



**Erik and Maria  
are two of  
Södra's 51,938  
members.**



**“We don’t know today how forest products will be used in the future. Make sure you don’t stand empty handed when that day comes.”**

Gösta Edström – Södra’s founder, 1938

# With our roots in the forest, we are creating the future

**Södra was founded in 1938 as the Swedish Forest Owners’ Association – a unifying force for the role of family forestry in society. For almost a century, we have been working together to increase the value of forests. While the conditions – and we – have changed over time, the fundamentals remain the same. Our conviction is that together, and in step with the times, we are creating the future with roots in the forest, regardless of the products we will produce from this versatile raw material.**

## **We are improving and renewing the value of forest estates**

Södra’s assignment is to improve and renew the value of forest estates. We are improving value through a deep understanding of our customers’ needs and our various markets. That is the foundation for our mills today and tomorrow. We are renewing value by constantly being curious and developing our entire operations as

well as our products and services. We keep our feet on the ground, our ears open and our eyes on the future.

## **Working together in a strong cooperation**

Our cooperative ownership model makes working together natural. We are working together to build a strong Södra, and helping each other through ups and downs, whether this be spruce bark beetles, business policy challenges or successful innovations. The democratic organisation and high level of commitment in the association form the basis.

## **Customer focus, industrial development and profit distribution**

Södra is the bridge between forest owners and the market. Courageous decisions made at the right time and investment in new business have made us the strong industrial owner we are today. Half of the profit generated by our mills is used for

investments and development to keep Södra financially strong and ensure continued growth. The other half is shared with our owners in the form of a profit distribution. Having our own mills also ensures sales of our members’ forest raw material.

## **Sustainability throughout the value chain**

Our ambition is to be a leader in society’s transition to a sustainable and circular future where sustainability permeates the entire value chain – from seed to customer. Our renewable products are part of the solution the whole way, and the climate challenge is making us more dependent on forests than ever before.

## **This requires a long-term approach.**

**Forests require patience to create value, care to preserve and develop biodiversity, and innovation to benefit society.**



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The Board of Directors and President of Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) hereby submit the 2021 Annual Report for the Group and the Parent Company. The audited annual report comprises pages 44–103. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented to the Annual General Meeting on 24 May 2022 for adoption. The Sustainability Report comprises pages 108–141. The scope of the statutory sustainability report is presented on page 143. The Corporate Governance Report comprises pages 148–152.

This is a translation of the annual report. This translation does not replace the original annual report. In the event of any lack of clarity or disparity between this translation and the annual report, the annual report will always take precedence.

Södra is Sweden's largest forest-owner association with 52,000 forest owners as its members\*.

Combined, the members own more than half of all privately owned forest in southern Sweden. They are also owners of a forest industry group with customers all over the world.

We process the sustainable forest raw material from our members' responsibly managed forests into renewable and climate-smart products and solutions that generate value for many people.

\*51,938 members at year-end. In 2021, we carried out some maintenance on our member register in connection with updating, and this had a slight impact on the number of members.



## Forest

We offer forestry services, advisory services and digital tools to Södra's members. Södra purchases forest raw material from its members' forests, but also from other suppliers. We deliver the raw material to our own mills.

## Wood

Our wood products are mainly construction timber in products ranging from floors to ceilings as structural timber, cladding and board-and-batten siding. Most of these products are processed by planing, pressure-treating or coating. We have eight sawmills in Sweden and Finland.

## Pulp

With our pulp mills at Värö, Mörrum and Mönsterås, we are one of the leading producers of paper and dissolving pulp in the world.

## Building systems

Our climate-smart structural components from cross-laminated timber are enabling the construction of sustainable high-rise buildings in timber for residential, industrial and public use.

## Liquid bioproducts

Our bioproducts ensure that no part of the tree is wasted. Södra's biomethanol, tall oil and turpentine are Swedish forest in liquid form.

## Energy

We convert the residue from our wood products, pulp and liquid bioproducts into a range of energy products, including green electricity, district heating and biofuels.





# The year in figures

Some of our most important figures and key indicators for 2021.

2.2

SEK billion The Board's proposed profit distribution

25

% Return on capital employed

63

% Equity ratio

27

SEK billion Net sales

5.3

SEK billion Operating profit

11

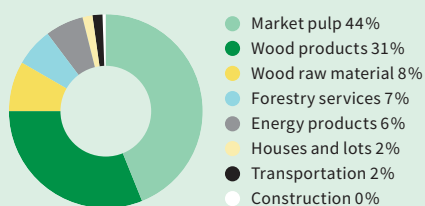
LTAR (lost-time-accident rate) –  
Number of occupational injuries with  
absence per million hours worked

14

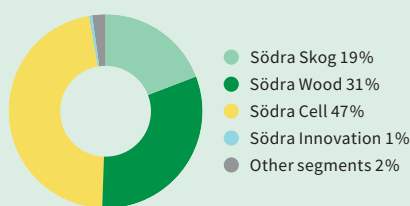
million tonnes of CO<sub>2</sub> equivalents –  
Södra's net positive climate effect

2.7

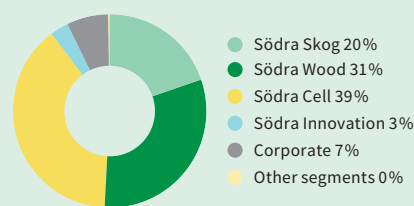
million hectares  
Affiliated forest area



Net sales per revenue category.



Sales per business area. SEK 27,060 million  
in total, excluding internal deliveries.



Employees per business area.  
3,124 employees in total.

# Södra's production units

- Pulp mill
- Sawmill
- Pressure treatment plant
- Grinding facility
- Further processing
- Pellets factory
- Nurseries
- Head office

Refers to production units at 31 Dec 2021.

**3,124** **3**

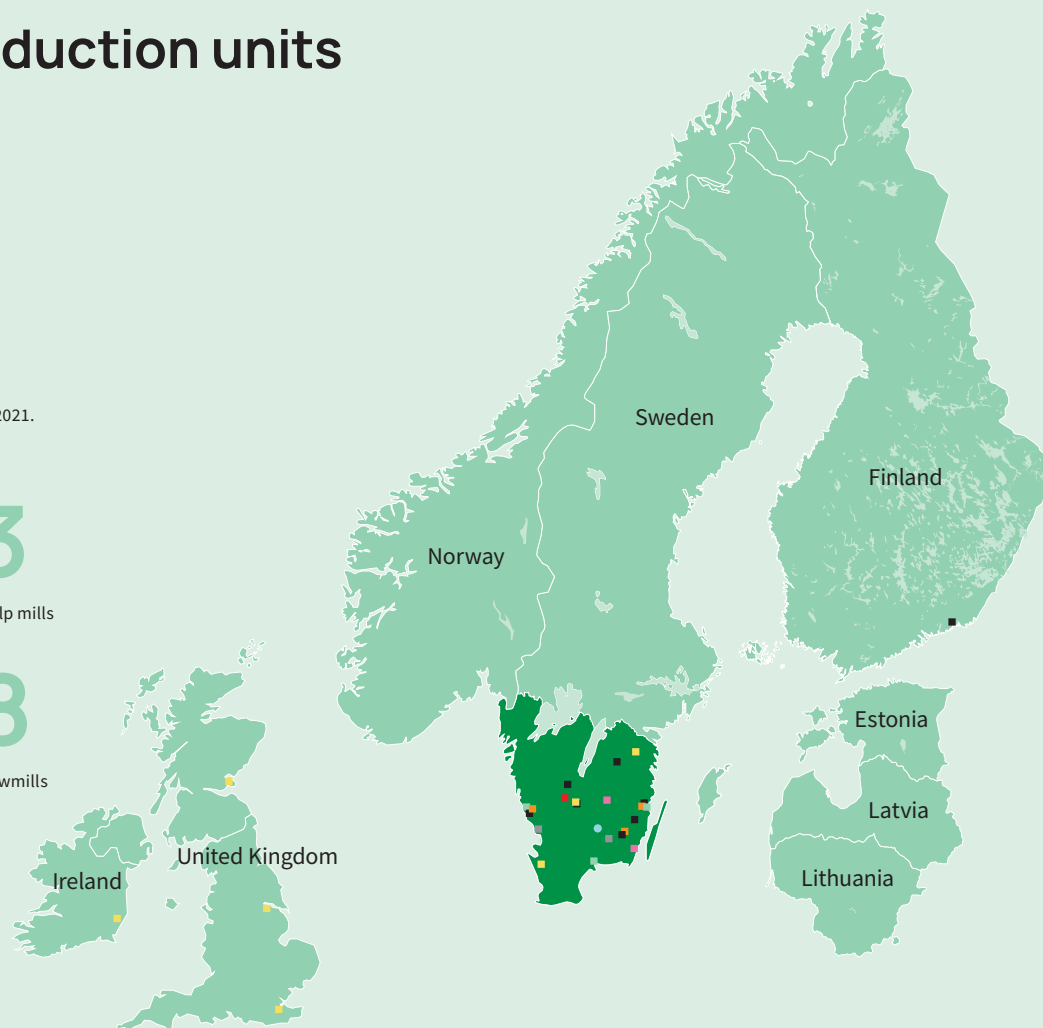
Employees

Pulp mills

**19** **8**

Forestry operations areas in Götaland

Sawmills



Key indicators	2021	2020 <sup>2)</sup>	2019 <sup>3)</sup>	2018	2017
Net sales, SEK million	27,060	20,351	23,183	24,230	20,518
Operating profit before depreciation, amortisation and impairment, SEK million	6,811	2,164	3,897	5,654	3,009
Operating profit, SEK million	5,316	891	2,582	4,508	1,917
Profit before tax, SEK million	5,233	746	2,495	4,431	1,830
Return on capital employed	25%	2%	12%	24%	12%
Equity ratio	63%	57%	59%	59%	56%
Cash flow after investments, SEK million	3,192	646	2,227	-142	356
Profit distribution, SEK million	2,239 <sup>1)</sup>	598	1,068	1,795	868
Affiliated forest area, 1,000 ha	2,719	2,696	2,637	2,591	2,517
Wood volume, million m <sup>3</sup> sub	18.0	17.4	17.1	16.5	15.9
No. of members	51,938	52,921	52,192	51,637	51,009
No. of employees	3,124	3,141	3,150	3,141	3,402
Positive climate effect <sup>4)</sup> , Mt CO <sub>2</sub> e	14.5	12.3	10.8	9.9	—
GHG emissions <sup>4)</sup> , ktonnes CO <sub>2</sub> e	649	679	306	326	300
Rate of forest growth, m <sup>3</sup> fo/ha and year	6.8	6.7	8.2	7.5	8.0
Lost-time-accidents (LTA) <sup>5)</sup> , no.	56	47	62	77	94
Lost-time-accident rate (LTAR) <sup>6)</sup>	11	9	12	15	17

<sup>1)</sup> Proposed profit distribution.

<sup>2)</sup> The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations. Comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and earlier), but are reconcilable with historical reports.

<sup>3)</sup> IFRS 16 Leases has been applied since 2019, which means that leases are now recognised as assets and liabilities, instead of Other expenses. This has impacted income statements and balance sheets, as well as key indicators.

<sup>4)</sup> CO<sub>2</sub>e=carbon dioxide equivalents. The data for 2017–2019 was produced with a different reporting principle than for 2020–2021, entailing a boundary in relation to the fossil GHG emissions included.

<sup>5)</sup> LTA (lost-time-accident): occupational injury with absence.

<sup>6)</sup> LTAR (lost-time-accident rate): the number of occupational injuries with absence per million hours worked.

A few highlights from the past year show how we are increasing member value and strengthening the Södra brand, always with our assignment in focus – to improve and renew the value of forest estates.

# The year in brief



## There are 56,193 people behind every sheet of paper

In November, we launched our new campaign to show the people behind our pulp – and our shared commitment to making our pulp the premium product it is today.

“Our strength lies in the craftsmanship behind each sheet of paper – it’s the eyes, hands, hearts and heads of our skilful employees that make the difference. Everyone plays a key role in creating the end product,” said Christina Wennberg, Head of Communications for the Cell business area.

**Read more:** [sodra.com/peoplebehindthepulp](https://sodra.com/peoplebehindthepulp)



*Some voices from the campaign:*

### **Göran Lindell – member of Södra:**

“We live on our forest estate and deliver a range of wood raw material to Södra. Our forest inspector ensures that the right raw material is delivered to the mills at the right time. As a member of Södra, it feels great to own the production process from seedling to finished product.”

### **Huyen Lyckeskog – process engineer**

“I develop and improve the recycling and biological treatment – all cooking chemicals are recovered, by-products are used for energy in the mill, and the water is purified before it’s released. I have an exciting job and great colleagues.”

## Continued expansion in CLT

Due to the popularity of Södra’s cross-laminated timber (CLT) in the market, we are investing in a new facility at Värö. The new facility will be able to supply framing materials for 4,000 homes per year, ten times more than the current output. CLT from Södra has one of the lowest carbon footprints in the market, according to a third-party verified Environmental Product Declaration (EPD). A CLT frame can reduce emissions by up to 80 percent compared with a similar concrete frame. During the year, we also established a new position in CLT in Denmark, as the first stage of our CLT establishment in Europe.

## Investment in sawmill and timber treatment facility

During the year, we acquired Ture Johanssons Trävaru AB and AB Tenhults Impregneringsverk. The new sawmill and timber treatment facility will improve wood sales in a geographically prioritised area, while also strengthening Södra’s customer offering in the Swedish building materials trade.

## Expansion of the pulp mill at Värö

During the year, we invested in our state-of-the-art pulp facility at Värö to further increase production capacity.

“The investment is in line with Södra’s strategy and means that we can continue to follow our chosen path and grow together with our customers. Increased production output will strengthen our competitiveness, and our position in the global market as a long-term and stable partner,” said Peter Karlsson, CFO at Södra.



## Cooperative strategy for a stronger Södra

During the owner dialogue a few years ago, it emerged that many members would like an ongoing dialogue about ownership issues, as well as learning more about the market conditions related to their forest estates. We are now considering the conclusions from the owner dialogue in our work with a cooperative strategy. The aim is to present the way forward and prioritised measures at the 2022 AGM.

“We want to increase the influence of all members by developing and streamlining the democratic process. We would also like more input from our elected representatives when making important decisions. Developing the cooperative strategy is therefore important for achieving more effective involvement in the management of Södra,” said Södra’s Director of Members Henrik Andersson.



## Unique partnership between Södra and ICA Maxi to recycle 56,000 garments

Södra’s focus on OnceMore® – the world’s first large-scale process for recycling blended fabrics – is moving forward. Now in a partnership with ICA Maxi to recycle old workwear.

In the first project, 56,000 garments from 88 ICA Maxi stores across Sweden will be recycled in Södra’s pulp mill at Mörrum in 2022. As a result of the partnership, these old ICA garments will become raw material for 28,000 new garments.



## New Innovation business area is strengthening both core business and new initiatives

We formed the new Innovation business area during the year, which brings new expertise for commercialising new areas and for strengthening our existing business.

“It will increase member value and build an operation that can meet the needs of customers, suppliers and a changing business environment,” said Catrin Gustavsson, President of the Innovation business area.

This means that Södra now has four business areas, together with the existing business areas of Skog, Wood and Cell.



## Silva Green Fuel in operation – demo facility for liquid biofuels

Södra has formed a joint venture with Norwegian Statkraft to run Silva Green Fuel. We are building a demo facility in Norway to test a unique technology for the production of liquid biofuels for various types of transportation. We use various types of solid biomass in the process, including bark, sawdust and forest residues (branches and treetops). We are now moving from project stage to operating phase in the facility, according to plan.

“The assembly of process equipment and machinery in the facility was completed and operators are now undergoing training, which means the facility is now operational. The laboratory is staffed and ready to make its analyses as soon as the facility is operational,” said Christen Grønvold-Hansen, Site Manager, Silva Green Fuel.



# The future looks bright for Södragården

**Lotta Lyrå**  
President & CEO

There is a quote from Södra's founder Gösta Edström that I am sometimes reminded of. At the end of the book "Utan kamp, ingen seger" (No progress without hard work), he writes:

"We don't know today how forest products will be used in the future. Make sure you don't stand empty handed when that day comes."

The quote captures the challenges faced by family forestry as well as Södra's most important assignment: To create long-term and sustainable markets for forest products – despite the constantly changing conditions for forests and forest management.

### Record result

Gösta Edström wrote this in the early 1990s, but the philosophy is still highly relevant to Södra today. With the combined efforts of 52,000 members and 3,000 employees, we can build for the future – no matter how unknown it is – while also handling challenges along the way. During the pandemic, we have received confirmation of just how strong we can be when everyone moves in the same direction.

Our sales amounted to SEK 27 billion and operating profit totalled SEK 5.3 billion. That is a fantastic result that reflects everybody's hard work and the key role that family forestry plays in the climate transition. The result is also a product of an exceptional market in many respects. Especially for Södra's core products in sawn timber and pulp, where prices remained at record levels throughout most of the year.

### Profit distribution for 2021

It is important that we see this period of time – these unique years of 2020 and 2021 – as a whole rather than two separate years. The record result for 2021 is also due to the efforts carried out in the crisis year of 2020. Our excellent result in 2021 was due to strong demand for our products, but without the wood that was delivered when the situation was reversed, with declining markets and an uncertain future, we would not be standing as strong as we are today.

At the Annual General Meeting in May, the Board will propose a dividend on wood delivered in both 2020 and 2021. A dividend of SEK 206 million for 2020, and SEK 687 million for 2021 for wood deliveries, and a total profit distribution of SEK 2,239 million. Wood deliveries in weaker times are also crucial for Södra. Our ability to pay and the competitiveness of our mills are dependent on a stable wood flow regardless of market conditions.

### Significant initiatives in 2021

It is difficult to predict what the future holds – whether politics, the market or forests. We are focused on what we have the power to change and during the year, we made a number of decisions to promote the growth of our members' forests and our operations. These include:

- » The Innovation Business Area was formed to focus on the commercialisation of new ventures and to build partnerships and collaborations, which is important for the future. Södra Building Systems (timber-frame construction) and OnceMore® (textile recycling) were transferred to the new business area.
- » We acquired Ture Johanssons Trävaru AB and AB Tenhults Impregneringsverk to strengthen our customer offering to the Swedish building materials trade and fill an important gap in Södra's wood sales. The sawmill and timber treatment facility are also developing our industrial structure along the E4 motorway.
- » Forest development. During the year, several forest growth projects were prioritised, including tree breeding, plantation follow-ups and spruce bark beetle management.
- » We launched the World-class Efficiency programme.
- » During the year, major parts of the new investment in the pulp mill at Värö were completed and we are on track to achieving production output of 780,000 tonnes per year.
- » We launched the Grow leadership development programme to strengthen leadership at Södra. The programme builds a common ground for ensuring that our strategy works. All managers at Södra will take part in the programme within two years.

### No progress without hard work

The investments are strengthening Södra and equipping us for the future. Södra also became a UN Global Compact signatory in 2020. We have committed to the Ten Principles for corporate sustainability and will report our sustainability performance every year.



With the combined efforts of 52,000 members and 3,000 employees, we are building for the future.

We will continue to follow the same path in 2022. We will launch a number of projects in particularly important strategic areas, including member benefits, occupational health and safety, and biodiversity. While our current Group strategy provides a solid foundation, we must continuously adapt to our customers' development and changes in our business environment. This applies particularly to the growing awareness of climate change and environmental issues.

We are working hard to help our members deal with spruce bark beetle damage, and following market trends carefully in the wake of the pandemic. Our business environment is also undergoing rapid changes. The political debate about forestry is expected to continue in both Sweden and the EU, while the EU Taxonomy is now being introduced and the spread of COVID-19 is an ongoing challenge.

In times of change and debate, it can be easy to forget the potential of the forest estate. But we are in a future industry. The flexibility of wood fibres, and the innovative power and role of family forestry in the climate transition are showing that demand for forest estate products will continue to be greater than supply in the future. With the combined efforts of 52,000 members and 3,000 employees – who we are strengthening by working with a cooperative strategy – we are now ensuring that we will not stand empty-handed when that day comes.



# How Södra generates value

## Assets and resources

- » Natural resources
- » Members, employees & competence
- » Financial structures
- » Mills & facilities
- » Partnerships & relationships
- » Brands

**2.7**

Million hectares of forest land

The members' forest holdings and Södra's own forests.

## Our operations and what we create

- » Södra is Sweden's largest forest-owner association with 52,000 forest owners as its members. We process the forest raw material from our members' sustainably managed forests into renewable and climate-smart products and solutions.

### Thriving forests in harmony with animals & nature

- » Responsible forest management
- » Advisory and forestry services for forest owners
- » Active nature conservation

### Sustainable solutions from the forest

- » Wood products
- » Building systems
- » Paper and dissolving pulp
- » Liquid bioproducts
- » Energy

**80**

About 80% is exported

**2.0**

million m<sup>3</sup>  
wood products

**1.8**

million tonnes  
pulp

**4,800**

GWh  
energy

**41**

ktonnes  
bioproducts

## Value for society and the environment

### Customers

- » Sustainable products and services

### Suppliers

- » Purchased goods and services

### Employees

- » Jobs
- » Personal and professional development
- » Salaries and benefits

### Society & cooperation

- » Tax revenue
- » Research & innovation
- » Infrastructure
- » Local and global community engagement
- » Partnerships with stakeholders, academia and other parts of society

### Environment

- » Positive climate effect
- » General environmental considerations in all measures
- » Voluntary set-asides of forest land, and forestry measures to preserve and develop biodiversity, cultural and social values.

## Owners

- » Profit distribution
- » Favourable conditions for active and sustainable forestry
- » Market for wood raw material

**1,638**

SEK per hectare  
Model forest estate's net  
forest income & profit  
distribution

### The model estate

A typical forest estate where members deliver all of their wood to Södra. Net forest income: The forest estate's income less costs.

Read more on page 12.

**14**

million tonnes  
CO<sub>2</sub> equivalents  
in net positive  
climate effect

### Climate effect

Södra's net positive climate effect corresponds to more than 25 percent of Sweden's total carbon dioxide emissions.

Read more on pages 20–21.

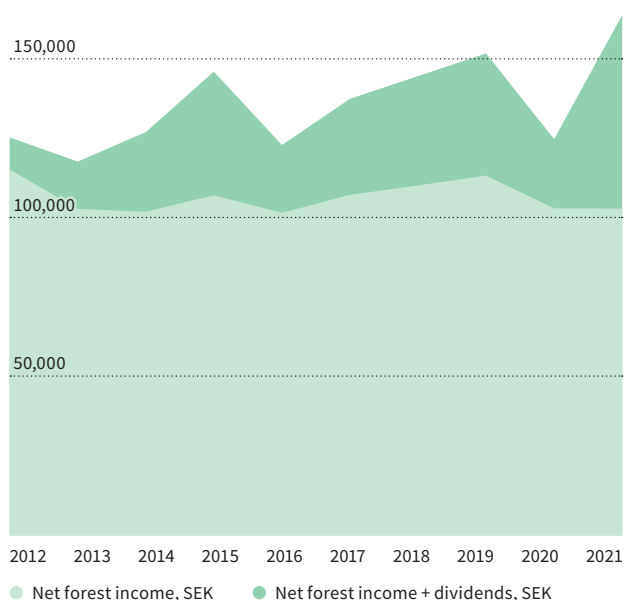
# The value of forest estates is growing every year in Södra

The associative form of ownership means that forest owners and members of Södra, in addition to profit from their own forest estates, share the profit generated by Södra's mills.

Here you can see how the Board's profit distribution proposal for 2021 will be calculated for a normal forest estate in Södra.

**The proposed profit distribution** for the year corresponds to SEK 43,117 per member, or SEK 824 per member hectare. That corresponds to SEK 202 per m<sup>3</sup>.

PROFITABILITY OF THE MODEL FOREST ESTATE (BASED ON 100 HA)



PROFITABILITY OF THE MODEL FOREST ESTATE 2021<sup>1)</sup>

Net forest income	SEK 1,028/ha	(1,029)
Dividend on wood deliveries (2020+2021)	SEK 329/ha	(183)
Dividend on contributed capital	SEK 281/ha	(36)
<b>Total</b>	<b>SEK 1,638/ha</b>	<b>(1,248)</b>
Bonus issue for paid-up contributed capital	SEK 214/ha	(33)

<sup>1)</sup> The calculation is based on profit distribution as proposed by the Board for 2021.

## Net forest income – SEK 1,028 per hectare

550 m<sup>3</sup> was harvested on the model forest estate, of which thinning accounted for 34 percent. We calculate income from wood sales at an average wood price for member deliveries during the year. The costs include the total of harvesting costs, forestry and other expenses (such as road maintenance and insurance). The harvesting cost is based on an average price for all of Södra's wood ranges. The calculation also includes an estimate of SEK 102 per hectare for the effects of wildlife browsing on profitability (calculated on the basis of damage that exceeds the forest management target of at least seven of ten undamaged stems).

## Dividend – SEK 610 per hectare

For the model forest estate, we base our calculation on average contributed capital per member hectare. The profit distribution has two components:

- » Dividend on wood deliveries:  
4% for 2020 – SEK 76/hectare  
12% for 2021 – SEK 253/hectare
- » 15% dividend on contributed capital – SEK 281/hectare

The Board proposes that the dividend on wood deliveries this time should be based on deliveries in both 2020 and 2021.

## Bonus issue – SEK 214 per hectare

The bonus issue for 2021 is 30 percent of a member's paid-in contributed capital at year-end. That means SEK 214 per hectare for the model forest estate.

Read more about the profit distribution on page 41.

**Net forest income:** The forest estate's income less costs.


**Profit distribution:** The share of profit paid out to members of Södra. The dividend is calculated on both wood deliveries and contributed capital in Södra.

**Contributed capital:** The capital that a member has invested in the association. It belongs to the member, but the association uses the money to finance its operations until the member leaves the association. Contributed capital generates dividends during the membership period but they are not paid out until the member leaves Södra.

There are two types of contributed capital: *Paid-up contributed capital* which is built up by deductions on the member's wood sales and *issued contributed capital* which grows via bonus issues.

**Bonus issue:** A special type of dividend where some of Södra profit is transferred to the member's contributed capital as issued contributed capital.



A woman with long brown hair, wearing an orange safety jacket with reflective stripes and a matching orange helmet with a black chin strap, is sitting on a large log in a snowy forest. She is holding a sandwich in her left hand and a small wooden cup in her right hand. She is looking towards the camera with a slight smile. The background shows a snowy forest floor with some dry grass and trees.

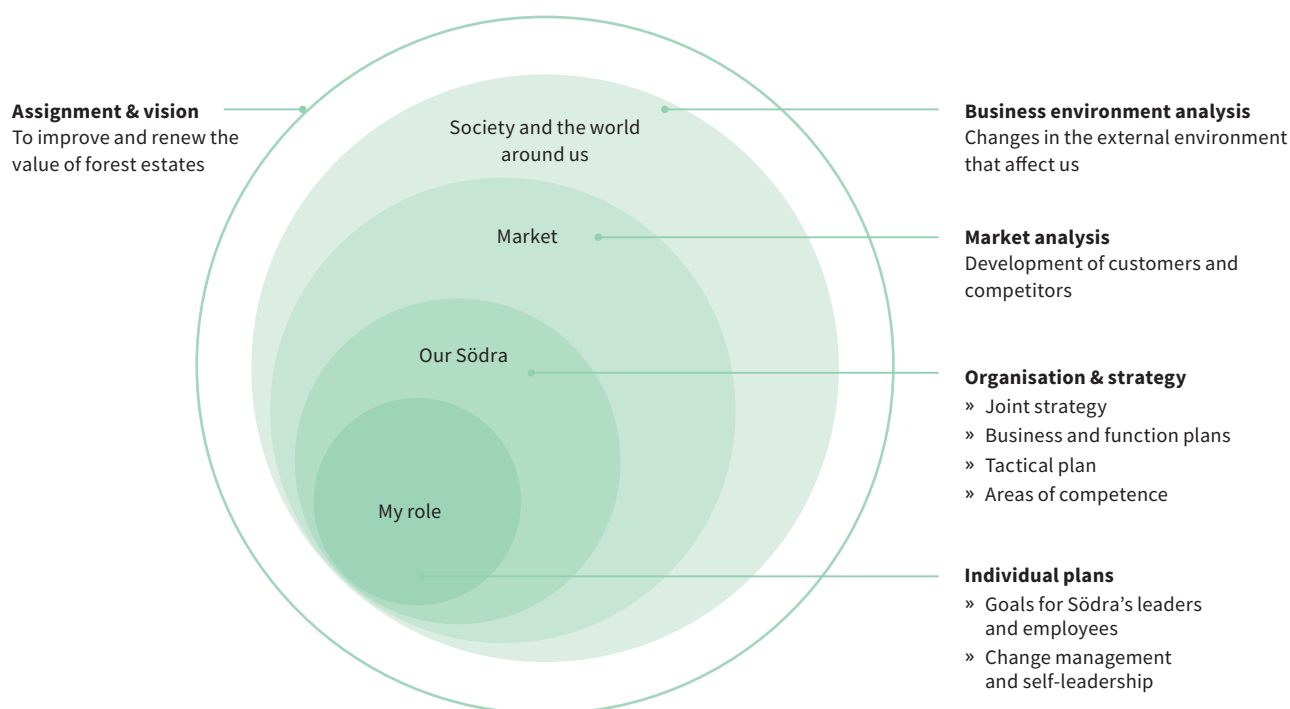
I live off my forest. I live with my forest. I live in my forest. It means a lot to me and my family in so many ways. It's only natural to care for forests to make them a welcoming place for people, animals and plants today and tomorrow. The forest will be passed on to future generations, so long-term planning and not destroying anything that makes our estate so unique are important, while also ensuring that the forest must generate money for the people who take care of it.

**Matilda Clausén Wingårdh**  
Forest owner Mästocka Halland

# Södra's 2025+ strategy







The strategy is leading us to the achievement of our vision, how we can improve and renew the value of forest estates, increase ownership value and strengthen the Södra brand.

## Profitable and sustainable growth in an ever-changing world

A strategy should create renewal in pace with a changing business environment, and position us to meet future challenges. **Our assignment is to improve and renew the value of forest estates and the starting point for our strategy is to create profitable and sustainable growth in an ever-changing world.** The strategy is based on where we are now, and how the business environment and various scenarios could affect us. Which shifts do we need to make to increase ownership value and strengthen the Södra brand by optimising the use of our resources? What can we do on an everyday basis to remain relevant and attractive over time?

The strategy is not carved in stone – whenever our business environment and customer requirements change, the way forward must also change. We therefore started to update the strategy in 2021 in such areas as the sustainability and owner perspective.

To succeed with our assignment, we need a strategy for how we can continue to develop our mills, our existing products and markets, but also to intensify our focus on further processing and innovation. We need to work efficiently with our resources and unleash the opportunities presented by digitisation. Sustainability and profitability go hand in hand when we develop climate-smart solutions along our entire value chain – from forest to customer.

Read more about the strategy and how we are working with it on the following pages.



**Malin Nordin**  
Director of Strategy

Strategy development requires a long-term approach, especially when it comes to the needs and development of customers. It helps us identify the best way to deliver on our assignment – to improve and renew the value of forest estates.



# Strong global drivers that affect us

A key starting point for Södra's strategy is how our business environment is changing and how that affects us in such areas as climate change and the environment, technology and knowledge, and demographics and geopolitics.

## Climate change & the environment

Both customers and consumers are becoming more concerned about climate change, which is driving public demand to reduce climate impacts. The aim of the European Green Deal is to reach net-zero emissions in Europe by 2050 and several political initiatives will determine how we can use forests.

### What does that mean for us?

- » Our members' forests absorb carbon dioxide, and climate-smart products based on forest biomass can replace fossil-based products.
- » Our members' forests are managed sustainably with a long-term approach by family forest owners, but growth and degrees of damage can also be affected by climate change.
- » We follow the forest raw material along the entire value chain – from seed to customer – enabling traceability, security and more efficient use of the whole tree.
- » Growing demand for climate-smart products that can replace fossil-based products is creating new opportunities.
- » Our mills produce and supply local communities with renewable electricity and heating. We are working continuously to improve the efficiency of our mills in order to reduce energy consumption and increase deliveries of renewable energy products.
- » Growing opportunities with circular products and business models are emerging.
- » We support research in this field and are pursuing development and innovation based on sustainability.
- » Trade policy, environmental and tax legislation can affect the forest industry.

## Technology & knowledge

Digitisation and new technologies are rapidly reshaping society, and the pace of technological progress is accelerating. The way people consume and communicate is changing, and that is affecting the business models and services provided by companies. The pandemic has further accelerated this trend.

### What does that mean for us?

- » We are working with digitisation, among other things, in our mills and logistics in order to leverage data-driven decisions and efficiencies.
- » Demand for data is growing and we need to develop modern solutions and platforms for making it easy to present this to customers and members.
- » New technologies are driving the development of new processes as well as new material. This is also creating opportunities to develop our members and customer offerings.
- » Weaker demand for printed matter, newsprint and office paper is reducing the need for certain types of paper pulp, while the growing need for packaging materials in e-commerce is increasing demand for other types of paper pulp.



## Demographics & geopolitics

The global population is increasing, with more people living in cities. Developing economies are growing and an emerging middle class is increasing consumption. While demand for our products is growing, a general increase in consumption is also placing demands on increased sustainability.

### What does that mean for us?

- » Overall, urbanisation has had a positive impact on demand for our products.
- » Increased demand for hygiene products, such as nappies and toilet paper based on our paper pulp, is positively impacted by a growing middle class. These products can also improve quality of life for large groups of people.
- » Increased demand for sustainable construction is presenting opportunities for timber-framed buildings and for our investment in cross-laminated timber.
- » Globalisation, urbanisation and growing e-commerce are increasing the need for transportation and therefore demand for biofuels.
- » Securing the right key competencies throughout Södra is of the utmost importance.





## Sustainable and resource-efficient

Sustainability is central to the entire strategy and is incorporated into all business decision. We can create even more value from forest raw material by working more resource-efficiently with all of the opportunities provided by forestry, our mills and circular value chains.

# Sustainability in all business decisions

Our ambitions is to lead the transition to a sustainable and circular future where sustainability permeates the entire value chain – from forest to finished product. **For Södra's members, who are mostly family forest owners, sustainable forestry is natural – forests are managed to provide long-term benefits for generations.** That members, employees, customers and suppliers take responsibility is important for the achievement of our targets in the strategic focus area of Sustainable and resource-efficient.

Climate change is the biggest challenge of our time, that presents both opportunities and risks for Södra. **Preserving the natural and social values of forests does not conflict with a higher rate of forest growth and, over the long term, we do not harvest more than the growth.** Growing forests absorb carbon dioxide, especially when they are managed responsibly. **Read more about Södra's climate effect from various perspectives on the next page.**

While our climate-smart products are part of the solution, we will also need to adapt our activities – in forests and in mills – to the changing climate. There must be sufficient forest raw material for many purposes and it must therefore be used efficiently. More and more products are created from the same

amount of raw material and we are developing new products and innovations that can replace products made with fossil energy or from materials from fossil sources. In the transition to a sustainable, circular bioeconomy, we must optimise the use of our resources to reduce both costs and our environmental impact.

A safe and secure work environment is a basic requirement for our operations and Södra has a zero accident vision. We are working to improve equality and diversity in our operations to create the best perspectives.

## How we are working with the focus area

Sustainable development, from a social, ecological and economic perspective, is incorporated into all business decisions and our development of new products and innovations. This means that the process involves many of us at Södra. The Sustainable and resource-efficient focus area is largely governed by policies, targets and key indicators, as well as business management systems. Efforts are coordinated by the Sustainability function.

## Our achievements in 2021

In our forest operations during the year, employees completed training in order to provide Södra's members with better advice

about higher forest growth. We also started up a research project to produce seedlings that are resistant to root rot. We are working to preserve and develop biodiversity in forests. In our nature conservation activities, Södra has historically worked in a variety of ways to preserve various species. Recently, our focus on individual species has increased, so we are developing tools to register the occurrence of known species.

OnceMore® is the first and biggest large-scale project in the world for recycling blended textile waste. The pulp that is produced consists of cellulose from two separate sources – textile waste, and wood from sustainable forests. This produces a clean, high-grade dissolving pulp that can be used to make new clothing and other textile products.

Through a partnership with the Swedish company Trioworld, the timber packaging we use for all wood deliveries now contains 30 percent recycled plastic, which is estimated to reduce annual GHG (greenhouse gas) emissions from the production of the packaging by 23 percent.

We launched Zero Fossil – products made with absolutely zero fossil fuels (read more below). To further reduce our use of fossil fuels, the railway yard at Värö has now been electrified and we are also testing hybrid forklifts at the wood yard there.

Production and development of bioproducts means that we are using every part of the tree. In autumn 2021, the Silva Green Fuel demonstration facility in Tofte, Norway, became operational. The venture is a partnership with Norwegian energy company Statkraft, in which we are working together to develop an advanced liquid biofuel that can replace fossil fuels. Södra is also involved in a joint project with parties including KLM Royal Dutch Airlines to produce aviation biofuel from woody biomass. The biomethanol plant at Mönsterås has progressed from development project to fully operational production of biomethanol that can replace fossil fuels.

Occupational health and safety (OHS) is prioritised in this area with a focus on the organisational and social work environment and improving how we report risk observations. During the year, we conducted a health campaign throughout the entire Group and developed an online health and safety training course for all employees. The Grow leadership development programme that commenced during the year will provide a common ground for all of Södra's managers and leaders.

### The results we achieved

During the year, we focused on our ambition to lead the transition to a circular future and made several shifts in that direction. The year's measurement of the climate effect was high, mainly due to the increase in growing stock in members' forests despite a higher harvest rate than in previous years. The results for lost-time-accidents show that we must continue to work systematically with a long-term approach to reduce work-related injuries and achieve our zero accident vision.

## Target 2021

- » Positive climate effect: 10 Mt CO<sub>2</sub>e
- » LTAR: <10

## Outcome

- » Positive climate effect: 14.5 Mt CO<sub>2</sub>e
- » LTAR: 11

**Positive climate effect:** Based on net forest carbon stock change (growth minus harvesting and other losses), GHG emissions and the substitution effect that arises when forest-based products replace products with a higher carbon footprint. Mt CO<sub>2</sub>e = million tonnes of CO<sub>2</sub> equivalents. This target will be reviewed in 2022.

**LTAR:** The number of occupational injuries with absence per million hours worked.

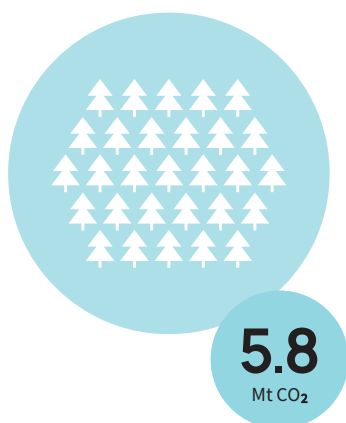


## Zero Fossil – fossil-free value chain

Södra's Zero Fossil products are completely fossil-free and have a fossil-free value chain – from seedling to delivery. When a customer purchases a Zero Fossil product, we guarantee that an equivalent amount of the product has been produced and transported fossil-free throughout the entire value chain: from forest management, the industrial process and finally until delivery to the customer. Fossil-free production and transportation is guaranteed using a mass balance analysis and verified by a third party.

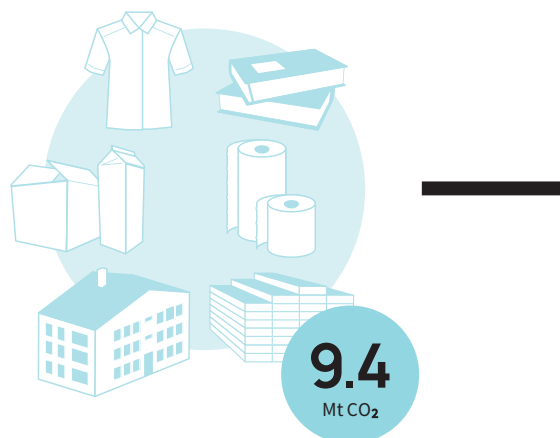
Fossil-free means that only electricity from renewable sources is used for production, and only renewable biofuels are used for transportation, such as HVO, bio-oil or biogas.





#### Forest carbon stocks

The trees in our members' forests absorb and store carbon dioxide from the atmosphere.



#### Substitution effects

A positive substitution effect and lower fossil GHG emissions are achieved when our renewable wood-based products are used to replace products with a higher carbon footprint.



# Forests are helping to combat climate change

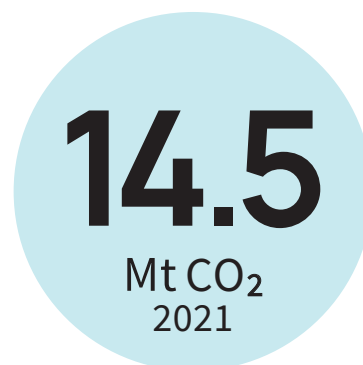
Södra's climate effect has been studied in depth and calculated. As in previous years, the main message is clear: forests create far more benefits for the climate when they are used than when they merely serve as carbon stocks.



### Supply chain emissions

There are still some fossil GHG emissions in our supply chain.

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### Södra's total climate effect

Net forest carbon stock change plus the use of our forest products to replace products with a higher carbon footprint, minus our fossil GHG emissions, gives us Södra's total climate effect.

Read more about Södra's climate effect in the report at [www.sodra.com/climateeffect](http://www.sodra.com/climateeffect)

The climate benefits of forests are often reduced to the fact that growing trees absorb large amounts of carbon dioxide. But far less attention has been paid to another aspect of forests with major climate benefits – the substitution effect.

As forests grow, we use every part of the tree and forest-based products are now being used on a large scale to replace products with a higher carbon footprint. That is nothing new, but more and more researchers have recently become interested in how this effect can be measured.

Biogenic carbon dioxide is part of an ecosystem in which emissions are constantly reabsorbed by growing trees and other vegetation, while burning fossil fuels increases the net amount of carbon dioxide in the atmosphere.

Substitution therefore creates climate benefits when renewable forest-based products drive back products with a higher carbon footprint, such as steel, concrete, plastic and fossil fuels.

## Södra's climate effect in figures

- » In 2021, the estimated carbon sink formed by forests owned by Södra members and the Group corresponded to 5.8 million tonnes of CO<sub>2</sub>e. That is the net carbon stock change attributable to the increase in forest growing stock. At the same time, the harvest rate was higher than in previous years.
- » In 2021, Södra's reduction of fossil GHG emissions due to substitution amounted to 9.4 million tonnes of CO<sub>2</sub>e. The result is due to a higher harvest rate combined with higher deliveries of wood raw material and sawn timber compared with previous years.
- » In 2021, Södra's fossil GHG emissions amounted to 0.7 million tonnes of CO<sub>2</sub>e, mainly from the production of purchased goods and services and the transportation of raw materials to industry and products to customers. The emissions also include emissions from our industrial processes, generation of purchased energy, fuels, forest management operations, waste management, business travel and use of sold energy products. Other emissions in the value chain are not included.
- » Södra's positive climate effect for 2021 was 14.5 million tonnes of CO<sub>2</sub>e. The year's measurement was high, mainly due to the increase in growing stock in members' forests, despite a higher harvest rate than in previous years.



## Innovative

In order to develop our offering to customers, innovations and a higher level of processing in our existing product categories are important. At the same time, we need innovations that develop completely new ways to use forest raw material. We need to commercialise new products and strengthen our position in the bioeconomy.

# Innovation is key to a sustainable transition

Innovation comes from the Latin word *innovare*, which means *to renew*. There is strong demand for new products based on renewable forest raw material – biomaterials, biochemicals and bioenergy.

**While Södra is contributing to a sustainable transition by increasing climate benefits, our innovations are contributing to profitability and growth by improving resource-efficiency and the use of our members' raw material.** Higher added value increases the profitability of forest estates.

### How we are working with the focus area

To commercialise innovations and new business, important targets in this focus area are to increase the share of sales for new products, and to raise Södra's innovation capacity with a focus on leadership and culture. Innovation engages all of our business areas and the aim is that all employees can contribute in a culture that promotes innovation. Collaboration and our joint ownership of the strategic plans in Södra's areas of innovation are important for success. The Innovation business area was formed during the year, providing a greater focus and clearer support for new business. We shall develop Södra's conceptual processes, but external networks are also important for raising levels of expertise.

### Our achievements in 2021

During the year, we achieved several milestones and made progress with Södra's innovation initiatives. One example is the investment in biomethanol at Mönsterås, where we have solved several process challenges and the facility has now been handed over from Innovation and is fully operational.

Another success is our major investment in textile recycling, OnceMore®, where ongoing production is combined with development of the technology. OnceMore® is first large-scale process in the world where blended textile waste is mixed with fibre from forest raw material. A significant event was our partnership with the global textile company Lenzing, which commenced during the year. We will also be collaborating with ICA Maxi to recycle 56,000 used work garments from their stores. This is one specific example of how new business can be commercialised all the way to market.

We are making many investments in liquid biofuels – the largest is Silva Green Fuel in partnership with Norwegian Statkraft and Steeper Energy. Completion of the demonstration facility in Tofte in Norway and preparations for the start-up commanded a major focus during the year.



Our investment in building systems and cross-laminated timber (CLT) with climate-smart structural components that make sustainable construction of high-rise buildings in timber possible continued at a rapid pace during the year. The planned construction of our large-scale CLT facility is on track with start-up scheduled for 2022 and we are expanding into new markets.

In forestry, the BraSatt project is important and directly linked to the profitability of forest estates. The aim is to create a new planting method that will ensure higher plant survival and therefore higher forest growth.

Alongside of these major investments, we have worked with innovation linked to existing processes and products through initiatives in the strategic focus area of World-class efficiency.

### The results we achieved

During the year, we achieved several milestones linked to the innovation portfolio. We also noted growth for established new products such as CLT, biomethanol and OnceMore®, to name just a few. Engagement in this innovative area is growing among Södra's employees and stakeholders, driven by external trends in sustainability, climate-related issues and increased profitability.

## Target 2021

- » Share of sales for new business: 7.9%
- » Innovation management maturity: –

## Outcome

- » Share of sales for new business: 6.3%
- » Innovation management maturity: –

**Share of sales for new business:** New business is considered new for a period of ten years. In 2021, we introduced the Frontwood range of products in cross-laminated timber and pulp with low fluorescence emissions. To achieve the targets for new business by 2025, the commercialisation of more initiatives and business ventures is required.

**Innovation management maturity:** Measured using a five-point scale and relates to leadership and culture, but there is no quantitative measurement for the year. A first measurement is planned for 2022.



## Prefab terraced house from the foundation to the roof

In 2021, a terraced house project was constructed in Vallberga outside Laholm, where all structural components were prefabricated and made with CLT from Södra. The project is a partnership between Södra and Klara Byggsystem to show the potential for combining a sustainable building material such as timber with traditional industrialisation.

“When the solid wood panels arrive at our facilities from Södra, the openings are already cut to size – with high precision. That means that our foundations and elements can contain service channels for installations, a sloping bathroom floor, holes for power sockets and guidelines for the placement of walls, ready from the factory. In turn, that simplifies the subsequent steps and significantly lowers the total cost,” said Erik Goverde, CEO and Head of Innovation at Klara Byggsystem.





## World-class efficiency

Efficiency means using our resources and assets in the best possible way – doing the right thing in the right way. For a capital-intensive operation like ours, working with internal efficiency and continuous improvements is important. It is a linchpin for profitable growth.

# World-class efficiency

Internal efficiency refers to how we can improve the way we work and achieve more with less, be faster, easier, economise the use of resources, reduce costs and strengthen profitability. Our analysis shows that we need to improve profitability with an annual effect of SEK 1 billion by 2025 to meet our financial key indicators and to enable continued profitable growth. At the same time, we see great potential for improving internal efficiency. As a result, we are now working to create world-class efficiency across the whole of Södra.

In an ever-changing world with a diversity of challenges in such areas as finance, sustainability and biodiversity, it is vital that we create the flexibility to deal with the issues we will face – without losing our focus on forest products or creating more value for forest estates.

**The aim of the World-class Efficiency programme is to improve Södra's profitability by SEK 1 billion annually by 2025, and to strengthen competitiveness by developing the ability to lead and manage continuous change.**

### How we are working with the focus area

The core is to create value for our owners by focusing on what we are able to control. We take a broad approach and have gathered tools and inspiration from other industries across a wide range of sectors. Our work includes production processes, as well as the supply chain and increased efficiency in joint processes. A key element is competency development in such areas as continuous improvement, goal setting, data analytics and digitisation.

With the goal that Södra will eventually become a leading player in the Swedish forest industry, we work with two main areas:

1. *Increased operational efficiency* where every unit shall identify and carry out initiatives to improve safety, profitability and quality.
2. *Optimised value chain* where we focus on connecting and optimising our efforts across the entire value chain, while also improving our purchasing methods.

The methodology used starts with a factual analysis that is data-driven as far as possible. Based on this analysis, we then prioritise the initiatives that will be most effective, and that we are able to implement. Then we create a detailed plan for the process together with the people involved and establish support across the organisation. At the end of the process, we compare the outcome with the original potential. The entire process generates knowledge and experience that can then be used in subsequent efficiency improvement processes.

Opportunities and challenges linked to value chain flows usually span across several business areas and units. The goal then is to gather people with diverse competencies to methodically select, analyse and test various scenarios. But also to develop tools and processes that make daily decision-making easier for employees, based on the best results from an overall perspective.

### Our achievements in 2021

In *Optimised value chain*, we focused on strategic purchasing in Södra's business areas. We are also developing better decision-making support with an overall view of the flows in our entire value chain.

In parallel, we have begun working with *Operational efficiency* in the pulp mills at Mörrum and Mönsterås and the sawmills at Orrefors, Mönsterås and Långasjö. We are working together to create plans for each prioritised improvement initiative with a long-term effect on efficiency, while also refining and developing our overall way of working and gradually strengthening the conditions for database analysis within Södra.

Due to the COVID-19 pandemic, we have not been able to work directly in our operations as much as we would have liked.

### The results we achieved

We have started a number of initiatives over the past year and several have already delivered results. One specific area in which we are working intensively is to improve the efficiency of our mills by increasing availability, utilisation rates and quality. There is also a strong commitment to improving safety, which is a prerequisite for all other work.

Resource-efficiency is another area with a great deal of potential. The aim is to generate more value from the same amount of raw material by, for example, optimising the product mix and using various input products effectively. Another initiative that we expect will lead to cost savings is better coordination of items such as spare parts.

A key element of efficiency improvements is to ensure that the effect of the changes is long-lasting. This requires competency development initiatives, the establishment of new methods and ways of working as well as a long-term cultural shift towards greater collaboration, curiosity to navigate the challenges and that all of us at Södra embrace change.

## Target 2021

- » Effect of activities: SEK 78 million
- » Added value per m<sup>3</sup>sub: SEK 715

## Outcome

- » Effect of activities: SEK 93 million
- » Added value per m<sup>3</sup>sub: SEK 1,182

**Effect of activities:** Lasting positive effects on operating profit. The outcome is a rolling value that refers to the forward effect.

**Added value:** Net sales less raw material costs per solid cubic metre of wood



## Air Traffic Control function provides decision support

From an air traffic control tower, you can see everything that happens – from up in the air to down on the ground. Södra's Air Traffic Control function gives us the tools, competence and processes to keep track of the entire value chain as well as support for everyday decision-making. That makes it easier for employees and improves efficiency.

"We gather data, usually the data that's already in our various systems, and compile how they affect various parts of the value chain," said Stefan Johansson, Head of the Air Traffic Control function. It could involve prioritising the best contracts for paper pulp based on how production has been planned. Or the best way to produce sawn timber so that we can meet customer requests based on the contracts for timber in our members' forests. Where should we harvest, and what sawmill should the wood be sent to in order to achieve the most efficient flow possible? The Air Traffic Control function's analysis can help us make the best decisions for Södra as a whole.



## Digital

Digitisation is creating opportunities for profitable growth, innovation, efficiencies and flexibility in an ever-changing world. We can use digital technologies to make interaction with our customers, members, employees and the community simpler and faster.

# The power of digitisation

The digital transformation is broad-based and affects all parts of our operations in various ways. Digitisation can improve production processes, present new opportunities for member and customer meetings, create better conditions for using forest raw material and provide support for making the right decisions. **Digitisation is an important tool for improving our efficiency and strengthening competitiveness.**

There are new opportunities for improving Södra's processes in industry and logistics. These could be new smart sensor technology, that all employees can always be online, and that we may eventually see a value chain where every individual tree can be traced from seedling to finished product.

By automating administrative processes, digital technology can be used to carry out repetitive tasks. Quality is also improved when there are no clerical errors or mistakes.

Digitisation can also create a modern workplace with effective and efficient tools. Digitisation has meant that many of Södra's employees have been able to work from home during the COVID-19 pandemic, and many of the association's most important democratic processes, such as the Annual General

Meeting and local annual meetings, have been held virtually. Simple, smart solutions, such as identification with BankID, a digital mailbox via Kivra and signing contracts electronically, are other examples of everyday efficiencies.

### How we are working with the focus area

Digitisation at Södra is business development made possible by new modern technologies in four areas:

1. More efficient processes
2. Better customer and member meetings
3. New products and business models enabled by digital capability
4. Social benefits and partnerships around data with other players.

In order to create modern and stable IT platforms for all of Södra's needs, the underlying infrastructure must be in place.

### Our achievements in 2021:

In 2021, we migrated our entire IT operations to the Microsoft Cloud Platform. This gave us tools and flexible capacity to maintain stable operations in all digital business systems, while still meeting high security requirements. With increasingly better tools, we can continue to grow and improve our digital efficiency.



There is a lot of information and data in Södra's operations. It is important that this data can be used quickly, is reliable and consistent across the company. Therefore, in 2021, to strengthen the infrastructure, we created a new modern data platform that supports all types of data, from basic forest data to manufacturing process data, as well as data from our business systems. This means that we ensure not only all of Södra's information, but that we have a system that guarantees faster analysis for data-driven decision-making.

During the year, we continued to develop our digital channels for members, customers and employees. A modern e-commerce solution with a customised experience and 24-hour service for the building materials trade is one example from the Wood business area.

For members, we have established the Min skogsgård (My forest estate) portal, an important digital platform for Södra and its members. The platform is available as both a mobile and web app, with slight differences in functionality. The aim is to create better conditions for active forest management and simplify for members. In the My forest estate app, members can see their forest management plan and read information that is relevant to their forest estate, as well as their membership and account at Södra. This infrastructure has also been improved enabling faster development of the application and higher quality moving forward.

Södra is an economic association and one important step has been to hold virtual meetings for members and others during the COVID-19 pandemic. During the year, we invested in a studio for various types of programmes and webcasts for Södra's various target groups, both internally and externally.

To speed up the pace of digitisation, we invested in stronger internal competence and several recruitments were made during the year to fill key roles. These positions were mainly in data analytics and automation, but also in information architecture and testing in order to improve the quality of testing processes. We also developed the collaboration with strategic partnerships in digital business development to contribute to ambitious targets and sustainability.

### The results we achieved

- » Added value for members due to stable and innovative digital solutions.
- » Higher pace of change with modern platform and tool kit.
- » Higher level of maturity – from basic IT to the entire spectrum of value-generating opportunities in the operations.

### Target 2021

- » Number of completed use cases per month: 20
- » Hours saved with automated processes: 20,000

### Outcome

- » Number of completed use cases per month: 7
- » Hours saved with automated processes: 20,700

**Use cases:** Number of completed changes in the Group-wide case management system.

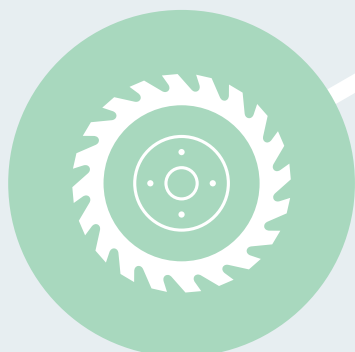
**Hours saved:** Number of hours saved by processes that have been automated.



### 1,000 sensors improve operational reliability

In 2021, we commenced the installation of about 1,000 IoT (Internet of Things) sensors that measure vibration in our pulp production process in order to work more preventively with maintenance and thereby increase pulp mill availability. The sensors will give us even better input data and the installation of another 1,000 sensors is planned for 2022. IoT sensors are usually battery-operated and use the mobile network to transmit data, which makes them cost-efficient.

“This is giving us totally new conditions to predict stock problems in our rotating process equipment so we can ensure high operational reliability,” said Thomas Håkansson, head of technology and maintenance development in the Cell business area.



## Flexible and robust

To remain profitable in a rapidly changing business environment, the organisation must be both robust and flexible. Robust in order to control the impact of external factors. Flexible in order to further adapt and manage adverse changes in the business environment and to take advantage of positive trends.

# Leading and living during a time of change

We operate in an ever-changing world. We must be prepared for major shifts and increased uncertainty. Financial stability is important, but we also need to be an organisation with a strong customer focus and a way of working that can adapt to the changes that occur. Strong products and services, but also the flexibility to develop new business and adapt, will hold us in good stead. Over the years, Södra's strength has helped us to weather both storms and market challenges with our feet planted firmly on the ground.

**To continue generating value for our owners, we must be stable and adaptable, and be able to leverage major global changes to create new business opportunities. At the same time, we need to be robust enough to respond to negative trends and challenges.**

It is important to always lead and live during times of change, to work with culture and leadership and to stimulate learning in the organisation. The new brand platform is an important common base that provides a stable starting point. We also need to strengthen our competitiveness and position by developing throughout the value chain.

## How we are working with the focus area

This focus area affects all of Södra as do targets and key indicators. Strategic objectives are an important way to create awareness about important areas that we want to change. This could range from the percentage of women in newly appointed senior roles or shifting from measuring sickness absence to healthy attendance.

The equity ratio measures the percentage of our assets that are financed with equity – a key indicator for our financial stability.

## Our achievements in 2021

The Group-wide World-class Efficiency programme commenced during the year with the aim of improving Södra's profitability and stability, while also strengthening competitiveness.

In the Air Traffic Control function, we see the entire value chain flow, from member to customer. The goal is to develop decision support that helps us create the most competitive value chain in the industry.

During the pandemic year of 2021, Södra's robustness and flexibility helped us to effectively maintain business continuity and implement major maintenance shutdowns in the pulp mills at both Mönsterås and Värö. The challenges also taught us to work in a different way, such as when we quickly crossed over to webcasts to reach Södra's forest owners, employees and customers when physical meetings were cancelled.

During the year, we made a major investment in the Grow leadership development programme, which will be completed by all of Södra's leaders by 2022. The focus lies on learning, well-being, psychological security, agile ways of working and digitisation. This is an important piece of the puzzle in efforts to train and build change management capability.

In various parts of our operations, we strengthened ways of working and competence according to the Lean methodology, which is a way of optimising business development by focusing on continuous improvement, and creating maximum customer value with existing resources.

We are planning a trainee programme for 2022 – the Tilia Programme – to further increase and build competence and capabilities in such areas as technology, leadership and sustainability.

The HR function is working with issues related to employee development and well-being, to create conditions for everyone to perform as well as possible. During the year, we improved the recruitment process by screening candidates to make the selection of candidates more objective. We work continuously to improve the operations in, for example, team development, salary analysis and workplace inclusion. During the COVID-19 pandemic, we also introduced a wellness initiative with online talks and web-based material with a holistic approach to both physical and mental health.

### The results we achieved

Thanks to our employees, we were able to keep our operations running in a fantastic way during the pandemic year. The new Air Traffic Control function enables better decision-making support across the entire value chain.

In those managers who complete the Grow course, we see excellent examples of how to look ahead when carrying out activities with a direct link to the strategy. We see also the positivity generated by working together and exchanging experiences with colleagues from other parts of the value chain. The direct translation of learnings into everyday situations and testing new ways of working strengthens both robustness and flexibility.

## Target 2021

- » Women in newly appointed senior positions: 50%
- » Equity ratio: 55%

## Outcome

- » Women in newly appointed senior positions: 34%
- » Equity ratio: 63%

**Women in newly appointed senior positions:** We are not satisfied with the outcome and will continue to work to strengthen this area by, for example, always having final candidates of each gender when appointing people to senior positions.

**Equity ratio:** The percentage of assets that are financed by equity. The equity ratio is strong and in order to maintain the health of Södra's balance sheet, we will continue to invest some of our profit in the operations while also strengthening profitability.



## The Grow development programme is strengthening Södra's leaders

The Grow leadership development programme was rolled out during the year. One of the first participants was Emma Yazdani, product manager in the Innovation business area:

"I think Grow is a fantastic initiative, it shows that Södra is serious about strategies and targets. Sometimes it feels like a company's targets are formulated for an executive team without any real connection to the surrounding business, but Grow has helped me to understand the targets and break them down to a level that feels manageable."

"Grow creates conditions for actually succeeding. Grow provides tools for working sustainably and efficiently, and the programme creates an understanding of how we all have to work together to achieve the targets."





## Focus on profitable growth

Growth is essential for long-term value creation. Our owners have a forest raw material that is increasing due to responsible forest management. A key element of improved profitability is increased efficiency and better use of our joint resources.

# Investments are strengthening our competitiveness

The transition away from fossil fuels and growing consumer awareness of climate-related issues is making our raw material highly attractive for new sectors. This is creating growth opportunities for Södra moving forward. In order to continue developing and generating value for our forest estates and members, Södra must continue to grow profitably and be competitive. Via our members, we have access to a large amount of sustainable forest products that are processed in our mills, and we are constantly developing ways to create even more value from each tree. There are many reasons, therefore, why we need to continue our strong history of growth.

**The journey forward is a combination of increased volumes and higher added value per solid cubic metre of wood from our members' forests** – all based on high efficiency across Södra's entire value chain. In this strategic focus areas, we work with several parts:

- » Investments in existing production facilities
- » Acquisitions to complement existing business operations
- » Development work to utilise a higher proportion of the raw material
- » Divestments to strengthen the focus on growth in our core business.

## How we are working with the focus area

We work with strategic and long-term investments in our mills to expand capacity and reach larger and new markets globally. This involves investment in our existing operations, but also – with an ear to the ground and our eyes on the future – developing new business and innovations in areas such as liquid biofuels and CLT. This may also entail acquisitions.

The optimisation of financial control and revision of flows across the entire value chain are also important when working to create profitability and growth. We are also strengthening internal efficiency with the World-class Efficiency programme (read more under the focus area).

## Our achievements in 2021

To streamline and focus on our core business, we completed the divestment of Trivselhus AB during the year. We made several key strategic investments:

- » Acquisition of Ture Johanssons Trävaru AB – sawmill and timber treatment facility that will improve wood sales in a prioritised area, while also strengthening Södra's customer offering to the Swedish building materials trade. The acquisition is also strengthening our production structure.



## Target 2021

- » Return on capital employed: 10%
- » Cash flow after investments: SEK 2,500 million

## Outcome

- » Return on capital employed: 25%
- » Cash flow after investments: SEK 3,192 million

**Return on capital employed:** Operating profit divided by capital employed.

**Cash flow after investments:** Shows how much cash is generated after investments have been made.

We are outperforming both of these targets mainly due to the favourable price formation during the period, but our underlying profitability will also need to be strengthened over time.

- » Värö 2.0 – Expansion of the Värö facility to secure markets for our members' raw material and enable continued growth with our customers.
- » The biomethanol plant at Mönsterås – continued investments in the world's first biomethanol plant where we can create resource-efficiency by processing more of the forest raw material.
- » A new CLT production facility at Värö that will supply framing materials for 4,000 homes per year is scheduled for completion in 2022.
- » We invested in the relocation of a boiler from Långasjö to Hamina, where capacity was increased from 6 MW to 10 MW, enabling volume growth from 165,000 m<sup>3</sup>sw to 180,000 m<sup>3</sup>sw (cubic metres of sawn wood). The boiler will also enable additional volume growth, pending complementary investments in drying capacity.
- » We are investing in the railway yard at Värö. This will increase the stability of our raw material and customer supplies. The expansion involves increased capacity in the railway yard, fewer inter-transportation disruptions and a lower cost per transported m<sup>3</sup>sub (cubic metres solid volume under bark) of forest raw material.

### The results we achieved

We see positive effects from the investments we made during the year – in both our existing facilities, where we are investing heavily in Värö, and the acquisition of Ture Johanssons Trävaru AB, which has strengthened our customer offering to the Swedish building materials trade. Our investment in CLT is well-timed given the high market demand. The divestment of Trivselhus is enabling a greater focus on our core business and strengthening profitability.



## Investment for wood sales

In 2021, Södra acquired Ture Johanssons Trävaru AB in Klevshult and AB Tenhults Impregneringsverk in Vaggeryd with a capacity of 100,000 m<sup>3</sup> of sawn timber and pressure-treated timber, respectively.

The new acquisitions are located in an area where we have a stable raw material supply, but no previous mills. These acquisitions will now help to strengthen wood sales along the E4 corridor in central Götaland, while also improving our customer offering to the Swedish building materials trade.

“The investment will strengthen our customer offering and give us better conditions for sustainable and profitable growth,” said Maria Bergön, project manager for the integration of Klevshult and Vaggeryd at Södra.

# Four business areas for today and tomorrow

Södra's operations are organised into four business areas – Skog, Wood, Cell and Innovation – that develop products and services in sawn timber, building systems, dissolving and paper pulp, liquid bioproducts and energy – all based on the forest raw material supplied by members.



## Skog

- » Forestry and advisory services for Södra's members
- » Purchases forest raw material from members and delivers the material to Södra's mills
- » Forest management and contractor development
- » Management of Södra's forests in the Baltics and Sweden
- » External trade with wood raw material and biofuels
- » 19 local forestry operations areas
- » Two nurseries
- » Södra Åkeri and Mönsterås Hamn



## Wood

- » Wood products – sawn, planed, pressure-treated or coated
- » Pellets and other wood chip products
- » District heating
- » Eight sawmills in Sweden and Finland
- » Three timber treatment facilities and two planing mills in Sweden. Four timber treatment facilities in the UK and Ireland.



## Cell

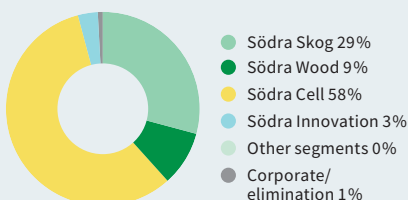
- » Paper and dissolving pulp
- » Liquid bioproducts
- » Biofuel, green electricity and district heating
- » Södra Vind
- » Three Swedish pulp mills



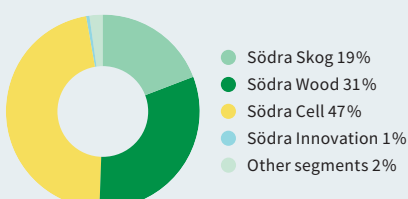
## Innovation

- » Develops products, services and processes in Södra's innovation areas, such as OnceMore® and liquid biofuels
- » CLT building systems
- » Associated companies SunPine and Silva Green Fuel
- » Södra Medlemsel
- » The Södra Foundation for Research, Development and Education
- » CLT production facility

Non-current assets per segment



Sales per business area



SEK 27,060 million in total, excluding internal deliveries.

	Skog		Wood		Cell		Innovation	
	2021	2020	2021	2020	2021	2020	2021	2020
Net sales, SEK million	12,203	11,510	9,230	6,143	12,818	10,227	173	114
Operating profit/loss, SEK million	370	445	2,779	447	3,508	317	-110	-161
Return on operating capital	7%	9%	85%	13%	27%	2%	neg.	neg.
Investments, SEK million	184	126	208	140	1,009	1,001	441	152
No. of employees	618	601	1,017	897	1,215	1,193	98	77
Healthy attendance	96%	97%	95%	94%	96%	94%	97%	—
LTAR	7	2	23	30	7	13	0	0



# Swedish wood – a global product

Södra is one of the largest forest industry groups in Europe and we export pulp and sawn timber all over the world. Our core markets are in Europe and Asia. Exports account for about 80 percent of our sales.

## 1.8+2.0

The pulp mills produced 1.8 million tonnes of pulp, and the sawmills produced 2.0 million m<sup>3</sup> of sawn timber.

## SEK 18 billion

The export value includes net sales of the processed products, geographically distributed to where we have our end customers.

### One of the largest pulp producers in the world

Our pulp mills at Mönsterås, Mörrum and Värö produce soft-wood sulphate, hardwood and dissolving pulp. Our customers are mainly European tissue, specialty paper, packaging and publishing paper manufacturers. The tissue paper market is growing in Asia, especially in China.

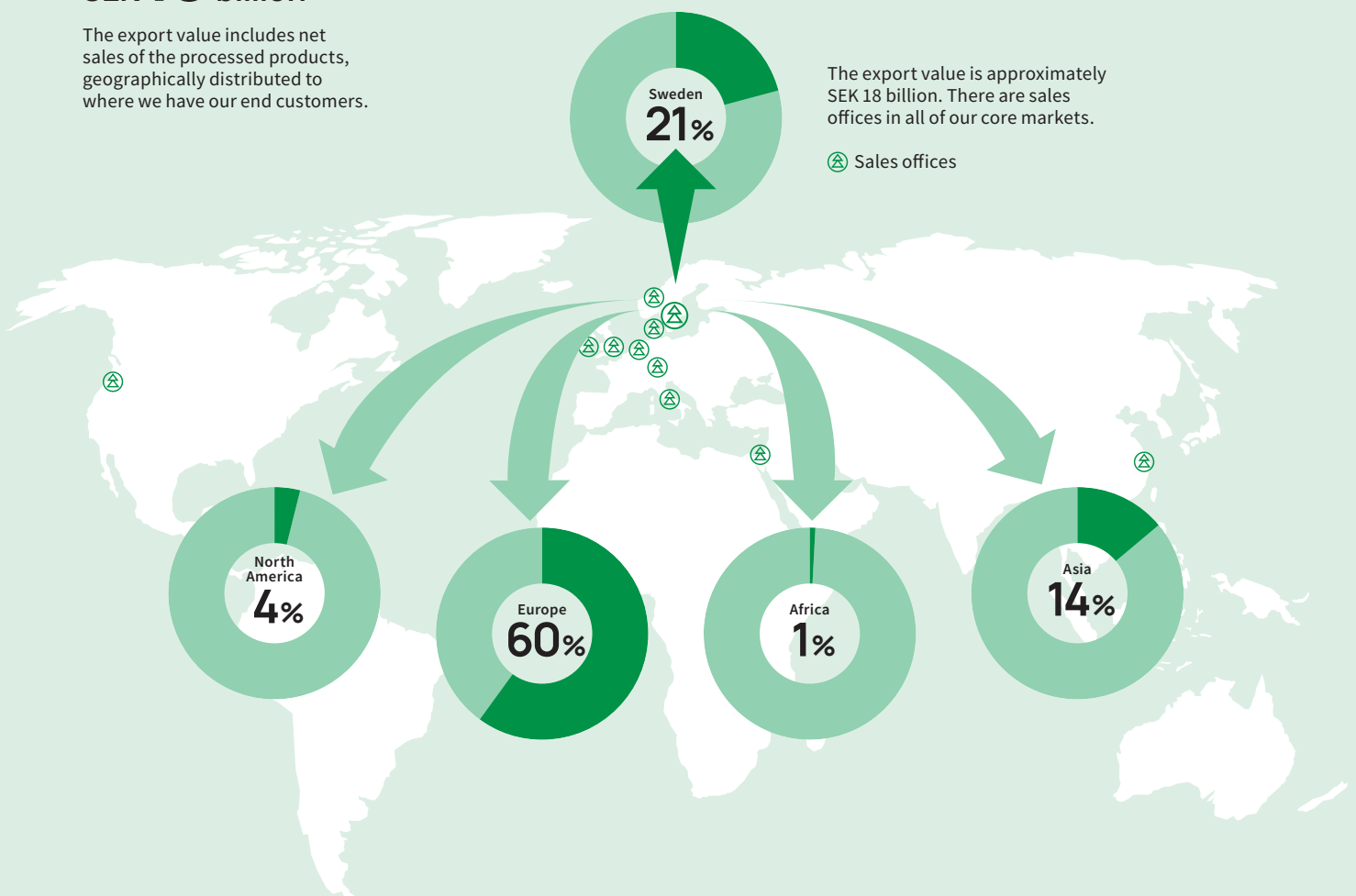
### A leader in wood products

Södra is a leading producer of wood products in Europe with global sales. The vast majority of sales are conducted in northern Europe, while the UK is Södra's largest single market.

At our sawmills and planing mills in Sweden and Finland, we produce sawn timber, processed wood and construction products. Customers include the building materials trade, and construction, packaging and wood processing industries. Demand for CLT building systems is growing as timber-frame construction increases.

### We make more from every tree

We develop new, sustainable and climate-smart products based on forest raw material, such as green electricity, district heating, liquid bioproducts, liquid biofuels and biofuels, and biomethanol is also exported to Denmark.



# Forest owners and family forestry

We offer forestry services, advisory services and digital tools to Södra's members. Södra purchases forest raw material from its members' forests, but also from other suppliers. We deliver the raw material to our own mills.

18.9  
million m<sup>3</sup> sub wood volume



## The year in brief

- » Strong wood market with favourable demand for saw logs, pulpwood and biofuel.
- » We raised the premiums for certified wood.
- » We handled major spruce bark beetle damage together.
- » Updated advisory services for forest roads.
- » Continued development of the Min skogsgård (My forest estate) app.
- » Record sales of pine seedlings.

Most of Södra's members are small forest owners with a range of different goals and ambitions for their forest estates. This creates diversity and variation in forest management. A common denominator is the desire to hand over something with greater value to the next generation – not only financial value, but also natural, cultural and social value. They do this by managing their forests, using them responsibly and ensuring that all forest values grow.

Many forest values have arisen from how forests have been managed historically. To preserve and develop these values, we need to continue managing our forests responsibly. More than half of the members use Södra's Green Forest Management Plan. The plan includes long-term management objectives for each forest stand and helps to achieve a balance between timber production, biodiversity and social considerations. Two-thirds of the members hold forest management certification.

We offer forestry services that create opportunities for responsible forest management – from planting, thinning and regeneration harvesting to long-term planning of the forest estate's care, finances and administration. We also develop digital services and tools to support forest owners. All with the aim of creating value for our owners.

Million m <sup>3</sup> fo	Sweden	Baltics	Total
Opening volume 2021	1.0	14.7	15.7
Growth	0.05	0.6	0.6
Acquisitions/divestments	—	0.4	0.4
Harvesting/forest management	-0.03	-0.4	-0.5
Closing volume 2021	1.0	15.3	16.3

## Growth in Södra's forests 2021

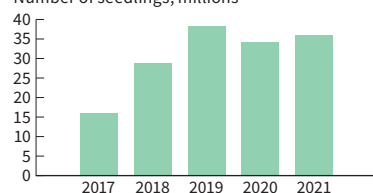
Södra's own forests comprise 128,400 hectares of productive forest land in Sweden and the Baltics.



## Wood sales

Pulpwood and cellulose chips accounted for more than half of all wood sales.

Number of seedlings, millions



## Seedling sales

Total sales of seedlings rose to 36 million (34.3). Nearly all of these were treated with mechanical plant protection.

# Wood products for the building materials trade and wood industry

Most our sales comprise construction timber for the building materials trade and wood industry, but wood products have many applications. We offer our customers an attractive assortment with a high level of service.

million m<sup>3</sup> sawn timber



## The year in brief

- » Strong price trend and high demand for sawn timber, but depressed prices at the end of the year.
- » Acquisition of Ture Johanssons Trävaru AB and AB Tenhults Impregneringsverk.
- » Continued electrification of the vehicle fleet with new electric forklifts for the sawmills at Värö and Långasjö.
- » E-commerce service for our customers for wood product orders
- » Continued expansion of the sawmill at Värö for deliveries of raw material to our CLT facility.
- » In a collaboration with Trio-world, our wood packaging now contains 30 percent recycled plastic material.

Södra is one of the leading producers of wood products in Europe, with eight sawmills in Sweden and Finland where we produce high-quality wood products for our customers. All sawmills have a high level of processing with integrated planing mills or coating facilities. To complement the customer offering, we also have timber treatment facilities and planing mills in Sweden and the UK.

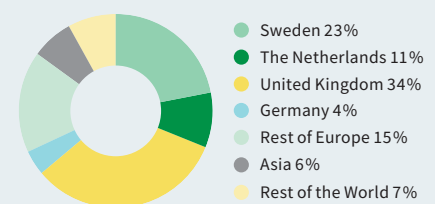
Sales are global, but the vast majority of sales are conducted in northern Europe, with the UK as the single largest market. Exports account for about 80 percent of sales.

We are locally represented in all major markets with our own sales organisation. In addition to quality products, a high level of service with customised service packages and sustainable logistics solutions play a key role in our customer offering.

We also have extensive sales of energy products such as pellets and other wood chip products.



Sawn timber production



Sales per market

# High-rise timber-framed buildings using cross-laminated timber

Our climate-smart structural components from cross-laminated timber are enabling the construction of sustainable high-rise buildings in timber for residential, industrial and public use.

0  
0  
1  
0

m<sup>3</sup> production volume



## The year in brief

- » Establishment in Denmark and first delivery of framing materials.
- » The number of employees in the area doubled.
- » We become a member of Sweden Green Building Council.
- » The Environmental Product Declaration (EPD) shows that Södra's CLT has a lower climate footprint than many other materials. We use digital tools to calculate the building's carbon footprint in the planning stage.
- » The winner of the Construction of the Year Award – the Lidl store in Visby – is clad with a façade from Södra.
- » Investment in a new CLT facility scheduled for completion in 2022.

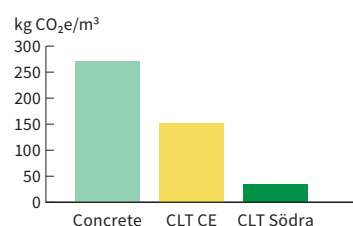
Cross-laminated timber, or CLT, is a natural material with unlimited possibilities. Our CLT is constructed from planed spruce board that is finger-jointed and glued to form lamellae. Each lamella is then placed crosswise to adjacent layers to form a strong and rigid structural panel. The panels can then be precisely cut to shape in the plant according to the customer's requirements for beams, ceilings, load-bearing or partition walls. The size of each panel can be up to 3 metres high and 12 metres long.

In about 30 years, almost 70 percent of the world population is expected to live in cities, and the construction of high-rise buildings, especially in timber, is on the increase. A CLT frame from Södra can reduce climate impact by up to 80 percent compared with a similar concrete construction.

Södra's commercial facility for CLT is scheduled for completion by mid-2022. It will supply framing materials for 4,000 homes every year. The dimensions of each CLT panel will then be up to 3.5 metres high and 16 metres long. The new facility will increase our need for new employees in several areas – production, market and technology.

## Choice of building material determines the emissions of construction projects

- » Compared with concrete, a CLT frame generally lowers carbon emissions by 50 percent.
- » CLT from Södra reduces emissions even more. The carbon emission factor of Södra's CLT is only 34 kg CO<sub>2</sub>e/m<sup>3</sup>.
- » This represents up to 80 percent reduction compared with building conventional concrete framed structures.



Carbon emission factors for building materials in the production stage (A1–A3).



# World leader in paper and dissolving pulp

With our three pulp mills at Värö, Mörrum and Mönsterås, we are one of the leading producers of paper and dissolving pulp in the world. With cellulose from Swedish forests, we create renewable products that are used in both traditional and innovative ways.



## The year in brief

- » Favourable demand for pulp and positive price trend.
- » Expansion at Värö to develop production capacity.
- » Increased digitisation with 1,000 sensors at pulp mills for efficient maintenance management.
- » Investments in Mörrum to enable a tenfold increase in the production of OnceMore® dissolving pulp, while also increasing the proportion of recycled textile content in the pulp.
- » Collaborative agreement with textile fibre producer Lenzing.
- » Collaboration with ICA Maxi regarding recycling of work clothes.

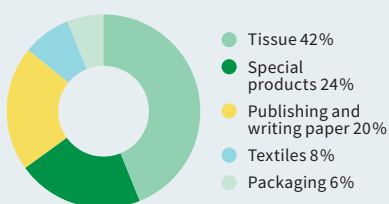
Södra has three pulp mills – at Värö, Mönsterås and Mörrum – that all produce paper pulp and are almost fossil-fuel free. Our mills are modern and efficient, and we are now making additional investments to increase capacity. At Mörrum, we also produce dissolving pulp and the unique OnceMore® pulp from recycled textiles mixed with forest raw material.

Södra has a wide range of paper pulp products that meet customer requirements. Products made from our pulp are used every day to make life easier. They include face masks to reduce the spread of infection and hygiene items that enable a good life.

We produce high-grade softwood and hardwood pulp for a variety of products. Tissue is the largest product segment, but our pulp is also used for speciality products, publishing and writing paper and packaging.

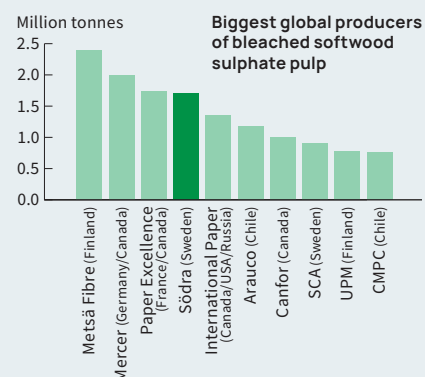
Making clothes from wood has proven a potential climate-smart and sustainable alternative. Dissolving pulp from Södra is mainly derived from birch and used in the textile industry to make viscose and lyocell.

It used to be impossible to recycle blended fabrics efficiently on a large scale. OnceMore® is a ground-breaking technology for large-scale production of dissolving pulp from recycled textiles. The OnceMore® process combines cellulose from wood with fibres from textile waste. We therefore recycle blended fabrics, and use textiles in cotton and polyester, which are mixed with wood fibres from our members' forests.



### Applications for Södra's pulp

Sales to the tissue paper segment account for most of Södra Cell's pulp deliveries.



# Sustainable bioproducts – forest in liquid form

Our bioproducts ensure that no part of the tree is wasted. Södra's biomethanol, tall oil and turpentine are Swedish forest in liquid form. We call it Liquid forest™.

41,000

tonnes bioproducts



## The year in brief

- » Silva Green Fuel started up.
- » The biomethanol plant at Mönsterås became fully operational.
- » Investments in the facilities at Värö and Mönsterås, which generated large volumes of tall oil.
- » New tall oil storage tank in Oskarshamn to better serve our customers.

When we produce pulp, we also extract biomethanol from our wood raw material. Biomethanol is a renewable fuel of the future, but also an important basic chemical. Our biggest investment in industrial production means that biomethanol is now a real alternative to fossil-based solutions, with the world's first biomethanol plant at Mönsterås.

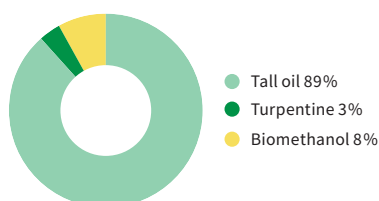
Tall oil is a renewable alternative to many fossil-based materials. Fuels, cleaning agents and cosmetics are some of the product categories where tall oil makes a climate-smart difference.

Turpentine has been used for centuries as a paint thinner. Now it's mainly used by the flavours and fragrances industry to create scents in shampoos, detergents, cleaning agents and perfume.

## Liquid biofuel from woody biomass

Liquid biofuels will increasingly replace fossil fuels as part of the global climate transition. We have several partnerships in this area, including:

- » Silva Green Fuel is a partnership with the Norwegian energy company Statkraft, with a demonstration facility in Norway where we develop and produce advanced liquid biofuels that can replace fossil fuels.
- » SunPine is a world-leading biorefinery owned 25 percent by Södra. SunPine produces renewable fuels from crude tall oil, which can be blended with petrodiesel. SunPine also converts the crude tall oil into bio-oil, an alternative to fossil heating oils for industry, rosin, which is used to produce printing inks and adhesives, and turpentine, which is processed by the perfume industry.
- » Södra is involved in a joint project with parties including KLM Royal Dutch Airlines to produce aviation biofuel from woody biomass.



Sales volumes liquid bioproducts

# Local and climate-smart energy

We convert the residue from our wood products, pulp and liquid bioproducts into a range of energy products, including green electricity, district heating and biofuels.

4,000  
GWh external energy deliveries

## The year in brief

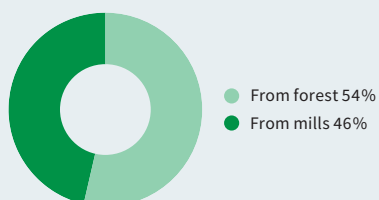
- » Première for fossil-free products: We supply Kalmar Energi with 100% fossil-free woody biomass.

We believe in a sustainable future due to innovations and efficient use of forest products in a range of areas. Renewable green energy, biofuels and by-products of wood are some examples.

Electricity from Södra consists of excess energy from our mills, and is therefore a local and climate-smart choice. Via Södra Medlemsel, we offer green electricity from our pulp mills and wind turbines to members, employees and business partners. We deliver district heating to towns close to our mills. The district heating is largely the excess heat generated by our production processes.

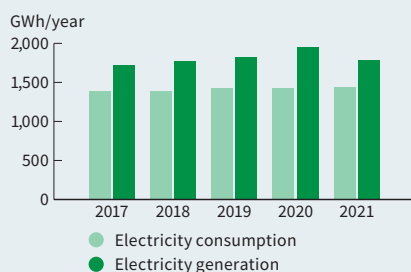
Those parts of the tree that cannot be processed into other products can be used directly as biofuel in thermal power stations or mills, or pelletised for both consumers and larger users. The transition to pellets is relatively simple for an industry, and using biofuels can help both manufacturing and end products meet various sustainability and certification requirements.

Other products include wood chips for chipboard, and horse bedding and wood pellets for stables.



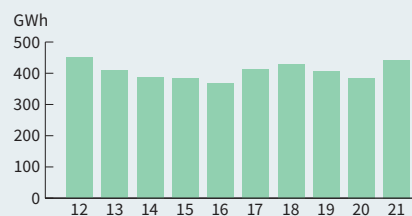
### Biofuel

Biofuels are used in a variety of ways in Södra's value chain. Forest residues (branches and treetops) are a by-product of harvesting and used as fuel in thermal power stations. Bark from the pulp mills is used for internal energy generation and sold on the market as biofuel. The sawmills contribute with bark, shavings and wood chips. The diagram shows the division between biofuels from forests and biofuels from industry, a total of about 4,000 GWh.



### Electricity consumption and electricity generation

Electricity generation continued to exceed electricity consumption, net electricity deliveries were 350 GWh.



### External district heating deliveries

Södra delivers district heating from the pulp mills in Mönsterås, Mörrum and Värö, and the sawmill in Kinda to neighbouring communities. In 2021, external district heating deliveries were 442 GWh. About two-thirds of external district heating deliveries comprise industrial excess heat. District heating is also delivered internally within Södra. The pulp mills at Mönsterås and Värö supply the combined facilities with district heating.





# The future is made of trees

Every day, we work to process the forest raw material from our members' responsibly managed forests into renewable, climate-smart products and solutions that are exported worldwide.

The long-term profitability of forest estates and family forestry is central – to improve and renew the value of forest estates. Södra's members share the economic profits, but membership in Södra also offers a range of other benefits, including:

- » Market for wood raw material
- » Advisory services, professional forestry services
- » Support in forest policy issues
- » Local forestry activities, training and courses.

We are working together to build a strong community in Södra, where we help each other through both ups and downs.

## Environmental and nature conservation values

The trees in our members' forests absorb and store carbon dioxide from the atmosphere. Forests are helping to combat

climate change, all day, every day. And when renewable wood-based products are then used to replace other products with a higher carbon footprint, forests are continuing to work for a better climate.

But forests do more than produce raw material for climate-smart products. Södra's members combine general environmental considerations with all forestry measures and set aside a proportion of their forest land voluntarily to protect and promote biodiversity and the social values of forests.

## Society and cooperation

Södra's members have deep roots in the local community, often with many generations of forest ownership before them, and see it as their duty to engage actively with the local community, such as schools and associations. Both Södra and individual employees are active in various networks, and we work together with our customers

in many parts of society, both in Sweden and internationally. Support for research, and partnerships with universities and colleges is important to us.

## Employees

Södra has about 3,000 employees with a diversity of skills and competencies. As an employee, Södra offers many opportunities for development at both personal and professional level.

## Customers & suppliers

Södra's customers and suppliers are both Swedish and international – approximately 80 percent of our production is exported. This means that the products and services we create from forest raw material can generate value all the way from Swedish forest estates, via our pulp, timber, bio and energy product customers, to end-consumers all over the world, and enable them to make a conscious choice to purchase sustainable products.



# Profit distribution at Södra

Forest owners who are members share Södra's result. The dividend is estimated on the value of wood deliveries and the member's contributed capital in Södra. For 2021, the Board proposes that the dividend on wood deliveries should be based on deliveries in both 2020 and 2021.

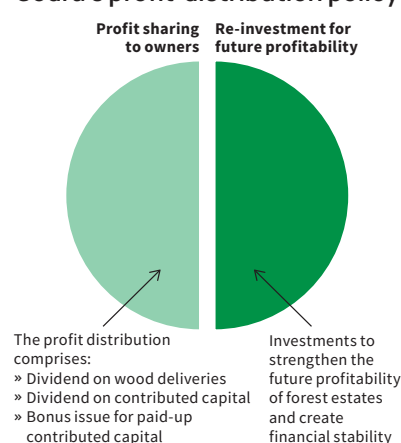
When a member delivers wood, they are paid a market price. Thereafter, at the end of the year, all members also share half of Södra's result. The other half of the result is retained to secure Södra's financial strength.

The profit distribution is based on the value of the owner's wood deliveries during the year, and the amount of their contributed capital in Södra. During the year, the average member's wood deliveries amounted to SEK 109,000 and their contributed capital to SEK 98,200.

## Profit-distribution policy

Södra's target is that overall long-term profit distribution should correspond to at least 50 percent of profit before tax over a business cycle. For 2021, the Board proposes a profit distribution corresponding to 43 percent of profit before tax. Profit distribution for the past five years is 52 percent. Decisions on profit distribution are based on a balancing of Södra's profitability, investment plans and financial position.

## Södra's profit-distribution policy



## Proposed profit distribution for 2021 for approval by the 2022 AGM

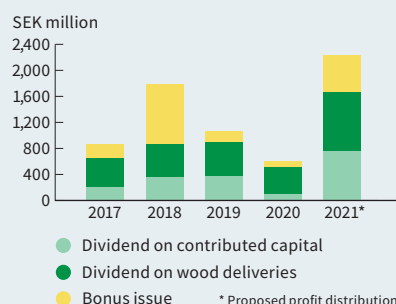


Total

SEK **2,239** million

15% dividend on contributed capital	SEK 765 million
4% dividend on wood deliveries in 2020	SEK 206 million
12% dividend on wood deliveries in 2021	SEK 687 million
30% bonus issue for contributed capital	SEK 581 million
<b>Total dividend</b>	<b>SEK 2,239 million</b>

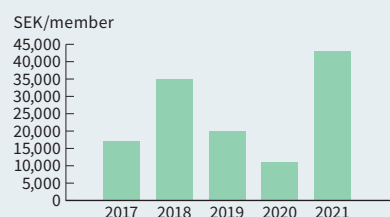
### Profit distribution and bonus issues



Per member

SEK **43,117**

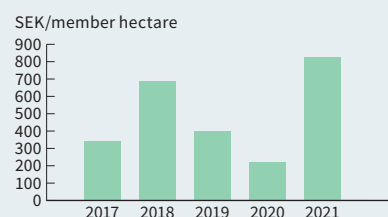
### Profit distribution SEK/member



Per member hectare

SEK **824**

### Profit distribution SEK/member hectare



# Financial statements



# Operating profit: SEK 5,316 million

Södra posted operating profit of SEK 5,316 million (891) for 2021 and net sales amounted to SEK 27,060 million (20,351). This is a record result due to favourable market prices for our core products, while our well-invested mills continued to deliver high-quality and stable volumes. The proposed profit distribution is SEK 2,239 million.

## 63%

Södra's equity ratio remained stable at 63 percent, which exceeds the long-term target of 55 percent.

## 25%

Return on capital employed surpassed the long-term target of 10 percent.

## SEK 2,239 million

The proposed profit distribution is 43 percent of profit before tax.



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# Multi-year summary

	2021	2020 <sup>2)</sup>	2019 <sup>3)</sup>	2018	2017	2016 <sup>4)</sup>	2015	2014	2013	2012
<b>RESULT</b>										
Net sales, SEK million	27,060	20,351	23,183	24,230	20,518	18,482	18,267	17,339	16,580	16,807
Net sales, change	33%	-9%	-4%	18%	11%	1%	5%	5%	-1%	-8%
Operating profit before depreciation, amortisation and impairment, SEK million	6,811	2,164	3,897	5,654	3,009	1,887	3,146	2,552	937	145
Depreciation, amortisation and impairment of assets, SEK million	-1,495	-1,273	-1,315	-1,146	-1,092	-908	-984	-1,036	-1,354	-1,074
Operating profit/loss, SEK million	5,316	891	2,582	4,508	1,917	979	2,162	1,516	-417	-929
Operating margin	20%	2%	11%	19%	9%	5%	12%	9%	neg.	neg.
Financial income and expenses, SEK million	-83	-145	-87	-77	-87	-66	-90	-56	-33	10
Profit/loss before tax, SEK million	5,233	746	2,495	4,431	1,830	913	2,072	1,460	-450	-919
<b>FINANCIAL POSITION</b>										
Non-current assets, SEK million	19,764	19,150	18,805	18,408	14,932	14,413	11,948	10,044	9,230	9,770
Inventories, SEK million	3,866	3,364	3,835	3,649	3,036	3,097	2,801	2,615	2,570	3,073
Equity, SEK million	21,088	16,759	17,382	16,011	12,884	11,766	11,945	10,524	9,495	10,242
Return on equity	22%	1%	12%	24%	12%	6%	14%	11%	neg.	neg.
Net debt, SEK million	668	3,651	3,415	4,558	3,901	3,879	1,290	1,050	1,048	1,291
Debt/equity ratio, times	0.0	0.2	0.2	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Average capital employed, SEK million	21,350	21,039	21,104	19,029	16,493	14,600	12,639	11,349	11,434	11,909
Return on capital employed	25%	2%	12%	24%	12%	7%	17%	13%	neg.	neg.
Total assets, SEK million	33,429	29,253	29,337	27,094	23,104	21,671	19,248	17,229	15,998	16,874
Equity ratio	63%	57%	59%	59%	56%	54%	62%	61%	59%	61%
<b>CASH FLOW</b>										
Cash flow from operating activities, SEK million	5,200	2,317	3,343	4,270	1,915	2,315	3,123	1,988	1,455	770
Investments, SEK million	1,830	1,549	1,128	4,380	1,606	4,256	2,959	2,046	952	1,708
Cash flow after investments, SEK million	3,192	646	2,227	-142	356	-1,581	218	267	597	-815
<b>VOLUMES</b>										
Wood volume, million m <sup>3</sup> sub	18.0	17.4	17.1	16.5	15.9	15.0	15.1	15.3	15.0	15.6
Deliveries of biofuels, 1,000 m <sup>3</sup> l	5,402	4,593	5,077	4,630	4,393	4,632	4,678	4,758	4,997	4,337
Sawn timber production, 1,000 m <sup>3</sup>	1,965	1,834	1,809	1,761	1,841	1,955	2,031	1,932	1,624	1,451
Pulp production, 1,000 tonnes	1,840	1,865	1,869	1,786	1,712	1,429	1,512	1,521	1,774	1,782
Electricity generation, GWh	1,790	1,956	1,830	1,772	1,719	1,326	1,379	1,419	1,664	1,625
<b>SUSTAINABILITY<sup>4)</sup></b>										
Fossil CO <sub>2</sub> from production, ktonnes	67	70	70	103	81	99	87	131	185	233
Fossil CO <sub>2</sub> from transportation, ktonnes	270	227	207	196	191	199	193	210	235	281
Rate of forest growth, m <sup>3</sup> fo/ha and year	6.8	6.7	8.2	7.5	8.0	7.3	7.0	8.1	6.3	6.7
Lost-time-accidents (LTA) <sup>5)</sup> , no.	56	47	62	77	94	94	75	104	89	81
Lost-time-accident rate (LTAR) <sup>6)</sup>	11	9	12	15	17	16	13	18	15	12
<b>OTHER</b>										
Profit distribution, SEK million	2,239 <sup>1)</sup>	598	1,068	1,795	868	602	1,002	553	281	295
No. of members	51,938	52,921	52,192	51,637	51,009	50,771	50,360	50,227	50,296	50,888
Affiliated forest area, 1,000 ha	2,719	2,696	2,637	2,591	2,517	2,481	2,440	2,392	2,368	2,362
Members' wood deliveries, million m <sup>3</sup> sub	11.1	10.6	10.4	9.8	9.7	9.4	9.4	9.0	8.1	8.2
No. of employees	3,124	3,141	3,150	3,141	3,402	3,594	3,599	3,524	3,776	3,821
USD/SEK (average rate)	8.58	9.21	9.46	8.69	8.55	8.56	8.43	6.86	6.51	6.77
EUR/SEK (average rate)	10.14	10.49	10.59	10.26	9.64	9.47	9.35	9.10	8.65	8.71
NBSK (average rate, USD/tonne)	1,201	844	983	1,166	881	802	856	925	857	814

<sup>1)</sup> Proposed profit distribution.

<sup>2)</sup> The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations. Comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and earlier), but are reconcilable with historical reports.

<sup>3)</sup> IFRS 16 Leases has been applied since 2019, which means that leases are now recognised as assets and liabilities, instead of Other expenses. This has impacted income statements and balance sheets, as well as key indicators.

<sup>4)</sup> As of 2017, the accounting policy for Södra Cell's planned maintenance shutdowns has changed so that the cost is charged to profit for the current year, rather than being recognised as an improvement expense and subsequently amortised over the period until the next maintenance shutdown. The comparative figures affected have only been restated for 2016, while 2011–2015 are reconcilable with historical financial statements.

<sup>5)</sup> LTA (lost-time-accident): occupational injury with absence.

<sup>6)</sup> LTAR (lost-time-accident rate): the number of occupational injuries with absence per million hours worked.

# Alternative performance measures

Södra manages its operations by analysing key indicators. Some of these financial key indicators are defined or specified in applicable regulations for financial information, or by other applicable laws. All others are referred to as alternative performance measures. Södra uses the following alternative performance measures and believes they provide valuable complementary information for analysing Södra's performance. The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations. Comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.

## NET SALES, CHANGE

SEK million	2021	2020	2019	2018	2017
Opening	20,351	23,183	24,230	20,518	18,482
Closing	27,060	20,351	23,183	24,230	20,518
Assets held for sale	—	679	—	—	—
Closing incl. assets held for sale	27,060	21,030	23,183	24,230	20,518
Change	33%	-9%	-4%	18%	11%

### Explanation

Shows Södra's growth.

### Definition

Net sales for the year relative to the previous year's net sales.

## OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT

SEK million	2021	2020	2019	2018	2017
Operating profit	5,316	891	2,582	4,508	1,917
Assets held for sale	—	-537	—	—	—
Operating profit incl. assets held for sale	5,316	354	2,582	4,508	1,917
Depreciation, amortisation and impairment	1,495	1,273	1,315	1,146	1,092
Assets held for sale	—	341	—	—	—
Depreciation, amortisation and impairment incl. assets held for sale	1,495	1,614	1,315	1,146	1,092
Operating profit before depreciation, amortisation and impairment incl. assets held for sale	6,811	1,968	3,897	5,654	3,009

### Explanation

A complement to operating profit/loss, which shows the items on the income statement that affect cash flow.

### Definition

Operating profit/loss excluding depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

## EBITDA MARGIN

SEK million	2021	2020	2019	2018	2017
Operating profit before depreciation, amortisation and impairment	6,811	1,968	3,897	5,654	3,009
Net sales	27,060	21,030	23,183	24,230	20,518
EBITDA margin	25%	9%	17%	23%	15%

### Explanation

The EBITDA margin shows the percentage of surplus on each SEK earned less operating costs, but before depreciation, amortisation and impairment. This measure gives an overall view of the cash flow generated. The measure is used to produce an overall trend analysis of Södra's performance, and for comparison with other companies.

### Definition

Operating profit/loss excluding depreciation and amortisation of property, plant and equipment and intangible assets expressed as a percentage of net sales.

## OPERATING PROFIT

SEK million	2021	2020	2019	2018	2017
Net sales	27,060	20,351	23,183	24,230	20,518
Other revenue	657	486	319	372	190
Operating expenses	-20,906	-18,673	-19,605	-18,948	-17,699
Depreciation, amortisation and impairment	-1,495	-1,273	-1,315	-1,146	-1,092
Assets held for sale	—	-537	—	—	—
Operating profit incl. assets held for sale	5,316	354	2,582	4,508	1,917

### Explanation

Operating profit/loss shows the surplus on each sales SEK less operating costs, including depreciation, amortisation and impairment. This is an essential measure for producing a trend analysis of Södra's performance, and for comparison with other companies.

### Definition

Net sales and other revenue less operating costs including depreciation, amortisation and impairment.

## RETURN ON EQUITY

SEK million	2021	2020	2019	2018	2017
Equity OB	16,759	17,382	16,011	12,884	11,766
Equity CB	21,088	16,759	17,382	16,011	12,884
Average equity	18,924	17,071	16,697	14,448	12,325
Profit before tax	5,233	746	2,495	4,431	1,830
Assets held for sale	—	-537	—	—	—
Standard tax	-1,078	-45	-534	-975	-403
Return	22%	1%	12%	24%	12%

### Explanation

Return on equity is a measure of the interest that Södra pays on its members' capital.

### Definition

Profit after net financial items less standard tax in relation to average equity.

## OPERATING MARGIN

SEK million	2021	2020	2019	2018	2017
Operating profit	5,316	354	2,582	4,508	1,917
Net sales	27,060	21,030	23,183	24,230	20,518
Operating margin	20%	2%	11%	19%	9%

### Explanation

The operating margin is a measurement of the proportion of surplus on each SEK earned less operating costs, including depreciation. This surplus is used to cover interest expense and tax, and to generate an acceptable profit. The measure is used to produce an overall trend analysis of Södra's performance, and for comparison with other companies.

### Definition

Operating profit/loss expressed as a percentage of net sales.

<sup>1)</sup> See next page.

**NET DEBT**

SEK million	2021	2020	2019	2018	2017
Interest-bearing provisions	—	—	—	—	—
Interest-bearing liabilities	5,990	6,838	6,425	5,630	5,222
Financial receivables	0	0	—	—	—
Current investments and cash and cash equivalents	-5,322	-3,187	-3,010	-1,072	-1,321
<b>Net debt</b>	<b>668</b>	<b>3,651</b>	<b>3,415</b>	<b>4,558</b>	<b>3,901</b>

**Explanation**

Shows Södra's financial strength through the relationship between current investments and cash and cash equivalents compared with borrowings.

**Definition**

Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

**DEBT/EQUITY RATIO**

times	2021	2020	2019	2018	2017
Net debt	668	3,651	3,415	4,558	3,901
Equity	21,088	16,759	17,382	16,011	12,884
<b>Debt/equity ratio</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>

**Explanation**

The debt/equity ratio is used to measure Södra's financial strength and, in combination with the equity ratio, is the measurement most frequently used by management to monitor the Group's financial leverage.

**Definition**

Net debt in relation to equity.

**CAPITAL EMPLOYED**

SEK million	2021	2020	2019	2018	2017
Assets	33,429	29,253	29,337	27,094	23,104
– Financial assets	-5,461	-3,220	-3,046	-1,086	-1,341
– Provisions <sup>2)</sup>	-381	-100	-143	-141	-160
– Income tax <sup>2)</sup>	-2,141	-1,639	-1,566	-1,569	-1,201
– Operating liabilities	-3,586	-3,154	-3,344	-3,329	-3,313
Assets held for sale	—	-300	—	—	—
<b>Capital employed</b>	<b>21,860</b>	<b>20,840</b>	<b>21,238</b>	<b>20,969</b>	<b>17,089</b>
Average	21,350	21,039	21,104	19,029	16,493

**Explanation**

Capital employed shows the capital used by Södra and is a component of Return on capital employed.

**Definition**

Property, plant and equipment and intangible assets, biological assets, inventories and other operating assets, less operating liabilities and net tax liability.

Alternatively expressed as total assets less financial assets, provisions, tax and operating liabilities.

**RETURN ON CAPITAL EMPLOYED**

SEK million	2021	2020	2019	2018	2017
Average capital employed	21,350	21,039	21,104	19,029	16,493
Operating profit	5,316	891	2,582	4,508	1,917
Assets held for sale	—	-537	—	—	—
Operating profit incl. assets held for sale	5,316	354	2,582	4,508	1,917
<b>Return</b>	<b>25%</b>	<b>2%</b>	<b>12%</b>	<b>24%</b>	<b>12%</b>

**Explanation**

Return on capital employed is a measure of the interest that Södra pays on capital tied up in operations.

**Definition**

Operating profit expressed as a percentage of average capital employed.

**EQUITY RATIO**

SEK million	2021	2020	2019	2018	2017
Equity	21,088	16,759	17,382	16,011	12,884
Assets	33,429	29,253	29,337	27,094	23,104
<b>Equity ratio</b>	<b>63%</b>	<b>57%</b>	<b>59%</b>	<b>59%</b>	<b>56%</b>

**Explanation**

An established and key measure of Södra's financial strength. Measures the proportion of total assets financed by equity. The measure indicates the ability to pay long-term liabilities, since any future losses will be deducted from equity.

**Definition**

Equity expressed as a percentage of total assets.

## Other definitions

**Return on operating capital**

Operating profit in relation to average operating capital.

**Equity**

Consolidated equity is equal to taxed equity increased by the equity portion of untaxed provisions and non-controlling interests. Equity consists of member contributions, both paid-in and issued, and the earnings that have accumulated over the years and not been allocated to the members.

**Operating capital**

Property, plant and equipment and intangible assets, biological assets, inventories and other operating assets less operating liabilities and also, as of 2014, Group contributions.

**Dividends**

Includes dividends on paid-up contributed capital, through bonus issues and on wood deliveries.

**Goodwill**

Goodwill represents the difference between the cost of a business combination and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. Goodwill impairment does not affect the statement of cash flows.

<sup>1)</sup> As of 2017, the accounting policy for Södra Cell's planned maintenance shutdowns has changed so that the cost is charged to profit for the current year, rather than being recognised as an improvement expense and subsequently amortised over the period until the next maintenance shutdown. The comparative figures affected have only been restated for 2016, while 2014–2015 are reconcilable with historical financial statements.

<sup>2)</sup> Not considered in the calculation of Operating capital.

IFRS 16 Leases has been applied since 2019, which means that leases are now recognised as assets, instead of Other expenses. This has impacted income statements and balance sheets, as well as key indicators.

# Directors' Report

The Board of Directors and President of Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) hereby submit the 2021 Annual Report for the Group and the Parent Company.

## Södra generates value for its owners and the future looks bright for forest estates

High demand and favourable prices for Södra's core products had a positive impact on both net sales and operating profit. Net sales for the full-year amounted to SEK 27,060 million (20,351), with operating profit of SEK 5,316 million (891). Return on capital employed was 25 percent (2). At 31 December 2021, the equity ratio was 63 percent (57).

### ABOUT SÖDRA

Södra is a global, member-owned forest industry group and with 52,000 members and the largest forest-owner association in Sweden. Södra is also an international forest industry group, and around 80 percent of Södra's processed products are exported.

Södra's overall assignment is to secure markets for its members' forest raw material and to promote the profitability of their forest estates by providing advice and support to help members manage their forests responsibly and sustainably.

The wood from members is processed at Södra's mills into mainly sawn timber and pulp. Södra has one of the largest sawmill operations in Europe, and is one of the biggest European suppliers of softwood sulphate pulp. Dissolving pulp is also produced from hardwood. The forest raw material is also used to produce biomethanol and cross-laminated timber (CLT). Södra also generates more than 2 TWh of electricity at its pulp mills and wind turbines, and supplies other energy producers with raw material.

### MARKET TREND

The year was characterised by favourable demand for Södra's core products. Average prices for both pulp and sawn timber were highly favourable. Södra's well-invested facilities continued to deliver stable, high-quality volumes. However, outbound deliveries of both pulp and sawn timber were lower year-on-year.

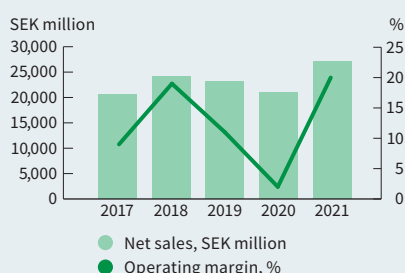
Conditions were therefore favourable in 2021, despite market uncertainty. Due to stable demand, favourable prices for Södra's core products and high-quality, Södra posted its highest operating profit ever. Pulp prices (PIX) rose sharply in 2021 with an average price of USD 1,194 per tonne for softwood sulphate pulp, compared with USD 842 per tonne in 2020, representing a 42-percent increase. The average price for sawn timber also showed a positive trend during the year, from SEK 2,048/m<sup>3</sup>sw to SEK 3,699/m<sup>3</sup>sw, up 81 percent. At the end of the financial year, Södra's total fresh fibre inventory was well-balanced.

Uncertainty surrounding the economic forecast and future price trends is great. Demand for Södra's core products is expected to remain favourable throughout the coming year. The price formation for pulp is expected to remain stable during the first six months of the year, driven by growing demand. The sawn timber market is expected to remain favourable in the short term.

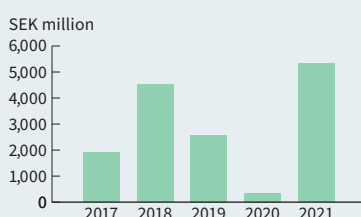
For the US economy, 2021 opened with surge in consumer spending and falling unemployment rates. The Manufacturing Purchasing Managers' Index (PMI) also continued to rise initially, before falling back slightly and levelling out in the second half of the year. Despite this slowdown, orders remained at historically high levels. President Joe Biden's Build Back Better Plan was initially launched with a budget of USD 3,500 billion, but was subsequently negotiated down during the year. Geopolitical tensions intensified and US-China trade relations remained frosty. 2021 featured heated discussions between the two countries over the status of Taiwan, the origin of the coronavirus, and trade relations. At the end of the year, the Federal Reserve (the Fed) prepared markets by announcing that its bond-buying programme would be tapered. The decision was expected, but the forecast for Fed rate hikes by as many as three times in 2022 came as a surprise. The market was not expecting more than one or two increases in 2022.

China's output in 2021 was characterised by a slowdown in industrial production and lower GDP growth. The previous impetus from real estate investments slowed down and given the crisis engulfing the property conglomerates in the country, a turnaround can hardly be expected in the very near future. The Chinese manufacturing industry was also affected by the country's zero Covid policy. It is a difficult battle against a considerably more contagious mutation that has led to several large-scale lockdowns. It is not too unlikely, therefore, that the Omicron variant could continue to disrupt certain supply chains, especially in global container shipping, since some of the biggest ports in the world are in China.

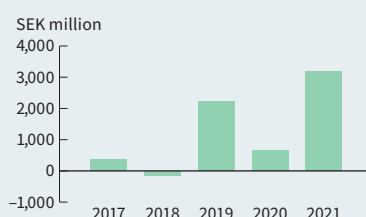
Net sales and operating margin



Operating profit



Cash flow after investments





> Directors' Report, cont.

In 2021, economic growth in Europe delivered both positive and negative surprises. Similar to the global trend, the EU economy rebounded at the beginning of the year. However, growth in major economies such as Germany and Spain was disappointing. While supply chain disruptions and higher producer prices affected industries all over the world, the automotive industry was hardest hit. The semiconductor shortage caused car manufacturers to pause production and threatened to derail the German economic recovery. Surprisingly, Italian industrial production was relatively resilient to supply-chain disruptions and returned to pre-pandemic levels. The end of 2021 with high energy prices and supply bottlenecks could be a sign that these issues could last for several quarters, indicating continued headwinds for a European economic recovery.

For Nordic countries, the economic recovery was faster than expected and unemployment fell back to pre-pandemic levels. As in the rest of Europe, however, the pandemic entered a new phase in Nordic countries at the end of the year. Denmark, Finland and Norway experienced their highest waves of infection to date, in terms of new confirmed cases since the start of the pandemic. While the GDP forecast for the Nordic region is stable in the long term, the obvious short-term effects of the pandemic cannot be completely ignored, especially the bottlenecks in global supply chains and rising inflation.

Governments and central banks all over the world continued their fiscal and monetary policy support packages in 2021. Throughout most of the year, central banks chose to ignore rising inflation in order to avoid the risk of slowing the recovery by tightening monetary policy. The Fed did not announce that bond purchases would be tapered or that rates would be raised in 2022 until the end of 2021. The European Central Bank (ECB), however, is unlikely to follow the Fed during 2022.

After the depreciation in 2020, the USD recovered against a basket of currencies in 2021. The USD was mainly strengthened in the second half of 2021 and was bolstered at the end the year, mainly driven by renewed concerns about new mutations of the coronavirus. 2021 was an overall weak year for the SEK, which, all other things being equal, was favourable for the Swedish export industry. The SEK weakened against the USD, GBP and EUR. The currency trend was favourable for Södra since pulp prices are traded in USD. The GBP rate is highly significant for the sawmill operations, since the UK is Södra's largest export market for sawn timber.

## NET SALES

Consolidated net sales amounted to SEK 27,060 million (20,351). The sales growth was mainly attributable to the favourable price formation for Södra's core products.

## RESULT

Operating profit totalled SEK 5,316 million (891). The earnings trend was mainly attributable to the positive price formation for Södra's core products. Tax expense for the year was SEK 750 million (67). The Group's net financial items amounted to an expense of SEK -83 million (-145). Return on capital employed was 25 percent (2).

## BUSINESS AREAS

Södra Skog's operating profit totalled SEK 93 million (97), excluding the revaluation of biological assets. Including the revaluation effect of SEK 277 million (348), operating profit for the business area totalled SEK 370 million (445).

Södra Wood's operating profit totalled SEK 2,779 million (447). The higher result was mainly attributable to the strongly positive price formation for sawn timber throughout the year.

Södra Cell's operating profit totalled SEK 3,508 million (317). The earnings trend was attributable to the positive price formation for pulp during the year.

Södra Innovation's operating loss totalled SEK -110 million (-161). The earnings trend was mainly due to the start-up and investments in CLT production, and the fact that the holding in Silva Green Fuel is now recognised as shares in partnerships and charged to net financial items. The holding was previously recognised as shares in associates and charged to operating profit.

The earnings trend for each business area is presented in Note 2 Operating segments.

## OTHER SEGMENTS

Cumulative operating loss for Other segments totalled SEK -27 million (25), where most was derived from Södra's divestment of Trivselhus AB in 2021, when Södra exited the single-family homes market in line with the Group strategy.

## CASH FLOW AND LIQUIDITY

Cash flow before investments amounted to SEK 5,190 million (2,317) and after investments to SEK 3,192 million (646). At year-end, cash and cash equivalents and current investments amounted to SEK 5,322 million (3,187).

## FINANCIAL POSITION

At 31 December 2021, equity amounted to SEK 21,088 million (16,759), of which paid-up and issued contributed capital accounted for SEK 5,103 million (4,891). Total assets increased to SEK 33,429 million (29,253). At 31 December 2021, the equity ratio was 63 percent (57). Södra's borrowings comprised loans of SEK 5,085 million (4,625) from members and a loan of SEK 600 million (732) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling the company to borrow up to SEK 2,000 million over a period of just over three years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to three year maturities. The debt/equity ratio was 0.0 (0.2).

## USE OF FINANCIAL INSTRUMENTS

Due to the international and capital-intensive nature of its operations, Södra is constantly exposed to financial risks, such as market risk, credit risk and liquidity and financing risk. The Group's financial policy for handling financial risks, as adopted by the Board, provides a framework of guidelines and rules in the form of risk mandates and limits for financial activities.

Refer to Note 24 for financial risk management.

**Wood volumes**  
Södra Skog



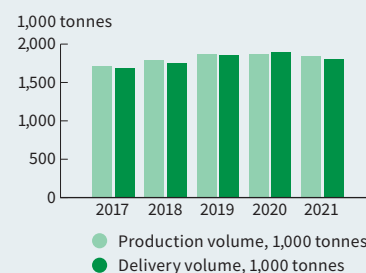
Wood supply in Södra's area was in line with the previous year.

**Sawn and planed timber production**  
Södra Wood



The production volume of sawn and planed timber was about 1.8 million m³.

**Production and delivery volume**  
Södra Cell



The production volume was approximately 1.9 million tonnes, in line with the preceding year.

## RISKS AND RISK MANAGEMENT

Södra operates in a global market and is impacted by general economic trends and currency fluctuations, as well as more industry and company-specific factors. The most significant risk areas for Södra's ability to achieve the Group's set targets and the management of each risk area are presented below.

Södra applies a systematic approach to risk management with the aim of protecting the Group from damage, uncertainty and lost opportunities.

Efforts to identify, assess and manage risks are an integral and key component of Södra's business management. Strategic risks are assessed and managed by the Board, Group Senior Management, the Strategy function and the business planning process. The Treasury unit is responsible for managing financial risk, based on a financial policy established by the Board. Operational risks are controlled and managed by the President, management team and employees, in accordance with central policies and guidelines.

## STRATEGIC RISKS

Strategic risks are related to business development, long-term planning and Södra's competitiveness. The Board of Directors and Group Senior Management conduct an assessment of the strategic risks within the framework of strategy activities and in conjunction with important business decisions.

### RISKS

### CONTROL AND MANAGEMENT

**Climate and nature.** Climate change can impact the conditions for Södra's operations in a variety of ways. Over time, it will lead to more extreme weather conditions, reduced/uneven access to water, more problems with pest control, increased fire risk and changes to vegetation boundary and growing conditions. This risk area also includes biological risks such as wildlife damage, root rot and fungal disease. Many of these risks affect individual forest owners but, ultimately, also Södra.

Forest management measures reduce the potential consequences and are communicated continuously with forest owners: thinning, selective breeding material, stump treatment and so forth. Major training initiatives are implemented through, for example, the Södra School.

Proven methods are followed to promote rapid clearing in windthrow areas. An established crisis organisation and flexible logistics ensure preparedness for responding to extraordinary events.

According to agreement, forest owners are required to take out insurance to cover fire damage to standing, contracted wood.

From an industry perspective, the assessment of risk in investment projects is linked to the potential effects of climate change. Initiatives are taken at local level to secure freshwater supplies for the pulp mills.

The more gradual effects of climate change, which are changing conditions for forestry, are addressed by adapting the existing seed orchards, and initiatives such as the 'Kraftsamling Tall' (Pine mobilisation) project.

Efforts to control and prevent spruce bark beetle damage, such as swarm monitoring in Götaland, free information and training material, and sales initiatives such as special ranges for spruce bark beetle-damaged pine.

Södra works nationally with wildlife damage issues by, for example, participating in Skogsbrukets viltgrupp (a cooperation body between Sweden's large forest companies and forest owner associations).

Reducing Södra's own GHG emissions by working to achieve the targets set for a higher rate of forest growth and reduced emissions of greenhouse gases.

**Economy.** Södra's earnings are highly sensitive to economic trends, and directly reflected in price movements and changes in sales volumes. Adverse changes in both global and local economies could have a negative impact on Södra's sales, financial position and earnings.

A global market focus with sales to customers across many sectors and countries reduces vulnerability, and the effects of local economic trends. Alongside of continued investments in each business area's core markets, a presence has been established and the range is being expanded to be attractive in new markets and developing regions. Establishment of the new Södra Innovation business area will intensify the focus on innovation and growth initiatives in, for example, renewable energy and liquid biofuels.

**Competition.** Both pulp and sawn timber industries are mature, with intense price competition. Price pressure intensifies due to new production capacity, or a weak economy. This is more noticeable in some segments due to changed consumption patterns, and the increase in digitisation, for example, has led to declining demand for publishing paper, while e-commerce is increasing which, in turn, is driving up demand for packaging materials. In the construction sector, competition is impacted by the use of non-wood materials for buildings. Moreover, the ongoing social transition to address and manage climate change is changing the playing field.

Ongoing development of strategic customer relationships, through longer contracts, for example, reduces Södra's vulnerability while also improving long-term planning and markets due to more accurate forecasting.

Investments in efficiencies in the core business are strengthening Södra's competitiveness and market position in existing business segments.

The innovation strategy with a focus on faster commercialisation of innovations and new products, such as biomethanol and liquid biofuels, are securing long-term competitiveness.

Södra Innovation is strengthening the focus on new business. For example, a new business segment that combines several steps of the value chain is currently being developed through the production facility that produces CLT for the residential and commercial construction industry, and that is under construction at the combined plant at Värö.

Continued investments to expand the production of OnceMore® dissolving pulp for the recycling of blended fabrics on an industrial scale.

**Raw material supply risks.** Södra's industrial capacity requirements combined with intensifying market competition are increasing the significance of members' delivery loyalty and high-quality forestry, in terms of both production and environmental concerns. In terms of wood raw material, the major flow from Södra's members will be supplemented with a certain amount of imported wood. Both these flows are also dependent on a well-functioning logistics chain.

FSC® and PEFC certification of wood raw materials is crucial to the competitiveness of Södra's end products, including pulp and sawn timber.

The price of other raw material inputs varies depending on the economy, supply and demand, and – in most cases – is beyond Södra's control, but also has a major impact on competitiveness.

The negative effects of the COVID-19 pandemic on global logistics chains and the availability of certain product groups, such as IT equipment, will soon lead to new and greater risks.

The forestry field organisation is focusing on broad-based advisory services and active member dialogue, while the member strategy includes specific investments in training services and tools that provide forestry support for individual members.

To secure the necessary transportation capacity in both the short and long term, Södra has undertaken several initiatives to promote a positive trend in the contracting and carrier sector. Continuous measures have been taken throughout the pandemic to increase the robustness of existing logistics chains and secure capacity.

Södra holds both FSC® forest management certification (FSC-C014930) and PEFC chain of custody certification (PEFC/05-22-11). The number of certified members is continuously monitored and in 2021, was in line with the set target. All wood raw material is subject to clear traceability requirements (Chain of Custody), while documented procedures for monitoring ensure compliance.

The price of raw material inputs is continuously monitored. These input products are purchased centrally using index-based contracts and contract durations that balance supply, price and assessed market conditions.

**Political risks.** Södra operates in a highly regulated industry. Policy decisions in a range of areas – tax legislation, environmental legislation, forest legislation, EU forest policy and so forth – can change conditions for the Group's operations, both directly and indirectly, by affecting the ability of forest estates to carry out productive forestry. In connection with policy decisions, there is also a risk of negative influence on public opinion.

Södra works actively with business policy initiatives to secure favourable conditions for family forestry and cooperative enterprise. Södra collaborates with the Swedish Forest Industries Federation, the Federation of Swedish Farmers (LRF) and the Confederation of European Forest Owners (CEPF) at both national and international level.

At regional level, Södra collaborates directly with LRF's regional organisation.

In 2021, the focus was on the European Green Deal and Fit for 55 package, the Taxonomy Regulation and forest strategy. The focus in Sweden was the Forest Inquiry and the Species Protection Inquiry.

Södra supports its members in legal proceedings related to species protection precedents.

**Brand risk.** Trust and confidence are fundamental to Södra's ability to contract the wood volumes required by its mills, and to maintain its customer relationships and sales volumes. Should Södra or any of the Group's business partners take measures that are inconsistent with the values and commitments that Södra represents, the brand could be damaged.

Södra engages in active internal work around the company's values and Code of Conduct. A supplier monitoring process is linked to the Supplier Code. The Södra Code of Conduct and Supplier Code contain guidelines and requirements related to business ethics, working conditions, human rights and the environment. Members' forests are covered by a firmly established revision programme. Responsibility for branding rights is centralised and includes dedicated resources for business policy communication.

The Group's crisis management capacity is maintained by developing methodology and practical exercises.

> Directors' Report, cont.

## OPERATIONAL RISKS

Operational risks are part of day-to-day procedures and managed in operating activities. Risks can often be influenced, and they are managed and controlled using policies and guidelines. Operational risk areas include property, plant and equipment, the organisation, personnel and IT, and these risks are often insurable.

RISKS	CONTROL AND MANAGEMENT
<b>Facilities.</b> Unforeseen events that can damage facilities, cause production losses and damage to goods during transport.	Systematic work with preventive maintenance. Property and business interruption insurance where facilities are insured up to their replacement value. In the event of production losses, the insurance covers the profits that would have been earned. Goods in transit are insured at current market value. The value of the seed orchard is secured through geographic distribution and crosswise ownership.
<b>Health and safety.</b> Södra's operations include facilities with hazardous work environments and activities that may be dangerous or entail health risks. This also includes the psychosocial work environment.	The Group works systematically with occupational health and safety management, according to the accepted methodology, with an explicit focus on continuous improvements. All pulp mills are certified according to the ISO 45001 occupational health and safety standard. Södra's occupational health and wellness initiatives are an important contribution to creating a healthy workplace. Employee surveys are conducted on a regular basis. The Södra Code of Conduct and Supplier Code contain guidelines and requirements related to occupational health and safety. The Supplier Code is to be included in Södra's supplier agreements. BAM training (Better Occupational health and safety) is now provided for both managers and employees.
<b>Environmental risks.</b> Environmental impacts due to consumption of water, energy and raw materials, as well as emissions from transportation. Risk of unexpected emissions and effluents, and their impact on the environment/humans/local communities.	Södra complies with current environmental legal requirements, including the Seveso Directives, and conditions for industrial production, and works continuously to improve energy efficiency. The Södra Code of Conduct and Supplier Code contain environmental guidelines and requirements. The Supplier Code is to be included in Södra's supplier agreements. A major focus lies on preventive measures, the precautionary principle of the Swedish Environmental Code is applied, responsibility is taken for any remediation of contaminated soil and financial provisions are made to cover such costs. There are also a large number of area-specific initiatives to reduce Södra's environmental impact, such as efforts to achieve fossil-free pulp production, HVO fuel for own and contracted hauliers, the classification of watercourses – blue management targets – in green forest management plans, and compulsory green and blue driving licenses for contractors to ensure that environmental considerations are applied on land and around watercourses.
<b>Product safety.</b> Several of Södra's products are used in the food and construction industries, both of which have clear and comprehensive regulations for safety and producer responsibility. Product defects could affect customers and/or consumers.	All business areas are certified according to international standards (ISO). Products hold the relevant labels/approvals, such as 'FDA acceptable' (U.S. Food and Drug Administration) and 'BfR approved' (Bundesinstitut für Risikobewertung) for use in the food industry, CE marking for construction products, and so forth. Information/recall procedures for defective products are in place. Liability insurance includes global product liability.
<b>Competency provision.</b> Södra is dependent on the ability to recruit, retain and develop competent leaders and employees. If people with the right expertise cannot be attracted to, and developed in, positions at Södra, this could have negative consequences in both the long and short term.	Södra's Group strategy with a focus on employees and organisations, brand platform combined with systematic talent management and a clearly stated ambition to increase diversity and offer a welcoming workplace, work together to maintain and increase Södra's attractiveness as an employer over time. Resources are allocated to, for example, internships, Tekniskprången (engineering internships) and Jobbsprången (short-term placements for newly arrived academics), summer job programmes and a trainee programme.
<b>Corruption.</b> Södra operates in national and international markets across several different types of buying and selling channels. The risk of corruption in these settings varies but is always present and is, therefore, a constant threat to Södra's basic value of responsible business for a sustainable value chain.	The applicable guidelines and business practices for employees and representatives of Södra are set out in the Södra Code of Conduct. Knowledge of the Code is ensured and maintained through basic training courses, refresher courses, follow-up tests and performance review dialogues. Södra's purchasing is managed by the Group's purchasing departments. All suppliers, except for Södra's members, shall be covered by the Södra Supplier Code, which includes clear requirements in relation to business ethics. In cases where Södra engages sales agents, these parties are also subject to the Södra Code of Conduct, which includes clear requirements in relation to business ethics. Processes and procedures for internal control are developed continuously in dialogue with Södra's auditors. A whistleblower function has been established. Södra's Business Ethics Council is responsible for monitoring the Group's exposure to ethical risk and ensuring that measures are in place for managing identified risks.
<b>Information security and IT.</b> Södra's (and society's) increasing dependence on information technology and digital tools in everything from production in the Group's facilities to internal and external communication – especially with our customers and members – renders the Group vulnerable to IT/cyber-security risk. Risk in the form of malicious software, system disruptions, inadequate data quality and information loss/leakage could potentially have major consequences in terms of direct costs, an increased burden on the organisation and/or lost stakeholder trust. Failure to keep pace with technological advances and create commercial opportunities using digitisation, big data, robotics, etc. could eventually erode Södra's competitiveness.	Administrative and technical controls are continuously updated to maintain a form of digital perimeter security. Redundant environments and a modern backup system are in place. Internal training in cybersecurity is provided for all employees. Advanced crisis management capability. Strategic plans for digital-driven business development.

For information about financial risk and a sensitivity analysis, refer to Note 24.

&gt; Directors' Report, cont.

**INVESTMENTS, ACQUISITIONS AND DIVESTMENTS**

The investments amounted to SEK 1,830 million (1,549), of which SEK 1,009 million (1,001) pertained to Södra Cell, SEK 208 million (140) to Södra Wood, SEK 184 million (126) to Södra Skog and SEK 441 million (152) to Södra Innovation. The investments were mainly focused on expansion, productivity and the environment.

**INNOVATION, RESEARCH AND DEVELOPMENT**

The Group's research and development costs amounted to SEK 216 million (193), corresponding to 1 percent (1) of operating expenses. This amount includes costs for Södra's own operations, support for external research projects and Södra's share of costs for the Silva Green Fuel development project.

Research and development is conducted in several strategic arenas – forest, wood products, paper, textiles, chemicals and energy. In the forest and wood product arenas, research is mainly conducted in collaboration with research institutes and universities. The overall objectives are to promote a high level of sustainable forestry production, product development for sawn timber and greater knowledge of timber construction.

In the other arenas, research and development is mainly conducted by Södra Innovation at Värö, and focuses on both product and process development in existing and new business. The research is conducted jointly with customers, partly through a number of external networks with universities and research institutes, but also with companies further upstream in various value chains.

Södra also supports research through the Södra Foundation for Research, Development and Education. The Foundation grants funding for research projects and training programmes that promote forest management and forest industry operations in southern Sweden. During the year the Foundation has awarded more than SEK 12 million in funding to 27 projects.

**REGULATED ACTIVITIES**

Of Södra's net sales, 82 percent (76) are subject to permits or mandatory notification requirements under the Swedish Environmental Code. At year-end, Södra conducted 58 (56) activities that were subject to permit or notification requirements in Sweden. Activities requiring a permit are conducted at Södra's pulp mills, sawmills, timber treatment facilities, peat bogs and the port in Mönsterås. Facilities subject to notification requirements are wood and biofuel terminals and wind turbines. The permits contain conditions for activities, such as limits for emissions, effluents and noise.

In 2021, Södra Cell Värö submitted supplementary information to the Land and Environment Court regarding the ongoing provisional period for effluents, and proposals for noise conditions. Södra Cell Mönsterås commenced renovation of the port quay. In order to complete the renovation, a permit application was submitted to the Land and Environment Court. The sawmill at Klevshult and timber treatment facility at Vaggeryd were acquired during the year. The sawmill at Unnefors obtained its final permit conditions for emissions. The sawmill at Värö obtained an amendment to its existing permit for a new CLT production facility. The terminal in Bivaryd obtained a new decision regarding chipping and biofuel storage. The nurseries in Flåboda and Falkenberg applied for new water court rulings in 2020, these cases are ongoing.

There were no other significant changes regarding permits in 2021.

**SUSTAINABILITY REPORT IN ACCORDANCE WITH THE SWEDISH ANNUAL ACCOUNTS ACT**

Södra has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act. The Sustainability Report contains relevant information about Södra's work and results in the areas of environment, social conditions and employment, human rights and anti-corruption. In accordance with the Swedish Annual Accounts Act Chapter 6, Section 11, Södra Skogsägarna ekonomisk förening has elected to prepare a Sustainability Report that is separate from the Annual Report. The scope of the Sustainability Report is presented on page 143.

**EMPLOYEES**

At year-end, the number of employees was 3,124 (3,141), of whom 23 percent (23) were women.

**EVENTS PRIOR TO THE CLOSE OF THE PERIOD**

On 12 October, the European Commission initiated unannounced inspections of a number of pulp producers in several European countries, including Södra. The Commission suspects anti-competitive practices in the wood pulp sector. The investigation is ongoing.

**EVENTS AFTER THE CLOSE OF THE PERIOD**

No significant events occurred after the end of the reporting period.

**FUTURE OUTLOOK**

Uncertainty about the economic and price trends remains high due to the new wave of rapidly spreading coronavirus that occurred in the fourth quarter 2021. In addition, inflation has risen around the world and the geopolitical situation has deteriorated. At the same time, the global economic recovery is continuing due to stimulus packages, strong demand and low interest rates. Despite this uncertainty, demand for Södra's core products is expected to remain favourable in the short term. The price formation for pulp is at a stable positive level. The price formation for sawn timber is more difficult to assess, but remains at an historically high level following the price adjustments in 2021. Falling stock levels among customers also provides support for future demand.

The long-term outlook for Södra's core products is considered positive. Underlying demand for sustainable forest-based products is bolstered by the underlying growth of the global economy and tightened emissions-reduction targets are driving the transition towards a more sustainable bioeconomy.

**PARENT COMPANY****Result**

Net sales rose to SEK 24,601 million (18,691) and operating profit increased to SEK 4,672 million (451). Profit after financial items totalled SEK 4,615 million (77).

**Members**

The number of members was 51,938 (52,921). The change was mainly due to a review of the member register. The affiliated forest area increased by approximately 23,000 hectares to 2.7 million hectares (2.7). In 2021, contribution repayments to members who had left the association by 31 December 2021 amounted to SEK 100 million (47).

**Proposed appropriation of profits**

The Board proposes that the profits at the disposal of Södra's AGM, an amount of SEK 6,812,473,591, be appropriated as follows:

Dividend to members of 15 percent of contributed capital, totalling	SEK 765,399,878
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Dividend to members of 12 percent of the value of wood deliveries in 2021, totalling	SEK 687,323,162
The dividend is calculated on the value of members' wood deliveries from 1 January 2021 to 31 December 2021 and on all ranges, excluding sold standing forest	

Dividend to members of 4 percent of the value of wood deliveries in 2020, totalling	SEK 205,593,039
The dividend is calculated on the value of members' wood deliveries from 1 January 2020 to 31 December 2020 and on all ranges, excluding sold standing forest.	

To members' contribution capital accounts through a bonus issue	SEK 581,111,709
The bonus issue represents 30 percent of available paid-up contributed capital at 31 December 2021	

Amount carried forward	SEK 4,573,045,803
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**SEK 6,812,473,591**



# Consolidated statement of comprehensive income

SEK million	Note	2021	2020
Net sales	2, 3	27,060	20,351
Other revenue	4	657	486
Change in inventories of finished products and products in process		441	-433
Capitalised work		12	13
Raw materials and consumables		-14,584	-13,039
Goods for resale		2	20
Freight and transportation		-1,302	-1,150
Employee expenses	5	-2,655	-2,205
Other expenses	6	-2,867	-1,761
Depreciation, amortisation and impairment of assets	7	-1,495	-1,273
Share of profit of associates	8	47	-118
<b>Operating profit</b>	<b>2</b>	<b>5,316</b>	<b>891</b>
Financial income		118	48
Financial expenses		-160	-193
Profit/loss from shares in partnerships		-41	—
Net financial items	9	-83	-145
<b>Profit before income tax</b>		<b>5,233</b>	<b>746</b>
Income tax	10	-750	-67
Gain/loss on assets held for sale, net after tax	43	—	-537
<b>Profit for the year</b>		<b>4,483</b>	<b>142</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses		212	2
Tax attributable to items that will not be reclassified to profit or loss		-44	0
<b>Items that will not be reclassified to profit or loss</b>		<b>168</b>	<b>2</b>
Translation differences for the year on translation of foreign operations		63	-122
Fair value remeasurement, forest land		40	141
Fair value remeasurement of available-for-sale financial assets		1	1
Hedge accounting		-40	71
Tax attributable to items that will be reclassified to profit or loss		0	-44
<b>Items that will be reclassified to profit or loss</b>		<b>64</b>	<b>47</b>
<b>Other comprehensive income for the year</b>	<b>11</b>	<b>232</b>	<b>49</b>
<b>Total comprehensive income for the year</b>		<b>4,715</b>	<b>191</b>
<b>Profit attributable to:</b>			
Parent Company		4,483	142
<b>Profit for the year</b>		<b>4,483</b>	<b>142</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Parent		4,715	191
<b>Total comprehensive income for the year</b>		<b>4,715</b>	<b>191</b>

# Consolidated statement of financial position

31 December, SEK million	Note	2021	2020
<b>ASSETS</b>	12, 13		
<b>Non-current assets</b>			
Intangible assets			
Goodwill		63	74
Other intangible assets		3	33
<b>Total intangible assets</b>	14	66	107
Property, plant and equipment			
Buildings and land		4,605	4,563
Machinery and equipment		9,762	9,601
Construction in progress		1,232	1,098
<b>Total property, plant and equipment</b>	15	15,599	15,262
Biological assets	16	3,681	3,338
Shares and participations in associates	8	256	367
Financial investments	17	139	33
Non-current operating receivables	18	12	40
Deferred tax assets	19	11	3
<b>Total non-current assets</b>		19,764	19,150
Current assets			
Inventories	20	3,866	3,364
Tax assets		38	13
Current operating receivables	21	4,439	3,216
Current investments	17	1,648	887
Cash and cash equivalents	22	3,674	2,300
Assets held for sale	43	—	323
<b>Total current assets</b>		13,665	10,103
<b>TOTAL ASSETS</b>		33,429	29,253

31 December, SEK million	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		5,103	4,891
Other paid-up capital		1,413	1,413
Reserves		175	111
Retained earnings including profit for the year		14,397	10,344
Equity attributable to owners of the Parent		21,088	16,759
<b>Total equity</b>	23	<b>21,088</b>	<b>16,759</b>
<b>Liabilities</b>			
	12, 13		
<b>Non-current liabilities</b>			
Non-current interest-bearing financial liabilities	25	1,246	1,248
Non-current interest-bearing operating liabilities	26	128	139
Provisions for pensions	27	243	463
Non-current provisions	28	381	100
Deferred tax liabilities	19	1,663	1,624
Other non-current operating liabilities	29	7	7
<b>Total non-current liabilities</b>		<b>3,668</b>	<b>3,581</b>
<b>Current liabilities</b>			
Current interest-bearing financial liabilities	25	4,539	5,235
Current interest-bearing operating liabilities	26	77	76
Income tax liabilities		478	15
Current operating liabilities and provisions	28, 30	3,579	3,147
Liabilities held for sale	43	—	440
<b>Total current liabilities</b>		<b>8,673</b>	<b>8,913</b>
<b>Total liabilities</b>		<b>12,341</b>	<b>12,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,429</b>	<b>29,253</b>

For information about the Group's pledged assets and contingent liabilities, refer to Notes 37–38.



# Consolidated statement of changes in equity

## EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

SEK million	Contributed capital	Other paid-up capital	Translation reserve	Revaluation reserve	Fair value reserve	Retained earnings incl. profit for the year	Total equity
Opening balance 1 Jan 2021	4,891	1,413	-36	112	35	10,344	16,759
Profit for the year	—	—	—	—	—	4,483	4,483
Other comprehensive income for the year	—	—	63	33	-32	168	232
<b>Comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>63</b>	<b>33</b>	<b>-32</b>	<b>4,651</b>	<b>4,715</b>
Contributed capital, paid-up by members	165	—	—	—	—	—	165
Contributed capital, paid-out to members	-42	—	—	—	—	—	-42
Dividends to members	—	—	—	—	—	-509	-509
Bonus issue	89	—	—	—	—	-89	—
Other changes	—	—	—	—	—	—	—
<b>Closing balance 31 Dec 2021</b>	<b>5,103</b>	<b>1,413</b>	<b>27</b>	<b>145</b>	<b>3</b>	<b>14,397</b>	<b>21,088</b>
Opening balance 1 Jan 2020	4,636	1,413	86	—	-21	11,268	17,382
Profit for the year	—	—	—	—	—	142	142
Other comprehensive income for the year	—	—	-122	112	56	2	49
<b>Comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>-122</b>	<b>112</b>	<b>56</b>	<b>144</b>	<b>191</b>
Contributed capital, paid-up by members	135	—	—	—	—	—	135
Contributed capital, paid-out to members	-47	—	—	—	—	—	-47
Dividends to members	—	—	—	—	—	-901	-901
Bonus issue	167	—	—	—	—	-167	—
<b>Closing balance 31 Dec 2020</b>	<b>4,891</b>	<b>1,413</b>	<b>-36</b>	<b>112</b>	<b>35</b>	<b>10,344</b>	<b>16,759</b>

For additional information, refer to Note 23 Equity and Note 11 concerning other comprehensive income.

# Consolidated statement of cash flows

SEK million	Note	2021	2020
<b>Operating activities</b>			
Profit before tax		5,233	746
Gain/loss on asset held for sale		—	-537
Adjustment for non-cash items			
Depreciation and amortisation		1,306	1,294
Impairment of non-current assets		189	320
Change in value of biological assets		-277	-348
Profit from sale of non-current assets		0	44
Other items not affecting cash flow		426	274
Income tax paid		-271	85
<b>Cash flow from operating activities before change in working capital</b>		<b>6,606</b>	<b>1,878</b>
Change in			
Inventories (increase -)		-627	207
Operating receivables (increase -)		-1,144	294
Operating liabilities (increase +)		355	-62
<b>Cash flow from operating activities</b>		<b>5,190</b>	<b>2,317</b>
<b>Investing activities</b>			
Acquisition of subsidiaries and associates	12	-223	-166
Divestment of companies	12	30	—
Acquisition of other financial assets		0	-1
Divestment of other financial assets		—	2
Investments in intangible assets		—	-28
Investments in property, plant and equipment		-1,765	-1,450
Investments in biological assets		-65	-71
Divestment of property, plant and equipment		25	43
<b>Cash flow from investing activities</b>		<b>-1,998</b>	<b>-1,671</b>
<b>Cash flow after investing activities</b>		<b>3,192</b>	<b>646</b>
<b>Financing activities</b>			
Contributed capital, paid-up		165	135
Contributed capital, paid out		-42	-47
Dividends paid		-509	-901
Loans from members	25	7,745	7,272
Payment from member deposits	25	-7,285	-6,733
New loans	25	—	—
Repayment of other loans	25	-1,159	-151
Dividends received and shareholders' contributions repaid		—	—
Change in current investments with maturity >90 days		-743	21
<b>Cash flow from financing activities</b>		<b>-1,828</b>	<b>-404</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>40</b>	<b>1,364</b>	<b>242</b>
Cash and cash equivalents at beginning of period		2,300	2,072
Exchange gains/losses on cash and cash equivalents		10	-14
Cash and cash equivalents at end of year	<b>22</b>	<b>3,674</b>	<b>2,300</b>

Refer to Note 25 for additional information related to change in liabilities attributable to financing activities, and to Note 43 for assets that are held for sale and included in the above cash flow.

# Parent Company income statement

SEK million	Note	2021	2020
Net sales	2, 3	24,601	18,691
Change in inventories of finished products and products in process		618	-298
Capitalised work		12	13
Other revenue	4	434	149
Raw materials and consumables		-13,201	-12,059
Other external expenses	6	-3,933	-2,653
Employee expenses	5	-2,505	-2,102
Depreciation, amortisation and impairment of assets	7	-1,329	-1,134
Other operating expenses	6	-25	-156
<b>Operating profit</b>	2	<b>4,672</b>	<b>451</b>
Loss from shares in Group companies		-73	-267
Profit from shares in associates		—	13
Interest income and similar profit items		105	51
Interest expenses and similar loss items		-89	-171
Net financial items	9	-57	-374
<b>Profit after financial items</b>		<b>4,615</b>	<b>77</b>
Appropriations	31	-377	138
<b>Profit before income tax</b>		<b>4,238</b>	<b>215</b>
Income tax	10	-568	-29
<b>Profit for the year</b>		<b>3,670</b>	<b>186</b>

Profit for the year matches Comprehensive income for the year.



# Parent Company balance sheet

31 December, SEK million	Note	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Other intangible assets		2	2
<b>Total intangible assets</b>	14	2	2
Property, plant and equipment			
Buildings and land		2,963	3,029
Machinery and equipment		9,502	9,296
Construction in progress		1,227	804
<b>Total property, plant and equipment</b>	15	13,692	13,129
Financial assets			
Shares in Group companies	32	4,308	4,462
Shares and participations in associates	8	99	99
Endowment policies	27	10	2
Other non-current investments	33	33	33
Other non-current receivables	18	9	22
Deferred tax assets	19	93	37
<b>Total financial assets</b>		4,552	4,655
<b>Total non-current assets</b>		18,246	17,786
Current assets			
Inventories	20	3,048	2,456
Current receivables			
Interest-bearing receivables from Group companies	34	810	899
Deferred tax receivables		—	—
Operating receivables	21	4,089	2,918
<b>Total current receivables</b>		4,899	3,817
Current financial investments	17	1,883	1,155
Cash and bank balances		3,271	1,869
<b>Total current assets</b>		13,101	9,297
<b>TOTAL ASSETS</b>		31,347	27,083

&gt; Parent Company balance sheet, cont.

31 December, SEK million	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Contributed capital		5,103	4,891
Statutory reserve		1,413	1,413
<b>Total restricted equity</b>		<b>6,516</b>	<b>6,304</b>
Non-restricted equity			
Profit carried forward		3,143	3,551
Profit for the year		3,670	186
<b>Total non-restricted equity</b>		<b>6,812</b>	<b>3,737</b>
<b>Total equity</b>	23	<b>13,329</b>	<b>10,041</b>
<b>Untaxed reserves</b>	35	<b>7,687</b>	<b>7,213</b>
<b>Provisions</b>			
Provisions for pensions	27	10	2
Other non-current provisions	28	380	100
<b>Total provisions</b>		<b>390</b>	<b>102</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities from Group companies	36	8	8
Non-current interest-bearing financial liabilities	25	1,246	1,248
Non-current operating liabilities		6	6
<b>Total non-current liabilities</b>		<b>1,260</b>	<b>1,262</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities from Group companies	36	330	132
Current interest-bearing financial liabilities	25	4,539	5,209
Current tax liabilities		440	9
Current operating liabilities and provisions	30	3,372	3,115
<b>Total current liabilities</b>		<b>8,681</b>	<b>8,465</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,347</b>	<b>27,083</b>

For information about the Parent Company's pledged assets and contingent liabilities, refer to Notes 38–39.

# Parent Company statement of changes in equity

SEK million	Restricted equity		Non-restricted equity		Total equity
	Contributed capital	Statutory reserve	Profit carried forward	Profit for the year	
Opening balance 1 Jan 2021	4,891	1,413	3,551	186	10,041
Transfer of profit/loss for the period	—	—	186	-186	—
Merger	—	—	4	—	4
Profit for the year	—	—	—	3,670	3,670
<b>Total equity excluding owner transactions</b>	<b>4,891</b>	<b>1,413</b>	<b>3,741</b>	<b>3,670</b>	<b>13,715</b>
Contributed capital, paid-up by members	165	—	—	—	165
Contributed capital, paid-out to members	-42	—	—	—	-42
Appropriation of profits					
Dividends to members	—	—	-509	—	-509
Bonus issue	89	—	-89	—	—
<b>Closing balance 31 Dec 2021</b>	<b>5,103</b>	<b>1,413</b>	<b>3,143</b>	<b>3,670</b>	<b>13,329</b>
Opening balance 1 Jan 2020	4,636	1,413	2,980	1,640	10,669
Transfer of profit/loss for the period	—	—	1,640	-1,640	—
Merger	—	—	-1	—	-1
Profit for the year	—	—	—	186	186
<b>Total equity excluding owner transactions</b>	<b>4,636</b>	<b>1,413</b>	<b>4,619</b>	<b>186</b>	<b>10,854</b>
Contributed capital, paid-up by members	135	—	—	—	135
Contributed capital, paid-out to members	-47	—	—	—	-47
Appropriation of profits					
Dividends to members	—	—	-901	—	-901
Bonus issue	167	—	-167	—	—
<b>Closing balance 31 Dec 2020</b>	<b>4,891</b>	<b>1,413</b>	<b>3,551</b>	<b>186</b>	<b>10,041</b>

For additional information, refer to Note 23 Equity. Profit for the year matches Comprehensive income for the year.

# Parent Company statement of cash flows

SEK million	Note	2021	2020
<b>Operating activities</b>			
Profit after financial items		4,615	77
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation according to plan		1,185	1,134
Impairment		144	355
Profit from divestment of non-current assets		12	3
Impairment Group companies		197	—
Other items not affecting cash flow		358	-25
Income tax paid		-196	122
<b>Cash flow from operating activities before change in working capital</b>		<b>6,315</b>	<b>1,666</b>
<b>Change in</b>			
Inventories (increase -)		-592	458
Operating receivables (increase -)		-949	160
Operating liabilities (increase +)		585	-165
<b>Cash flow from operating activities</b>		<b>5,359</b>	<b>2,119</b>
<b>Investing activities</b>			
Acquisition of associates/Group companies	12	-223	-188
Divestment Group companies		20	—
Group contributions received		21	5
Group contributions paid		-155	-23
Investments in property, plant and equipment and intangible assets		-1,830	-1,322
Divestment of property, plant and equipment		-3	33
Acquisition of financial assets		—	2
Divestment of financial assets		—	-1
<b>Cash flow from investing activities</b>		<b>-2,170</b>	<b>-1,494</b>
<b>Cash flow after investing activities</b>		<b>3,189</b>	<b>625</b>
<b>Financing activities</b>			
Contributed capital, paid-up		165	135
Contributed capital, paid out		-42	-47
Dividends paid		-509	-901
Loans from members	25	7,745	7,272
Payment from member deposits	25	-7,285	-6,733
Repayment of loans	25	-1,133	-137
Change in current investments with maturity >90 days		-743	43
<b>Cash flow from financing activities</b>		<b>-1,802</b>	<b>-368</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>40</b>	<b>1,387</b>	<b>257</b>
Cash and cash equivalents at beginning of period		2,159	1,902
Cash and cash equivalents at end of year	22	3,546	2,159

For additional information related to change in liabilities attributable to financing activities, refer to Note 25.



# Notes

## Note 1 | Overall accounting policies, changes in accounting policies and disclosures

### GENERAL INFORMATION

Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) is a Swedish-registered economic association with its registered office in Växjö, Sweden. The head office is located at Skogsudden, Växjö, Sweden. The consolidated financial statements for 2021 consist of the Parent Company and its subsidiaries, jointly named the Group. The Group also includes shares owned in associates.

The purpose of Södra Skogsägarna ekonomisk förening is to promote the economic interests of its members by trading and processing forest raw material; securing a market for its members' forest-based products at market prices; promoting high-value, advanced forest production that integrates nature and cultural considerations; supporting and developing individual forestry; monitoring and lobbying the business policy interests of its members; and conducting operations otherwise compatible with the above.

Södra Skogsägarna ekonomisk förening is a forest industry group that offers forestry services, sawn timber, timber building systems and pulp for the pulp market. The Group consist of four business areas: Södra Skog, Södra Wood, Södra Cell and Södra Innovation.

The annual accounts and consolidated financial statements for the 2021 financial year were approved for publication by the Board of Directors and the President on 15 February 2022. The consolidated statement of comprehensive income, statement of financial position and Parent Company income statement and balance sheet are subject to adoption by the Annual General Meeting on 24 May 2022.

Overall accounting policies and new accounting standards are described below. Other significant accounting policies are presented under each Note. The same policies are normally applied by both the Parent Company and the Group. In cases where the Parent Company applies other policies than the Group, these policies are specified under the respective Note for the Parent Company.

All figures in the report have been rounded off to the nearest million, unless otherwise stated. As a result, some percentages and figures in the report may not correspond with the total shown, and may also differ from previously published information.

### CONFORMITY WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the European Commission, with certain supplementary requirements in the Swedish Annual Accounts Act. The standards and interpretations applied are those that were in force and adopted by the EU on 1 January 2020. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups has also been applied.

The following accounting policies have, with the exceptions described below, been applied consistently to all periods presented in the consolidated financial statements. The Group's accounting policies were also consistently applied by Group companies and associates.

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the recommendation of the Swedish Financial Reporting Board RFR 2 Accounting for legal entities. The Parent Company applies the same accounting policies as the Group except as specified in the section Parent Company's accounting policies and valuation principles.

### BASES IN PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at historic cost, except for certain financial assets and liabilities and biological assets that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments, financial assets classified as financial assets at fair value through either other comprehensive income or profit or loss.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The companies in the Group prepare their financial statements in the currency that is used in the financial environment in which they are primarily operative, known as the functional currency. These statements form the basis of the consolidated financial statements. The consolidated financial statements are prepared in SEK, which is the Parent Company's functional currency and presentation currency. All amounts are in SEK million, unless otherwise indicated.

### AMENDMENTS TO ACCOUNTING POLICIES AND DISCLOSURES

#### New or revised accounting standards applied

When initial application of a new or amended IFRS has an effect on the current period or any prior period, or might have an effect on future periods, the company shall disclose this information in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Amended IFRSs for annual periods beginning on or after 1 January 2021, as adopted by the EU, are not expected to have any material effect on the Group in either the current or future financial years.

In April 2021, IFRIC issued a final agenda decision clarifying how an entity should account for configuration or customisation costs in cloud computing arrangements, and Södra performed an analysis by comparing the agenda decision with IAS 38 and the new approach that has emerged. Based on the conclusions of the analysis, costs that were previously presented in the Consolidated statement of financial position are now presented in the Consolidated statement of comprehensive income.

#### New and revised accounting policies not yet applied

A number of new or revised standards and interpretations are not yet effective, and have not been applied in advance in the preparation of these financial statements. These are not expected to have any material effect on the Group in either the current or future financial years.

### CLASSIFICATION

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid more than 12 months from the balance-sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months from the balance-sheet date.

### CONSOLIDATION POLICIES

#### Subsidiaries

Subsidiaries are entities over which the Parent Company Södra Skogsägarna ekonomisk förening has a controlling influence. A controlling influence is achieved when the Group is exposed or entitled to variable returns from its commitments in the company and can influence the returns by exercising its controlling influence. Such influence arises when the Group has existing rights that allow it to control the relevant operations, meaning the operations that significantly influence the company's returns. Potential voting shares that can be immediately

> Note 1, cont.

utilised or converted are taken into consideration when assessing whether a controlling influence exists.

#### CHANGES IN NON-CONTROLLING INTERESTS

Acquisitions and divestments of non-controlling interests are recognised as transactions in equity, meaning between owners of the Parent (in retained earnings) and non-controlling interests.

#### FOREIGN CURRENCIES

##### Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates that prevailed at the dates of the transactions. Functional currency is the currency of the primary economic environments in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency using the closing rate. Exchange-rate differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities recognised at historic cost are translated to the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are translated into the functional currency at the rate on the date of fair value measurement.

#### FINANCIAL STATEMENTS OF FOREIGN ENTITIES

Assets and liabilities of foreign entities, including goodwill and other consolidated surplus values, are translated from the functional currency of the foreign entity into the Group's presentation currency, SEK, at the closing rate. Revenue and expenses in a foreign entity are translated into SEK at an average rate that represents an approximation of the exchange rates at each transaction date.

#### RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Forward contracts are used to hedge receivables or liabilities against exchange-rate risk. Hedge accounting is not applied to protect against foreign exchange risk, since a financial hedge is reflected in the accounts by the underlying receivable or liability and the hedging instrument being carried at the closing rate and the changes in exchange rates are recognised in the consolidated statement of comprehensive income.

## Parent Company

#### ACCOUNTING POLICIES

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the recommendation of the Swedish Financial Reporting Board's RFR 2 Accounting for legal entities. RFR 2 specifies that the Parent Company in the annual report of the legal entity is to apply all IFRS and statements adopted by the EU to the extent possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, and with regard to the relationship between accounting and taxation. The recommendation specifies the exceptions and additions to be made to IFRS.

#### DIFFERENCES BETWEEN ACCOUNTING POLICIES FOR THE GROUP AND PARENT COMPANY

Differences between accounting policies for the Group and Parent Company are presented below. The accounting policies described below for the Parent Company have been applied consistently to all periods in the financial statements of the Parent Company.

#### CLASSIFICATION AND PRESENTATION

The Parent Company's income statement and balance sheet are presented in accordance with the Annual Accounts Act layouts. The main difference to IAS 1 Presentation of Financial Statements as applied in the presentation of the consolidated financial statements is the recognition of financial income and expense, non-current assets, equity and the presence of provisions as a separate heading in the balance sheet.

#### SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries and associates are recognised in the Parent Company at cost less any cumulative impairment.

The recoverable amount of the subsidiary or associate is calculated where there is an indication of impairment. Impairment is recognised when the carrying amount of the subsidiary or associate exceeds the recoverable amount. An impairment is recognised as a loss on the income statement.

The recoverable amount is the higher of fair value less costs to sell and the value-in-use. When calculating the value in use, future cash flows are discounted using a discount rate that reflects the risk-free interest rate and the risk associated with the specific subsidiary and associate.

## Note 2 | Operating segments

Södra's operations are divided into operating segments based on how the company's highest executive decision-makers, Group Senior Management, follow the operations. An operating segment is an essential part of the Group that engages in activities that generate revenue and incur costs, which are reported as independent financial information.

The follow-up of the business areas is focused on Net sales, operating profit/loss including margins, operating capital and returns, cash flow after investments and investments.

The Group has four main reportable segments: Södra Skog, Södra Wood, Södra Cell and Södra Innovation. The reportable segments correspond to business areas.

Södra Skog purchases forest raw material from its members and delivers them to Södra's mills, and conducts external trade with wood raw material and biofuels. Södra Skog also provides forestry services and, on behalf of Södra's members, manages the entire ecosystem of their forests – from planting and forest management to regeneration harvesting, site preparation and replanting for future-generation forestry.

Södra Wood, with sawmills in Sweden and Finland, produces sawn and planed timber products for high-quality applications. Customers are primarily in the building materials trade, and the housing, packaging and wood-processing industries.

With its three pulp mills at Värö, Mörrum and Mönsterås, Södra Cell is one of Europe's leading manufacturers of pulp for the pulp market. Softwood pulp accounts for some 80 percent of the production volume, and hardwood pulp for the remaining portion. Dissolving pulp is also produced in the mill at Mörrum. Södra is a major supplier of biofuel, green electricity and district heating.

Södra Innovation works to increase business capacity across Södra's entire operations by optimising and developing new and existing products, services and processes. The business area also includes the production of building systems in cross-laminated timber (CLT), textile recycling in OnceMore® dissolving pulp and several development projects in Södra's various innovation areas including Silva Green Fuel, SunPine and Södra Medlemmel.

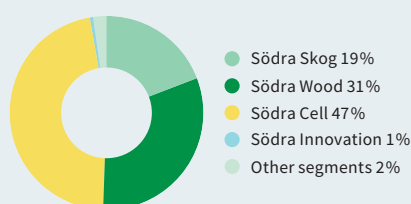
Other segments include remaining operations in the business area that previously conducted single-family home production.

All other activities, called Intra-Group, are included in the Group's financial operations and other Group-wide functions such as management, staff units and service units.

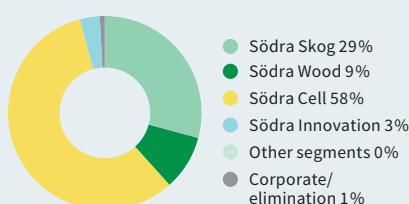
The Swedish operations in Södra Skog, Södra Wood, Södra Cell and some parts of Södra Innovation are included in the Parent Company.

&gt; Note 2, cont.

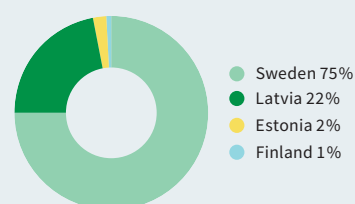
External net sales by segment



Facilities by segment



Facilities by geographic market



Group	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Intra-Group		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales																
from external customers	5,223	4,578	8,498	5,383	12,634	10,076	173	105	532	209	—	—	—	—	27,060	20,351
from other segments	6,980	6,932	732	760	184	151	—	9	—	1	—	—	-7,896	-7,853	—	—
	12,203	11,510	9,230	6,143	12,818	10,227	173	114	532	210	—	—	-7,896	-7,853	27,060	20,351
Depreciation, amortisation and impairment of assets	-69	-69	-271	-194	-986	-956	-81	-16	-16	-11	-72	-27	—	—	-1,495	-1,273
Share of profit/loss of associates	0	0	—	—	—	—	47	-118	—	—	—	—	—	—	47	-118
Operating profit/loss	370	445	2,779	447	3,508	317	-110	-161	-27	25	-1,204	-182	—	—	5,316	891
Net financial items															-83	-145
Profit before income tax															5,233	746
Assets	4,953	4,325	6,448	3,405	21,223	17,667	97	186	147	1,201	1,872	3,789	-1,311	-1,320	33,429	29,253
Operating profit/loss excl. biological change in value	93	97	2,779	447	3,508	317	-110	-161	-27	25	-1,204	-182	—	—	5,039	543
Operating profit/loss before depreciation, amortisation and impairment	439	514	3,050	641	4,494	1,273	-29	-145	-11	36	-1,132	-155	—	—	6,811	2,164
Operating margin	3%	4%	30%	7%	27%	3%	neg.	neg.	neg.	neg.	—	—	—	—	20%	2%
Average operating capital <sup>1)</sup>	5,479	5,047	3,275	3,069	13,229	12,862	484	292	332	767	—	—	—	—	21,350	21,039
Return on operating capital <sup>1)</sup>	7	9	85	13	27	2	neg.	neg.	neg.	neg.	—	—	—	—	25	2
Cash flow after investments	-118	250	2,218	510	2,404	686	-565	-161	233	-226	-907	-413	-73	—	3,192	646
Investments	184	126	208	140	1,009	1,001	441	152	3	75	26	55	-41	—	1,830	1,549

<sup>1)</sup> Average operating capital = Property, plant and equipment and intangible assets, biological assets, inventories and other operating assets less operating liabilities. Capital employed is used in the Group. Capital employed = Operating capital less net tax liability.

## SEGMENT ALLOCATION

Segment profit and assets include directly attributable items. The assets consist of property, plant and equipment and intangible assets, biological assets, other non-current receivables, inventories and current receivables.

Assets and investments for the period in property, plant and equipment and intangible assets are grouped geographically by where the assets are located. Investments comprise property, plant and equipment and intangible assets, as well as biological assets. Assets deemed to be held or used in the operation for a minimum of 12 months are recognised as non-current assets. The non-current assets are mainly distributed

between the geographic markets of Sweden SEK 14,845 million (14,448), Latvia SEK 3,840 million (3,651), Estonia SEK 465 million (408), Finland SEK 109 million (111), the UK SEK 67 million (69), Denmark SEK 11 million (11) and Norway SEK 7 million (6).

## PARENT COMPANY

The Parent Company does not recognise segments based on the same allocation and scope as the Group, but discloses the allocation of net sales and other revenue based on the revenue types and geographic markets of the Parent Company.

Parent Company	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Intra-Group		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales																
from external customers	5,053	4,429	4,668	2,872	12,587	10,076	94	77	—	—	—	—	—	—	22,402	17,454
from other segments	6,980	6,932	2,747	1,983	348	151	0	—	—	—	—	—	-7,876	-7,829	2,199	1,237
	12,033	11,361	7,415	4,855	12,935	10,227	94	77	—	—	—	—	-7,876	-7,829	24,601	18,691
Depreciation, amortisation and impairment of assets	-44	-44	-237	-169	-934	-902	-81	-11	—	—	-33	-8	—	—	-1,329	-1,134
Operating profit/loss	27	75	2,365	342	3,541	314	-157	-46	—	—	-1,104	-234	—	—	4,672	451
Net financial items															-57	-374
Profit after financial items															4,615	77

Operating result, return on operating capital and cash flow per segment are monitored by the chief operating decision-maker.

## Result

### Note 3 | Net sales

Revenue from sales of goods for the main operations, comprising sales of sawlogs, pulpwood and biofuel; sawn, planed and pressure-treated timber. Softwood, hardwood and dissolving pulp are recognised when the buyer obtains control of an asset (goods or service). Control is obtained when the customer can distribute the asset and receive all future economic benefits embodied in the asset. Revenue from service assignments, primarily forestry services such as harvesting, transportation, forest management plans, site preparation, etc., is recognised in net profit or loss according to the same principle as for sales of goods meaning when control of the service transfers to the customer. Any promise to transfer an asset to a customer that can be separated from other promises in a contract represents a performance obligation. Every distinct performance obligation is recognised separately and an obligation is considered fulfilled when the customer obtains control of the asset.

Control of goods or services can be transferred to the buyer either at a point in time, or over time. Whether each distinct performance obligation in a contract will be satisfied at a point in time or over time is determined at the start of the contract. For sales of forestry services, revenue is recognised over time since the customer is able to obtain the asset and simultaneously realise all of its remaining benefits. For sales of the company's other core activities, revenue is recognised at a point in time. Södra considers this point in time to be when the goods are delivered to the customer under the current delivery terms of contractual agreements. Revenue from new residential construction on the buyer's land is recognised when the asset is created, meaning when control over the asset is transferred to the buyer as it is created.

Revenue is recognised at transaction price, which is the consideration to which the Group expects to be entitled in exchange for those goods or services. When determining the transaction price, consideration is mainly made for any discounts but also for the time value of money for long-term agreements. The transaction price is not adjusted to reflect the customer's credit risk, but any impairment of a consideration is made in accordance with IFRS 9 and the credit loss is recognised in profit or loss as an impairment loss. For those performance obligations for which revenue is recognised over time, Södra assesses that an output method is most appropriate for determining the degree of completion and thereby the amount recognised on the balance-sheet date. As a practical solution, since it essentially leads to a correct determination of the degree of completion, revenue is recognised in the same amount to which the company is entitled to invoice the customer. For contractor assignments, however, an input method is deemed most appropriate.

Payment is made on the basis of agreed payment terms in contractual agreements, which is normally on a date occurring after delivery has taken place. The Södra Group does not have any financing solutions.

Net sales includes revenue related to primary activities. Most of the Group's revenue is generated by sales of manufactured goods. Net sales also include revenue derived from electricity and district heating, sold and delivered electricity certificates, emission permits, remuneration for delivery costs and sales commissions.

Revenue is recognised excluding value-added tax, since the Group does not collect tax on its own account, but acts as a representative for the state.

#### CONSOLIDATED NET SALES BY GEOGRAPHIC MARKET

	2021	%	2020	%
Sweden	11,506	43%	9,014	45%
UK	3,683	14%	2,497	12%
Italy	2,421	9%	1,689	8%
Germany	1,360	5%	1,276	6%
The Netherlands	1,065	4%	680	3%
France	1,010	4%	890	4%
Austria	813	3%	568	3%
Poland	621	2%	508	3%
Denmark	505	2%	387	2%
Portugal	322	1%	183	1%
Hungary	307	1%	205	1%
Ireland	302	1%	207	1%
Slovakia	263	1%	273	1%
Rest of Europe	1,171	4%	834	5%
Asia	728	3%	439	2%
Africa	107	0%	67	0%
US	876	3%	634	3%
<b>Total</b>	<b>27,060</b>	<b>100%</b>	<b>20,351</b>	<b>100%</b>

The table shows total external net sales according to the invoice recipient's geographic location.

#### CONSOLIDATED NET SALES OF PROCESSED PRODUCTS BY END CUSTOMER'S GEOGRAPHIC MARKET

	2021	%	2020	%
Sweden	4,769	21%	3,372	20%
Rest of Europe	13,844	60%	10,197	60%
Asia	3,241	14%	2,733	16%
Africa	187	1%	134	1%
North America	876	4%	634	3%
Rest of World	71	0%	12	0%
<b>Total</b>	<b>22,988</b>	<b>100%</b>	<b>17,082</b>	<b>100%</b>

The table shows net sales of processed products from sales to those countries where Södra has its end customers.

#### GEOGRAPHIC SEGMENTS

Net sales by geographic market are shown as revenue grouped by the location of the invoice recipient.

#### PARENT COMPANY NET SALES BY GEOGRAPHIC MARKET

	2021	2020
Sweden	10,985	8,895
Italy	2,421	1,689
UK	2,333	1,594
Germany	1,358	1,277
The Netherlands	1,064	679
France	1,010	890
Austria	813	568
Poland	621	506
Hungary	307	205
Slovakia	263	273
Rest of Europe	1,681	1,035
Asia	704	417
US	935	594
Africa	106	69
<b>Total</b>	<b>24,601</b>	<b>18,691</b>



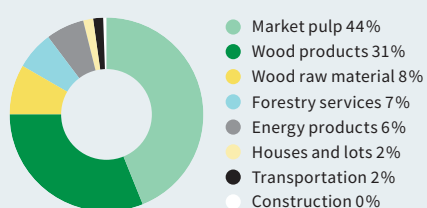
&gt; Note 3, cont.

## NET SALES PER REVENUE CATEGORY:

2021	Södra Skog	Södra Wood	Södra Cell	Södra Innovation	Other segments	Group
Wood raw material	2,237	—	—	—	—	2,237
Wood products	—	8,342	—	94	—	8,436
Pulp	—	—	11,886	—	—	11,886
Energy products	722	156	748	79	—	1,705
Houses and lots	—	—	—	—	443	443
Forestry services	1,752	—	—	—	—	1,752
Transportation	469	—	—	—	—	469
Construction contracts	—	—	—	—	89	89
Other	43	—	—	—	—	43
<b>Net sales, goods and services</b>	<b>5,223</b>	<b>8,498</b>	<b>12,634</b>	<b>173</b>	<b>532</b>	<b>27,060</b>

2020	Södra Skog	Södra Wood	Södra Cell	Södra Innovation	Other segments	Group
Wood raw material	1,873	—	—	—	—	1,873
Wood products	—	5,214	—	76	—	5,290
Pulp	—	—	9,618	—	—	9,618
Energy products	668	169	458	29	—	1,324
Houses and lots	—	—	—	—	103	103
Forestry services	1,643	—	—	—	—	1,643
Transportation	365	—	—	—	—	365
Construction contracts	—	—	—	—	103	103
Other	29	—	—	—	3	32
<b>Net sales, goods and services</b>	<b>4,578</b>	<b>5,383</b>	<b>10,076</b>	<b>105</b>	<b>209</b>	<b>20,351</b>

## External net sales by revenue category



## Note 4 | Other revenue

Revenue from activities outside the company's core operations is recognised as other revenue. Other revenue consists primarily of rental and lease income, insurance compensation and capital gains on property, plant and equipment.

Other revenue also includes exchange-rate gains on operating receivables and liabilities arising from translation to the closing-day rate, gains on unhedged derivatives, and changes in the carrying amount of biological assets when the effects are credited to Södra's result.

## OTHER REVENUE BY REVENUE TYPE

	Group		Parent Company	
	2021	2020	2021	2020
Sale of goods	28	12	71	23
Services	10	13	25	36
Rental income	12	8	4	4
Change in fair value of biological assets	277	348	—	—
Exchange-rate effect	136	—	136	—
Capital gains	26	12	13	6
Government grants	5	15	3	13
Insurance compensation	15	20	15	20
Damages	50	28	50	28
AGS repayment	52	—	52	—
Other	46	30	65	19
<b>Total</b>	<b>657</b>	<b>486</b>	<b>434</b>	<b>149</b>

Other government grants of SEK 5 million (15) are included in the consolidated total, and mainly relate to contributions of SEK 2 million (9) for personnel, SEK 1 million (5) for innovation and SEK 2 million (0) for forestry.

## Note 5 | Employee expenses

EMPLOYEE EXPENSES SEK million	Group		Parent Company	
	2021	2020	2021	2020
Salaries, benefits and social security costs	1,781	1,566	1,650	1,383
Contractual social security contributions	272	238	271	234
Other social security contributions	530	472	514	428
Other employee expenses	72	46	70	57
Less assets held for sale	—	–117	—	—
<b>Total</b>	<b>2,655</b>	<b>2,205</b>	<b>2,505</b>	<b>2,102</b>

AVERAGE NUMBER OF EMPLOYEES	2021			2020			2019		
	No. of	Men	Women	No. of	Men	Women	No. of	Men	Women
<b>Parent Company</b>									
Sweden	2,898	78%	22%	2,752	79%	21%	2,773	79%	21%
<b>Subsidiaries</b>									
Sweden	28	69%	31%	177	70%	30%	197	67%	33%
Finland	53	76%	24%	43	77%	23%	44	75%	25%
UK	41	61%	39%	47	64%	36%	40	50%	50%
Latvia	43	64%	36%	41	64%	36%	36	62%	38%
Denmark	19	69%	31%	17	65%	35%	2	50%	50%
Germany	13	46%	54%	13	46%	54%	13	46%	54%
Estonia	7	57%	43%	7	57%	43%	7	57%	43%
US	5	20%	80%	5	20%	80%	4	25%	75%
Norway	4	100%	—	4	100%	—	4	100%	—
China	4	50%	50%	4	50%	50%	4	50%	50%
Ireland	3	67%	33%	2	67%	33%	2	67%	33%
<b>Total</b>	<b>3,118</b>	<b>77%</b>	<b>23%</b>	<b>3,112</b>	<b>77%</b>	<b>23%</b>	<b>3,126</b>	<b>76%</b>	<b>24%</b>

Average number of employees includes assets held for sale.

MEN/WOMEN IN MANAGEMENT	Group						Parent Company					
	2021		2020		2019		2021		2020		2019	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
<b>Boards</b>												
<30 years	—	—	—	—	—	—	—	—	—	—	—	—
30–50 years	89%	11%	78%	22%	89%	11%	100%	—	100%	—	100%	—
>50 years	90%	10%	80%	20%	82%	18%	73%	27%	70%	30%	70%	30%
<b>Total proportion</b>	<b>89%</b>	<b>11%</b>	<b>79%</b>	<b>21%</b>	<b>85%</b>	<b>15%</b>	<b>73%</b>	<b>25%</b>	<b>75%</b>	<b>25%</b>	<b>75%</b>	<b>25%</b>
<b>Management groups</b>												
<30 years	—	—	—	100%	—	—	—	—	—	—	—	—
30–50 years	69%	31%	62%	38%	62%	38%	50%	50%	80%	20%	75%	25%
>50 years	90%	10%	88%	12%	95%	5%	80%	20%	67%	33%	83%	17%
<b>Total proportion</b>	<b>81%</b>	<b>19%</b>	<b>77%</b>	<b>23%</b>	<b>80%</b>	<b>20%</b>	<b>64%</b>	<b>36%</b>	<b>73%</b>	<b>27%</b>	<b>80%</b>	<b>20%</b>

### SALARIES, BENEFITS AND SOCIAL SECURITY COSTS

Salaries, benefits and social security costs	2021		2020			2021		2020	
	Board and President	Other employees	Board and President	Other employees		Salaries, benefits and social security costs	Social security contributions	Salaries, benefits and social security costs	Social security contributions
Parent Company	14	1,641	17	1,366		1,655	785	1,383	662
Subsidiaries	16	114	8	175					
<b>Total</b>	<b>30</b>	<b>1,755</b>	<b>25</b>	<b>1,541</b>					
					Parent Company <sup>1)</sup>	1,655	785	1,383	662
					(of which pension costs in operating profit) <sup>2)</sup>		(271)		(234)
					Other Group	130	17	183	48
					(of which pension costs)		(3)		(4)
					<b>Total</b>	<b>1,785</b>	<b>802</b>	<b>1,566</b>	<b>710</b>
					(of which pension costs in operating profit) <sup>3)</sup>		(272)		(238)

<sup>1)</sup> Board fees are recognised as administration expenses under Other expenses.

<sup>2)</sup> Of the Parent Company's pension costs, SEK 3 million (4) pertains to current and previous Presidents. Outstanding pension obligations to previous Presidents amounted to SEK 2 million (2).

<sup>3)</sup> Of the Group's pension costs, SEK 4 million (4) pertains to current and previous Presidents and Board members. Outstanding pension obligations to previous Presidents amounted to SEK 2 million (2).

&gt; Note 5, cont.

**SALARIES, REMUNERATION AND BENEFITS TO THE BOARD AND GROUP SENIOR MANAGEMENT**

2021, SEK 000s	Board fees		Salary <sup>3)</sup>	Pension cost <sup>4)</sup>	Benefits <sup>5)</sup>	Total
	fixed <sup>1)</sup>	variable <sup>2)</sup>				
Elected Board members in Södra Skogsägarna ekonomisk förening	3,386	859	—	—	—	4,245
President, Ann-Charlotte Lyrå	—	—	9,782	3,045	292	13,119
Group Senior Management, other*	—	—	29,396	9,423	935	39,754
<b>Total</b>	<b>3,386</b>	<b>859</b>	<b>39,178</b>	<b>12,468</b>	<b>1,227</b>	<b>57,118</b>

2020, SEK 000s	Board fees		Salary <sup>3)</sup>	Pension cost <sup>4)</sup>	Benefits <sup>5)</sup>	Total
	fixed <sup>1)</sup>	variable <sup>2)</sup>				
Elected Board members in Södra Skogsägarna ekonomisk förening	3,390	890	—	—	—	4,280
President, Ann-Charlotte Lyrå	—	—	777	1	7	785
President, Lars Idermark	—	—	8,310	4,575	264	13,149
Interim President, Peter Karlsson	—	—	4,047	1,718	112	5,877
Group Senior Management, other*	—	—	21,136	10,420	1,208	32,764
<b>Total</b>	<b>3,390</b>	<b>890</b>	<b>34,270</b>	<b>16,714</b>	<b>1,591</b>	<b>56,855</b>

\* Of which estimated variable remuneration of SEK 2 million (–1).

<sup>1)</sup> Fixed Board fees pertain to fees adopted by the AGM.<sup>2)</sup> Variable remuneration to Board members pertains to the hourly and per diem fees according to remuneration levels adopted by the AGM.<sup>3)</sup> Salary including holiday compensation, changes in holiday pay liability and the estimated variable remuneration for Group Senior Management.<sup>4)</sup> Pension cost including special employer's contribution.<sup>5)</sup> Applicable benefits are company cars, cleaning services and accommodation.**FEES TO ELECTED BOARD MEMBERS**

2021, SEK 000s	Board fees		Total
	Fixed	Variable	
Lena Ek (Chair)	939	270	1,209
Paul Christensson (Vice Chair)	477	88	565
Kristina Alsér	282	94	375
Hans Berggren	282	79	360
Pål Börjesson	282	81	363
Magnus Hall	282	37	319
Ylva op den Velde Hammargren	282	34	316
Ulf Johansson	282	128	410
Mats Sandgren	282	47	329
<b>Total</b>	<b>3,386</b>	<b>859</b>	<b>4,245</b>

2020, SEK 000s	Board fees		Total
	Fixed	Variable	
Lena Ek (Chair)	900	301	1,201
Paul Christensson (Vice Chair)	465	120	585
Karin Andersson <sup>1)</sup>	180	65	245
Kristina Alsér <sup>2)</sup>	158	24	182
Hans Berggren	270	37	307
Pål Börjesson	270	81	351
Magnus Hall <sup>2)</sup>	157	—	157
Ylva op den Velde Hammargren	270	71	341
Ulf Johansson	270	127	397
Anders Roman <sup>1)</sup>	180	—	180
Mats Sandgren	270	64	334
<b>Total</b>	<b>3,390</b>	<b>890</b>	<b>4,280</b>

No remuneration is paid for committee assignments.

No Board fees were paid for subsidiaries in 2020 or 2021.

<sup>1)</sup> Board fees for the January–May period<sup>2)</sup> Board fees for the June–December period**SALARIES AND REMUNERATION OF SENIOR MANAGEMENT**  
**Senior Management**

Senior Management in this Note refers to Group Senior Management, which consists of the CEO, President, business area presidents and heads of Group functions. Members of Group Senior Management may be employed in the Parent Company or in subsidiaries. In 2021, Senior Management consisted of 11 people (11).

**Variable salaries/pensions**

The President/CEO has a fixed salary only. In addition to fixed salaries, other members of Senior Management receive variable remuneration in accordance with the Group-wide policy (maximum of one month's salary). The President/CEO and most other senior executives have a defined-contribution pension, ITP 1. At year-end, no members of Senior Management had a defined-benefit pension, ITP 2.

**Preparation and proposal process prior to determination of remuneration to Senior Management**

The Fees and Benefits Committee is appointed by the Board and comprises at least three Board members, although not the President. In addition to preparing matters and principles for remuneration and other terms of employment for Group Senior Management, the Committee also regularly approves compilations of expenses in relation to the Board, Chair and Vice Chair, and personal expenses in relation to the President.

**Redundancy payments/termination**

Between Södra and the President/CEO, a notice period of six months applies for termination of employment by the company, and six months for termination of employment by the employee. Should Södra terminate the employment, the employee receives termination payment plus a redundancy payment amounting to 12 months' salary. Other members of Senior Management have a notice period of six months and redundancy payments of up to 12 months' salary. Redundancy payments are deducted in the event of new employment.

## Note 6 | Other expenses

Group	2021	2020
Repairs, maintenance and other operating costs	704	576
Other services and subcontracted personnel	915	354
Vehicle costs	179	145
Travel expenses and cost of sales	131	85
Cost of premises and property	110	97
R&D costs	46	27
Company insurances and other risk costs	53	22
Rent of non-current assets	27	27
Administration expenses	57	29
Exchange-rate effect	—	158
Other expenses	645	241
<b>Total</b>	<b>2,867</b>	<b>1,761</b>

R&D costs are also included in employee expenses of SEK 50 million (43) and amortisation of SEK 4 million (3). Other expenses include costs of SEK 275 million (221) for scheduled maintenance shutdowns of the Group's pulp mills.

### OTHER OPERATING EXPENSES

Parent Company	2021	2020
Capital loss	25	9
Exchange-rate effect	—	147
<b>Total</b>	<b>25</b>	<b>156</b>

### LEASES WHERE SÖDRA IS LESSEE.

	Parent Company	
	2021	2020
Non-cancellable lease payments amounted to:		
Within 1 year	82	79
Between 1–5 years	122	138
More than 5 years	—	—
<b>Total</b>	<b>204</b>	<b>217</b>

Of the Parent Company's future lease payments, time-charter vessels account for SEK 148 million (144), operational machinery and equipment for SEK 36 million (30) and rents for SEK 20 million (43). The amount of future lease payments for rented premises is based on the consumer price index. No variable fees otherwise occur.

	Parent Company	
	2021	2020
Expensed charges for operating leases amounted to:		
Minimum lease payments	86	82
<b>Total</b>	<b>86</b>	<b>82</b>

### AUDITOR FEES

	Group		Parent Company	
	2021	2020	2021	2020
PwC				
auditing assignments	5	5	4	4
auditing activities other than the audit assignment	0	1	0	1
tax consultancy services	0	0	0	0
other assignments	1	0	1	0
Other				
auditing assignments	1	1	—	—
tax consultancy services	0	0	—	—
other assignments	0	1	—	—

Auditing assignments refer to reviews of the annual report and accounting records as well as the management of the Board and the President, any other duties delegated to the company's auditor, and consultation or other advisory services in connection with findings observed in such reviews or the performance of such duties.

The fees specified above pertain to the following: PwC Sweden, auditing assignments SEK 4,425,000 (4,440,000) and other services SEK 1,119,000 (478,000).

## Note 7 | Depreciation, amortisation and impairment of assets

### Impairment

The Group's recognised assets are tested regularly to determine whether there is any indication of impairment.

The recoverable amounts of assets must be calculated when there is an indicator of impairment. An asset is impaired if its carrying amount exceeds its recoverable amount. Losses arising from impairment are recognised in the consolidated statement of comprehensive income.

The recoverable amount is the higher of fair value less costs to sell and the value-in-use. When value-in-use is calculated, future cash flow is discounted using a discount factor that reflects the risk-free interest rate and risk associated with the specific asset.

### Impairment reversals

An impairment loss on assets covered by IAS 36 is reversed if there are indications that an impairment loss may no longer exist and there has been a change in the assumptions that formed the basis for calculation of the recoverable amount. Impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the amount that would otherwise have been recognised, less any depreciation, had it not been impaired.

### Depreciation

Depreciation is made straight-line over the estimated useful life of assets. The Group applies component depreciation, which means that depreciation is based on the estimated useful life of the individual components. Machinery and other technical facilities comprise components with different useful lives. They are recognised and depreciated as separate components. Factory buildings consist of two components

grouped under buildings and land. There is no depreciation on the land component as the useful life is deemed indeterminable.

### ESTIMATED USEFUL LIVES

	Group	Right-of-use assets
Wind turbines	20 years	—
Pulp mills	17–25 years	—
Factory buildings	20–25 years	—
Administration buildings	20–50 years	1–7 years
Housing	25–50 years	—
Land improvements	20 years	—
Sawmills	10–25 years	—
Machinery	5–13 years	3–5 years
Equipment	3–15 years	3–5 years

The Group's head office consists of components with different useful lives as follows:

Structure	50 years
Structural additions, internal walls, etc.	25 years
Fixtures and fittings: heating, electricity, sanitation, ventilation, etc.	25 years
External surface: façades, roof, etc.	25 years
Inner surface, mechanical equipment, etc.	25 years

Depreciation methods, residual values and useful lives are reviewed at the end of each financial year.



&gt; Note 7, cont.

Group	2021			2020		
	Depreciation and amortisation	Impairment <sup>1)</sup>	Total	Depreciation and amortisation	Impairment <sup>1)</sup>	Total
Goodwill	—	11	11	—	178	178
Other intangible assets	6	25	31	13	123	136
Buildings	184	13	197	200	—	200
Land	—	9	9	2	9	11
Land improvements	55	1	56	54	—	54
Machinery	797	92	889	771	—	771
Equipment	264	13	277	255	9	264
In progress	—	25	25	—	—	—
Less assets held for sale	—	—	—	-31	-310	-341
<b>Total</b>	<b>1,306</b>	<b>189</b>	<b>1,495</b>	<b>1,264</b>	<b>9</b>	<b>1,273</b>

Parent Company	2021			2020		
	Depreciation and amortisation	Impairment <sup>1)</sup>	Total	Depreciation and amortisation	Total	
Goodwill	1	—	1	—	—	
Other intangible assets	0	—	0	1	1	
Buildings	160	13	173	158	158	
Land	—	—	—	—	—	
Land improvements	54	1	55	53	53	
Machinery	782	92	874	755	755	
Equipment	188	13	201	167	167	
In progress	—	25	25	—	—	
<b>Total</b>	<b>1,185</b>	<b>144</b>	<b>1,329</b>	<b>1,134</b>	<b>1,134</b>	

<sup>1)</sup> Lack of profitability initiated a calculation, which showed that the carrying amounts of the assets exceeded their recoverable amount. The recoverable amount was calculated using the principles described in Note 16.

## Note 8 | Shares in associates

Associates in which Södra has a significant influence are recognised using the equity method, which means that the Group's share of profit in the associates is recognised in the consolidated income statement. The Group's investment in an associate is recognised in the consolidated balance sheet at an amount corresponding to the Group's share of the associate's net assets. Associates are all companies in which the Group has a significant but not controlling influence, which generally entails holding 20–50 percent of the voting rights and ownership that constitutes a lasting relationship. This means that the carrying amount in the Group for shares in associates is equivalent to the Group's share of equity in the associates plus consolidated goodwill and any remaining consolidated surplus and deficits. The Group's share of profit of associates attributable to owners of the Parent is recognised in the consolidated statement of comprehensive income, with adjustment for any depreciation or amortisation, impairment and reversals of acquired surplus or deficits. Share in profits less dividends received from associates represents the main change in the carrying amount of the shares in associates.

Any difference arising from the acquisition between cost of the holding and the owner's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised using the same principles as for the acquisition of subsidiaries.

When the Group's share of recognised losses in the associate exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Losses are also settled against non-current, unsecured financial dealings, which in economic terms represents part of the owner's net investment in the associate. Continuing losses are only recognised if the Group has provided guarantees to cover them. The equity method is applied until the date that control ceases.

The following information pertains to associates in full.

### SPECIFICATION OF ASSOCIATES/JOINT VENTURES

2021	Country	Revenue	Result	Assets	Liabilities	Adjust equity	Ownership
SunPine AB	Sweden	2,111	192	1,374	510	864	25%
Södra Green Fuel DA	Norway	—	-102	268	63	205	49%
Silva Green Fuel AS	Norway	—	0	5	0	5	49%
Prestige Exclusive Homes Ltd	UK	—	0	5	0	5	50%
Other associates	Sweden	9	0	5	3	2	—
2020	Country	Revenue	Result	Assets	Liabilities	Adjust equity	Ownership
SunPine AB	Sweden	1,222	31	1,078	362	557	25%
Södra Green Fuel DA	Norway	—	-201	428	261	167	49%
Silva Green Fuel AS	Norway	—	2	201	—	201	49%
Prestige Exclusive Homes Ltd	UK	—	0	5	0	5	50%
Other associates	Sweden	3	1	4	1	3	—

The information is based on the reports available at the time of Södra's reporting.

### Impairment of shares in associates

The Group's recognised assets are tested regularly to determine whether there is any indication of impairment.

The recoverable amounts of assets must be calculated when there is an indicator of impairment. An asset is impaired if its carrying amount exceeds its recoverable amount. Losses arising from impairment are recognised in the consolidated statement of comprehensive income.

The recoverable amount is the higher of fair value less costs to sell and the value-in-use. When value-in-use is calculated, future cash flow is discounted using a discount factor that reflects the risk-free interest rate and risk associated with the specific asset.

### Impairment reversals

An impairment loss on assets covered by IAS 36 is reversed if there are indications that an impairment loss may no longer exist and there has been a change in the assumptions that formed the basis for calculation of the recoverable amount. Impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the amount that would otherwise have been recognised, less any depreciation, had it not been impaired.

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	367	324	99	99
Share of profit/loss of associates	-75	-118	—	—
Divestments and shareholders' contributions paid	102	178	—	—
Dividends	-46	-13	—	—
Translation difference	-8	-4	—	—
<b>Carrying amount at the end of the year</b>	<b>361</b>	<b>367</b>	<b>99</b>	<b>99</b>

## Note 9 | Income from financial items

Financial income and expenses consist of interest income and expenses, dividend income and fair value remeasurements of certain financial instruments, as well as realised and unrealised exchange-rate gains and losses attributable to financial operations.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Dividend income is recognised when the dividend has been determined and the right to receive payment is established. Issue expenses and arrangement fees for loans are accrued over the term of the loan, using the effective interest method. For measurement principles, refer to Note 13 Financial instruments.

### NET FINANCIAL ITEMS

Group	2021	2020
<b>Financial income</b>		
Net profit		
Assets and liabilities at fair value through profit or loss	42	2
Dividends	4	7
Other interest income	25	37
Net exchange rate fluctuations	44	0
Other financial income	3	2
	<b>118</b>	<b>48</b>
<b>Financial expenses</b>		
Net loss		
Assets and liabilities at fair value through profit or loss	-8	-16
Net exchange rate fluctuations	0	-55
Impairment of non-current operating receivables	-52	—
Interest expenses on defined-benefit pension obligations	-5	-7
Other interest expenses	-69	-101
Profit/loss from shares in partnerships	-41	—
Other financial expenses	-26	-14
	<b>-201</b>	<b>-193</b>
<b>Total</b>	<b>-83</b>	<b>-145</b>
<b>Of which:</b>		
Interest income from instruments measured at amortised cost	25	37
Interest expenses from instruments measured at amortised cost	-69	-101

### PROFIT FROM FINANCIAL INSTRUMENTS RECOGNISED IN OPERATING PROFIT/LOSS

Group	2021	2020
Exchange-rate effect in trade receivables	136	-158
	<b>136</b>	<b>-158</b>

Value changes for hedging instruments pertaining to fair value hedging had an earnings impact of SEK 0 million (0) for derivatives, and SEK 0 million (0) for hedged items.

### Parent Company

In the Parent Company, financial assets are measured at cost less any impairment, and current assets according to the lowest value principle. The cost of interest-bearing instruments is adjusted for the accrued difference between the original price paid, less transaction costs, and the amount due on maturity (premium and discount, respectively).

### ANTICIPATED DIVIDENDS

Anticipated dividends from subsidiaries are recognised when the Parent Company alone is entitled to determine the size of the dividend and the Parent Company has made this decision before the financial statements are published.

### NET FINANCIAL ITEMS

Parent Company	2021	2020
<b>Profit from shares in Group companies</b>		
Dividends from Group companies	125	88
Impairment of shares in Group companies	-198	-355
	<b>-73</b>	<b>-267</b>
<b>Profit from shares in associates</b>		
Dividends from associates	—	13
	<b>—</b>	<b>13</b>
<b>Interest income and similar profit items</b>		
Dividends on shares in other companies	4	7
Interest income from Group companies	15	9
Interest income from others	28	35
Exchange-rate gain	36	0
Gain on sale of current investments	18	0
Other	4	—
	<b>105</b>	<b>51</b>
<b>Interest expenses and similar loss items</b>		
Interest expenses from Group companies	0	-1
Interest expenses from others	-72	-97
Impairment	—	-1
Foreign exchange rate loss	0	-54
Loss on sale of current investments	0	-5
Other	-17	-13
	<b>-89</b>	<b>-171</b>
<b>Total</b>	<b>-57</b>	<b>-374</b>

The value of shares in Group companies is tested for impairment. When equity in the Group company is less than the value of the shares and future earnings cannot be demonstrated, the value of the Parent Company's shares is downgraded.

## Note 10 | Taxes

The Group's total tax consists of current tax and deferred tax. Income taxes are recognised in net profit or loss except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or equity.

Current tax is tax that is to be paid or received pertaining to the current year, with application of the tax rates that are enacted or substantively enacted at the balance-sheet date. Adjustments of current tax relating to previous periods are also recognised here.

The rules for economic associations were applied for the calculation of current tax. These mean that dividend proposal for the financial year (which will be paid out in the following year) is tax deductible in the current year and has been treated as a deduction in the calculation of current tax. The deduction has affected the tax expense recognised in net profit or loss.

Deferred tax is calculated using the liability method, based on the temporary difference between the carrying amount of assets and liabilities and their tax base. Temporary differences arising on initial recognition of goodwill or on initial recognition of assets and liabilities that are not business combinations that at the time of the transaction do not affect either accounting or taxable earnings are not taken into account. Nor are temporary differences pertaining to shares in subsidiaries and associates that are not expected to be reversed in the foreseeable future taken into account. Measurement of deferred tax is

based on how the underlying assets or liabilities are expected to be capitalised or settled. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance-sheet date.

Deferred tax assets related to deductible temporary differences and tax loss carryforwards are recognised only to the extent it is probable they can be used in the future. The value of deferred tax assets is reduced when it is no longer considered likely they can be utilised.

### Parent Company

Unlike the Group, the Parent Company recognises untaxed reserves in the balance sheet without division into equity and deferred tax liability. Similarly, there is no allocation in the Parent Company income statement for appropriations to be partially transferred to deferred tax expense.

RECOGNISED TAX EXPENSE	Group		Parent Company	
	2021	2020	2021	2020
Tax expense for the period	-758	-32	-626	0
Adjustment of tax pertaining to prior years	-5	-10	0	-6
<b>Current tax expense</b>	<b>-763</b>	<b>-42</b>	<b>-626</b>	<b>-6</b>
Deferred tax expense pertaining to temporary differences	13	-25	58	-23
<b>Deferred tax expense</b>	<b>13</b>	<b>-25</b>	<b>58</b>	<b>-23</b>
<b>Total</b>	<b>-750</b>	<b>-67</b>	<b>-568</b>	<b>-29</b>

### RECONCILIATION OF EFFECTIVE TAX

	Group				Parent Company	
	2021	Tax rate	2020	Tax rate	2021	2020
Profit before tax	5,268		209		4,238	482
Tax based on current tax rate for Parent Company	-1,085	20.6%	-45	21.4%	-873	-103
Effect of special tax rules for economic associations <sup>1)</sup>	346		110		346	110
Effect of other tax rates for foreign subsidiaries	0		13		—	—
Non-deductible expenses incl. restructuring costs	-34		-112		-67	-45
Non-taxable income	4		1		26	22
Share of profit/loss of associates	10		-4		—	—
Remeasurement of loss carryforwards <sup>2)</sup> / temporary differences	1		-2		—	-7
Standard interest on tax allocation reserve	0		0		0	0
Tax pertaining to prior years	8		-9		0	-6
Changed tax rate	—		-19		—	0
<b>Effective tax recognised</b>	<b>-750</b>	<b>14.2%</b>	<b>-67</b>	<b>32.1%</b>	<b>-568</b>	<b>-29</b>

<sup>1)</sup> According to the tax rules for economic associations, dividends paid in the second year (pertaining to the prior year) are tax deductible in the first year.

This means that the Board's proposed dividend to be paid in the following year has been treated as a deduction in the calculation of current tax for the current year.

<sup>2)</sup> Loss carryforwards can be used indefinitely.

Income tax relating to components of other comprehensive income is presented in Note 11 Other comprehensive income.

&gt; Note 10, cont.

**CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS**

	At the beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Carrying amount at the end of period
<b>Group 2021</b>				
Non-current assets	-1,550	-36	—	-1,586
Biological assets	-185	-47	-8	-240
Non-current operating receivables	0	0	—	—
Inventories	21	39	—	60
Current receivables and liabilities	-5	0	8	3
Current investments	-4	-4	—	-8
Provisions	112	51	-44	119
Untaxed reserves excluding depreciation and amortisation in excess of plan	0	—	—	—
Other	-9	9	—	0
<b>Total</b>	<b>-1,620</b>	<b>12</b>	<b>-44</b>	<b>-1,652</b>

	At the beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Carrying amount at the end of period
<b>Group 2020</b>				
Non-current assets	-1,620	70	—	-1,550
Biological assets	-65	-91	-29	-185
Non-current operating receivables	0	—	—	0
Inventories	2	19	—	21
Current receivables and liabilities	5	-10	—	-5
Current investments	-6	2	—	-4
Provisions	142	-15	-15	112
Untaxed reserves excluding depreciation and amortisation in excess of plan	-10	10	—	0
Other	2	-11	—	-9
<b>Total</b>	<b>-1,550</b>	<b>-25</b>	<b>-44</b>	<b>-1,620</b>

## Note 11 | Other comprehensive income

**FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Assets held to collect contractual cash flows and for selling are measured at fair value through other comprehensive income, refer to Note 13 Financial Instruments. Changes in the carrying amount are recognised through other comprehensive income, except for the recognition of interest income, exchange-rate differences and impairment losses, which are recognised in profit or loss. When the financial asset is removed from the balance sheet, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Translation differences on the translation of currency of foreign entities are recognised in other comprehensive income and accumulated in the translation reserve in equity. Refer to Note 13, Financial instruments. When a foreign entity is divested, the cumulative translation differences attributable to the divested foreign operation are reclassified from equity to net profit or loss as an adjustment on the same date on which the gain or loss from the sale is recognised.

	Translation reserve	Revaluation reserve	Fair value reserve	Actuarial gain/loss <sup>1)</sup>
<b>Group 2021</b>				
At the beginning of the year	-36	112	35	-516
Translation differences for the year	63	—	—	—
Change in Swedish forest land for the year	—	41	—	—
Fair value change for the year in hedge accounting derivatives	—	—	-40	—
Actuarial gains and losses	—	—	—	212
Tax pertaining to components in other comprehensive income	—	-8	8	-44
<b>Carrying amount at the end of the period</b>	<b>27</b>	<b>145</b>	<b>3</b>	<b>-348</b>

<sup>1)</sup> Actuarial gain/loss included in retained earnings.**TRANSLATION RESERVE**

The translation reserve includes all foreign exchange gains and losses that arise in translating financial statements from foreign operations that have prepared their financial statements in a currency other than that used in the consolidated financial statements. The Parent Company and the Group present their financial statements in SEK.

**REVALUATION RESERVE**

The revaluation reserve refers to the remeasurement effect for forest land in Sweden.

**FAIR VALUE RESERVE**

The fair value reserve includes the cumulative net change in fair value of available-for-sale financial assets until the asset is removed from the statement of financial position.

	Translation reserve	Revaluation reserve	Fair value reserve	Actuarial gain/loss <sup>1)</sup>
<b>Group 2020</b>				
At the beginning of the year	86	—	-21	-518
Translation differences for the year	-122	—	—	—
Change in Swedish forest land for the year	—	141	—	—
Fair value change for the year in hedge accounting derivatives	—	—	71	—
Actuarial gains and losses	—	—	—	2
Tax pertaining to components in other comprehensive income	—	-29	-15	0
<b>Carrying amount at the end of the period</b>	<b>-36</b>	<b>112</b>	<b>35</b>	<b>-516</b>

<sup>1)</sup> Actuarial gain/loss included in retained earnings.



## Financial position

### Note 12 | Business combinations

#### Business combinations

Subsidiaries are recognised using the purchase method. This method means that the acquisition of a subsidiary is viewed as a transaction whereby the Group indirectly obtains the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of the identifiable assets acquired and liabilities assumed, as well as any non-controlling interest, at the date of acquisition. Transaction expenses, except those attributable to the issue of equity or debt instruments, are recognised directly in net profit or loss.

In business combinations where the consideration transferred, any non-controlling interests and fair value of previously owned participations (in step acquisitions) exceed the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. A negative difference, known as a bargain purchase, is recognised directly in net profit or loss.

Consideration transferred on acquisition does not include payments pertaining to the settlement of earlier business relationships. Such settlement is recognised in profit or loss.

Contingent consideration is measured at fair value at the date of acquisition. When the contingent consideration is classified as an equity instrument, no remeasurement is carried out and settlement takes place in equity. Other contingent considerations are remeasured at each reporting date and the change is recognised in net profit or loss.

Non-controlling interests arise for acquisitions not involving 100 percent ownership of the subsidiary. There are two options available for recognition: recognising the non-controlling interest's proportionate share of net assets,

or measuring the non-controlling interest at fair value, meaning that the non-controlling interest has a share of goodwill. The choice between the options for recognising non-controlling interests are made by Södra on an acquisition-by-acquisition basis.

For step acquisitions, goodwill is determined at the date on which the controlling influence arises. Previous interests are measured at fair value and the change in value is recognised in net profit or loss.

For divestments leading to the loss of a controlling influence but where a residual holding exists, the holding is measured at fair value and the change in value is measured in profit or loss.

The financial statements of subsidiaries are included in the consolidated financial statements from the acquisition date until the date that control ceases.

In cases where the subsidiary's accounting policies are not consistent with the Group's accounting policies, adjustments have been made to comply with the Group's accounting policies.

Losses attributable to non-controlling interests are allocated to non-controlling interests, even when the non-controlling interests will be recognised as a debit item under equity.

#### Asset acquisitions

The determination of whether an acquisition represents a business combination or an asset acquisition is based on assumptions and assessments made by management on the acquisition date. A critical factor for the determination is whether the return from the acquisition is substantially generated by the acquired business or the acquired assets.

#### ACQUISITIONS/DIVESTMENTS 2021

In the second quarter, Ture Johansson Trävaru AB, AB Tenhults Impregneringsverk and Hordab Mekaniska Verkstad AB were acquired. The operations comprise a sawmill, a timber treatment facility and a smaller business operation related to property rentals. After the acquisition, the companies were included in the Wood business area and were merged with the Parent Company at the end of the year. The acquisitions are not deemed material in relation to the Group's sales and result. Therefore, no material acquisitions or divestments occurred during the reporting period.

#### ACQUISITIONS/DIVESTMENTS 2020

In December, Södra concluded an agreement to divest its operations in Trivselhus AB, and subsequently exited the single-family homes market. For more information, refer to Note 43. The divestment date was 1 March 2021.

## Note 13 | Financial instruments

A financial asset or financial liability is recognised in the consolidated statement of financial position when the company becomes party to the contractual terms of the instrument.

### Classification

Financial assets are classified into the categories of financial assets measured at fair value through either other comprehensive income or profit or loss, and financial assets measured at amortised cost. The classification of investments in debt instruments depends on Södra's business model for managing financial assets and their contractual cash flow characteristics. The Group only reclassifies debt instruments when its business model for managing those instruments changes.

For investments in equity instruments that are not held for trading, recognition depends on whether or not the Group, on the date of acquiring the instruments, has made an irrevocable choice to recognise equity instruments at fair value through other comprehensive income.

### Measurement

Non-derivative financial instruments are initially measured at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments except those defined as financial assets measured at fair value through profit or loss, which are measured at fair value excluding transaction costs. Acquisition and divestment of financial assets is recognised on the settlement date, which is the date on which the asset is delivered to or from the company. The following measurement of investments in debt instruments depends on the

Group's business model for managing the asset and contractual cash flow characteristics of the asset.

A financial asset, or part thereof, is derecognised from the consolidated statement of financial position when the contractual rights are realised, expire or the company relinquishes control of the asset. A financial liability, or part thereof, is derecognised from the consolidated statement of financial position when the contractual obligations are fulfilled or otherwise extinguished.

A financial asset and financial liability are offset and the net amount presented in the consolidated statement of financial position only when there is a legally enforceable right to set off the amount, combined with an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The fair value presented is based on official market quotations at the balance-sheet date as well as the generally accepted methods for unquoted financial instruments. Translation to SEK has been made at the exchange rate quoted at the balance-sheet date.

### Investments in debt instruments

Södra classifies investments in debt instruments into three measurement categories:

### FAIR VALUE THROUGH PROFIT OR LOSS

Assets that do not meet the conditions for recognition at amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss.

### FAIR VALUE AND CARRYING AMOUNT IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

Group 2021	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
<b>Financial investments</b>					
Other shares and participations	34	—	—	34	34
	34	—	—	34	34
<b>Operating receivables</b>					
Trade receivables	—	—	3,399	3,399	3,399
Derivatives, non-current	—	4	—	4	4
Derivatives, current	2	—	—	2	2
	2	4	3,399	3,405	3,405
Current investments	1,648	—	—	1,648	1,648
Cash and cash equivalents	—	—	3,674	3,674	3,674
<b>Total assets, financial instruments</b>	<b>1,684</b>	<b>4</b>	<b>7,073</b>	<b>8,761</b>	<b>8,761</b>
Other assets, non-financial instruments				24,668	
<b>Total assets</b>				<b>33,429</b>	
<b>Non-current liabilities</b>					
Loans from banks and other credit institutions	—	—	467	467	486
Member deposits	—	—	679	679	704
Non-current lease liabilities	—	—	128	128	130
Other liabilities, non-current	—	—	100	100	102
	—	—	1,374	1,374	1,422
<b>Current liabilities</b>					
Loans from banks and other credit institutions	—	—	133	133	135
Member deposits	—	—	4,405	4,405	4,415
Current lease liabilities	—	—	78	78	78
	—	—	4,616	4,616	4,628
<b>Current operating liabilities</b>					
Trade creditors	—	—	2,347	2,347	2,347
LTFP*, current	1	—	—	1	1
	1	—	2,347	2,348	2,348
<b>Total liabilities, financial instruments</b>	<b>1</b>	<b>—</b>	<b>8,337</b>	<b>8,338</b>	<b>8,398</b>
Other liabilities, non-financial instruments				4,003	
<b>Total liabilities</b>				<b>12,341</b>	

\* Customer contracts tied to financial instruments.

> Note 13, cont.

This category has two subgroups: available-for-sale financial assets, and other financial assets, which are initially placed in this category based on Södra's business model. The latter subgroup includes shares, share index bonds and share index certificates. Management reviews the fair value of shares, share index bonds and share index certificates on a regular basis through information in the monthly financial report. Assets in this category are regularly measured at fair value with changes in value recognised in net profit or loss. Interest on debt instruments, dividend income and exchange-rate effects are recognised in net profit or loss.

#### FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Assets held to collect the contractual cash flows and for trading are measured at fair value through other comprehensive income. Changes in

the carrying amount are recognised through other comprehensive income, except for the recognition of interest income, exchange-rate differences and impairment losses, which are recognised in profit or loss. When the financial asset is removed from the balance sheet, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

#### FAIR VALUE THROUGH AMORTISED COST

Assets held to collect contractual cash flows and where these cash flows consist solely of payments of principal and interest, are measured at amortised cost using the effective interest rate calculated on the date of acquisition. This measurement category includes loans and receivables with fixed or determinable payments that are not quoted in an active market.

Group 2020	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
<b>Financial investments</b>					
Other shares and participations	33	—	—	33	33
	<b>33</b>	<b>—</b>	<b>—</b>	<b>33</b>	<b>33</b>
<b>Operating receivables</b>					
Trade receivables	—	—	2,342	2,342	2,342
Derivatives, non-current	—	18	—	18	18
Derivatives, current	27	—	—	27	27
	<b>27</b>	<b>18</b>	<b>2,342</b>	<b>2,387</b>	<b>2,387</b>
Current investments	887	—	—	887	887
Cash and cash equivalents	—	—	2,300	2,300	2,300
<b>Total assets, financial instruments</b>	<b>947</b>	<b>18</b>	<b>4,642</b>	<b>5,607</b>	<b>5,607</b>
Other assets, non-financial instruments				23,646	
<b>Total assets</b>				<b>29,253</b>	
<b>Non-current liabilities</b>					
Loans from banks and other credit institutions	—	—	599	599	624
Member deposits	—	—	549	549	569
Non-current lease liabilities	—	—	259	259	261
Other liabilities, non-current	—	—	100	100	118
	<b>—</b>	<b>—</b>	<b>1,507</b>	<b>1,507</b>	<b>1,572</b>
<b>Current liabilities</b>					
Bond loans	—	—	1,000	1,000	1,013
Loans from banks and other credit institutions	—	—	133	133	135
Member deposits	—	—	4,076	4,076	4,111
Current lease liabilities	—	—	96	96	97
Other liabilities, current	—	—	26	26	26
	<b>—</b>	<b>—</b>	<b>5,331</b>	<b>5,331</b>	<b>5,382</b>
<b>Current operating liabilities</b>					
Trade creditors	—	—	2,361	2,361	2,361
	<b>—</b>	<b>—</b>	<b>2,361</b>	<b>2,361</b>	<b>2,361</b>
<b>Total liabilities, financial instruments</b>	<b>—</b>	<b>—</b>	<b>9,199</b>	<b>9,199</b>	<b>9,315</b>
Other liabilities, non-financial instruments				3,295	
<b>Total liabilities</b>				<b>12,494</b>	

<sup>1)</sup> Customer contracts tied to financial instruments.

Other shares and participations consist of shares and participations in external companies.

Current investments comprise interest-bearing investments with a duration of more than three months from the date of acquisition, share index bonds, share index certificates and shares in listed companies.

Cash and cash equivalents consist of bank assets and current investments with a duration of up to three months from the date of acquisition with insignificant risk of value fluctuation and unsubstantial interest-rate risk.

The following summarises the methods and assumptions that are primarily used to determine fair value of the financial instruments presented in the table above:

#### SHARES AND PARTICIPATIONS AND CURRENT INVESTMENTS

Fair value of listed securities is based on the quoted price of the asset on the balance-sheet date without addition of transaction costs on the date of acquisition. Potential transaction costs are not taken into account upon divestment of an asset.

The fair value of unquoted shares measured at cost due to the difficulty in determining a reliable market value is represented by the carrying amount in the above table.

#### DERIVATIVES

Fair value of currency derivatives and electricity price derivatives is based on quoted prices where available. In the absence of such prices,

&gt; Note 13, cont.

fair value is calculated by discounting the difference between the contracted forward rate and the forward rate available on the balance-sheet date for the remaining period of the contract. Discounting is done using the risk-free interest based on government bonds.

Fair value of pulp price derivatives, oil price derivatives and timber price derivatives is based on the valuation of the intermediary credit institution, and fairness tested by discounting expected future cash flows based on the market rate for similar instruments at the balance-sheet date. Cash flows are based on the best judgements of management.

**TRADE RECEIVABLES AND TRADE CREDITORS**

For trade receivables and trade creditors with a remaining life of less than six months, carrying amount is deemed to reflect fair value.

**OTHER FINANCIAL ASSETS AND LIABILITIES**

The fair value of other financial assets and liabilities is based on future cash flows of payments of capital and interest, discounted using the current market rate at the balance-sheet date.

**INTEREST RATES USED TO DETERMINE FAIR VALUE**

Discounting is based on the current government borrowing rate plus the appropriate interest spread.

The following tables present information about how fair value is determined for the financial instruments that are measured at fair value in the statement of financial position. Allocation of fair value determination is based on three levels.

Level 1: Based on prices quoted in active markets for identical instruments.

Level 2: Based on direct or indirect observable market data not included in level 1.

Level 3: Based on inputs that are unobservable in the market.

Group 2021	Level 1:	Level 2:	Level 3:	Total
Other shares and participations	—	—	34	34
Derivatives, non-current	—	—	4	4
Derivatives, current	—	—	2	2
Current investments	1,648	—	—	1,648
<b>Total assets</b>	<b>1,648</b>	<b>—</b>	<b>40</b>	<b>1,688</b>
LTFP <sup>1)</sup> , current	—	—	1	1
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>1</b>

<sup>1)</sup> Customer contracts tied to financial instruments.

Group 2020	Level 1:	Level 2:	Level 3:	Total
Other shares and participations	—	—	34	34
Derivatives, non-current	—	—	18	18
Derivatives, current	—	—	27	27
Current investments	887	—	—	887
<b>Total assets</b>	<b>887</b>	<b>—</b>	<b>79</b>	<b>966</b>
LTFP <sup>1)</sup> , current	—	—	0	0
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>0</b>

<sup>1)</sup> Customer contracts tied to financial instruments.

The following table presents a reconciliation of opening and closing balances for financial instruments measured at fair value in the consolidated report of financial position using a valuation method based on unobservable inputs (level 3).

Group 2021	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP*	Derivatives	LTFP <sup>1)</sup>
At the beginning of the year	34	45	0	0	0
Total recognised gains and losses:					
– recognised in profit for the year	—	0	—	—	—
– recognised in other comprehensive income	—	–32	—	—	—
Acquisitions	—	—	—	—	1
Sold and terminated	—	–7	—	—	—
<b>Carrying amount at the end of the period</b>	<b>34</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>

<sup>1)</sup> Customer contracts tied to finance leases.

Group 2020	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP*	Derivatives	LTFP <sup>1)</sup>
At the beginning of the year	36	0	1	28	0
Total recognised gains and losses:					
– recognised in loss for the year	—	—	–1	—	—
– recognised in other comprehensive income	—	0	—	–28	—
Acquisitions	—	45	—	—	—
Sold and terminated	–2	0	—	—	—
<b>Carrying amount at the end of the period</b>	<b>34</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1)</sup> Customer contracts tied to finance leases.



## Note 14 | Intangible assets

Goodwill represents the difference between the cost of a business combination and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. Goodwill is carried at cost less any cumulative impairment losses. Goodwill is allocated to cash-generating units and impairment tested not less than annually. Goodwill on acquisitions of associates is included in the carrying amount for shares in associates.

Research costs are expensed as incurred. Direct development costs are only capitalised in conjunction with major projects if they are deemed to create an identifiable asset that is controlled by the Group and expected to generate future economic benefits. Other costs associated with development are recognised as expenses in consolidated net profit or loss as incurred.

Major investments in IT systems and licences are also recognised as intangible assets. Regarding configuration or customisation costs in a cloud computing arrangement, IFRIC has clarified how entities should account for these expenses. In its final agenda decision, IFRIC clarified that the right to receive access to the supplier's software does not create a resource controlled by the customer that is separate from the software, whereby an intangible asset is not recognised. Intangible assets are measured at cost less cumulative amortisation and impairment.

Assets with a finite useful life are amortised on a straight-line basis over each asset's estimated useful life. The useful life of an asset is retested every year.

### Impairment of property, plant and equipment and intangible assets

The Group's recognised assets are tested regularly to determine whether there is any indication of impairment.

The recoverable amounts of assets must be calculated when there is an indicator of impairment. An asset is impaired if its carrying amount exceeds

its recoverable amount. Losses arising from impairment are recognised in the consolidated statement of comprehensive income.

The recoverable amount is the higher of fair value less costs to sell and the value-in-use. When value-in-use is calculated, future cash flow is discounted using a discount factor that reflects the risk-free interest rate and risk associated with the specific asset.

During the year, IFRS IC issued a new agenda decision, an NIFRIC, on Cloud Computing or Software as a Service (SaaS) arrangements, and on this basis, Södra has reviewed the principles for capitalisation of these costs. Our general interpretation of this agenda decision is that the costs related to these types of arrangements should be expensed. Södra compared this agenda decision with IAS 38 and the new approach that has emerged, which resulted in a remeasurement of SEK 267 million in previously capitalised expenses, which was charged to profit for the year.

### Impairment reversals

An impairment loss on assets covered by IAS 36 is reversed if there are indications that an impairment loss may no longer exist and there has been a change in the assumptions that formed the basis for calculation of the recoverable amount. Impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the amount that would otherwise have been recognised, less any depreciation, had it not been impaired.

### PARENT COMPANY

#### Research and development

All expenditure for scientific research and development is expensed in the income statement.

Group 2021	Brand	Development costs, licences	Goodwill	Total
<b>Cost</b>				
At the beginning of the year	123	133	274	530
Investment	—	1	—	1
Divestment and disposals	-123	-17	—	-140
Translation differences	—	—	—	—
	—	117	274	391
<b>Depreciation</b>				
At the beginning of the year	—	-92	—	-92
Divestment and disposal	—	9	—	9
Depreciation according to plan for the year	—	-6	—	-6
	—	-89	—	-89
<b>Impairment</b>				
At the beginning of the year	-123	-8	-200	-331
Divestment and disposals	123	8	—	131
Impairment for the year	—	-25	-11	-36
	—	-25	-211	-236
<b>Carrying amount at the end of the period</b>	—	3	63	66

Group 2020	Brand	Development costs, licences	Goodwill	Total
<b>Cost</b>				
At the beginning of the year	123	110	275	508
Investment	—	29	—	29
Divestment and disposals	—	-6	-0	-6
Translation differences	—	—	-1	-1
	123	133	274	530
<b>Depreciation</b>				
At the beginning of the year	—	-85	—	-85
Divestment and disposal	—	6	—	6
Depreciation according to plan for the year	—	-13	—	-13
	—	-92	—	-92
<b>Impairment</b>				
At the beginning of the year	—	-8	-22	-30
Impairment for the year	-123	—	-178	-302
Translation differences	—	—	0	0
	-123	-8	-200	-331
<b>Carrying amount at the end of the period</b>	0	33	74	107

### TESTING OF IMPAIRMENT REQUIREMENT FOR GOODWILL AND BRANDS

Södra Wood is the cash-generating unit to which goodwill has been allocated. Following acquisition, acquired operations are integrated into the Group's existing business areas in order to generate the intended synergy effects. The integration also pertains to attributable cash flows.

In such cases where acquired cash-generating units have been integrated with existing business areas, goodwill is tested for impairment at business area level, since this is where goodwill is monitored internally.

The recoverable amounts of the business areas builds on the value-in-use that is based on cash flow forecasts, where the forecasts of individual business area management pertaining to revenue, operating profit, working capital and investments form the basis for discounting cash flows. Thereafter, average cash flow growth of approximately 0–2 percent (0–2) per year has been adopted. Growth rate and operating margins have been determined on the basis of historic experience and judgements of future economic trends that draw on both external and internal sources of information. Cash flow was discounted using an average pre-tax discount rate of about 8 percent (9). The most significant

&gt; cont. Note 14

valuation parameter is the discount rate, and if this was changed by +/-1 percent, the value of the underlying asset would be impacted by SEK -1/+1 million. Even minor changes in management's projections of future cash flows could lead to impairment.

For other cash-generating units, no changes in key assumptions in the calculation of value in use are expected to lead to impairment.

Parent Company 2021	Development costs, licences	Goodwill	Total
<b>Cost</b>			
At the beginning of the year	19	24	43
Divestment and disposal	-2	—	-2
	17	24	41
<b>Depreciation</b>			
At the beginning of the year	-19	-16	-35
Divestment and disposal	2	—	2
Depreciation according to plan for the year	0	-1	-1
	-17	-16	-33
<b>Impairment</b>			
At the beginning of the year	—	-6	-6
	—	-6	-6
<b>Carrying amount at the end of the period</b>	—	2	2

#### GOODWILL PER CASH-GENERATING UNIT

	2021	2020
Södra Wood	61	74
Södra Innovation	2	—
<b>Total</b>	<b>63</b>	<b>74</b>

Parent Company 2020	Development costs, licences	Goodwill	Total
<b>Cost</b>			
At the beginning of the year	25	22	47
Merger	—	2	2
Divestment and disposal	-6	—	-6
	19	24	43
<b>Depreciation</b>			
At the beginning of the year	-24	-16	-40
Divestment and disposal	6	—	6
Depreciation according to plan for the year	-1	0	-1
	-19	-16	-35
<b>Impairment</b>			
At the beginning of the year	—	-6	-6
	—	-6	-6
<b>Carrying amount at the end of the period</b>	0	2	2

## Note 15 | Property, plant and equipment

Property, plant and equipment are recognised on a consolidated basis at cost less accumulated depreciation and any impairment. The cost includes the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of own-generated non-current assets includes expenses for material, for remuneration of employees, if applicable, other manufacturing expenses directly attributable to the non-current asset, and the estimated costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment consisting of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is derecognised from the consolidated statement of financial position on disposal or divestment or when no future economic benefits are expected to be derived from the use or disposal/divestment of the asset. The gain or loss arising on the divestment or disposal of an asset represents the difference between the selling price and the carrying amount of the asset less direct selling costs. The gain and loss are recognised as operating income/expenses.

#### ADDITIONAL EXPENSES

Additional expenses are added to the cost only if it is probable that the future economic benefits associated with the asset will benefit the company and the cost can be reliably estimated. Other additional expenses are expensed in the period they are incurred.

An additional expense is added to the cost if the expense relates to the exchange of identified components or parts thereof. The expense is

also added to the cost in situations where new components are created. Any undepreciated carrying amount on exchanged components, or parts of components, are disposed and expensed in conjunction with the exchange. Repairs are expensed on an ongoing basis.

#### LEASES

The Group's leased assets mainly comprise vessels, premises/buildings and vehicles. The Group applies the simplified approach available under IFRS 16 for the recognition of right-of-use assets and lease liabilities attributable to all leases on the balance sheet. Under this approach, the lessee has the right to use an asset for a period of time in exchange for consideration from the commencement of the lease. When assessing leases, lease components are separated from non-lease components, and when determining the lease term, any options to extend or terminate the lease prematurely are taken into account.

Lease liabilities are initially recognised at the present value of the lease payments that are not paid at that date, discounted using the Group's incremental borrowing rate. Lease payments included in the liability comprise fixed payments, variable lease payments that depend on an index or a rate, and payments of penalties for terminating the lease. The right-of-use asset is initially measured at amortised cost, which is the same amount as the initial measurement of the liability. The Group applies the low-value and short-term lease exemptions, which means that these leases are recognised as an expense on a straight-line basis over the lease term.

Deferred tax is recognised net on the balance sheet and in supplementary disclosures.

For the Parent Company, all leases are recognised as operating leases.

&gt; Note 15, cont.

**BUILDINGS AND LAND**

Group 2021	Buildings	Leased buildings <sup>1)</sup>	Land	Leased land <sup>1)</sup>	Land improvements	Total Buildings and Land
<b>Cost</b>						
At the beginning of the year	4,491	286	1,703	1	1,297	7,778
Forest land revaluation <sup>2)</sup>	—	—	40	—	—	40
Business combinations	52	—	5	—	11	69
Investments	62	3	128	2	39	234
Reclassifications <sup>3)</sup>	25	—	-65	—	20	-20
Divestments and disposals	-4	-228	-9	0	-16	-257
Translation differences	5	1	40	—	0	46
	<b>4,632</b>	<b>62</b>	<b>1,842</b>	<b>3</b>	<b>1,351</b>	<b>7,890</b>
<b>Depreciation</b>						
At the beginning of the year	-2,258	-74	—	-1	-614	-2,947
Business combinations	-42	—	—	—	-8	-50
Divestments and disposals	1	87	—	0	12	100
Reclassifications	-1	—	—	—	—	-1
Depreciation according to plan for the year	-164	-20	—	0	-55	-239
Translation differences	-1	0	—	—	—	-1
	<b>-2,465</b>	<b>-7</b>	<b>—</b>	<b>-1</b>	<b>-665</b>	<b>-3,138</b>
<b>Impairment</b>						
At the beginning of the year	-37	-31	-45	—	-11	-124
Impairment for the year	-13	—	-9	—	-1	-23
	<b>-50</b>	<b>-31</b>	<b>-54</b>	<b>—</b>	<b>-12</b>	<b>-147</b>
Assets held for sale	—	—	—	—	—	—
<b>Carrying amount at the end of the period</b>	<b>2,117</b>	<b>24</b>	<b>1,788</b>	<b>2</b>	<b>674</b>	<b>4,605</b>

<sup>1)</sup> IFRS 16 Leases has been applied since 2019, which means that leases are now recognised as assets, instead of Other expenses.<sup>2)</sup> Remeasurement presented in Other comprehensive income, refer to Notes 11 and 23.<sup>3)</sup> Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

Group 2020	Buildings	Leased buildings <sup>1)</sup>	Land	Leased land <sup>1)</sup>	Land improvements	Total Buildings and Land
<b>Cost</b>						
At the beginning of the year	4,535	149	1,621	2	1,250	7,557
Forest land revaluation <sup>2)</sup>	—	—	141	—	—	141
Business combinations	—	—	5	—	—	5
Investments	12	153	60	1	31	257
Reclassifications <sup>3)</sup>	8	—	-44	—	19	-17
Divestments and disposals	-57	-16	-7	-2	-3	-85
Translation differences	-7	0	-73	—	0	-80
	<b>4,491</b>	<b>286</b>	<b>1,703</b>	<b>1</b>	<b>1,297</b>	<b>7,778</b>
<b>Depreciation</b>						
At the beginning of the year	-2,130	-42	—	-1	-561	-2,734
Divestments and disposals	33	6	—	2	1	42
Depreciation according to plan for the year	-162	-38	—	-2	-54	-256
Translation differences	1	0	—	—	0	1
	<b>-2,258</b>	<b>-74</b>	<b>—</b>	<b>-1</b>	<b>-614</b>	<b>-2,947</b>
<b>Impairment</b>						
At the beginning of the year	-37	-31	-36	—	-11	-115
Impairment for the year	—	—	-9	—	—	-9
	<b>-37</b>	<b>-31</b>	<b>-45</b>	<b>—</b>	<b>-11</b>	<b>-124</b>
Assets held for sale	—	-144	—	—	—	-144
<b>Carrying amount at the end of the period</b>	<b>2,196</b>	<b>37</b>	<b>1,658</b>	<b>0</b>	<b>672</b>	<b>4,563</b>

<sup>1)</sup> IFRS 16 Leases has been applied since 2019, which means that leases are now recognised as assets, instead of Other expenses.<sup>2)</sup> Remeasurement presented in Other comprehensive income, refer to Notes 11 and 23.<sup>3)</sup> Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

&gt; Note 15, cont.

Parent Company	2021				2020			
	Buildings	Land	Land improvements	Total Buildings and Land	Buildings	Land	Land improvements	Total Buildings and Land
<b>Cost</b>								
At the beginning of the year	4,388	266	1,280	5,934	4,423	265	1,232	5,920
Business combinations	52	5	11	69	—	—	—	—
Merger	0	—	4	4	—	—	—	—
Investments	61	3	39	103	—	—	—	—
Reclassifications <sup>1)</sup>	23	—	20	43	22	3	50	75
Divestments and disposals	-1	—	-16	-17	-57	-2	-2	-61
	<b>4,524</b>	<b>274</b>	<b>1,338</b>	<b>6,136</b>	<b>4,388</b>	<b>266</b>	<b>1,280</b>	<b>5,934</b>
<b>Depreciation</b>								
At the beginning of the year	-2,243	—	-605	-2,848	-2,116	—	-554	-2,670
Business combinations	-43	—	-7	-50	—	—	—	—
Merger	0	—	-2	-2	—	—	—	—
Divestments and disposals	1	—	11	12	31	—	2	33
Depreciation according to plan for the year	-160	—	-54	-214	-158	—	-53	-211
	<b>-2,445</b>	<b>—</b>	<b>-657</b>	<b>-3,102</b>	<b>-2,243</b>	<b>—</b>	<b>-605</b>	<b>-2,848</b>
<b>Impairment</b>								
At the beginning of the year	-37	-10	-10	-57	-37	-10	-10	-57
Divestments and disposals	—	—	—	—	—	—	0	0
Impairment for the year	-13	—	—	-14	—	—	—	—
	<b>-50</b>	<b>-10</b>	<b>-11</b>	<b>-71</b>	<b>-37</b>	<b>-10</b>	<b>-10</b>	<b>-57</b>
<b>Carrying amount at the end of the period</b>	<b>2,029</b>	<b>264</b>	<b>670</b>	<b>2,963</b>	<b>2,108</b>	<b>256</b>	<b>665</b>	<b>3,029</b>

<sup>1)</sup> In 2020, reclassifications predominantly related to capitalised work in progress, which is considered investments.

## MACHINERY AND EQUIPMENT

Group	2021					2020				
	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment
<b>Cost</b>										
At the beginning of the year	24,000	4	2,648	286	26,938	23,581	2	2,515	295	26,393
Business combinations	229	—	66	—	295	—	—	—	—	—
Investments	471	4	131	78	684	371	2	212	19	604
Reclassifications <sup>1)</sup>	466	—	112	-7	571	138	—	76	—	214
Divestments and disposals	-241	—	-133	-32	-406	-82	0	-153	-28	-263
Translation differences	7	0	1	0	8	-8	—	-2	0	-10
	<b>24,932</b>	<b>8</b>	<b>2,825</b>	<b>325</b>	<b>28,090</b>	<b>24,000</b>	<b>4</b>	<b>2,648</b>	<b>286</b>	<b>26,938</b>
<b>Depreciation</b>										
At the beginning of the year	-15,318	-2	-1,620	-109	-17,049	-14,634	-1	-1,585	-63	-16,283
Business combinations	-167	—	-50	—	-217	—	—	—	—	—
Divestments and disposals	213	—	109	29	351	82	—	146	27	255
Reclassification	-11	1	—	7	-3	—	—	—	—	—
Depreciation according to plan for the year	-794	-3	-193	-71	-1,061	-770	-1	-182	-73	-1,026
Translation differences	-4	0	-1	0	-5	4	—	1	0	5
	<b>-16,081</b>	<b>-4</b>	<b>-1,755</b>	<b>-144</b>	<b>-17,984</b>	<b>-15,318</b>	<b>-2</b>	<b>-1,620</b>	<b>-109</b>	<b>-17,049</b>
<b>Impairment</b>										
At the beginning of the year	-178	—	-70	—	-248	-178	—	-61	—	-239
Divestments and disposals	—	—	9	—	9	—	—	—	—	—
Impairment for the year	-92	—	-13	—	-105	—	—	-9	—	-9
	<b>-270</b>	<b>—</b>	<b>-74</b>	<b>—</b>	<b>-344</b>	<b>-178</b>	<b>—</b>	<b>-70</b>	<b>—</b>	<b>-248</b>
Assets held for sale	—	—	—	—	—	-28	—	-12	—	-40
<b>Carrying amount at the end of the period</b>	<b>8,581</b>	<b>4</b>	<b>996</b>	<b>181</b>	<b>9,762</b>	<b>8,476</b>	<b>2</b>	<b>946</b>	<b>177</b>	<b>9,601</b>

<sup>1)</sup> Reclassifications predominantly relate to capitalised work in progress, which is considered investments.



&gt; Note 15, cont.

Parent Company	2021			2020		
	Machinery	Equipment	Total Machinery and Equipment	Machinery	Equipment	Total Machinery and Equipment
<b>Cost</b>						
At the beginning of the year	23,829	2,390	26,219	23,420	2,262	25,682
Business combinations	229	66	295	—	—	—
Merger	—	186	186	—	—	—
Investments	461	127	588	—	—	—
Reclassifications <sup>1)</sup>	456	111	567	486	272	758
Divestments and disposals	-194	-89	-283	-77	-144	-221
	<b>24,781</b>	<b>2,791</b>	<b>27,572</b>	<b>23,829</b>	<b>2,390</b>	<b>26,219</b>
<b>Depreciation</b>						
At the beginning of the year	-15,235	-1,509	-16,744	-14,556	-1,478	-16,034
Business combinations	-167	-50	-217	—	—	—
Merger	—	-73	-73	—	—	—
Divestments and disposals	193	85	278	76	136	212
Depreciation according to plan for the year	-782	-188	-970	-755	-167	-922
	<b>-15,991</b>	<b>-1,735</b>	<b>-17,726</b>	<b>-15,235</b>	<b>-1,509</b>	<b>-16,744</b>
<b>Impairment</b>						
At the beginning of the year	-178	-1	-179	-179	-1	-180
Merger	—	-60	-60	—	—	—
Divestments and disposals	—	—	—	1	0	1
Impairment for the year	-92	-13	-105	—	—	—
	<b>-270</b>	<b>-74</b>	<b>-344</b>	<b>-178</b>	<b>-1</b>	<b>-179</b>
<b>Carrying amount at the end of the period</b>	<b>8,520</b>	<b>982</b>	<b>9,502</b>	<b>8,416</b>	<b>880</b>	<b>9,296</b>

<sup>1)</sup> In 2020, reclassifications predominantly related to capitalised work in progress, which is considered investments.**CONSTRUCTION IN PROGRESS**

Group	2021	2020	Parent Company	2021	2020
<b>Cost</b>			<b>Cost</b>		
At the beginning of the year	1,098	539	At the beginning of the year	804	317
Investments	931	842	Investments	1,065	734
Divestment	-19	—	Divestments	-19	—
Reclassifications	-766	-283	Reclassifications	-610	-247
	<b>1,244</b>	<b>1,098</b>		<b>1,240</b>	<b>804</b>
<b>Impairment</b>			<b>Impairment</b>		
At the beginning of the year	—	—	At the beginning of the year	—	—
Divestments and disposals	12	—	Divestments and disposals	12	—
Impairment for the year	-25	—	Impairment for the year	-25	—
<b>Carrying amount at the end of the period</b>	<b>1,232</b>	<b>—</b>	<b>Carrying amount at the end of the period</b>	<b>1,227</b>	<b>—</b>

**PRINCIPLES FOR RIGHT-OF-USE ASSETS**

Södra recognises assets and liabilities for operating leases where Södra is the lessee. Lease payments are recognised as depreciation for right-of-use assets and interest expense for lease liabilities. Prior to 2019, operating lease payments were recognised on a straight-line basis over the lease term and leased assets and liabilities were only recognised if there was a difference between the actual lease payment and recognised cost.

**INVESTMENT COMMITMENTS****Group**

In 2021, the Group entered into agreements for SEK 834 million (696) pertaining to future acquisitions of property, plant and equipment.

**Parent Company**

In 2021, the Parent Company entered into agreements for SEK 834 million (696) pertaining to future acquisitions of property, plant and equipment.

## Note 16 | Biological assets

Forest assets are divided into standing timber and land assets. Standing timber is recognised as a biological asset according to IAS 41 Agriculture. Land assets are accounted for as property, plant and equipment (fixed assets) according to IAS 16 Property, plant and equipment.

When measuring biological assets at fair value in Sweden, a market valuation is carried out to determine the fair value of the Swedish forest holding. The market valuation means that the total forest value is based on market transactions involving forest land in the areas where Södra owns forest assets. The land assets are measured at fair value using the revaluation model set out in IAS 16.31 for the Swedish holding. The change in value of land is recognised as other comprehensive income and does not affect profit or loss for the year. In the Baltics, standing timber is recognised at fair value discounted to the present value of future expected cash flows from the standing timber. The land that the forest is growing on is measured at cost.

When measuring biological assets at fair value in the Baltics, the present value of expected future cash flows before tax is estimated based on current harvest plans and estimates of forest growth, wood prices, harvesting costs and forestry costs. These future cash flows, net of costs to sell, are discounted using estimated weighted average cost of capital (WACC), based on a harvest cycle of 70 years. The actual harvest cycle deviates from the theoretical harvest cycle, which is why a 100-year cash flow is applied. Future price and cost trends have been taken into account and provisions have been made for environmental considerations.

### PARENT COMPANY

The value of biological assets and forest land is measured in accordance with the Swedish Annual Accounts Act. This means that biological assets and forest land classified as fixed assets are measured at cost less any impairment.

### VALUATION

At 31 December 2021, Södra's forest holding amounted to 128,400 hectares (124,900) of productive forest land. The volume of standing timber was 16.3 million m<sup>3</sup>fo (15.8). The total value of the forest holding was SEK 5,276 million (4,808), of which SEK 1,595 million (1,470) pertained to forest land. Of the total value of the forest holding, the Swedish holding accounted for SEK 820 million and the Baltic holding for SEK 4,456 million. During the year, the change in value of standing timber was SEK 277 million (348), which was recognised in profit or loss. Of this amount, change in fair value accounted for SEK 217 million (452), and translation differences for SEK 60 million (–103).

The valuation in the Baltics is based on estimated harvest cycles for Södra's harvest volumes, product range and growth assumptions based on current harvest plans. Future price and cost trends have been estimated at 2 percent (2) per year and provisions have been made for environmental considerations.

The calculation of cash flow for forest assets in Estonia was discounted using an interest rate of 6.5 percent (6.5) after tax, and in Latvia using an interest rate of 6.4 percent (6.4) after tax. Södra believes that this interest rate should reflect the long-term cost of capital for an investment in forest assets, and not be affected by short-term adjustments to market rates. A 100-year time frame was used for discounting the value of future cash flows in the Baltics. A harvest cycle of 70 years was applied for the forest holding in the Baltics. Allocation to deferred tax is calculated in accordance with IAS 12 on the value of the biological asset according to IAS 41. Deferred tax is calculated as the difference between the carrying amount of the estates and their tax base.

The valuation in Sweden is based on all sales over the past five years in the areas where Södra owns forest assets, where the consideration derived from forest land exceeded 75 percent of the total consideration. The selection also excludes estates of less than 50 hectares, based on Södra's view that market rationality is declining. In addition, the forestry parameters must be known through prospectuses to be included in the selection. The market price calculated is based on forest land transactions over the past five years. The market price is a weighted average price that amounted to SEK 756/m<sup>3</sup>fo in 2021, and forms the basis for the total average value per m<sup>3</sup>fo of Södra's forest assets in Sweden. As for standing timber, the value of land assets is based on forest land transactions over the past five years and is a bare land value. The total value of the land assets was SEK 215 million.

The change in value of standing timber can be divided into the following components:

Group	2021	2020
At the beginning of the year	3,338	2,918
Purchases of standing timber	65	59
Purchases of standing timber by asset acquisition	—	12
Sales of standing timber	0	—
Change in fair value	217	452
Translation differences	60	–103
<b>Carrying amount at the end of the period</b>	<b>3,681</b>	<b>3,338</b>

The following sensitivity analysis shows how the value of standing timber would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation.

Variable	Change	Change in value after tax, SEK million
Discount rate in the Baltics	±0.25%	–183/+204
Wood price in the Baltics	±2%, real	±124
Market price per m <sup>3</sup> fo in Sweden	±2%	±16
Exchange rate fluctuation, EUR	±0.25%	±89
Stand volume	0.8 million m <sup>3</sup> fo	±181

## Note 17 | Financial investments

### FINANCIAL INSTRUMENTS

A financial asset or financial liability is recognised in the consolidated statement of financial position when the company becomes party to the contractual terms of the instrument.

#### Classification

Financial assets are classified into the categories of financial assets measured at fair value through either other comprehensive income or profit or loss, and financial assets measured at amortised cost. The classification of investments in debt instruments depends on Södra's business model for managing financial assets and their contractual cash flow characteristics. The Group only reclassifies debt instruments when its business model for managing those instruments changes.

For investments in equity instruments that are not held for trading, recognition depends on whether or not the Group, on the date of acquiring the instruments, has made an irrevocable choice to recognise equity instruments at fair value through other comprehensive income.

#### Valuation

Non-derivative financial instruments are initially measured at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments except those defined as financial assets measured at fair value through profit or loss, which are measured at fair value excluding transaction costs. Acquisition and divestment of financial assets is recognised on the settlement date, which is the date on which the asset is delivered to or from the company. The following measurement of investments in debt instruments depends on the Group's business model for managing the asset and contractual cash flow characteristics of the asset.

A financial asset, or part thereof, is derecognised from the consolidated statement of financial position when the contractual rights are realised, expire or the company relinquishes control of the asset. A financial liability, or part thereof, is derecognised from the consolidated statement of financial position when the contractual obligations are fulfilled or otherwise extinguished.

A financial asset and financial liability are offset and the net amount presented in the consolidated statement of financial position only when there is a legally enforceable right to set off the amount, combined with an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The fair value presented is based on official market quotations at the balance-sheet date as well as the generally accepted methods for unquoted financial instruments. Translation to SEK has been made at the exchange rate quoted at the balance-sheet date.

### FAIR VALUE THROUGH PROFIT OR LOSS

Assets that do not meet the conditions for recognition at amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss.

This category has two subgroups: available-for-sale financial assets, and other financial assets, which are initially placed in this category based on Södra's business model. The latter subgroup includes shares, share index bonds and share index certificates. Management reviews the fair value of shares, share index bonds and share index certificates on a regular basis through information in the monthly financial report. Assets in this category are regularly measured at fair value with changes in value recognised in net profit or loss. Interest on debt instruments, dividend income and exchange-rate effects are recognised in net profit or loss.

Group	2021	2020
<b>Non-current assets</b>		
Measured at fair value through profit or loss		
Financial investments	139	33
	<b>139</b>	<b>33</b>
<b>Current assets</b>		
Other current investments	1,922	1,177
– of which reclassified to cash and cash equivalents	–274	–290
	<b>1,648</b>	<b>887</b>

Non-current assets comprise unlisted shares and participations measured at cost since a reliable market value could not be determined. If objective evidence of impairment exists, this is taken into account. At 31 December 2021, impairment losses totalled SEK 1 million (1). Södra does not intend to divest any of the financial investments in 2022.

The financial assets of commercial papers and other interest-bearing securities are measured at fair value through net profit or loss for the Group since the purpose, according to Södra's business model, is to actively sell the instruments. The fair value of these assets is based on quoted prices in an active market.

Interest-bearing securities measured at fair value through profit or loss have fixed interest rates ranging from –0.10 percent (0.00) to 0.65 percent (0.45). The receivables have maturities of up to five years.

Parent Company	2021	2020
<b>Current financial investments</b>		
Other current investments	1,883	1,155
	<b>1,883</b>	<b>1,155</b>

## Note 18 | Non-current operating receivables

### DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been acquired to hedge the risk of interest, price and currency exposure to which the Group is subject. Derivatives are initially measured at fair value, which means that transaction costs are charged to profit for the period. After initial recognition, derivative instruments are measured at fair value and changes in value are recognised as described below. An embedded derivative is recognised separately if it is not closely related to the host contract.

To satisfy hedge accounting requirements, there must be a clear link to the hedged item. The hedge must also effectively protect the hedged item, and hedging documentation must be prepared. Gains and losses on hedges are recognised in net profit or loss at the same time as the gain or loss for the hedged items is recognised. The interest component of forward contracts is not allocated over the term of the forward contract, but recognised in full at the same time as the forward contract.

### Derivatives used for hedging purposes

When a hedge instrument is used to hedge a fair value, the derivative is measured at fair value in the Statement of financial position, and the hedged asset is also recognised at the fair value of the hedged risk. The effective portion of the change in the fair value of a derivative instrument identified as a cash flow hedge and that meets the conditions for hedge accounting is recognised through other comprehensive income, and then in the cash flow hedge reserve in equity. The ineffective portion of the change in fair value is recognised immediately in profit or loss as other revenue or other expenses. Hedge effectiveness is demonstrated by testing the economic relationship between the hedged item and the hedging instrument not, as before, by using a quantitative method.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item impacted earnings. Cumulative gains and losses related to net investment hedges in foreign operations are reclassified to profit or loss when the foreign operations are wholly or partly divested.

### Derivatives not used for hedging

If derivative instruments are acquired for a purpose other than as an economic hedge against risks for interest, price and currency exposure, hedge accounting is not applied. In such cases, the derivative is measured at fair value with changes in value recognised in net profit or loss. With hedge accounting, the ineffective component is recognised in the same manner as the changes in value of derivatives that are not used for hedge accounting.

	Group		Parent Company	
	2021	2020	2021	2020
Derivatives	3	18	—	—
Other non-current receivables	9	22	9	22
<b>Total</b>	<b>12</b>	<b>40</b>	<b>9</b>	<b>22</b>

Parent Company	2021	2020
At the beginning of the year	22	12
Additional	2	14
Utilised	-15	-5
<b>Carrying amount at the end of the year</b>	<b>9</b>	<b>22</b>

Non-current derivative instruments pertain to hedge-accounted net investment in foreign operations.

## Note 19 | Deferred tax assets/liabilities

Deferred tax is calculated using the liability method, based on the temporary difference between the carrying amount of assets and liabilities and their tax base. Temporary differences arising on initial recognition of goodwill or on initial recognition of assets and liabilities that are not business combinations that at the time of the transaction do not affect either accounting or taxable earnings are not taken into account. Nor are temporary differences pertaining to shares in subsidiaries and associates that are not expected to be reversed in the foreseeable future taken into account. Measurement of deferred tax

is based on how the underlying assets or liabilities are expected to be capitalised or settled. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance-sheet date.

Deferred tax assets related to deductible temporary differences and tax loss carryforwards are recognised only to the extent it is probable they can be used in the future. The value of deferred tax assets is reduced when it is no longer considered likely they can be utilised.

Deferred tax is recognised for right-of-use assets and lease liabilities.

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2021	2020	2021	2020	2021	2020
Intangible assets	—	—	—	-56	—	-56
Property, plant and equipment	11	3	-1,597	-1,497	-1,586	-1,494
Biological assets	—	—	-240	-185	-240	-185
Inventories	—	0	60	21	60	21
Operating receivables	—	—	-1	-9	-1	-9
Current investments	—	—	-8	-4	-8	-4
Provisions for pensions	—	—	41	91	41	91
Non-current provisions	—	—	78	21	78	21
Operating liabilities	—	—	4	4	4	4
Other	—	1	0	-10	0	-9
<b>Deferred tax asset/liability</b>	<b>11</b>	<b>4</b>	<b>-1,663</b>	<b>-1,624</b>	<b>1,652</b>	<b>-1,620</b>

Parent Company	Deferred tax assets		Deferred tax liabilities		Net	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	15	12	—	—	15	12
Provisions for pensions	0	0	—	—	0	0
Non-current provisions	78	21	—	—	78	21
Operating liabilities	—	4	—	—	—	4
<b>Deferred tax asset/liability</b>	<b>93</b>	<b>37</b>	<b>—</b>	<b>—</b>	<b>93</b>	<b>37</b>

Of the Group's deferred tax liabilities, SEK 1,589 million (1,490) is attributable to depreciation and amortisation in excess of plan.

## Note 20 | Inventories

Inventories are measured at the lower of cost and net realisable value. Obsolescence risk is thus taken into account. Cost is determined using the first-in, first-out (FIFO) method and comprises costs incurred in acquiring inventory assets and transporting them to their current location and condition. The cost of finished goods and work in progress includes a reasonable proportion of indirect costs based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### ELECTRICITY CERTIFICATES

In 2003, a system of electricity certificates was introduced in Sweden in order to promote the use of renewable energy sources for electricity generation. Plants involved in the system receive electricity certificates at no cost from Svenska Kraftnät (Swedish National Grid) in proportion to the certificate-entitled electricity generated. Received electricity certificates are recognised at zero cost. Stock-on-hand of allocated electricity certificates is recognised at zero value. No allocated electricity certificates have been sold on contract for future deliveries. At the balance-sheet date, inventories of allocated electricity certificates not deemed necessary to cover the Group's quota obligation had a market value of SEK 0 million (2020: 0, 2019: 2, 2018: 93)

### EMISSION PERMITS

Södra participates in the European emissions trading system, which aims to reduce emissions of the greenhouse gas carbon dioxide. The affected plants are allocated permits free of charge by the Swedish Environmental Protection Agency. Allocated permits are recognised at zero cost. Purchased permits are recognised as inventories under current assets at cost, less cumulative impairment losses, where applicable.

As long as own holding of permits covers own emission commitments, no provision in value is made for emissions liability. If emission commitments exceed own holdings of permits, a liability provision is made corresponding to the requisite number of permits measured at market value. The value of permits not deemed necessary to cover actual emissions is recognised at zero and, at the balance-sheet date, had a market value of SEK 204 million (2020: 12, 2019: 39, 2018: 175). No permits were sold on contract for future deliveries.

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	997	599	597	580
Goods under production	224	188	211	188
Finished goods and goods for resale	2,645	2,673	2,240	1,688
Less assets held for sale	—	-96	—	—
<b>Total</b>	<b>3,866</b>	<b>3,364</b>	<b>3,048</b>	<b>2,456</b>



## Note 21 | Current operating receivables

Under IFRS 9, the entity's overall business model and characteristics of an asset impact the classification and measurement of financial assets in the form of debt instruments, including trade receivables, loan receivables and investments in bonds. IFRS 9 also requires that a provision for expected credit losses be recognised for receivables and other types of debt instruments. In order to recognise both the expected and actual credit losses, Södra made an impairment assessment of trade receivables and other receivables, which did not result in any material transition effect compared with the previous method of recognition and measurement.

Trade receivables are recognised less estimated expected and actual credit losses. They are measured in the amounts expected to be received. Trade receivables in foreign currency are measured at the closing rate. The value of uncertain receivables is based on individual estimates.

### Customer credit risk

The risk of customers not fulfilling their obligations, in other words payment not being received, represents a customer credit risk. Customer credit is checked using information on their financial position from various credit-rating agencies. The basic principle is that security is required for customers with a bad credit score or weak credit history. To the extent that sufficient security is not obtained, an individual assessment is carried out in accordance with the financial policy to determine whether delivery with the associated credit risk should go ahead. Södra estimates expected credit losses by grouping trade receivables on the basis of shared credit risk and the calculation of historical loss rate.

	Group		Parent Company	
	2021	2020	2021	2020
Current receivables from Group companies	—	—	371	151
Trade receivables	3,399	2,342	2,889	1,934
Derivatives	2	27	—	—
Customer contracts	—	—	—	—
Accrued revenue	15	18	14	15
Other receivables	915	789	736	741
Prepaid expenses and accrued income	108	77	79	77
Less assets held for sale	—	-37	—	—
<b>Total</b>	<b>4,439</b>	<b>3,216</b>	<b>4,089</b>	<b>2,918</b>

Prepaid expenses and accrued income for the Parent Company include prepaid rental charges of SEK 7 million (7), prepaid insurance premiums of SEK 11 million (8), accrued interest income of SEK 1 million (1), accrued income of SEK 10 million (13) and other prepaid expenses of SEK 50 million (48).

### CUSTOMER CREDIT RISK

Trade receivables	Group		Parent Company	
	2021	2020	2021	2020
Trade receivables gross	3,560	2,505	3,047	2,095
Provision for expected credit losses	-161	-163	-158	-161
<b>Total</b>	<b>3,399</b>	<b>2,342</b>	<b>2,889</b>	<b>1,934</b>

Analysis of the credit risk exposure in trade receivables	Group		Parent Company	
	2021	2020	2021	2020
Trade receivables that are neither overdue nor impaired	2,956	1,840	2,559	1,703
Trade receivables that are overdue				
<30 days	448	363	334	228
30-90 days	3	130	1	2
90-180 days	1	4	1	2
>180 days	152	168	152	160
<b>Total exposure to credit risk</b>	<b>3,560</b>	<b>2,505</b>	<b>3,047</b>	<b>2,095</b>
Provision for expected credit losses	-161	-163	-158	-161
<b>Trade receivables</b>	<b>3,399</b>	<b>2,342</b>	<b>2,889</b>	<b>1,934</b>

Provision for uncertain receivables	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	-163	-193	-161	-175
Actual credit losses	14	3	14	3
Provision for expected credit losses	-15	-4	-11	-2
Reversal of unutilised amount	3	31	0	13
<b>Carrying amount at the end of the year</b>	<b>-161</b>	<b>-163</b>	<b>-158</b>	<b>-161</b>

## Note 22 | Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and similar institutions, and other short-term liquid investments with original maturity of three months or less from the date of acquisition which are exposed to only an immaterial risk of value fluctuations.

	Group		Parent Company	
	2021	2020	2021	2020
Cash and bank balances	3,400	2,010	3,271	1,869
Current investments, equivalent to cash	274	290	275	290
<b>Cash and cash equivalents according to statement of cash flows</b>	<b>3,674</b>	<b>2,300</b>	<b>3,546</b>	<b>2,159</b>

## Note 23 | Equity

Södra's Articles of Association states that an AGM resolution is to precede the disbursement of contributed capital. Södra thereby classifies contributed capital as equity.

Wood purchases from members are based on market-value pricing. Dividends based on wood deliveries are classified as dividends and recognised in equity.

	Group		Parent Company	
	2021	2020	2021	2020
Paid-up contributed capital	1,937	1,786	1,937	1,786
Issued contributed capital	3,166	3,105	3,166	3,105
Other equity <sup>1)</sup>	15,985	11,868	8,226	5,150
<b>Total</b>	<b>21,088</b>	<b>16,759</b>	<b>13,329</b>	<b>10,041</b>

<sup>1)</sup> Remeasurement of biological assets, refer to Note 11 and Note 15.

Board policy provides that the Group's financial objective is to have a strong financial position that contributes to retaining the confidence of members, creditors and the market and creating a foundation for ongoing development of the business, while also generating satisfactory long-term profit. Due to the cyclical risks that the Group's business areas are exposed to, the target for the minimum equity ratio for the Group

has been set at 55 percent. The profitability target is a return on capital employed of not less than 10 percent over a business cycle.

According to Södra's dividend policy, the total profit distribution, dividends in the form of interest on contributed capital and wood deliveries during the year plus bonus issues, should total at least 50 percent of profit before tax over a business cycle. Dividends are to reward the year's wood deliveries and the risk capital – in the form of capital contributed by the members. The long-term objective is to achieve a balance between the return on wood deliveries and contributed capital.

Södra has a credit agreement in the form of a club agreement, enabling the company to borrow up to SEK 2,000 million over a period of just over three years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to three year maturities. The loan agreements have two covenants – Södra's equity ratio, and the debt/equity ratio – whereby the lenders are entitled to renegotiate the loan agreement should Södra's equity ratio fall below 40 percent, or the debt/equity ratio exceed 0.7 times.

### CONTRIBUTION REPAYMENTS

In 2022, contribution repayments to members who had left the association by 31 December 2021 will amount to SEK 100 million (47).

## Note 24 | Financial risk management

Due to the international and capital-intensive nature of its operations, Södra is constantly exposed to financial risks, such as market risk, credit risk and liquidity and financing risk. There are correlations between certain risk variables. According to the hedging strategy, focus shall be on hedging net exposures. The Group's financial policy for handling financial risks, as adopted by the Board, provides a framework of guidelines and rules in the form of risk mandates and limits for financial activities. Hedging measures are approved when the situation for such a measure is judged to be financially beneficial. Consideration is also made for current access to commercially acceptable hedging terms.

Södra's financial risk management is centralised to the Treasury function in the Parent Company. This enables economies of scale and synergy effects to be utilised and helps minimise handling risks. The overall objective is to provide cost-effective financing and liquidity administration, while minimising the negative effects on consolidated profit arising from market risks. The financial risks are continuously measured and compliance with the financial policy is monitored. The key aspects of financial risk management within the Group are described below.

### MARKET RISK

Market risk entails the risk that the fair value of, or future cash flow from, a financial instrument will change due to fluctuating market prices. The risk comprises foreign exchange risk, interest risk and other price risks. The market risks that primarily affect the Group are foreign exchange risk and raw material price risk.

### Foreign exchange risk

Södra is exposed to different types of foreign exchange risk. The primary exposure arises from the Group's sales and purchases in foreign currencies.

These foreign exchange risks consist partly of the risk of fluctuations in the value of financial instruments and trade receivables and payables, and partly of foreign exchange risk in anticipated or contracted payment flows (transaction exposure).

There is also risk in translation of the assets and liabilities of foreign subsidiaries to the presentation currency of the Group (translation exposure). The Group is also exposed to foreign exchange risk attributable to investments in foreign currency (financial exposure).

Consolidated income includes exchange-rate differences of SEK 136 million (–158) in operating profit, and net financial items of SEK 44 million (–55).

### Transaction exposure

A substantial part of revenue is related to customers outside Sweden and most of the company's products are invoiced in local currency or USD. Input goods are largely imported in foreign currency. These factors mean that changing foreign exchange rates have a major impact on Södra. To manage Södra's net transaction exposure, forecast currency flow can be hedged using currency derivatives. As in the prior year, none of these exposures were hedged at year-end.

Currency exposure is hedged in accordance with the financial policy. Temporarily attractive levels or specific factors can make it desirable to deviate from the hedging norms. The hedging interval determines the risk mandate that Södra Treasury has to follow for deviations from hedging norms. The currency hedging component of pulp hedges is included in the overall currency risk mandate. Under the policy, standardised forward contracts, currency swaps and acquired foreign exchange options may be used for hedging purposes. Hedge accounting is used when the demands for this are met.

&gt; Note 24, cont.

## TRANSACTION EXPOSURES AT 31 DEC 2021 (PER MAJOR CURRENCY)

Currency	2022				2023			
	Forecast net influx	Hedges	%	Average rate	Forecast net influx	Hedges	%	Average rate
USD <sup>1)</sup>	895	—	—	—	900	—	—	—
EUR	285	—	—	—	290	—	—	—
GBP	135	—	—	—	140	—	—	—
<b>Total</b>			—				—	
According to the accepted hedging interval in Södra's financial policy				0–70	0–50			

<sup>1)</sup> The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2022–2023.

## TRANSACTION EXPOSURES AT 31 DEC 2020 (PER MAJOR CURRENCY)

Currency	2021				2022			
	Forecast net influx	Hedges	%	Average rate	Forecast net influx	Hedges	%	Average rate
USD <sup>1)</sup>	790	—	—	—	800	—	—	—
EUR	225	—	—	—	240	—	—	—
GBP	110	—	—	—	115	—	—	—
<b>Total</b>			—				—	
According to the accepted hedging interval in Södra's financial policy				0–70	0–50			

<sup>1)</sup> The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2021–2022.

## TRANSLATION EXPOSURE

Translation exposure refers to the net value in foreign subsidiaries. The basic principle is to not currency hedge this exposure. The most significant translation exposures pertain to equity and excess returns in the following local currencies: EUR 554 million (524), NOK 58 million (41), GBP 21 million (23) and DKK 35 million (16). Currency swaps equivalent to EUR 58 million (168) were signed to hedge some of the Group's translation exposure in EUR. The currency swaps are contracted using the SEK 600 million-loan from the Nordic Investment Bank as the interest rate benchmark. The aim of the hedges is to reduce the effects of a changed EUR/SEK exchange rate, where a stronger SEK would have a negative impact on consolidated equity, which is offset by contracted currency swaps. These effects are recognised in other comprehensive income until the asset and the currency swap are settled. The strategy for this currency hedging is to reduce the risk of material translation effects. The time-to-maturity of the currency swap is 2026 for the loan with Nordic Investment Bank, and repayment commenced in 2019.

## NET INVESTMENT IN FOREIGN OPERATIONS

	2021	2020
Currency swap and bank loan EUR	–58	–168
Hedged net investment in foreign operations (EUR)	431	430
Hedge ratio	1:7	1:3
Changes in the value of currency swap	–40	71
Changes in value of the hedged item to determine effectiveness	108	–112
Weighted average of forward rates, EUR/SEK	10.33	10.30
Closing rate, EUR/SEK	10.25	10.03

## Interest risk

Interest risk represents the negative changes in market value that can arise with interest fluctuations in the yield curve (market rates for different terms). According to the financial policy, the objective is to keep the interest-rate term of the financial liabilities to within 0–18 months. At 31 December 2021, the fixed-rate term of the financial liability was 4 months (4). The fixed-rate term is an average where the frequency of interest-rate reset matches the interest rate of the financial liability. The interest rate for member deposits is reset periodically following a decision by the President based on the Riksbank's key interest rate. For other loans, the interest rate is adjusted with the change in STIBOR for each contracted fixed-rate period, except when fixed rates have been contracted.

Trading with fixed-rate instruments is permitted under the financial policy. At 31 December 2021, no specific interest rate hedges had been entered into. A general increase of 100 basis points (1 percentage point)

in market rates on net debt would have an adverse impact of SEK 7 million (37) on consolidated income.

The financial policy specifies how interest risk is to be limited on the Group's interest-bearing investments by allocating investments over different fixed-rate periods. The basic idea is that the maturity structure of subscribed fixed income instruments is to counter forecast cash flow fluctuations. At 31 December 2021, the fixed-rate term for interest-bearing investments was 4 months (3).

## Price risk

Price risk pertains to the change in price of products or input goods and the subsequent effect on profit.

## Pulp price risk

Pulp price risk is the risk of the average price received for pulp being less than the expected price. To reduce pulp price risk, Södra Treasury can trade in quoted pulp forward contracts, forward contracts or swap contracts on the OTC market. Södra hedges pulp price risk in two ways: hedging of cash flow risk from the future sale of Södra's pulp, and hedging of fair value risk in fixed price customer contracts.

Cash flow risk from the future sale of own production of pulp arises through cyclical variations in pulp price, expressed in foreign currency, which, in conjunction with variations in exchange rates, can mean the pulp price that Södra receives measured in SEK is less than the pulp price expected by the Group in the long term. The main strategy is to be restrictive with this kind of hedge and no hedges were in place at year-end.

Fair value risk arises when Södra, through the value-added service PulpServices Hedging, utilises its financial competence in the field of pulp price risk, and offers pulp supplies to buyers at a fixed price. To ensure the fixed prices contracted with customers will not deviate negatively from the prevailing market prices at the time of delivery, the fixed price contract is swapped to a variable price. Fixed price contracts may be signed for not more than 50 percent of the total delivery volume to individual customers. The contract period may not exceed 24 months. Business cycles, market price level, demand for fixed price contracts and the potential to sign swap contracts on acceptable terms are factors that, over time, affect current hedging levels.

## PULP PRICE DERIVATIVES

31 Dec 2021	2022		2023	
Fair value hedges, ktonnes	10	1%	—	—
31 Dec 2020	2021		2022	
Fair value hedges, ktonnes	1	0%	—	—

> Note 24, cont.

### Electricity price risk

Södra has business areas with both excess and deficit electricity. Södra Wood is at risk of sharp price hikes for purchased electricity, leading to lower margins and a weaker competitive position. For Södra Cell, a net seller of electricity, adequately high prices for electricity are required to ensure a desirable return.

To best hedge the different needs of the business areas while optimising the Group's net position for electricity utilisation, Södra Treasury has a consumption portfolio and a production portfolio. The total net price position is hedged between the two portfolios using financial electricity contracts to avoid major profit effects of electricity price changes. The permitted hedging instruments consist of standard contracts on Nasdaq. Södra's forecast net position on electricity can be hedged for a period of five years with an annually declining maximum percentage level. For the first two years, up to 100 percent of net position may be hedged. For years 3–5, up to 80, 50 and 20 percent of net position, respectively, may be hedged.

There is no electricity price hedging for 2021 and onwards.

### Oil price risk

Most purchases are related to the spot market for each oil-related product. Since these markets are volatile, there is a risk of undesirable earnings fluctuations. Buying and selling oil-related products in financial markets enables Södra to limit this risk. The permitted hedging instruments consist of forward contracts and options.

Oil-related products that may be hedged are diesel, fuel oil and Brent crude. Hedging may be done for an 18-month period with the following purchasing volumes for each six-month period: 0–6 months: 0–75 percent, 7–12 months: 0–50 percent and 13–18 months: 0–25 percent. Because of Södra's total energy exposure, consolidated profit is positively correlated with energy prices.

There is no oil price hedging for 2021 and onwards.

### Share price risk

Under certain conditions, Södra has opportunities for positive exposure to shares or share-related products. Södra is exposed to price risk through its holding of shares, share index certificates, share index bonds and share funds (refer to Note 17 Financial investments).

## CREDIT RISK

### Financial credit risk

Södra's financial transactions create exposure to credit risk relative to financial counterparties. The financial policy specifies that transactions may only be undertaken with parties that have good credit ratings, defined as category BBB-/K1 or better under Standard & Poor's system, or the equivalent with other established credit rating agencies. Limits are set for each counterparty and revised regularly. To further limit counterparty risk, ISDA contracts (netting contracts) have been taken out with several banks.

At 31 December 2021, the Södra Group's counterparty exposure totalled SEK 5,322 million (3,187). At 31 December, all counterparties were within the parameters set in Södra's financial policy with regard to limits, durations and rating requirements.

### Credit risk in trade receivables

The risk of customers not fulfilling their obligations, in other words payment not being received, represents a customer credit risk. Customer credit is checked using information on their financial position from various credit-rating agencies. The basic principle is that security is required for customers with a bad credit score or weak credit history. To the extent that sufficient security is not obtained, an individual assessment is carried out in accordance with the financial policy to determine whether delivery with the associated credit risk should go ahead. Södra

estimates expected credit losses by grouping trade receivables on the basis of shared credit risk and the calculation of historical loss rate. Customer credit risk is described in more detail in Note 18 Non-current operating receivables and Note 21 Current operating receivables.

### Maximum credit risk

Södra's financial assets with credit risk exposure are grouped as follows:

FINANCIAL ASSETS BY CATEGORY	2021	2020
Trade receivables that are not overdue	2,956	1,840
Trade receivables that are overdue	604	665
<b>Trade receivables gross</b>	<b>3,560</b>	<b>2,505</b>
Current investments	1,648	887
Cash and cash equivalents	3,674	2,300
<b>Total financial investments</b>	<b>5,322</b>	<b>3,187</b>
Derivative instruments with positive values	6	45
Customer contracts	1	—
Accrued revenue	15	18
Other operating receivables	915	789
<b>Total other receivables</b>	<b>937</b>	<b>852</b>
<b>Maximum credit risk exposure</b>	<b>6,259</b>	<b>6,544</b>

Refer to Note 21 Current operating receivables and information about a loan loss provision of SEK –161 million (–163) for trade receivables.

## LIQUIDITY AND FINANCING RISK

Liquidity and financing risk is the risk of the Group having problems fulfilling its obligations associated with financial liabilities. Corporate financial planning, which comprises all Group entities, is used to identify and counter liquidity risks and minimise corporate financing costs. The objective is for the Group to be able to meet its financial commitments in positive and negative business cycles without substantial unforeseen costs. Group policy is to minimise its borrowing requirement by using surplus liquidity in the Group in cash pools. Liquidity risks are managed on a central basis by Södra Treasury for the Group as a whole.

Liquid assets are mainly invested in current interest-bearing securities. Investments can also be made in highly liquid assets that are negotiable within three days.

To cover future financing requirements, Södra aims to have account credits, loan limits or other binding loan agreements that guarantee access to liquidity in the coming two-year period.

A substantial part of loan financing consists of loans from members through member accounts and payment plans. Södra has a credit agreement in the form of a club agreement, enabling the company to borrow up to SEK 2,000 million over a period of just over three years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to three year maturities. The loan agreements have two covenants – Södra's equity ratio, and the debt/equity ratio – whereby the lenders are entitled to renegotiate the loan agreement should Södra's equity ratio fall below 40 percent, or the debt/equity ratio exceed 0.7 times.

The covenants also apply to the loan of SEK 600 million from the Nordic Investment Bank. Interest rates are based on three and six-month STIBOR rates, respectively, plus a fixed surcharge. The liquidity reserve, which consists of loan agreements and the company's cash and cash equivalents, is to represent at least 15 percent of forecast rolling 12-month revenue. On the balance-sheet date, the liquidity reserve totalled SEK 9,322 million (6,687), corresponding to 34 percent (33) of consolidated annual sales. The loan agreement was unutilised in its entirety at the balance-sheet date.

&gt; Note 24, cont.

**MATURITY STRUCTURE CURRENT INVESTMENTS**

MATURITY STRUCTURE CURRENT INVESTMENTS		Maturity						Total	
		Within 1 year		1–5 years		More than 5 years			
Financial investments	2021	2020	2021	2020	2021	2020	2021	2020	
Quoted shares	108	137	—	—	—	—	108	137	
Certificates	1,540	750	—	—	—	—	1,540	750	
Total	1,648	887	—	—	—	—	1,648	887	

Interest-bearing investments amounted to SEK 1,540 million (750), of which 100 percent (100) had a duration of up to one year, 0 percent (0) from one to five years, and 0 percent (0) of more than five years. Quoted shares have no fixed maturity date. Historical statistics indicate that they are current over a business cycle.

**MATURITY STRUCTURE FINANCIAL LIABILITIES – UNDISCOUNTED CASH FLOWS**

MATURITY STRUCTURE FINANCIAL LIABILITIES – UNDISCOUNTED CASH FLOWS			Maturity							
			Within 1 year		1–5 years		More than 5 years		Total	
Financial liabilities	Interest rate	Currency	2021	2020	2021	2020	2021	2020	2021	2020
Borrowings		SEK	—	1,007	486	605	—	36	486	1,815
Loans from members		Currency								
Liquidity accounts	0.0% (0.0)	SEK	16	13	—	—	—	—	16	13
Payment plans	1.0% (1.0)	SEK	668	548	564	443	116	97	1,348	1,091
Member accounts <sup>1)</sup>	0.9% (0.9)	SEK	3,712	3,527	—	—	—	—	3,712	3,526
Fixed-rate account	1.0–1.4% (1.0–1.65)	SEK	18	23	25	29	—	—	43	52
Trade creditors			2,347	2,361	—	—	—	—	2,347	2,361
Negative derivatives			1	—	—	—	—	—	1	—
Lease liabilities			78	97	130	198	—	63	208	358
Other liabilities			135	28	102	102	—	—	237	130
Total			6,975	7,743	1,307	1,376	116	196	8,398	9,315

<sup>1)</sup> Fall due on request. Historical statistics indicate that they are non-current over a business cycle.

**SENSITIVITY ANALYSIS**

Södra is subject to major earnings fluctuations. Several of the Group's businesses are highly cyclical, and currency-dependent. However, it is primarily the upswings and downswings in the pulp market that give rise to earnings fluctuations at Group level.

Södra Skog's earnings are particularly sensitive to changing price margins in the wood trade and acquired volumes. Sawmill earnings are mainly affected by changes in the sawn timber price, sawlog cost and woodchip price. For Södra Cell, changes in pulp prices, currency, volume and fibre costs have the greatest impact. The table shows the effect on earnings had the values been higher or lower than the actual outcome. (Pertains to 12-month profit based on average conditions during the financial year.)

When calculating the earnings effect, the effects of the specified changes on hedging instruments for currencies and pulp prices have been taken into account. The effects that would have been realised during the year, and the unrealised effects that would have arisen by year-end, are taken into account in the specified earnings effect.

The table shows individual sensitivity for each variable. In reality, the change in one variable often affects other variables, but with a certain time delay. For example, a strengthening or weakening of a currency could affect the market price. There is no simple rule of thumb for calculating a "net income effect" since the relationships are complicated, and vary depending on market conditions and other factors.

Variable	Change	Effect on 12-month profit, SEK million
USD/SEK	± SEK 0.50	660
Pulp price	± SEK 300/tonnes	540
Fibre cost for the pulp mills	± SEK 25/m <sup>3</sup> sub	220
Pulp production	± 50,000 tonnes	180
Sawn timber price	± SEK 50/m <sup>3</sup>	96
Sawlog cost for sawmills	± SEK 25/m <sup>3</sup> sub	97
Sawn timber production	± 50,000 m <sup>3</sup>	102
Oil price	± USD 10/barrel	55
Total salary cost	± 3%	80

**PROFIT EFFECT OF CHANGE IN CLOSING RATE**

Variable	Change	Profit effect, SEK million
Trade receivables	USD ± SEK 0.5	89
	EUR ± SEK 0.50	43
	GBP ± SEK 0.5	2
Trade creditors	USD ± SEK 0.5	1
	EUR ± SEK 0.50	11
	GBP ± SEK 0.5	0

The effect on equity corresponds to the effect on profit.



## Note 25 | Interest-bearing financial liabilities

Non-derivative financial instruments are initially measured at cost corresponding to the fair value of the instrument, plus transaction costs.

A financial liability, or part thereof, is derecognised from the consolidated statement of financial position when the obligation in the contract is fulfilled or otherwise extinguished.

A financial asset and financial liability are offset and the net amount presented in the consolidated statement of financial position only when there is a legally enforceable right to set off the amount, combined with an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Group	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years			
	2021	2020	2021	2020	2021	2020	2021	2020
Bond loans	—	1,000	—	—	—	—	—	1,000
Liabilities to credit institutions	133	133	467	532	—	67	600	732
Loans from members <sup>1)</sup>	4,405	4,076	572	458	108	91	5,085	4,625
Other liabilities	0	26	100	100	—	—	100	126
Total	4,539	5,235	1,138	1,090	108	158	5,785	6,483

Parent Company	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years			
	2021	2020	2021	2020	2021	2020	2021	2020
Bond loans	—	1,000	—	—	—	—	—	1,000
Liabilities to credit institutions	133	133	467	532	—	67	600	732
Loans from members <sup>1)</sup>	4,405	4,076	572	458	108	91	5,085	4,625
Other liabilities	0	0	100	100	—	—	100	100
Total	4,539	5,209	1,138	1,090	108	158	5,785	6,457

<sup>1)</sup> Historical statistics indicate that they are non-current over a business cycle.

	Group		Parent Company	
	2021	2020	2021	2020
At the beginning of the year	6,483	6,097	6,457	6,055
Member deposits	7,745	7,271	7,745	7,271
Repayment of loans	–1,158	–152	–1,133	–136
Member deposits paid	–7,285	–6,733	–7,285	–6,733
<b>Carrying amount at the end of the period</b>	<b>5,785</b>	<b>6,483</b>	<b>5,785</b>	<b>6,457</b>

## Note 26 | Interest-bearing operating liabilities

For lease accounting principles, refer to Note 15 Property, plant and equipment.

Group	Within 1 year		1–5 years		More than 5 years		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Leases	77	96	128	198	—	61	205	355
Less assets held for sale	—	–20	—	–59	—	–61	—	–140
<b>Total</b>	<b>77</b>	<b>76</b>	<b>128</b>	<b>139</b>	<b>—</b>	<b>—</b>	<b>205</b>	<b>215</b>

<b>Lease liabilities recognised at 1 January 2021</b>	<b>215</b>
New loans	85
Repayment of loans	–97
Translation differences	2
Less assets held for sale	—
<b>Carrying amount at the end of the period</b>	<b>205</b>

## Note 27 | Pensions

Within the Group, there are a number of defined-contribution plans as well as defined-benefit pension plans.

### Defined-contribution pension plans

Defined-contribution pension plans are classified as pension plans under which the company's obligation is limited to the contributions the company has committed to pay. Under such plans, the size of an employee pension is based on the contributions the company pays to the plan or an insurance company and the capital yield generated by the contributions. Consequently, it is the employee who bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the investment assets will be inadequate to provide the expected benefits). The company's obligation to make payments to the defined-contribution plans is recognised as an expense in net profit or loss at the rate they are earned through services provided by the employees over a period. Pension obligations secured through endowment policies are recognised net in the Group.

### Defined-benefit pension plans

The Group's net obligation in terms of defined-benefit pension plans is calculated separately for each plan by estimating the future benefit that employees have earned in current and previous periods. This benefit is discounted to a present value. The discount rate is the interest on the balance-sheet date on a mortgage bond with a duration equivalent to the Group's pension obligations. The calculation is made by a qualified actuary using the Projected Unit Credit Method. The fair value of any plan assets is also calculated at the report date.

Actuarial gains and losses are recognised as revenue or expense in other comprehensive income.

In the consolidated statement of financial position, the carrying amount for pensions and similar obligations represents the present value of the obligation at the end of the financial year, less the fair value of plan assets.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised costs for service in earlier periods and the present value of future repayments from the plan or reduced future payments to the plan. When benefits in a plan are improved, the share of the increase in benefit attributable to past service is recognised as an expense in the consolidated statement of comprehensive income and allocated straight-line over the average period until the benefit is fully earned. If the benefit is fully earned, the total expense is recognised directly in net profit or loss.

When there is a difference between how pension costs are determined in a legal entity and Group, a provision or asset for special employer's contribution is recognised based on this difference. The provision or asset is not calculated at present value.

The net of the interest on pension liabilities and expected return on the associated plan assets is recognised in net financial items. Other components are recognised in operating profit or loss.

The value of pension obligations for defined-benefit pension plans is based on actuarial calculations based on assumptions of discount interest, future salary increases, inflation and demographic circumstances. These assumptions are normally updated on an annual basis. Changes in these assumptions affect the amount of the recognised pension liability and recognised equity in the Group. For more information, refer to Note 35 Pensions.

Most salaried employees in Sweden and almost all employees in Germany are covered by defined-benefit pension plans. Most other employees are covered by defined-contribution pension plans. The pension plans mainly cover retirement pension and, for some categories, disability and family pension.

### DEFINED-BENEFIT PENSION PLANS

Benefit-based pension obligations are primarily secured through a pension foundation with assets separate from Södra, but also through provisions in the consolidated statement of financial position. The Södra Pension Foundation of 2003 secures most of the Parent Company's and other Group obligations in Sweden. The plan assets include debentures issued by Södra with a nominal value of SEK 100 million (subordinated debentures 100).

The Board of the Pension Foundation is responsible for management of the Foundation's plan assets. The Foundation's required return is 3.8 percent in real terms and this should match the liability trend of the pension obligations. Södra's defined-benefit pension obligations and plan assets in the Pension Foundation are regulated by the Swedish Act on Safeguarding of Pension Commitments.

Pension obligations in Sweden are also credit-insured in the Swedish pension guarantee mutual insurance company, PRI Pensionsgaranti.

Defined-benefit plans expose Södra to various types of risk, attributable to increased lifetime expectancy, inflation and salary increases. The plan assets are impacted by changes in value, particularly in the stock market. Low interest rates reduce the expected future returns from interest-bearing investments.

The ITP 2 plan, which constitutes the vast majority of reported defined-benefit plans, is a defined-benefit pension plan in which the benefit is based on the employee's final salary. ITP 2 is the pension plan used for employees born in 1978 or earlier. The retirement pension is 10 percent of salaries below 7.5 income base amounts, 65 percent between 7.5 and 20 income base amounts and 32.5 percent between 20 and 30 income base amounts.

### DEFINED-CONTRIBUTION PENSION PLANS

Pension obligations for defined-contribution plans are paid as insurance premiums. The size of the premium is based on the salary.

The total cost of Södra pension obligations is presented below.

#### PENSION COST

Group	2021	2020
Defined-benefit plans		
Pension costs accrued during the year	43	39
Net interest	5	7
Settlements	—	—
<b>Cost of defined-benefit plans in profit for the year</b>	<b>48</b>	<b>46</b>
Cost of defined-contribution plans	179	151
Special employer's contribution recognised in legal entity	49	48
<b>Pension cost in profit for the year</b>	<b>277</b>	<b>245</b>
Remeasurement recognised in other comprehensive income	-212	-2
<b>Pension cost in comprehensive income for the year</b>	<b>65</b>	<b>243</b>
Costs in the following line items are included in profit for the year:		
Employee expenses	272	238
Net financial items	5	7
<b>Cost recognised in profit for the year</b>	<b>277</b>	<b>245</b>
Other comprehensive income	-212	-2
<b>Pension cost recognised in comprehensive income for the year</b>	<b>65</b>	<b>243</b>

#### RETURN ON PLAN ASSETS

Group	2021	2020
Actual return on plan assets	200	68
Interest income on plan assets	-15	-19
<b>Actuarial result for plan assets during the period</b>	<b>185</b>	<b>49</b>

&gt; Note 27, cont.

**OBLIGATIONS AND PLAN ASSETS FOR THE DEFINED-BENEFIT PLANS**

Group	2021	2020
Defined-benefit plans and value of plan assets		
Fully or partially funded obligations		
Present value of defined-benefit obligations	1,758	1,777
Fair value of plan assets	-1,542	-1,342
<b>Fully or partially funded obligations, net</b>	<b>216</b>	<b>435</b>
Present value of unfunded defined-benefit obligations	27	28
<b>Net obligations before adjustments</b>	<b>243</b>	<b>463</b>
Net amount is recognised in consolidated statement of financial position under the heading:		
Provisions for pensions	243	463
<b>Net amount in consolidated statement of financial position (obligation +, asset -)</b>	<b>243</b>	<b>463</b>
Net amount is allocated between plans in the following countries:		
Sweden	216	435
Germany	27	28
<b>Net amount in consolidated statement of financial position</b>	<b>243</b>	<b>463</b>

**NET AMOUNT IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	2021	2020
Net liability in consolidated statement of financial position at the beginning of the period	463	477
<b>Cost of defined-benefit plans</b>		
Net cost recognised in profit for the year	48	46
Payment of benefits	-56	-58
Actuarial gains and losses recognised in other comprehensive income	-212	-2
Curtailments and settlements	—	—
Exchange-rate difference	0	0
<b>Net liability in consolidated statement of financial position at the end of the period</b>	<b>243</b>	<b>463</b>

**PRESENT VALUE OF DEFINED-BENEFIT OBLIGATIONS**

Group	2021	2020
At the beginning of the year	1,804	1,750
Service expenses	43	39
Payment of benefits	-56	-58
Interest expense	20	26
Actuarial gains and losses <sup>1)</sup>	-27	47
Exchange rate differences	1	0
<b>Carrying amount at the end of the period</b>	<b>1,785</b>	<b>1,804</b>

<sup>1)</sup> Of which change in demographic assumptions accounted for SEK 0 million (-21), financial SEK -30 million (83), experience-based SEK 45 million (-14) and special employer's contribution SEK -42 million (-1).

**FAIR VALUE OF PLAN ASSETS**

Group	2021	2020
At the beginning of the year	1,342	1,273
Expected return on plan assets	15	19
Difference between expected and actual return	185	49
<b>Carrying amount at the end of the period</b>	<b>1,542</b>	<b>1,342</b>

**FAIR VALUE OF PLAN ASSETS**

Group	2021	2020
Equity instruments	763	656
Hedge funds and bonds	179	225
Other interest-bearing securities <sup>1)</sup>	270	300
Properties	19	7
Cash and cash equivalents	311	153
<b>Carrying amount at the end of the period</b>	<b>1,542</b>	<b>1,341</b>

<sup>1)</sup> Debentures of SEK 100 million (100) issued by Södra Skogsägarna ekonomisk förening.

Equity instruments plus hedge funds and bonds comprise the asset classes with prices quoted primarily in active markets.

The tables below comprises the Swedish liability, which accounts for 98 percent of the recognised pension liability.

**ACTUARIAL ASSUMPTIONS**

The following significant actuarial assumptions have been applied in calculations (weighted average values).

Group	2021	2020
Discount rate	1.85%	1.10%
Inflation	2.20%	1.50%
Employee turnover	3.5%	3.5%

Assumptions of life expectancy are based on official statistics and experience from mortality surveys in each country, and are set in consultation with actuarial expertise.

DUS14 is applied for the Swedish pension plans.

**SENSITIVITY ANALYSIS OF THE PENSION OBLIGATION**

Assumption	Change	Change in liabilities SEK million
Discount rate	±0.5%	-179/+205
Inflation	±0.5%	+151/-137
Life expectancy	±1 year	+93/-92

The sensitivity analysis is performed by changing one actuarial assumption, while other assumptions remain unchanged. This is a simplified method, since the other actuarial assumptions are usually correlated. The method shows the sensitivity of the pension obligation to the change of a single assumption. The duration is 19 years (18). The expected pension payments in the forthcoming year amount to SEK 55 million (54).

**PENSION LIABILITIES PER CATEGORY OF PERSON**

	2021		2020	
	Women	Men	Women	Men
Active	160	402	160	397
Disability pensioners	—	—	8	5
Leavers	337	617	315	616
Retirees	320	1,067	311	1,096
<b>Total</b>	<b>817</b>	<b>2,086</b>	<b>794</b>	<b>2,114</b>
<b>Total commitments comprised by the obligation</b>	<b>2,903</b>		<b>2,908</b>	

**PENSION EXPENSES**

Parent Company	2021	2020
Pension system run by Södra		
Cost for pensions accrued	0	0
Payment of benefits	54	56
Operating costs and credit insurance	2	2
Cost for pensions run by Södra excluding tax	56	58
Pensions through insurance		
Insurance premiums or equivalent	166	131
Special employer's contribution	49	45
<b>Recognised net cost pertaining to pensions</b>	<b>271</b>	<b>234</b>

**PROVISIONS FOR PENSIONS**

Parent Company	2021	2020
Net present value of pension obligations*	984	964
Less plan assets in Pension Foundation	-974	-962
<b>Total</b>	<b>10</b>	<b>2</b>
Pension obligations secured through endowment insurance recognised under financial assets	-10	-2
<b>Net</b>	<b>—</b>	<b>—</b>
* Of which PRI pensions ITP 2	842	823
* Credit insured via PRI Pensionsgaranti	974	962

Where plan assets exceed pension liabilities, the excess amount is not recognised. In 2021, the unrecognised surplus in the Pension Foundation amounted to SEK 567 million (380).

&gt; Note 27, cont.

**CHANGES IN NET LIABILITY**

Parent Company	2021	2020
At the beginning of the year	2	40
Cost recognised in profit or loss for pensions run by Södra excluding taxes	54	58
Settlement of endowment policy	8	-38
Pension payments	-54	-56
Carrying amount at the end of the period	10	2

In 2022, anticipated pension payments amounted to SEK 55 million (54).

**FAIR VALUE OF PLAN ASSETS**

Parent Company	2021	2020
Equity instruments	763	656
Hedge funds and bonds	179	225
Other interest-bearing securities <sup>1)</sup>	270	300
Properties	19	7
Cash and cash equivalents	311	153
Value of plan assets	1,542	1,341
Surplus value	-567	-380
Carrying amount at the end of the period	974	962

<sup>1)</sup> Debentures of SEK 100 million (100) issued by Södra Skogsägarna ekonomisk förening.

**ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS**

Parent Company	2021	2020
ITP plan according to PRI grounds		
Discount rate	3.8%	3.8%

**PARENT COMPANY****Defined-benefit plans**

The Parent Company uses another basis for calculating defined-benefit plans than that specified in IAS 19. The Parent Company follows the regulations of the Pension Obligations Vesting Act and the Financial Supervisory Authority as required for tax deductibility. The key differences compared with the rules in IAS 19 relate to how discount interest is determined, that calculation of the obligations of the defined-benefit plan are based on current salary level without regard to future salary increases, and that all actuarial profits and losses are recognised in profit or loss when they arise.

## Note 28 | Provisions

A provision is recognised in the Consolidated statement of financial position when a legal or informal obligation arises as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are made based on the best estimate of the amount required to settle the obligation on the balance-sheet date. When the effect of the timing of the payment is important, provisions are estimated by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money.

**TERMINATION BENEFITS**

An expense for benefits on termination of employees is only recognised if the company is demonstrably committed to a detailed formal plan, without realistic possibility of withdrawal, for terminating employment before the normal date. When benefits are paid as an offer to encourage voluntary redundancy, an expense is recognised if it is probable the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Group 2021	Restructuring reserve	Other provisions	Total
At the beginning of the year	22	100	122
Provisions made during the period	60	347	407
Utilised amount during the year	-82	-66	-148
Carrying amount at the end of the year	—	381	381
of which non-current provisions	—	381	381
of which current provision, refer to Note 30	—	—	—

Group 2020	Restructuring reserve	Other provisions	Total
At the beginning of the year	45	120	165
Provisions made during the period	—	2	2
Utilised amount during the year	-23	-20	-43
Amounts dissolved without utilisation	—	-2	-2
Carrying amount at the end of the year	22	100	122
of which non-current provisions	0	100	100
of which current provision, refer to Note 30	22	—	22

**OTHER PROVISIONS**

Provision has been made for future environmental remediation in amounts deemed reasonable, based on the information available.

Given Södra's extensive business operations, it is unavoidable that

certain disputes arise. Provisions have been made in the financial statements in amounts deemed reasonable.

Provisions for guarantee and warranty commitments have been made in amounts deemed reasonable, based on experience.

&gt; Note 28, cont.

Parent Company 2021	Restructuring reserve	Other provisions	Total
At the beginning of the year	22	100	122
Provisions made during the period	60	346	406
Utilised amount during the year	-82	-66	-148
Carrying amount at the end of the year	—	380	380
of which non-current provisions	—	380	380
of which current provision, refer to Note 30	—	—	—

Parent Company 2020	Restructuring reserve	Other provisions	Total
At the beginning of the year	45	120	165
Provisions made during the period	—	2	2
Utilised amount during the year	-23	-20	-43
Amounts dissolved without utilisation	—	-2	-2
Carrying amount at the end of the year	22	100	122
of which non-current provisions	0	100	100
of which current provision, refer to Note 30	22	—	22

**OTHER PROVISIONS**

Other provisions described above also pertain to the Parent Company.

**Note 29 | Other non-current operating liabilities**

Group	2021	2020
Derivatives	—	—
Non-interest-bearing non-current liabilities	7	7
<b>Total</b>	<b>7</b>	<b>7</b>

**Note 30 | Other current operating liabilities and provisions**

	Group		Parent Company	
	2021	2020	2021	2020
Current liabilities from Group companies	—	—	67	199
Trade creditors	2,347	2,361	2,251	2,198
Derivatives	1	—	—	—
Customer contracts	1	—	—	—
Advances from customers	31	12	31	12
Value-added tax liability	62	47	—	—
Other operating liabilities	154	167	127	125
Provision for restructuring	—	22	—	22
Accrued expenses and prepaid income	983	838	896	559
Less assets held for sale	—	-300	—	—
<b>Total</b>	<b>3,579</b>	<b>3,147</b>	<b>3,372</b>	<b>3,115</b>

**Parent Company notes****Note 31 | Appropriations**

Parent Company	2021	2020
Change in tax allocation reserve		
– releases for the year	13	2
Change in provisions in excess of plan		
– buildings and land	0	—
– machinery and equipment	-390	270
Group contributions received	—	21
Group contributions paid	—	-155
<b>Total</b>	<b>-377</b>	<b>138</b>

Group contributions received and paid are recognised as appropriations.



## Note 32 | Group companies

### SPECIFICATION OF PARENT COMPANY'S HOLDINGS OF SHARES AND PARTICIPATIONS IN GROUP COMPANIES

SPECIFICATION OF PARENT COMPANY'S HOLDINGS OF SHARES AND PARTICIPATIONS IN GROUP COMPANIES	Corp. ID no.	No.	%	Carrying amount	
				2021	2020
Operational					
Södra Cell GmbH	164312351	50	100%	0	0
Sodra International Trading (Shanghai) Co Ltd	0034266114005		100%	0	0
Sodra Latvia SIA	41203019726	106,025,646	100%	3,082	3,082
SIA Fragaria	41203019711	16,784,658	100%		
SIA Myrtillus	41203020212	82,212,308	100%		
SIA Zilupe mezs	40003655631	3,274,785	100%		
SIA Granmark	40103897578	3,000	100%		
Alfredsson Latvia SIA	40003814052	100	100%		
Södra Medlemsel AB	556070-5724	50,000	100%	6	6
Södra Metsad OÜ	10944021	400	100%	231	231
Sodra Mezs SIA	50003871841	310,000	100%	181	181
SIA Ruda	40003383543	2,377,823	100%	250	250
Södra Silva Holding AB	559164-5816	1,000	100%	144	273
Södra Skogsägarna TH Holding AB	556552-6810	5,000	100%	0	0
Södra Mark Holding AB	559098-6377	500	100%		
Södra mark & hus AB	556536-7520	5,000	100%		
Trivselhus UK Ltd	9829008	1	100%		
Södra Tofte AS	914 134 994	100	100%	34	34
Sodra USA Inc	47-5601859	1,000	100%	0	0
Södra Vind AB	556765-5716	1,000	100%	—	25
Södra Wood Ab	2571610-1	100	100%	113	113
Södra Wood A/S	73496314	2	100%	33	33
Södra Wood GmbH	208934		100%	0	—
Sodra Wood Ltd	1789912	1	100%	225	225
Sodra Wood Ireland	635053	1	100%	0	0
Non-operational				9	9
Total				4,308	4,462

During the year, Ture Johanssons Trävaru AB, AB Tenhults Impregneringsverk and Södra Klevshult Fastighets AB were acquired. The companies were merged during the year. Södra Vind AB was merged during the year. Trivselhus AB was divested during the year. Södra Silva Holding received a shareholders' contribution of SEK 46 million during the year and incurred an impairment loss of SEK 175 million.

### SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2021	2020
<b>Cost</b>		
At the beginning of the year	4,462	4,604
Impairment	-175	-355
Acquisitions, incl. shareholders' contributions	249	238
Mergers/Divestments	-228	-25
<b>Carrying amount at the end of the period</b>	<b>4,308</b>	<b>4,462</b>

## Note 33 | Other non-current investments

In the Parent Company, financial assets are measured at cost less any impairment, and current assets according to the lowest value principle. The cost of interest-bearing instruments is adjusted for the accrued difference between the original price paid, less transaction costs, and the amount due on maturity (premium and discount, respectively).

Parent Company	2021	2020
<b>Cost</b>		
At the beginning of the year	73	75
Divestment	—	-2
	73	73
<b>Impairment</b>		
At the beginning of the year	-40	-40
	-40	-40
<b>Carrying amount at the end of the year</b>	<b>33</b>	<b>33</b>

## Note 34 | Receivables from Group companies

### INTEREST-BEARING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2021	2020
<b>Cost</b>		
At the beginning of the year	899	710
Additional items	309	226
Deductible items	-398	-37
<b>Carrying amount at the end of the period</b>	<b>810</b>	<b>899</b>

### OPERATING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2021	2020
<b>Cost</b>		
At the beginning of the year	151	113
Additional items	285	44
Deductible items	-65	-6
<b>Carrying amount at the end of the period</b>	<b>371</b>	<b>151</b>

### TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses in transactions between Group companies are eliminated in their entirety when the consolidated financial statements

are prepared. Unrealised profits in transactions with associates are eliminated to the extent they represent the Group's ownership in the company. Unrealised losses are eliminated in the same way as unrealised gains.

## Note 35 | Untaxed reserves

Parent Company	2021	2020
Accumulated depreciation and amortisation in excess of plan		
– buildings	0	0
– machinery and equipment	7,687	7,213
<b>Total</b>	<b>7,687</b>	<b>7,213</b>

Deferred tax in the above untaxed provisions amounted to SEK 1,584 million (1,486), which is not presented on the Parent Company balance sheet.

## Note 36 | Interest-bearing liabilities from Group companies

Parent Company	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years		2021	2020
	2021	2020	2021	2020	2021	2020		
Group account – liabilities	330	132	—	—	—	—	330	132

Parent Company	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years		2021	2020
	2021	2020	2021	2020	2021	2020		
Liabilities to Group companies	—	—	—	—	8	8	8	8

## Note 37 | Mergers

	2021	2021	2021	2021	2020
Merged subsidiaries	Södra Klevshult Fastighets AB	Ture Johanssons Trävaru AB	AB Tenhults Impregneringsverk	Södra Vind AB	SW Project AB
Corp. ID no.	556193-5668	556127-4324	556047-1822	556765-5716	559007-5312
Date of merger	27 Dec 2021	27 Dec 2021	27 Dec 2021	30 Dec 2021	7 Sep 2020
Merged net sales	364	256	123	24	30
Merged profit/loss	-17	1	0	8	1
<b>Assets</b>					
Non-current assets	21	12	0	50	0
Current assets	137	101	0	76	14
<b>Assets</b>	<b>158</b>	<b>113</b>	<b>0</b>	<b>126</b>	<b>14</b>
<b>Liabilities, provisions and equity</b>					
Equity	94	88	0	72	7
Untaxed reserves	36	8	0	58	2
Current liabilities	26	17	0	1	5
<b>Liabilities, provisions and equity</b>	<b>156</b>	<b>113</b>	<b>0</b>	<b>126</b>	<b>14</b>

## Other information

### Note 38 | Pledged assets

	Group		Parent Company	
	2021	2020	2021	2020
Pledged assets for own liabilities and provisions	—	—	—	—
Other pledged collateral and securities				
Financial assets <sup>1)</sup>	10	4	10	2
<b>Total</b>	<b>10</b>	<b>4</b>	<b>10</b>	<b>2</b>

<sup>1)</sup> Endowment policies, see Note 27.

### Note 39 | Contingent liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Guarantees for subsidiaries	—	—	—	26
Other contingent liabilities	45	58	45	45
<b>Total</b>	<b>45</b>	<b>58</b>	<b>45</b>	<b>71</b>

#### GROUP

##### Restoration obligations

The future closure of part or parts of the operation could lead to a requirement for decontamination or other restoration work. This work is considered to be in the distant future and any expenses cannot be reliably calculated. No provision for expenses has been made.

Provision has been made for future environmental remediation in amounts deemed reasonable, based on the information available. Future remediation measures are dependent on several unknown variables and therefore difficult to estimate. Accordingly, it is not possible to rule out whether the Group will be charged with additional costs for such measures in the future.

##### Disputes

In the scope of Södra's operations, differences of opinion arise between companies within the Södra Group and various counterparties with regard to the size of compensation, results achieved, lines of responsibility, etc. Most of these differences can be solved on a commercial basis, while some will be subject to arbitration or court proceedings. Provisions have been made in the financial statements in amounts deemed reasonable.

#### PARENT COMPANY

Contingent liabilities described above also relate to the Parent Company.

## Note 40 | Related parties

The Parent Company is deemed a related party in relation to its subsidiaries and associates, as presented in Note 32 Group companies and Note 8 Shares in associates.

Of the Parent Company's total purchases and sales measured in SEK million, 1 percent (2) of purchases and 9 percent (7) of sales were related to other Group companies.

Through its representation on the Boards of the Södra Pension Foundation in 2003 and the Södra Foundation for Research, Development and Education, the Parent Company is considered a related party to these foundations. The Södra Group Pension Foundation has issued a loan to Södra Skogsägarna ekonomisk förening. The Södra Foundation for Research, Development and Education holds issued contributions.

Through their right to participate in decisions affecting the Parent Company's strategies, its Board members have a significant influence over the Parent Company and are thus considered related parties. An economic association is intended to promote the economic interests of its members through financial operations in which the members participate. Accordingly, purchases and sales of goods and services during the financial year have occurred between the Parent Company and individual Board members who are members of the association. Similarly, individual Board members participate in the financing of the association. These transactions occurred in accordance with the association's purpose, whereby the association's pricing and other conditions applied.

Group	Sale of goods/services to related parties	Purchase of goods/services from related parties	Other (interest, dividends)	Receivables from related parties 31 December	Liabilities to related parties 31 December
<b>Associates</b>					
2021	125	64	0	20	6
2020	121	65	13	3	—
<b>Parent Company</b>					
<b>Subsidiaries</b>					
2021	2,199	148	115	1,358	364
2020	1,237	211	36	1,051	299
<b>Associates</b>					
2021	125	64	0	20	6
2020	121	65	13	3	—

For information about salaries, agreements for redundancy payments, and so forth for employees in senior positions, refer to Note 5 Employee expenses. Other information relating to transactions between Group companies is presented in Note 39 Contingent liabilities.

## Note 41 | Statement of cash flows

	Group		Parent Company	
	2021	2020	2021	2020
<b>Financial items</b>				
Interest received during the year	27	37	41	44
Interest paid during the year	-72	-101	-71	-98
Dividends received during the year	4	7	129	108
Capital gains	44	12	31	6
Capital losses	-25	-15	-25	-14
<b>Parent Company</b>				
Unsettled Group contributions	—	—	—	-134

## Note 42 | Events after the balance-sheet date

No significant events occurred after the end of the reporting period.

## Note 43 | Gain/loss on assets held for sale

Gain/loss on assets held for sale	2021	2020
Net sales	—	679
Other revenue	—	3
Change in inventories of finished products and products in process	—	37
Raw materials and consumables	—	-517
Employee expenses	—	-117
Other expenses	—	-281
Depreciation, amortisation and impairment of assets <sup>1)</sup>	—	-341
Operating profit/loss	—	-537
Profit/loss before income tax	—	-537
Profit/loss for the year	—	-537

<sup>1)</sup> Of which SEK 301 million pertains to goodwill and brand.  
For further information, refer to Other definitions on page 49.

Financial position from assets held for sale	2021	2020
<b>Assets</b>		
Property, plant and equipment	—	184
Deferred tax assets	—	1
<b>Total non-current assets</b>	—	185
Inventories	—	96
Tax assets	—	5
Operating receivables	—	37
<b>Total current assets</b>	—	138
<b>Total Assets</b>	—	323
<b>Liabilities</b>		
Non-current interest-bearing operating liabilities	—	120
Current interest-bearing operating liabilities	—	20
<b>Total non-current liabilities</b>	—	140
Current non-interest-bearing operating liabilities	—	300
<b>Total current liabilities</b>	—	300
<b>Total liabilities</b>	—	440

Statement of cash flows from assets held for sale	2021	2020
<b>Operating activities</b>		
Profit/loss before tax	—	-537
<b>Cash flow from operating activities before change in working capital</b>	—	-40
<b>Change in working capital</b>	—	-45
<b>Cash flow from operating activities</b>	—	-85
<b>Cash flow from investing activities</b>	—	-72
<b>Cash flow after investing activities</b>	—	-157

Trivselhus AB was divested in December 2020, and transferred on 1 March 2021. As a result, assets held for sale are now presented separately in the consolidated income statement and balance sheet for 2020. The Group's statement of cash flows and key indicators include assets held for sale. Comparative figures have not been restated.



## Proposed appropriation of profits

The Board proposes that the profits at the disposal of Södra's AGM, an amount of SEK 6,812,473,591, be appropriated as follows:

Dividend to members of 15 percent of contributed capital, totalling	SEK 765,399,878
Dividend to members of 12 percent of the value of wood deliveries in 2021, totalling The dividend is calculated on the value of members' wood deliveries from 1 January 2021 to 31 December 2021 and on all ranges, excluding sold standing forest	SEK 687,323,162
Dividend to members of 4 percent of the value of wood deliveries 2020, totalling The dividend is calculated on the value of members' wood deliveries from 1 January 2020 to 31 December 2020 and on all ranges, excluding sold standing forest.	SEK 205,593,039
To members' contribution capital accounts through a bonus issue The bonus issue represents 30 percent of available paid-up contributed capital at 31 December 2021	SEK 581,111,709
Amount carried forward	SEK 4,573,045,803
	<b>SEK 6,812,473,591</b>

The consolidated accounts and annual report have been prepared in accordance with International Financial Reporting Standards as referred to in Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles in Sweden and provides a true and fair view of the position and performance of the Group and the Parent Company.

The Directors' Report for the Parent Company and the Group provides a true overview of the development of the operations, position and performance of the Parent Company and Group and describes significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Växjö, 15 February 2022

Lena Ek <i>Chair</i>	Paul Christensson <i>Vice Chair</i>	Kristina Alsér <i>Board member</i>	Dan Andersson <i>Employee representative</i>
Hans Berggren <i>Board member</i>	Pål Börjesson <i>Board member</i>	Magnus Hall <i>Board member</i>	Ylva op den Velde Hammargren <i>Board member</i>
Pontus Johansson <i>Employee representative</i>	Ulf Johansson <i>Board member</i>	Lars Nilsson <i>Employee representative</i>	Mats Sandgren <i>Board member</i>
Ann-Charlotte Lyrå <i>President and CEO</i>			

Our audit report was submitted on 15 February 2022

Martin Johansson <i>Authorised Public Accountants</i>	Madeleine Edberg	Carina Arvidsson Löw <i>Member Representative Auditors</i>	Dick Stagmo
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# Auditor's report

To the general meeting of Södra Skogsägarna ekonomisk förening, Corp. ID. No. 729500-3789

## Report on the annual accounts and consolidated accounts

### OPINIONS

We have audited the annual accounts and consolidated accounts of Södra Skogsägarna ekonomisk förening for the year 2021, except for the statutory sustainability report on pages 108–143. The annual accounts and consolidated accounts of the association are included on pages 44–103 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 parent association as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 108–143. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting adopts the income statement and balance sheet for the parent association and the group.

### BASIS FOR OPINIONS

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Authorised public accountants' section and in the Member representative auditors' section. We are independent of the parent association 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.

### OUR AUDIT APPROACH

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**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.

**KEY AUDIT MATTER****HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

**Valuation and reporting of intangible assets, property, plant and equipment & biological assets (refer to the group's accounting principles in Note 7 and in Notes 14–16)**

In the consolidated statement of financial position as at 31 December 2021, intangible assets, property, plant and equipment & biological assets total SEK 19,346 million and SEK 13,694 million in the parent association's balance sheet. The valuation and reporting of property, plant and equipment comprised a Key Audit Matter in our audit due to the significance of the amounts in relation to the group's and parent association's financial position, and in consideration of the complexity of the investment projects within the industry.

The group's and parent association's investments in intangible assets, property, plant and equipment & biological assets during the financial year amounted to SEK 2,279 million, respective SEK 2,310 million. The group has established processes for its investment decision-making. A number of executed investments involve both several sub-projects, as well as a delineation between items to be reported in the balance sheet, respective those to be seen to comprise reparation and maintenance costs.

The starting point of the valuation of intangible assets and property, plant and equipment takes into consideration any possible impairment requirements. In the case there are indications of a write-down requirement, the book values are tested against the assets' calculated recoverable amount. A write-down is reported when an asset's reported value is consistently in excess of its recoverable amount. The recoverable amount is determined through a calculation of the value in use for the respective cash-generating units and is comprised of the present value of future cash flows for the unit. The calculation of the recoverable amount involves a number of assumptions and judgements, amongst others, as regards the discount factor applied and as regards future cash flows. As seen in Note 14 in the annual financial statements, during 2021 the association executing write-down tests regarding Södra Wood. No need for write-downs have been identified in relation to intangible and tangible fixed assets.

In terms of biological assets, the valuation aims at establishing a market value in accordance with prevailing regulations. The valuations are based on observed market prices in the region where the forest assets are placed.

In our audit, we have evaluated the association's processes for managing and controlling investments from the point of the Board decision through to implementation and commissioning. Based on randomly selected samples, we have reviewed capitalized amounts against the established criteria for capitalization versus expensing. In addition, we have examined the disclosures provided in the Notes to the annual financial statements to ensure that they reflect the principles applied by the association in determining investment projects.

As regards impairment testing, we have evaluated the association's calculation models and reasonability of adopted assumptions. We have examined the process for identifying cash-generating units against established criteria and have compared this with the association's follow-up of the operations in order to verify that these agree. We have also assessed whether the disclosures presented in the annual financial statements provide a true and fair view of the association's work with impairment testing.

In terms of the valuation of biological assets and forest land, we have evaluated the models used by the association when calculating the values and based on randomly selected samples reviewed the transactions which forms the basis for the calculated market value. Further, we have reviewed the accounting resulting from the model and the disclosures in connection with this.

**Transactions with the association's members (refer to Note 23)**

During financial year 2021, the group and parent association undertook a large number of repetitive transactions with members in the form of the purchase of timber from the members and as regards the sale of forestry services. In addition, the parent association undertook a large number of transactions with members referring to contributed capital, contribution accounts and dividends and final price adjustments on delivered timber. Transactions with the association's members are significant to the operations and it is important that these transactions take place in accordance with the Board's and senior members of management's adopted guidelines and according to the allocation principles adopted by the annual general meeting.

In our audit, we have evaluated the system and processes for handling transactions with the association's members. Furthermore, we have executed a reconciliation of dividends and final price adjustments on the delivery of timber paid to members based on the applied allocation grounds and on the resolutions by the annual general meeting of the association. We have also audited the framework for the purchase of timber from members and the sale of forestry services to members and how these are applied in the operations through sample testing in connection with testing of revenue and expenses.

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–43 and 108–164. Other information does not comprise the annual accounts, except from the statutory sustainability report, and the auditor's report. 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 association, 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 association's financial reporting process.

### AUTHORISED PUBLIC ACCOUNTANTS' 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, the auditor exercises professional judgment and maintains professional skepticism throughout the audit. The auditor also:

- » Identifies and assesses the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the 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.
- » Obtains an understanding of the company's internal control relevant to the 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.
- » Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and, where applicable, the Managing Director.
- » Concludes 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. The auditor also draws 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 the auditor concludes that a material uncertainty exists, the latter is required to draw attention in the auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify the opinion about the annual accounts and consolidated accounts. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- » Evaluates 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.
- » Obtains 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. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the opinions.

The auditor must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. The auditor must also inform the Board of Directors of significant audit findings during the audit, including any significant deficiencies in internal control that the auditor identified.

The auditor also has to provide the Board of Directors with a statement that the auditor has complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the auditor determines 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 that are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### MEMBER REPRESENTATIVE AUDITORS' RESPONSIBILITY

Our objectives is to perform an audit in accordance with Auditing Act and consequently in accordance with generally accepted auditing standards in Sweden. Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and that the annual accounts and consolidated accounts fairly present the financial performance and financial position of the association and group.

## Report on other legal and regulatory requirements

### 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 Södra Skogsägarna ekonomisk förening for the year 2021 and the proposed appropriations of the association's profit or loss.

We recommend to the general meeting that the profit be appropriated 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.

### 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 association 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 association'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 association's and the group's type of operations, size and risks place on the size of the parent association's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the association's organization and the administration of the association's affairs. This includes among other things continuous assessment of the association's and the group's financial situation and ensuring that the association's organization is designed so that the accounting, management of assets and the association'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 association'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 association, or
- » in any other way has acted in contravention of the Co-operative Societies' Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the association'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 Co-operative Societies' 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 association, or that the proposed appropriations of the association's profit or loss are not in accordance with the Co-operative Societies' Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the association'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 association'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 association's profit or loss we examined whether the proposal is in accordance with the Co-operative Societies' Act.

Växjö, 15 February 2022

Martin Johansson  
*Authorised Public Accountant*

Carina Arvidsson Lööv  
*Member Representative Auditor*

Madeleine Edberg  
*Authorised Public Accountant*

Dick Stagmo  
*Member Representative Auditor*



# A Sustainable Södra

Södra's sustainability efforts include sustainable forestry, climate and the environment, and people and value chain. The prioritised targets for sustainability are a higher positive climate effect, a higher rate of forest growth, reduced greenhouse gas (GHG) emissions, promotion of biodiversity, a zero accident vision and more women in senior positions. Material topics for Södra, our members and other stakeholders provide the basis for our work. Sustainability has been integrated with Södra's 2025+ Group strategy and shall be factored into all business decisions. We work actively to achieve our sustainability targets through our business and action plans, and monitor the results closely.

## **Sustainable forestry**

Sustainable forestry is natural for Södra's members. There is a desire to hand over something with even more value than it has today – not only financial value, but also natural, cultural and social value. The forest management of our members enables us to conduct sustainable operations and deliver products with a high sustainability performance. This requires a balance between higher forest growth, not harvesting more than forest growth over time, and the conservation and development of biodiversity and social values in forests.

## **Climate and environment**

Climate change is one of the biggest challenges of our time, and is creating both risks and opportunities for Södra. While our climate-smart products are part of the solution, we will also need to adapt our forestry and industrial operations to the changing climate. Reducing GHG emissions in our value chain over the next decade and working towards net zero emissions in the future are high on the agenda. Growing forests absorb carbon dioxide, especially when they are managed responsibly. The long-term trend in Sweden is that forest growth is increasing and we now have more forest than ever before. Through innovation and by processing our products, we are meeting the growing

demand for sustainable and climate-smart products in the evolving circular bioeconomy. By optimising the way we use our resources, we are reducing our own environmental impact and creating demand for alternatives to fossil-based products. Circular value chains are key to this development.

## **People and value chain**

We prioritise sustainability in every aspect of our operations, across our entire value chain, and in our engagement with society. Economic, environmental and social sustainability have equal significance. The fact that we demand responsibility from our employees and suppliers is therefore natural and obvious. We will intensify our sustainability efforts together with our customers. Our sustainability efforts also extend to the local community and its development. The commitment of our employees is key to our success as an attractive and responsible employer. Together we are all responsible for a safe, stimulating and inclusive workplace, where all employees can contribute and create value. Södra shall offer a safe and secure workplace for employees and contractors, with a zero accident vision. We are working to break down traditional cultural barriers by increasing equal opportunity and diversity in several ways, including community involvement and partnerships with schools and universities.

# Södra and the 2030 Agenda

While we are well-positioned to contribute to the achievement of several Sustainable Development Goals (SDGs) under the 2030 Agenda, we also have a negative impact on some of them. Our work can have the greatest impact on seven of these goals. We are working continuously to integrate the SDGs across our operations. This requires an understanding of what we must do to reduce the risk of negative impacts and what we must scale-up to increase our positive contributions to achievement of the goals. Södra's own targets are well-aligned with the 2030 Agenda.

## HIGHER LEVEL OF IMPACT

- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land

## LOWER LEVEL OF IMPACT

- 3 Good health and well-being
- 5 Equal opportunity
- 6 Clean water and sanitation
- 10 Reduced inequalities
- 14 Life below water
- 16 Peace, justice and strong institutions
- 17 Partnerships for the goals

## INDIRECT IMPACT

- 1 No poverty
- 2 Zero hunger
- 4 Quality education

### THE UN SUSTAINABLE DEVELOPMENT GOALS



#### AFFORDABLE AND CLEAN ENERGY

- + Deliveries of bio-based energy in the form of electricity, district heating and solid biofuels, p. 129.
- + Systematic efforts to reduce electricity and heating consumption, p. 129.
- Energy-intensive industrial processes and transportation, p. 128–129.



#### DECENT WORK AND ECONOMIC GROWTH

- + Zero accident vision – a focus on preventive measures, p. 132.
- + Supplier risk assessment and audit with a focus on working conditions, etc. p. 136.
- + Continued investments and focus on innovation to strengthen Sweden's strong forest industry position, pp. 22–23 and 30–31.
- Occupational health and safety risks in the operations and supply chain, pp. 134 and 136.



#### INDUSTRY, INNOVATION AND INFRASTRUCTURE

- + Effective use of wood raw material, p. 125.
- + Production of new, sustainable products and services for a bio-based society, pp. 22–23.
- + Collaborative business development and innovation, pp. 22–23.



#### SUSTAINABLE CITIES AND COMMUNITIES

- + Development of timber building systems, pp. 22–23 and 36.
- Risk of negative impact on urban forests if Södra deviates from its procedures, pp. 114–115 and 122–123.



#### RESPONSIBLE CONSUMPTION AND PRODUCTION

- + Systematic efforts to reduce emissions to air and water from industrial activities, pp. 125 and 130.
- + New applications for Södra's products, pp. 22–23 and 125.
- Risk of negative environmental impact of emissions to air and water from industrial activities, pp. 125 and 130.



#### CLIMATE ACTION

- + Long and short-term initiatives to achieve a reduction in GHG emissions in the value chain, pp. 124–127.
- + Forest-based products with a low carbon footprint are used to replace carbon-intensive products, pp. 20–21, 124 and 126.
- + Increased forest growth leads to higher carbon stocks, pp. 124 and 126.
- Industrial production and transportation use fossil fuels, pp. 128–129.



#### LIFE ON LAND

- + Sustainable forestry – balance between production and environmental considerations, p. 122–123.
- + Ecosystem variation and protected areas to promote biodiversity, p. 123.
- Risk of negative impacts on ecosystems and biodiversity if Södra deviates from its procedures, pp. 114–115 and 122–123.

# About Södra's Sustainability Report

This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option. The Sustainability Report has been reviewed by auditors on behalf of the Board of Södra Skogsägarna ekonomisk förening.

Södra's Sustainability Report is part of the Group's Annual and Sustainability Report. Södra uses the calendar year as its financial year. The last Annual and Sustainability Report was published in February 2021 for the 2020 financial year.

The Sustainability Report is also Södra's Communication on Progress (COP) in accordance with the United Nations Global Compact and Global Reporting Initiative.

## Scope and content of the Sustainability Report

The Sustainability Report covers Södra Skogsägarna ekonomisk förening and its subsidiaries (refer to Note 32 for a summary of the Group companies included). Associates are not included, refer to Note 8. Disclosures related to employees and anti-corruption are generally reported for the Parent Company and its subsidiaries (and their employees). Refer to the specific scope in the People and value chain section on pages 134–135. Disclosures related to other material sustainability topics are reported for operations involved in production. The impact of other activities is considered zero or negligible. The supplier assessment covers Södra's suppliers, but not sub-suppliers (suppliers' suppliers). Suppliers to Södra's foreign subsidiaries are not included. During the year, Ture Johanssons Trävaru AB and AB Tenhults Impregneringsverk were acquired and merged with the Parent Company. These new units in Södra Wood – Södra Wood Klevshult and Södra Wood Vaggeryd – have been generally included in the Sustainability Report from the acquisition date of 1 April 2021. Refer to the specific scope in the People and value chain section on pages 134–137. Trivselhus were divested on 1 March 2021 and is only included in the 2021 Sustainability Report for the purpose of information about employees and anti-corruption, but is included in all of the comparative figures for prior years. The number of employees was calculated at 31 December 2021. For calculation principles, refer to pages 120–121.

## Changes and restatement of information compared with previous reports

Compared with earlier reports, reporting policies have been changed for net carbon stock change, climate effect, forest growth, GHG emissions and use of fuels. Due to these changes, information for prior years has been restated. Another change compared with previous years was made for the Global Warming Potential (GWP) of greenhouse gases.

## Material sustainability topics

Sustainable forestry	Climate and environment	People and value chain
<ul style="list-style-type: none"> <li>» Biodiversity</li> <li>» Sustainable harvest rate</li> <li>» The social values of forests</li> </ul>	<ul style="list-style-type: none"> <li>» Climate effect</li> <li>» Emissions to air, land and water</li> <li>» Energy efficiency</li> <li>» Forest growth</li> <li>» GHG emissions</li> <li>» Material efficiency</li> <li>» Waste</li> <li>» Water</li> </ul>	<ul style="list-style-type: none"> <li>» Business ethics and anti-corruption</li> <li>» Equal opportunity, diversity and workplace inclusion</li> <li>» Occupational health and safety</li> <li>» Organisational culture and values</li> <li>» Responsible supply chain</li> <li>» Training and education</li> </ul>

- » The net carbon stock change in Södra members' forests was previously calculated by the growing stock on productive forest land. As of 2021, growing stock on forest land is used. The comparative figures have been restated.
- » Average carbene dioxide (CO<sub>2</sub>) uptake over the past five years was previously used to calculate net carbon stock change in Södra members' forests to Södra's climate effect. As of 2021, a linear trend of five-year averages has been used for ten years. The comparative figures have been restated.
- » Forest growth was previously calculated on the basis of weather-adjusted growth. As of 2021, annual increment is used. The comparative figures have been restated.
- » GHG emissions were previously broken down into production, operational machinery and internal transportation and other transportation. As of 2021, GHG emissions have been reported in accordance with the Greenhouse Gas Protocol and categorised as Scope 1, 2 and 3 emissions. The comparative figures have been calculated and reported for 2020. In order to show the long-term trend, fossil CO<sub>2</sub> emissions from production (including operational machinery and internal transportation) and other transportation are reported for the past ten years using the previous reporting policy. Refer to Calculation principles on pages 120–121 for more detailed information.
- » Fuel and electricity consumption and purchased electricity were previously broken down into production, operational machinery and internal transportation and other transportation. As of 2021, the breakdown follows the same categorisation as GHG emissions. The comparative figures have been restated.
- » Fuel used for the transportation of pulp to customers where Södra is not responsible for the transport was not previously included in fuel consumption. As of 2021, this is included in fuel consumption. The comparative figures have not been restated.
- » The calculation of fuel consumption (both renewable and fossil) and emissions from operational machinery and internal transportation, harvesting contractors and other transportation was previously based on liquid biofuel blend depending on the type of fuel. As of 2021, the calculations are based on an average biofuel blend (blending obligation is used for Sweden) or for a pure liquid biofuel. The comparative figures for Scope 1, 2 and 3 emissions have been restated. The comparative figures for fuel consumption have not been restated.
- » As of 2021, the GWP values for greenhouse gas emissions follow the IPCC's report published in 2021. The comparative figures for prior years are calculated with earlier GWP versions.

The data for previous years have been restated. The reasons for these restatements include errors in the reported data, and errors in the calculations. All restatements are minor, with no material impact on Södra's sustainability reporting.

- » Net carbon stock change in Södra members' forests have been restated for 2020.
- » The climate effect has been restated for 2018–2020.
- » Forest growth has been restated for 2012–2020.
- » Fuel consumption has been restated for 2020.
- » Purchased electricity and electricity sales have been restated for 2020.
- » External purchasing of sawn timber has been restated for 2019 and 2020.
- » Emissions to air have been restated for 2020.
- » Waste has been restated for 2020.

### Events after the close of the period

No significant events occurred after the end of the reporting period.

### Material sustainability topics

Södra's first materiality assessment was conducted in 2015. The aim was to identify Södra's most relevant sustainability topics, and to lay the foundation for Södra's sustainability strategy and sustainability reporting. In 2018, the materiality assessment was updated to ensure that the sustainability strategy was appropriate and to define material sustainability topics to report. In 2019 and 2020, round table discussions were held with experts in four

areas: circularity and resource efficiency, responsible employer and business partner, challenges and opportunities of climate change, and forestry activities in balance. Dialogue was also held with customers during the same period. The results from round table discussions and customer meetings, combined with a situation assessment of Södra's influence in sustainability issues, a business intelligence assessment and a mapping of the progress required in Södra's sustainability practices to ensure that Södra's future growth is both profitable and sustainable, formed the basis for new targets for sustainability and material sustainability topics in 2021. The materiality assessment is updated at regular intervals and whenever required, such as in the event of relevant changes in the operations, external environment or the focus and expectations of stakeholders.

The material sustainability topics for 2021 are presented in the table on page 110. Internal experts validate the topics and define their boundaries. The boundaries for the topics are presented in the GRI Content Index on pages 138–141. The 'Within Södra' boundary is presented in 'Scope and content of the Sustainability Report' on page 110.

### Reporting

Södra's material sustainability topics are presented in the GRI Content Index on pages 138–141. The connection between Södra's material sustainability topics and selected GRI standards is presented in the table below. Södra's own standards and disclosures for material sustainability topics that do not correspond to a GRI Standard are defined on page 113. The GRI Reporting Principles for defining report content (stakeholder inclusiveness, sustainability context, materiality and completeness) have determined the scope and content of this Sustainability Report.

Material sustainability topics	GRI Standard
» Biodiversity	GRI 304: Biodiversity
» Business ethics and anti-corruption	GRI 205: Anti-corruption
» Climate effect	GRI 201: Economic performance   Own: Climate effect
» Emissions to air, land and water	GRI 303: Water and effluents   GRI 305: Emissions
» Energy efficiency	GRI 302: Energy
» Equal opportunity, diversity and workplace inclusion	GRI 405: Diversity and equal opportunity   GRI 406: Non-discrimination
» Forest growth	Own: Forest growth
» GHG emissions	GRI 305: Emissions
» Material efficiency	GRI 301: Materials
» Occupational health and safety	GRI 403: Occupational health and safety
» Organisational culture and values	Own: Organisational culture and values
» Responsible supply chain	GRI 308: Supplier environmental assessment   GRI 414: Supplier social assessment   Own: Forest certification and certified products
» Sustainable harvest rate	Own: Sustainable harvest rate
» The social values of forests	Own: The social values of forests
» Training and education	GRI 404: Training and education
» Waste	GRI 306: Waste
» Water	GRI 303: Water and effluents

## Cooperation for sustainable development

Södra's contributions to sustainable development include membership and involvement in various initiatives and organisations.

- » Södra has committed to working actively with the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption.
- » Södra has signed an undertaking to set targets to achieve net-zero emissions before 2050, in accordance with the Science Based Targets initiative. In 2022, an application requesting approval of a target to halve greenhouse gas emissions before 2030 compared with 2020 and a target to achieve net-zero emissions before 2040 will be submitted.
- » Södra is a member of Fossil Free Sweden and the 2030 Secretariat (the national secretariat for monitoring the progress of a fossil-fuel free vehicle fleet by 2030).
- » Södra is represented on the Swedish Boards of FSC® and PEFC and the international Board of PEFC.
- » Södra is a member of Business@Biodiversity Sweden, a sustainability network with a focus on biodiversity for large corporations.
- » Södra is a member of the Responsible Shipping Initiative (RSI), which aims to promote working conditions, health and safety in the dry cargo shipping industry and the environmental performance of vessels operating in the Baltic and North Sea.

In addition to these memberships and engagements, Södra also plays an active role in several national and international organisations that are focused on issues relevant to Södra. These include the Federation of Swedish Farmers (LRF), the Forestry Research Institute of Sweden, Swedish Wood, the Swedish Forest Industries Federation and the Energy Research Institute of Sweden.

## Stakeholder dialogue

All of Södra's stakeholders contribute to the Group's development. The stakeholders are identified and prioritised using a structured mapping process and include customers, owners/members, employees, business partners and a number of stakeholders in the society at large. These stakeholders have the most influence on, and are most affected by, Södra's activities and decisions.

There was no targeted stakeholder dialogue with a sustainability focus in 2021. Ongoing stakeholder dialogue takes place in various forms, and with varying frequency, throughout the year, refer to the table below.



## Dialogue with Södra's stakeholders

Stakeholder group	Stakeholder dialogue 2021	Key topics from stakeholders	How Södra handles the topics
Customers	- Customer contacts (meetings, surveys) - Research and development projects - Knowledge building and partnerships	- Product performance (quality, safety, price, development) - Traceability - Business ethics - Profitability - Sustainable forestry - Climate change and environmental impact - Working conditions and human rights	- Process and product development - Innovation - Sustainability partnerships with selected customers - Management systems - Certifications and labelling - Policies, Code of Conduct and Supplier Code - Targets and key indicators - Annual and Sustainability Report
Owners/members	- Annual General Meeting, Administrative Council meetings, member meetings, member surveys - Owner dialogue	- Profitability and profit distribution - Social impact and opinion - Market for wood raw material - Forestry services - Business ethics - Sustainable forestry - Climate change and environmental impact - Working conditions and human rights	- Targets and key indicators - Business policy activities - Research and development - Development of service packages (forestry services, forest management certification) - Policies, Code of Conduct and Supplier Code - Management systems - Annual and Sustainability Report
Employees	- Regular dialogue - Performance appraisals - Employee surveys - Unionisation	- Working conditions and human rights - Personal development - Sustainable forestry - Climate change and environmental impact - Business ethics	- Policies, Code of Conduct and Supplier Code - Incident reporting system - Benefits - Training programmes - Management systems
Business partners	- Research and development projects - Unionisation - Monitoring compliance with Supplier Code	- Sustainability requirements in the Supplier Code - Contract terms - Profitability - Sustainable forestry - Climate change and environmental impact - Working conditions and human rights	- Management systems - Incident reporting system - Policies, Code of Conduct and Supplier Code - Assessment and monitoring based on the Supplier Code - Forest contractor certification
Society at large (capital market, local residents, policy makers and officials, public organisations, interest groups, companies in the same industry)	- Dialogue and cooperation - Research and development projects	- Sustainable business (economic, environmental and social responsibility) - Community engagement - Transparency - Industry-specific issues	- Policies, targets, management systems, risk management - Employer - Membership and participation in various organisations and initiatives - Annual and Sustainability Report



# Own material sustainability topics

Not all material sustainability topics correspond to a GRI Standard. Södra has therefore elected to report a number of its own material sustainability topics with related disclosures. In some cases, Södra has supplemented some GRI Standards with its own disclosures.

## **GRI 304 Biodiversity, Promoting biodiversity**

Södra works to preserve and promote biodiversity – a process under continuous development. In 2022, Södra will clarify its biodiversity targets and create key indicators for measuring the impact of Södra's measures to preserve and promote biodiversity. This disclosure is used to report Södra's key indicator for preservation and promotion of biodiversity.

## **GRI 406 Non-discrimination, Training in policies related to non-discrimination**

Södra aims to be a welcoming workplace, where everyone contributes to health, job satisfaction and well-being. This involves showing respect for each other regardless of sex, gender identity or expression, ethnicity, religion or faith, disability, sexual orientation or age. Every employee is responsible for maintaining a work environment free from bullying and harassment. This disclosure is used to report the proportion of Södra's employees who completed training in Södra's efforts to prevent discrimination and bullying.

## **Sustainable harvest rate, Harvest rate on land owned by Södra members**

Forests are a resource that should be used, but not overused. Harvesting should be within sustainable harvest rates. This disclosure is used to report the harvest rate in Södra members' forests.

## **The social values of forests**

Forests are an important place for relaxation, recovery and recreation. This disclosure is used to report Södra's activities to promote the social values of forests.

## **Climate effect, Positive climate effect**

The climate benefits of forests are often reduced to the fact that growing trees absorb large amounts of carbon dioxide. Substitution creates climate benefits when renewable forest-based products drive back products with a higher carbon footprint, such as steel, concrete, plastic and fossil fuels. At the same time, there are still some fossil GHG emissions in the value chain. This disclosure is used to report Södra's positive climate effect.

## **Forest growth, Annual rate of forest growth on Södra members' estates**

Growing forests absorb carbon dioxide through photosynthesis and help to combat climate change. This disclosure is used to report the rate of forest growth in Södra members' forests.

## **Organisational culture and values, Employees who would recommend Södra**

Södra works strategically and systematically to attract, develop and retain the right competencies. As a forest company of the future, Södra wants to remain an attractive employer. This disclosure is used to report the proportion of Södra's employees who would recommend Södra as an employer.

## **Forest certification and certified products**

Forest certification is an important tool for ensuring responsible management of members' forests. Södra offers certified forest products. The certifications guarantee that the wood raw material is a product of responsible forestry, and that its origin has been verified. This disclosure is used to report the proportion of Södra's affiliated forest area with forest certification and the proportion of certified products.

# Governance and sustainability organisation

## Sustainability framework

Södra's values – how we act – can be summarised with three concepts:

- » Feet on the ground
- » Ears open
- » Eyes on the future

The values, combined with stated competencies for both employees and leaders, will help us keep step with our ever-changing business environment, while feeling confident about who we are, as both an organisation and an employee. With our roots in the forest, we are creating the future. All employees are responsible for acting in line with the values.

Södra's overarching objective is to be an even more sustainable, profitable, innovative and resource-efficient growth company by 2025. The Sustainability Policy governs and guides sustainability efforts for a sustainable Södra. The Södra Code of Conduct and Supplier Code are also key elements of Södra's sustainability framework. Södra's policies and guidelines apply to managers and employees as well as other representatives of Södra, including Board members and elected representatives.

Södra's sustainability framework has been inspired by a number of principles and standards: the UN Global Compact (signatory in 2020), Sweden's national environmental objectives, the Swedish government's action plan for business and human rights, the Universal Declaration of Human Rights, the ILO core conventions and the OECD Guidelines for Multinational Enterprises. The Paris Agreement and European Green Deal also influence the focus of the framework. The aim of the EU Taxonomy Regulation is to identify environmentally sustainable activities and financial instruments. During the year, Södra commenced a Taxonomy project and the 2023 Annual and Sustainability Report will be aligned with the Taxonomy Regulation. Södra's sustainability targets are aligned with the UN Sustainable Development Goals. Read more on page 109.

The framework is regularly reviewed to ensure its relevance. In 2021, minor revisions were made to the Sustainability Policy and Code of Conduct.

Södra is living and operating in a changing business environment. In 2021, Södra launched several strategic projects to study some of the areas, including sustainability, that will be critical in the future. The programme includes climate change position, biodiversity and health and safety projects. Both members and employees are taking part in the projects.

## Sustainability organisation

Södra's central sustainability function is included in the strategy function established in 2021. The strategy function is led by the Director of Strategy who is a member of Group Senior Management. The central sustainability function comprises a Sustainability Manager and three employees, who work together with the other functions and business areas. The central sustainability

function coordinates the Group's sustainability efforts, drives and supports development issues and is responsible for the Sustainability Policy and monitoring sustainability targets. Södra's entire organisation works with sustainability issues. Direct responsibility for sustainability issues is delegated within the line organisation, from the President to each Business Area President. Södra's targets are continuously monitored by Group Senior Management and followed up in detail on a quarterly basis. Decisions are then made regarding further action. Södra's Board of Directors updates the Sustainability Policy, Code of Conduct and Supplier Code once annually.

Södra's Business Ethics Council is responsible for developing and implementing the Group's business ethics policies and guidelines. The Council was formed in 2015, and in 2021 consisted of the HR Director (Chair), Chief Legal Officer, Sustainability Manager, CFO and management representatives of the Skog, Wood and Cell business areas. The Council meets once per year.

## Governance

### Sustainable forestry

Södra's members are highly committed to sustainable forestry and Södra contributes by offering a range of advisory and other services to support forest estate administration and care. Forest certification is an important tool for responsible forest management and forest owners can become certified under Södra's group certification. Forest owners sign an agreement to comply with the certification requirements, and their performance is audited annually. Södra's offerings also include the Södra School, which aims to raise awareness of sustainable forestry and to inspire active forest management in order to combine a higher rate of growth and profitability with the preservation and promotion of all forest values. The Södra School evolves in line with members' needs for information and training.

A Södra green forest management plan has been prepared for more than half of Södra's affiliated forest area. The plan sets long-term management objectives for each forest stand. The objectives are divided into four classes with detailed descriptions for each stand. The green forest management plans help to maintain a balance between profitable wood production and the preservation or new creation of biodiversity and social considerations. The plans also include consideration for the cultural heritage and social values of forests. The green forest management plans also include blue management targets in which water-courses are assessed, and the ambition for aquatic environment considerations is specified. For forest owners with more than 20 hectares of productive forest land, a forest management plan is mandatory for forest management certification.

In our nature conservation activities, Södra has historically worked with a variety of environments, substrates and structures to protect species that live in forest environments. Recently, the focus on individual species and their survival has increased. Södra is therefore developing tools for the inclusion of known species in nature conservation activities. The strategic bio-

diversity project is studying how Södra can continue to develop conservation and considerations in new business models for increased biodiversity.

Contractors who perform forestry measures on behalf of Södra must hold PEFC certification. The contractors' employees must be aware of the considerations that apply to environmental and cultural values in forestry. For forestry operations in aquatic environments, such as ditch clearing, expertise in the management of aquatic environments in forests is required. Södra provides continuous training for its field organisation and contractors, which includes information about the new industry-wide objectives for environmental considerations in forestry measures. The forestry sector's joint environmental objectives provide guidance on how environmental considerations should be integrated with forest management planning and practises in production forests. The objectives have been developed in broad cooperation based on prevailing forest policy and best available evidence for use in practical forest management.

Every year, the considerations applied in regeneration harvests, thinning, nature-conservation measures and regeneration operations are audited and rated in Södra's Green Balance Sheet. The handling of forest residues (branches and treetops), which are attractive habitats for many species, especially insects and fungi, is also assessed. Regeneration operations are also monitored 1–2 years after harvesting, including an assessment of the site preparation and planting performed, and whether special considerations were applied for cultural relics, buffer strips and sensitive habitats. The field work is carried out by Södra's forest management auditors.

Guidelines for the balance between production and economics, and conservation, cultural and social considerations in forestry are summarised in 'Miljöhänsyn Södra Skog – strategisk inriktning' (Environmental considerations Södra Skog – strategic focus area). Södra's employees undergo continuous training via the internal Nature Conservation course, which includes Södra's application of the guidelines. In 2021, nature-conservation training was also introduced for Södra's employees.

The business management system for Södra's forestry operations is subject to internal and external audits every year. During the management's review, annual outcomes are evaluated and steps are taken to achieve continuous improvement. A third-party audit of FSC® and PEFC forest management certifications identified serious non-compliances due to repetition or new requirements in the FSC® standard. Improvement measures were taken in the form of internal follow-ups, training and new or changed ways of working.

Responsible and sustainable forestry is based on key basic principles for timber harvesting and handling. Södra verifies the origin of the wood and rejects deliveries of timber that has been illegally harvested, comes from natural forests where high conservation values are threatened, forest areas where traditional or civil rights are violated and from genetically modified trees.

## Climate and environment

### Climate

The strategic climate position project is analysing how Södra can continue to support the transition to climate neutrality. The project follows climate benefits from forests and along the value chain to products and services.

A higher rate of forest growth and a sustainable harvest rate create conditions for maintaining and increasing net forest carbon stock change. In Södra's roadmap for a higher rate of forest growth, key areas have been identified for achieving the target:

higher plant survival rates, effective stand management, forest tree breeding and damage reduction. Continued investment in research and development is also required.

The substitution effect arises when forest-based products are used to replace products with a higher carbon footprint. By optimising the use of our resources, we are reducing both our own environmental impact and creating requested alternatives to fossil-based products. That will also strengthen our competitiveness, efficiency and profitability. By continuing to focus on energy efficiencies, our green energy deliveries will increase as we move forward. Research and development leads to new products that can replace products with a higher climate impact. An assessment of the sustainability performance of new products and services is included in various stages of the innovation process.

Södra's roadmap for reducing GHG emissions and a fossil-free value chain includes activities that are expected to yield positive results in both the short and long term by, for example, enabling substitution with fossil-free alternatives, continued efficiencies in production and logistics, and research and development. The transition is an extensive process that requires long-term, external partnerships in supply and demand for biofuels, as well as political advocacy. New emissions-reduction targets in line with the Science Based Targets initiative will lead to a broader roadmap. These efforts are coordinated by the central sustainability function and activities are organised in the programme – A Fossil-Free Södra.

Södra Cell participates in the European Union Emissions Trading System. The aim of the trading system is to reduce greenhouse gas emissions in Europe in a cost-efficient manner. Södra sells its excess permits. The electricity certificate system is a support scheme to increase the production of renewable electricity. Södra Cell is awarded electricity certificates for some of the electricity it generates. Södra Medlemsel offers members, employees and business partners an opportunity to purchase green electricity from the pulp mills and Södra's own wind turbines. Guarantee of Origin certificates show the energy source of the electricity generation. The government allocates certificates to electricity generators for every megawatt-hour (MWh) of electricity they produce. The certificates can then be traded on the open market. Green Guarantee of Origin certificates for the electricity consumed by the Södra Group and by customers of Södra Medlemsel are used by Södra and removed from the market.

### Environment

Environmental permits control a major part of the industrial activities, such as emissions to air and water, and management systems are a means for obtaining permits. Water court rulings have been issued for all industries that extract raw water, to regulate their withdrawals and prevent any negative effects from their activities. Södra's operations are governed by many laws and regulations, most significantly the Swedish Forestry Act, the Swedish Environmental Code and chemicals legislation. Legal and permit compliance is inspected regularly by authorities. Read more about regulated activities on page 52.

Södra's environmental and energy initiatives are based on the Sustainability Policy which, in combination with targets and guidelines, govern the Group's efforts in this area. Energy issues for the Wood and Cell business areas are coordinated by the Energy Committee. The Cell business area also has an Environmental Committee and a Chemicals Committee.

Environmental and energy issues are addressed within the framework of each business area's business management

system. Most of the Group's environmental management systems are ISO 14001-certified. The energy management systems of the pulp mills are ISO 50001-certified. Internal and external audits of management systems are performed annually. Each business area works towards targets in selected areas to achieve continuous improvement. The targets are monitored in the business areas and units. The management performs regular reviews to ensure that management systems remain appropriate, adequate and effective. In 2021, internal and external audits of the business management systems identified some key issues that need to be improved throughout the entire Group: risk management of chemical substances, continued work on emergency instructions and the development of environmental aspect assessments. Targeted initiatives are being carried out to improve these areas, including coordination and knowledge transfers between business areas, information and training, and training in the use of digital tools. A third-party audit of the Wood business area identified a number of serious non-compliances in business management, training and procedures. The non-compliances were managed and redressed through training, an internal audit and improved business management.

Water supply and consumption is a key issue for Södra. To optimise the efficiency of our water consumption, the pulp mills use a range of water-conservation measures when washing pulp. In addition, nearly all of our sawmills recirculate the water used for wetting down logs. Efficient irrigation systems that adjust the amount of water to the evaporation rate help to conserve water. Södra Cell presents a water footprint for its pulp products every year.

Södra is a member of water organisations across Götaland. The aim of the water organisations is that water stakeholders can assist authorities with knowledge about the water area and perform proposed measures at local level.

Emissions to air and water are regulated in environmental permits and self-assessment programmes are prepared to ensure compliance with the permits.

By creating new solutions for material and energy recovery, we are reducing the amount of waste generated by Södra's operations. Pulp mills account for the vast majority of waste generated by Södra. Inorganic material, such as green liquor sludge, ash and lime sludge, comes from the boilers and is sent to Södra's own landfills. Other waste is handled by operators who are authorised (where applicable) or have otherwise notified the county administrative board (if necessary).

### People and value chain

Södra's objective is to have committed employees with the right competence who take responsibility for diversity, development and health and safety. To achieve this objective, four key areas have been identified in the strategic plan for employees and organisation. These areas are:

- » Learning organisation with the power to change
- » Active sustainable leaders
- » Efficient teams and teamwork
- » Lowest common denominator in culture and values

Efforts in these areas are based on a number of prioritised initiatives and activities, and monitored with targets and key indicators.

Södra's values – Feet on the ground, Ears open and Eyes on the future – guide our actions. We respect the right of every employee

to be valued and treated fairly, and that they have the same rights and obligations regardless of sex, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation or age. Södra's policies and guidelines for corporate social responsibility cover occupational health and safety, diversity and inclusion, and bullying and harassment. HR processes are conducted both centrally and at operational level to ensure local support and implementation.

Södra prioritises sustainability in every aspect of its operations. The fact that we demand responsibility from our employees and suppliers is therefore natural and obvious. Our sustainability efforts also extend to the local community and its development. Södra's work with responsibility is based on policies and guidelines.

### People

#### Occupational health and safety

Occupational health and safety is a key priority for Södra with an explicit zero accident vision and the aim is to create a physical, organisational and socially sustainable work environment. All employees should feel safe and satisfied and be able to develop in their work. This process takes the form of specific initiatives in the business areas and Group-wide initiatives.

The aim of the strategic health and safety project is to take efforts in this area to the next level. The project is focused on the values, attitudes and knowledge of managers and employees, change work, and how Södra can strengthen preventive OHS practices.

Systematic occupational health and safety (OHS) management is mandatory for all employers (AFS 2001:1) and the Swedish Work Environment Authority is the supervisory body. This means that the employer is required to systematically, and together with employees and OHS officers, investigate, introduce and monitor the activities in a manner that prevents accidents and illnesses at work, and achieve a safe and healthy workplace. To ensure a safe and healthy workplace, Södra has a range of management systems that cover all employees. The business areas use business management systems that gather procedure and process data. The systems are connected to Södra's HR portal, which contains Group-wide information, policies and guidelines related to areas such as OHS. The management systems enable planning, implementation, control, monitoring and evaluation and are crucial to Södra's continuous improvement of OHS performance. All of Södra's units create their own OHS targets based on the OHS policy for each unit's focus, requirements and needs. The pulp mills hold ISO 45001 certification.

Under the Swedish Work Environment Act, when contractors are engaged, Södra is ultimately responsible for the introduction and coordination of workplace health and safety instructions using existing management systems and external systems (such as SSG On site). Contractors are always responsible for their own employees, which means they must take concrete measures to prevent ill health and accidents.

To identify, report and control accidents, incidents, dangerous occurrences and hazards in the workplace, Södra uses the Group-wide web-based IA system (Occupational Health and Safety Information System, AFA Försäkring). Every adverse event is reported and then follows a pre-defined flow that manages both the reactive (occurred events) and the proactive (such as safety inspections, risk analyses) OHS management. Employees and contractors are urged to report adverse events with an emphasis on risk observations. The pulp mills use a

risk matrix with consequence and probability to determine the harm severity of the events. Events can be registered in several ways – on Södra’s intranet, during safety inspections or via a mobile app. The system also provides clear action plans for the entire organisation or individual units, enabling risk assessments. This ensures that all events are handled systematically and enables continuous improvement. Employees can suggest measures and give feedback on the measures taken.

Preventive health measures are carried out at both Group-wide and local level. All employees are offered preventive health-care and rehabilitation through agreements with Occupational Health Services. Occupational Health Services can provide support and assistance for rehabilitation and preventive healthcare with risk assessments, a review of workplace ergonomics, new employment surveys, statutory surveys and health discussions. All employees are offered regular health checks to promote health and well-being. Thematic days at local level increase the focus on health promotion activities. Other preventive measures include the annual wellness subsidy, free counselling and health insurance for planned specialist care, which also can also be taken out by employee’s families and Södra’s members. All employees in Sweden are offered life and accident insurance cover, and cover for children.

All employees are responsible for everyday health and safety at work. In addition, joint structures are in place for this work in the form of OHS committees, Group Council, business area councils and Södra’s OHS Council. In these forums, employers and union parties discuss OHS-related issues of a long-term and overall nature with the purpose of developing and stimulating Södra’s OHS initiatives. The council includes representatives from Södra’s business areas, OHS engineers and managers, OHS officers, Occupational Health Services, the HR Director, HR specialist and other internal and external guests. Contractors are not represented in the OHS Council or on OHS committees, since their assignments are governed by contracts. Contractor involvement is ensured by delegating people to serve as a link between Södra and the contractor, and to coordinate the prevention of work-related accidents and ill health. They also report whether there are any specific risks to consider, including work-related risks for the contractor, to provide training in safety regulations and request reports of adverse events from the contractor. Under the Södra Supplier Code, suppliers are required to maintain a safe and secure workplace for all employees. Read more about the Supplier Code on page 118.

OHS training programmes are implemented on a regular basis. The Group’s Competency Toolkit, SABA, is used for all internal and external training courses, including OHS courses with certifications and repetition requirements. The courses are adapted to the individual needs of each unit. Some units are given courses linked to physical hazards in a production environment that require regular repetition. Other courses include safe handling of chemicals, safe production stoppages, use of personal protective equipment and fire safety training. Södra also offers courses with a focus on psychosocial risk factors in the workplace, such as bullying and harassment, workload, stress and working hours. Södra’s employees completed more than 14,000 hours of OHS training in 2021, corresponding to five hours of training per employee. Training classified as “occupational health and safety” in Södra’s Competency Toolkit is included. For more information about training in the Södra Code of Conduct, refer to page 133.

Equal opportunity, diversity and workplace inclusion

Working actively to improve diversity and workplace inclusion is essential for creating a positive work environment, health and well-being and, ultimately, sustainable and profitable growth. Diversity and workplace inclusion strengthen Södra’s competitive advantages and support Södra’s objectives to be a good corporate citizen and an attractive employer. Södra states clearly that every employee’s competence and resources shall be used in the best possible way under equal conditions regardless of sex, gender identity or gender expression, ethnicity, religion or belief, disability, sexual orientation or age.

Södra’s efforts in this area are guided by the equality and inclusion policy and the anti-discrimination policy. Efforts take the form of creating conditions in various ways, such as through recruitment and promotion, competency development and training, salaries and terms of employment, and working conditions.

There is also a focus on diversity and inclusion in the membership organisation. One of the targets in the action plan for greater diversity and gender equality in Södra’s membership organisation is that at least 40 percent of Södra’s elected representatives will be women by 2025. A review of member benefits commenced during the year, ranging from when a member first joins Södra to a generational change or sale. The aim is to show the benefits of owning forest and thereby increase interest among young people. Moving forward, the focus on reflecting the diversity of Södra’s members will intensify through, for example, a broader involvement in the forestry districts’ district councils.

Training and education

Personal development is prioritised at Södra and builds on manager/employee dialogue in, for example, the performance review. The review provides an opportunity for employees to contribute to, and influence, their performance and development, to share their views of job satisfaction and how they contribute to the company’s profitability. For managers, performance reviews are a tool for driving performance and competency development and ensuring employee satisfaction. Common competencies for both employees and leaders at Södra have been identified. These competencies are an important starting point for personal development.

Södra works with a Competency Toolkit to set goals and follow an employee’s development and to enable access to Södra’s various training courses, both online and traditional classroom courses, that are relevant to the employee. Alongside of training, Södra works actively to make learning a part of everyday work, which is also measured with a key indicator. Södra uses a learning model to achieve more lasting learning, and it can be used in everything from individual reflection to meetings and training courses. Södra also uses structured knowledge transfers as a way to develop and learn in everyday work. Internal mobility is yet another important key indicator that also strengthens learning and development at Södra, and we work in a variety of ways to facilitate and stimulate internal mobility.

Organisational culture and values

Södra’s starting point for its efforts in the area of organisational culture are the three values of Feet on the ground, Ears open and Eyes on the future. Alongside of personal development for employees, Södra works to develop the organisation through, for example, team development and organisational performance reviews. Leadership development is also a key element of work



with Södra's culture, and the new Grow leadership development programme is a key element for leaders at Södra. All of Södra's leaders shall complete the programme by 2022. Employee surveys are continuously conducted to identify development areas and connect both general and more specific measures.

#### Business ethics and anti-corruption

The Code of Conduct specifies the rights and responsibilities of Södra's employees, and anyone who represents Södra, in relation to business practices, occupational health and safety, working conditions, human rights, the environment and sustainable forestry. The Code sets out the rules that apply to gifts, benefits, remuneration and business-related entertainment, conflicts of interest and competition from a business ethics perspective.

Suspected breaches of the Code of Conduct should be reported to the immediate supervisor in the first instance or, alternatively, to a senior member of staff, Södra's HR department or a union representative. There is an internal whistleblower function for Södra's employees, and other people representing Södra, for reporting serious misconduct. The whistleblower always has a right to remain anonymous.

The Group has appointed two whistleblower protection officers to deal with any reports. One external whistleblower protection officer has been engaged as an alternative recipient of reports. Reports received by the whistleblower protection officers are investigated and any required action is taken by the relevant function or level at Södra.

#### Responsible supply chain

The Supplier Code contains the obligations and responsibilities of Södra's suppliers in regard to business practices, working conditions, human rights, the environment and quality. Södra's suppliers are assessed on the basis of selected sustainability criteria: geographic risk, supply chain complexity and the supplier's assessed ability to comply with the Södra Supplier Code with regard

to human rights, working conditions, environmental considerations, bribery, money laundering and corruption. Suppliers identified as high risk for non-compliance shall be reviewed by either self-assessment or a sustainability audit.

Södra purchases large volumes of wood raw material from its members. Because they are private forest owners, their deliveries are not covered by the Supplier Code. Nor are harvesting assignments or wood delivery contracts. Suppliers of wood raw material are reviewed instead on the basis of their compliance with FSC® and PEFC standards. This applies to both certified and non-certified members who have delivered wood to Södra during the year.

Södra uses several different schemes for certification and labelling. Certifications enable traceability for wood raw material, and labelling is a tool for communicating the high environmental and sustainability performance of Södra's processes and products. Life cycle assessments (LCA) and Environmental Product Declarations (EPD) will remain a priority for Södra, particularly due to customer demand.

An assessment of the sustainability performance of new products and services is included in various stages of the innovation process. The positive and negative impacts for a number of sustainability aspects are identified and quantified: responsible forestry, material efficiency, energy efficiency, water use, waste and recycling, circular and bio-based economy, use of chemicals, effluents, emissions, fossil greenhouse gas emissions, legal and regulatory compliance in the value chain, occupational health and safety, working conditions, business ethics and anti-corruption. Both the direct impact of Södra's operations and the indirect impact of Södra's supply chain are assessed. If negative impacts arise in any part of the value chain, measures should be taken, if possible, to reduce them. Measures are followed-up at the next assessment of the sustainability performance when the innovation has progressed to the next stage of the innovation process.

## Södra's sustainability governance

Area	Why is this important for Södra?	Södra's governance tools
Sustainable forestry	Sustainable forestry forms the basis of Södra's operations. Responsible forest management ensures regrowth for coming generations and future needs. Considerations during forestry operations are essential for maintaining and promoting the multiple values of forests.	<ul style="list-style-type: none"> <li>- Sustainability Policy</li> <li>- Environmental considerations, Södra Skog – strategic focus area</li> <li>- Sustainability target: promoting biodiversity</li> <li>- Advisory and other services for members</li> <li>- FSC® or PEFC forest management certification</li> <li>- Green Forest Management Plan</li> <li>- Training for members and employees</li> <li>- Management systems</li> <li>- Local environmental objectives</li> </ul>
Climate and environment	Södra pursues strategic innovation to meet the growing need for more sustainable products based on renewable, recyclable and biodegradable forest raw material. Growing forests, the use of wood and deliveries of renewable energy play a key role in combatting climate change and the transition to a circular bioeconomy. Efficient use of resources is helping to strengthen Södra's competitiveness and profitability. It also benefits society and reduces negative impacts on the climate and the environment.	<ul style="list-style-type: none"> <li>- Sustainability Policy</li> <li>- Sustainability targets: climate effect, forest growth and reduced GHG emissions</li> <li>- Roadmaps for a higher rate of forest growth and reduced GHG emissions</li> <li>- Sustainability criteria in the innovation process</li> <li>- Partnerships and business policy lobbying</li> <li>- Research in strategic arenas: forests, wood products, paper, textiles, chemicals and energy</li> <li>- Partnerships with customers, universities, research institutes and companies in the value chain</li> <li>- Environmental permits for industrial processes</li> <li>- European policy instruments for greenhouse gas emissions and renewable electricity</li> <li>- Management systems</li> <li>- Local environmental objectives</li> </ul>
People and value chain	Södra's objective is to have committed employees with the right competence who take responsibility for diversity, development and health and safety. Södra therefore works with: a learning organisation with the power to change, active sustainable leaders, effective teams and work methods and lowest common denominator in culture and values. The values are: Feet on the ground, Ears open and Eyes on the future. Södra places high demands on its employees and suppliers in regard to business ethics, working conditions, human rights and the environment. Sound business ethics and integrity make Södra an attractive and credible business partner.	<ul style="list-style-type: none"> <li>- Sustainability Policy</li> <li>- Strategic plan for employees and organisation</li> <li>- Code of Conduct and Supplier Code</li> <li>- Sustainability targets: zero accident vision and more women in senior positions</li> <li>- Training for employees</li> <li>- Preventive work for better occupational health and safety</li> <li>- Projects and initiatives to improve diversity and inclusion</li> <li>- Certifications and labelling</li> <li>- Business Ethics Council</li> <li>- OHS Council</li> <li>- Whistleblower function</li> <li>- Management systems</li> <li>- Local targets</li> </ul>





# Calculation principles

Information for the Sustainability Report is gathered in a variety of ways. The Skog business area is responsible for sustainable harvesting, biodiversity, net forest carbon stock change and forest growth. Information about raw materials, energy, products, waste, and emissions to air and water is gathered in Södra's annual environmental inventory and compiled by the central sustainability function. HR is responsible for employee data and the economy function gathers information about the gender and age distribution in Boards and management teams. Information about suppliers is gathered by each purchasing organisation and compiled by the central sustainability function.

## Sustainable harvesting

The harvest rate is based on statistics from the National Forest Inventory for Götaland. The harvest rate for 2021 is a mean of three seasons, from the first bud burst in 2017 to the first bud burst in 2020. Calculation of the sustainable harvest rate is based on the forestry impact assessments carried out by the Swedish Forest Agency and the Swedish University of Agricultural Sciences (SLU) every five years. The latest was conducted in 2015 and Södra chose the scenario that best reflected Södra's forest management strategy. A new forestry impact assessment will be carried out in 2022.

## Biodiversity

Information about protected areas and measures to preserve and promote biodiversity, such as considerations in regeneration harvesting and nature-conservation measures is compiled from official statistics, forest management plans, member statistics, production monitoring systems and Green Balance Sheets.

## Climate effect

Södra's climate impact is calculated using a model with three input parameters: net forest carbon stock change (positive impact), reduction of fossil emissions due to substitution (positive impact) and fossil GHG emissions in the value chain (negative impact). Net forest carbon stock change is calculated for forest land owned by Södra members and in Södra's forest holding in the Baltics. This is calculated as the difference between biological growth and withdrawals of biomass through harvesting, and losses due to biological processes or forest fires. For Södra's members, a linear trend of five-year averages has been used for ten years. The substitution effect of Södra's products arises when forest-based products replace products with a higher carbon footprint. This is calculated on the basis of products produced and sold and a substitution factor in the following product categories: wood raw material, sawn timber, paper pulp, dissolving pulp, wood chips as well as energy and bioproducts. Fossil GHG emissions in the value chain include Scope 1, 2 and 3 for 2020 and 2021 with the same boundaries described in the GHG emissions section. For 2018 and 2019, fossil CO<sub>2</sub> emissions from industrial processes, forest management operations, production of input products and the transportation of raw materials to industry and products to customer were included.

## Forest growth

Forest growth is based on statistics from the National Forest Inventory's sample plots on land owned by Södra's members. The rate of forest growth for 2021 refers to annual increment, and is a mean of the annual growth rings from 2015–2019.

## GHG emissions

Direct and indirect GHG emissions are reported using the base year of 2020, since Södra will be submitting an application to the Science Based Target initiative in 2022 to request approval of its emissions-

reduction target with the base year of 2020. The emissions are calculated using the Greenhouse Gas Protocol. Deviations are presented below under the description of each scope. Global Warming Potentials (GWP) are taken from the IPCC report released in 2021 – 29 for methane and 273 for nitrous oxide. Refrigerants are included in emissions and the GWP values of refrigerants are obtained from refrigerant reports for the freezing and chilling systems used by Södra.

Direct (Scope 1) GHG emissions refer to direct emissions from the sources that are financially controlled by Södra. Emissions from boiler combustion, operational machinery and vehicles is calculated on the basis of fuel consumption using calorific values and emission factors. Emissions of methane and nitrous oxide from pulp mills are calculated using a standard basis according to sector-wide emission factors. Process emissions from calcination and biological treatment are calculated for pulp mills. Volatile emissions of refrigerants are calculated as refilled amount of refrigerant in freezing and chilling systems. Scope 1 includes refrigerants for external seedling freezers and fuel consumption for leased operational machinery and contractors in sawmills and terminals in the UK and Ireland.

Södra is a net supplier of electricity to the market and electricity is mainly generated by the pulp mills. GHG emissions from electricity generation is therefore included in Scope 1. Electricity purchased via Södra's electricity supply contract does not contribute to any additional GHG emissions. For foreign companies and the Swedish units not covered by Södra's electricity supply contract, indirect emissions associated with purchased energy (Scope 2) are calculated using a market-based method on the amount of purchased electricity and emission factors for each country's residual mix. Emissions calculated using a location-based method are presented for comparison. GHG emissions from purchased district heating are calculated on the basis of district heating volume and emission factors. Purchased electricity and district heating for small units in Södra's operations, such as offices, are partly included in Scope 2.

Other indirect (Scope 3) GHG emissions comprise the categories of purchased goods and services, upstream emissions from fuels and energy, upstream and downstream transportation, waste, business travel and end use of energy products sold. The selection of Scope 3 activities is based on the criteria set out in the GHG Protocol, including the ability to influence emissions.

- » 3.1 The emissions from production of purchased goods and services are calculated on the basis of amount of goods or service used and emission factors (lifecycle emissions). Purchased goods and services are limited to forestry contractor services, external wood purchases, production chemicals and packaging materials.
- » 3.3 Upstream emissions from production and distribution of fuels and energy are calculated on the basis of consumption of fuel, electricity and district heating, as well as calorific values and emission factors.
- » 3.4 and 3.9 The emissions from upstream and downstream transportation are calculated on the basis of fuel consumption, transport mode, transported volume and transport distances. Emissions from production and distribution of fuel are included. Upstream and downstream transportation is not reported separately. The emissions from sea transport with leased vessels are included in 3.4 and 3.9.
- » 3.5 The emissions from waste are calculated on the basis of waste volume and emission factors for waste management. Emissions from transportation of waste are included.

- » 3.6 Business travel includes emissions from business travel by car, rail and air, including leased company cars. The emissions are calculated on the basis of fuel consumption or distance driven or travelled, calorific values and emission factors. Emissions from production and distribution of fuels are included.
- » 3.11 Use of sold energy products includes emissions from consumption of solid biofuels and energy peat. The emissions are calculated on the basis of fuel consumed, calorific values and emission factors.

The conversion figures are obtained from various sources, including historical figures, suppliers, NTM (Network for transport measures) and the Swedish Environmental Protection Agency.

### Fossil CO<sub>2</sub> from production and transportation

GHG emissions for Scopes 1, 2 and 3 are only presented for 2020 and 2021. Refer to page 110 for information about the changed reporting policy. Ten-year data for fossil CO<sub>2</sub> from production and transportation based on the previous reporting policy is therefore presented on page 126. Fossil CO<sub>2</sub> from production, operational machinery and internal transportation as well as other transportation covers a limited amount of the emissions included in Scope 1, 2 and 3 GHG emissions. The following are not included in the reporting of fossil CO<sub>2</sub> from production, operational machinery and internal transportation as well as other transportation as presented in the table on page 126:

- » Emissions of methane, nitrous oxide and refrigerants
- » Emissions from biological treatment in the pulp mills
- » Emissions from generation of purchased electricity outside Södra's electricity supply contract, and production of district heating
- » Emissions from production of purchased goods and services in addition to forestry contractors working on behalf of Södra
- » Upstream emissions from production of external fuels and energy
- » Upstream emissions from production and distribution of fuels used for transportation and business travel
- » Emissions from pulp transportation where Södra is not responsible for the transport
- » Emissions from external waste management
- » Emissions from end use of energy products

### Energy

Information about energy consumption within and outside Södra is obtained in various ways: direct measurements of electricity and heating, actual or standard calculations of fuel consumption, calculations based on transport mode, transported volume and transport distance or calculations based on distance driven or travelled. The conversion figures have different origins and varying accuracy: measurement of biofuels' calorific values, specific calorific values from suppliers, general calorific values from the Swedish Environmental Protection Agency, sector-wide factors, transportation factors from carriers, and standard values for transportation factors from the Network for Transport Measures (NTM) and the Swedish Environmental Protection Agency. Internally generated heating and cooling are reported solely as fuel consumption. Energy consumption outside the organisation is limited to harvesting contractors working on behalf of Södra (corresponding to category 3.1 for GHG emissions), upstream and downstream transportation (categories 3.4, 3.9), transportation of waste (category 3.5) and business travel (category 3.6). Upstream energy consumption for production and distribution of fuels used by harvesting contractors and for transportation and business travel is not included. Energy intensity, electricity and heat, are recognised per tonne pulp and per m<sup>3</sup> sawn timber.

### Emissions to air

Other emissions to air (nitrogen oxides, sulphur, dust and volatile organic compounds) are reported as direct and indirect emissions. Direct emissions correspond to Scope 1 GHG emissions and indirect emissions correspond to Scope 3 GHG emissions with the same boundary as energy consumption outside the organisation. The emissions are based on measured values and calculations on the basis of fuel consumption and transportation using emission factors from the Swedish Environmental Protection Agency, information obtained from carriers and standard values for emission factors from NTM and the Swedish Environmental Protection Agency.

### Water and emissions to water

Water withdrawal is measured and monitored for each water-consuming unit. Emissions to water are measured and analysed at the pulp mills with varying frequency. Both continuous and manual measurements occur. The mills' accredited laboratory is responsible for measurements and analyses, and some analyses are performed by external laboratories.

### Waste

Waste volume refers to the amount of waste disposed of, either by an external party or in Södra's own landfill. The amounts are monitored by each operation by registering waste sent to own landfill and reports from external waste recipients. Waste volumes stored temporarily pending removal are not monitored at Group level. Non-hazardous waste is classified according to treatment method: materials recovery, energy recovery and landfill. Waste to materials recovery includes waste for re-use, recycling and composting. All waste that is incinerated is assumed to be used for energy recovery where electricity and/or district heating is generated. Hazardous waste is not classified according to treatment method.

### Employees

Information about employees is gathered by the central HR system, which covers all of Södra's units in Sweden. In Sweden, occupational health and safety statistics are reported in the IA system (AFA Försäkring) and compiled. Foreign units report via digital forms. Occupational health and safety is reported for Södra's employees. Subcontracted employees and contractors are managed by their respective employers. However, occupational injuries and incidents related to subcontracted employees and contractors are reported in Södra's incident reporting system to improve health and safety at Södra's workplaces. Södra reports LTAR (lost-time-accident rate), which is the number of occupational injuries with absence per million hours worked. Days of absence from work are counted per working day, including the day of injury, and are reported as the number of days of absence from work per occupational injury. Absence due to occupational diseases is not included in days of absence for occupational injuries.

### Boards and management teams

Information about the gender and age distribution on Boards and in management teams is obtained from the registration certificate of each Group company, see Note 5, and from surveys of the business areas.

### Suppliers

Information about Södra's suppliers is gathered from supplier agreements and invoices in Södra's accounting system. Suppliers are assessed by responsible purchasers and categorised on the basis of geographic risk, assessed supply chain complexity and assessed ability to comply with the Södra Supplier Code with regard to human rights, working conditions, environmental considerations, bribery, money laundering and corruption.

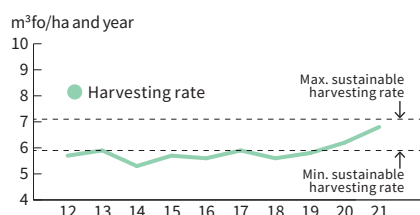
# Sustainable forestry

Collaboration is fundamental to Södra. Most of Södra's members are small forest owners with a range of goals and ambitions for their forest estates, at the same time as production, environmental and social considerations must be harmonised. This creates diversity and variation in forest management. A common denominator for the forest owners is their desire to hand over something to the next generation with more value than it has today – not just financial value, but also natural, cultural and social value. Responsible forest management and use increases the value of forest estates for the future.

## Sustainable harvest rate

Forests are a resource that should be used, but not overused. Maintaining the harvest rate within the long-term production capacity of the forest is fundamental. The sustainable harvest rate for Södra's members is 5.9–7.1 m<sup>3</sup>fo per hectare and year, corresponding to a total of 13–16 million m<sup>3</sup>sub per year, based on the current affiliated forest area. In 2021, Södra's harvest rate was 6.8 m<sup>3</sup>fo per hectare and year (6.2), which was within sustainable harvest rates.

## Sustainable harvest rate



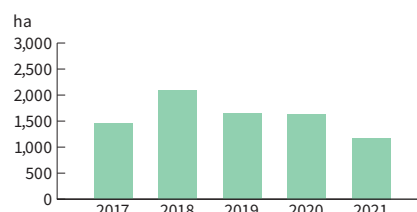
2021 refers to the mean for 2017–2019, in the same way as for other years. The sustainable harvest rate is based on the forestry impact assessment carried out by the Swedish Forest Agency and Swedish University of Agricultural Sciences in 2015. The harvest rate is based on the National Forest Inventory's data for Götaland.

## Biodiversity

Many forest values have arisen from how forests have been managed historically. To preserve and develop these values, we need to continue managing our forests responsibly. By adopting a holistic approach, where we are always trying to combine production with environmental objectives and social values as far as possible, we can create a win-win situation for forests, forest owners and society. Examples include conservation stands that require active management, or conservation set-asides where spruce must be controlled in order to preserve and develop environmental and social values. The area on which these types of measures are carried out needs to increase and Södra's objective is to perform nature-conservation measures on 3,000 hectares every year. The result for 2021 was 1,178 hectares (1,636). Harvesting resources in some of Södra's forest operations area were prioritised for efforts to control the severe spruce bark beetle outbreak. Another

limiting factor is that nature-conservation measures can only be carried out at certain times of the year due to consideration for bird-nesting periods or to prevent soil damage in sensitive environments.

## Nature conservation



Nature-conservation measures area.

Increasing the percentage of pine and mixed coniferous forests in Götaland is important. This relates to production, nature conservation and enhancing the social values of forests, while we are also creating forest stands that can adapt to climate change. This also includes increasing the proportion of rowan, aspen, willow and oak in young forests and allowing them to develop into fully grown trees. The measures must go hand in hand with a wildlife population adapted to the availability of food.

Every year, Södra compiles a Green Balance Sheet where forest management auditors review and determine whether regeneration harvests, thinning, nature-conservation measures and regeneration operations have met the requirements for sustainable forestry. In 2021, a total of 394 sites (391) were audited in the Green Balance Sheet, corresponding to 1,877 hectares (1,832) (regeneration harvests, thinning, nature-conservation measures and regeneration operations). The approval rate for considerations in regeneration harvesting was 78 percent (79). The approval rate for impacts on soil and water was 86 percent (89). The Green Balance Sheet report is available at [sodra.com](https://www.sodra.com)

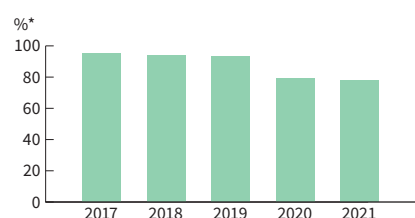
## The social values of forests

Forests are an important place for relaxation, recovery and recreation. We are working continuously with the social values of forests and support the sector-wide objectives for environmental stewardship. This means that

we work to maintain accessibility and preserve the experience values of forests, based on the unique conditions of each area, and good communication with the people who use the areas is key to these efforts.

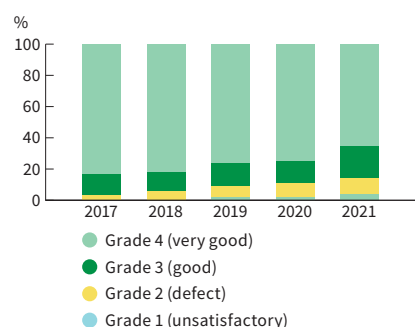
There are traces of past human activities in forests, such as clearance cairns, house foundations, tar pits and charcoal kilns. To avoid damaging these relics in connection with forestry operations, 1.3 metre high cultural heritage stumps are used as markers. We monitor consideration for cultural relics in the Green Balance Sheet. In 2021, we launched an information campaign for our forest contractors with training and webinars to inform them about cultural heritage stumps. Consideration for cultural relics is hampered by the fact that many relics are not registered in cartographic material, but new technologies may provide opportunities for improvement in the future.

## Considerations in regeneration harvesting



\* Proportion of approved regeneration harvesting sites in the Green Balance Sheet.

## Impacts on soil and water in the Green Balance Sheet



In 2021, 86 percent of the regeneration harvest sites were approved in the Green Balance Sheet with regard to impacts on soil and water.



**PROMOTING BIODIVERSITY**

Södra works to preserve and promote biodiversity – a process under continuous development. In 2022, we will clarify our targets for biodiversity and create key indicators for measuring the effects of our measures to preserve and promote biodiversity.

**Certified affiliated forest area in Södra's group certification**

	2021		2020		2019	
	Area (mil. ha)	%	Area (mil. ha)	%	Area (mil. ha)	%
FSC®	1.8	66%	1.7	65%	1.7	66%
PEFC	1.9	68%	1.8	67%	1.8	67%

The certified affiliated forest area has remained stable. Private forest owners appreciate the added value provided by forest certification.

Forest certification is an important tool for ensuring the responsible management of members' forests. Forest owners can become certified under Södra's group certification and sign an agreement to comply with the certification requirements. These include preparing a Green Forest Management Plan. Monitoring takes the form of annual audits.



Södra holds FSC® and PEFC certification with license numbers:  
 FSC-C014930  
 FSC-C006947  
 FSC-C015771  
 PEFC/05-22-11  
 PEFC/05-35-48  
 PEFC/05-32-20

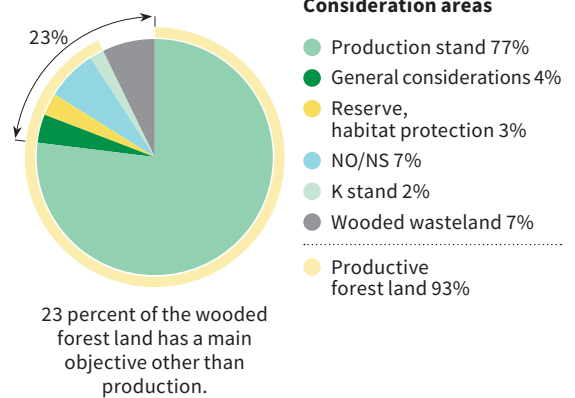
Consideration areas – areas on Södra members' estates in Götaland	2021	2020	2019
<b>Wooded wasteland<sup>1)</sup></b>			
area <sup>2)</sup> , ha	185,000	182,000	177,000
wooded forest land	6.8%	6.7%	6.7%
<b>Official site protection (reserve, habitat protection)</b>			
area, ha	86,000	84,000	81,000
productive forest land	3.2%	3.1%	3.1%
<b>Voluntary set-asides (NO/NS)<sup>3)</sup></b>			
area, ha	145,000	141,000	142,000
regeneration harvest-ready forest	85%	85%	85%
productive forest land	7.8%	7.8%	8.0%
of which NO	3.6%	3.7%	3.8%
of which NS	4.2%	4.1%	4.2%
<b>Management Target K (combined production and environmental targets in addition to general considerations)<sup>4)</sup></b>			
area, ha	49,000	45,000	43,000
productive forest land	2.6%	2.5%	2.4%
<b>General considerations in regeneration harvesting</b>			
production stands	4.6%	4.5%	4.5%
<b>Annual regeneration harvesting (a rotation period of 80 years)</b>			
production stands	1.25%	1.25%	1.25%

<sup>1)</sup> Wooded wasteland is low-productive land with some degree of high conservation value.

<sup>2)</sup> The same percentage of wooded wasteland as in Götaland in its entirety has been used.

<sup>3)</sup> The voluntary set-aside area relates to members with forest management certification. NO refers to 'nature conservation, to be left untouched,' and NS refers to 'nature conservation, requiring management.' 3,000 hectares of voluntary set-asides are protected by temporary nature conservation agreements.

<sup>4)</sup> The management target K area relates to members with forest management certification. Under management target K, a production target applies for 64 percent of the area, and a nature-conservation target for 36 percent.

**More about consideration areas**

Wooded forest land consists of productive forest land and wooded wasteland. The productive forest land grows by at least one m<sup>3</sup> per hectare and year, while wooded wasteland is low-productive woodland. Productive forest land consists of production stands – areas in which wood production is the primary objective, combined with general considerations in forestry measures – and various types of nature conservation areas. Formal types of site protection are nature reserves, habitat protection and nature conservation agreements. Nature reserves are formed by county administrative boards or municipalities to protect a connected area. Habitat protection and nature conservation agreements on forest land are formed by the Swedish Forest Agency or a county administrative board to protect small areas. Nature reserves, habitat protection areas or nature conservation agreements on land owned by Södra members are covered by agreements between individual members and either the Swedish Forest Agency or the county administrative board. There are regulations for formally protected areas describing why the site is protected and any forestry measures. General considerations apply to all forestry operations. These may include

buffer strips, sensitive habitats and groups of trees. In addition to general considerations, forest owners set aside stands voluntarily to maintain and promote nature conservation values (NO/NS). These stands should amount to at least 5 percent of the estate, according to forest certification requirements. The green forest management plan contains descriptions of the NO, NS and K management targets, with objectives and measures for maintaining and promoting nature conservation values. NO (nature conservation, to be left untouched) designates areas where nature conservation values are best maintained and promoted when the forest is left untouched. NS (nature conservation, requiring management) designates the areas where special management methods are required to maintain and promote nature conservation values. There are also K stands (combined targets) with targets for both timber production and nature conservation, and where nature conservation values apply to a higher percentage of the stand than in production stands. In combination, formal protection, voluntary set-aside stands and general considerations all contribute to the national environmental objective of vibrant forests.

**VALUE OF FOREST LAND, VOLUNTARY SET-ASIDES 2021**

The area of voluntary set-asides with nature conservation considerations (NO/NS) on land owned by Södra's members (PEFC-certified) amounted to 145,000 hectares. The total value of this forest area was SEK 25 billion,

with a variation ranging from SEK 18–32 billion. The price interval is based on average prices for forest land according to price statistics from Ludvig & Co, and the average price of redeemed land (habitat protection) from the Swedish Forest Agency.

# Climate and environment

Climate change is one of the biggest challenges of our times, but presents both risks and opportunities for Södra. Our climate-smart products are part of the solution. At the same time, we will also need to adapt our activities – both forestry and industrial – to the changing climate.

## Climate effect

Forest net carbon stock change plus the use of our forest products to replace products with a higher carbon footprint, minus our fossil GHG emissions, gives us Södra's total climate effect. In 2021, the total climate effect was 14.5 million tonnes of CO<sub>2</sub> equivalents (CO<sub>2</sub>e) (12.3). The result is mainly due to an increase in growing stock on land owned by Södra's members, despite a higher harvest rate than in previous years.

Growing forests absorb carbon dioxide, especially when they are managed sustainably and responsibly. The long-term trend in Sweden is that forest growth is increasing and we now have more forest than ever before. For every tree harvested, Södra's members plant at least three seedlings and they choose tree species that promote biodiversity. 'The right tree in the right place' and having a range of forestry measures is also important for meeting the challenges of climate change.

Our mill operations process the forest raw material into building systems, sawn timber, paper and dissolving pulp, and renewable energy. These products generate very small net CO<sub>2</sub> emissions, and products based on renewable forest raw material are replacing products from fossil sources or manufactured with fossil fuels, and by substitution, are helping to reduce climate impacts. Through innovation and by processing our products, we are meeting the growing demand for sustainable and climate-smart products in the evolving circular bioeconomy.

## Forest growth

In 2021, the average rate of forest growth on Södra members' estates was 6.8 m<sup>3</sup>fo/ha per year (6.7), 3 percent lower compared with the base year of 2015. There can be major variations from year to year, but the long-term trend for forest growth is an annual increase of about a half a percent.

We have introduced many initiatives to increase forest growth responsibly:

- » Tree breeding projects to adapt seedlings to changing climate conditions, promote higher forest growth and improve pest resistance.
- » Development of a concept for nutrient recycling with bio-ash.
- » Development of tomorrow's system for effective and low-intensity forest regeneration.
- » Support for research into forestry and forest technology for higher efficiency and lower intensity.
- » Advisory services for members, where effective methods for wildlife damage and control are key elements.
- » Wildlife initiatives with the goal that browsing damage will reach acceptable levels in at least half of the moose management areas by 2021.
- » Adaptation of tree species to climate change, which is leading to a higher proportion of pine or spruce on suitable sites and well-managed forests with the aim of being better equipped for a warmer and drier climate.

## GHG emissions

Södra's target is that Scope 1, 2 and 3 GHG emissions shall be 50 percent lower before 2030 compared with the base year of 2020. Total GHG emissions were 649 ktonnes CO<sub>2</sub>e (679), down 4 percent compared with 2020. Read more about our GHG emissions on the following pages.

Our production processes are almost entirely powered by biofuels. Our operation machinery in industry and in forest, as well as our own vehicles, mainly run on HVO fuel – a bio-based alternative to petrodiesel – and we are working to increase the electrification of, for example, forklifts. The remaining fossil GHG emissions

in Södra's mills come from fossil fuel oil that is mainly used during maintenance shutdowns and operational disruptions, but also from the use of input products in the pulp mills. Biofuel combustion, like all combustion, emits methane and nitrous oxide, which contribute to global warming.

Transportation accounts for a high share of our indirect GHG emissions. Through various partnerships, we are working actively to reduce emissions from freight transport by, for example, using rail freight instead of road haulage, and to stimulate technological advances. Biomethanol production and investments in new biofuel development through Silva Green Fuel and SunPine are helping to increase both the volume and varieties of liquid biofuels.

Purchased products and services account for the second-highest share of our indirect GHG emissions after transportation. The emissions are from the production of input products needed for pulp production, but also from contractor services for forestry operations. Partnerships in the value chain, combined with evaluation and selection of products and services with a low carbon footprint are key measures for reducing these emissions.

To promote commuting with electric vehicles, more than 100 charging points have now been installed at our sites and offices. During the year, Södra's company car regulations were updated and a wide range of electric vehicles and plug-in hybrids are offered to employees.

Several activities were carried out during the year that will lead to lower GHG emissions from Södra, and in Södra's value chain, in both the long and the short term:

- » Electrification of the railway yard in the combined plant at Värö.
- » Test of hybrid forklifts that run on both electricity and liquid biofuels

in the wood yard of the combined plant at Värö.

- » The biomethanol plant at the pulp mill in Mönsterås became fully operational.
- » Start-up of the demonstration facility for advanced liquid biofuel production in the associate Silva Green Fuel.
- » Continued support for the joint project with parties including KLM Royal Dutch Airlines to produce aviation biofuel.
- » Collaboration with the Swedish company Trioworld on recycled content in the timber packaging used for all wood deliveries.
- » The launch of Zero Fossil, fossil-free products made with absolutely zero fossil fuels.
- » The testing of Södra's biomethanol as a marine fuel, in both a laboratory and a pilot boat, in the EU-funded Fastwater project.

The aim of the activities is to stimulate supply and demand for biofuels, and to promote technological advances and business policy lobbying. A continued focus on operational efficiency and continuous improvement is of the utmost importance.

### Material efficiency

The main resources used in the production processes at our mills are:

- » wood raw material
- » sawn timber
- » chemicals
- » packaging materials
- » water

Efficient use of wood raw material and chemicals reduces both environmental impacts and costs, while also strengthening profitability. This area is therefore important if we want to become more competitive. Several research and development projects are currently taking place to help us become even better at using every fibre from a material and energy perspective in both existing and future production processes.

In addition to sawn timber and pulp, our industries generate several other products from the whole tree. They are used in construction materials, as bio-fuels, for the production of biofuels and as raw materials in the chemical industry. One example is biomethanol which is produced by distilling crude methanol, a by-product of the pulping process at the pulp mill in Mönsterås. Crude methanol was previously used as an internal fuel for energy generation. Bio-ash from the pulping process at the mills is recycled in a sustainable ecosystem approach by using the nutrient-rich ashes to promote forest growth. Another notable example of our innovation capabilities when it comes to new materials and processes for the circular bioeconomy is OnceMore®, which enables large-scale recycling of textiles that would otherwise become waste, and using them to produce new textiles instead.

### Water

Water supply and consumption is a key issue for Södra. In recent years, southern Sweden has experienced periods of abnormally low precipitation, resulting in low river flows and low groundwater levels. Water is a strategic resource and will receive a greater focus moving forward. Most of the water used in our operations is taken from surface water sources, but a small amount of groundwater and municipal water is also used. All water

is freshwater. Water also comes into our processes through the wood raw material and with chemicals.

### Energy efficiency

We are almost self-sufficient in renewable energy for our own industrial processes. The energy is generated in our pulp mills and sawmills and mainly derived from wood raw material. If needed, energy requirements are supplemented by purchasing biofuels and, to a limited extent, fossil fuels.

Our various industrial operations also generate large amounts of excess green energy that is delivered to external customers in the form of renewable electricity, district heating and biofuels.

In 2021, electricity generation exceeded electricity consumption, allowing us to deliver large amounts of excess electricity to the local community.

### Emissions to air, land and water

Resource efficiency requires determined efforts to consistently reduce the environmental impact of emissions to air, land and water. The emissions are mainly derived from our pulp mills and transportation. The emissions to water are mainly attributable to the pulp mills and are treated in the mills' internal wastewater treatment systems. Surrounding areas may be affected by odours, dust and noise from our industrial and forestry operations.

### Waste

Resource efficiency also requires efforts to reduce waste, and create new solutions for recycling and energy recovery instead. The waste that nevertheless arises is dealt with to reduce environmental impacts. These impacts can include leachate from own landfills at the pulp mills, emissions from the incineration of waste by external recipients and emissions from transporting waste.

### CLIMATE EFFECT – TARGET AND OUTCOME

Södra's target is to increase the positive climate effect to 11.1 million tonnes of CO<sub>2</sub>e equivalents (CO<sub>2</sub>e) by 2025. In 2021, the positive climate effect was 14.5 million tonnes of CO<sub>2</sub>e (12.3). The result is mainly due to an increase in growing stock on land owned by Södra's members. This target will be reviewed in 2022.

### Climate effect

CO <sub>2</sub> e, Mtonnes	2021	2020
Positive climate effect	14.5	12.3
Net carbon stock change	5.8	4.8
Substitution	9.4	8.2
Fossil emissions in the value chain	0.7	0.7

Net forest carbon stock change and substitution with forest-based products give us Södra's total climate effect. There are still fossil GHG emissions in the value chain.

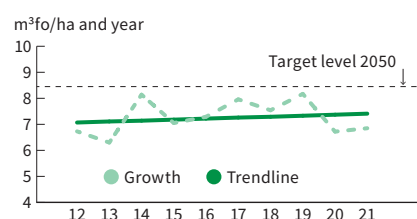
### NET FOREST CARBON STOCK CHANGE

The growing stock in forests owned by Södra's members is increasing, which is leading to sequestration of carbon dioxide. At the same time, the harvest rate was higher than in previous years. The average CO<sub>2</sub> uptake in Södra members' forests over the past five years has been 9.9 million tonnes of CO<sub>2</sub>e per year (8.1). The long-term trend is an average CO<sub>2</sub> uptake of 5.4 million tonnes of CO<sub>2</sub>e per year (4.6) (linear trend for ten years, five-year averages). Net carbon stock change in the Group's forests amounted to 0.4 million tonnes of CO<sub>2</sub>e (0.2).

### FOREST GROWTH

Södra's target is that the annual rate of forest growth on its members' estates shall be 20 percent higher in 2050 compared with the base year of 2015. In 2021, the average rate of forest growth on Södra members' estates was 6.8 m<sup>3</sup>fo/ha per year (6.7), 3 percent lower compared with the base year of 2015. There can be major variations from year to year and extreme weather conditions, such as the hot and dry summer of 2018 and subsequent spruce bark beetle damage, can also affect the outcome. The long-term trend for forest growth is an annual increase of about half a percent.

### Forest growth



2021 refers to the average growth rate for 2015–2019, the most recent value available. The rate of forest growth is based on the National Forest Inventory's data for land owned by Södra members.

### SUBSTITUTION

The decrease in fossil-fuel emissions due to substitution was 9.4 million tonnes (8.2) of CO<sub>2</sub>e. The result is due to a higher harvest rate combined with higher deliveries of wood raw material and sawn timber.

### FOSSIL EMISSIONS IN THE VALUE CHAIN

Södra's target is that Scope 1, 2 and 3 GHG emissions shall be 50 percent lower before 2030 compared with the base year of 2020. Total GHG emissions were 649 ktonnes CO<sub>2</sub>e (679), down 4 percent compared with 2020. Scope 1 emissions were 61 ktonnes CO<sub>2</sub>e (51), up 19 percent compared with 2020. Scope 2 emissions were 2.5 ktonnes CO<sub>2</sub>e (2.6), in line with 2020. Scope 3 emissions were 586 ktonnes CO<sub>2</sub>e (625), down 6 percent compared with 2020.

### Fossil emissions in the value chain

CO <sub>2</sub> e, ktonnes	2021	2020
Total emissions	649	679
Scope 1, direct GHG emissions	61	51
Scope 2, indirect emissions from the generation of purchased energy	2.5	2.6
Scope 3, other indirect emissions	586	625

The emissions include fossil CO<sub>2</sub>, methane, nitrous oxide and refrigerants.

### Fossil CO<sub>2</sub> from production and transportation

Fossil CO <sub>2</sub> , ktonnes	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fossil CO <sub>2</sub> from production	67	70	70	103	81	99	87	131	185	233
Fossil CO <sub>2</sub> from transportation	270	227	207	196	191	199	193	210	235	281

Fossil- CO<sub>2</sub> from production includes emissions from production, operational machinery (including external harvesting contractors working on behalf of Södra) and internal transportation. Transportation includes emissions from other transportation, including Södra's own haulage operations. A major change between 2021 and 2020 is that 2021 includes GHG emissions for the transportation of pulp to customers where Södra is not responsible for the transport. Production and transportation account for a limited amount of the emissions included in the presentation of Scope 1, 2 and 3 GHG emissions. For more detailed information about calculation principles, refer to pages 120–121.

CO<sub>2</sub> equivalents (CO<sub>2</sub>e) is a standard unit for measuring greenhouse gas emissions. Each type of greenhouse gas has a different global warming effect. When emissions are reported as CO<sub>2</sub>e, all greenhouse gases are included as if they were carbon dioxide. Scope 1 refers to direct GHG emissions that occur from sources that are financially controlled by Södra. Scope 2 refers to indirect emissions associated with purchased energy. Scope 3 refers to other indirect emissions.

**GHG emissions**

CO <sub>2</sub> e, ktonnes	2021	2020
Scope 1	61	51
– of which fossil CO <sub>2</sub>	36	27
– of which other greenhouse gases	25	24
Scope 2	2.5	2.6
– of which fossil CO <sub>2</sub>	—	—
– of which other greenhouse gases	—	—
Scope 3	586	625
– of which fossil CO <sub>2</sub>	—	—
– of which other greenhouse gases	—	—
Biogenic carbon dioxide	6,303	6,108
– of which Scope 1	4,839	4,812
– of which Scope 2	—	—
– of which Scope 3	1,464	1,296

Other greenhouse gases includes methane, nitrous oxide and refrigerants. For Scopes 2 and 3, classifying emissions as either fossil CO<sub>2</sub> or other greenhouse gases is not possible due to direct measurement of CO<sub>2</sub> equivalents for many purchased goods. CO<sub>2</sub> emissions arising from biogenic sources are not reported in Scope 2.

**Direct (Scope 1) GHG emissions**

CO <sub>2</sub> e, ktonnes	2021	2020
Scope 1	61	51
– of which fossil CO <sub>2</sub> from fossil fuels	19	16
– of which fossil CO <sub>2</sub> from use of input products	17	11
– of which from other	25	24

Scope 1 refers to direct GHG emissions that occur from sources that are financially controlled by Södra.

**Scope 2 GHG emissions, indirect emissions from the generation of purchased energy**

CO <sub>2</sub> e, ktonnes	2021	2020
Scope 2	2.5	2.6
– of which from purchased electricity in foreign companies	2.5	2.5
– of which from other	0.0	0.1

Scope 2 refers to indirect GHG emissions from the generation of purchased energy. A market-based method was used for electricity. Using a location-based method, Scope 2 emissions were 0.9 (0.8) ktonnes.

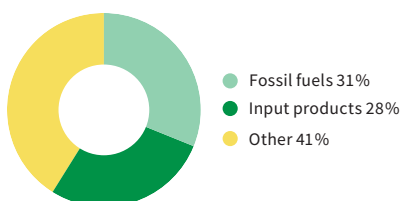
**Other indirect (Scope 3) GHG emissions**

CO <sub>2</sub> e, ktonnes	2021	2020
Scope 3	586	625
– 3.1 Purchased goods and services	240	238
– 3.3 Upstream emissions of fuels and energy	7.8	3.4
– 3.4, 3.9 Upstream and downstream transportation	306	359
– 3.5 Waste	0.2	0.2
– 3.6 Business travel	1.1	1.6
– 3.11 Use of sold energy products	31	23

Scope 3 refers to other indirect GHG emissions in selected categories. The selection is based on the criteria set out in the GHG Protocol. A market-based method was used for electricity in 3.3. Using a location-based approach, Scope 3 emissions were 7.6 (3.3) ktonnes. Total Scope 3 emissions remained unchanged.

**Comments**

» Since Södra uses mainly biofuels in production processes, biogenic CO<sub>2</sub> emissions are many times higher than fossil CO<sub>2</sub> emissions and other greenhouse gases in Scopes 1, 2 and 3.

**Scope 1 GHG emissions in 2021**

Direct (Scope 1) GHG emissions are from the use of fossil fuels and input products in the pulp mills, and nitrous oxide and methane emissions from biofuel combustion (other).

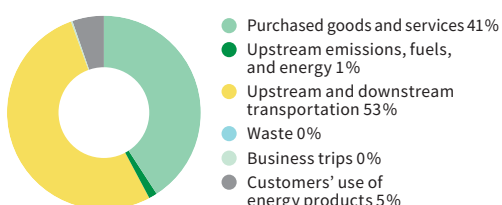
**Comments**

» Scope 1 emissions are from the use of fossil fuels and input products in the pulp mills, but also from other GHG emissions emitted by biofuel combustion.

» In 2021, the use of fossil heating oils at pulp mills was higher than in 2020 due to the year's maintenance shutdowns.

**Comments**

» The Scope 2 indirect emissions are minor since Södra is largely energy self-sufficient. The emissions from generation of electricity and heating are therefore included in Scope 1.

**Scope 3 emissions in 2021**

The indirect GHG emissions in Scope 3 are mainly from the production of purchased goods and services, and upstream and downstream transportation.

**Comments**

» In category 3.1, the production of input products for pulp mills and forestry contractor services are significant.

» In categories 3.4 and 3.9, sea transportation of products to customers accounts for most of the emissions. Sea transportation was lower in 2021 compared with 2020.

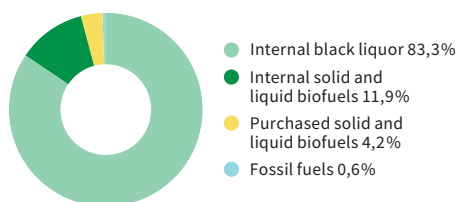


Fuel consumption, GWh	2021	2020	2019
Renewable fuels, total	14,484	14,397	14,279
Internal black liquor (within Södra)	11,917	11,947	12,068
Internal solid and liquid biofuels (within Södra)	1,705	1,608	1,347
Purchased solid and liquid biofuels	862	842	864
– for production (within Södra)	598	561	584
– for operational machinery and transportation (within Södra)	72	70	71
– for harvesting contractors (outside Södra: 3.1)	52	3	3
– for transportation, transportation of waste and business travel (outside Södra: 3.4, 3.5, 3.6, 3.9)	140	208	206
Fossil fuels, total	1,186	1,027	950
Fuel oil (within Södra)	59	51	45
Fossil vehicle fuels	1,100	954	886
– for operational machinery and transportation (within Södra)	7	6	9
– for harvesting contractors (outside Södra: 3.1)	127	166	161
– for transportation, transportation of waste and business travel (outside Södra: 3.4, 3.5, 3.6, 3.9)	966	782	716
Other fossil fuels (within Södra)	27	22	19

**Comments**

- » In 2021, the use of fossil fuel oil was higher than in preceding years due to the year's maintenance shutdowns in the pulp mills.
- » In 2021, the use of fossil fuels for transportation was higher than in 2020 due to the inclusion of transportation of pulp to customers where Södra is not responsible for the transport.

Fuel consumption takes place within and outside Södra. Fuel consumption outside Södra follows the same categorisation as for GHG emissions. The principles for breaking down renewable and fossil fuels for operational machinery and internal transportation, harvesting contractors and transportation were changed in 2021. Refer to pages 110 and 121 for details.

**Fuel consumption for production 2021**

Södra consumed fuel equivalent to 14.3 TWh for industrial production. 0.6 percent of this figure was fossil fuel, mainly fuel oil. Otherwise, biofuels were used, most of which comprised the lignin released in the production process at the pulp mills. The pulp mills recycle the cooking chemicals used in pulp production, while simultaneously generating energy. The sawmills burn bark and other biofuels to generate heat for wood drying.

Electricity and district heating, GWh	2021	2020	2019
<b>Electricity</b>			
Electricity consumption <sup>1)</sup>	1,469	1,452	1,459
– for production, operational machinery and transportation (within Södra)	1,440	1,426	1,433
– for transportation and business travel (outside Södra: 3.4, 3.6, 3.9)	29	26	26
Purchased electricity <sup>1)</sup>	206	143	159
– for production, operational machinery and transportation (within Södra)	177	117	133
– for transportation and business travel (outside Södra: 3.4, 3.6, 3.9)	29	26	26
Electricity generation	1,790	1,956	1,830
Electricity sales	527	647	530
Renewable electricity	99.5%	99.6%	99.7%
<b>District heating<sup>2)</sup></b>			
Purchased district heating, total (within Södra)	2	2	3
– from steam	2	2	3
– from secondary heat <sup>3)</sup>	0	0	0
District heating sold, total	442	385	405
– from steam	140	98	108
– from secondary heat	302	287	297

**Comments**

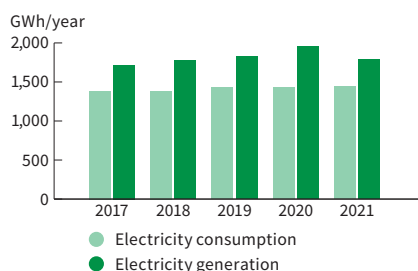
- » More than 99 percent of the electricity generated by Södra comes from renewable energy sources. Electricity is generated at the pulp mills in Mönsterås, Mörrum and Värö, and by six wind turbines in Mönsterås.
- » In 2021, electricity generated was lower than in 2020 due to maintenance and operational disruptions in the pulp mills' turbines.
- » In 2021, district heating deliveries were higher than in 2020, mainly due to the cold weather.

<sup>1)</sup> Electricity consumption and purchasing of electricity within and outside Södra. Electricity consumption outside Södra follows the same categorisation as GHG emissions. Refer to the calculation principles on page 121 for details.

<sup>2)</sup> District heating relates to external purchasing and external sales.

<sup>3)</sup> Secondary heat is excess heat from the process. No additional fuel is required.

## Electricity consumption and electricity generation



Electricity generation continued to exceed electricity consumption, net electricity deliveries were 350 GWh.

## Electricity and heating consumption – Pulp

kWh/tonnes of pulp	2021	2020	2019	2018	2017
Electricity	711	698	699	701	727
Heating	3,273	3,002	3,172	3,105	3,261

Electricity and heating consumption for pulp was adversely impacted by maintenance shutdowns and operational disruptions during the year.

## Electricity and heating consumption – Sawn timber

kWh/m <sup>3</sup> sawn timber	2021	2020	2019	2018	2017
Electricity	61	60	62	63	64
Heating	225	225	224	241	248

Electricity and heating consumption for sawn timber was stable.

Energy consumption within and outside Södra, GWh	2021	2020	2019
Renewable fuels	14,484	14,397	14,279
within Södra	14,292	14,185	14,070
outside Södra	192	212	209
Fossil fuels	1,186	1,027	950
– within Södra	93	78	73
– outside Södra	1,093	949	877
Purchased electricity	206	143	159
– within Södra	177	117	133
– outside Södra	29	26	26
Purchased district heating	2	2	3
– within Södra	2	2	3
– outside Södra	0	0	0
Total	15,878	15,569	15,391
– within Södra	14,564	14,382	14,279
– outside Södra	1,314	1,187	1,112

Energy is consumed within and outside Södra. Energy consumption within Södra comprises production, operational machinery and internal transportation (Scope 1). Energy consumption outside Södra comprises harvesting contractors (corresponding to category 3.1 for GHG emissions), transportation (categories 3.4 and 3.9), transportation of waste (category 3.5) and business travel (category 3.6). Södra also makes external deliveries of energy in the form of electricity and district heating. Refer to the calculation principles on page 121 for details.

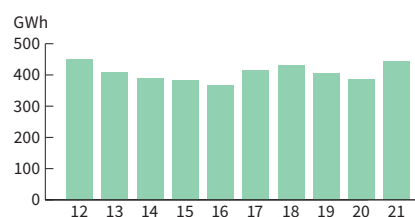
## Comments

- » Renewable fuels are mainly used within Södra for pulp production.
- » Fossil fuels are mainly used outside Södra for the transportation of raw materials to industry and products to customers.

External energy deliveries, GWh	2021	2020	2019
Electricity	350	530	397
District heating	442	385	405
Solid biofuels (forest fuel, bark, pellets, and by-products)	3,978	3,551	4,060
Total	4,770	4,466	4,862

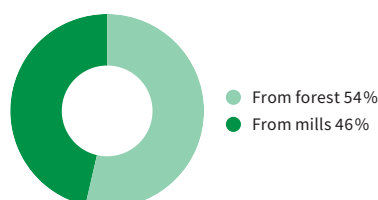
In 2021, external energy deliveries totalled approximately 4,800 GWh.

## External district heating deliveries



Södra delivers district heating from the pulp mills in Mönsterås, Mörrum and Värö, and the sawmill in Kinda to neighbouring communities. In 2021, external district heating deliveries were 442 GWh. About two-thirds of external district heating deliveries comprise industrial excess heat. District heating is also delivered internally within Södra. The pulp mills at Mönsterås and Värö supply the combined facilities with district heating.

## Biofuel 2021



Biofuels are used in a variety of ways in Södra's value chain. Forest residues (branches and treetops) are a by-product of harvesting and used as fuel in thermal power stations. Bark from the pulp mills is used for internal energy generation and sold on the market as biofuel. The sawmills contribute with bark, shavings and wood chips. The diagram shows the division between biofuels from forests and biofuels from industry, a total of about 4,000 GWh.

Raw material use <sup>1)</sup>		2021	2020	2019
Wood raw material <sup>2)</sup>	million m <sup>3</sup> sub	12.6	12.6	12.7
Sawn timber <sup>3)</sup>	1,000 m <sup>3</sup>	278	205	190
Chemicals <sup>4)</sup>	1,000 tonnes	325	336	360
Packaging materials	1,000 tonnes	6.7	6.7	6.0
Water withdrawal	million m <sup>3</sup>	85	82	79
Other raw materials <sup>5)</sup>	1,000 tonnes	1	6	6

<sup>1)</sup> Wood raw material and sawn timber are renewable raw materials, while chemicals, packaging materials and other raw materials are largely fossil-derived. Measurement and monitoring of the renewable percentage is not available for chemicals and packaging materials.

<sup>2)</sup> Wood raw material include sawlogs, pulpwood, fuel wood and forest residues used in Södra's industries.

<sup>3)</sup> Sawn timber relates to external purchasing.

<sup>4)</sup> Chemicals relates to purchased chemicals. Consumption mainly takes place in the pulp mills, in digesters and bleachers. The alkaline cooking chemicals are almost completely recovered, while energy is also generated. Chemicals for bleaching are partly manufactured on site, but also purchased on an ongoing basis. The hazard categories of the chemicals vary, but are most corrosive, oxidising and toxic.

<sup>5)</sup> Other raw materials in 2019 and 2020 mainly comprised insulation and gypsum in Trivselhus. Trivselhus is not included in the Sustainability Report for raw material use in 2021.

#### Comments

- » The pulp mills use surface water from the Emån, Mörrum and Viskan rivers. Only a minor share (<1 percent) of Södra's water withdrawal comes from groundwater or municipal water. Water use has remained stable in recent years.
- » Water also enters Södra's processes via incoming raw materials, mainly with wood raw material and chemicals, totalling just over 6 million m<sup>3</sup>.

Emissions, tonnes		2021	2020	2019
NO <sub>x</sub> (nitrogen oxides calculated as NO <sub>2</sub> )		6,587	5,423	5,406
– of which direct emissions		2,770	2,681	2,741
– of which indirect emissions		3,817	2,742	2,665
S (gaseous sulphur calculated as SO <sub>2</sub> )		2,456	1,285	1,318
– of which direct emissions		502	536	678
– of which indirect emissions		1,954	749	640
Dust		531	681	666
– of which direct emissions		263	560	557
– of which indirect emissions		268	121	109
VOCs (volatile organic compounds)		2,100	2,145	2,166
– of which direct emissions		2,009	2,060	2,068
– of which indirect emissions		91	85	98

Direct emissions correspond to Scope 1 GHG emissions and energy consumption within Södra. Indirect emissions correspond to Scope 3 GHG emissions for harvesting contractors, transportation, transportation of waste, business travel and energy consumption outside Södra. Refer to the calculation principles on page 121 for details.

#### Comments

- » The pulp mills account for the largest share of direct emissions of nitrogen oxides, sulphur, dust and volatile organic compounds.
- » The indirect emissions of these substances are mainly derived from the transportation of products to customers and for 2021, emissions from the transportation of pulp that Södra is not responsible for were also included.
- » Direct emissions of dust from the pulp mills were lower compared with previous years due to new purification equipment and fewer operational disruptions.

Effluents		2021	2020	2019
Wastewater	1,000 m <sup>3</sup>	77,100	72,100	69,800
AOX (halogenated organic compounds)	tonne	95	98	96
TOC (total organic carbon)	tonne	8,345	8,204	8,198
COD (chemical oxygen demand)	tonne	23,752	22,857	22,802
BOD <sub>7</sub> (biochemical oxygen demand)	tonne	1,388	1,695	1,369
TSS (total suspended solids)	tonne	2,075	2,457	2,131
Total N (nitrogen)	tonne	236	196	192
Total P (phosphorus)	tonne	21	22	17
Chlorate	tonne	24	79	116

Effluents from pulp mills are reported. Treated wastewater maintains high quality and complies with the EU's Industrial Emissions Directive. Following treatment, the wastewater is discharged into the Kattegatt or Baltic seas and not reused. A small percentage (<1 percent) of the wastewater goes to municipal water treatment plants.

#### Comments

- » In 2021, the wastewater treatment facility in the pulp mill at Värö for was improved. A new sludge separation facility became operational and a number of drains were re-routed. This reduced the amount of suspended solids in the treatment facility's sedimentation stage, whereby even the purified water had lower concentrations of suspended solids – which was also evident from the outcome for the year. Suspended solid effluents from the pulp mill at Mörrum also declined compared with previous years due to investments in the treatment facility over the past years.
- » Nitrogen emissions were slightly higher compared with previous years due to operational disruptions in the water treatment facilities.
- » Chlorate emissions were significantly lower compared with previous years due to the optimisation of chlorate reduction in water treatment facilities and improved work methods.

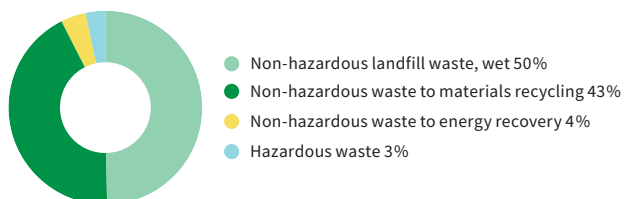
Waste, ktonnes	2021	2020	2019
Non-hazardous waste	75	90	71
– of which waste to materials recovery	39	29	28
– of which waste to energy recovery	3.4	3.5	2.6
– of which landfill waste, wet	33	57	41
Hazardous waste	2.4	1.8	1.0

It is assumed that energy is recovered from all waste incineration.

#### Comments

- » The volume of landfill waste declined compared with previous years. Green liquor sludge was used as final covering for own landfill and is therefore categorised as waste to materials recovery, since it was used to replace another type of covering material.

#### Waste management 2021



Non-hazardous landfill waste is mainly sent to Södra's own landfill sites and comprises inorganic materials, such as green liquor sludge, ash and lime sludge from the pulp mills. Hazardous waste is mainly comprised of oily wastes. In 2021, the total weight for Södra was 77,898 tonnes.

#### PERMIT VIOLATIONS

Environmental permits for Södra's mill operations regulate emissions to air and water and noise, using guideline values, limits and/or constraints. Any exceedance of the guideline values must be reported to the supervisory authority and an action plan is required to avoid future exceedances. Exceedance of limits is subject to criminal liability. A constraint is considered a limit from the moment it is exceeded.

In 2021, Södra's activities exceeded guideline values, but no limits or constraints. Södra Skog exceeded guideline values for concentrations of suspended solids in water for five peat bogs. The peat bogs also exceeded conditions for activities not related to emissions, water or noise. Södra Wood Långasjö exceeded the guideline value for noise. Södra Cell Mönsterås exceeded guideline values for sulphur and dust emissions to air, total organic carbon and nitrogen in wastewater and night noise. Södra Cell Mörrum exceeded guideline values for dust emissions to air, chlorate in wastewater and conditions for own landfill use. Södra Cell Värö exceeded guideline values for suspended solids and total organic carbon in wastewater. Total exceedances amounted to four for emissions to air, 26 for emissions to water and two for noise.

In addition to these exceedances, several other environmental incidents were reported to the relevant supervisory authority in 2021, including fire, oil and chemical discharges, and operational disruptions in wastewater treatment equipment.

#### COMPLAINTS

- » During the year, Södra's industrial activities received 96 (69) external complaints. Most were related to noise and odours from Södra Cell's three pulp mills. The complaints were managed in accordance with the environmental management systems of the operations. The complainant receives feedback if requested. The complaints are also reported to the relevant supervisory authority.
- » During the year, Södra's forestry operations received 81 (45) formal comments, mainly related to the presence of endangered or protected species.

#### REMEDIATION OF CONTAMINATED SOIL

Södra owns, or has owned, areas contaminated by earlier industrial processes, mainly discontinued sawmills and former timber-treatment facilities. Remediation measures are prioritised on the basis of risk to human health and the environment.

At the former timber-treatment facility in Hultsfred, a revised action proposal was created to support the selection of an appropriate remedial technique for creosote-contaminated sediment. At the former sawmill in Lidhult, surface soil pollution was excavated and remediated. Pentachlorophenol contamination remains in groundwater, and a pilot project for in-situ reduction commenced. A pilot project for in-situ reduction of pentachlorophenol contamination in groundwater also commenced in the discontinued sawmill at Hjortsberga. A sampling plan was created for this former sawmill site and the adjacent bark waste yard in Fagered. A project to create an historical presentation and sampling plan for the Emsfors paper mill site with adjacent sedimentation ponds and landfills commenced.

# People and value chain

The commitment of our employees is key to our success as an attractive and responsible employer. Together we are all responsible for a safe, stimulating and inclusive workplace, where all employees can help to create value. Our success is based on the correct behaviour – in terms of high ethical standards and integrity – of our employees and partners, both locally and internationally. Certification attests to the origin of wood raw material and products.

## Occupational health and safety

The health and safety of our employees is a top priority. In 2021, the COVID-19 pandemic continued to affect the work situation for our employees. To minimise the risk of spreading the virus, we continued to follow the Swedish Public Health Agency's recommendations and adapted the way we work to keep our business running. The pandemic has changed our everyday routines and led to more remote working, online collaboration tools and meetings, and restrictions on visits and travel. We conducted a health campaign focused on a wide range of virtual activities. Healthy attendance was 96 percent (95) and relates to the percentage of employees who were sick for five or fewer days during the year – a positive result considering the COVID-19 pandemic.

Södra shall offer a safe and secure workplace for employees and contractors, with a zero accident vision. The number of lost-time-accidents was 56 (47) and the lost-time-accident rate measured as number of occupational injuries with absence per million hours worked was 11 (9). After several years of decline, the number of occupational injuries is rising again, which means that a systematic approach to health and safety management, with active measures, must continue. We make extensive efforts to identify and eliminate risks in all aspects of the work environment. Some examples are safety inspections, internal audits, hazard inventories, risk analyses and risk assessments, risk investigations, handling of risk observations, incidents and accidents, training, emergency drills and

personal protective equipment. We have also invested heavily to improve safety in the form of better safety equipment and technical solutions, with a greater focus on preventive safety measures.

## Equal opportunity, diversity and workplace inclusion

We are working to break down traditional cultural barriers by increasing equal opportunity and diversity in several ways, including community involvement and partnerships with schools and universities. 23 percent (23) of Södra's employees were women. At Södra's Swedish operations, the proportion of employees with a foreign background was 7.4 percent (6.8). Efforts in this area need to continue with a higher focus.

Södra has zero tolerance of bullying and harassment. No employee satisfaction survey was conducted in 2021, which means that the percentage of employees who experienced bullying and harassment was not measured. The next employee satisfaction survey will be carried out in January 2022. In 2020, 5 percent of Södra's employees experienced bullying and harassment.

In 2021, efforts with the Swedish regulation of active measures continued. Under the regulation, employers are required to take active measures to prevent discrimination at a general and structural level, and to promote equal rights. The active measures shall be proactive and encourage greater efforts to prevent discrimination and promote equal rights and opportunities at a more overall level than the grounds for discrimination. This work was carried out by a joint team

and comprised an analysis of the current situation, risks and obstacles in the area, an action plan, and a Group-wide method that was also evaluated

At the end of 2021, 60 percent (55) of employees had completed a course in Södra's programme to prevent discrimination and bullying.

## Training and education

The forest industry is becoming increasingly knowledge-intensive and we are continuously working to support our employees, managers and contractors by offering competency development. Combined with continuous improvement, this enhances efficiency and provides opportunities for personal development. We also want to offer our employees new and interesting challenges.

Internal mobility (movement of employees across roles) was 4.5 percent (3.2). This is a key contribution to learning and competency development.

During the COVID-19 pandemic, we expanded our training offering with a higher proportion of online courses that will also be useful after the pandemic. We launched the new Grow leadership course for both direct and indirect leadership and a health and safety training course for employees. The number of training hours per employee was 8 (8) during the year.

In 2021, 60 percent (53) of Södra's employees completed performance reviews. The aim of the performance review is to provide simple support for continued learning. In 2021, we created a more forward-looking format for performance reviews to strengthen the



link between strategy and employee and unleash the potential of every employee. The new version will be introduced in 2022.

### Organisational culture and values

We are continuing our work in a strategic educational partnership with IKEA and Linnaeus University, focused on a combined forestry and innovation Master's degree programme. The aim is to gather expertise in a shared interdisciplinary arena with active exchange activities between academia and industry.

We also want to encourage young people to take an interest in science, technology and maths and are therefore participating in IGE Day (Introduce a Girl to Engineering Day), Tekniskprången (engineering internships) and a pilot project within the scope of Maker Tour – Towards New Heights. By helping to build bridges between the business sector and schools, we are strengthening our long-term skills pipeline.

Södra's employees visit schools to speak about Södra and spread knowledge about sustainable forestry and the climate benefits and values of forests. We arrange field trips, summer jobs, internships and degree projects.

In the Randstad Employer Brand Research, the most representative and inclusive employer brand research in the world that measures the attractiveness of Sweden's top 150 employers, we were ranked seventh in the 2021 survey.

No employee satisfaction survey was conducted in 2021, which means that the percentage of employees who would recommend Södra as a good place to work

was not measured. The results of previous employee satisfaction surveys show that Södra is perceived as an attractive employer, but that we need to improve our employee offering. eNPS (employee net promoter score) measures the likelihood that a company's employees would recommend their employer to a friend. In the 2020 employee satisfaction survey, the eNPS was 13.

### Business ethics and anti-corruption

The Södra Code of Conduct contains guidelines for how employees and anyone representing Södra should behave. To raise awareness of the Code of Conduct, every employee completes a compulsory online training course. At the end of 2021, 81 percent (80) of Södra's employees and 82 percent (75) of Södra's Group Senior Management had completed the online training programme. Group Senior Management, management teams and key groups participate in an advanced course. The Board also undergoes training in the Code of Conduct. Purchasing managers undergo continuous training on the Supplier Code.

In 2021, two cases of suspected serious misconduct in Södra's operations were reported to Södra's internal whistleblower function. One case was related to health and safety, the other to discrimination. Both cases were reported at the end of the year and are still under investigation. In 2020, two cases were reported to the whistleblower function. One case was related to health and safety, the other to business practices. Both cases were investigated and no breach of the Södra

Code of Conduct nor any other form of gross misconduct could be determined.

In 2021, one health and safety-related incident led to the imposition of a fine by a prosecutor. Three incidents in the external environment led to legal sanctions.

### Responsible value chain

We place high demands on our suppliers and the Södra Supplier Code contains guidelines for how they should act in order for our partnership to work. The Supplier Code shall be included in all supplier agreements. Most of our suppliers and contractors are based in Sweden or the EU, which makes evaluation and control easier.

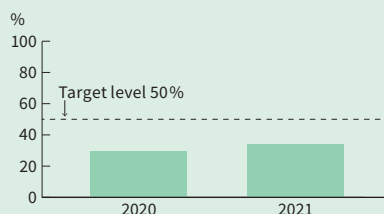
The percentage of suppliers who have signed the Södra Supplier Code was 92 percent (77), corresponding to 99 percent (97) of the purchasing value. 100 percent (95) of the suppliers were risk-assessed. 99 percent (97) of the suppliers assessed as high risk were reviewed by performing a self-assessment or being monitored on-site.

More and more consumers are demanding traceability and that the raw material comes from responsible forest management. Having control over the origin of the wood raw material has therefore become increasingly important in our contact with both suppliers and customers. Södra offers certified forest-based products with Chain of Custody certification from FSC® or PEFC. In 2021, the percentage of FSC® or PEFC-certified products was 65 percent (64).

### PERCENTAGE OF WOMEN IN NEWLY APPOINTED SENIOR POSITIONS

Södra's target is that 50 percent of newly appointed managers shall be women by 2025. In 2021, 34 percent (29) of newly appointed managers were women. The target for the percentage of women in newly appointed senior positions is new and the aim is to gradually increase equal opportunity in Södra.

### Percentage of women in newly appointed senior positions

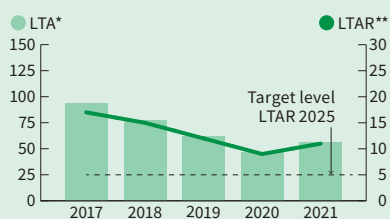


The number of newly appointed women in senior positions relative to the total number of newly appointed managers during the year.

### OCCUPATIONAL INJURIES

We have a zero accident vision and the target is a lost-time-accident rate (LTAR) of <5 by 2025. In 2021, the number of lost-time-accident (LTA) at Södra was 56 (47) and the lost-time-accident rate (LTAR) was 11 (9). The results show that Södra must continue to work systematically and with a long-term approach to reduce work-related injuries and achieve its zero accident vision.

### Occupational injuries



\*LTA (lost-time-accident). Occupational injury with absence.

\*\*LTAR (lost-time-accident rate). The number of occupational injuries with absence per million hours worked.

Some of the most common workplace hazards that can cause harm are contact with hazardous substances, exposure to extreme temperatures, contact with sharp edges and being struck by a flying/falling object. Accidents often occur in conjunction with activities during service disruptions. The most common causes of serious injuries and fatalities are traffic and operational machinery, falls from a height, being struck by a flying/falling object, contact with hazardous substances, trapping and crushing incidents and contact with hot objects. In 2021, serious accidents occurred due to falls, moving/flying objects, contact with sharp edges and crushing hazards.

Employees	2021	2020	2019
No. of employees	3,124	3,141	3,150
– men	2,412	2,427	2,426
– women	712	714	724
Women	23%	23%	23%
Women managers	22%	22%	20%
Women in newly appointed senior positions	34%	29%	—
Employees with a foreign background <sup>1)</sup>	7.4%	6.8%	6.7%
Internal mobility <sup>2)</sup>	4.5%	3.2%	—
Employee turnover <sup>3)</sup>	4.4%	5.3%	9.6%
Wages, salaries and social security contributions, SEK million	2,587	2,276	2,326
<b>Occupational health and safety, number</b>			
Incidents, including risk observations <sup>4)</sup>	5,703	4,768	5,490
Occupational injuries without absence <sup>4)</sup>	363	346	410
Lost-time-accidents (LTA) <sup>5)</sup>	56	47	62
Fatal accidents	0	0	0
Lost days per injury <sup>4)</sup>	10.0	6.7	6.0
Hours worked (million)	5.0	5.0	5.0
Lost-time-accident rate (LTAR) <sup>6)</sup>	11	9	12
<b>Healthy attendance<sup>1)</sup></b>			
Employees who were sick five or fewer days	96%	95%	—

<sup>1)</sup> Relates to the Swedish part of Södra's operations. The Klevshult and Vaggeryd units in the Wood business area are not included in the key indicator.

<sup>2)</sup> Internal mobility relates to the movement of employees across roles. Klevshult and Vaggeryd are not included in the key indicator.

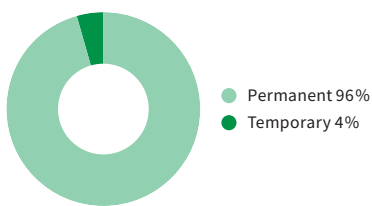
<sup>3)</sup> Employee turnover is calculated as new employees plus departures, divided by the average number of employees. Klevshult and Vaggeryd are not included in the key indicator.

<sup>4)</sup> Klevshult and Vaggeryd are not included in the key indicator.

<sup>5)</sup> LTA (lost-time-accident): occupational injury with absence.

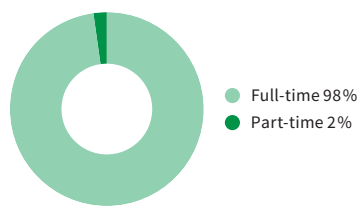
<sup>6)</sup> LTAR (lost-time-accident rate): the number of occupational injuries with absence per million hours worked.

## Form of employment



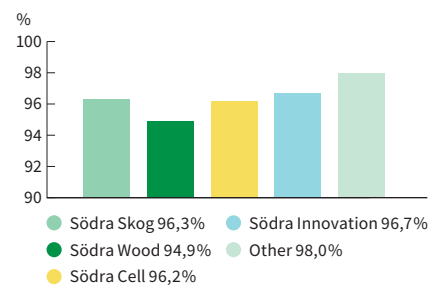
**Permanent:** 2,985 employees (3,020), of whom 78 percent (78) were men and 22 percent (22) women. Sweden: 2,793 employees (2,844), other countries: 192 employees (176).  
**Temporary:** 139 employees (121), of whom 53 percent (68) were men and 47 percent (32) women. Sweden: 134 employees (117), other countries: 5 employees (4).

## Full-time/part-time employees

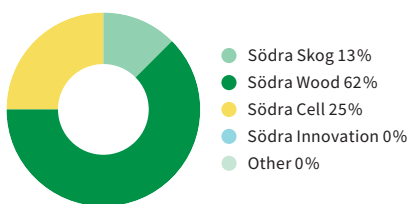


**Full-time:** 3,058 employees (3,063), of whom 78 percent (78) were men and 22 percent (22) women.  
**Part-time:** 66 employees (78), of whom 61 percent (59) were men and 39 percent (41) women.

## Healthy attendance 2021



## Lost-time-accidents 2021



## Age distribution

Age category	2021			2020			2019		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
<30 years	14%	0%	14%	14%	0%	14%	15%	0%	15%
– men	10%	0%	10%	10%	0%	10%	10%	0%	10%
– women	4%	0%	4%	4%	0%	4%	5%	0%	5%
30–50 years	51%	5%	46%	51%	6%	45%	51%	6%	45%
– men	38%	3%	35%	38%	4%	34%	39%	4%	35%
– women	13%	2%	11%	13%	2%	11%	12%	2%	10%
>50 years	35%	5%	30%	35%	4%	31%	34%	4%	30%
– men	29%	5%	24%	29%	4%	25%	28%	4%	24%
– women	6%	0%	6%	6%	0%	6%	6%	0%	6%
Average age, year <sup>1)</sup>	44	—	—	44	—	—	44	—	—

<sup>1)</sup> The Klevshult and Vaggeryd units in the Wood business area are not included in the key indicator.

## Training and performance reviews

	2021			2020			2019		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
No. of training hours per employee	8	14	7	8	13	7	12	17	12
– men	8	12	7	8	14	7	12	14	12
– women	8	20	7	7	13	7	13	26	12
Employees who completed performance reviews	60%	55%	60%	53%	51%	54%	50%	52%	50%
– men	62%	56%	62%	55%	53%	55%	52%	50%	52%
– women	54%	51%	54%	47%	44%	47%	42%	58%	41%

Training hours relates to training hours registered in Södra's Competency Toolkit. In 2021, performance reviews relate to reviews completed and registered between September 2020 and March 2021. The same applies for the reporting of completed and registered performance reviews for 2020 and 2019.

Purchasing and suppliers – purchasing category	No. of suppliers	Purchasing costs per geographic location for contracting party
Wood raw material <sup>1)</sup> (sawlogs, pulpwood and sawn timber)	21,566 <sup>2)</sup>	96% Sweden, 1% other Nordic countries and 3% rest of Europe.
Forestry contracting services <sup>3)</sup> (independent contractors)	473	91% Sweden, and 9% rest of Europe.
Transport services <sup>4)</sup> (transportation of wood raw material and products)	140	76% Sweden, 3% other Nordic countries, 19% rest of Europe and 2% rest of world.
Input products <sup>4)</sup> (process chemicals, fuels, energy and packaging materials)	42	54% Sweden, 11% other Nordic countries and 35% rest of Europe.
Indirect material and services <sup>4)</sup> (investments, operating materials, vehicles, IT, travel, office supplies and services)	185	99% Sweden, and 1% rest of Europe.

<sup>1)</sup> Comprises suppliers with annual sales to Södra of more than SEK 100,000.

<sup>2)</sup> Of which 11,906 harvesting assignments, 9,563 wood deliveries and 97 external suppliers. Harvesting assignments and wood deliveries are not covered by the Södra Supplier Code.

<sup>3)</sup> Comprises suppliers with annual sales to Södra of more than SEK 100,000, for forestry contractors more than SEK 50,000.

<sup>4)</sup> Comprises suppliers with annual sales to Södra of more than SEK 1,000,000.

#### Comments

- » Södra's largest purchasing categories are wood raw material, contracting and transport services, input products and indirect material and services.
- » Södra's contracted suppliers are predominantly based in Sweden and the EU, which simplifies evaluation and control.
- » In 2021, the biggest changes in the supply chain were that a higher proportion of wood raw material as well as indirect material and services were purchased from Sweden.
- » The Klevshult and Vaggeryd units in the Wood business area are not included in key indicators for suppliers.

Key indicators Supplier Code and supplier review	2021	2020	2019
Suppliers that have signed the Södra Supplier Code	92%	77%	79%
Södra's purchasing value for which suppliers had signed the Supplier Code	99%	97%	97%
No. of reviewed suppliers	228	157	171
No. of non-compliant suppliers	1	0	0
– suppliers with agreement to address the cause of non-compliance	100%	0%	0%
– suppliers where the review led to termination of their contract	0%	0%	0%

#### Comments

- » Suppliers who have signed the Södra Supplier Code account for a major share of Södra's purchases.
- » In 2021, the review process was focused on sea transportation and contractors during maintenance shutdowns.
- » In total, more suppliers were reviewed in 2021 compared with 2020 and one case of non-compliance was identified concerning the registration of posted workers.

Risk assessment and supplier assessments	2021	2020	2019
Södra's purchasing value for which a risk assessment of suppliers was performed	100%	95%	95%
No. of suppliers assessed as high risk	60	67	67
– supplier self-assessments	77%	87%	63%
– suppliers monitored on-site (sustainability audit)	22%	10%	18%

#### Comments

- » In 2021, the number of suppliers assessed as high risk refers to a risk assessment at the end of 2020. 2019 and 2020 refers to a risk assessment at the end of 2019. The reason is a changed reporting policy in 2019.
- » The assessment of suppliers identified as high risk is almost 100 percent and relates to assessments carried out over the past three years.

Products and services from Södra		2021	2020	2019
<b>Products from Södra<sup>1)</sup></b>				
Seedlings (own production)	million	30	26	25
Wood raw material	million m <sup>3</sup> sub	2.3	1.9	1.8
Biofuel (from forests and mills)	GWh	3,978	3,551	4,060
Peat for material use <sup>2)</sup>	1,000 m <sup>3</sup> l	179	204	171
Sawn timber <sup>3)</sup>	1,000 m <sup>3</sup>	1,928	1,792	1,766
By-products of wood for material use	1,000 tonnes	468	409	464
Cellulose pulp	1,000 tonnes	1,840	1,864	1,869
Electricity	GWh	350	530	397
District heating	GWh	442	385	405
Tall oil	1,000 tonnes	36	36	34
Turpentine	1,000 tonnes	1.4	1.7	1.6
Biomethanol	1,000 tonnes	3.3	0.8	—
Lime sludge	1,000 tonnes	46	66	56
Houses	no.	—	260	285
<b>Forestry services from Södra</b>				
Harvesting <sup>4)</sup>	million m <sup>3</sup> sub	9.4	8.9	8.7
Forest management <sup>5)</sup>	1,000 ha	116	124	127

<sup>1)</sup> Deliveries of products relates to external deliveries.

<sup>2)</sup> Peat for material use relates to peat litter, horticultural peat and block peat.

<sup>3)</sup> Sawn timber is presented excluding subcontracting.

<sup>4)</sup> Harvest volume relates to harvested roundwood from the field organisation in Sweden and the Baltics.

<sup>5)</sup> Forest management relates to forestry operations, excluding regeneration harvesting.

## Comments

- » In 2021, biofuel deliveries were higher than in 2020 due to higher demand resulting from cold weather.
- » Biomethanol was a new product in 2020 and production increased in 2021.
- » In 2021, lime sludge deliveries were lower compared with previous years due to fewer operational disruptions in the pulp mills' lime kilns.

Certified products according to FSC® or PEFC	2021	2020	2019
Certified products according to FSC® or PEFC	65%	64%	62%

The percentage of Södra's revenue from external sales of physical products derived from sales of products with either FSC® or PEFC certification. In 2021, the percentage of certified products was in line with earlier years. The Klevshult and Vaggeryd units in the Wood business area are not included in the key indicator.

## EXTERNAL ASSESSMENTS

French company EcoVadis, which conducts Corporate Social Responsibility (CSR) assessments of companies, awarded Södra a top rating in the packaging, pulp and paper sector. In 2021, Södra's score was 76 (73) of a maximum 100, and the company received a platinum medal for the second consecutive year. The average score in the assessments was 47 (46).

## OTHER PRODUCT LABELLING

- » All grades of paper pulp produced by Södra Cell are approved for the production of eco-labelled paper products under the Nordic Swan and EU Ecolabels, and hold Blue Label certification (an international allergy label). All paper pulp is also approved for the production of paper and cardboard that may come into contact with food, according to German (BfR) and US (FDA) food standards. Every year, as part of its customer offering, Södra Cell communicates the origins of its wood raw material as well as environmental data, including carbon dioxide emissions, at product level.
- » Södra is certified according to the Recycled Claim Standard (RCS) and can produce and sell certified OnceMore® dissolving pulp. The certification is used to communicate that the product contains at least 5 percent recycled material. Södra is certified by Control Union, CU 1059293.
- » There has been an Environmental Product Declaration (EPD) for Södra's CLT since 2020. The EPD communicates the environmental performance or impact of a product or material over its lifetime.



# GRI content Index

## General disclosures

GRI Standard	Disclosure	Description	Comments	Reference
Organisational profile				
GRI 102: General disclosures 2016	102-1	Name of the organisation		2
	102-2	Activities, brands, products, and services		3, 5, 32
	102-3	Location of headquarters		160
	102-4	Location of operations	Södra mainly conducts operations in Sweden. From a sustainability perspective, the Swedish operations are most relevant due to both their scope and nature.	66, 68
	102-5	Ownership and legal form		148–149
	102-6	Markets served		33, 66
	102-7	Scale of the organisation		5, 45
	102-8	Information on employees and other workers	Temporary employees are used during peak periods. Contractors are used extensively for forestry operations and large-scale industrial projects, such as investments. Read more about suppliers and contractors on page 136. Seasonal variations in number of employees is less than 1% of the total number of employees.	68, 121, 134–135
	102-9	Supply chain		136
	102-10	Significant changes to the organisation and its supply chain		102, 111, 136
	102-11	Precautionary Principle or approach	Södra applies the precautionary approach and other general rules of consideration set out in the Swedish Environmental Code relating to permits, and in its ongoing environmental work.	51
	102-12	External initiatives	Södra signed the UN Global Compact in 2020. Södra intends to endorse other external charters, principles and initiatives but has not signed them.	114
	102-13	Memberships of associations		112
Strategy				
GRI 102: General disclosures 2016	102-14	Statement from senior decision-maker		8–9
Ethics and integrity				
GRI 102: General disclosures 2016	102-16	Values, principles, standards, and norms of behaviour		114–119, 132–133
Governance structure				
GRI 102: General disclosures 2016	102-18	Governance structure		114–119, 148–153
Stakeholder engagement				
GRI 102: General disclosures 2016	102-40	List of stakeholder groups		112
	102-41	Collective bargaining agreements	96.4% (96.3) of Södra's employees are covered by collective bargaining agreements. For Södra's employees in Sweden, the rate was 100% (100).	
	102-42	Identifying and selecting stakeholders		112
	102-43	Approach to stakeholder engagement		111–112
	102-44	Key topics and concerns raised		112
Reporting practice				
GRI 102: General disclosures 2016	102-45	Entities included in the consolidated financial statements		98, 110
	102-46	Defining report content and topic boundaries		110–111
	102-47	List of material topics		110–111
	102-48	Restatements of information		110–111
	102-49	Changes in reporting		110–111
	102-50	Reporting period		110
	102-51	Date of most recent report		110
	102-52	Reporting cycle		110
	102-53	Contact point for questions regarding the report		160
	102-54	Claims of reporting in accordance with the GRI Standards		110
	102-55	GRI content Index		138–141
	102-56	External assurance		110, 142

## Material sustainability topics

GRI Standard	Disclosure	Description	Comments	Boundary	Reference
<b>Economic topics</b>					
GRI 201: Economic performance 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	50–51, 89–92, 111, 114–115, 119, 139, 148–153
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	Omission of the quantification of expected future revenue and costs arising from Södra's climate-change risks and opportunities, no data is available. In the Group strategy until 2025, Södra's climate-change risks and opportunities are a top priority, entailing intensified efforts to increase positive impacts and minimise negative impacts, to collect and quantify data as well as presentation and reporting.		50–51, 87, 89–92, 115, 124–125
GRI 205: Anti-corruption 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	50–51, 111, 114, 116–119, 133, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 205-2	Communication and training in anti-corruption policies and procedures	Omission of number of Board members who completed web training, no data is available. Omission of division per employee category, no data is available. Omission of division per region, immaterial. Code of Conduct and Supplier Code include anti-corruption. Employees and business partners are informed about the Codes via the intranet and sodra.com, where any major changes to the Codes are also communicated.	Outside Södra for Södra's suppliers and customers  Boundary related to Board and management to Board of Directors and Group Senior Management  Business partners are restricted to suppliers	133, 136
<b>Environmental topics</b>					
GRI 301: Materials 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	50–51, 111, 114–116, 119, 125, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 301-1	Materials used by weight or volume			130
GRI 302: Energy 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 114–116, 119, 124–125, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 302-1	Energy consumption within the organisation	Internally generated heating and cooling are reported solely as fuel consumption. No cooling is sold.		121, 128–129
	GRI 302-2	Energy consumption outside of the organisation			121, 128–129
	GRI 302-3	Energy intensity	Energy intensity, electricity and heating, is restricted to within Södra for pulp and sawn timber.		121, 129
GRI 303: Water and effluents 2018	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 114–116, 119, 125, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 303-1	Interactions with water as a shared resource			116
	GRI 303-2	Management of water discharge-related impact			115–116, 125, 130
	GRI 303-3	Water withdrawal			121, 130
	GRI 303-4	Water discharge			121, 130
GRI 304: Biodiversity 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	50–51, 111, 114–115, 119, 122–123, 131, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 304-3	Habitats protected or restored	Status of protected areas is not reported for specific areas, but for land owned by Södra's members as a whole.		120, 123, 131
	Own	Promotion of biodiversity	Deviation in reporting of promotion of biodiversity. Key indicators will be developed in 2022.		113, 123
GRI 305: Emissions 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	50–51, 111, 114–116, 119, 124–126, 139
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 305-1	Direct (Scope 1) GHG emissions			120–121, 126–127
	GRI 305-2	Energy indirect (Scope 2) GHG emissions			120–121, 126–127
	GRI 305-3	Other indirect (Scope 3) GHG emissions			120–121, 126–127
	GRI 305-7	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	Nitrogen oxides, sulphur, dust and volatile organic compounds are reported.		121, 130

GRI Standard	Disclosure	Description	Comments	Boundary	Reference
Environmental topics (cont.)					
GRI 306: Waste 2020	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 114–116, 119, 125, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 306-1	Waste generation and significant waste-related impacts			115–116, 125
	GRI 306-2	Management of significant waste-related impacts			116, 125
	GRI 306-3	Waste generated			131
GRI 308: Supplier environmental assessment 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's suppliers	50, 111, 118–119, 133, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken			136
Social topics					
GRI 403: Occupational health and safety 2018	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's suppliers and customers	51, 111, 116–119, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 403-1	Occupational health and safety management system			116
	GRI 403-2	Hazard identification, risk assessment and incident investigation			116–117, 134
	GRI 403-3	Occupational health services	Södra's employees have access to occupational health services.		117
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety			117
	GRI 403-5	Worker training on occupational health and safety			117
	GRI 403-6	Promotion of worker health	Södra's employees have access to health promotion activities.		117, 132
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Restricted to impacts linked to Södra's suppliers and Södra's products and services.		51, 116–119, 133, 136–137
	GRI 403-9	Work-related injuries	Only Södra's employees are included in the presentation of work-related injuries, not subcontracted employees or contractors. Omission due to non applicability. Omission of number of work-related injuries when travelling to or from work, not applicable.		121, 134
GRI 404: Training and education 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 117–119, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 404-1	Average hours of training per year per employee			135
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs			132–133
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews			135
GRI 405: Diversity and equal opportunity 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 117, 119, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 405-1	Diversity of governance bodies and employees			68, 121, 134–135
GRI 406: Non-discrimination 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 117–119, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 406-1	Incidents of discrimination and corrective actions taken			132–133
	Own	Training in non-discrimination policies			113, 132
GRI 414: Supplier social assessment 2016	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's suppliers	50, 111, 118–119, 133, 140
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	GRI 414-2	Negative social impacts in the supply chain and actions taken			136

GRI Standard	Disclosure	Description	Comments	Boundary	Reference
Own topics					
Sustainable harvest rate	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's members	50–51, 111, 114–115, 119, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Harvest rate on land owned by Södra members			113, 120, 122
The social values of forests	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's members	50–51, 111, 114–115, 119, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Promotion of the social values of forests			113, 122
Climate effect	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's members, suppliers and customers	50–51, 111, 114–115, 119–120, 126, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Positive climate effect			20–21, 113, 126
Forest growth	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra's members	50, 111, 114–115, 119, 126, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Forest growth, Annual rate of forest growth on Södra members' estates			113, 120, 126
Organisational culture and values	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra	51, 111, 116–119, 133, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Employees who would recommend Södra			113, 133
Forest certification and certified products	GRI 103-1	Explanation of the material topic and its Boundary		Within Södra Outside Södra for Södra members and customers	50–51, 111, 114–115, 118–119, 141
	GRI 103-2	The management approach and its components			
	GRI 103-3	Evaluation of the management approach			
	Own	Certified affiliated forest area, %			113, 123
	Own	Certified products, %			113, 137

# Assurance Report

Auditor's Limited Assurance Report on Södra Skogsägarna ekonomisk förening's Sustainability Report. This is a translation of the original report in Swedish.

To Södra Skogsägarna ekonomisk förening,  
Corp. ID. No. 729500-3789

## Introduction

We have been engaged by the Board of Directors of Södra Skogsägarna ekonomisk förening to undertake a limited assurance of Södra Skogsägarna ekonomisk förening's Sustainability Report for the year 2021. The company has defined the scope of the sustainability report on p. 2 in this document.

## Responsibilities of the Board and Group Management for the sustainability report

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria is described on page 110–111 and 113 of the Sustainability Report, and consists of the parts of the GRI (Global Reporting Initiative) Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Södra Skogsägarna ekonomisk förening has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted limited assurance procedures in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by IAASB. 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 has a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Södra Skogsägarna ekonomisk förening according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group 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.

## Conclusion

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 Group Management.

Växjö, 15 February 2022



Martin Johansson  
*Authorised Public Accountant*

Madeleine Edberg  
*Authorised Public Accountant*

Ellen Danielsson  
*Special member of FAR*



# Sustainability Report in accordance with the Swedish Annual Accounts Act

Södra has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act. The Sustainability Report contains relevant information about Södra's work and performance in areas including the environment, social conditions and employment, human rights and anti-corruption.

The statutory sustainability report consists of the following pages and areas:

- » Business model: pp. 10–11
- » Risks and risk management: pp. 50–51
- » Sustainability topics: pp. 122–137
  - Policies and governance: pp. 114–119
  - Results: see the table below
- » Other sustainability disclosures (including materiality assessment): pp. 110–113 and 120–121.

For more information about where the various sustainability-related disclosures can be found, refer to the GRI Content Index on pages 138–141.

Sustainability topics	Reference
Environment	Sustainable forestry (pp. 122–123), Climate and environment (pp. 124–131), People and value chain (pp. 133 and 136–137)
Social conditions and employment	People and value chain (pp. 132–136)
Human rights	The reporting on human rights relates to Södra's operations and supply chain on the basis of work with the Code of Conduct and Supplier Code. People and value chain (pp. 132–133 and 136)
Anti-corruption	People and value chain (pp. 133 and 136)

## Auditor's report on the statutory sustainability report

To the general meeting of Södra Skogsägarna ekonomisk förening, Corp. ID. No. 729500-3789

### Opinion

A statutory sustainability report has been prepared.

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 and that it has been prepared in accordance with the Annual Accounts Act.

Växjö, 15 February 2022

### The scope of the audit

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 substantially different and 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.

Martin Johansson  
Authorised Public Accountant

Madeleine Edberg  
Authorised Public Accountant

Carina Arvidsson Löw  
Member Representative Auditor

Dick Stagmo  
Member Representative Auditor

# Corporate governance





# Good conditions for profitable and sustainable forestry

We are improving and renewing the value of forest estates. For almost a century, Södra has been working together to increase the value of forests.

**36+1**

Due to the COVID-19 pandemic, all 36 local annual meetings and the AGM were virtual.

**36**

Södra's members are organised into 36 forestry districts.

**2.7** million

Södra's members combined own 2.7 million hectares of forest.





# With our roots in the forest, we are creating the future



It's often said that roots grow stronger when the wind blows, that you grow with the challenge. For us at Södra – who are creating the future together with our roots in the forest – the expression is certainly apt for 2021, which brought both headwinds and tailwinds.

On one hand: The pandemic, the spruce bark beetle, uncertain forest policy and so forth.

On the other: Strong global demand for products from our members' forests, new investments in our mills and operations, and fantastic efforts from our members, employees and contractors.

That enabled us to meet the year's challenges and problems, while also showing and developing our strength. By being both flexible and robust, we adapted quickly to rapidly changing conditions while also standing firm in tougher times.

## Record result for the year

Sustainable family forestry combined with efficient and innovative industry is an unbeatable combination that shows how we, by working together, can overcome challenges by both accelerating and braking, which helped us achieve one of Södra's best result ever.

With the year's conditions and high pulp prices, we delivered operating profit of SEK 5.3 billion. The Board's proposed profit distribution reflects the strong result, and includes the wood delivered by members in both 2020 and 2021. This amounts to SEK 206 million for wood deliveries in 2020 (4 percent), and SEK 687 million for 2021 (12 percent). These past two years have been extremely stressful for everyone. The Board therefore proposes to the AGM that we account for both 2020 and 2021 in this unique situation. The total dividend in the proposal is SEK 2,239 million.

The Södra Model has been designed to share the value created by Södra's mills with our members, and to reward those who participate in the association's operations by supplying long-term deliveries of their raw material. That is what we are doing now. The Södra Model works and shows its strength in both good and bad times.

## Forests are more important than ever

Despite major challenges in the global market and business policy, the Board believes there are favourable times ahead. During the year, forests were promoted as the solution to many of the challenges we face. Our wonderful forests and raw material will create jobs and development, phase out fossil-fuel materials, store carbon and promote biodiversity. Forests, and the benefits that 52,000 Södra's members are creating have been – and will be – in great demand. Combined with a growing global middle class, which is increasing



demand for hygiene products, the future for Södra estates looks bright.

Innovation and efficiency are key to continuing this trend. We will move with the times and use forests where they can generate the most benefits. During the year, we improved our core business of sawn timber and pulp, while working intensively with new and advanced forest products. One particularly interesting innovation is the development taking place in Silva Green Fuel, which we own jointly with Norwegian Statkraft. As part of this project, a facility for the production of liquid biofuel from forest biomass is being planned in Norway. This is a globally unique technique that enables faster and more efficient production. The product can be used in aircraft, ships and heavy machinery as well as chemicals. One piece of the puzzle in the climate transition is family forestry.

### Cooperative strategy in focus

This development is not only about products and industry – it's also about our association. Södra is one of the leading cooperatives in Sweden. The member-owned form of business is a strength, with a long-term and clear focus, but it also needs to be developed. We have therefore launched the Cooperative Strategy project with the aim of developing a direction for Södra's continued development as a cooperative, as a complement to the Group strategy. The result will be presented in 2022 and were included in our work during the year. New members and new ways of working, better opportunities for elected representatives, better use of the knowledge of our members, and so forth. There is much to be done to better equip Södra for the future.

### Intensive policy making

While 2021 was an overall good year for our markets, policy-making was also intensive. While Sweden discussed the Forest Inquiry and Species Protection Inquiry, the EU presented the Taxonomy Regulation, LULUCF Regulation and the Renewable Energy Directive. Among many other things. The list is long and the discussions are even longer. Many aspects of the proposals

are positive, including the focus on sustainability. But many important points have been overlooked. We are concerned about one particular component that is often missing from forest policy decisions: Substitution effects. Policy has understood the role of forests as a carbon sink and for biodiversity – but the aspect of being able to replace fossil-based products with renewables is missing. If a more holistic approach had been taken to the climate benefits of forests and our products, we would have solved many of the problems we are currently facing. Södra works pro-actively, both in Sweden and the EU, to promote substitution and the climate benefits it generates.

Our business policy and legal work is also yielding results. Just before Christmas, two of Södra's members were awarded the right to claim compensation in a high-profile court case where ongoing land use was significantly impeded by protected species regulations. The case has been before the court since 2016 and Södra provided assistance throughout the proceedings. The judgement is a victory for the landowners concerned, but also for every forest owner in Sweden. Managing forests without causing harm to protected species should not entail a risk. We can now expect the judgement to serve as guidance for more authorities moving forward.

### With our roots in the forest, we are creating the future

An obvious fact for many of us at Södra – the central role of forests – is now becoming obvious to many others. I would like to thank everyone – both in and around Södra Skogsägarna – who has contributed in different ways during these challenging times.

In 2022, we can expect discussions about forests and the future of forest management to continue – which is positive. It gives us an opportunity to demonstrate the strengths of family forestry and how we are continuing to create the future with our roots in the forest – in both headwinds and tailwinds.

**Lena Ek**

Chair of the Board



# Corporate Governance Report

Södra Skogsägarna ekonomisk förening (Södra) has its registered office in Växjö, Sweden. As of 2014, Södra has applied a form of corporate governance in which the economic association is the Parent Company. Management of the Group is based on the Swedish Co-operative Societies' Act, other applicable laws and regulations and the association's Articles of Association. Where applicable, Södra works in accordance with the Swedish Corporate Governance Code.

## The association's purpose

The purpose of Södra Skogsägarna ekonomisk förening is to promote the financial interests of its members, which includes trading in, and processing of, the forest and forest-based products, mainly from the association's members, and conducting industrial and/or financing activities. The association also aims to achieve a secure and appropriate market for its members' forest-based products at market prices, to promote high-quality and valuable forest production combined with nature conservation, cultural and social considerations, to support and develop private forestry and to protect ownership rights.

## Structure and organisation

Södra Skogsägarna ekonomisk förening is the Parent Company of a forest industry group that offers forestry services, sawn timber and timber building systems, as well as textile and paper pulp for the pulp market, energy and bioproducts. The operations are conducted in four business areas – Södra Skog, Södra Wood, Södra Cell and Södra Innovation.

There are also a number of subsidiaries, refer to the list on page 98.

## Owner and member

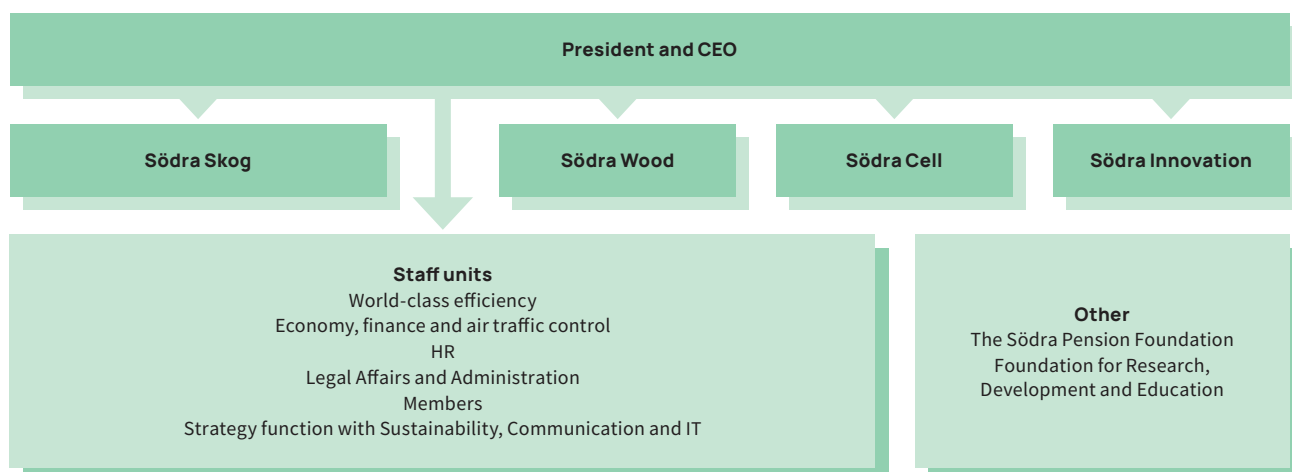
Södra is owned by about 52,000 forest owners in southern Sweden. The owners are members of the economic association, and contribute capital comprising at least one contribution for each hectare of forest land, although more than 200 contributions are voluntary. One contribution is equal to SEK 600. A member must own, or lease, at least five hectares of forest land in the association's membership area, which is mainly in Götaland. Every member is entitled to one vote, regardless of contributed capital or size of their forest estate. At year-end, the number of members was 51,938, a decrease of 983. The change is mainly due to maintenance of the member register in connection with updating.

## Forestry districts and local annual meetings

Södra's members are organised into 36 forestry districts, and the opportunity for direct individual influence is greatest in a

forestry district. In other contexts, issues are raised through elected representatives. Each forestry district appoints a district council of about twelve members, as well as a Nomination Committee, at its local annual meeting. The local annual meetings also appoint delegates to the Annual General Meeting (AGM). Members are entitled to submit motions to the local annual meeting, which may decide to submit the motion to the Board or to the AGM. Members may also request that motions be submitted directly to the AGM. All members are entitled to submit motions and proposals directly to the district council or to the Board of Directors. At the local annual meeting, the district council reviews the activities of the past year and presents a new business plan for the current year.

The annual meeting of the forestry district is held not later than three months after the end of the financial year. Notice of the local annual meeting or an extraordinary meeting is to be in writing, and issued not later than one week prior to the meeting, and each district council is responsible for giving notice. In 2021,



Södra's 36 forestry districts held their local annual meetings between 15 and 31 March. All local annual meetings were held virtually. Only some members of the district council and forest operations area management attended physically, while Board and management representatives participated virtually.

### District councils

At the local annual meeting, each forestry district elects a district council that is responsible for the co-operative activities of the forestry district. These include monitoring local business policy, and organising training programmes and member activities. Members of the district council play a key role in dialogue with individual members. The district council must have at least five and not more than twelve members. More members may be elected in larger forestry districts, but not more than 15.

Each district council determines the number of ordinary meetings in its operations planning. The issues relate to

financial and social activities affecting the general interests and ownership rights of Södra's members, and the management of their forest estates. In addition, the district council appoints special representatives to deal with important issues, such as a nature conservation representative, safety representative and wildlife representative. The frequency of the meetings varies between the forestry districts. Normally, there are six meetings per year.

### Administrative Council

The 36 Chairs of the district councils form the Administrative Council, which is an advisory body to the Board and the AGM. The Administrative Council is also tasked with working to establish member backing for Södra's strategic objectives and decisions. The Administrative Council does this in several ways, including issuing statements on various matters.

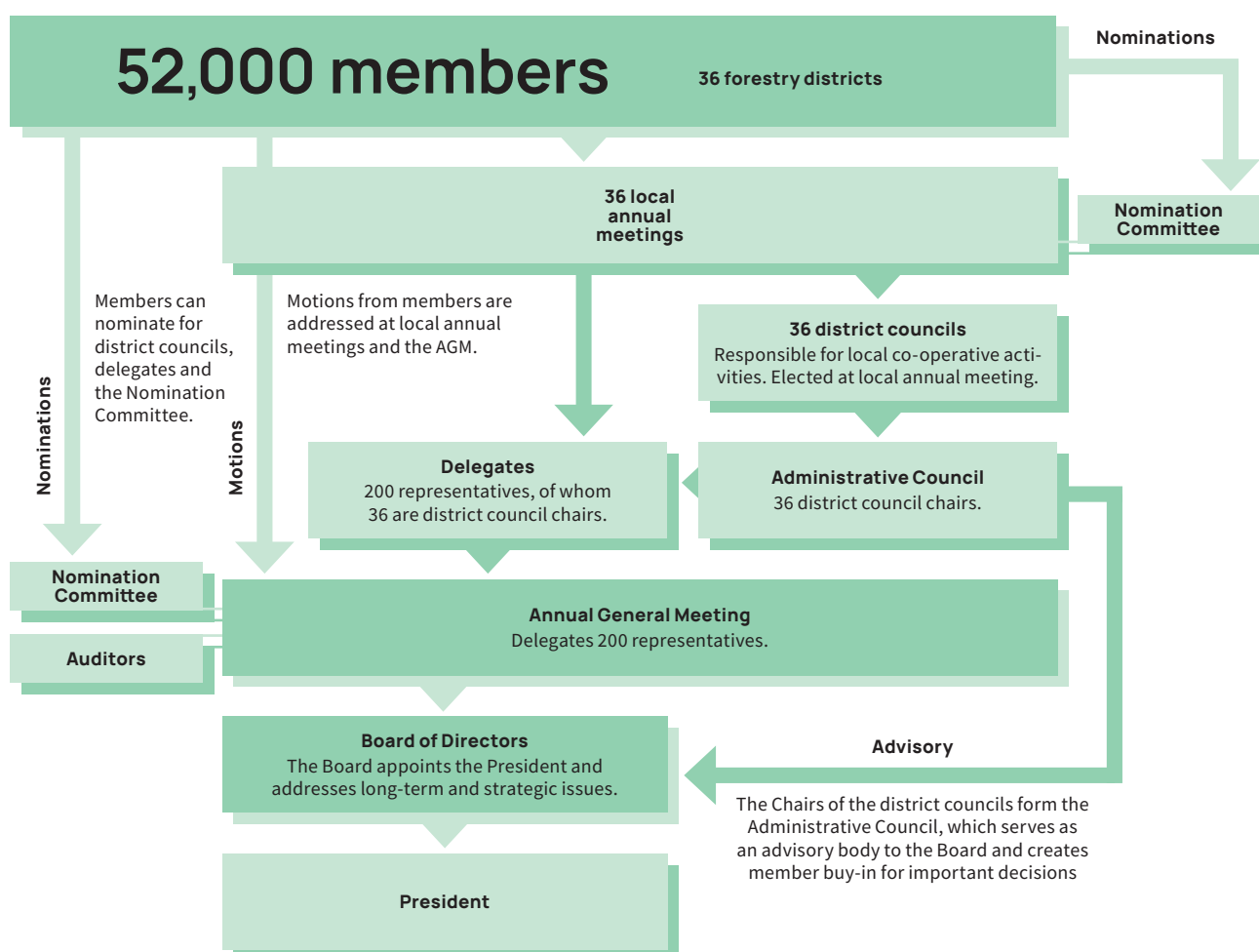
In 2021, the Administrative Council held four scheduled meetings and four brief information meetings. Agenda items

included presentations of the business situation and current business policy matters. During the first meeting of the year, matters are normally raised prior to the annual meetings of the forestry districts. Similarly, the meeting prior to the AGM focuses on matters to be addressed at the AGM.

### Annual General Meeting

The Annual General Meeting (AGM) is Södra's supreme decision-making body. The meeting consists of the 200 delegates elected at the local annual meetings, who each have one vote. Members of the Administrative Council are also included in the 200 delegates. The AGM adopts the financial statements and appropriation of profits, and appoints Board members, auditors and the Nomination Committee. Board members, the President and auditors are entitled to participate in the Meeting's discussions and present proposals.

The AGM is held not later than six months after the end of the financial





In 2021, Södra's AGM and all local annual meetings were held virtually.



year. Notice shall be given in writing to each delegate no earlier than four weeks, and not later than two weeks, before a General Meeting, and one week before an Extraordinary Meeting.

The plan was to gather all 200 elected representatives in Lund but, due to the ongoing COVID-19 pandemic, the AGM was held virtually as in 2020. Delegates gathered in twelve different locations across Södra's area, with a maximum of eight participants in each venue, and some representatives participated from home. The entire AGM was streamed live on Södra's website.

The Meeting resolved on the appropriation of profits and addressed eight motions that had been discussed by the representatives at digital motion meetings a few evenings prior to the AGM. The motions included matters related to forest roads, forest road classification, and diversity and equal opportunity. In 2021, the Nomination Committee proposed that nine members be elected to the Board.

### Nomination Committee

The AGM's Nomination Committee submits proposals regarding Board members, auditors and Södra representatives to the meeting of the National Board of the Federation of Swedish Farmers (LRF). In addition, the Nomination Committee proposes fees for members of the Board and the Administrative Council, AGM delegates, elected representatives and auditors. The Nomination Committee shall consist of five to seven members, and the composition shall reflect the association's membership and, if possible, the entire membership area. The Nomination Committee anticipates the association's future development and requirements. It remains informed about the performance of the Board by engaging in discussions with the Chair and the

President, by conducting interviews with existing Board members and by examining the results of the Board's evaluation and the Chair's performance appraisal. Any need for changes in the Board's composition, as well as other elections or remuneration are analysed. New candidates are interviewed. The Nomination Committee's proposals to the AGM are documented in a Nomination Committee report, which is sent to delegates together with the meeting documentation.

At the 2021 AGM, Mats Andersson, Magnus Johansson, Ann Marke, Lars Skogsberg and Ingemar Thorstensson were re-elected, and Christer Andersson was newly elected. At the Nomination Committee's first meeting, Ingemar Thorstensson was elected Chair.

### Nomination process for the Board

Up to ten members are elected by the AGM, of whom at least two-thirds must be members of the association. All members may submit regular proposals to the Nomination Committee regarding candidates for the Board and auditors. Normally, the Administrative Council is encouraged to discuss matters in district councils in early autumn and submit proposals for both members and external candidates. The Nomination Committee interviews the candidates deemed suitably qualified for the diverse mix of skills sought after by the Board.

### The Board's composition

The Board has up to 13 ordinary members. Up to ten members are elected by the AGM and three are appointed by employees. The President is not a member of the Board.

### The Board's work

The Board manages Södra's affairs in the Group based on the interests of the owners and is responsible for ensuring

that the objectives, plans, strategies and policies meet the demands and expectations of the owners. The Board shall continuously monitor and evaluate the company's performance and assess the Group's financial situation. The Board shall ensure that fund management, internal control and risk management are adequate, and is responsible for ensuring that the organisation of the company is appropriate.

In order to perform the duties, the Chair of the Board is supported by a Presiding Committee. The Presiding Committee consists of the Chair, Vice Chair and President.

In addition to the statutory meeting, the Board is to hold at least six meetings during the year. In 2021, the Board held 15 meetings, including one statutory meeting and eight teleconference/Team meetings. The Vice Chair of the Board is appointed at the statutory meeting after the AGM.

The Board has detailed Rules of Procedure setting out the ordinary agenda items for Board meetings during the year. Recurring items include a follow-up and evaluation of the preceding year in February. Strategic issues are addressed at the June meeting. The December meeting addresses the business plan for the coming year, as well as targets and Group policies. HR issues are a special item at each Board meeting.

### Committee

The Board has appointed three committees from within its ranks:

- » the Audit Committee
- » the Finance Committee
- » the Fees and Benefits Committee

**The Audit Committee** monitors and reviews the financial statements, risk management and the sustainability report.

## Board members as of the AGM in June 2021

Board members	Function	Elected	Attendance	Fees paid (SEK 000s)	Contributed capital at 31 Dec 2021	Committee
Lena Ek	Chair	2015	15	1,209	171,289	Finance, Fees and Benefits
Paul Christensson	Vice Chair	2010	15	565	874,525	
Kristina Alsér	Board member	2020	14	375	80,000	Fees and Benefits
Hans Berggren	Board member	2015	15	360	364,498	Audit
Pål Börjesson	Board member	2017	15	363	1,259,841	Audit
Magnus Hall	Board member	2020	15	319	1,004,126	Audit
Ulf Johansson	Board member	2014	15	410	927,010	Finance
Ylva op den Velde Hammargren	Board member	2017	15	316	—	Finance
Mats Sandgren	Board member	2019	15	329	—	Fees and Benefits
<b>Employee representatives</b>						
Dan Andersson	Employee representative (PTK)	2014	15		1,106,007	—
Pontus Johansson	Employee representative (LO)	2015	15		—	—
Lars Nilsson	Employee representative (LO)	2017	15		—	—

**December**

- » Health and safety, business situation
- » Determination of the Business and Financial Plan 2022–2024
- » Determination of Investment Plan with investment frameworks, Investment Policy, Financial Policy, Code of Conduct and Supplier Code, and Sustainability Policy
- » Södra Ädla AB
- » Södra Building Systems F2
- » Further processing Södra Wood
- » Profit distribution
- » Annual planning, Board

**November**

- » Health and safety, business situation
- » Strategy process
- » World-class efficiency
- » Report on Royal Swedish Academy of Engineering Sciences' water project

**October**

- » Quarterly report

**September**

- » Health and safety, business situation
- » World-class efficiency
- » Unicon
- » Certification premiums
- » Taxonomy vs. value for members
- » Silva and SunPine

**July**

- » Quarterly report

**February**

- » Health and safety, business situation
- » Annual Report, annual accounts and appropriation of profits
- » 2025+ strategy
- » The Södra Model

**April**

- » Health and safety, business situation
- » 2025+ strategy
- » The Forest Inquiry
- » Quarterly report
- » Unicon

**June**

- » Statutory meeting (after the AGM)
- » Health and safety, business situation
- » 2025+ strategy
- » Brand platform
- » The Taxonomy
- » Unicon

In 2021, the Committee consisted of Hans Berggren, Pål Börjesson and Magnus Hall. The Committee held six meetings.

**The Finance Committee** represents the Board in respect of financial risk exposure and financial policy compliance. In 2021, the Committee consisted of Lena Ek, Ulf Johansson, Ylva op den Velde Hammargren, the President and the CFO. The Committee held six meetings.

**The Fees and Benefits Committee** prepares matters related to remuneration principles and guidelines, and other terms of employment for management. The Committee has also been assigned to monitor and evaluate the application of the remuneration principles and guidelines and other terms of employment determined by the Board, and the company's remuneration structures and levels.

In 2021, the Committee consisted of Lena Ek, Mats Sandgren and Kristina Alsér. The Committee held six meetings.

### Group Senior Management

Group Senior Management usually meets once a month and consists of the President, Business Area Presidents and staff directors. Finance, market and HR issues matters are recurring agenda items. The President is responsible for the ongoing management in accordance with the Board's guidelines and instructions.

### Auditors

Auditors are appointed by the AGM. The Auditors' overall responsibility is to examine the Annual and Sustainability Report, the consolidated financial statements and accounting, and the management of the Board and the President. Two of the four ordinary auditors are member representative auditors.

At the 2021 AGM, Martin Johansson and Madeleine Edberg from PricewaterhouseCoopers AB were re-elected as auditors, and Carina Arvidsson Löw and Dick Stagmo were re-elected as member representative auditors.

### Internal control and risk management system

The Board and the President's responsibility for internal control is regulated by the Swedish Co-operative Societies' Act. Internal control is a process that provides the Board, management and other personnel with reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulation.

Södra's internal control is limited to financial reporting processes. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports, year-end

reports and annual reports, and that the external financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements on economic associations.

The Group's staff function Group Accounts & Internal Control serves as the Group's internal control function and reports to the Audit Committee and the Group's CFO. The function works to develop, improve and secure the Group's internal control over financial reporting, both pro-actively by focusing on the internal control environment, and by examining the effectiveness of internal control.

Risk assessment related to Södra's financial reporting aims to identify and evaluate the most significant risks, including the risk of fraud, and the risk of significant changes affecting the internal control of financial reporting in the Group's companies, business areas and processes. The risk assessment results in control targets to ensure that the basic requirements for external financial reporting are met, and forms a basis for determining how risks should be managed through various control structures. The risk assessment is updated annually under the leadership of the Group Accounts and Internal Control function and the results are reported to the Audit Committee.

## Important regulatory frameworks

### External:

- » Co-operative Societies' Act
- » Companies Act
- » Annual Accounts Act
- » Swedish Corporate Governance Code



### Internal

- » The association's Articles of Association
- » AGM resolutions
- » Rules of Procedure for the Board
- » Instructions regarding the division of tasks and responsibilities between the Board and the President
- » Instructions regarding financial reporting to the Board
- » Policies and guidelines
- » Code of Conduct



# Auditor's statement on the Corporate Governance Report

To the general meeting of Södra Skogsägarna ekonomisk förening, Corp. ID. No. 729500-3789

## Engagement and responsibility

The Board is responsible for the 2021 Corporate Governance Report on pages 148–152.

## Focus and scope of the audit

Our examination was conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the Corporate Governance Report has another focus and is substantially less in scope compared with the focus and

scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided a sufficient basis for our opinions.

## Conclusion

A Corporate Governance Report has been prepared. We believe that the information in the Corporate Governance Report is consistent with the annual accounts and consolidated financial statements for 2021.

Växjö, 15 February 2022



Martin Johansson  
*Authorised Public Accountant*

Madeleine Edberg  
*Authorised Public Accountant*

# Board of Directors



Hans Berggren, Dan Andersson, Pål Börjesson, Kristina Alsér and Ulf Johansson.

## Hans Berggren

Born 1956.

Board member since 2015. Term of office expires in 2022. Agronomist. CEO and President of Sveriges Stärkelse-producenter economic association. Chair of SolEdits AB, Board member of SLU Holding.

Forest holding:<sup>1)</sup> 730 hectares of productive forest land. Total contributed capital in Södra: SEK 364,498.

## Dan Andersson

Born 1961.

Alternate 2014, Board member since 2015. Employee representative for the Swedish Federation of Salaried Employees in Industry and Services (PTK). Chair of SSF-Ledarna at Södra Skog. Member of Södra's Group Council.

Forest holding: 135 hectares of productive forest land. Total contributed capital in Södra: SEK 1,106,007.

## Pål Börjesson

Born 1962.

Board member since 2017. Term of office expires in 2022. Agronomist and professor of environmental and energy systems at the Faculty of Engineering at Lund University.

Forest holding: 126 hectares of productive forest land. Total contributed capital in Södra: SEK 1,259,841.

## Kristina Alsér

Born 1956.

Board member since 2020. Term of office expires in 2022. Partner and Chair of Mercatus. Chair of Swedish Agency for Economic and Regional Growth and Arkitektbolaget AB. Board member of Kamprad Family Foundation for Entrepreneurship, Research & Charity and the Royal Swedish Academy of Engineering Sciences. Linnaeus University Honorary doctorate and chair of the university's external council.

Forest holding:<sup>1)</sup> 31 hectares of productive forest land. Total contributed capital in Södra: SEK 80,000.

## Ulf Johansson

Born 1971.

Board member since 2014. Term of office expires in 2022. Chair of Falkenbergs Sparbank. Board member of Harplinge inköpsförening, LRF Forestry, Säker Skog and Hallands hushållningssällskap.

Forest holding: 107 hectares of productive forest land. Total contributed capital in Södra: SEK 927,010.

Holding of total contributed capital pertains to conditions on 31 December 2021.

<sup>1)</sup> Jointly owned.



Pontus Johansson, Lars Nilsson, Lena Ek and Magnus Hall.



Paul Christensson, Ylva op den Velde Hammargren and Mats Sandgren.

## Lena Ek

Chair. Born 1958.

Board member and Chair since 2015. Term of office expires in 2022. Master of Laws with a specialisation in international law. Honorary doctorate from Lund University Faculty of Engineering. Board member of Länsförsäkringar Östergötland, Royal Swedish Academy of Engineering Sciences and Royal Swedish Academy of Agriculture and Forestry. Board member of PEFC International.

Previously Deputy Mayor, Chair of several national research projects, Board member of the Royal Institute of Technology, Board member of the University of Gothenburg, Government Offices coordinator of European Spallation Source (ESS) in Lund, Board member of the Riksdag's Committee on Finance, Board member of the European Parliament Committee on Industry, Research and Energy, Swedish Minister for the Environment. Board member of Södra 2000–2010.

Forest holding: 18 hectares of productive forest land. Total contributed capital in Södra: SEK 171,289.

## Pontus Johansson

Born 1980.

Alternate 2015, Board member since 2017. Employee representative for the Swedish Trade Union Confederation (LO). Chair of the GS club at Södra Wood in Mönsterås. Member of Södra's Group Council.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

## Lars Nilsson

Born 1961.

Alternate 2017, Board member since 2018. Employee representative of the Swedish Trade Union Confederation (LO). Chair of the Swedish Pulp and Paper Workers' Union at Södra Cell Mönsterås. Member of Södra's Group Council.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

## Magnus Hall

Born 1959.

Board member since 2020. Term of office expires in 2022. Former CEO of Vattenfall. Board member of Höganäs AB, NTM media group and Göta Kanalbolaget. Board member of Ählin & Ekeröth.

Forest holding: 66 hectares of productive forest land. Total contributed capital in Södra: SEK 1,004,126.

## Paul Christensson

Vice Chair. Born 1959.

Board member since 2010. Term of office expires in 2022. Chair of the Federation of Swedish Farmers (LRF), Vice Chair of LRF's Executive Committee, Chair of Agroväst.

Forest holding:<sup>1)</sup> 230 hectares of productive forest land. Total contributed capital in Södra: SEK 874,525.

## Ylva op den Velde Hammargren

Born 1966.

Board member since 2017. Term of office expires in 2022. Mining engineer. Manager Product Line Management Engine, Vehicle Aftermarket AB SKF. Board member of Nederman.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

## Mats Sandgren

Born 1955.

Board member since 2019. Term of office expires in 2022. Master of Science in Forestry. Vice Chair of Swedish Federation of Green Employers. Chair of Skogssektionen, Board member of Linnaeus University and the Royal Swedish Academy of Agriculture and Forestry.

Forest holding: 375 hectares of productive forest land. Total contributed capital in Södra: 0.

### ALTERNATES – EMPLOYEE REPRESENTATIVES

## Teddy Hedlund

Born 1968.

Alternate since 2015. Employee representative for the Swedish Federation of Salaried Employees in Industry and Services (PTK). Chair of Unionen trade union at Södra's Head Office. Member of Södra's Group Council. Member of Unionen's delegation to the Swedish Association of Industrial Employers.

<sup>1)</sup> Jointly owned.

## Jimmy Landefjäll

Born 1960.

Alternate since 2017. Employee representative of the Swedish Trade Union Confederation (LO). Chair of the GS club at Södra Wood in Långasjö. Member of Södra's Group Council.

## Peter Tärnberg

Born 1965.

Alternate since 2018. Employee representative of the Swedish Trade Union Confederation (LO). Chair of division 9 of the Swedish Pulp and Paper Workers' Union at Södra Cell Värö. Chair of the Skåregårde Foundation, forest manager on behalf of members of division 9 of the Swedish Pulp and Paper Workers' Union. Member of Södra's Group Council.

# Group Senior Management



Catrin Gustavsson, Henrik Andersson, Lotta Lyrå, Olof Hansson and Mattias Johansson.

## Catrin Gustavsson

President of Södra Innovation Business Area. Born 1970.

Doctor of Technology in Pulp Engineering, Royal Institute of Technology, Stockholm, MSc in Chemical Engineering, Chalmers University of Technology. Employed 2014. Member of Group management since 2017.

Previous experience: Includes process engineering manager at Södra Cell Värö, Head of Production at BillerudKorsnäs Gruvöns mill, laboratory manager at Kvaerner Pulp and research engineer at Stora Enso.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

## Henrik Andersson

Director of Members. Born 1969.

Master of Science in Forestry, Swedish University of Agricultural Sciences, Umeå and Ludwig Maximilian University of Munich. Employed 2021. Member of Group management since 2021.

Previous experience: Sawmill Manager and Site Manager, Kährs in Nybro. Head of business area for sawmills, components and furniture facilities, and most recently head of Solid Wood division, at IKEA Industry.

Forest holding: 154 hectares of productive forest land. Total contributed capital in Södra: SEK 63,082.

## Lotta Lyrå

President and CEO. Born 1975.

MBA, Stockholm School of Economics. Employed 2020. Member of Group management since 2020.

Previous experience: McKinsey, senior positions at Södra and IKEA Group. Most recently President and CEO of Clas Ohlson.

Other assignments: Board member of the Swedish Forest Industries Federation.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

## Olof Hansson

President of Södra Skog Business Area. Born 1975.

Economist and MSc in Forestry. Employed 2003. Member of Group management since 2017.

Previous experience: Various positions at Södra, including Wood Supply Manager, Area Manager and Market Analyst.

Forest holding: 105 hectares of productive forest land. Total contributed capital in Södra: SEK 438,860.

## Mattias Johansson

Chief Legal Officer and Director of Administration. Born 1972.

Master of Laws, MBA, Master of Laws, London School of Economics and Political Science. Employed 2007. Member of Group management since 2007.

Previous experience: Includes company lawyer at Saab AB and ABB Financial Services AB.

Forest holding: 0 ha.  
Total contributed capital in Södra: 0.

Holding of total contributed capital pertains to conditions on 31 December 2021.





Peter Karlsson, Malin Nordin, Stewen Nilsson and Peter Jhaveri.



Magnus Björkman, Isabella Wärvik and Caroline Leifson.

## Peter Karlsson

CFO. Born 1976.

MBA. Employed 2016. Member of Group management since 2019.

Previous experience: Various positions in Södra, including President of Södra Interiör, CFO Elajo Invest and senior financial positions in the manufacturing industry.

Other assignments: Board member of Virserums Sparbank.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Malin Nordin

Director of Strategy. Born 1976.

Environmental chemistry degree. Employed 2021. Member of Group management since 2021.

Previous experience: Various senior positions in the IKEA Group over the past 20 years, in areas such as global business development and the IKEA Group's focus on circularity.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Stewen Nilsson

Head of Operational Excellence. Born 1966.

MBA from Stockholm School of Economics. Employed 2019. Member of Group management since 2021.

Previous experience: Senior positions at Stora Enso, Baxter, Södra and in the IKEA Group. Most recently Production Director at Södra Wood.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Peter Jhaveri

President of Södra Wood Business Area. Born 1964.

Master of Science. Employed 2021. Member of Group management since 2021.

Previous experience: Several senior positions in the Tetra Pak Group, including President of subsidiaries in Asia and Europe. Most recently President of Consumer Board business area at BillerudKorsnäs.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Magnus Björkman

President of Södra Cell Business Area. Born 1964.

MSc and MBA. Member of Group management since 2019.

Previous experience: Worked with issues related to liquid carton board supplies at Tetra Pak International in Lund. Various production positions and CEO of StoraEnso Nymölla AB. Site Manager at Södra Cell Mörrum and Marketing Manager at Södra Cell.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Isabella Wärvik

HR Director. born 1982.

Human resources specialist, HR degree with a focus on organisational psychology. Employed 2022. Member of Group management since 2022.

Previous experience: HR roles, mainly involving leadership and organisational development, with companies including HK Scan and Ballingslöv AB.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Caroline Leifson

Secretary and Executive Assistant. Born 1972.

Employed 2021. Member of Group management since 2021.

Previous experience: Long-standing experience as administrator and team manager at PwC. Formerly employed in the hotel industry, Nordic Choice Hotels.

Forest holding: 0 ha.

Total contributed capital in Södra: 0.

## Changes during the year

Malin Nordin, Director of Strategy.

Henrik Andersson, Director of Members.

Caroline Leifson, Secretary and Executive Assistant.

Peter Jhaveri, President of Södra Wood Business Area.

Anica Kabbenäs, Gustav Tibblin and Jörgen Lindquist stepped down from their positions.

Isabella Wärvik, HR Director from January 2022.



# Södra's ABC – words and expressions

## Biodiversity

Biodiversity is a collective term for the variability within and between species and ecosystems on the earth. High biodiversity means that we have a landscape with many different types of habitats and species, and high genetic diversity within species. For more information, refer to the UN Convention on Biological Diversity (CBD).

## Biofuel

Biofuels can be solid, liquid and gaseous. Solid biofuels include firewood, wood chips, pellets and briquettes. Liquid biofuels include ethanol, methanol, biodiesel and bio-oil. Gaseous biofuels include biogas, dimethyl ether and biomethane.

## Bioeconomy

Bioeconomy refers to all economic activity derived from knowledge of biological processes and biotechnology, with the aim of achieving a sustainable way of living without depleting the earth's finite resources.

## Biogenic carbon dioxide

Biogenic carbon dioxide contains carbon from biological processes. Fossil carbon dioxide contains carbon from fossil fuel deposits.

## Biomass

According to the EU Renewable Energy Directive (2009/28/EC), biomass means the biodegradable fraction of products, waste and residues from biological origin from agriculture (including vegetal and animal substances), forestry and related industries including fisheries and aquaculture, as well as the biodegradable fraction of industrial and municipal waste.

## Bioproducts

Bioproducts are our liquid forest products – biomethanol, tall oil and turpentine, which are grouped under the Liquid forest™ brand and produced in the mills where we also produce paper pulp and dissolving pulp.

## Blue driving license

Operations performed in aquatic environments require a blue driving license to ensure consideration for environmental impacts.

## Blue management targets

Blue management targets mean that the value of watercourses is assessed, and that the consideration ambition for aquatic environments is indicated with management targets in the Green Forest Management Plan.

## By-products

By-products from Södra's mills are used in construction materials, as biofuels and for liquid biofuel production, and as raw material for the chemical industry. Sawdust, for example, is a sawmill by-product.

## Carbon dioxide equivalents (CO<sub>2</sub>e)

A standard unit for measuring greenhouse gas (GHG) emissions. Each type of greenhouse gas has a different global warming effect. When emissions are given as CO<sub>2</sub>e, all greenhouse gases are included as if they were carbon dioxide (CO<sub>2</sub>).

## Carbon sink

Uptake of carbon dioxide – in a growing forest, for example.

## Contributed capital

Capital contributed by the association's members.

## Controlled wood

The FSC® Controlled Wood standard is an addition to the FSC® Chain of Custody standards. It was developed for products that do not contain 100-percent FSC®-certified material, but that are manufactured under controlled conditions. Wood products often contain fibres from a variety of sources.

## Chemicals

A general term for the chemical products used in Södra's operations.

## Cooking chemicals

Chemicals used in the digester at pulp mills to dissolve the lignin in the wood.

## Cross-laminated timber (CLT)

A strong and rigid structural component with good dimensional stability. Södra's CLT consist of FSC®/PEFC-certified raw material and has been approved for the Swedish market.

## Dissolving pulp

Dissolving pulp is mainly made from birch wood and used to make fabrics such as viscose and lyocell. such as viscose and lyocell. Dissolving pulp is made by separating the cellulose fibres from the other wood components.

## Electricity certificates

The electricity certificate system is a market-based support scheme for the cost-effective expansion of electricity generation from renewable sources.

## Energy units

1 Terawatt hour (TWh) = 1,000 Gigawatt hours (GWh) = 1,000,000 Megawatt hours (MWh) = 1,000,000,000 kilowatt hours (kWh).

## Environmental Product Declaration (EPD)

Information about the environmental performance of a product over its lifetime. Environmental Product Declarations are published by an EPD programme and verified by an independent third party.

## eNPS

Employee Net Promoter Score. Measures the likelihood that a company's employees would be willing to recommend their employer to a friend. The result divides the employees into three groups: promoters, passively satisfied and detractors, where the eNPS is calculated by subtracting the percentage of detractors from the percentage of promoters.

## Even-aged forest management

Forest management with several stages, from planting/sowing to harvesting via regeneration, cleaning, thinning and regeneration harvesting.

## Forest residues

Branches, treetops, twigs and foliage – harvesting residue that can be used. Used as biofuel for power plants, for example.

## Forestry impact assessment

In collaboration with the Swedish University of Agricultural Sciences, the Swedish Forest Agency conducts regular forestry impact assessments (SKA). Based on a range of scenarios, in which Swedish forests are utilised and managed in various ways, the subsequent impacts of these scenarios in 100 years from now are assessed. The assessments provide detailed information about forest conditions. The information can then be used for decisions related to the long-term use of forests. The most recent forestry impact assessment (SKA 15) was conducted in 2015. New impact assessments are ongoing and the results will be presented in 2022.

## Fossil fuels

Unlike renewable fuels, fossil fuels – such as coal, oil and natural gas – are formed slowly.

## FSC®

The Forest Stewardship Council is an independent, international membership organisation that promotes an environmentally appropriate, socially beneficial and economically viable management of the world's forests and has developed principles for forest management certification.

## Global Reporting Initiative (GRI)

GRI develops globally applicable 'Sustainability Reporting Guidelines' to encourage companies to take responsibility for their economic, environmental and social impacts.

**Green Balance Sheet**

Södra compiles a Green Balance Sheet on an annual basis. Södra Skog's auditors assess whether regeneration harvesting, thinning operations, nature-conservation measures and forest residue handling comply with PEFC and FSC® requirements for general environmental considerations, and whether Södra has complied with its own policies and procedures for environmental considerations.

**Green electricity**

In everyday language, electricity produced from renewable sources such as biofuels, wind and hydro.

**Green Forest Management Plan**

The Green Forest Management Plan is an important tool, and provides support for economical and environmentally appropriate forestry that integrates environmental considerations with production. The Green Forest Management Plan also contains blue management targets for aquatic environments. Also used for forest estate certification.

**Greenhouse gas (GHG)**

Gases that are the cause of global warming, such as CO<sub>2</sub>, methane and nitrous oxide.

**Guarantee of Origin certificates**

Guarantee of Origin certificates are issued by the Swedish government and show the energy source of the electricity generation. Guarantee of Origin certificates can then be sold by electricity generators on the open market.

**Ha**

Hectare. An area equivalent to 10,000 m<sup>2</sup>.

**ISO 14001**

An international standard for environmental management systems.

**ISO 45001**

An international standard for occupational health and safety management systems.

**ISO 50001**

An international standard for energy management systems.

**Lignin**

Lignin is the substance that acts as a binding agent, and binds the cellulose fibres in wood. Valuable by-product of pulp production. Research is conducted to commercialise lignin-based carbon fibre for the production of lightweight materials that can be used to replace traditional heavyweight materials in, for example, cars.

**Liquid biofuels**

Vehicle fuels, such as biodiesel, HVO biodiesel, produced from renewable biomass.

**LTA**

Lost-time-accident. Occupational injury with absence.

**LTAR**

Lost-time-accident rate. The number of occupational injuries with absence per million hours worked.

**m<sup>3</sup>sub**

Cubic metres solid volume under bark. Refers to volume of a tree trunk, excluding bark and tree-tops. Generally used as a measure in harvesting and the timber trade.

**m<sup>3</sup>l**

Cubic metres of felled volume. Refers to the outer dimensions of the material and is used for woodchips, for example.

**m<sup>3</sup>fo**

Forest cubic meters. Refers to the volume of the entire trunk above the stump, including tops and bark, but excluding branches. Generally used as a measure of standing volume.

**m<sup>3</sup>sw**

Cubic metres of sawn wood.

**OnceMore®**

The dissolving pulp produced in the OnceMore® process consists of cellulose from two separate sources – recycled textiles, and wood from sustainable forests. At present, recycled textile content accounts for 20 percent of the OnceMore® pulp.

**PEFC**

The Programme for the Endorsement of Forest Certification is an international organisation dedicated to promoting sustainable forest management through independent third-party certification.

**Pulp**

Södra produces paper pulp – both softwood and hardwood sulphate pulp – and dissolving pulp, which are sold on the pulp market to customers worldwide.

**Profit distribution**

Under Södra's profit distribution model, members receive returns on the wood they have delivered, and the capital they have contributed. The concept therefore includes dividends on wood deliveries and contributed capital, but also a bonus issue. The bonus issue increases the members' contributed capital and is a special form of value transfer that converts collectively owned equity into individually owned capital.

**Process chemicals**

Chemicals used in the production processes of Södra's industries.

**Recycled Claim Standard (RCS)**

The aim of RCS is to increase the use of recycled materials. RCS certification of products sold to end-consumers requires certification and traceability through the supply chain. Through the RCS-certification, Södra can produce and manufacture RCS-certified OnceMore® dissolving pulp.

**Regeneration harvesting**

A system of harvesting where nearly all old-growth trees in a forest stand are removed to make room for the next generation. Also called final harvesting.

**Sensitive habitat**

A physical environment that, due to its distinctive features, provides a habitat for plant or animal species that are sensitive to external factors.

**Scope (1, 2, 3)**

The GHG Protocol standards define three 'scopes' for accounting and reporting a company's emissions: Scope 1 – direct GHG emissions that occur from sources that are owned or controlled by the company, Scope 2 – indirect GHG emissions from the generation of purchased electricity and Scope 3 – all other indirect emissions.

**SE plants**

SE plants are produced using somatic embryogenesis, a method based on clonal propagation of seeds. Many identical copies of a tree can be produced from a single seed, and desirable characteristics can be developed in the same way as with cuttings.

**Site**

An area of forest designated for a particular type of management.

**Site directive**

Written instructions for harvesting operations stipulating, for example, the maximum amount of wood to be harvested and the nature conservation considerations required.

**Substitution**

Substitution refers to replacing one thing with another. Substitution creates climate benefits when renewable forest-based products drive back products with a higher carbon footprint, such as steel, concrete, plastic and fossil energy.

**Substitution factor**

The substitution factor varies for each type of material. What we measure is the amount of fossil CO<sub>2</sub> emissions that are replaced per unit of biogenic CO<sub>2</sub> in forest products.

**Tall oil**

By-product of paper pulp production that can be used to replace fossil-based materials. Uses include the production of crude tall diesel and chemicals.

**Wooded wasteland**

Low-productive land with slow-growing trees. Low-productivity land is protected under the Swedish Forestry Act and only measures aimed at strengthening nature conservation values are permitted.

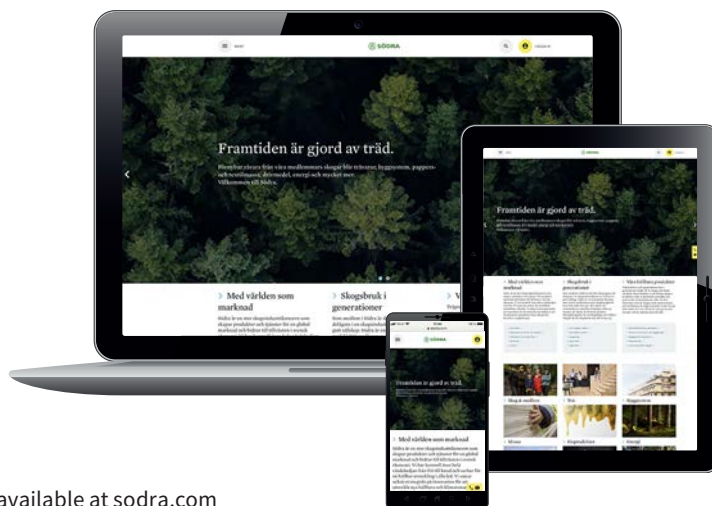
# Financial information

## Reporting calendar

Quarterly reports will be published on the following dates:

Q1	27 April 2022
Q2	18 July 2022
Q3	20 October 2022
Q4/Year-end report	February 2023

The Annual General Meeting for the 2021 financial year will be held on 24 May 2022 in Värnamo, Sweden.



The reports, as well as other information about Södra, are available at [sodra.com](https://sodra.com)

# Contact

For more information, visit: [sodra.com/contact](https://sodra.com/contact)

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## This is Södra

Founded in 1938, Södra is Sweden's largest forest-owner association with 52,000 forest owners as its members. We are also an international forest industry group, with operations based on processing our members' forest raw material. Södra is one of the largest European suppliers of pulp for the pulp market, and has one of the largest sawmill operations in Europe. In 2021, the wood volume was 18.0 million m<sup>3</sup>sub, sales amounted to SEK 27 billion and employees totalled 3,124.

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