

Essity's sustainability work

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



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Improved well-being

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

Hygiene and health

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

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

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

Transparency and safe products

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



Answers to frequently asked questions are published on www.essity.com and each brand's local website, together with detailed information about product contents. To further strengthen the availability of product information, we launched the "Product Safety, For Us it's Personal" and "Our 5 Pillars of Protection" campaigns in 2021.

More inclusive society

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

form highlighted taboo issues regarding women's V-Zone, while "Pain Stories" increased awareness of the issue of endometriosis.

Partnerships and collaboration

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

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

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

A selection of our partnerships



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



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



Read more on

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

Reduced environmental impact

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

Climate impact

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

Key action areas

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

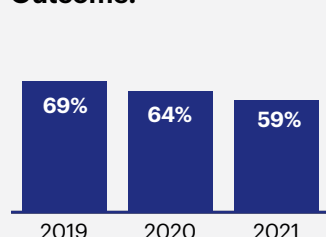
- **Sustainable solutions:** We act to develop new and more sustainable products and services. Our offering now includes reusable menstruation and incontinence products. Through innovation, Essity has reduced the greenhouse gas footprint in the company's different product categories by 10–30% over a ten-year period. Essity's Group target is that at least 50% of the company's innovations are to yield social and/or environmental improvements. In 2021, the outcome was 59%.

Sustainable innovations

Share that yielded social and/or environmental improvements

Target: >50%

Outcome:



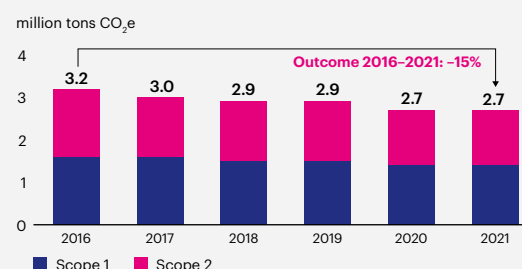
Sustainable innovations are measured as the share of revenue from innovations launched in the most recent three years. Examples of sustainable innovations in 2021 included Tork cleaning cloths, TENA Silhouette washable absorbent underwear, and the Libresse menstrual cup.

- **Low carbon raw materials:** Essity is striving to use more materials with lower greenhouse gas emissions. The largest share of greenhouse gas emissions from purchased raw materials is from fresh fiber and plastic used in our products and packaging. We collaborate with our suppliers to develop sustainable solutions with a focus on alternative, renewable and recycled materials, and encourage them to establish science-based targets and increase the use of renewable energy.
- **Fossil fuel free production:** In an industry that is traditionally energy intensive, one of our most important tasks to achieve net-zero emissions by 2050 is to become free from fossil fuels. To achieve this, measures include the increased use of hydrogen from renewable sources, biogas and geothermal steam.
- **Resource efficiency:** We have extensive experience of working with resource efficiency, including in our M-Save and E-Save programs that focus on material and energy efficiency, respectively. The reduction in CO₂ emissions per ton produced between 2005 and 2021 was 19%.
- **Breakthrough technology:** In 2021, Essity began tissue manufacturing using pulp from wheat straw. Essity's facility in Mannheim, Germany, is the world's first facility in the tissue industry to use these agricultural by-products for large-scale production.

Science Based Targets

Target 2030 (compared with 2016):

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



Memberships



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



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



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

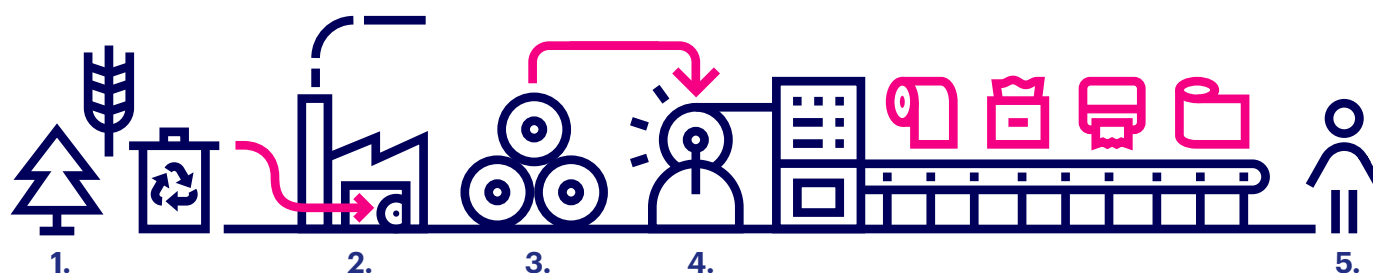
In 2021, Essity began tissue manufacturing using pulp from wheat straw at its production facility in Mannheim, Germany.



- **Zero production waste:** We act to make production waste a valuable resource and reduce our greenhouse gas emissions at the same time. The target for 2030 is that all production waste will be subject to material and energy recovery. In 2021, the total amount of production waste decreased, and 64% was recycled.
- **Clean transport:** When possible, we choose more sustainable modes of transport, such as sea and rail. By requesting highest emission standards we make use of the latest engine technology available. Essity also collaborates with partners to start pilot projects that involve the use of electric trucks and alternative fossil-free fuels to reduce transport emissions.
- **Less waste after use:** To reduce waste and create new uses for materials included in our products and packaging, we are developing innovative solutions to reduce consumption as well as new business models for recycling. For example, to reduce waste we offer compostable tissue products and the Tork Paper-Circle recycling service has been expanded to ten markets. To address plastic recycling, Essity joined the HolyGrail 2.0 initiative in 2021, which uses a digital watermark to improve sorting and increase the recycling rate of plastic packaging in the EU.

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

How we manufacture tissue



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

Biodiversity and ecosystems

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

Reduced material use and alternative materials

As a means of reducing wood fiber purchases, we strive to reduce material use in our solutions. We are investing in new technology to increase the possibility of utilizing a larger share of recycled and alternative materials. One step in this direction was Essity's investment in the production facility in Hondouville, France, in 2021. The investment made it possible to increase the recycling capacity for cartons and extract 98% of paper fiber in food and beverage cartons. We are also investing in alternative renewable fibers such as wheat straw, an agricultural by-product that often remains unused.

Certification for sustainable forestry

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

Cooperation to combat forest degradation and deforestation

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

Targets and transparency

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

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

Improved water use and water quality

Around the world, declining water levels are affecting people, local economies and ecosystems. This also affects Essity's operations, from access to raw materials and production facilities to the communities in which our employees and consumers live. The water risks differ around the world and we assess water-related risks and impacts individually for our production facilities, both from a geographic and operating perspective. Water is mainly needed for transporting fiber during the production process. Recirculating water that has been used in production several times helps to reduce energy use for heating and treatment of water. Most of the water is treated after use and is being discharged.

Environmental permits for tissue plants also include limits for typical pollutants, such as chemical oxygen demand, phosphorus and nitrogen. Essity is investing in new wastewater treatment technology to meet increasing requirements on the quality of the discharged water. This is particularly important in locations where water is a resource shared with a large number of users, such as along major rivers, where the temperature of the water released must also be carefully monitored.

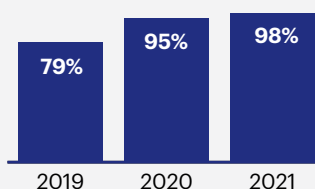


Fresh fiber

Share of FSC or PEFC-certified fresh fiber

Target: 100%

Outcome:



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

Memberships



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



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



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

Recycling and less plastic use

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

Production waste

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

Waste after use

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

Most of our packaging is recyclable and we are working to optimize other packaging. We are reducing and replacing fossil-based



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

plastic in our packaging and products with renewable or recovered materials. We are working to develop smarter designs and innovative plastic materials to reduce environmental impact.

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

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

Partnerships and collaboration

We are taking part in discussions with actors throughout the value chain to promote the implementation of waste systems that promote circularity, including the CGF, Edana, Ellen MacArthur Foundation and RecyClass. In 2021, Essity joined the Digital Watermarks Initiative HolyGrail 2.0, which is striving to introduce a digital watermark to improve sorting and to increase the recycling rate of plastic packaging in the EU. An invisible watermark on packaging helps waste sorting facilities to identify the type of plastic and sort it correctly.

Memberships



Essity's membership of the Ellen MacArthur Foundation provides scope to share, learn and put into practice ideas for increased circularity, and to jointly pursue societal change. We are part of the New Plastic Economy initiative, which is aligned with and impacts external prerequisites for Essity's target to ensure that all packaging is 100% recyclable and to increase the use of recovered plastic by 2025.



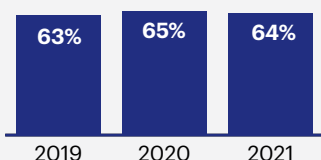
Through CGF's Coalition of Action on Plastic Waste, Essity works together with customers, other companies and organizations to jointly reduce plastic waste and strive to improve social systems, so no plastic waste is disposed of in nature.

Production waste

Subject to material or energy recovery

Target 2030: 100%

Outcome:



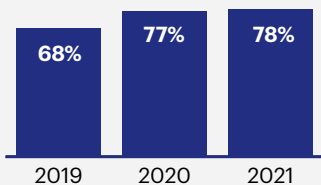
Resource efficiency and the reduction of waste are important in Essity's production facilities. The target is that all production waste will be subject to material and energy recovery by 2030, which reduces greenhouse gas emissions.

Packaging

Share of packaging manufactured from renewable and/or recycled material

Target 2025: 85%

Outcome:



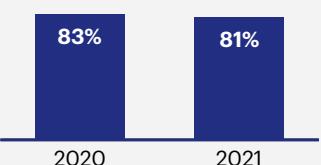
Essity is striving for 85% renewable and/or recycled material in the company's packaging. This target applies to both paper and plastic packaging for Essity's brands.

Packaging

Share of technically recyclable packaging¹⁾

Target 2025: 100%

Outcome:



In 2021, Essity estimated the technical recyclability of a large portion of the company's packaging. Essity has thereby improved packaging design to facilitate recycling using existing infrastructures.

¹⁾ Packaging is recyclable using existing infrastructures.

Read more on

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

Attractive and engaging employer

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

A culture that makes a difference and motivates

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

Essity's "Beliefs and Behaviors"



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

Our daily priorities

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



Building for the future

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

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

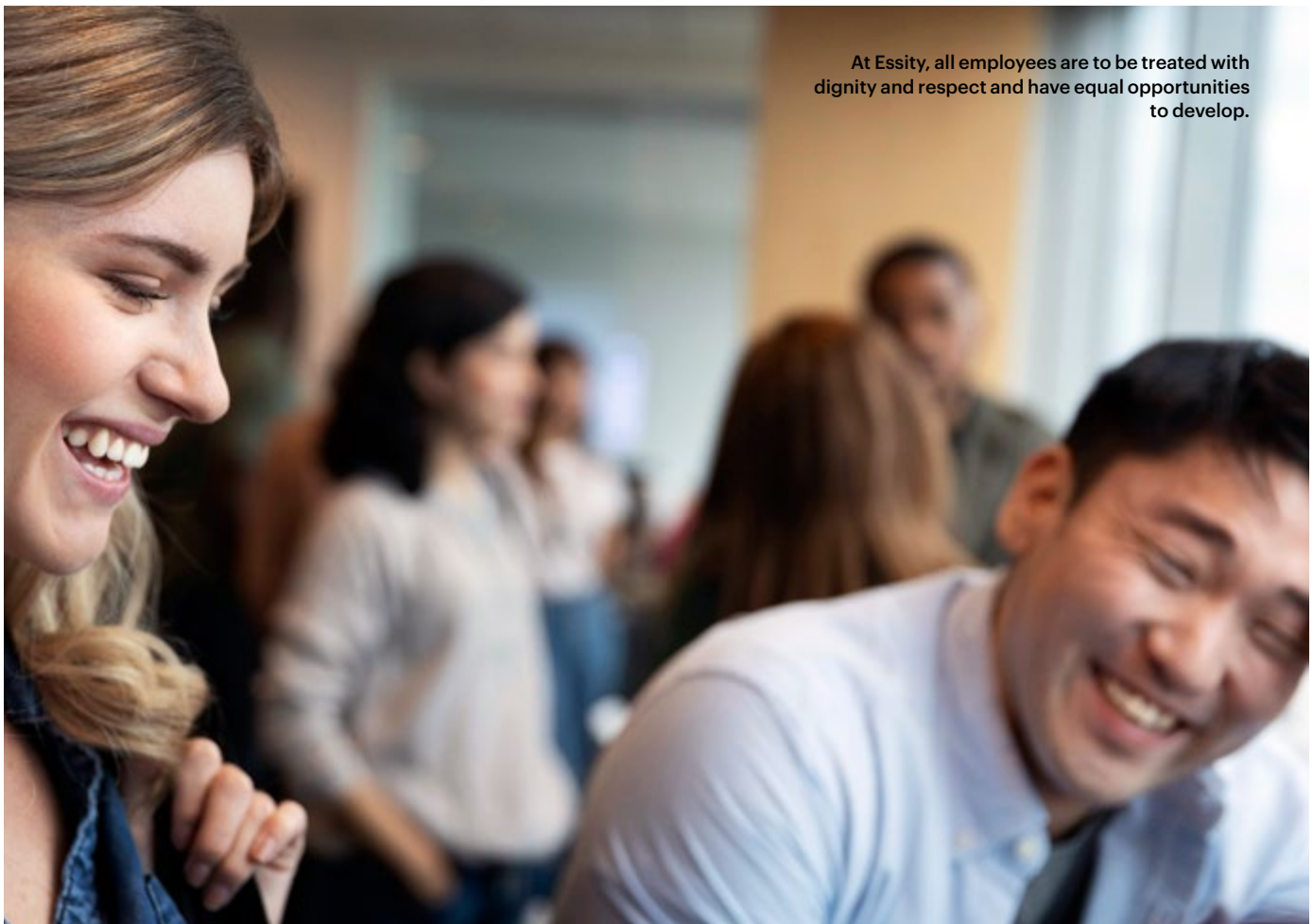
Recent years have shown that a face-to-face meeting is not always necessary for collaboration, which has accelerated our approach to the new workplace. In 2021, we launched a new workplace philosophy that includes an attractive office environment and the flexibility and opportunity to work remotely.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

Leadership

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

Remuneration and benefits

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



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

An inclusive workplace

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

At Essity, all employees are to be treated with dignity and respect and have equal opportunities to develop. We work systematically to prevent discrimination with regard to gender, ethnicity, religion, disability, sexual orientation, age or other grounds for discrimination protected by law. This is stipulated in our Code of Conduct and Diversity Policy.

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

A number of programs and networks are offered to increase diversity in senior positions. Local activities are being carried out in various countries to target specific employee groups. Work to increase inclusion involves constant improvement activities. Essity's employee survey shows that we are making good progress and it provides valuable knowledge for our continued efforts. We are continuing to strive for gender balance at all management levels and to reflect the broader diversity in society. In 2021,

management established and appointed a new position as Vice President Diversity, Equity and Inclusion (DEI). The position is responsible for developing a more detailed DEI strategy and ensuring that Essity's priorities and targets are achieved. In addition, a global DEI Council was set up, led by Essity's President and CEO.



Essity leader in diversity work

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

Sustainable working environment

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

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

Essity’s target is to offer a work environment that contributes to a long-term sustainable working life. We encourage an open culture and all employees are encouraged to be aware of and take immediate action against conditions, acts and behavior that increase the risk of potential accidents. In 2021, a National Safety Council survey was conducted to assess our safety culture and level of maturity in safety processes and working methods in the area of safety at our production facilities. The survey provides a basis for our strategy, and helps us to introduce effective action programs to improve safety.

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

Employee relations

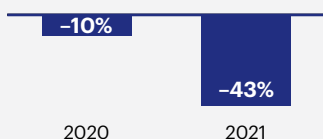
Essity has a positive and constructive dialogue with employee representatives. As a global company, we experience many changes that require information and consultation with employee representatives at all levels of the company. Essity recognizes the right of every employee to be a trade union member and to participate in union activities. The company meets with employee organizations at various levels on a regular basis to inform them of and discuss issues such as the company’s results, any organizational changes, health and safety and employment terms and conditions. Essity has an agreement with the industry organization IndustriAll. When there is no union representation, Essity establishes other channels where possible, such as an employee council. We also support the global partnership Global Deal, which has members from the private and public sectors. The purpose is to improve dialogue between parties in the labor market and national governments.

Health and safety

Decrease in total recordable incident rate compared with 2019

Target 2025: -75%

Outcome:



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



“Barrier Breakers”

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

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

Read more on

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

Business ethics and human rights

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

Code of Conduct

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

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

All of Essity's wholly owned subsidiaries are bound by the Code of Conduct. Essity expects its joint-venture companies to implement a Code of Conduct and guidelines equivalent to those stipulated in Essity's Code of Conduct. To ensure that all of Essity's employees comply with the Code of Conduct, it is included as a training course in all of the company's onboarding programs. It is the responsibility of the respective line manager to ensure that the training is completed. In addition to training in the Code of Conduct, there is a program for compliance with competition rules, which is mandatory for employees in particularly exposed positions. In order to address the risk of corruption, Essity has an anti-corruption program that includes due diligence programs for business partners, training programs for employees and risk analyses. Essity's Compliance & Ethics department is responsible for the Code of Conduct training program and for the anti-corruption program.

All of our suppliers and other business partners are expected to follow principles equivalent to those included in the company's Code of Conduct. Essity also has a Global Supplier Standard to ensure responsible business operations and respect for human rights in the company's supply chain. This standard contains requirements concerning quality, product safety, the environment and chemicals. It also contains a Code of Conduct for Suppliers that includes Essity's expectations as regards to human rights and employee relations, as well as health and safety. Compliance with these principles is a key factor when choosing suppliers and other business partners.

Reporting breaches

Essity encourages an open and honest culture in which all employees can report suspicions of violations of the Code of Conduct or legislation. Retaliation against individuals who submit reports in good faith will not be accepted. Essity offers its

employees a number of internal channels to report violations of legislation or the Code of Conduct. Essity's Code of Conduct includes a section on how the company's whistleblower system works. All employees have access to the whistleblower system, Essity's reporting hotline, which is managed by an external party. Essity's reporting hotline is available 24/7 by phone or online in more than 25 languages. Where permitted by law, breaches can be reported anonymously. Essity's Compliance & Ethics department receives all submitted reports from the whistleblower system and is responsible for ensuring that necessary action is taken. Reports are presented regularly to Essity's Compliance Council and the Board of Directors.

Risk management

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

Compliance and monitoring

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

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

Essity requires that the company's suppliers use Sedex to conduct a self-assessment linked to working conditions, environment, business ethics and health and safety. Suppliers of raw materials and finished products located in countries that Sedex considers high-risk countries undergo an ethical audit that focuses on areas such as human rights, employment conditions and corruption. An ethical audit may also be initiated on the basis of other indicators, such as a low rating in Sedex or a low score in Essity's quality audits of suppliers. The preferred audit format is SMETA, which is the most widely used method in the world for social and ethical audits. Many of the strategic suppliers' production facilities located in Asia and South America are part of large multinational corporations based in Europe and the USA. This is a conscious choice by Essity to reduce the social and ethical risks within the supply chain.



92%

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



88%

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

Read more on

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

Sustainability governance

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

Purpose, implementation and follow-up

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

The purpose of Essity's sustainability governance is to ensure the company's commitments to its stakeholders, including customers, consumers, employees, shareholders, suppliers, investors, decision makers and representatives from society. The company's commitments are expressed in targets, strategy and priorities. The Board of Directors has established a number of sustainability targets that are regularly monitored and reported annually. We maintain an active and continuous dialogue with our stakeholders to ensure that Essity's priorities and methods are relevant over time. Based on well-defined areas of responsibility and follow-up, the company ensures that it delivers on established sustainability targets. To tackle increasing sustainability challenges, we continuously develop our ambitions in dialogue with our stakeholders and external experts.

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

External regulations and internal steering documents

Essity's prioritized sustainability topics, strategies and targets are a result of the company's internal work and dialogue with its stakeholders and external experts. These are also aligned with a range of different principles and guiding frameworks. In addition to external frameworks and principles, Essity has several external certifications and ISO standards as well as internal policies and guidelines that ensure the company has well-defined management systems in place to monitor the company's results.

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

Guiding external frameworks and principles

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

Policies and guidelines

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



EU taxonomy

As part of the EU's green growth strategy, the EU taxonomy came into effect in 2020. This is a classification tool for environmentally sustainable investments. Essity has analyzed its operations in order to comply with current and future disclosure requirements. The company's sales, capital expenditure and operating expenditure are to be reported in accordance with Nomenclature of Economic Activities (NACE) codes. The EU is yet to determine which economic activities are to be deemed environmentally sustainable under each NACE code. The same applies to additional subordinate economic activities identified in the analysis of Essity's sales, capital expenditure and operating expenditure. Most of Essity's economic operations can be allocated to the pulp and paper industry. Essity's sales, capital expenditure and operating expenditure are therefore not covered by the taxonomy directive for this reporting period.

Sustainability indexes and rankings

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



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



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



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



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