,564; 68,507) at December 31, 2023. Pages 109–110 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.

At December 31, 2023, the debt/equity ratio amounted to 0.68 (0.82; 0.81). Changes in liabilities and equity are described in the Financial position section on page 39. Essity's target for capital structure is to establish an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt is to be taken into consideration with the aim of maintaining a solid investment grade rating.

Essity has a credit rating for long-term debt of Baa1 from Moody's and BBB+ from Standard & Poor's. Essity's financial risk management is described in the Risk and risk management section on page 40. The Essity share section on page 9 outlines Essity's dividend policy, while its capital structure is described in the Targets and outcomes section on page 23.

Equity, specification of reserves TE8:1

	Hedge reserve[1]			Fair value through other comprehensive income			Translation reserve			Total reserves in Equity		
SEKm	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Value, January 1	**779**	**2,221**	**141**	**–3**	**10**	**10**	**10,701**	**4,078**	**323**	**11,477**	**6,309**	**474**
Fair value through other comprehensive income				0	3	0				0	3	–
Cash flow hedges:												
Result from remeasurement of derivatives recognized in equity	–4,360	3,110	4,142	5	–16					–4,355	3,094	4,142
Transferred to profit or loss for the period	1,681	–5,252	–1,363							1,681	–5,252	–1,363
Acquired cash flow hedges			11									11
Translation differences in foreign operations[2]	59	108	33				–796	7,733	4,559	–737	7,841	4,592
Gains/losses from hedges of net investments in foreign operations							720	–1,397	–1,012	720	–1,397	–1,012
Tax on items recognized directly in/transferred from equity	711	561	–744	–0	0	0	–128	287	208	583	848	–536
Other comprehensive income for the period, net of tax	**–1,909**	**–1,473**	**2,079**	**5**	**–13**	**0**	**–204**	**6,623**	**3,755**	**–2,108**	**5,137**	**5,834**
Transfer to cost of non-current assets concerning hedged investments, net of tax	52	31	1							52	31	1
Value, December 31	**–1,078**	**779**	**2,221**	**2**	**–3**	**10**	**10,497**	**10,701**	**4,078**	**9,421**	**11,477**	**6,309**

1) See also Note E6 Derivatives and hedge accounting on page 152 for details of when gains or losses are expected to be recognized.
2) Transfer to profit or loss of realized translation difference relating to divested and liquidated companies is included in the amount of SEK –1,102m (–; –60).

Specification of income tax attributable to components in other comprehensive income TE8:2

	2023			2022			2021		
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	1,334	–162	1,172	2,299	–662	1,637	–148	–13	–161
Fair value through other comprehensive income	5	1	6	–16	3	–13	0	0	0
Cash flow hedges	–2,679	711	–1,968	–2,142	561	–1,581	2,779	–744	2,035
Translation differences in foreign operations	–270		–270	8,216	–	8,216	4,396	–	4,396
Other comprehensive income from associates				–	–	–	15	–3	12
Gains/losses from hedges of net investments in foreign operations	572	–99	473	–1,435	295	–1,140	–1,006	207	–799
Total, continuing operations	**–1,038**	**451**	**–587**	**6,922**	**197**	**7,119**	**6,036**	**–553**	**5,483**
Total, discontinued operations	–902	–30	–932	133	–8	125	1,078	1	1,079
Other comprehensive income for the period	**–1,940**	**421**	**–1,519**	**7,055**	**189**	**7,244**	**7,114**	**–552**	**6,562**

F. Group structure

F1. Group companies

Accounting principles AP

Group companies
The companies which Essity has control over 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. Essity owns 100% of most of the group companies which means that Essity has control. Essity owns 52% of Vinda, which is deemed to give Essity control over the operation. For further information, see Note G4 on page 167.

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 . 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.

Call and put options issued to Essity and holders of non-controlling interest in acquisitions of group companies
The call option gives Essity the right to buy the seller's remaining share either at a fixed price or at fair value at the future time when the option is exercised. The put option gives the seller the right to sell the remaining share either at a fixed price or at fair value at the future time when the option is exercised. The amount to be paid is initially recorded at present value as a financial liability. The liability is revalued and the change is reported in equity. If the options are not exercised at maturity, the liability will be reclassified to equity. Accordingly, in accounting terms, the acquisition is treated as though 100% of the company had been acquired.

List of major Group companies
The Group's participations in major Group companies at December 31, 2023 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 that exceed SEK 1,000m in 2023.

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2023	Share of equity at December 31, 2022	Share of equity at December 31, 2021
Essity Australasia Limited	1470756	Auckland, New Zealand	100	100	100
Essity Australasia Pty Ltd	005 442 375	Springvale, Australia	100	100	100
BSN medical GmbH	HRB 124187	Hamburg, Germany	100	100	100
BSN Medical Inc.	3269728	North Carolina, USA	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 Canada Inc.	10470 9431	Ontario, Canada	100	100	100
Essity Centroamérica S.A.	3-101-211115	San José, Costa Rica	100	100	100
Essity Chile S.A.	94.282.000-3	Santiago de Chile, Chile	100	100	100
Essity Czech Republic s.r.o.	485 36 466	Prague, Czech Republic	100	100	100
Essity Denmark A/S	DK20 638 613	Allerød, Denmark	100	100	100
Essity Distribution B.V.	75490080	Amsterdam, Netherlands	100	100	100
Essity do Brasil Indústria e Comércio Ltda	72.899.016/0001-99	Jarinu, Brazil	100	100	100
Essity France SAS	509 395 109	Saint-Ouen, France	100	100	100
Essity Germany GmbH	HRB 713 332	Mannheim, Germany	100	100	100
Essity Higiene y Salud México S.A. de C.V.	SCM-931101-3S5	Mexico City, Mexico	100	100	100
Essity HMS North America Inc.	23-3036384	Delaware, USA	100	100	100
Essity Holding Netherlands B.V.	30-135 724	Zeist, Netherlands	100	100	100
Essity Hungary Kft.	01-09-716945	Budapest, Hungary	100	100	100
Essity Hygiene and Health AB	556007-2356	Gothenburg, Sweden	100	100	100
Essity Italy S.p.A.	3 318 780 966	Altopascio, Italy	100	100	100
Essity LLC	1024700877200	Moscow, Russia	0	100	100
Essity Norway AS	915 620 019	Oslo, Norway	100	100	100
Essity PLD France	509 599 619	Saint-Ouen, France	100	100	100
Essity Operations Allo, S.L.	B31235260	Allo, Spain	100	100	100
Essity Operations France SAS	702 055 187	Saint-Ouen, France	100	100	100
Essity Operations Mainz-Kostheim GmbH	HRB 5301	Mainz-Kostheim, Germany	100	100	100
Essity Operations Manchester Ltd	4119442	Dunstable, UK	100	100	100
Essity Operations Mannheim GmbH	HRB 3248	Mannheim, Germany	100	100	100
Essity Operations Neuss GmbH	HRB 14343	Neuss, Germany	100	100	100
Essity Operations Poland Sp. z.o.o.	KRS No. 0000086815	Olawa, Poland	100	100	100
Essity Operations Wausau LLC	41-2218501	Wisconsin, USA	100	100	100
Essity PLD Belgium SA/NV	0794400504	Stembert, Belgium	100	100	0
Essity PLD Germany GmbH	HRB 745270	Mannheim, Germany	100	100	0
Essity PLD Italy SpA	12142310155	Porcari, Italy	100	100	0
Essity PLD Netherlands BV	86987496	Zeist, Netherlands	100	100	0
Essity Poland Sp. z.o.o	KRS No. 0000427360	Warsaw, Poland	100	100	100
Essity Professional Hygiene Germany GmbH	HRB 710 878	Mannheim, Germany	100	100	100
Essity Professional Hygiene North America LLC	58-2494137	Delaware, USA	100	100	100
Essity Slovakia s.r.o.	36590941	Gemerska Horska, Slovakia	100	100	100
Essity Spain, S.L.	B28451383	Puigpelat, Spain	100	100	100
Essity Switzerland AG	CH-020.3.917.992-8	Schenkon, Switzerland	100	100	100
Essity UK Ltd.	3226403	Dunstable, UK	100	100	100
Familia del Pacifico S.A.S.	8170006802	Guachene Cauca, Colombia	96	96	96
Knix Wear Inc.	84921 1842 RC0002	Toronto, Canada	80	80	0
OY Essity Finland AB	0165027-5	Espoo, Finland	100	100	100
Productos Familia del Sancela Ecuador S.A.	1791314379001	Quito, Ecuador	96	96	96
Productos Familia S.A. Colombia	8909001619	Medellin, Colombia	96	96	96
Vinda International Holdings Ltd.	90235	Hong Kong, China	52	52	52

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 ownership in Vinda amounts to 52%. As of the fourth quarter of 2023, Essity classifies Vinda's financial reporting as discontinued operations. For further information, see Note G4 on page 167.

Knix

In September 2022, Essity acquired 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The agreement with the seller includes a call/put option to buy/sell the remaining shares in three years at fair value when the option can be redeemed. The amount to be paid if the option is exercised is initially recorded at present value as a liability in Essity's balance sheet. Accordingly, in accounting terms, the acquisition is treated as though 100% of the company had been acquired.

Familia

Productos Familia S.A., Colombia (Familia) operates in the South American market and sells Health & Medical, Consumer Goods and Professional Hygiene products. On August 31, 2021, Essity increased its ownership in Familia from 50% to 95.8%. Already prior to this transaction, Essity was deemed to have a controlling influence over Familia since Essity had control of the activities with the most significant impact on Familia's return.

Financial information is disclosed below for Familia pertaining to 2021 for the period until Essity increased its ownership from 50% to 95.8%. 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.

Group companies with significant non-controlling interests, 100% of operations[1]

	Familia		
SEKm	**2023**	**2022**	**2021**
Condensed income statement			
Net sales			4,394
Operating profit before amortization of acquisition-related intangible assets			713
Operating profit			709
Profit for the period			538
of which attributable to owners of the Parent company			269
Other comprehensive income for the period			–99
of which attributable to owners of the Parent company			–51
Comprehensive income for the period			**439**
of which attributable to owners of the Parent company			218
of which attributable to non-controlling interests			221
Dividend to non-controlling interests			190

1) For more information about the companies, refer to the list of major Group companies on page 158.

F3. Investments in associates and joint ventures

Accounting principles AP

Joint arrangements

Essity classifies its joint arrangements as joint ventures or joint operations, which are presented in Note F4 on page 161.

Associates

Associates are companies in which the Group exercises a significant influence without the partly owned company being a Group company or a joint arrangement. Normally, this means that the Group owns between 20% and 50% of the votes. Accounting for associates is carried out according to the equity method and they are initially measured at cost. Valuation of acquired assets and liabilities is performed in the same manner as for Group companies and the carrying amount for associates includes any goodwill and other Group adjustments.

The Group's share of profit after tax arising in the associate after the acquisition is recognized as a component of one line in the consolidated income statement "Share of results of associates and joint ventures". Share of profits is calculated on the basis of Essity's share of equity in the respective associate.

Joint ventures

Joint ventures are defined as companies in which Essity together with other parties through an agreement, has shared control over operations. A joint venture entitles the joint owners to the net assets of the investment. Joint ventures are recognized in accordance with the equity method, meaning that a net item including the goodwill will be recognized for each joint venture in the balance sheet. A share in profits is recognized in the income statement as a component of "Share of results of associates and joint ventures". Share of profits is calculated on the basis of Essity's share of equity in the respective joint venture. Joint arrangements recognized in accordance with the equity method are initially measured at cost. Measurement of acquired assets and liabilities is carried out in the same way as for Group companies.

Carrying amounts of investments in associates and joint ventures

SEKm	**2023**	**2022**	**2021**
Associates			
Value, January 1	**60**	**49**	**658**
Assets held for sale	–3		
Share of results of associates	23	6	40
Other comprehensive income recognized in equity	–	–	15
Dividends received	–17	–	–64
Reclassification between associates and Group companies	–	–	–565
Items affecting comparability	–	–	–52
Translation differences	–1	5	17
Value, December 31	**62**	**60**	**49**
Joint ventures			
Value, January 1	**231**	**190**	**189**
Share of results of joint ventures	16	32	18
Dividends received	–14	–9	–8
Reclassification between joint operation and joint venture	–	–	8
Items affecting comparability	–	–	–22
Translation differences	–1	18	5
Value, December 31	**232**	**231**	**190**
Value, December 31, investments in associates and joint ventures BS TF3:1	**294**	**291**	**239**

Contents

F3. Investments in associates and joint ventures, cont.

Associates and joint ventures

Associates
Asaleo Care Ltd (Asaleo Care) manufactures and markets Health & Medical, Consumer Goods and Professional Hygiene products. Essity has licensed its Tork and TENA brands to Asaleo Care for sale in Australia, New Zealand and Fiji.

On July 1, 2021, Essity increased its ownership stake in Asaleo Care from 36% to 100%. For this reason, Asaleo Care is no longer classified as an associate since July 1, 2021.

Joint ventures
Bunzl & Biach GmbH (Bunzl & Biach) in Austria trades in recovered paper (ownership interest 49%).

ProNARO GmbH in Germany trades in wood raw materials and due to its size it can negotiate favorable prices, optimize inventory levels and reduce lead times and costs when purchasing timber for its customers (ownership interest 50%).

American Fiber Services LLC in the USA has operations in fiber sourcing and supplies wood raw materials to its customers (ownership interest 50%).

Material investments in associates and joint ventures, 100% of operations TF3:1

	Associates Asaleo Care			Joint ventures Bunzl & Biach			Total		
SEKm	**2023**	**2022**	**2021[1]**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Condensed income statement									
Net sales			1,374	1,310	2,331	2,487	1,310	2,331	3,861
Depreciation			–89	–21	–19	–18	–21	–19	–107
Operating profit/loss			–42	40	41	39	40	41	–4
Interest income			–	–	–	–	–	–	–
Interest expenses			–26	–	–	–	–	–	–26
Other financial items			–1	2	2	–	1	2	–1
Tax expense			10	–14	–12	–10	–14	–12	–
Profit for the period			–59	28	39	29	28	39	–30
Other comprehensive income for the period			43	–	–	–	–	–	43
Comprehensive income for the period			**–16**	**28**	**39**	**29**	**28**	**39**	**13**
Condensed balance sheet									
Non-current assets				232	197	181	232	197	181
Cash and cash equivalents				90	95	17	90	95	17
Other current assets				256	322	502	256	322	502
Total assets				**578**	**614**	**700**	**578**	**614**	**700**
Non-current financial liabilities				95	114	169	95	114	169
Other non-current liabilities				10	69	109	10	69	109
Current financial liabilities				15	23	21	15	23	21
Other current liabilities				149	99	138	149	99	138
Total liabilities				**269**	**305**	**437**	**269**	**305**	**437**
Net assets				**309**	**309**	**263**	**309**	**309**	**263**
Group share of net assets				151	151	129	151	151	129
Surplus value				50	49	38	50	49	38
Carrying amount of the companies				**201**	**200**	**167**	**201**	**200**	**167**
Carrying amount of other associates	62	60	49			–	62	60	49
Carrying amount of other joint ventures				31	31	23	31	31	23
Carrying amount of investments in associates and joint ventures BS TF3:2	**62**	**60**	**49**	**232**	**231**	**190**	**294**	**291**	**239**

1) Relates only to the period January to June 2021. 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 TF3:2

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2023 %	Share of equity at December 31, 2022 %	Share of equity at December 31, 2021 %	Carrying amount December 31, 2023 SEKm	Carrying amount December 31, 2022 SEKm	Carrying amount December 31, 2021 SEKm
Associates								
Other						62	60	49
Joint ventures								
Bunzl & Biach GmbH	FN 79555 v	Vienna, Austria	49	49	49	201	200	167
Other						31	31	23
Carrying amount, December 31 BS TF3:1						**294**	**291**	**239**

F4. Joint operations

Accounting principles AP

Joint operations are defined as companies in which Essity, together with other parties through an agreement, has shared control over operations. In joint operations, parties to the agreement have rights to the assets and obligations for the liabilities associated with the investment, meaning that the operator must account for its share of the assets, liabilities, revenues and costs according to the proportional method.

Measurement of acquired assets and liabilities according to the proportional method is carried out in the same way as for Group companies. Essity recognizes its proportional share of the company's assets, liabilities, revenues and costs in its financial statements. For more information on joint operations, refer to Note G3 on page 166.

Joint operations

Company name	Corp. Reg. No.	Domicile	Share of equity at December 31, 2023 %	Share of equity at December 31, 2022 %	Share of equity at December 31, 2021 %
Uni-Charm Mölnlycke B.V.	02-330 631	Hoogezand, Netherlands	40	40	40
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.

Nokianvirran Energia

Essity has entered into an agreement with two other stakeholders to form a joint so-called mankala company in the Finnish energy market, where the joint parties produce heat and steam from biofuel. Each party in the joint operation is obligated to bear a portion of the fixed costs in proportion to its holding in the company and to pay for the raw materials used in the production of heat and steam in proportion to its consumption.

Accordingly, the company is not profit-driven since the parties themselves bear their respective costs. The company is expected to generate near-zero profit and thus is not exposed to any commercial risk.

F5. Acquisitions and divestments of Group companies and other operations

Accounting principles AP

Acquisitions of Group companies and other operations
Essity applies IFRS 3 Business Combinations for acquisitions. In business combinations, acquired assets and assumed liabilities are identified and recognized at fair value on the date of acquisition (also known as purchase price allocation). The purchase price allocation also includes an assessment of whether there are any assets that are intangible in nature, such as technologies, trademarks, patents, customer relations or similar assets that are not recognized in the acquired unit. If the purchase consideration paid is higher than the net value of the acquired assets and assumed liabilities, the difference is recognized as goodwill. Any surplus value on property, plant and equipment is depreciated over the estimated useful life of the asset. Goodwill and strong trademarks with indefinite useful lives are not amortized; instead, they are subjected to annual impairment testing. Some trademarks and customer relations are amortized over their estimated useful lives. A purchase price allocation is considered preliminary until it is confirmed. A preliminary purchase price allocation is changed as soon as new information regarding assets/liabilities on the acquisition date is obtained, although the acquisition balance sheet must be confirmed not later than one year from the date of the acquisition.

If the transferred consideration is contingent on future events, it is measured at fair value and any changes in value are recognized in profit or loss.

Transaction costs in conjunction with acquisitions are expensed when they occur.

Companies acquired during the period are included in the consolidated financial statements as of the acquisition date. Divested companies are included in the consolidated financial statements until the divestment date.

Non-controlling interests
Acquisitions of non-controlling interests are measured on an acquisition-by-acquisition basis, either as a proportional share of the fair value of identifiable net assets excluding goodwill (partial goodwill) or at fair value, which means that goodwill is also recognized on non-controlling interests (full goodwill).

In step acquisitions in which a controlling influence is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling influence is lost upon the divestment of an operation, the result is recognized in profit or loss and the portion of the divested operation that remains in the Group is measured at fair value on the divestment date, with the remeasurement effect recognized in profit or loss.

Increases in the ownership stake of Group companies after controlling influence is achieved are recognized as an equity transaction, meaning the difference between the purchase consideration paid and the carrying amount of the non-controlling interests is recognized as an increase or decrease in equity attributable to owners of the Parent company. The same accounting procedure applies for divestments that take place without the loss of a controlling influence.

Acquisitions in 2023
Essity completed no acquisitions in 2023.

Acquisitions in 2022
Legacy
On February 2, 2022, Essity acquired Legacy Converting, Inc., a USA-based company that operates in professional wiping and cleaning products. The company has about 30 employees. The final purchase price amounts to USD 39m (SEK 362m) with a potential additional earn-out amount of USD 10m (SEK 94m) on a cash and debt-free basis excluding financial lease liabilities.

Modibodi
On July 7, 2022, Essity announced that the company has acquired the Australian company Modibodi, a leading leakproof apparel company in Australia, New Zealand and the UK. The purchase price amounts to AUD 141m (approximately SEK 1bn) on a cash and debt-free basis. Modibodi has about 45 employees and headquarters in Sydney, Australia. Modibodi was consolidated into Essity's accounts from August 1, 2022.

Knix
On July 8, 2022, Essity announced that the company had acquired 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The transaction was finalized on September 1, 2022. The agreement with the seller includes a call/put option to buy/sell the remaining shares in three years at fair value when the option can be redeemed. The amount to be paid if the option is exercised is initially recorded at present value as a liability in Essity's balance sheet. Accordingly, in accounting terms, the acquisition is treated as though 100% of the company had been acquired. The purchase price amounted to CAD 430m (SEK 3.5bn) on a cash and debt-free basis for 80% of the company.

Acquisitions in 2021
ABIGO Medical AB
On May 14, 2021, Essity acquired the remaining 25% of the shares of ABIGO Medical AB, making the company a wholly owned subsidiary. The purchase consideration paid for the remaining 25% amounted to SEK 228m.

Asaleo Care Ltd
On July 1, 2021, Essity acquired the remaining 63.8% of the shares in the hygiene company Asaleo Care. Up until June 30, Essity – with its holding of 36.2% of the shares – has been the largest shareholder of Asaleo Care, which prior to the acquisition was listed on the Australian Securities Exchange. Up until the acquisition of the remaining shares, Asaleo Care was recognized as an associate according to the equity method. Essity has paid AUD 1.40 cash per share, a total of AUD 486m. The consideration entails an implicit value for all shares, including the previous holding, of AUD 760m (approximately SEK 4.9bn) and assumed net debt amounts to approximately AUD 196m. Essity's previous holding in Asaleo Care of 36.2% has, according to IFRS, been remeasured on July 1, resulting in a positive extraordinary remeasurement effect of AUD 110m (SEK 706m) in the third quarter. The remeasurement effect was calculated on the basis of the cash offer, less the assessed control premium contained therein.

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, 2021, Essity acquired 100% of the shares in AquaCast Liner LLC, a specialist orthopedics company that supplies waterproof cast liners in the USA market. The purchase price is not material and is not disclosed. The net assets included in the acquisition were not material. The company has four employees.

Hydrofera LLC
On December 29, 2021, Essity acquired 100% of the shares in the USA-based company Hydrofera LLC, which produces and markets Hydrofera Blue Antibacterial Wound Dressings, an advanced line of wound care products designed to shorten healing times, lower treatment costs and deliver better patient outcomes. The company has about 90 employees.

F5. Acquisitions and divestments of Group companies and other operations, cont.

Acquisitions of Group companies and other operations
The table below shows the fair value of acquired net assets recognized on the acquisition date, recognized goodwill and the effect on the Group's cash flow statements.

Acquisition balance sheets

SEKm	2023	2022	2021
Intangible assets	–	2,274	2,541
Property, plant and equipment and right-of-use assets	4	247	1,074
Other non-current assets	26	31	–
Operating assets	–3	669	1,178
Cash and cash equivalents	–	49	185
Provisions and other non-current liabilities	–16	–632	–479
Net debt excluding cash and cash equivalents	–4	–144	–1,425
Operating liabilities	3	–353	–658
Fair value of net assets	**10**	**2,141**	**2,416**
Goodwill	–14	3,608	3,398
Non-transferred consideration, recognized as a liability	–	–908	69
Consolidated value of share in associates	–	–	–565
Revaluation of previously owned shares in associates	–	–	–706
Non-controlling interests	–	3	1,919
Acquisition of non-controlling interests recognized in equity attributable to owners of the Parent company	–	10	4,042
Consideration transferred	**–4**	**4,854**	**10,573**
Consideration transferred	4	–4,854	–10,573
Settled debt pertaining to acquisitions in earlier years	–182	–6	–
Cash and cash equivalents in acquired companies	–	49	185
Effect on Group's cash and cash equivalents, acquisition of Group companies and other operations CF	**–178**	**–4,811**	**–10,388**
of which recognized as acquisitions in investing activities	–178	–4,798	–4,427
of which recognized as acquisitions of non-controlling interests in financing activities	–	–13[1]	–5,961[1]
Acquired net debt excluding cash and cash equivalents	–4	–144	–1,425
Acquisitions of Group companies and other operations during the period, including net debt assumed OCF	**–182**	**–4,955**	**–11,813**

1) Relates to the acquisition of 45.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia").

F5. Acquisitions and divestments of Group companies and other operations, cont.

Adjustment of preliminary acquisition balance sheets 2022
All purchase price allocations related to acquisitions in 2022 that were not finalized in December 2022 were finalized without any significant adjustment in 2023.

Divestments of Group companies and other operations
Essity began work in April 2022 to exit the Russian market and in 2022 an impairment was carried out of the company's assets in Russia of approximately SEK 1.7bn. On July 17, 2023, Essity divested its operations in Russia for a purchase price of SEK 1,171m on a debt-free basis. The earnings impact amounted to SEK 549m excluding the reclassification of accumulated currency translation differences. Including the reclassification of accumulated currency translation differences, earnings amounted to SEK –553m. In 2022, Essity's net sales in Russia corresponded to about 2% of its total consolidated net sales.

In September 2023, Essity divested a separate manufacturing and sterilization facility in New Zealand, pertaining to bandages for post-operative wounds intended for the local market, for a purchase price of SEK 63m. The earnings impact amounted to SEK 29m.

Total capital gain, excluding the reclassification of accumulated currency translation differences for divestments in Russia and New Zealand, amounted to SEK 578m. Including the reclassification of realized negative currency translation differences totaling SEK –1,102m, the net loss amounted to SEK –524m, which is reported as an item affecting comparability.

No divestments took place in 2022.

In 2021, Essity deconsolidated its 50% shareholding in ProNARO and began to recognize the company according to the equity method. Essity previously recognized ProNARO as a joint operation according to the proportional method.

In conjunction with the process concerning the acquisition of the remaining 25% of the shares in ABIGO Medical AB, in July 2021 Essity – in accordance with the terms of the agreement – divested ABIGO Medical's pharma operations to the company's founder for SEK 32m. In July 2021, Essity received SEK 18m in payment for a previously unpaid purchase consideration from the divestment in 2020 of its 49% stake in Sancella Tunisia, and SEK 8m in payment for the receivable on the sales proceeds concerning the divestment of a minor operation in Medical Solutions in Brazil in 2019.

The capital gain excluding reclassification of realized currency translation differences for all divestments amounted to SEK 39m in 2021. Including reclassification of realized negative currency translation differences totaling SEK 60m for liquidated Group companies in the Philippines and the previous holding of 36.2% in the associate Asaleo Care, the net loss amounted to SEK 21m.

Assets and liabilities included in divestments of Group companies and other operations

SEKm	2023	2022	2021
Intangible assets	–	–	2
Property, plant and equipment and right-of-use assets	10	–	–
Other non-current assets	–	–	–1
Operating assets	1,100	–	35
Cash and cash equivalents	895	–	44
Net debt excluding cash and cash equivalents	–15	–	–16
Operating liabilities	–439	–	–68
Gain/loss on sale[1]	578	–	39
Compensation received	**2,129**	**–**	**35**
Less:			
Cash and cash equivalents in divested companies	–895	–	–44
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 CF	**1,234**	**–**	**17**
Less:			
Payment of financial receivable for previously unpaid purchase consideration	–	–	–18
Add:			
Divested net debt excluding cash and cash equivalents	15	–	16
Divestments of Group companies and other operations during the period, including net debt transferred OCF	**1,249**	**–**	**15**

1) Excluding reversal of realized translation differences of SEK –1,102m (–; –60) in divested companies to profit or loss. Gain/loss on divestments is included in items affecting comparability in profit or loss.

G. Other

G1. Leases

Accounting principles AP

When a contract is signed it is assessed if the contract is or contains a lease. A contract is or contains a lease if:
- it contains an identified asset
- Essity is entitled to essentially all economic benefits arising from the use of the identified asset
- Essity is entitled to control the use of the asset

If any of the above conditions are not met, the contract is not regarded as a lease or containing a lease and is therefore classified as a service contract.

On the commencement date of the lease, meaning when the asset becomes available for use by Essity, a right-of-use asset and a financial liability are recognized in the balance sheet.
The right-of-use asset is measured at cost and includes the following:
- the value of the amount of the lease liability
- lease payments made on or before the commencement date, after deductions for any benefits received in conjunction with signing the lease
- initial direct fees
- an estimate of expenses expected to be paid to restore the asset to the condition as stipulated in the terms of the lease

The right-of-use asset is depreciated on a straight-line basis over the shorter period of the asset's anticipated useful life and the lease term. The lease term is assessed on the basis of the length of the underlying contract taking into consideration the cancellation and renewal options.

The lease liability is measured at the present value of the following lease payments:
- fixed fees, less any incentive receivables
- variable lease payments due to an index or rate
- amounts expected to be paid in accordance with residual value guarantees
- the exercise price for a purchase option, if Essity is reasonably certain of exercising the option
- financial penalties to be paid on termination of the lease, if the lease term reflects that Essity will utilize this option

Lease payments are normally discounted using Essity's incremental borrowing rate as the implicit rate of the lease cannot be readily determined in most cases. The incremental borrowing rate used is determined on the basis of the contract currency of the agreement and the length of the lease.

The lease liabilities are recognized under the headings Non-current financial liabilities or Current financial liabilities. Lease liabilities are measured at amortized cost according to the effective interest method. The liability is remeasured when future payments are amended by index or by other means, such as a new assessment of future residual value commitments, or the exercise of purchase, renewal or cancellation options. When the lease liability is remeasured as described above, a corresponding adjustment of the value of the right-of-use asset is made. When making lease payments, the contribution is allocated between interest expense and repayment of the lease liability. In the consolidated cash flow statement, payments pertaining to the amortization of the lease liability are recognized in financing activities and payments pertaining to interest expenses are recognized as interest paid. In profit or loss, depreciation of the right-of-use asset is recognized in operating profit while interest expense is recognized in financial expenses.

Essity 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.

Key assessments and assumptions KAA

Assessments and assumptions must be used when reporting leases in accordance with IFRS 16 Leases. The two most significant assessments concern the length of the lease term and the discount rate to be used. The implicit rate of the leases cannot be readily determined and lease payments are therefore discounted over the expected lease term using Essity's incremental borrowing rate. The incremental borrowing rate corresponds to what Essity would need to pay to use a loan to finance the purchase of an equivalent asset for a similar duration in the contract currency of the lease. The duration of the lease is determined as the non-cancellable lease term together with periods that may be covered by an option to extend a lease if it is reasonably certain that the contract will be renewed and periods covered by an option to terminate the lease if it is reasonably certain that a possibility to cancel the lease will not be utilized. When assessing if it is reasonably certain that a renewal option or cancellation option will be used, all relevant facts and circumstances that create economic incentives or deterrents are taken into account. The assessment of the lease term is reviewed in cases where facts and circumstances have significantly changed.

TG1:1

	Right-of-use assets				
SEKm	Properties	Vehicles	Other	Total	Lease liabilities
Value, January 1, 2023	**5,038**	**374**	**15**	**5,427**	**4,281**
Assets held for sale	–1,540	–9	–	–1,549	
Liabilities directly attributable to assets held for sale					–208
Additional right-of-use assets, net	868	228	3	1,099	1,099
Leases included in acquisitions	3	–	–	3	3
Disposals	–8	–	–	–8	–8
Depreciation	–808	–244	–9	–1,061	
Impairment	–2	0	–	–2	
Reversal of impairment losses	37	–	–	37	
Interest expenses					138
Payments					–1,125
Translation differences	–11	–1	–	–12	–42
Value, December 31	**3,577**	**348**	**9**	**3,934**	**4,138**

In addition to the expenses in the table above, Essity recognized SEK 343m (302; 284) relating to costs for short-term leases, leases of low-value assets and variable lease payments. The total earnings impact of leases, including depreciation, impairment and interest expenses, was SEK 1,507m (1,528; 1,301). Lease payments totaled SEK 1,468m (1,413; 1,258).

The maturity structure concerning undiscounted future lease payments during future lease terms is presented in Note E5 Liquidity risk on page 152.

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 21m distributed over the next three years.

G1. Leases, cont.

TG1:1

SEKm	Right-of-use assets[1] Properties	Vehicles	Other	Total	Lease liabilities
Value, January 1, 2022	**4,552**	**372**	**29**	**4,953**	**3,771**
Additional right-of-use assets, net	926	186	–3	1,109	1,109
Leases included in acquisitions	139	2	–	141	141
Depreciation	–839	–222	–13	–1,074	
Impairment	–45	–	–	–45	
Interest expenses					107
Payments					–1,111
Translation differences	305	36	2	343	264
Value, December 31	**5,038**	**374**	**15**	**5,427**	**4,281**

1) Including discontinued operations

TG1:2

SEKm	Right-of-use assets[1] 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**

1) Including discontinued operations

G2. Contingent liabilities and pledged assets

Accounting principles AP

A contingent liability is recognized when there is a potential or actual obligation arising from past events that is not recognized as a liability or provision, either because it is improbable that an outflow of resources will be required to settle the obligation or because the amount cannot be calculated in a reliable manner.

Contingent liabilities

SEKm	2023	2022	2021
Guarantees for			
associates	1	1	1
customers and others	57	53	48
Other contingent liabilities	333	275	222
Total	**391**	**329**	**271**

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 2023	2022	2021
Real estate mortgages	–	–	–	21	309
Chattel mortgages	–	–	–	–	76
Other	–	245	245	295	305
Total	**–**	**245**	**245**	**316**	**690**

Liabilities for which some of these assets were pledged as collateral amounted to SEK 200m (199; 214).

G3. Transactions with related parties

Accounting principles AP

Essity has dealings with related parties' shareholdings primarily in joint ventures and joint operations. The transactions occur in the operating activities and mainly consist of the purchase of finished goods for resale and raw materials for use in production based on commercial terms and market prices.

Bunzl & Biach GmbH sells recovered paper to Essity. Uni-Charm Mölnlycke BV manufactures and sells incontinence and diaper products to Essity. 40% of the transactions between Uni-Charm Mölnlycke BV and Essity are eliminated as intra-Group transactions and 60% are recognized as external transactions.

ProNARO GmbH's main task is to negotiate prices, optimize inventory levels and reduce lead times and costs when purchasing timber.

See also Note F3 Investments in associates and joint ventures on page 159 and Note F4 Joint operations on page 161. External transactions and dealings with significant related parties are presented below.

Transactions and dealings with related parties 2023

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke	ProNARO
Purchases	–	331	1,426	824
Trade receivables	–	–	77	–
Trade payables	–	28	109	19

Transactions and dealings with related parties 2022

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke	ProNARO
Purchases	–	455	1,367	752
Trade receivables	–	–	75	–
Trade payables	–	41	131	32

Transactions and dealings with related parties 2021

SEKm	Asaleo	Bunzl & Biach	Uni-Charm Mölnlycke	ProNARO
Sales	269	–	–	–
Purchases	–	303	1,085	459
Other income	14	–	–	–
Trade receivables	–	–	58	–
Trade payables	–	35	123	7

G4. Assets held for sale and discontinued operations

Accounting principles AP

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. This means that the assets are presented separately on a line in the balance sheet. 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. The gain 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 asset held for sale represents an independent significant business segment or a significant operation within a geographic area, it is classified as discontinued operations. This means assets and liabilities related to this operation are presented on separate lines in the balance sheet. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation is classified as discontinued operations.

Profit or loss for the period after tax from discontinued operations is recognized on a separate line in the income statement. Internal dealings and transactions between continuing operations and discontinued operations have been eliminated. The income statement is adjusted for the comparative period as though the discontinued operation had already been classified as discontinued operations at the beginning of the comparative period.

Profit or loss for the period attributable to discontinued operations was excluded in notes relating to the income statement for comparative years.

Pre-conditional public offer for 100% of the shares in Essity's subsidiary Vinda

On December 15, 2023, Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), announced that it will make a pre-conditional public offer to the shareholders of Vinda International Holdings Limited (Vinda) to acquire 100% of the shares in Vinda for a price per share of HKD 23.50. Essity supports the offer and has signed an irrevocable undertaking to accept the offer in respect of all of its 51.59% shareholding in Vinda. The price in the public offer will correspond to an equity value of Vinda of approximately HKD 28.3bn (SEK 37.3bn). The transaction is expected to generate cash proceeds to Essity of approximately HKD 15bn (SEK 19bn). An exclusive license to continue to market and sell certain Essity branded products will be offered to Vinda after closing of the transaction to replace the existing license agreement.

After legal consultation, Essity has concluded that a sale of shares in Vinda, whereby Essity retains an involvement in the business through brands, technology and innovations and conducts sales through licensing, does not constitute "cessation of business" under the terms of Essity's EMTN program. The launch of the offer and completion of the transaction are subject to approval by regulatory authorities in China and other relevant markets. The transaction is expected to be completed mid-2024. As of the fourth quarter of 2023, Essity classifies Vinda's financial reporting as discontinued operations. Vinda's market capitalization on the Hong Kong stock exchange was SEK 35,046m (36,988; 26,480) at the end of the period.

Income statement

SEKm	2023	2022	2021
Net sales	26,770	24,853	20,401
Operating expenses	–26,318	–23,865	–18,180
Operating profit	**452**	**988**	**2,221**
Financial items	–157	–51	–95
Profit before tax	**295**	**937**	**2,126**
Income taxes	–16	–38	–329
Profit for the period, discontinued operations	**279**	**899**	**1,797**
Profit from discontinued operations attributable to:			
Owners of the Parent company	114	457	925
Non-controlling interests	165	442	872
Earnings per share from discontinued operations – owners of the Parent company			
Earnings per share from discontinued operations before and after dilution effects, SEK	0.16	0.65	1.32
Average number of shares before and after dilution, million	702.3	702.3	702.3

Balance sheet

SEKm	2023
ASSETS	
Intangible assets	7,080
Property, plant and equipment	14,300
Financial assets excluding cash and cash equivalents	1
Operating receivables	9,178
Cash and cash equivalents	1,768
Total assets held for sale	**32,327**
Liabilities	
Financial liabilities	5,508
Operating liabilities	7,283
Deferred tax liabilities	917
Total liabilities directly attributable to assets held for sale	**13,708**
Net assets held for sale	**18,619**
Non-controlling interests attributable to discontinued operations	8,145
Net assets held for sale including non-controlling interests attributable to discontinued operations	**10,474**

G5. Events after the balance sheet date

No significant events, whith impact on the financial statements, have occurred after the year-end date.

Financial statements, Parent company

Income statement IS

SEKm	Note	2023	2022
Administrative expenses		–1,048	–755
Other operating income		382	237
Operating loss	PC2	**–666**	**–518**
Financial items	PC10		
Result from participations in Group companies		4,859	1,206
Interest income and similar profit items		945	12
Interest expenses and similar loss items		–3,317	–3,412
Total financial items		**2,487**	**–2,194**
Profit/loss after financial items		**1,821**	**–2,712**
Appropriations	PC4	–633	–189
Income taxes	PC4	–812	505
Profit/loss for the period		**376**	**–2,396**

Statement of comprehensive income

SEKm	2023	2022
Profit/loss for the period	**376**	**–2,396**
Other comprehensive income	–	–
Total comprehensive income	**376**	**–2,396**

Cash flow statement CF

SEKm	2023	2022
Operating activities		
Profit/loss after financial items	1,821	–2,712
Adjustment for non-cash items T:1	2,145	4,193
Paid tax	–110	–189
Cash flow from operating activities before changes in working capital	**3,856**	**1,292**
Change in operating receivables [1]	–1,374	–164
Change in operating liabilities[1]	–1,402	538
Cash flow from operating activities	**1,080**	**1,666**
Investing activities		
Investments in non-current assets	–1	–1
Cash flow from investing activities	**–1**	**–1**
Financing activities		
Proceeds from borrowings	4,013	3,252
Dividend paid	–5,092	–4,917
Cash flow from financing activities	**–1,079**	**–1,665**
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 T:1	2023	2022
Depreciation of non-current assets	2	2
Change in accrued items	2,124	3,383
Impairment of participations in subsidiaries	–	823
Change in provisions	19	–15
Total	**2,145**	**4,193**

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	2023	2022
Dividends received	3,000	2,856
Group contribution received	641	485
Group contribution paid	–1,468	–1,072
Interest paid	–3,811	–1,428
Interest received	504	263
Total	**–1,134**	**1,104**

Change in liabilities attributable to financing activities

SEKm	Value, January 1	Cash flow	Translation difference	Value, December 31
Non-current interest-bearing liabilities	38,392	–7,645	–1,402	29,345
Non-current interest-bearing liabilities to Group companies	12,181	10	–72	12,119
Current interest-bearing liabilities	10,497	1,354	321	12,172
Current interest-bearing liabilities to Group companies	34,989	10,294	0	45,283
Total	**96,059**	**4,013**	**–1,153**	**98,919**

Balance sheet BS

SEKm	Note	2023	2022
Assets			
Non-current assets			
Capitalized development costs		0	0
Intangible assets	PC5	**0**	**0**
Machinery and equipment		10	12
Property, plant and equipment	PC6	**10**	**12**
Participations in subsidiaries	PC7	175,736	175,736
Receivables from Group companies	PC8	400	–
Other non-current receivables		245	230
Deferred tax assets	PC4	393	814
Financial non-current assets		**176,774**	**176,780**
Total non-current assets		**176,784**	**176,792**
Current assets			
Receivables from Group companies	PC8	2,122	3,013
Other current receivables	PC9	56	35
Total current assets		**2,178**	**3,048**
Total assets		**178,962**	**179,840**

Balance sheet BS

SEKm	Note	2023	2022
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		71,154	78,642
Profit/loss for the period		376	–2,396
Total non-restricted equity		**71,530**	**76,246**
Total equity		**73,880**	**78,596**
Untaxed reserves	PC4	**828**	**195**
Provisions			
Provisions for pensions	PC3	811	828
Other provisions		69	18
Total provisions		**880**	**846**
Non-current liabilities			
Liabilities to Group companies	PC8	13,556	14,078
Non-current interest-bearing liabilities	PC10	29,345	38,392
Total non-current liabilities		**42,901**	**52,470**
Current liabilities			
Liabilities to Group companies	PC8	47,309	36,537
Current tax liabilities	PC4	375	94
Current interest-bearing liabilities	PC10	12,172	10,497
Trade payables		45	26
Other current liabilities	PC11	572	579
Total current liabilities		**60,473**	**47,733**
Total equity, provisions and liabilities		**178,962**	**179,840**

Change in equity (Refer also to Note PC12)

SEKm	Share capital	Statutory reserve	Retained earnings and profit/loss for the period	Total equity
Equity at December 31, 2021	**2,350**	**0**	**83,559**	**85,909**
Comprehensive income for the period			–2,396	–2,396
Dividend, SEK 7.00 per share			–4,917	–4,917
Equity at December 31, 2022	**2,350**	**0**	**76,246**	**78,596**
Comprehensive income for the period			376	376
Dividend, SEK 7.25 per share			–5,092	–5,092
Equity at December 31, 2023	**2,350**	**0**	**71,530**	**73,880**

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

Operating profit/loss by type of cost

SEKm	Note	2023	2022
Other operating income		382	237
Other external costs		–580	–353
Personnel and Board costs		–466	–400
Depreciation of property, plant and equipment	PC6	–2	–2
Total IS		**–666**	**–518**

The item Other external costs includes primarily consultancy fees, travel expenses, lease expenses and management costs.

Auditing expenses

SEKm	2023	2022
EY		
Audit assignments	–12	–9
Auditing activities other than the audit assignment	–1	–1
Other assignments	0	0
Total	**–13**	**–10**

Leases

Accounting principles AP

IFRS 16 Leases came into effect on January 1, 2019. RFR 2 contains an exception allowing all leases to be recognized in profit or loss.

Future payment commitments for non-cancellable operating leases are as follows:

SEKm	2023	2022
Within 1 year	37	35
Between 2 and 5 years	141	133
Later than 5 years	35	65
Total	**213**	**233**

Cost for the period for leasing of assets amounted to SEK –40m (–36). Leased assets comprise means of transportation and office premises.

PC3. Personnel and Board costs

Salaries and remuneration

SEKm	2023	2022
Board of Directors[1], President, Executive Vice President and senior executives (4 (5))	–101	–99
of which variable remuneration	–46	–46
Other employees	–182	–158
Total	**–283**	**–257**

1) Board fees decided by the Annual General Meeting amounted to SEK –12m (–12). For further information, see Notes C1–C4 on pages 137–142.

Social security costs

SEKm	2023	2022
Total social security costs	–176	–133
of which pension costs[1]	–85	–52

1) Of the Parent Company's pension costs, SEK –16m (–15) 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 102m (91).

Pension costs

SEKm	2023	2022
Self-administered pension plans		
Costs excluding interest expense	–38	–8
Interest expense (recognized in personnel costs)	–8	–2
Sub-total	**–46**	**–10**
Retirement through insurance		
Insurance premiums	–33	–24
Other	14	–10
Sub-total	**–65**	**–44**
Policyholder tax	0	0
Special payroll tax on pension costs	–17	–6
Cost of credit insurance, etc.	–3	–2
Pension costs for the period	**–85**	**–52**

Premiums during the year for disability and family pension insurance with Alecta amounted to SEK –1m (–1). Premiums for 2024 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 (–10).

Average number of employees

	2023	2022
Sweden	108	106
of whom women, %	62	62
of whom men, %	38	38

Breakdown of employees by age groups, %

2023	21–30 years	31–40 years	41–50 years	51–60 years	61+ years
	5	19	28	40	8

Women comprised 42% (38) of Board members and 31% (33) of senior executives.

PC3. Personnel and Board costs, cont.

Provisions for pensions

Accounting principles AP

The Parent company's provisions for pensions are secured by the regulations in the Pension Obligations Vesting Act (Tryggandelagen) and via endowment insurances. Recognition complies with the simplification rule for defined benefit pension plans in accordance with the voluntary exception in RFR 2 regarding IAS 19. The main difference compared with IAS 19 is that Swedish GAAP disregards future increases in salaries and pensions when calculating the present value of the pension obligation. This present value includes, however, a special reserve for future payments of pension supplements indexed for inflation. Both defined contribution and defined benefit plans exist in the Parent company.

PRI Pensions

Pension liabilities pertaining to PRI pensions have been secured through a common Swedish Essity pension fund. The market value of the Parent company's portion of the foundation's assets at December 31, 2023, amounted to SEK 322m (247). In 2023, no compensation was received. In 2022, compensation was received in the amount of SEK 7m. The capital value of the pension obligations at December 31, 2023 amounted to SEK 264m (235). Pension payments of SEK –9m (–8) were made in 2023. In 2023, the assets exceeded pension obligations by SEK 58m (12).

Other pension obligations

The Group's Note C2 Remuneration of senior executives on page 137 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	2023	2022
Provisions under Pension Obligations Vesting Act	701	729
Provisions outside the rules of the Pension Obligations Vesting Act	110	99
Value, December 31 BS	**811**	**828**

Capital value of pension obligations under the Pension Obligations Vesting Act

SEKm	2023	2022
Value, January 1	**729**	**771**
Costs excluding interest expense	20	7
Interest expense (recognized in personnel costs)	7	2
Payment of pensions	–55	–51
Value, December 31 BS	**701**	**729**

Capital value of pension obligations outside the rules of the Pension Obligations Vesting Act

SEKm	2023	2022
Value, January 1	**99**	**107**
Costs excluding interest expense	18	1
Interest expense (recognized in personnel costs)	1	0
Payment of pensions	–8	–9
Value, December 31 BS	**110**	**99**

Out of the total pension liability in 2023 amounting to SEK 811m (828), SEK 110m (99) 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 1.0% (0.2). 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 65m.

PC4. Income taxes

Accounting principles AP

Due to the links between accounting and taxation, the deferred tax liability on untaxed reserves is recognized in the Parent company's annual accounts as a component of untaxed reserves.

Tax expense

Tax expense (+), tax income (–)

SEKm	2023	2022
Deferred tax	421	–629
Current tax	391	124
Total IS	**812**	**–505**

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.

	2023		2022	
Reconciliation	**SEKm**	**%**	**SEKm**	**%**
Profit/loss before tax IS	1,188		–2,901	
Tax expense/income IS	812	68.3	–505	17.4
Expected tax	245	20.6	–598	20.6
Difference	**567**	**47.7**	**93**	**–3.2**
The difference is due to:				
Taxes related to prior periods	39	3.3	1	0.0
Non-taxable dividends from subsidiaries	–618	–52.1	–588	20.3
Non-deductible impairment of participations in subsidiaries	–	–	170	–5.9
Non-taxable Group contributions from Group companies[1]	–12	–1.0	–8	0.3
Non-deductible Group contributions to Group companies[1]	480	40.4	508	–17.5
Non-deductible interest expenses	–212	–17.8	251	–8.7
Other non-taxable/non-deductible items	890	74.9	–241	8.3
Changed tax rate	–	–	0	0.0
Total	**567**	**47.7**	**93**	**–3.2**

1) Non-taxable and non-deductible Group contributions relate to repayment from/to Group companies amounting to 79.4% (79.4) of the Group contribution.

The Parent company participates in the Group's tax pooling arrangement and as of 2021, pays the majority of the Group's total Swedish taxes. These are recognized as Group contributions paid and received in profit or loss. The net of paid and received Group contributions per Group company amounts to 20.6% (20.6) and represents the respective Group company's share of the Group's total tax expense. The gross amounts are recognized as taxable income and deductible expenses and the repayable amounts are recognized as non-taxable income and non-deductible expenses.

PC4. Income taxes, cont.

Current tax expense (+), tax income (–)

SEKm	2023	2022
Income tax for the period	391	116
Adjustments for prior periods	0	8
Total	**391**	**124**

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

SEKm	2023	2022
Value, January 1	**94**	**159**
Current tax expense	391	124
Paid tax	–110	–189
Value, December 31 BS	**375**	**94**

Deferred tax expense (+), tax income (–)

SEKm	2023	2022
Changes in temporary differences	382	–622
Adjustments for prior periods	39	–7
Total	**421**	**–629**

Deferred tax assets (–)

SEKm	Value, January 1	Deferred tax income	Value, December 31
Provisions for pensions	–169	3	–166
Non-current and current receivables from Group companies	8	74	82
Non-current liabilities to Group companies	–391	95	–296
Other	–262	249	–13
Total BS	**–814**	**421**	**–393**

Appropriations and untaxed reserves
The Parent company's untaxed reserves include accumulated depreciation in excess of plan totaling SEK 8m (7) and provisions to tax allocation reserves of SEK 820m (188).

PC5. Intangible assets

Capitalized development costs

SEKm	2023	2022
Accumulated costs	0	0
Accumulated amortization	0	0
Residual value according to plan	**0**	**0**
Value, January 1	**0**	**0**
Value, December 31 BS	**0**	**0**

PC6. Property, plant and equipment

Equipment

SEKm	2023	2022
Accumulated costs	24	24
Accumulated depreciation	–14	–12
Residual value according to plan	**10**	**12**
Value, January 1	**12**	**13**
Investments	0	1
Sales and disposals	0	–
Depreciation for the period	–2	–2
Value, December 31 BS	**10**	**12**

PC7. Participations in subsidiaries

Accounting principles AP

The Parent company recognizes all holdings in subsidiaries at cost after deduction of any accumulated impairment losses. Impairment testing occurs annually.

Participations in subsidiaries

	Subsidiaries	
SEKm	2023	2022
Accumulated costs	176,612	176,612
Accumulated impairment	–876	–876
Carrying amount	**175,736**	**175,736**
Value, January 1	**175,736**	**176,559**
Impairment	–	–823
Value, December 31 BS TPC7:1	**175,736**	**175,736**

During the 2022 fiscal year, the Parent company impaired its carrying amount in Essity TC AB by SEK 823m after receiving a dividend of SEK 856m.

PC7. Participations in subsidiaries, cont.

The Parent company's holdings of shares and participations in subsidiaries, December 31, 2023 TPC7:1

Company name	Corp. Reg. No.	Domicile	No. of shares	Share of equity, %	Carrying amount, SEKm
Swedish subsidiaries:					
Fastighets- och Bostadsaktiebolaget FOBOF	556047-8520	Stockholm, Sweden	1,000	100	0
Essity Försäkringsaktiebolag	516401-8540	Stockholm, Sweden	140,000	100	14
Essity TC AB	556643-7298	Stockholm, Sweden	1,000	100	3
Foreign subsidiaries:					
Essity Group Holding B.V.	33181970	Amsterdam, Netherlands	246,347	100	175,698
Essity Capital B.V.	82525897	Amsterdam, Netherlands	2,000,000	100	21
Total carrying amount of subsidiaries					**175,736**

German Group companies that are subject to disclosure exemptions

The following German companies are fully consolidated by Essity Aktiebolag (Publ) and subject to disclosure exemptions pursuant to SEC. 264 para. 3 of the German Commercial Code (“HGB”).

1. Essity GmbH, domicile in Mannheim, Germany
2. Essity Holding GmbH, domicile in Ismaning, Germany
3. Essity Operations Neuss GmbH, domicile in Neuss, Germany
4. Essity Operations Mannheim GmbH, domicile in Mannheim, Germany
5. Essity Operations Mainz-Kostheim GmbH, domicile in 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	2023	2022
Non-current assets		
Derivatives	400	–
Total BS	**400**	**–**
Current assets		
Financial derivatives	2	2,246
Trade receivables	244	124
Other receivables	1,876	643
Total BS	**2,122**	**3,013**
Non-current liabilities		
Interest-bearing liabilities	12,119	12,181
Derivatives	1,437	1,897
Total BS	**13,556**	**14,078**
Current liabilities		
Interest-bearing liabilities	45,283	34,989
Financial derivatives	1,920	44
Trade payables	29	15
Other liabilities	77	1,489
Total BS	**47,309**	**36,537**

PC9. Other current receivables

Other current receivables

SEKm	2023	2022
Prepaid expenses and accrued income TPC9:1	47	34
Other receivables	9	1
Total BS	**56**	**35**
Prepaid expenses and accrued income TPC9:1		
Prepaid lease of premises	10	10
Prepaid financial expenses	1	1
Prepaid user licenses and subscriptions	15	14
Other items	21	9
Total	**47**	**34**

PC10. Financial instruments

Accounting principles AP

The Parent company's financial instruments are recognized in accordance with the Group's accounting principles. Refer to Notes E1–E4 on pages 148–151. Hedge accounting was not applied by the Parent company.

Financial items

SEKm	2023	2022
Result from participations in Group companies		
Dividends from subsidiaries	3,000	2,856
Group contributions received	1,874	641
Group contributions paid	–15	–1,468
Impairment of shares in subsidiaries	–	–823
Interest income and similar profit items		
Interest income, external	62	11
Interest income, Group companies	883	1
Interest expenses and similar loss items		
Interest expenses, external	–1,047	–561
Interest expenses, Group companies	–2,238	–2,816
Other financial expenses[1]	–32	–35
Total IS	**2,487**	**–2,194**

1) The item other financial expenses includes financial fees and exchange rate differences. Exchange rate differences amounted to SEK 2m (–0), net.

Interest-bearing liabilities

Non-current interest-bearing liabilities

	Carrying amount		Fair value	
SEKm	2023	2022	2023	2022
Bond issues	22,805	29,571	20,610	25,682
Other non-current loans with a term > 1 yr < 5 yrs	6,540	8,821	6,669	7,946
Total BS	**29,345**	**38,392**	**27,279**	**33,628**

Current interest-bearing liabilities

	Carrying amount		Fair value	
SEKm	2023	2022	2023	2022
Bond issues	6,633	5,559	6,633	5,559
Loans with maturities of less than one year	5,539	4,938	5,539	4,938
Total BS	**12,172**	**10,497**	**12,172**	**10,497**

Bond issues

Issued	Maturity	Carrying amount, SEKm	Fair value, SEKm	Interest rate %
Notes EUR 600m	2024	6,633	6,633	1.13
Notes SEK 850m	2025	850	822	0.50
Notes SEK 2,150m	2025	2,153	2,173	STIB3M+0.50
Notes EUR 300m	2025	3,317	3,226	1.13
Upfront fee, Notes EUR 500m	2026	–8	–7	–
Notes EUR 500m	2027	5,512	5,288	1.63
Upfront fee, Notes EUR 600m	2029	–15	–12	–
Notes EUR 300m	2030	3,293	2,828	0.50
Notes EUR 700m	2031	7,703	6,292	0.25
Total		**29,438**	**27,243**	

Financial instruments by category

Accounting principles AP

In 2023, 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 148. 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	2023	2022
Financial assets measured at fair value through profit or loss			
Derivatives with Group companies – Non-current financial assets	PC8	400	–
Endowment insurances – Other non-current receivables		245	230
Derivatives with Group companies – Current financial assets	PC8	2	2,246
Total		**647**	**2,476**
Financial liabilities measured at fair value through profit or loss			
Derivatives with Group companies – Non-current financial liabilities	PC8	1,437	1,897
Derivatives with Group companies – Current financial liabilities	PC8	1,920	44
Total		**3,357**	**1,941**
Loan and trade receivables measured at amortized cost			
Trade receivables with Group companies	PC8	244	124
Trade receivables – Other current receivables		0	1
Total		**244**	**125**
Financial liabilities measured at amortized cost			
Non-current interest-bearing liabilities to Group companies		12,119	12,181
Non-current interest-bearing liabilities		29,345	38,392
Current interest-bearing liabilities to Group companies	PC8	45,283	34,989
Current interest-bearing liabilities		12,172	10,497
Trade payables to Group companies	PC8	29	15
Trade payables		45	26
Other current liabilities to Group companies		62	20
Other current liabilities		298	324
Total		**99,353**	**96,444**

The nominal value of the derivatives before the right of set-off is SEK 166,636m (168,342). The nominal value of the derivatives after the right of set-off is SEK 166,636m (167,989).

PC11. Other current liabilities

Other current liabilities

SEKm	2023	2022
Accrued expenses and prepaid income TPC11:1	518	534
Other operating liabilities	54	45
Total BS	**572**	**579**

Accrued expenses and prepaid income TPC11:1

SEKm	2023	2022
Accrued interest expenses	298	324
Accrued social security costs	73	67
Accrued vacation pay liability	17	16
Other liabilities to personnel	90	82
Other items	40	45
Total	**518**	**534**

PC12. Share capital

The change in equity is shown in the financial report relating to Equity presented on page 169. 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
2023	**Number of shares, December 31, 2023**	**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	2023	2022
Guarantees for Group companies	18,583	22,701
Other contingent liabilities	22	21
Total	**18,605**	**22,722**

Pledged assets

SEKm	2023	2022
Endowment insurances	245	230
Total	**245**	**230**

PC14. Adoption of the annual accounts

The annual accounts are subject to adoption by Essity's Annual General Meeting and will be presented for approval at the Annual General Meeting on March 21, 2024.

PC15. Events after the balance sheet date

No significant events, with impact on the financial statements, have occurred after the year-end date.

PC16. Proposed disposition of earnings

Annual accounts 2023

Disposition of earnings Essity Aktiebolag (publ)	
Non-restricted equity in the Parent company:	
retained earnings	71,153,862,819
net profit for the year	376,032,784
Total	**71,529,895,603**
The Board of Directors and the President propose:	
to be distributed to shareholders, a dividend of SEK 7.75 per share	5,443,154,290
to be carried forward	66,086,741,313[1)]
Total	**71,529,895,603**

1) The company's equity would have been SEK 2,346,818,180 higher if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14a 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 20, 2024

Ewa Björling
Board member

Pär Boman
Chairman of the Board

Maria Carell
Board member

Annemarie Gardshol
Board member

Magnus Groth
President,
CEO and Board member

Jan Gurander
Board member

Susanna Lind
Board member,
employee representative

Torbjörn Lööf
Board member

Bert Nordberg
Board member

Örjan Svensson
Board member,
employee representative

Barbara Milian Thoralfsson
Board member

Niclas Thulin
Board member,
employee representative

Our audit report was submitted on February 27, 2024
Ernst & Young AB

Erik Sandström
Authorized Public Accountant
Auditor in charge

Auditor’s report

To the general meeting of the shareholders of Essity Aktiebolag (publ), corporate identity number 556325-5511

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Essity Aktiebolag (publ) except for the corporate governance statement on pages 96–105 and the statutory sustainability report on pages 49–95 for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 9–11, 26–48 and 106–180 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 96–105 and the statutory sustainability report on pages 49–95. 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 (trademarks) with an indefinite useful life as of 31 December 2023 amounted to 53,4 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. The impairment tests for 2023 did not result in any impairment write off. 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 and other source data that the company has applied as well as the company’s identification of cash-generating units. 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 included valuation experts with appropriate skills 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.

Revenue recognition and related sales incentives

Description	How our audit addressed this key audit matter
Accounting for sales incentives (bonuses and rebates) related to revenues is an area 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. The company calculates an estimate of final incentives based on the information available the end of the period. We have therefore assessed accounting for sales incentives related to revenues to be a key audit matter.	In our audit we have reviewed the company's revenue recognition of related sales incentives (bonuses and rebates). We have evaluated the company's revenue process and reviewed the company's controls within the process. We have also reviewed the accrued costs for sales incentives to customers as of December 31, 2023, which amounted to 7,8 billion SEK against samples of underlying customer agreements and performed analytical procedures. Our audit has also included review of credit invoices and other adjustments to trade receivables that have taken place after December 31, 2023. Finally, we have reviewed larger payouts to the company´s customers that have taken place during 2023 in order to confirm that they are in accordance with signed agreements and audited manual journal entries related to bonus and rebates.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3–8 and 12–25. 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 AB (publ) for the year 2023 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 skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Essity Aktiebolag (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility section*. We are independent of Essity Aktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor’s examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 96–105 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 49–95, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 *The auditor´s opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Essity Aktiebolag (publ) by the general meeting of the shareholders on the 29 March 2023 and has been the company’s auditor since the 27 May 2016.

Stockholm 27 February 2024
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Contents

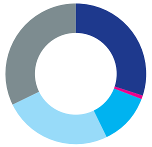
Description of costs

Group

Total operating expenses[1]: SEK 129,397m
- Sales, general and administration[2], 21%
- Energy, 7%
- Transport and distribution expenses, 11%
- Other costs of goods sold[3], 23%
- Raw materials and consumables, 38%

Of which	
Pulp	11%
Recovered paper	4%
Non-woven	2%
Super absorbents	2%
Other[4]	19%
Total raw materials and consumables	**38%**

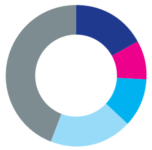
Health & Medical



Total operating expenses[1]: SEK 24,531m
- Sales, general and administration, 30%
- Energy, 1%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 25%
- Raw materials and consumables, 32%

Of which	
Pulp	7%
Non-woven	5%
Super absorbents	4%
Other	16%
Total raw materials and consumables	**32%**

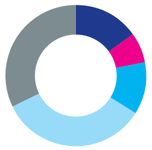
Consumer Goods



Total operating expenses[1]: SEK 70,397m
- Sales, general and administration, 17%
- Energy, 9%
- Transport and distribution expenses, 11%
- Other costs of goods sold, 19%
- Raw materials and consumables, 44%

Of which	
Pulp	15%
Recovered paper	3%
Non-woven	3%
Super absorbents	2%
Other	21%
Total raw materials and consumables	**44%**

Professional Hygiene



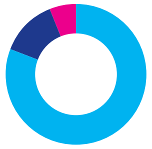
Total operating expenses[1]: SEK 33,220m
- Sales, general and administration, 15%
- Energy, 7%
- Transport and distribution expenses, 12%
- Other costs of goods sold, 34%
- Raw materials and consumables, 32%

Of which	
Recovered paper	8%
Pulp	6%
Other	18%
Total raw materials and consumables	**32%**

1) Excluding items affecting comparability.
2) Sales, general and administration include costs for marketing of 5 percentage points.
3) The two largest items of Other costs of goods sold comprise personnel (11 percentage points) and depreciation/amortization (3 percentage points).
4) The item Other in Raw materials and consumables includes costs for chemicals, packaging material and plastic material.

Raw materials

Pulp consumption



- Consumer Goods, 81%
- Professional Hygiene, 13%
- Health & Medical, 6%

1.8 million tons
Essity's own pulp production corresponded to 11% of the pulp consumption and is primarily related to an integrated tissue plant in Mannheim, Germany.

Recovered paper consumption

- Professional Hygiene, 64%
- Consumer Goods, 36%

1.8 million tons

Production facilities[1)]

(Capacity is stated in thousands of tons, unless otherwise indicated, and per year)

Production facility	Country/Region	Tissue capacity
Buenos Aires	Argentina	
Springvale	Australia	
Ortmann	Austria	132
Stembert	Belgium	75
Jarinu	Brazil	
Drummondville	Canada	
Santiago	Chile	28
Cajica	Colombia	70
Cali	Colombia	
Caloto	Colombia	
Medellin	Colombia	30
Rio Negro	Colombia	
San Cristobal	Dominican Republic	
Inpaecsa	Ecuador	15
Lasso	Ecuador	26
Cairo	Egypt	
Fiji	Fiji Islands	
Nokia	Finland	42
Gien	France	145
Hondouville	France	55
Kunheim	France	52
Le Theil	France	65
Radiante	France	
Vibraye	France	
Emmerich	Germany	
Hausbruch	Germany	
Kostheim	Germany	152
Mannheim	Germany	283
Neuss	Germany	112
Witzenhausen	Germany	32

Production facility	Country/Region	Tissue capacity
Goa	India	
Altopascio	Italy	25
Collodi	Italy	42
Lucca	Italy	100
Amman	Jordan	
Ecatepec	Mexico	
Monterrey	Mexico	80
Reynosa	Mexico	
Sahagun	Mexico	95
Uruapan	Mexico	40
Assen	Netherlands	
Cuijk	Netherlands	52
Gennep	Netherlands	
Hoogezand	Netherlands	
Suameer[2)]	Netherlands	9
Kawerau	New Zealand	60
Karachi	Pakistan	
Olawa	Poland	
Gemerská Hôrka	Slovakia	
Pinetown	South Africa	
Allo	Spain	120
Telde	Spain	
Valls	Spain	137
Askersund	Sweden	
Falkenberg	Sweden	
Lilla Edet	Sweden	100
Mölnlycke	Sweden	
Manchester	UK	50
Oakenholt	UK	70
Prudhoe	UK	94

Production facility	Country/Region	Tissue capacity
Skelmersdale	UK	
Stubbins	UK	55
Tawd Mill	UK	30
Barton	USA	180
Bordentown	USA	
Bowling Green	USA	
Greenwich	USA	
Harrodsburg	USA	55
Manchester (CT)	USA	
Menasha	USA	170
Middletown	USA	100
Neenah	USA	
Total		**2,978**

1) As of December 31, 2023 and refers to continuing operations.
2) Non-woven production.

Contents

Financial multi-year summary

SEKm	2023	2022[1]	2021[1]	2020	2019	2018	2017	2016	2015
INCOME STATEMENT									
Net sales	**147,147**	**131,320**	**101,466**	**121,752**	**128,975**	**118,500**	**109,265**	**101,238**	**98,519**
Adjusted EBITA	**18,898**	**12,047**	**11,451**	**17,626**	**15,840**	**12,935**	**13,405**	**11,992**	**10,603**
Health & Medical	4,037	2,904	3,800	3,668	3,734				
Consumer Goods	9,797	6,354	5,767	11,538	8,333				
Professional Hygiene	6,288	3,843	2,673	3,317	4,463				
Other operations	–1,224	–1,054	–789	–897	–690	–591	–620	–577	–737
Items affecting comparability	–2,291	–2,171	371	–59	–713	–1,375	–855	–2,645	–292
EBITA	**16,607**	**9,876**	**11,822**	**17,567**	**15,127**	**11,560**	**12,550**	**9,347**	**10,311**[2]
Amortization of acquisition-related intangible assets	–1,109	–1,111	–844	–809	–778	–732	–560	–159	–133
Items affecting comparability	–350	–274	–	–	–	–69	–85	–180	–494
Operating profit	**15,148**	**8,491**	**10,978**	**16,758**	**14,349**	**10,759**	**11,905**	**9,008**	**9,684**
Financial income	412	141	81	108	106	91	158	202	312[3]
Financial expenses	–2,768	–1,461	–648	–1,066	–1,415	–1,248	–1,340	–1,037	–1,140
Profit before tax	**12,792**	**7,171**	**10,411**	**15,800**	**13,040**	**9,602**	**10,723**	**8,173**	**8,856**
Income taxes	–3,275	–2,006	–2,398	–4,053	–2,828	–1,050	–1,938	–3,931	–2,278
Profit for the period	**9,517**	**5,165**	**8,013**	**11,747**	**10,212**	**8,552**	**8,785**	**4,242**	**6,578**
BALANCE SHEET									
Non-current assets (excluding financial receivables)	112,913	137,492	122,196	107,974	116,779	110,370	105,398	77,238	67,483
Receivables and inventories	44,146	61,791	45,949	37,141	38,486	38,646	34,664	29,917	29,171
Non-current assets held for sale	–	–	–	–	42	69	42	156	120
Financial receivables	3,189	2,088	1,851	3,555	3,535	1,751	1,700	1,052	766
Current financial assets	5,259	4,941	1,150	993	525	422	1,105	1,677	12,983
Cash and cash equivalents	5,159	4,288	3,904	4,982	2,928	3,008	4,107	4,244	4,828
Assets held for sale	32,327	–	–	–	–	–	–	–	–
Total assets	**202,993**	**210,600**	**175,050**	**154,645**	**162,295**	**154,266**	**147,016**	**114,284**	**115,351**
Equity	70,846	67,346	59,874	54,352	54,125	47,141	42,289	33,204	42,986
Non-controlling interests	8,559	9,218	8,633	8,990	8,676	7,758	7,281	6,376	5,289
Provisions	11,396	13,097	12,855	12,671	14,017	15,696	14,659	11,961	8,450
Interest-bearing debt	60,984	71,515	58,189	46,890	52,062	54,327	54,838	36,873	34,717
Operating and other non-interest bearing liabilities	37,500	49,424	35,499	31,742	33,415	29,344	27,949	25,870	23,909
Liabilities directly attributable to assets held for sale	13,708	–	–	–	–	–	–	–	–
Total equity and liabilities	**202,993**	**210,600**	**175,050**	**154,645**	**162,295**	**154,266**	**147,016**	**114,284**	**115,351**
Average capital employed	115,105	110,727	92,227	112,473	114,663	107,575	90,167	73,145	70,115
Net debt, including pension liabilities	53,703	62,869	55,433	42,688	50,940	54,404	52,467	35,173	19,058

1) The income statement and the operating cash flow statement have been restated and refer to continuing operations, as the subsidiary Vinda was classified as discontinued operations from the fourth quarter of 2023.
2) 2015 includes the sale of securities, SEK 970m.
3) 2015 does not include the sale of securities, SEK 970m.

Contents

Financial multi-year summary, cont.

SEKm	2023	2022[1]	2021[1]	2020	2019	2018	2017	2016	2015
OPERATING CASH FLOW STATEMENT									
Operating cash flow	17,685	7,680	9,744	16,018	15,639	9,900	10,622	10,998	8,261
Cash flow from current operations	11,625	4,088	5,991	11,175	13,208	6,363	6,644	6,530	5,371
Cash flow before transactions with shareholders	12,692	–867	–5,807	10,795	13,285	5,737	–19,372	359	5,328
Investments in non-current assets, net	–6,819	–5,362	–5,182	–6,439	–5,707	–6,781	–6,012	–6,255	–5,472
Acquisitions of Group companies and other operations	–182	–4,955	–11,813	–747	–143	–694	–26,045	–6,540	–92
Divestments of Group companies and other operations	1,249	–	15	367	220	68	29	369	49
KEY FIGURES									
Equity/assets ratio, %	35	32	34	35	33	31	29	29	37
Interest coverage ratio [4]	6.4	6.4	19.4	17.5	11.0	9.3	10.1	10.8	11.7
Debt payment capacity, including pension liabilities, %[4]	34	24	26	46	38	25	26	29	65
Debt/equity ratio, including pension liabilities	0.68	0.82	0.81	0.67	0.81	0.99	1.06	0.89	0.39
Debt/equity ratio, excluding pension liabilities	0.68	0.81	0.77	0.63	0.76	0.92	0.99	0.76	0.34
Return on capital employed, %[4]	14.4	8.9	12.8	15.6	13.2	10.8	13.9	12.8	13.8
Adjusted return on capital employed, %[4]	16.4	10.9	12.4	15.7	13.8	12.0	14.9	16.4	15.1
Return on equity, %	12.5	8.1	15.0	18.2	17.4	16.1	19.8	9.3	13.9
EBITA margin, %[4]	11.3	7.5	11.7	14.4	11.7	9.8	11.5	9.2	10.5
Adjusted EBITA margin, %[4]	12.8	9.2	11.3	14.5	12.3	10.9	12.3	11.8	10.8
Operating margin, %[4]	10.3	6.5	10.8	13.8	11.1	9.1	10.9	8.9	9.8
Adjusted operating margin, %[4]	12.1	8.3	10.5	13.8	11.7	10.3	11.8	11.7	10.6
Net margin, %[4]	6.5	4.0	7.8	9.7	7.9	7.2	8.0	4.2	6.7
Capital turnover rate[4]	1.28	1.19	1.10	1.08	1.12	1.1	1.21	1.38	1.41
Cash flow from current operations per share, SEK[4]	16.55	5.82	8.53	15.91	18.81	9.06	9.46	9.30	7.65
Earnings per share, SEK	13.60	7.93	12.27	14.56	13.12	11.23	11.56	5.41	8.73
Dividend per share, SEK	7.75[5]	7.25	7.00	6.75	6.25	5.75	5.75		

4) The key figure was restated for 2021 and 2022, and pertains to continuing operations for the period 2021–2023.
5) Board of Directors' dividend proposal.

Contents

Remuneration report 2023

Essity Aktiebolag (publ)
to be presented at the 2024 Annual General Meeting (AGM)

Introduction

This report describes how the guidelines for remuneration of senior executives of Essity Aktiebolag (publ), as adopted by the 2022 AGM, were applied in 2023. The report also provides information about the remuneration of the President and the Executive Vice President and a summary of the company's variable remuneration programs and other benefits. The report has been prepared in accordance with the Swedish Companies Act and the Stock Market Self-Regulation Committee Remuneration Rules. More information about remuneration of senior executives is available in Note C (Employees) on pages 137–142 in the 2023 Annual Report. Information about the work of the Remuneration Committee in 2023 is presented in the Corporate governance report on pages 96–105 in the 2023 Annual Report.

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 139 of the 2023 Annual Report.

1. Key events and key figures in 2023

The President summarizes the company's overall performance in his statement on pages 6–8 in the 2023 Annual Report.

2. The company's guidelines for remuneration of senior executives: purpose, scope and deviations

The remuneration guidelines, as unanimously adopted by the 2022 AGM, and the application of these are described in Note C2 on pages 137–138 of the Annual 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 2023 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 programs that are related to financial and non-financial targets. The targets are designed to contribute to the company's business strategy and long-term interests, including its sustainability. The long-term incentive programs were adopted by the AGM in 2022 and 2023. The sustainability targets are primarily focused on the science-based targets Scope 1 and 2, which aim to reduce emissions of carbon dioxide in energy utilization and purchased electricity.

3.1 Short-term incentive program

The program aims to support the achievement of the company's strategic business targets in the short and long-term. The program's target structure consists of organizational targets and performance targets.

The organizational targets are set at a high level in the organization, business unit or Group level, and are decided at Group level and apply for a large number of employees, while the performance targets are directly linked to responsibility within an individual role.

The organizational targets consist of financial targets at Group level or business area targets and comprise operating cash flow, sales growth and operating margin.

Performance targets are financial targets or business strategic non-financial targets. The performance targets are designed to be more closely linked to an individual role.

For the President and the Executive Vice President, organizational targets comprise the Group's adjusted EBITA margin, organic sales growth and operating cash flow. The performance targets for 2023 consisted of profit for the period (adjusted). The organizational targets account for 70% and the performance targets for 30%. See table 2.

If the targets are met in full, short-term remuneration amounts to 50% of fixed cash salary for the President and the Executive Vice President. This remuneration is not pensionable income.

Table 2. Outcome of the short-term program 2023 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)	24.5%	11.16%	2,082,500
	Operating cash flow (adjusted[1])	17.5%	SEK 13.68bn	1,287,114
	Organic sales growth	28%	6.81%	6,227
	Performance target			
	Profit for the period (adjusted)	30%	SEK 11.96bn	2,534,284
Fredrik Rystedt Executive Vice President and CFO	*Organizational target*			
	EBITA margin (adjusted)	24.5%	11.16%	1,043,707
	Operating cash flow (adjusted[1])	17.5%	SEK 13.68bn	645,076
	Organic sales growth	28%	6.81%	3,121
	Performance target			
	Profit for the period (adjusted)	30%	SEK 11.96bn	1,270,132

1) Change in working capital is replaced with average calculated change in working capital during the year.

Table 1. Total remuneration of the President and the Executive Vice President

SEK		Fixed remuneration		Variable remuneration[1]					
Name, position	Fiscal year	Fixed salary	Other benefits and remuneration	Short-term remuneration[2]	Long-term remuneration[3]	Extraordinary benefits	Pension costs	Total salary and remuneration	Proportion fixed and variable remuneration (%)
Magnus Groth President and CEO	2023	17,000,000	150,979	11,018,626	0	0	7,095,675	35,265,280	61/39
Fredrik Rystedt Executive Vice President and CFO	2023	8,520,057	99,057	5,522,313	0	0	2,665,550	16,806,977	61/39

1) Variable remuneration pertains to 2023 but is paid in 2024.
2) Short-term remuneration comprises remuneration paid out under STI and BIP.
3) Payment according to the long-term incentive programs will be determined in 2025 and 2026.

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3.2 Short-term Bridge Incentive Program (BIP)
Essity has adopted a long-term incentive program to enable the company to recruit and retain key individuals and to promote the common interest of participants and shareholders in generating long-term returns, refer to section 3.3. BIP is a short-term incentive program that aims to ensure continuity of the long-term incentive and that the common interest of the participants and shareholders is retained during the introduction of the new LTI program. Consequently, compensation under the BIP program was only paid in 2022 and may in addition only be paid in 2023, as compensation under the LTI program was and will then not be payable. BIP consists of three goals: organic sales growth, profit before tax and a short-term goal for reduction in carbon emissions. The goals relating to organic sales growth and profit before tax each account for 40% and the goal relating to a reduction in carbon emissions accounts for 20%, see table 3.

If targets are met in full, short-term remuneration amounts to 50% of fixed salary for the President and the Executive Vice President. The variable remuneration from the BIP program is paid in cash. This remuneration is not pensionable income. Senior executives who participate in the program must purchase Essity shares for the amount paid after tax and the shares must not be sold until a holding period of three years.

3.3 Long-term incentive program (LTI)
The aim of the long-term program is to promote the long-term positive earnings trend for the company and positive value appreciation for the company's shareholders.

The program is a cash-based program and aims through share ownership to create commonality between participants and the company's shareholders and reward long-term value creation. The program is also an important remuneration component in attracting and retaining key employees. The program is approved by the Board and adopted by the general meeting for one year at a time and participants in one program are not automatically eligible to participate in future programs. The measurement period is three years. An invitation to take part in the program is sent during the first year of the measurement period. The degree to which the targets were met and any outcomes are determined at the end of the measurement period.

The long-term incentive program has two targets. The first is based on the performance of the company's Class B shares, measured as Total Shareholder Return (TSR). TSR comprises dividends, share price performance and other returns that are compared with the performance of weighted indexes that contain shares for a selection of competing companies in Essity's business areas of Consumer Goods, Health & Medical and Professional Hygiene during a three-year measurement period. Average TSR during the final quarter before the start of the measurement period is compared with average TSR during the final quarter of the measurement period.

Remuneration for this target is awarded if Essity's TSR is not less than the weighted TSR of the comparison group for the same period and maximum outcome is achieved if Essity's TSR exceeds the weighted TSR for the comparison group by at least 5 percentage points during the measurement period. The second goal is a relative goal for reduction in greenhouse gas emissions ("Sustainability target"). A prerequisite for payment is that the company reduces its greenhouse gas emissions during the measurement period by at least 7.5% on a straight-line basis compared with the base year of 2016. Full payment is made if the Sustainability target is achieved.

The TSR target is weighted at 80% and the Sustainability target at 20% when deciding on the outcome of the program. The company pays any outcome as cash remuneration, and the maximum outcome may amount to 80% of the fixed cash salary for the senior executive. The maximum compensation for the President and the Executive Vice President is 50% of the fixed salary. Resulting remuneration is not pensionable income. Within a specified period, the senior executive must acquire Essity shares for the full amount of remuneration received, after deduction of income tax. If trading restrictions are in place, due to insider information, the acquisition must take place as soon as possible thereafter. The senior executive must then not divest the shares acquired within the framework of the program for a period of at least three years from the date of purchase.

If a participant resigns before the end of the measurement period, entitlement to remuneration under the program is forfeited. The outcome of the program is paid as cash remuneration to the senior executive, which means the program has no dilution effect or similar impact for shareholders and, as stated above, there is a ceiling for the maximum outcome. The next occasion for outcome assessment will be in 2025 for the 2022–2024 program.

4. Pension benefits
Pension benefits for senior executives shall be defined contribution in accordance with the remuneration guidelines and limited to at most 40% of fixed salary with the exception of pension agreements signed before 2020.

Pension benefits are defined contribution with a premium of 40% of fixed cash salary for the president and 30% of fixed cash salary for the executive vice president in addition to the premium expenses for basic pension benefits in the ITP plan with retirement pension benefits limited to a maximum salary income of 7.5 income base amounts.

5. Other benefits
Other benefits refers to company cars, luncheon vouchers and medical insurance.

6. Deviations and audit
No deviations from the guidelines took place and no exemptions from implementing the remuneration guidelines were made. The auditor's report on the company's compliance with the guidelines is available on essity.com. 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.

Board of Directors, February 20, 2024

Table 3. Outcome of the Bridge Incentive Program 2023 for the President and the Executive Vice President

Name, position	Target	Target's relative value	Target outcome (%)	Remuneration, SEK
Magnus Groth President and CEO	Profit before tax (adjusted)	40%	SEK 15.79bn	3,400,000
	Organic sales growth	40%	6.81%	8,500
	Science-based targets, Scope 1 and 2	20%	–8.90%	1,700,000
Fredrik Rystedt Executive Vice President and CFO	Profit before tax (adjusted)	40%	SEK 15.79bn	1,704,011
	Organic sales growth	40%	6.81%	4,260
	Science-based targets, Scope 1 and 2	20%	–8.90%	852,006

Table 4. Change in Total remuneration[1] and the company's performance in recent fiscal years

Name, position	Total remuneration[1] in 2023 (SEKm)	Year-on-year change – 2023/2022 SEKm	(%)	Year-on-year change – 2022/2021 SEKm	(%)	Year-on-year change – 2021/2020 SEKm	(%)	Year-on-year change – 2020/2019 SEKm	(%)	Year-on-year change – 2019/2018 SEKm	(%)
Magnus Groth President and CEO	35.3	–2.9	–8%	14.7	62%	–3.6	–13%	–6.4	–19%	7.6	29%
Fredrik Rystedt Executive Vice President and CFO	16.8	–1.5	–8%	7.4	67%	–1.8	–14%	–3.4	–21%	2.4	17%
Average remuneration per employee (converted to full-time equivalents) in Essity Aktiebolag (publ). Remuneration of senior executives is excluded.	1.4	–0.2	–13%	0.2	14%	–0.2	–12%	–0.2	–9%	0.3	18%
Company's performance – Profit for the period (adjusted)	11,959	3,632	44%	–1,036	–11%	–2,442	–21%	1,039	10%	1,210	13%

1) Total remuneration comprises fixed salary, short and long-term variable remuneration, pension costs and other benefits.

Contents

Other information

Annual General Meeting on March 21, 2024

Essity's Annual General Meeting will be held on Thursday, March 21, 2024. For further information about the 2024 AGM, see essity.com.

Essity's Nomination Committee

- Helena Stjernholm, AB Industrivärden, the Chairman of the Nomination Committee
- Amy Wilson, Norges Bank Investment Management
- Anders Oscarsson, AMF and AMF Funds
- 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 96–105.

Financial information 2024–2025

Annual General Meeting	March 21, 2024	
Interim Report	Jan 1–Mar 31, 2024	April 25, 2024
Half-year Report	Jan 1–Jun 30, 2024	July 18, 2024
Interim Report	Jan 1–Sep 30, 2024	October 24, 2024
Year-end Report	2024	January 23, 2025
Annual Report	2024	March 2025

Annual reports, year-end reports, half-year reports and interim reports are published in Swedish and English (in the event of differences between the English translation and the Swedish original, the Swedish text shall prevail) and can be downloaded from, or subscribed for, on essity.com.

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Breaking Barriers to Well-being

Essity is a global, leading hygiene and health company. Every day, our products, solutions and services are used by a billion people around the world. Our purpose is to break barriers to well-being for the benefit of consumers, patients, caregivers, customers and society. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands such as Actimove, Cutimed, JOBST, Knix, Leukoplast, Libero, Libresse, Lotus, Modibodi, Nosotras, Saba, Tempo, TOM Organic and Zewa. In 2023, Essity had net sales of approximately SEK 147bn (EUR 13bn) and employed 36,000 people. The company's headquarters is located in Stockholm, Sweden and Essity is listed on Nasdaq Stockholm.

› More information at essity.com and follow Essity on social media

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