

Essity's external environment and market

Hygiene and health market

Favorable market trends

Essity operates in the growing hygiene and health market. Essity's categories, geographies and distribution channels are subject to several favorable market trends:

During 2020, the COVID-19 pandemic further **increased awareness of the importance of hygiene and health**. For example, people now have a greater understanding of the importance of washing and drying your hands to avoid diseases and the spread of infection. This is expected to increase demand for several of Essity's product categories.

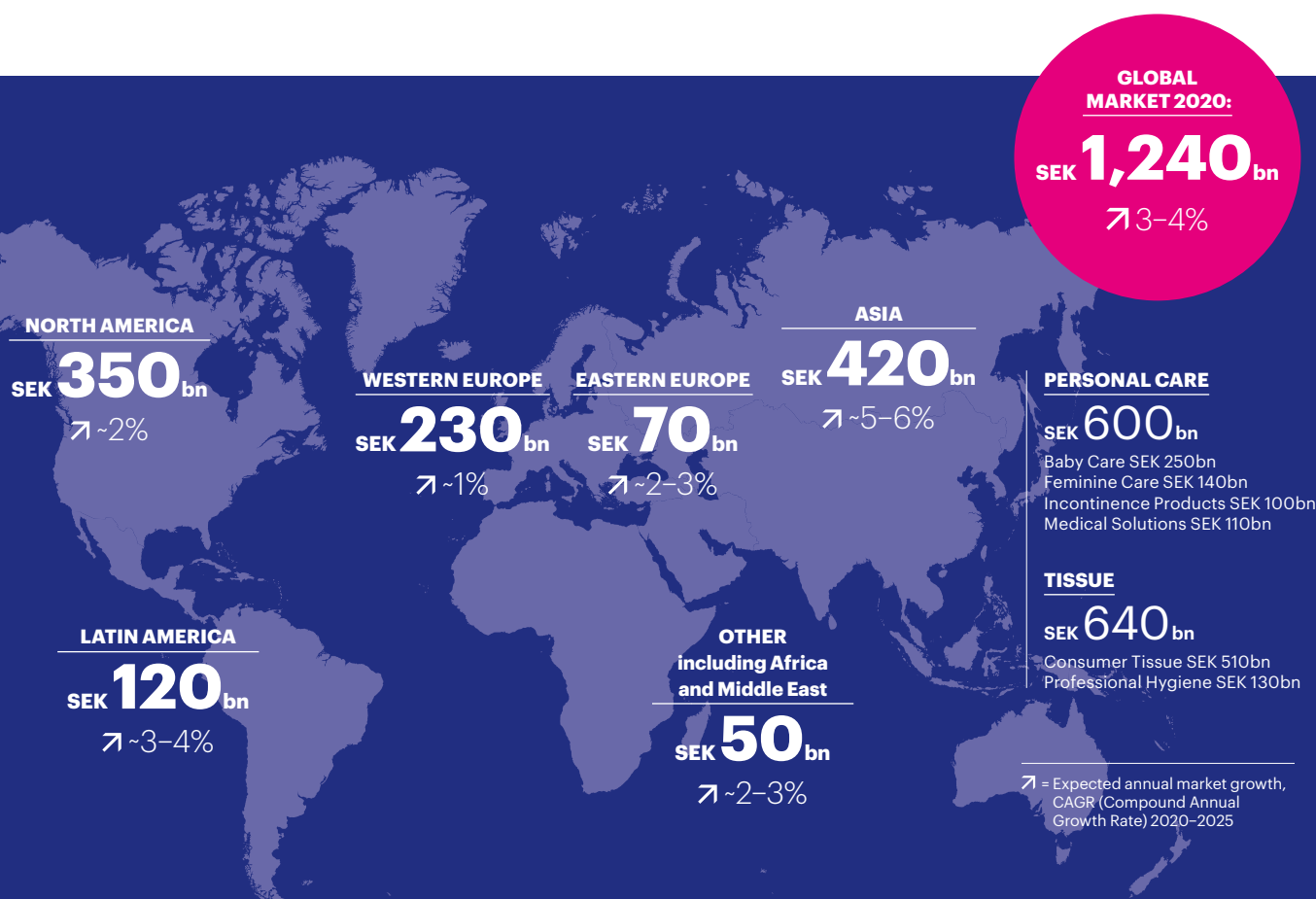
Demand for hygiene and health solutions is also positively impacted by the gradual reduction in poverty worldwide and as families achieve a **higher standard of living and disposable income**. When people fulfill the most basic needs for food and shelter, the next priority is hygiene and health. **Access to health care is increasing** above all in emerging markets in pace with rising prosperity and accelerating urbanization.

The global population is growing and average life expectancy is rising, which means greater demand for hygiene and health solutions and offering growth opportunities for Essity.

An aging population increases demand for such items as incontinence products as the prevalence of incontinence rises with age. A higher age also increases the risk of chronic conditions, which leads to increased demand for medical solutions, for example.

Due to the pandemic, **e-commerce** and **digitalization** of production and services as well as remote working have increased sharply. Digitalization offers Essity a variety of opportunities and has led to increased efficiency in the business, higher sales of digital solutions and growth in e-commerce sales.

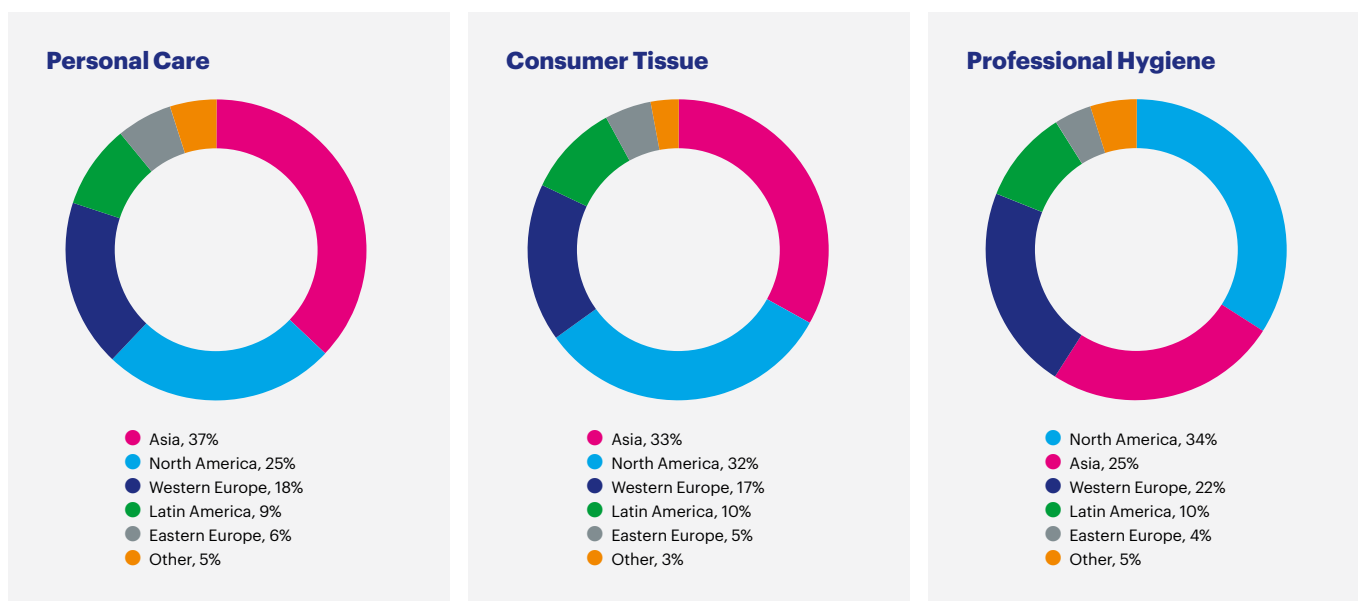
Global **awareness of sustainability issues, climate change and resource scarcity is rising**. Sustainability work is a way for Essity to increase sales and profitability, but also to reduce the company's risks. The starting point is to reduce the climate footprint of Essity and of customers and consumers. Essity is working proactively to identify, assess and manage climate-related risks.



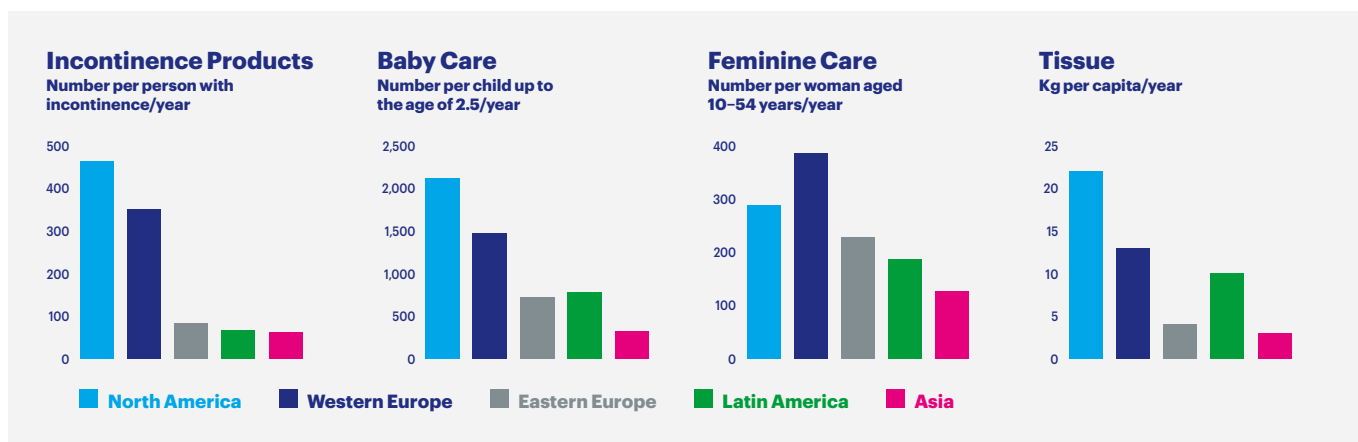
Source: The information has been compiled by Essity for presentation purposes based on statistics taken from external market sources, including IRI, Fastmarkets RISI, Price Hanna Consultants, SmartTRAK and National Macro Economics.

Global market by region

In 2020, the hygiene and health market in mature markets amounted to approximately SEK 660bn and in emerging markets to approximately SEK 580bn.



Use



Growth potential in different regions

The growth potential is greatest in emerging markets where market penetration of hygiene and health products is significantly lower than in mature markets and where urbanization, infrastructure, retail trade, e-commerce and health care are evolving rapidly. One example of the lower market penetration in emerging markets is that the consumption rates for incontinence products in Asia are only about one-sixth of those in Western Europe. Another example is that tissue consumption in Eastern Europe is only about one-third of that in Western Europe.

As shown on the map on page 11, market growth is expected to be particularly high in Asia and Latin America where Essity has a rapidly expanding business with many leading market positions.

In mature markets, baby care and feminine care have attained high market penetration. However, market penetration for incontinence products is still relatively low for certain product segments, particularly among men, which Essity believes is due to lack of awareness and the stigma associated with incontinence. An aging population is expected to increase demand for incontinence products and medical solutions.

Essity's market positions

	Global	Europe	North America	Latin America	Asia	
Incontinence Products	1	1	4	1	3	
Professional Hygiene	1	1	2	4	3	
Consumer Tissue	2	1	—	3	1	
Medical Solutions	4	1	12	3	2	
Baby Care	5	2	—	6	6	
Feminine Care	5	3	—	1	10	

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



Strengthened market positions and brands

Position #1 or #2

~90%
of Essity's
branded positions

Higher market shares for

>60%
of Essity's
branded positions
in retail trade

Strategy for profitable growth and long-term value creation

Vision

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

Mission

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

Objectives



Strategies



Clear strategy for increased value creation

Through the vision: Dedicated to improving well-being through leading hygiene and health solutions, Essity strives to achieve long-term value creation for shareholders, customers, consumers, society and employees. Essity’s mission is to sustainably develop, produce, market and sell value-added products and services within hygiene and health. Through innovation, digitalization, leading market positions and a greater presence in the

fastest-growing sales channels, as well as world-class service levels, quality and efficiency, Essity creates added value for customers and consumers. Our strategy and operations are based on a sustainable business model aimed at achieving profitable growth and responsible value creation, all of which is centered around our customers and consumers.

Business model

Resources

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

Customer
and consumer
insights

People
and nature
innovations

Sourcing
Production
Logistics
Distribution
for a sustain-
able value
chain

Marketing
and sales

Leading
hygiene
and health
solutions

Value creation

for
Shareholders
Customers
Consumers
Society
Employees

Business model focused on sustainable growth and responsible value creation

Resources

Essity utilizes resources in the form of financial capital, where equity amounted to approximately SEK 63bn and net debt approximately SEK 43bn in 2020. Human capital with approximately 46,000 employees and their expertise, skills and experience. Intellectual capital such as research and development, patents, licenses, innovation, systems and goodwill. Manufactured capital in the form of raw materials, facilities and infrastructure necessary for production. Relationship capital that includes Essity's relationship with internal and external stakeholders with whom we share values, credibility and loyalty. Natural capital used by Essity in its operations, such as forest and water.

Customer and consumer insights

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

Innovation

Essity has a global unit that works with brands, innovation and sustainability. There are also innovation centers in China, France, Germany, Mexico, Sweden, and the US. Research and development (R&D) costs during the year amounted to SEK 1,559m, corresponding to about 1.3% of consolidated net sales.

Sourcing, production, logistics and distribution

In 2020, Essity purchased raw materials and consumables for approximately SEK 41bn. The main raw materials are pulp, recovered fiber and oil-based materials. Essity has around 90 produc-

tion facilities worldwide. Cost of goods sold amounted to SEK 82bn, of which transport and distribution costs were SEK 11bn.

Marketing and sales

Essity's marketing costs in 2020 amounted to SEK 6,745m, corresponding to 5.5% of net sales. An increasing share of marketing is conducted through digital channels. We have sales in approximately 150 countries. In 2020, the retail trade accounted for 61% of Essity's net sales, business-to-business for 21% and the healthcare sector for 18%.

Leading hygiene and health solutions

Essity is the global market leader in incontinence products with the TENA brand and in professional hygiene with the Tork brand. Essity also has strong brands in other product categories. Essity holds the number one or number two position within at least one product category in approximately 90 countries and has a well-developed and efficient "go-to-market" model.

Value creation for our stakeholders

Essity generates value to shareholders through returns and dividends. We work to maximize shareholder value while prioritizing environmental and social issues by taking financial, environmental and social parameters into consideration in our business decisions. Customer and consumer value is created through our solutions by increasing well-being and quality of life. Value is also created for employees, suppliers and society through, for example, salaries, revenue, employment and taxes, as well as sustainability activities and community relations.

In Essity's strategy work, the external environment and markets are analyzed as a means of identifying external trends, drivers, opportunities and risks. Part of the basis for Essity's strategy work is a materiality analysis where Essity and the company's stakeholders rank the issues and areas that are perceived as being important for the company. Read more about the results of the 2020 materiality analysis on page 51. The annual strategy process includes an analysis phase and assessment of the risks present in the business units. The company's most material climate-related risks and opportunities have also been identified and assessed.

A description of the risks that impact Essity and related measures are presented on pages 36–43.

Take the lead in every market and channel

Essity aims to hold a number one or number two position in the markets, channels and categories we choose to participate in. We over-invest in the fastest growing customer, category and channel segments to take the lead in attractive markets and generate profitable growth. Essity has sales in approximately 150 countries. In approximately 90 of these, Essity holds the number one or two position in at least one product category.

Leading market positions

Holding a number one or number two position offers economies of scale for example in sourcing, production, distribution and marketing. Moreover, Essity's negotiating position is stronger when we have a brand and product that is demanded by customers and consumers. For some time, Essity has invested in e-commerce with the ambition to have a higher online market share compared with offline. This favored the company in 2020 since more consumers chose e-commerce. E-commerce sales increased from 10% of net sales in 2019 to 13% in 2020. The rise in e-commerce also increased sales of Essity's strong brands as consumers are more likely to choose brands they recognize and trust when buying online.

Attractive emerging markets

Essity has a clear priority for which geographic markets it wants to operate in, and which product categories it will offer in these markets. We aim to increase the emerging markets' share of net sales and earnings, since the potential for growth is higher in emerging markets because of lower market penetration for hygiene and health products compared with mature markets. We are prioritizing growth in selected emerging markets such as China, Southeast Asia, Latin America, Eastern Europe and Russia, where we already have strong market positions. In 2020, the adjusted EBITA margin for emerging markets was 12.9%, which is an improvement of 6.4 percentage points compared with 2015. Emerging markets increased to 37% of net sales in 2020.

Expanding the offering

To grow our product categories and strengthen market positions, we are improving and expanding our offerings through adjacencies. We achieve this organically through innovations and collaborations and through acquisitions of technology and product offerings. Today, Essity's offering includes wet wipes, skincare products and soap in several product categories. Expanding the customer offering is also about providing service and solutions to customers and consumers and developing digital solutions and sustainable business models that increase our customers' efficiency and reduce environmental impact. For example, in 2020 we strengthened our continence care offering through the acquisition of Novioscan, which develops smart ultrasound technology for monitoring the bladder.

Profitable growth

Essity's innovation-driven category and channel strategy with leading brands combined with comprehensive efficiency improvements have contributed to good organic sales growth and a gradual increase in profitability. Net sales increased by SEK 5.6bn annually and adjusted EBITA by SEK 1.4bn annually during the 2014–2020 period. Structural profitability in Consumer Tissue has increased for example due to a higher share of own brands, a focus on growth in segments with high margins, successful innovations and more efficient production. In Baby Care, we exited underperforming positions in North Africa and Russia during the year. Profitability in Baby Care has improved and the ambition is now to grow. The focus in Incontinence Products, Medical Solutions, Feminine Care and Professional Hygiene is on continued growth.

Portfolio strategy



Innovate leading brands

By continuously improving and expanding our solutions for customers and consumers, we help people around the world live a better life at the same time as we are strengthening our brands and gaining market shares. To launch successful innovations, we get to know our customers, consumers, users, resellers and distributors, often through digital interaction. Our innovation work also aims to reduce resource consumption to launch solutions that contribute to a sustainable and circular society.

Importance of hygiene and health

As a consequence of the COVID-19 pandemic, people are more aware of the importance of hygiene and health for well-being and in reducing the risk of disease. To help people cope with the challenges brought about by the pandemic, Essity has for example expanded its offering with face masks for the retail trade and to customers in the Professional Hygiene business area. In the retail trade, the face masks were launched under the consumer brands Tempo, Lotus, Zewa and Colhogar and in Essity's Professional Hygiene business area under the leading global brand Tork. Essity also increased delivery capacity of hand sanitizer under the Tork brand. The launch of the Household Towel Home Collection is another example of how Essity has further developed its offerings during the year to meet needs as people spend more time at home and, in parallel, want to raise hygiene standards with more wiping, cleaning and fewer textiles.

Reducing environmental impact

In order to continue to grow the company's sales while reducing its environmental impact, Essity is striving to develop new solutions, business models and production methods that contribute to a more sustainable society. We strive to offer sustainable products, packaging and services. The aim is for our packaging to be recyclable and comprise renewable and recycled materials. In 2020, Feminine Care introduced packaging for pads and panty liners made from renewable material for its new brand identity V-zone. The plastic packaging for pads is made from 50% renewable material in the form of responsibly grown sugar cane. One step in our commitment is to provide consumers with better solutions that feature a smaller climate footprint.

In Baby Care and with the Libero brand, we have been working for many years to reduce our climate footprint. For example, Libero was first in the Nordic region with Nordic Swan Ecolabel diapers and FSC® certification. In 2020, we launched baby diapers in packaging made from 50% renewable material. The baby diapers are manufactured using 100% renewable electricity.



Examples of awards in 2020

Win with customers and consumers	Product of the Year France Lotus Pure Natural Handkerchiefs, Facial tissues, Toilet paper 	Product of the Year Germany Zewa Smart 	Product of the Year Germany Tempo Natural and Soft Tempo Moist for Kids 	Product of the Year North America Tork PeakServe® Best Innovation North America Tork Xpressnap Fit®  Think ahead.
Virtual campaign  Think ahead. Tork Clean Hands VR InterClean Europe Innovation Awards Visitors Choice Award	Marketing awards  Drum award Viva la vulva #1 awarded campaign	 Immortel Awards #Wombstories	 Global SABRE Awards Winner "Liberating our Periods" for Libresse in China	 LSA La Conso s'engage Award for social responsibility/diversity

Digitalize

For a number of years, Essity has invested to digitalize sales and distribution to customers and consumers, the supplier and production chain, innovative solutions and internal processes. These investments have benefited Essity, for example, during the COVID-19 pandemic as the infrastructure was already in place to meet the sharp increase in e-commerce, remote working by employees with online meetings and the need for greater digital control of production, distribution and digital services. In 2020, Essity also decided to accelerate digitalization in the company through a new digital platform. This investment will further strengthen the Group's customer and consumer offerings, generate significant cost savings and reduce the need for working capital.

E-commerce

The COVID-19 pandemic has accelerated digitalization and e-commerce has increased sharply. Through its strategy to focus on the fastest growing customer and sales channels, Essity has over-invested in e-commerce over time. Essity therefore has a strong e-commerce platform and during the year it was quick to respond to the retail trade's increased demands for an online presence. During the fourth quarter of 2020, the company's e-commerce sales amounted to approximately 15% of net sales. E-commerce takes place via retailer websites and e-tailers, where our offerings in Consumer Tissue, Incontinence Products, Baby Care and Feminine Care are available. With our leading TENA brand, we have developed our own webshops to help our consumers with information about incontinence and available solutions, and provide an opportunity to order and receive the products delivered home, discretely. In our business-to-business operations of Professional Hygiene, Medical Solutions and parts of Incontinence Products, we were highly active during the year in meeting our customers online, which was appreciated and increased our online sales.

Digital solutions

With the vision: Dedicated to improving well-being through leading hygiene and health solutions, Essity uses new technology and sensors to deliver digital solutions that simplify and improve everyday life for customers and consumers. Incontinence Products has launched "TENA SmartCare Change Indicator". This is a reusable sensor that can easily be attached to the outside of a TENA product and notifies the caregiver via TENA SmartCare Professional Care or the Family Care app when the product needs to be changed. The solution improves and facilitates for users, family and caregivers. For example, it ensures a better night's sleep for the user as the caregiver does not need to unnecessarily check and change an incontinence product. With the acquisition of Novioscan, Essity is further developing the digital innovation SENS-U. This is a wearable ultrasound sensor that measures levels in the bladder and provides the user with a discrete notification when it is time to visit the bathroom. A version is currently

available for children and Essity is working to develop this solution for adults, to simplify and improve life for more people.

Closer to customers and consumers

Our brands' websites, social media channels and search functions provide us with an insight into the questions and problems of current and potential customers and consumers and also what they appreciate. This enables our innovation and marketing teams to develop solutions, campaigns and selling techniques based on a unique knowledge and insight into the needs, challenges and expectations of our customers and consumers. Our digital solutions also provide us with data about use patterns and consumption. Our connected dispensers featuring sensor technology, Tork EasyCube®, show a sharp increase in consumption per person of paper hand towels, soap and hand sanitizer during the COVID-19 pandemic. We use this information together with our customers to optimize future solutions.

We reach most of our customers and consumers through digital media. This allows us to maximize the value of campaigns and ensures that we reach the intended target audience. One example is the "Liberating our Periods" marketing campaign for the relaunch of Libresse in China. It targeted young women at the start of their professional career and aims to break barriers and begin talking openly about menstruation. The campaign was named the 2020 Global SABRE Awards Winner. Other examples of successful multimedia marketing are TENA #Ageless and #WoundWarriors for the brands Cutimed® and Leukomed®.

Automation and advanced analytics

The smart use of digital tools in Essity's production, distribution, logistics and administration leads to increased automation and robotization. Through "Industry 4.0" and the development of smart production facilities, Essity is working to achieve more efficient production, shorter lead times, higher quality and lower environmental impact. Increasing amounts of data available from production enables advanced digital analytics which, for example, improves control of production flows and maintenance planning. Essity is investing in improving the digital knowledge of employees. Our various digitalization teams are coordinated by the company's global experts to implement the best digitalization trends.

New digital platform

Essity is investing in a new digital platform to accelerate its digital transformation and benefit more fully from the digital initiatives taken at the company. The investment will improve Essity's offering and service to customers and consumers and is expected to have a positive impact on sales. The investment will also provide efficiency enhancements, which are expected to generate cost savings.



Win with
customers and
consumers

Drive efficiency

Essity works continuously to improve efficiency by increasing productivity, reducing material, energy and logistics costs and minimizing waste. In parallel, we enable rapid adjustments for innovations, product adaptations and the best service to customers and consumers. This strengthens our competitiveness, enhances our financial performance and reduces our environmental impact. We are working to leverage digitalization, innovation, global economies of scale and knowledge sharing to increase efficiency in the production and supply chain as well as logistics and distribution.

Zero workplace accidents

Health and safety is a top priority at Essity and we are striving for a safe workplace without accidents. In 2014, Essity set the target to reduce the accident frequency rate by 50% by 2020. Solid work has been done that has improved work procedures and machinery safety. In 2020, the accident frequency rate had fallen by 56%.

Production assured during the COVID-19 pandemic

Care for our people is a priority during the COVID-19 pandemic. Our hygiene and health solutions are critical to society and we were successful in assuring both production and logistics in 2020. We quickly established a global emergency response team comprising internal and external experts to guarantee a safe work environment for our employees. Measures were implemented in all parts of the business, including new ways of working, production adaptations and securing transportation.

Cost savings and increased efficiency

During 2020, Essity achieved SEK 1,056m in continuous cost savings. These include savings in sourcing, production and material rationalization. The Manufacturing Roadmap program was launched during the year to achieve world-class cost efficiency, quality and service levels at Essity's approximately 60 wholly

owned facilities. The program also includes logistics and distribution and contributes to Essity's sustainability target relating to the reduction of carbon emissions in line with the Science Based Targets initiative. Digitalization enables more efficient processes in administration as well as sourcing, production and logistics. Digital solutions are implemented in operations, including self-regulating processes, smart sensors, data analyses, robotization and automation.

Sustainable value chain

Essity has three focus areas to achieve a world-class sustainable value chain: reduce the use of fossil fuels and electricity, improve product design and optimize resource utilization. By investing in state-of-the-art technology, process efficiency is improved and carbon emissions are reduced. Essity researches and invests in several ground-breaking ideas in sustainable technology in its manufacturing processes with the aim of reducing the company's environmental footprint and setting new standards for the entire industry. For example, in 2021 Essity will start up an innovative, unique and ground-breaking pulp production from alternative fiber at its facility in Mannheim, Germany. The plant will produce high-quality pulp from wheat straw that will reduce carbon emissions, use less water and energy as well as fewer chemicals.



Objectives

Generate increased shareholder value through profitable growth

Essity focuses on profitable growth in order to generate long-term value for our shareholders. The goal for annual organic sales growth is above 3%. In 2020, the earlier target for adjusted return on capital employed was achieved and the target was raised to above 17% by 2025. In line with Essity's dividend policy, we aim to provide long-term stable and rising dividends to our shareholders. Essity's target is to have an effective capital structure and maintain a solid investment grade rating.

Enable more people every day to enjoy a fuller life

Essity aims to enable more people every day to enjoy a fuller life by raising hygiene and health standards around the world. To succeed, we are constantly striving to further develop and improve our offering and provide more people access to our solutions. We are working intensively to break barriers surrounding hygiene and health that exist in our society. We do this through training courses and collaborations, and through marketing and providing information.

Contribute to a sustainable and circular society

Essity strives to reduce resource consumption and toward efficient recycling or composting of our hygiene and health products. We are working to develop offerings and business models that contribute to a sustainable and circular society, which also creates new business opportunities for Essity. Essity's targets for carbon emission reductions are approved by the Science Based Targets initiative. We are striving for 100% recyclability of our packaging. Our target for sourcing of fresh fiber means all wood-based fresh fiber in our products and packaging is to be FSC® or PEFC™ certified.

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

Our employees are our main asset and we strive continuously to develop our corporate culture, expertise and leadership to create the best possible conditions for a successful Essity. All Essity employees are to be treated fairly and respectfully. We value and work to increase diversity. We offer career opportunities in a leading global hygiene and health company that is breaking barriers to well-being in the world.



Contribution to the UN Sustainable Development Goals

As a leading global hygiene and health company, Essity has an important role to play in achieving the UN Sustainable Development Goals. Essity is working to overcome global challenges together with customers, consumers, suppliers, other partners and community representatives. In parallel, the global goals create favorable business opportunities for Essity. In 2020, Essity continued its commitment to break barriers to well-being by being a convening partner to the United Nations Foundation's annual Global Dialogue on the Sustainable Development Goals. We have chosen to specifically focus on goals 3, 5, 6, 12, 13 and 15 where we can make a contribution through Essity's operations, offerings, expertise and experience. We describe our work in 2020 below.



Goal 3: Good health and well-being

Essity has contributed to goal 3 for example through its intensive work toward better global hygiene and health standards. By providing access to our leading solutions, we are contributing to increased quality of life and well-being. During the COVID-19 pandemic, we ensured production and deliveries of our products and further developed our offerings. For example, we invested in production of face masks and expanded hand sanitizer delivery capacity. Essity has been working for many years to raise awareness of the importance of hand hygiene to avoid the spread of disease and our Tork brand promotes good hand hygiene through products such as paper hand towels, soap and hand sanitizer.

Goal 5: Gender equality

By pursuing educational initiatives and collaborations to break the silence around issues such as menstruation, incontinence and lymphedema, Essity works for greater gender equality. For example, we collaborate with UNICEF Mexico in "Hygiene is our right", which highlights the rights of children and young people in relation to health, education and gender equality. Our brands' bold initiatives "Liberating our Periods", "Womb Stories" and "TENA #Ageless" break barriers and aim to strengthen the self-esteem of women. Under our Consumer Tissue brand Zewa, we have pursued the successful initiatives "Hygiene has no gender" and "The unfair race", which highlights the importance of sharing household chores. Our "Essentials Talks" podcast focuses on stigmas relating to hygiene and health. In it, we talk to people who have experienced these stigmas and with experts around the world on topics such as incontinence, menstruation and hand hygiene.

Goal 6: Clean water and sanitation

We work to achieve efficient water usage throughout the entire life cycle of our products and to improve water treatment and the quality of the effluent water discharged from our facilities. As part of our work to contribute to good sanitation for everyone, in 2020 we became a strategic partner in the "Global Handwashing Partnership" and together with the WHO and UNICEF are pursuing the "Hand hygiene for all" initiative, which aims to guarantee access to products and services for hand hygiene, particularly in vulnerable areas and countries. The "Ella Handwashing app" is used to educate children and preschool teachers in hand hygiene. Often together with local partners, we work to offer girls and women access to feminine care products, clean water and toilets to enable studies and work even during menstruation.



Goal 12: Responsible consumption and production

Together with our customers, consumers, suppliers and other business partners, we are working toward a sustainable and circular society. In 2020, 64% of our innovations resulted in social and/or environmental improvements. We launched our first washable absorbent underwear, increased the proportion of renewable material in our packaging and more customers are using Tork PaperCircle®, the world's first recycling service for paper hand towels. Through our MSAVE and ESAVE programs, we have reduced material and energy consumption in our production.

Goal 13: Climate action

We address the challenges of climate change through investments in innovation and cooperation with others to reduce resource consumption and environmental impact. Essity researches and invests in several ground-breaking ideas in sustainable technology in our manufacturing processes with the aim of reducing the company's environmental footprint and setting new standards for the industry. In 2020, we prepared to start tissue production based on alternative fibers from plant-based agricultural by-products in 2021. This will provide Essity with an additional source of raw material and a production method that requires less water and energy use and fewer chemicals. Our targets to reduce carbon emissions have been approved by the Science Based Targets initiative and between 2016 and 2020 we reduced our Scope 1 and 2 carbon emissions by 11%.

Goal 15: Life on land

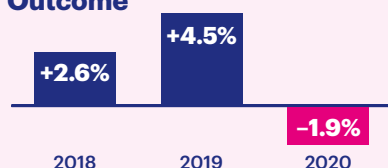
As a global purchaser of fresh fiber, we require our fresh fiber suppliers to maintain and safeguard the principles of biodiversity and forest conservation. We prioritize Forest Stewardship Council (FSC®) as a certification system and encourage all suppliers to strive for certification. In 2020, we increased our share of certified fresh fiber and 95% of all purchased fresh fiber was certified. Essity cooperates with various stakeholders to promote sustainable forestry operations, including the protection of conservation values, and contributes to a more circular society. Essity is included on CDP's prestigious 'A List' for our substantial and measurable work to counteract deforestation in the supply chain and for our sustainable raw material sourcing.

Targets and outcomes

Annual organic sales growth¹⁾

Target
>3%

Outcome

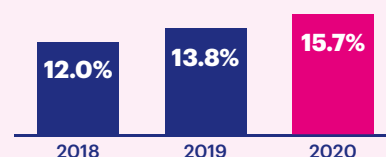


Adjusted return on capital employed²⁾

Target
>17% by 2025

The earlier target of >15% was achieved in 2020 and the target was raised to >17% by 2025

Outcome



Capital Structure Policy

Target
Maintain a solid investment grade rating

Outcome 2020
Solid investment grade rating

Dividend Policy

Target
Long-term stable and rising dividends

Outcome 2020
6.75 SEK per share³⁾ +8% compared with earlier dividend

Science Based Targets

Target 2030 (compared with 2016)

Scope 1 and 2

-25%

Scope 3

-18%

Outcome 2020

Scope 1 and 2

-11%

Scope 3⁴⁾

-4%

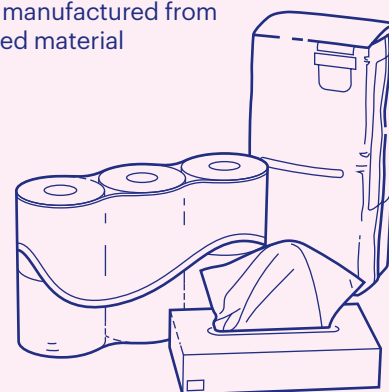
Packaging

Share of packaging manufactured from renewable or recycled material

Target 2025
85%

Outcome 2020

77%



¹⁾ Net sales excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

³⁾ Board of Directors' dividend proposal.

⁴⁾ Outcome for Scope 3 is for 2019.

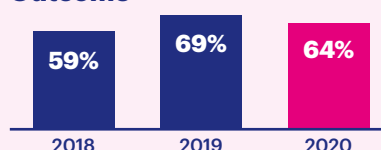
Innovation

Share of innovations that yielded social and/or environmental improvements

Target

>33%

Outcome



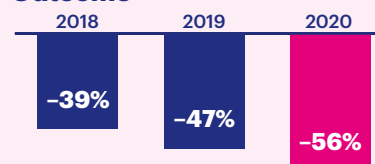
Health and safety

Decrease in accident frequency rate (compared with 2014)

Target 2020

-50%

Outcome



Sourcing

From suppliers who comply with Essity's Global Supplier Standard

Target 2020

100%

Outcome 2020

92%

Production waste

Subject to material or energy recovery

Target 2030

100%

Outcome 2020

65%

Fresh fiber

Share of FSC® or PEFC™ certified fresh fiber

Target

100%

Outcome 2020

95%

Business ethics and Code of Conduct

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

Target

100%

Outcome 2020

92%

Water

Our tissue sites are to reduce: (compared with 2014)

	Target 2020	Outcome 2020
Levels of suspended solids	-10%	-27%
Water usage	-10%	-3%
Organic waste (BOD)	-10%	-21%

Read more about our sustainability targets and outcomes for 2020, 2019 and 2018 including comments in Sustainability governance, on pages 44–50 and in the Group's non-financial notes on pages 119–127.