



SÖDRA

From one family to another – our unique business model



Södra is the bridge that links family forestry with consumers. With constant connection, we work to grow both the value of the forest and the value for customers from the products and services we create. It's a path our members and employees create together to refine and renew family forestry, day by day. Through the Södra model, each forest estate shares in the added value we create, and our cooperative ownership brings unique commitment with long-term perspective.

From southern Sweden, our path stretches to fill the needs and demands of global consumers. Unique fibre properties in our raw material open possibilities to create products that make a difference in everyday lives – wood products for homes, fibre pulp for health and hygiene, bioenergy for heating and transport. We are constantly advancing what's possible with the forest and the industrial value chain to live up to changing consumer demands.

Our employees' expertise and commitment create the unique values that form our value chain. At the core is understanding how to use workflows and technology to continually create the most efficient industry possible. We choose business and markets where wood fibre is key, where our scale and product quality come into their own, and where geography offers logistical advantages.

We are far-sighted and responsible with the forest by constantly balancing its diverse roles as a carbon sink, raw material for phasing out fossil materials and source of biodiversity. Every member's special commitment to their forest provides diversity and long-term perspective. At the same time, a shared development journey is constantly underway to advance the whole industry's usage and care through new knowledge and practices.

We are a driving force in exploring the many possibilities of forests and wood fibre to grow new products and business – all with the aim of continually gaining the highest long-term payments for raw material from the members' forests.



Rooted in the forest,
we grow the future



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The Board of Directors and President of Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) hereby submit the 2022 Annual Report for the Group and the Parent Company. The audited annual report comprises pages 42–101. 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 31 May 2023 for adoption. The Sustainability Report comprises pages 106–143. The scope of the statutory sustainability report is presented on page 145. The Corporate Governance Report comprises pages 150–156.

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

Södra is the largest forest-owner association in Sweden and combined, we own more than half of all privately owned forest in southern Sweden. We also own a forest industry group where we convert the sustainable forest raw material into climate-smart products that create value for people all over the world.

Forest

We offer forestry services, advisory services and digital tools to members of Södra. Most of the forest raw material comes from members' forests, but may also be sourced from other suppliers. We deliver the raw material to our own mills, where it is processed.

Wood

Our wood products are mainly construction timber in products ranging from floors to ceilings as structural timber, cladding and board-and-batten siding. They are mostly processed by planing, pressure-treatment or coating. We have eight sawmills in Sweden and Finland. Most sales comprise construction timber for the building materials trade and wood industry.

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. The paper pulp is used to make tissue for hygiene products, for example, but also specialty products, publishing and writing paper and packaging. Dissolving pulp is used in the textile industry to make viscose and lyocell.

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. Cross-laminated timber (CLT) panels are precision cut in the plant according to customer requirements for construction elements such as joists, ceilings or walls.

Liquid bioproducts

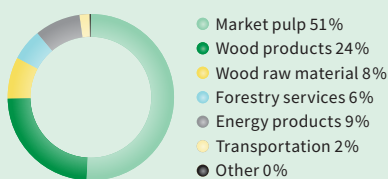
Biomethanol, tall oil and turpentine are liquid bioproducts from the forest. The products are used for fuel, cleaning agents, cosmetics, in the flavour and fragrance industry and for liquid biofuels.

Energy

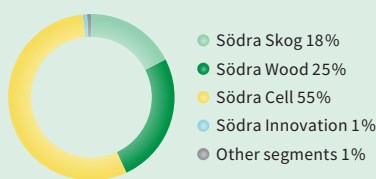
Forest raw material also provides energy products such as green electricity, district heating and biofuel. Electricity from Södra and district heating consists of excess energy from our mills, and biofuel can be used directly in thermal power stations or processed into pellets.

The year in figures

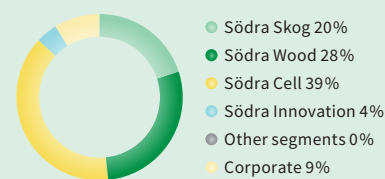
Some of our most important figures and key indicators for 2022.



Net sales per revenue category.



Sales per business area.
SEK 33,367 million in total, excluding internal deliveries.



Employees per business area.
3,282 employees in total.

Production units

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

Refers to production units
at 31 December 2022

3 **3,282**

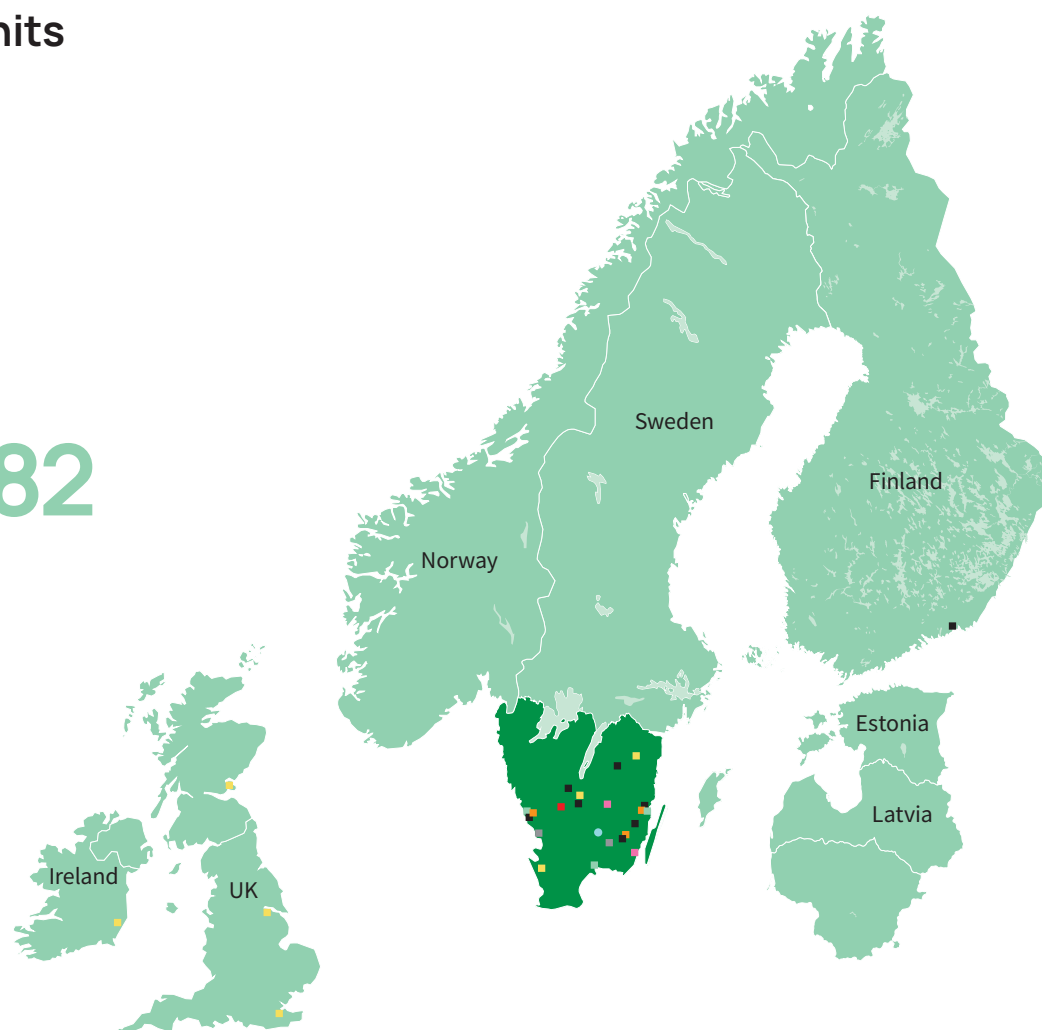
Pulp mills

Employees

8 **19**

Sawmills

Forestry
operations areas
in Götaland



Key indicators	2022	2021	2020 ²⁾	2019 ³⁾	2018
Net sales, SEK million	33,367	27,060	20,351	23,183	24,230
Operating profit before depreciation, amortisation and impairment, SEK million	9,136	6,811	2,164	3,897	5,654
Operating profit, SEK million	7,805	5,316	891	2,582	4,508
Profit before tax, SEK million	7,724	5,233	746	2,495	4,431
Return on capital employed	35%	25%	2%	12%	24%
Equity ratio	65%	63%	57%	59%	59%
Cash flow after investments, SEK million	5,820	3,192	646	2,227	-142
Profit distribution, SEK million	3,243 ¹⁾	2,239	598	1,068	1,795
Affiliated forest area, 1,000 ha	2,786	2,719	2,696	2,637	2,591
Wood volume, million m ³ sub	18.3	18.0	17.4	17.1	16.5
No. of members	51,476	51,938	52,921	52,192	51,637
No. of employees	3,282	3,124	3,141	3,150	3,141
Positive climate effect ⁴⁾ , Mt CO ₂ e	12.1	13.3	11.0	10.8	9.9
Fossil emissions in the value chain ⁵⁾ , Mt CO ₂ e	2.1	2.1	2.2	—	—
Lost time accidents (LTA) ⁶⁾ , no.	50	56	47	62	77
Lost time accident rate (LTAR) ⁷⁾	10	11	9	12	15

¹⁾ Proposed profit distribution, including bonus issue.

²⁾ 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.

³⁾ 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.

⁴⁾ CO₂e=carbon dioxide equivalents.

The data for 2018–2019 was produced with a different reporting principle than for 2020–2022, entailing a boundary in relation to the fossil GHG emissions that are included.

⁵⁾ In 2021, the reporting principle for fossil GHG emissions was changed in relation to the emissions that are included. Comparative figures for 2020 have been restated, while data for 2018 and 2019 is not presented.

⁶⁾ LTA (lost time accident): occupational injury with absence.

⁷⁾ LTAR (lost time accident rate): number of occupational injuries with absence per million hours worked.

A few highlights from the past year that show how we are increasing member value and strengthening the Södra brand, always with our assignment in focus – to refine and renew family forestry.

The year in brief



Both physical and virtual local annual meetings

Local annual meetings were held in Södra's 36 forestry districts during March. Members could choose to meet in the annual meeting venue or follow their annual meeting online.



New steps for OnceMore®

Our focus on OnceMore® – the world's first large-scale process for recycling textile waste from blended fabrics – took the next step forward in 2022 with new partnerships. In June, the international fashion company Bestseller and its Jack & Jones brand launched the first-ever clothing collection based on OnceMore®. In 2023, one million garments based on OnceMore® will be included in a range sold by Scandinavian fashion company Lindex. In collaboration with PM & Vänner, OnceMore® took its first steps toward expansion in the hospitality industry.



Magnus Hall

The AGM resolved on profit distribution and elected Board members

After two years of virtual meetings, Södra's Annual General Meeting was held physically in Värnamo on 24 May. 200 delegates voted on resolutions, including 16 motions and an amendment to the Articles of Association. The meeting elected Magnus Hall as new Chair of the Board, and Hannele Arvonen, Carina Olson and Mikaela Johnsson as new Board members.

Profit distribution of SEK 2.2 billion

The Meeting resolved to distribute profit of SEK 2,239 million to members for the 2021 financial year.

Members' forests impacted by storms and spruce bark beetles

At the end of January, a severe storm, Malik, felled more than two million m³ of growing stock, which had a major impact on forestry operations. To improve the efficiency of processing and make it easier for members to handle damaged stock, a new delivery option for storm-damaged delivery timber was introduced.

During the year, a total 675,000 m³ of spruce forest on members' estates was damaged by spruce bark beetles. As in 2021, the eastern parts of Södra's area were worst affected. Despite decreased damage in recent seasons, the level is still high.

Production adjustments in the sawmills

The year started on a high note for Södra Wood with output records in March, and high prices. The sawn timber market weakened from mid-year, however. To rebalance stocks and adapt to prevailing demand, production was adjusted from the end of August.

“We know that demand for our products will be favourable in the long term and that confidence in timber as the most sustainable construction material is strong, but we must also work pro-actively to counter market volatility and find a balance between production and customer needs,” said Peter Jhaveri, President of the Södra Wood business area.

New premium for nature conservation

To reward those members who make additional contributions to the association’s joint nature conservation activities, a premium was introduced for nature conservation initiatives. Södra will pay a higher price for the wood delivered by members who set aside a higher proportion of their forest land for nature conservation.



Major focus on electrification of transportation

A project was launched during the autumn to investigate the possibility of electrifying large parts of the vehicle fleet, and to further reduce the association’s fossil greenhouse gas (GHG) emissions.

“We are one of the largest transport buyers in Sweden and transportation accounts for the highest share of our fossil emissions. Combined with liquid biofuel, large-scale electrification is therefore an important piece of the puzzle in reducing our fossil emissions and making a further contribution to the transition to a carbon-neutral economy,” said Henrik Brodin, Head of Energy and responsible for the ‘A Fossil-free Södra’ programme.

Raised wood prices

The market for pulp and energy ranges remained strong, and prices for pulpwood and fuel wood were raised twice during the second half of the year.

“This is helping to maintain the flows from members’ forests to the mills, while also strengthening the profitability of their forest estates,” said Lotta Lyrå, President and CEO.



Increased production at Värö

Production in the pulp mill at Värö amounted to 774 ktonnes, a year-on-year increase of 73 ktonnes.

The latest expansion project commenced successfully in October 2021, six months earlier than originally planned, which had a fantastic effect on production in 2022. In 2023, production is expected to be even higher and reach more than 800 ktonnes.

Approved emissions-reduction targets

During the year, our emissions-reduction targets were approved by the Science Based Targets initiative. The targets are aligned with the Paris Agreement’s goal to limit global warming to 1.5°C. This also resonates with our ambition to lead the social transition to climate neutrality. The Science Based Targets initiative has helped us to clarify our targets, and will support the follow-up of our emissions reduction as we move forward.

Amendments to the Species Protection Ordinance – thanks to Södra

In February, the Swedish Forest Agency announced that “forest owners will have to take considerably more responsibility now to avoid disturbing or endangering protected species during harvesting and other forestry operations.”

Södra perceived this decision as a significant restriction on the ability of family forest owners to use their forests based on freedom with responsibility. An intensive dialogue on the consequences of the new application of the Species Protection Ordinance was initiated with the various political parties in order to bring about a change. And it led to results. In early March, the Minister for the Environment announced that the Act would be promptly amended so that the presence of common individual birds could no longer stop harvesting or other forestry operations.



How we are renewing the value of forest estates – over and over again

Lotta Lyrå
President & CEO

By family forestry, for family forestry. That is a simple way to describe Södra's mission and purpose. Family forestry is Södra's soul and reason for being. To succeed with our assignment – to continuously renew the value of forest estates – I usually think of Södra as the bridge between forest estates and consumers. To maximise the value of forests, we need to stay relevant to our customers and be good at meeting the ever-changing demands of consumers.

Much of the work we do at Södra is focused on strengthening this bridge – the association – and making sure that it holds from both directions. The values created by forest estates must be both attractive to consumers and profitable for our members. When I met customers during the year – both in Sweden and internationally – the issue of our forestry and sustainability efforts has usually been at the top of the agenda. The amount of interest has surprised me, but it also shows that many people see the benefits and opportunities that are created by family forestry. This is gratifying, but it also means that we must continue delivering on the expectations that our customers and consumers have of us, and how we manage our forests. The decisions we make every day in the forest affect Södra's ability to compete in the markets where we operate, and thereby the ability to pay for our wood.

Record result

2022 is a year I can look back on with both pride for what we achieved, and respect for everything that we still have to do.

The association's result for 2022 is confirmation of our Group-wide efforts and the combined strength of our 51,000 members and 3,300 employees. A chain is only as strong as its weakest link and our robust structure proved its mettle during the year.

Our sales amounted to SEK 33 billion and operating profit was almost SEK 8 billion. That is a fantastic result that reflects everybody's hard work and the key role that family forestry is playing in the climate transition. In many respects, it was due to an exceptional market for Södra's pulp and energy products in particular, while a weak SEK also played a strong role. In 2022, we also produced a record amount of paper pulp and delivered 140,000 more tonnes of pulp than in 2021. In addition, our work with world-class efficiency has so far created efficiency gains corresponding to just over SEK 300 million on a full-year basis, which has surpassed our target for the year and also contributed to the result. The Board proposes a profit distribution of SEK 3,243 million.

Events in 2022

In many ways, 2022 was an intense year for Södra, the association's 51,000 members and for family forestry. We achieved new successes during the year but also, sadly, experienced two tragic fatalities at our workplaces. We have transformed the grief and frustration over these accidents into even more focus on making every second of the day at Södra count when it comes to safety, security and taking care of each other. Working with health and safety is comprehensive and encompasses everyone. We will continue to work together to achieve better technological solutions and to reinforce safe behaviour.

By strengthening our underlying competitiveness with continuous improvement and smart investments, we will be more resilient in a turbulent business environment. We are doing this, for example, by continuing to modernise our digital infrastructure to increase the operational reliability of the sawmills, and by enhancing the efficiency of the pulp mills through improved availability and production. One good example is our investment in new equipment at Södra Cell Värö, which was decided in 2020. The equipment became fully operational in 2022 with great success.

Another key aspect for forest estates is planting and seedlings. We therefore decided during the year to build our own cold storage facility with a capacity for 40 million seedlings. This will give us clearer control over seedling supplies and allow us to deliver even more and better seedlings to members' forests. The cold storage facility will be built adjacent to the Falkenberg nursery.

In 2020, Södra became a signatory to the UN Global Compact. We have committed to the Ten Principles for corporate sustainability and report our sustainability performance every year.

Strengthened member offering

In addition to investments in the value chain, we are working hard to strengthen the member offering. The fact that Södra is always interested in the changing needs of our members is central. We therefore worked intensively during the year to investigate and initiate, or reject, various initiatives that broaden the base for value generation from forests, and are potential sources of revenue for forest estates. Some of the initiatives we have chosen to develop are:

- » **Nature conservation premium.** We have introduced a new premium whereby those members who set aside a higher percentage of their forest land than is required by forest certification schemes – and therefore contribute to our Group-wide nature conservation activities – will be paid more for their wood.
- » **Broader learning offering.** We have created new opportunities for members and elected representatives to learn more about Södra, family forestry and the cooperation. These include focus groups in selected areas and a development programme for elected representatives.
- » **Södra Ädla.** This new unit will attract technologies and capabilities to family forestry by investing in companies that strengthen the profitability of members.

The way forward

In 2022, we also worked intensively to create a roadmap for the next decade.

The revised Group strategy 'From one family to another' provides a direction for 2023 and onwards. We will continue to refine and renew family forestry with the Group-wide strategy as our starting point. We will work together to drive important shifts that are focused on people and culture, that strengthen family forestry and profitability for forest estates, optimise the value chain from forest owner to customer and consumer, secure a leading offer to our customers and consumers, and prioritise sustainable use of forest and earth's resources. Our safety culture will be paramount in everything that we do.

This may seem like a broad approach, but I think it resonates with the benefits and value that forests create for both society and the planet. And the products we deliver play a key role in many people's lives. We work continuously to ensure that the value for family forestry and Södra's 51,000 members is as high, and as visible, as possible. Regardless of whether the value is financial, ecological or anything else for individual family forest owners. Our efforts to strengthen the bridge between forest estates and the market and consumers will continue, and mean that we are always ready to meet whatever is waiting on the other side, and to renew the values of forest estates, over and over again.

We put safety first



Health and safety is our top priority. It's at the top of our list of important areas and something we are always trying to improve. Every second of the day counts when it comes to safety, security and taking care of each other. That applies to members of Södra, as well as Södra's employees and contractors. Only then can we create a work environment and organisation that are healthy, sustainable and injury-free. We are not there yet, but we have a strategic plan and are working vigorously in this area with a structured and long-term approach.

Zero accident vision

No one should ever be exposed to health risks at work, and every workplace injury is one too many. We never stop working to improve our safety culture and we have a zero accident vision.

In 2022, there were two fatal accidents in our workplaces at Orrefors and Värö. These were very tragic accidents and indicate a major failure in our safety procedures. They are being investigated by the Swedish Work Environment Authority, and we have taken a range of measures to prevent any similar accidents from happening again. There were also some other serious accidents during the year, linked to both our mills and working in the forest.

Behaviour-based safety is building our culture

Behaviour-based safety (BBS) is an effective method for reinforcing safe behaviour and building a strong safety culture. The method has evolved over a century of research into behavioural psychology. For decades, BBS has been helping leaders and managers to streamline their processes, create better results and improve workplace safety.

BBS is a proactive approach that develops leadership by reinforcing positive behaviour, instead of focusing on what doesn't work.

Our aim is to achieve a measurably improved safety culture, where we act safely in all hazardous situations. BBS is about observing each other's behaviours and then providing constructive feedback. The feedback then raises awareness of safe, or at-risk, behaviour. The purpose is to engage all employees in practices to reduce the number of workplace accidents.

In 2022, we stepped up our BBS programme in Södra Cell at Mönsterås. During the year, we also launched the Grow Health & Safety leadership development programme, which is based on a BBS approach and is also part of the strategic ambition for our efforts moving forward.

New Health and Safety function

We are working with a wide range of initiatives to achieve our zero accident vision and reduce the number of incidents and occupational injuries. These include building a better safety culture, improving employee satisfaction and creating conditions for good health. An important part of this process is the new Health and Safety function, which was established in September 2022 to further focus on this area and ensure Group-wide learning and sharing of best practices. The function has also been tasked with creating equal conditions and ways of working with health and safety, and disseminating best practices and perseverance in the Group-wide strategy.

During the year, Södra's managers also gathered for two full days to focus solely on health and safety, aside of development, learning and their everyday responsibilities. A joint communication concept for the whole of Södra provides good support for constant reminders and recognition of safety-related issues in the workplace.

Local safety representatives and the Säker Skog (Safe Forest) training project are important for raising the safety awareness of members.

Safety, security and care



Isabella Wärvik – HR Director

Why do we need to work proactively with health and safety – shouldn't it be obvious?

“We can never be complacent when it comes to working with health and safety. It is a never-ending process that is constantly present, and the structural and cultural aspects go hand in hand. We must want to take care of each other, and we also need to take an interest in what's happening in our business environment and be able to change – pandemics, new trends, regulatory changes, and so forth. An important piece of the puzzle in this regard is the new Group-wide Health and Safety function, which will support the business and ensure that all of these perspectives are in place.”

What are the challenges when working with health and safety at Södra?

“There are many hazards in Södra's workplaces – in our mills as well as our forests – and this is a 24/7 business operation. That means that we can never relax, and we must have up-to-date knowledge and a focus on many areas. And we should never lose sight of the fact that health and safety are inter-connected – both parts are inextricably linked and equally important. The health aspect can be less concrete at times and more difficult to work with than safety, but we are whole people and every part of us has to function in order for us to feel good and work safely. Each and every employee is important and various circumstances may require a specific way of working or approach.”

What is the most important thing for employees or members of Södra to remember?

“Doing the right thing should be easy and it is incredibly important that every single one of us takes responsibility for working safely. It all boils down to caring about yourself, your family and your colleagues. The fact that safety always comes first should be second nature.”

Joint communication concept

Safety first is a Group-wide communication concept for safety-related issues across Södra. The aim is to be relevant to all employees, no matter where they are working in the Group. Safety communication should be felt and heard, and send a consistent and continuous reminder of what Södra represents – either we work safely, or not at all. Health and safety at Södra can be seen, felt and heard.



How Södra generates value – from one family to another

Member-owned forests



Own mills



Research and innovation | Purchase of goods and services from suppliers



Wood raw material



Climate-smart & renewable products

Value chain

Profit distribution to forest owners/members

Forest carbon sink

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

Value chain emissions

There are still some fossil emissions in our value chain.

Biodiversity

Responsible forest management

Nature-conservation measures, general environmental considerations and voluntary set-asides.

Social benefits

Source of income | Jobs & competence | Infrastructure

End-products



Wood products



Pulp



Energy



Building systems



Liquid bioproducts

Customers that reprocesses and sell end-products



Substitution

A substitution effect and reduced fossil emissions are achieved when our renewable products are used to replace products with a higher climate impact.



Södra's total climate effect

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



Partnerships & community engagement



How the Södra Model works

Members who deliver to Södra are paid a market price for their wood, and are also eligible for additional returns from our jointly owned mills. We call this the Södra Model. This is how it works.

What is contributed capital?

Contributed capital is the risk capital that each member invests in the association, and offers the possibility of dividends. The money belongs to the member, but is used by the association to finance its operations until the member leaves the association. When a member leaves Södra, they are entitled to a repayment of their contributed capital.

There are two types of contributed capital: *paid-up contributed capital*, which increases due to deductions on wood sales, and *issued contributed capital*, which increases via bonus issues.

Both paid-up and issued contributed capital can be used for trading. More information is available at sodra.com

Share of Södra's result through profit distribution

Between 2017 and 2021, the average profit distribution was:

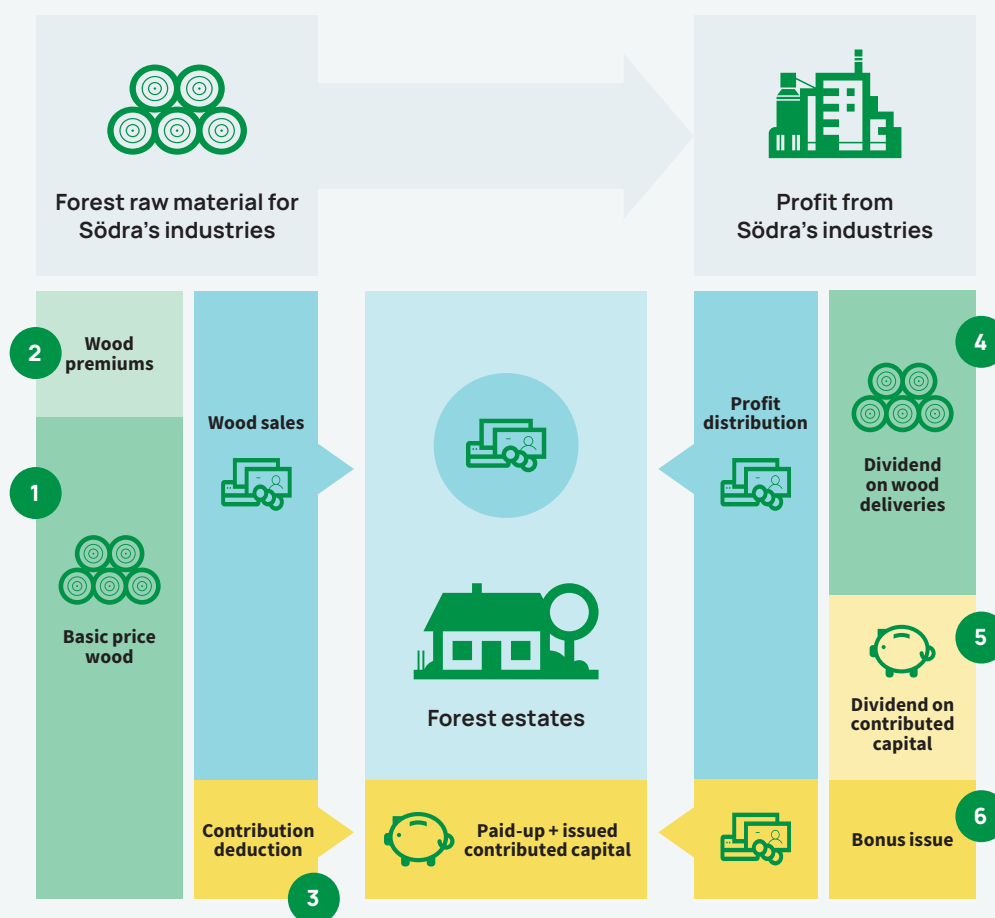
- » 11 percent of wood deliveries
- » 8 percent of contributed capital
- » 24 percent in bonus issue on paid-up contributed capital

Past performance is no guarantee of future results.

Södra's assignment is to refine and renew family forestry, and profitability is an important part. When you sell your forest raw material to Södra, it is taken care of and processed in our own mills. It is used to make renewable and climate-smart products – timber, pulp, building systems, liquid bioproducts and energy – that are sold in global markets.

The aim is that half of the profit generated by our mills will be used for investment and development to keep Södra financially strong and ensure continued growth. A well-invested and competitive industry is essential for securing markets for members' forest raw material.

But the profit is not only used for investment. The cooperative form of ownership also means that members share the profit, in addition to the profit from their forest estates. Over a business cycle, you and all of Södra's other members share half of the profit generated by our mills. We call this Södra's financial model, or the Södra Model.



First part: Wood sales

1. Basic price wood

Södra's wood prices are aligned with the market and governed by the supply of forest raw material and demand from our mills.

2. Wood premiums

A range of premiums can be added to the basic price, including:

- » Certification premium for certified wood (PEFC and FSC¹⁾
- » Size premium for large harvesting operations
- » Availability premium for harvesting operations where forest roads and forest land have good bearing capacity
- » Market premium in strong market conditions
- » Nature conservation premium.

3. Contribution deduction

2 or 4 percent (each member chooses their own level) of the basic price and premiums are paid into your contributed capital, which remains in Södra. It continues to grow and provide dividends, year after year. The deduction is compulsory up to SEK 900/hectares and 200 hectares, and thereafter optional.

Subsequent years: Profit distribution

The profit distribution has three components: a dividend on wood deliveries, a dividend on contributed capital and a bonus issue.

4. Dividend on wood deliveries

- » Calculated as a percentage of the value of your wood deliveries that were measured in the preceding year (basic price + wood premiums).

5. Dividend on contributed capital

- » Calculated as a percentage of your (paid-up and/or issued) contributed capital at year-end.

6. Bonus issue

- » Transferred to your contributed capital so that it grows. Calculated as a percentage of your paid-in contributed capital at year-end, and then becomes issued contributed capital.²⁾

¹⁾ Södra holds PEFC and FSC[®] certification, with license numbers PEFC/05-22-11 and FSC-C014930.

²⁾ According to the practice applied by Södra. However, the Articles of Association permit a bonus issue on both paid-up and/or issued contributed capital.

The value of forest estates grows every year in Södra

We calculate the profitability of forest estates every year. The calculation is based on a fictitious model forest estate of 100 hectares, that follows a green forest management plan and applies Södra's forest management method. In model estate's profitability also includes the Board's profit distribution proposal. This gives you an idea of Södra's added value for you as a member.

Profit distribution for the model forest estate

In 2022, the model estate's profitability amounted to SEK 2,374 per hectare, compared with SEK 1,638 in the preceding year. Profitability is calculated by adding net forest income (the forest estate's revenue less costs) to the dividends paid for both wood deliveries and contributed capital (see the table below).

Net forest income – SEK 1,219 per hectare

550 m³ 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 harvesting operations in Södra.

The calculation also includes an estimate of SEK 89 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 1,155 per hectare

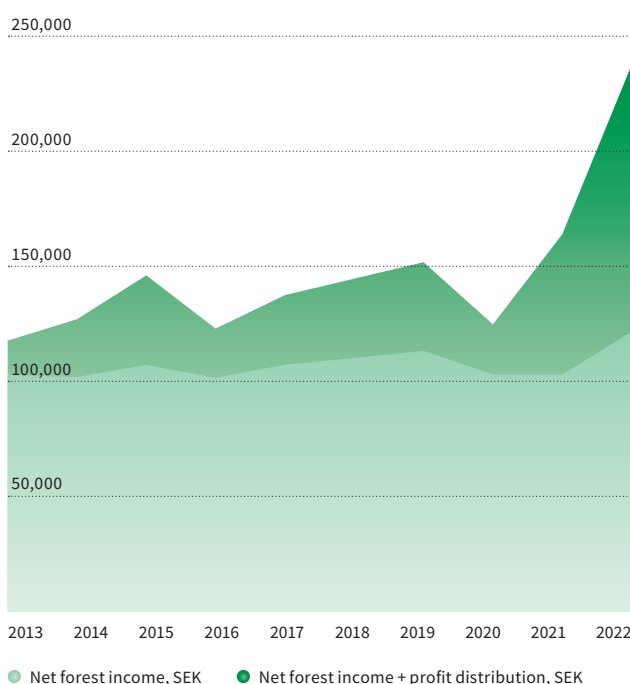
For the model forest estate, we base our calculation on the average contributed capital per member hectare. The dividend on wood deliveries is calculated on the basis of the model forest estate's harvesting (550 m³, of which thinning accounts for 34 percent). The profit distribution comprises:

- » 14 % dividend on wood deliveries – SEK 379/ha
- » 30 % dividend on contributed capital – SEK 624/ha
- » 20 % extra dividend on paid-up contributed capital – SEK 152/ha

Bonus issue – SEK 76 per hectare

There is another form of profit distribution in addition to the dividend paid on contributed capital – a bonus issue. This helps the capital contributed by members to continue growing in Södra, and contributes to future dividends. The bonus issue for 2022 is 10 percent of a member's paid-in contributed capital at year-end. That adds up to SEK 76 per hectare for the model forest estate.

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



PROFITABILITY OF THE MODEL FOREST ESTATE, 2022¹⁾

Net forest income	SEK 1,219/ha	(1,028)
Dividend on wood deliveries	SEK 379/ha	(329)
Dividend on contributed capital	SEK 624/ha	(281)
Extra dividend on paid-up contributed capital	SEK 152/ha	(–)
Total	SEK 2,374/ha	(1,638)
Bonus issue on paid-up contributed capital	SEK 76/ha	(214)

¹⁾ The calculation is based on the Board's proposed profit distribution for 2022.

The calculation method and objective for the model forest estate's profitability will be revised in 2023.

The Board's profit distribution proposal

As a forest owner and member, you are entitled to a share of Södra's result. The dividend is calculated on the value of your wood deliveries, and your contributed capital in Södra.

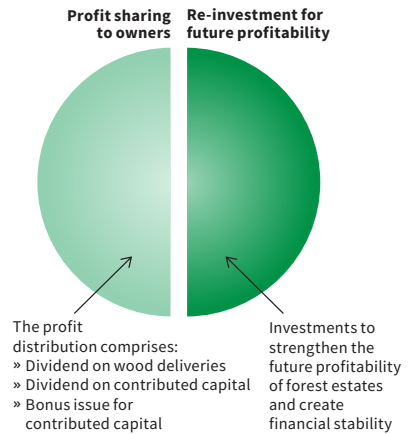
When you deliver wood to Södra, you are paid a market price for your wood. At the end of the year, all members also share half of Södra's result. The other half of the result is retained to secure Södra's financial strength.

The profit distribution is based on the value of the member'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 120,824 and their contributed capital to SEK 112,583.

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 2022, the Board proposes a profit distribution corresponding to 42 percent of profit before tax. Profit distribution over the past ten years has been 46 percent. Profit distribution decisions are based on an assessment of Södra's profitability, investment plans and financial position.

Södra's Profit-distribution Policy

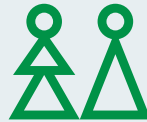


Proposed profit distribution for 2022 for adoption by the 2023 AGM



Total

SEK 3,243 million



Per member

SEK 63,010



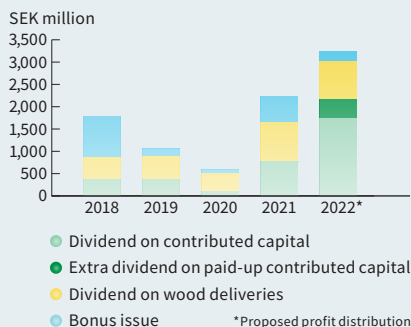
Per member hectare

SEK 1,164

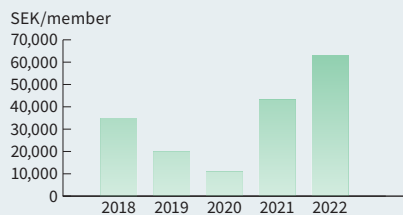
30% dividend on contributed capital ¹⁾	SEK 1,738 million
20% extra dividend on paid-up contributed capital	SEK 423 million
14% dividend on wood deliveries	SEK 871 million
10% bonus issue on paid-up contributed capital	SEK 211 million
Total dividend	SEK 3,243 million

¹⁾ Paid-up and issued.

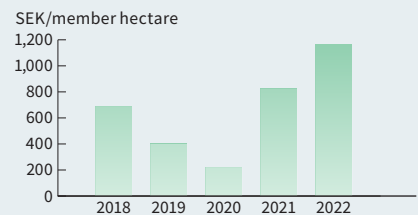
Profit distribution and bonus issues



Profit distribution SEK/member



Profit distribution SEK/member hectare

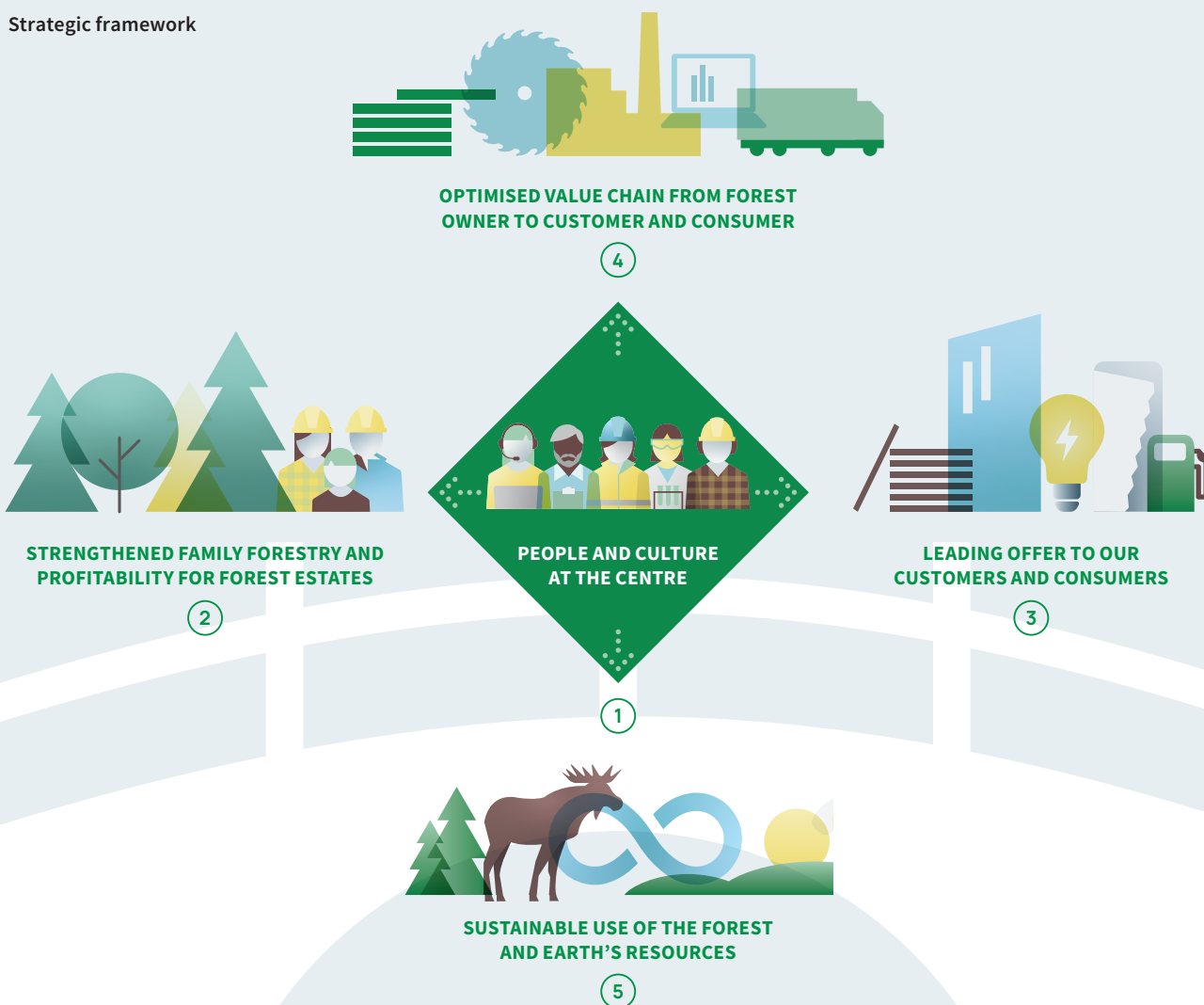


Södra's Group-wide strategy

From one family to another

Macro-environmental factors are changing, and creating both opportunities and challenges for Södra. Changes are also taking place in our micro environment – the local environment and our own organisation – that affect us. Over the past year, we have been updating the Group-wide strategy in order to meet these changes, and to create a clear direction for the road ahead. The strategy addresses how we connect forest owners with customers and consumers – from one family to another.

Strategic framework



Our unique business model

Södra serves as the bridge between forest estates and consumers, where we are always striving to maximise the value of forests and the customer benefits we create. That is how members and employees refine and renew family forestry together, over and over again. Via our financial model, the Södra Model, every estate shares the added value we create in Södra, and our cooperative form of ownership ensures a unique commitment and long-term approach. Our business model is unique and the starting point for our strategy.

Revised strategy with five key areas

We call our Group-wide strategy 'From one family to another.' The name comes from Södra's role as the bridge between family forestry and families in the community. The raw material is delivered from members' forests, which have often been in the family for generations, and converted into essential and sustainable products via our mills. The products fill important functions in everyday family life – from the coffee filter in the morning, to climate-smart buildings with timber frames.

The strategy has a framework of five key areas that will remain relevant over time. In each of the five key areas, there are strategic areas that provide a more in-depth view and that may also change. The framework creates simplicity, clarity and a sense of pride in the shifts we need to make. It also places a clear focus on members and customers.

1 People and culture at the centre

The focus of both the framework and our business is people and culture. Our values are central and guide how we act, which is also why people and culture are the key elements of our strategic framework. We put safety first, apply value-driven leadership, act democratically and benefit from the added value of digitalisation.

2 Strengthened family forestry and profitability for forest estates

Members and owners are our natural starting point. In this area, we will strive together to strengthen forest ownership and the profitability of forest estates by improving our offerings, services and meetings, and increasing opportunities for knowledge and learning.

3 Leading offer to our customers and consumers

We will deliver a strong and leading offer to our customers and consumers. We therefore need to continuously evaluate and renew our product portfolio and develop new products, find new applications for existing products and solve our customers' problems.

4 Optimised value chain from forest owner to customer and consumer

Our value chain forms the bridge between members and customers and this is where raw material, knowledge, services and data flow. We will improve our processes and quality control tools, use data-driven decision making to streamline all flows, and increase our value chain competitiveness.

5 Sustainable use of the forest and earth's resources

The final key area deals with how we are taking care of our planet. We will contribute to the transition to a climate-neutral economy and ensure that members' forests can also be used by generations to come. We will always take responsibility for the climate transition, biodiversity, the adaptation of forest management to climate change and being a force to be reckoned with in business policy.



Malin Nordin – Director of Strategy

What is a strategy and why do we need one?

"A strategy leads us forward. Based on the current situation, it presents a shared vision for members and employees to create positivity and confidence in the future. The aim is that everyone will be on board with the strategy, with both head and heart."

How does strategic planning take place?

"It begins with a broad analysis of macro-environmental factors and then we worked in five strategic projects with various themes. The most important thing was to have a transparent process that is inclusive and builds competence. We have a long-term perspective of ten years, but the strategy will be updated every year to keep pace with rapid changes in the macro-environment."

Areas where we can drive progress and grow

With our ears open, we stay up-to-date with the latest trends in order to renew and refine the value of forest estates in an ever-changing world. We have identified five market areas in which we can position ourselves and grow, by working together with other players to drive progress towards a more sustainable, resilient and efficient society.

Building and construction

The Swedish building and construction industry is now racing against the clock. The construction and civil engineering sector has adopted a joint roadmap for a climate-neutral value chain by 2045 with halved GHG emissions by 2030 (compared with 2015), while the national need for housing continues to grow.

Nor does the pace of global construction appear to be slowing. At the current rate of population growth, demand for housing and buildings will further increase. The construction industry, which already accounts for about 40 percent of total global carbon dioxide emissions, must now undergo a fundamental shift in order to meet this growing need in a sustainable way. A timber building stores carbon dioxide from the atmosphere throughout its entire life span.

Södra's solid experience of forestry and the supply of raw material from members' forests presents fantastic opportunities for us to make a real difference for tomorrow's green value chains. By forming effective partnerships, we want to drive productivity and lower thresholds for sustainable construction.

Consumer goods

How can the forest industry contribute when both politicians and consumers are placing increasingly high demands on fast-moving consumer goods? A clear trend is that production is moving back to the home country or that supply chains are limited to geographic locations that are closer to home. Another trend is that companies are investing large sums of money in switching their resource-intensive production towards more recyclable and sustainable alternatives.

The forest industry's production of fast-moving consumer goods requires not only wood as a raw material, but also energy, chemicals and water.

Heightened awareness and growing engagement in climate change issues among both members and consumers makes Södra's knowledge highly interesting for expansion in new industries.



Energy

The Swedish forest industry cannot grow without a functioning energy system. The ongoing electrification of industry is creating major challenges for electricity generation in Sweden. Sweden's electricity demand is expected to rise sharply up to 2045. Balanced energy prices for both households and industry will be crucial for Sweden's continued competitiveness.

Södra is well-equipped for tomorrow's energy market. Our members have good opportunities to produce locally generated energy from their own forests and are already using new technological solutions to handle the climate transition. To ensure well-functioning mills with secure energy supplies, we have no time to waste – we must make major investments now.

Member offering

Swedish forest owners and members of Södra are facing new market conditions. Interest rate hikes, combined with higher energy and fuel prices, have reduced purchasing power and increased costs.

At the same time, there is still a major need for the forest industry's products and the role of forests as a carbon sink. We see a growing willingness to pay for sustainable forest-based products and a greater commitment to preserving forest biodiversity. In southern Sweden, prices for forest land have risen sharply over the past year and there is a shift towards larger forest holdings in Sweden.

Södra is working hard to create a world-class offering. Our goal is to be part of the entire process – from planning and digitisation to legal advisory services.

Transportation and logistics

A electrified forest industry – how can we achieve that? The short answer is the right requirements, the right willingness and effective collaboration. Selective measures are not enough. Transport buyers, hauliers, infrastructure, fuels and vehicles must all be linked – from forest to finished product. Södra holds a key position for mobilising the industry to accelerate progress.

Södra's operations, and ultimately the entire forest industry, are becoming increasingly dependent on resource-efficient and sustainable transportation and logistics chains. The decisions that are made today will determine the conditions for tomorrow's forest owners. Such a decision could be to secure an electricity system that can meet the transport sector's needs for electricity moving forward.

We are already seeing positive trends in the industry's technological advancement. The world's first electric timber truck, with an 80-tonne load capacity, was recently launched by Scania, and it is highly likely that electric vehicles will be the future of transportation.

People and culture at the centre

The focus of our business and our entire strategy is people and culture. Our values are central and guide how we act, which is also why people and culture are fundamental. We shall put safety first, apply value-driven leadership, act democratically and unleash the benefits of digitalisation.

We want to create a safe work environment and organisation that is healthy, sustainable and injury-free, where employees can reach their full potential. Södra will also be attractive and relevant to members, with effective democratic processes that give everyone the chance to have their voice heard.

How we work with the key area

The key area of Focus on people and culture includes a number of prioritised areas for employees, members and contractors such as health and safety, leadership, procedures and processes, competency provision and inclusion. In this process, digitalisation is also important for our entire operations.

Our achievements in 2022

Health and safety

During the year, the Health and Safety function was established to focus on these important issues. The focus has been on the leadership and communication areas, with a kick-off where a large proportion of Södra's leaders were briefed on behaviour-based safety to gain a better understanding of the importance of leadership for the road ahead. We also initiated a leadership training course as part of Södra's 'Grow' leadership development programme with a focus on health and safety. In the communication area, we created the 'Safety first' concept with a joint

communication concept for lifting safety-related issues internally in Södra.

Value-driven leadership and competence supply

During the year, more than 350 people from the entire business operations took part in Grow, Södra's leadership development programme. Grow is focused on self-leadership, reflection and psychological security, where the participants work on a weekly basis to create structure. Team-building exercises are also important. A new health and safety module was added to the programme during the year.

Managers and employees may also request a personal coach and we also initiated team development activities in all functions and business areas.

Competency provision is becoming an increasingly important issue. The aim is to raise awareness across the organisation and to have a competence assessment in place to provide an overview of the current situation and enable strategic planning to meet the operation's needs. During the autumn, we conducted a people review process, which is part of our competency provision process in relation to talent and succession. This also creates career opportunities within Södra. During the year, we designed the trainee programme that will start up in spring 2023 and commenced the recruitment process to attract key competencies.



Cooperation and democracy

We have initiated a process to revise our governing documents, including the terms of reference for Administrative Council. We have also clarified the function and work methods of the regional councils and developed the Administrative Council's work and processes.

Södra's Annual General Meeting in May 2022 adopted Nomination Committee Terms of Reference for the 36 local forestry districts. The Meeting also resolved that a Code of Ethics should be created for the cooperative, and this process commenced during the year. The Code of Ethics will provide guidelines for elected representatives and the process involves several parts of our democratic organisation.

Digitalisation

It is vital that all of Södra's business systems work seamlessly across our entire value chain – from work in the forest to the production systems of the mills, and all the way to a finished product. In 2022, we made further enhancements to increase the availability of all systems. We also strengthened our IT security by providing training for employees, and by improving our internal and external data protection to detect and prevent potential attacks.

Digital tools can help to keep our operations safe and secure. One example is a new system where employees who are working in the forest can send an alert if anything happens. Södra Wood has the 'Safety' app to optimise risk management and provide support for deciding whether or not a certain operation should be carried out.

To improve digital competence, the DIGIT trainee programme commenced during the year.

The results we achieved

Health and safety is now a more natural part of how we work, and higher than ever on our agenda. The Grow leadership development programme led to positive results and we also noted a positive change in employee surveys and several other key indicators for leadership and competency provision. The democratic processes in the cooperative part of Södra have become more efficient.

Digitalisation is playing an increasingly important role in everything that takes place. Technologies such as automation and data-driven decision-making support, as well as the hybrid working model, are affecting more and more people at Södra.

Target 2022

- » Lost time accident rate (LTAR): Less than 9

Outcome

- » Lost time accident rate (LTAR): 10

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

Strategic areas included

- » Health and safety
- » Value-driven leadership and competence supply
- » Cooperation and democracy
- » Digitalisation



Code of ethics to guide good conduct in the association

A key step in the development of the association is to create a co-operative code of ethics. The process commenced at the Administrative Council in September 2022 and the aim is to present a proposal by no later than the 2024 AGM.

"Södra has a Code of Conduct for employees and a Supplier Code, but also needs a tool to guide our conduct in the association. We are therefore working on a Code of Ethics now to define how Södra's elected representatives are expected to behave in various situations. This process will result in a document that sets out the principles of professional behaviour for members of district councils, delegates and nomination committees, and promote reflection and discussion. We also hope that the Code of Ethics will create awareness among members about how certain actions can affect the other people around you," said Roger Johansson, Chair of Älmhult-Land forestry district.



Strengthened family forestry and profitability for forest estates

Forest ownership is becoming more and more complex. We therefore need to strengthen our offering of meetings, new tools and services that are tailored to each individual member, and do it in an accessible way. Knowledge and learning are two of the cooperation's guiding principles, and the clearest way to increase commitment and involvement in forest ownership and membership. Knowledge and learning also strengthen the relationship with Södra and between members, and build confidence in forest ownership.

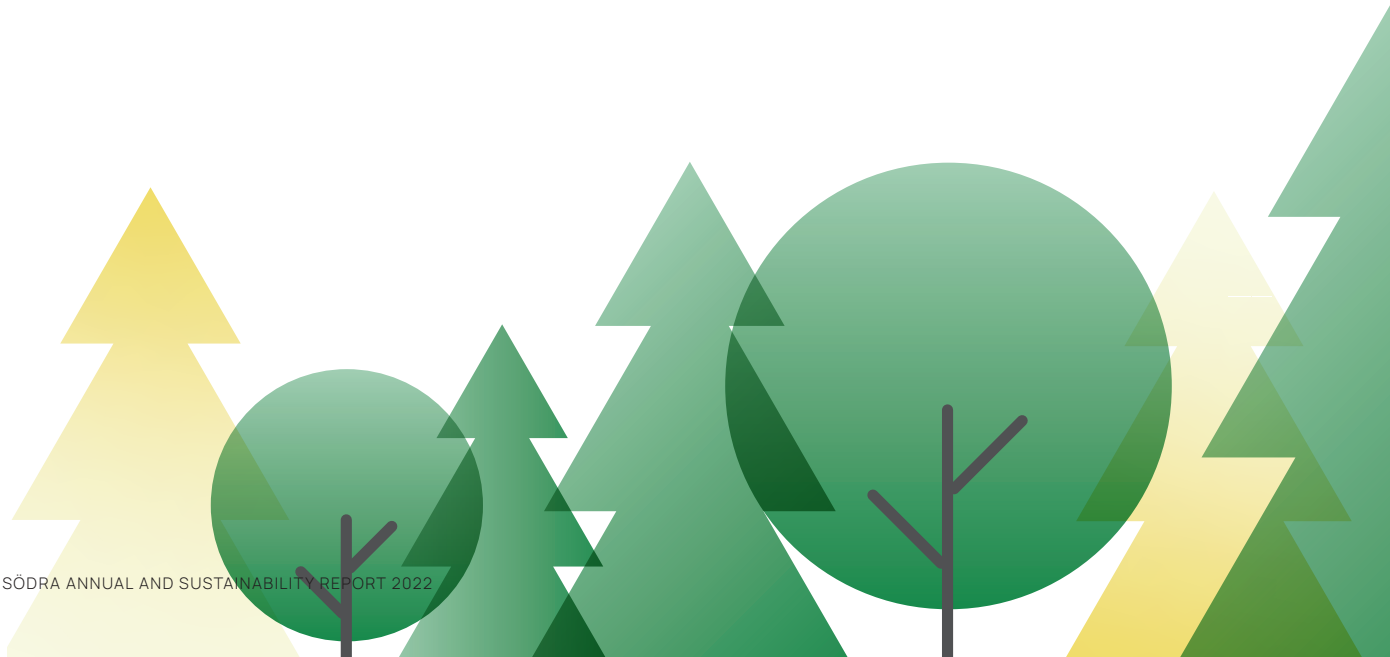
How we work with the key area

The starting point is to understand how the needs of forest owners and members change, in order to adapt our advisory services and develop the products and services that provide the most value. This includes both existing services and the creation of new services in new areas, and the Min skogsgård (My forest estate) mobile and web apps are the hub for Södra's service offering.

In knowledge and learning, new employees are currently being recruited to develop the area. In order to develop this strategic area

in the right way, the process must be coordinated across Södra.

Our unique corporate form is based on committed and competent owners, transparency, strong democratic processes and the joint commitment of members and employees. To ensure that Södra continues to be one of Sweden's leading cooperative companies, and to further strengthen our position, we must constantly develop. There is a need to further strengthen the cooperative perspective combined with other features that characterise the cooperation – sustainability, a long-term approach and reciprocity.



Our achievements in 2022

Knowledge and learning

We have started working to prioritise and organise knowledge and learning. Self-organised learning is included. The digital member experience will be important here, where members can receive assistance and support and share their best practices with others.

Meetings, tools and services

We gathered and conducted an in-depth assessment of the current situation and the future needs of our members. Based on the results, we selected several new areas in which our advisory services, products and services will be developed. These include financial planning and administration for forest estates, a wider range of advisory services to support all aspects of owning and running a forest estate, and tools to help forest owners formulate and visualise targets for their forest ownership.

During the year, we added many enhancements to our My forest estate applications, including an improved and easy to navigate seedling store on the website, push notifications for news in the mobile app, and the ability for members to report their wood deliveries themselves.

The results we achieved

One result of this process is that we are refining our service offering for members. This means that we are expanding and strengthening the offering by adding more services to support forest owners and all aspects of forest ownership, such as financial planning for forest estates. Previously, we prioritised forestry services and products that help members take care of their properties and forests.

The aim of our work with My forest estate is to offer a tool that creates value for members and strengthens all aspects of forest ownership.

Target 2022

- » Profitability of the model forest estate: SEK 1,600/hectare

Outcome

- » Profitability of the model forest estate: SEK 2,374/hectare

Profitability of the model forest estate: Read more on page 16.

Strategic areas included

- » Knowledge and learning
- » Meetings, tools and services



New financial services to increase the value of membership

There is a growing need for forest-economic advisory services amongst members and Södra is therefore expanding and strengthening the member offering with services that support all aspects of forest ownership. We are gradually building up a new online accounting and tax return service, which is expected to be available by the end of the 2023 tax year. In addition, the financial aspect of family law is being broadened and a number of estate services are under development.

“By combining our forestry expertise with financial advice, we are creating a unique and more complete offering. We are improving conditions for even better foresight in forest ownership and therefore the profitability of forest estates. We want forest ownership and forestry to be simple, in both the long and short term,” said Maria Stavert, Director of Forest Economics at Södra.



Leading offer to our customers and consumers

We will deliver a strong and leading offer to our customers and consumers. We therefore need to continuously evaluate and renew our product portfolio and develop new products, find new applications for existing products and solve our customers' problems.

We have a strong position due to high profitability, sustainable products and well-invested mills. By being better at using the whole tree to make bio-based products, we can focus on new and attractive product categories and maximise the climate benefits of our portfolio.

In the innovation area, we will develop our existing business and create new and sustainable business and strengthen Södra's innovation capacity.

How we work with the key area

We continuously evaluate our product portfolio and industrial structure to optimise the use of our forests and raw material. To strengthen the value of forest estates, we focus on attractive markets and are constantly developing our business.

In the innovation area, most of our activities are carried out in projects. We work with market intelligence, technological development and new business in all of our strategic innovation areas – forest, wood products, paper, textiles, chemicals and energy.

Our achievements in 2022

Customer-oriented offer

During the year, we evaluated our entire customer offering using key factors such as future raw material supply, financial targets and climate change position, to ensure that the offering will also be

relevant moving forward and contribute to the climate transition. One example is the start-up of our new CLT facility at Värö, where our cross-laminated timber (CLT) production is now taking place in one of the largest facilities in the Nordic region.

To further strengthen our product portfolio, we believe that lignin could be an interesting alternative in the future to generate even more value for members of Södra. We are looking into this possibility and seeking partners to further develop the business.

New and sustainable offer

Södra's product portfolio contains many initiatives for new and sustainable offers. Some of the prioritised initiatives within innovation:

- » Silva Green Fuel – a collaboration with Norwegian Statkraft, comprising a demo facility at Tofte with a production capacity of approximately 4 tonnes bio-oil/day. The aim is to develop a commercial facility. During the year, the project was focused on start-up.
- » OnceMore® – a development project that is looking into the possibility of scaling up the existing production at Mörrum, where cellulose fibres from wood are mixed with cellulose fibres from textile waste.

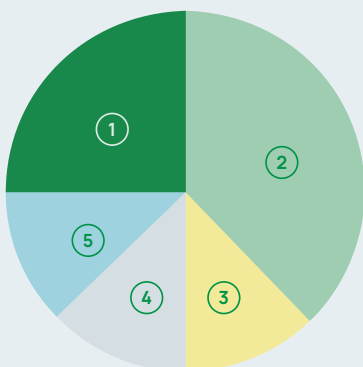
- » Lignin – a preliminary project with the aim of establishing a new lignin business in the biochemical area.
- » Södra Ädla – SEK 200 million will be invested in innovations that benefit family forestry over the next few years. In 2022, the company made its first investment in Happie Nation AB, a company that offers glamorous camping holidays (glamping).

The results we achieved

We created a Group-wide plan for the coming decade, which means we will use all parts of the raw material for high-value bioproducts and bioenergy, invest in the processing of low-value by-products for tomorrow's green economy and to continue promoting more timber construction.

In the innovation area, we took major steps in several projects and the strategic operation of the new CLT facility commenced during the year.

In addition to these projects, several initiatives are taking place to strengthen Södra's innovation capacity. The aim is to turn ideas into commercial products, and to strengthen our brand as an innovative partner.



Our future product portfolio consists of five core business areas:

- 1 Sawn timber** – continued strong development of current capacity with investments to gradually increase production in existing sawmills.
- 2 Pulp** – continued strong development of current capacity with efficient use of pulpwood. Expansion, including a focus on OnceMore® and development at Mönsterås.
- 3 Building systems** – continued investment in engineered wood products, such as CLT.
- 4 Energy and chemicals** – focus on liquid biofuels and investments in biochemicals that balance opportunity and risk through gradual implementation and collaboration. Increased capacity for recovery of lignin and biomethanol.
- 5 Carbon** – long-term focus on bioenergy with carbon capture and storage/use (bio-CCS/U), where we balance opportunity and risk through gradual implementation and collaboration.

Target 2022

Customer satisfaction:

- » Södra Wood: 80
- » Södra Cell: 84.8

Outcome

Customer satisfaction:

- » Södra Wood: 80
- » Södra Cell: 82.9

Customer satisfaction: An index for measuring customer satisfaction.

Strategic areas included

- » Customer-oriented offer
- » New and sustainable offer



Start-up for one of the largest CLT facilities in the Nordic region

The first commercial order of CLT was produced in August in the new CLT facility at Värö. When the facility is fully operational, it will be able to supply framing materials for 4,000 homes per year. When constructing a multifamily apartment block with three to eight storeys, the frame accounts for nearly half, on average, of the building's carbon footprint. A CLT frame from Södra can reduce this figure by up to 80 percent compared with a traditional concrete structure. The facility will be inaugurated in spring 2023.

“Increasing timber-frame construction plays an important role in the climate transition and timber is the only renewable material available for high-rise construction. The new facility is a key milestone in our ambition to become a leading Nordic player in solid timber construction. It will help us to continue growing sustainably and to generate more value from family forestry,” said Urban Blomster, Head of Market and Business Development at Södra Building Systems.

Optimised value chain from forest owner to customer and consumer

Our value chain forms the bridge between members and customers and this is where raw material, knowledge, services and data flow. We will improve our processes and quality control tools, use data-driven decision making to streamline all flows, and increase our value chain competitiveness.

New technologies are far from adequate for a sustainable and competitive industry. Strengthening and developing our ability to change is equally important. A change culture is needed. A culture that not only allows, but also enables, new ways of working, better teamwork skills and flexibility. Sustainable business management will help us achieve our goals and resonates with both our set of values and our business environment.

How we work with the key area

The Air Traffic Control function has been tasked with creating value chain transparency and making viable decisions that are best for forest estates, and for Södra as a whole. This means that end customers, members and even our suppliers will be able to share best practices and become more efficient by working together. While we are often good at solving problems within a specific area of business, we need to work more together to strengthen Södra as a whole.

The Södra-wide World-class Efficiency programme was launched in April 2021 to revitalise our focus on the digital transition, and strengthen our ability to adopt new ways of working, processes, materials and technologies and thereby increase our competitiveness.

Strategic business management and the Unicon programme

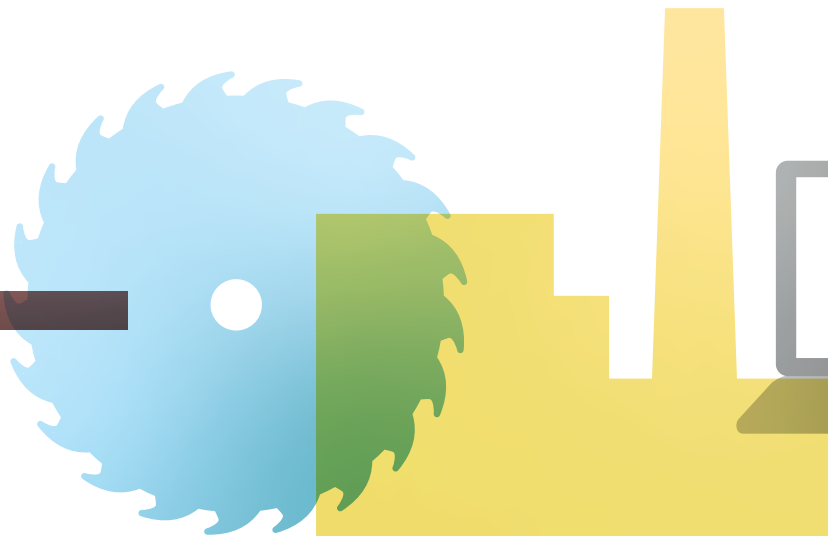
are running a number of projects to future-proof Södra's business management with a focus on financial controls, processes and business systems.

Our achievements in 2022

Flow-oriented value chain

In 2022, more than 85 percent of all sawn volumes flowed through the Air Traffic Control function. We are optimising five sawmills and, to put it simply, short logs are used for short boards, and long logs for long boards. The aim is to maximise the use of each log in a way that is resource-efficient and increases the yield from the saw logs growing in members' forests. Via the Air Traffic Control function, Södra's decision-makers can follow the various parts across the entire flow, even outside their normal department or role.

Another example is from the pulp mill at Värö, where we have reduced the amount of chemicals used in the production of paper pulp. By combining historical data with a digital AI-based (artificial intelligence) model, the Air Traffic Control function provides operators with recommendations for the smallest-possible dose of bleaching chemicals. This is not only an economic benefit, it is benefits the environment. Data compiled by the Air Traffic Control function is also used in the energy area, and when making forecasts for the best seedlings to breed.



Competitive industry

By providing guidance, coaching and competency development, the World-class Efficiency programme enables continuous improvement in the line organisation through goal setting, data analysis and digitisation. The programme also contributes to a style of leadership and teamwork that takes responsibility for the whole. In the Södra Cell and Södra Wood business areas, our production units have used data-driven analytics to gather information about their business operations, in order to challenge their current situation and question old truths.

Alongside of this, a great deal of work has taken place to transform and strengthen Södra's strategic purchasing process. A new purchasing organisation has been in place since September.

Strategic business management

Unicon's work is focused on future-proofing our Group-wide business management by implementing Södra's new financial controls for holistic collaboration across the business areas, replacing and upgrading our Group-wide business system to Microsoft Dynamics 365 (a cloud-based portfolio of next-generation intelligent business applications), and improving and streamlining our Group-wide processes. This is helping us to work as 'One Södra' – with a Group-wide digital engine that enables better decision-making, more efficient processes and growth.

The results we achieved

During the year, the Air Traffic Control function increased opportunities for transparency across the entire value chain, and data-driven insights provide a solid basis for well-informed decisions. Since Södra has such large flows, even minor improvements can generate major gains for us.

In World-class Efficiency, we identified nearly 160 initiatives and achieved annual efficiency gains corresponding to more than SEK 300 million. We have a new Group-wide purchasing organisation and the first category strategies have been approved, with a focus on heavy vehicles, sea freight and bleaching chemicals.

Strategic business management and the Unicon programme are creating a basis for both transparency and collaboration through processes that help us work more efficiently, and a Group-wide future-proofed business system that is creating a whole for Södra as well as opportunities for scalability.

The results of our efforts to optimise the value chain are enabling better business decisions across the entire Group, and benefitting Södra as a whole. A fully transparent organisation gives us a better understanding of what is best for Södra.

Target 2022

- » Equity ratio: 55%
- » Return on capital employed: 10%

Outcome

- » Equity ratio: 65%
- » Return on capital employed: 35%

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.

Return on capital employed (ROCE): Measures how efficiently a company is using its capital. The calculation shows how much profit is generated for each SEK of capital invested.

Strategic areas included

- » Flow-oriented value chain
- » Competitive industry
- » Strategic business management



Operational efficiency at Orrefors

The Södra Wood unit at Orrefors had been working with improvements for many years, but found it difficult to prioritise and to see the value of various improvements. The turning point was a joint analysis that was part of the World-class Efficiency programme, where Orrefors contributed expertise and the courage to trust the value of a systematic approach. By working with facts towards a common direction, Orrefors has now achieved annual savings corresponding to SEK 14 million.

“One of our initiatives was aimed at increasing the proportion of ‘A’ grade timber. We thought our level was OK, but World-class Efficiency challenged us and we managed to raise the proportion of ‘A’ grade timber by more than we thought possible. We went from 91 percent to 94.2 percent,” said Börje Stamblock, Mill Manager at Orrefors.



Sustainable use of the forest and earth's resources

Climate change is affecting both Södra and our business environment. The ability to offer climate-positive products and services to meet the changing demands of customers and society will become increasingly important. Climate change will also affect the forest ecosystem in many ways. While we need to meet our need for renewable raw materials to enable the climate transition, we must also make sure this is taking place in a way that has a positive effect on biodiversity.

How we work with the key area

Our ambition is to take a leading position in the transition to a climate-neutral economy. We will therefore increase the climate benefits – from our forests all the way to our products. We have created an action plan for the adaptation of forest management to climate change with continued high growth in members' forests. Our ambition also includes a promise to improve biodiversity, which we intend to achieve with active forestry measures. Last but not least, we want to be the voice of family forestry in business policy, and a force to be reckoned with.

Our achievements in 2022

Climate neutrality and circularity

Efforts to reduce our GHG emissions have continued, including our work with the 'A Fossil-free Södra' programme. We launched a large-scale electrification project and introduced a model for the evaluation of sustainable investment criteria to support the decision-making for our major investments.

Together with KPMG and Microsoft, we have launched a collaborative project for the deployment of a support system for

aggregating and assessing sustainability data. We also decided to introduce internal carbon pricing for our most important investments and purchasing.

High-quality and climate-adapted forests

Efforts to adapt regeneration stands to soil conditions are ongoing. A research project to develop the establishment of mixed coniferous stands, predominantly pine and spruce, was started in partnership with the Swedish University of Agricultural Sciences (SLU).

We continued to focus on non-native tree species as part of the process to promote more diversity in forestry. Identifying the non-native tree species that can grow in a warmer and drier climate is also important and we have therefore been actively testing the Douglas fir for a long time. We also support research into the potential for this tree species in Götaland.

The BraSatt project is developing a method for scarification and planting that promotes seedling survival and has less impact on both people and soil. We have taken the first step towards a self-propelled machine and tests of both the scarification concept and the planning app have shown promising results.



Biodiversity

Many members set aside larger areas for conservation than is required by forest certification schemes. To highlight the value of these set asides, Södra introduced a nature conservation premium from 30 May 2022 entailing an extra premium for the wood extracted from the entire estate, and that increases in relation to the proportion of nature conservation set-asides.

Many of the conservation values in Götaland can only be preserved and strengthened with nature-conservation measures (NS), and the area in which nature-conservation measures are carried out is a key indicator that we continuously monitor. To increase the focus on nature conservation and ensure the quality of nature-conservation measures, we arranged NS training for field workers and contractors during the year.

Positive social impact

In 2022, we created a business policy strategy for positive social impact. We identified key shifts for improving the efficiency and structure of our business policy lobbying, and embarked on an operation-wide tour to improve coordination and harness the expertise that exists within Södra.

The new business policy unit has been tasked with providing support and raising the awareness of management, Board members and the Administrative Council, as well as coordinating and developing policy issues both internally and in trade associations, and creating contacts for lobbying policy-makers. Prioritised issues in 2022 included the EU Taxonomy regulation, the Renewable Energy Directive and the Species Protection Ordinance.

The results we achieved

Our emissions-reduction targets were approved by the Science Based Targets initiative (SBTi), which is an international partnership that is driving ambitious climate action in the private sector by enabling organisations to set science-based targets to reduce their emissions. Södra set targets that are aligned with the Paris Agreement's goal to limit global warming to 1.5°C.

Together with other forest industry players, we developed a new type of forest machine – the Centipede – which combines a low-impact approach with enhanced productivity and operator comfort.

We launched a digital route planning tool that will help both forest inspectors and machine operators to optimise their harvest planning by accounting for the layout of the area to be harvested.

This comprehensive training initiative has increased competence in nature conservation measures across our entire operations, which will help to achieve our target of performing nature conservation measures on 3,000 hectares per year up to 2025.

Our lobbying led to an amendment of the Species Protection Ordinance in line with Södra's recommendation.

In 2022, a new website was also launched where our business policy lobbying is described, and opinions and consultation responses are published.



Target 2022

» Positive climate effect: 11.4 Mt CO₂e

Outcome

» Positive climate effect: 12.1 Mt CO₂e

Positive climate effect: Based on the net change in forest carbon stock (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 CO₂e = million tonnes of CO₂ equivalents.

Strategic areas included

- » Climate neutrality and circularity
- » High-quality and climate-adapted forests
- » Biodiversity
- » Positive social impact



Training with a focus on conservation values in forests

In a training programme for field workers and contractors, we highlighted the most appropriate types of nature-conservation measures (NS) for various forest stands. Anders Lund, co-owner of the harvesting company ELA Skogsservice AB, which collaborates with Södra in forests in Östergötland, was one of the participants:

“It was great to take part in the course. It updated my prior knowledge and gave me new insights. I learnt that a ring-barked tree is both a high stump and a retained treetop for nature conservation considerations. Now I will be sharing what I learnt in the course with my employees,” he said.

Four business areas for today and tomorrow

Södra's operations are organised into four business areas – Södra Skog, Wood, Cell and Innovation. We 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.



Södra Skog

- » Forestry and advisory services for members of Södra
- » 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



Södra 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.



Södra Cell

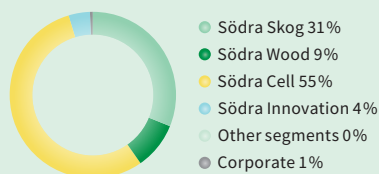
- » Paper and dissolving pulp
- » Liquid bioproducts – biomethanol, tall oil and turpentine
- » Biofuel, green electricity and district heating
- » Södra Vind
- » Three Swedish pulp mills for paper and dissolving pulp.



Södra Innovation

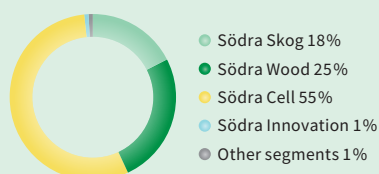
- » Develops products, services and processes in Södra's innovation areas, such as OnceMore® and liquid biofuels
- » CLT building systems
- » Associated companies SunPine and Silva Green Fuel
- » Södra Medlemsel
- » Södra Ädla
- » The Södra Foundation for Research, Development and Education
- » CLT production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

Non-current assets per segment



	Skog		Wood		Cell		Innovation	
	2022	2021	2022	2021	2022	2021	2022	2021
Net sales, SEK million	14,613	12,203	9,246	9,230	18,658	12,818	298	173
Operating profit/loss, SEK million	366	370	1,723	2,779	6,896	3,508	-75	-110
Return on operating capital	6%	7%	49%	85%	49%	27%	0%	neg.
Investments, SEK million	343	184	360	208	1,076	1,009	230	441
No. of employees	661	618	933	961	1,267	1,215	139	98
Healthy attendance	97%	96%	94%	95%	96%	96%	97%	97%
LTAR	8	7	11	23	12	7	5	0

Sales per business area



SEK 33,367 million in total, excluding internal deliveries.

Forestry advisory services, services and digital tools

As a member of Södra, you have access to forestry services, advisory services and digital tools. Södra mainly purchases forest raw material from its members' forests, but also from other suppliers. We deliver the raw material to our own mills.

301 million m³ sub wood volume



The year in brief

- » Construction of new cold storage facility for 40 million seedlings commenced. The facility is scheduled for completion by summer 2023.
- » We introduced a nature conservation premium for those members who set aside more than 5 percent of their forest land for nature conservation.
- » Strong wood market with favourable demand for saw logs, pulpwood and biofuel.
- » We increased the remuneration for certified forest raw material.
- » We handled major spruce bark beetle damage together.
- » Continued development of the Min skogsgård (My forest estate) app.

Most members of Södra are small forest owners with a wide range of goals and ambitions for their forest estates, creating diversity and variation in the forest landscape. A common denominator is the desire to hand over something with even greater value to the next generation – not only financial value, but also natural, cultural and social value. By managing forests and using them responsibly, all forest values will grow.

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 all members hold forest certification. Many forest values have arisen from how forests have been managed historically. To preserve and promote these values, we need to continue managing our forests responsibly.

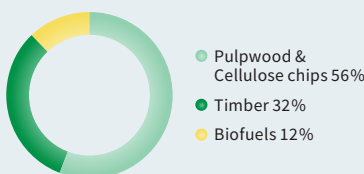
We offer forestry services that create opportunities for responsible forest management – from planting, thinning and regeneration harvesting to long-term planning of the forest estate's management, finances and administration. We also develop digital services and tools that create added value for members.

Growth in Södra's forests 2022

Million m ³ fo	Sweden	Baltics	Total
Opening volume 2022	1.0	15.3	16.3
Growth	0.04	1.1	1.1
Acquisitions/divestments	0	0.1	0.1
Harvesting/forest management	-0.03	-0.3	-0.3
Closing volume 2022	1.0	16.1	17.1

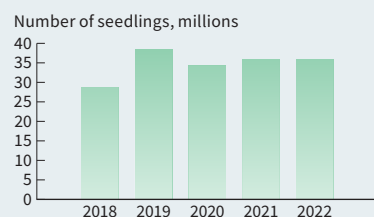
Södra's own forests comprise 130,700 hectares of productive forest land in Sweden and the Baltics.

Wood sales



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

Seedling sales



Seedling sales totalled 36 million (36). Nearly all of these were treated with mechanical plant protection.



Everyday products from family forestry

Many of the products that we use every day come from the forest. Toilet paper, hygiene items, wooden decking, cleaning agents, clothing, high-rise timber-framed buildings and fuel are some of the everyday items that can be made from this fantastic forest raw material when we use the whole tree.

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 range of products with a high level of service.

8
1
million m³ sawn timber produced



The year in brief

- » Output record with an historically high volume of 248,000 m³ in March.
- » Södra Wood’s cumulative result for the first half of 2022 was historically high.
- » The TiCom system went live in the UK and Ireland, which means that we now use the same system across the business area.
- » We inaugurated a new boiler at Hamina in Finland, and supply a nearby town with district heating.

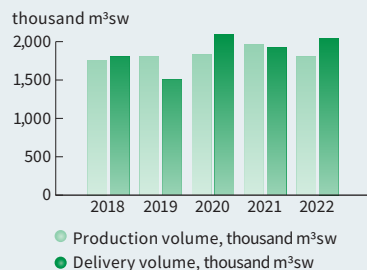
Södra is one of the leading producers of wood products in Europe, with eight sawmills in Sweden and Finland where we produce high-quality wood products for our customers. All sawmills have advanced processing capabilities and several mills have integrated planing mills or coating facilities. To complement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

Sales are global, but most are conducted in northern Europe, with the UK as our core market. Exports account for about 80 percent of sales. The customers for our sawn timber, processed wood and construction products include the building materials trade, and the construction, packaging and engineered wood industries.

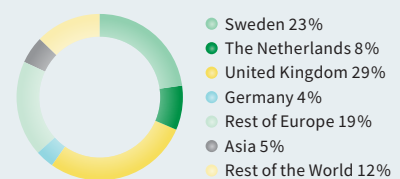
We are locally represented in major markets with our own sales organisation. In addition to our products, a high level of service combined with customised service packages and sustainable logistics solutions are key elements of our customer offering.

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

Production and delivery volume



Sales per market



High-rise CLT buildings

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.

0,739
m³ production volume



The year in brief

- » On 1 January, the new Climate Declaration Act came into force for all new construction in Sweden. Property developers must now prepare a climate impact report for new buildings.
- » The new CLT facility became operational in August.
- » We delivered our 100th project with a CLT frame and timber cladding from Södra.
- » We signed an agreement to supply CLT and glulam (GLT) for AP Ejendomen's new office building in Copenhagen. It will be our largest project to date.
- » ICA Solvik and the Hoppet Preschool received the 2022 Construction of the Year Award, both featuring a CLT frame from Södra.
- » Uppsala received the 2021 Timber Town of the Year award. Södra supplied thermally-treated and fire-retardant pine cladding for the multifamily apartment block, Botanikern.

Cross-laminated timber, or CLT, is a natural material with unlimited possibilities. Södra's 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 be precisely cut to shape in the facility according to the customer's requirements for beams, ceilings, load-bearing or partition walls. The size of each board can be up to 3.5 metres high and 16 metres long.

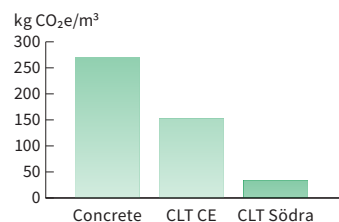
In about 30 years, almost 70 percent of the world population is expected to live in cities, and the construction of high-rise buildings, especially in timber, is on the increase. A CLT frame from Södra can reduce emissions by up to 80 percent compared with a similar concrete construction.

In August 2022, the new CLT facility became operational. The first delivery went to our 100th project, which will be a CLT frame building. At full capacity, we will be able to supply framing for 4,000 homes per year.

Choice of building material determines the emissions of construction projects

- » Compared with concrete, a CLT frame generally lowers the climate impact by 50 percent.
- » CLT from Södra reduces the climate impact even more, since the emission factor of Södra's CLT is only 34 kg CO₂e/m³.
- » This represents a reduction of up to 80 percent, compared with conventional concrete-frame structures.

Climate impact factors for building materials in the production stage.



Refer to sodra.com/epd for more information.

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

- » The facility at Värö was further optimised and produced higher volumes earlier than planned. Production amounted to 774 ktonnes, a year-on-year increase of 73 ktonnes.
- » New metres that measure contaminant levels in a larger percentage of the pulp and enable new grades of pulp with lower contaminant levels than before.
- » Work commenced with a new evaporator line at Mönsterås prior to upcoming capacity increases.
- » Completed capacity utilisation testing in the facility at Mörrum to identify and eliminate bottlenecks.
- » Several key steps in OnceMore® – including intensified collaboration with fibre manufacturer Lenzing, the first garment in stores together with Jack & Jones, collaboration with Lindex initiated, and the first step towards expansion in the hospitality industry with PM & Vänner.

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 textile waste 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 toilet paper, medical products for the healthcare sector, or hygiene products that enable quality of 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 specialty products, publishing and writing paper, and packaging.

Our pulp customers are mainly European manufacturers of tissue, specialty paper, packaging and publishing paper. The market for tissue paper is growing in the US and Asia in particular.

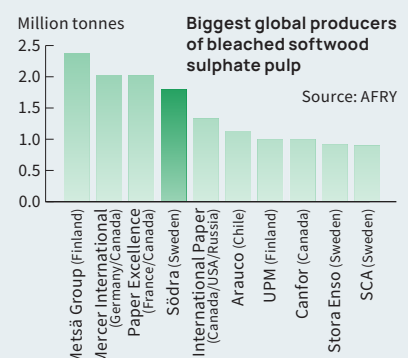
Making clothes from wood has proven a potential climate-smart and sustainable alternative. Dissolving pulp from Södra is mainly derived from birch and used in the textile industry to make viscose and lyocell.

The OnceMore® process combines cellulose from wood with fibres from textile waste. We therefore recycle blended fabrics – cotton and polyester textile waste – which are mixed with wood fibres from 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 liquid bioproducts – biomethanol, tall oil and turpentine – are Swedish forest in liquid form. We call it Liquid forest™.

42,500

tonnes of bioproducts produced



The year in brief

- » Favourable demand and a positive price trend for our products.
- » We delivered our first PEFC and FSC®-certified liquid (turpentine), and now offer the same possibility for all Liquid Forest™ products.
- » We are seeking partners for lignin production.

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.

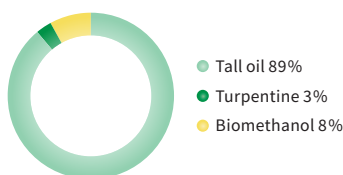
Tall oil is a renewable alternative to many fossil-based materials. Fuels, cleaning agents and cosmetics are some of the product categories where tall oil makes a climate-smart difference.

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 biofuels will increasingly replace fossil fuels as part of the international 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 the raw material for an advanced liquid biofuel that can replace fossil fuels.
- » SunPine is a world-leading biorefinery owned 25 percent by Södra. SunPine produces renewable fuels from tall oil, which can be blended with petrodiesel. SunPine also converts the 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.

Sales volumes liquid bioproducts



Local and climate-smart energy

Forest raw material provides valuable energy products such as green electricity, district heating and biofuel. Electricity from Södra and district heating consists of excess energy from our mills, and biofuel can be used directly in thermal power stations or processed into pellets.



The year in brief

- » Strong influx of new customers to Södra Medlemsel. We now have more than 10,000 customers.
- » Group-wide project launched to become a leader in the electrification of vehicles in the forest industry.
- » Södra's excess electricity is favourable when electricity prices are record-high, and excess energy from Södra reduces the power demand in Götaland.

We believe in a sustainable future due to innovations and efficient use of the forest raw material in a range of areas. Energy products are important for the society and the forest raw material can be used for renewable green energy and biofuels.

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.

The forest raw material provides valuable energy products that can be used directly as biofuel in thermal power stations or mills, or processed into pellets 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.

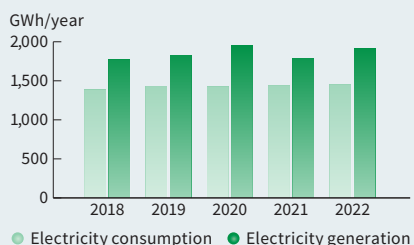
Other products in this area include chips for chipboard, as well as horse bedding and wood pellets for stables.

Solid biofuels



Solid 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 also sold on the market as biofuel. The sawmills contribute with bark, shavings and wood chips. The diagram shows the division between biofuels from the forest and biofuels from the mills, a total of about 3,900 GWh.

Electricity consumption and electricity generation



Electricity generation continued to exceed electricity consumption. Net electricity deliveries were 460 GWh.

External district heating deliveries



Södra delivers district heating from the pulp mills at Mönsterås, Mörrum and Värö, and the sawmills at Kinda and Hamina, to neighbouring communities. In 2022, external district heating deliveries were 418 GWh. Two-thirds of the external district heating deliveries comprised 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.



Financial statements

Operating profit: 7,805 million

Södra posted operating profit of SEK 7,805 million (5,316) for 2022 and net sales amounted to SEK 33,367 million (27,060). 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 3,243 million.

65%

Södra's equity ratio remained stable at 65 percent, which exceeds the long-term target of 55 percent.

35%

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

SEK 3,243 million

The proposed profit distribution is 42 percent of profit before tax.

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Multi-year summary

	2022	2021	2020 ²⁾	2019 ³⁾	2018	2017	2016 ⁴⁾	2015	2014	2013
RESULT										
Net sales, SEK million	33,367	27,060	20,351	23,183	24,230	20,518	18,482	18,267	17,339	16,580
Net sales, change	23%	33%	-9%	-4%	18%	11%	1%	5%	5%	-1%
Operating profit before depreciation, amortisation and impairment, SEK million	9,136	6,811	2,164	3,897	5,654	3,009	1,887	3,146	2,552	937
Depreciation, amortisation and impairment of assets, SEK million	-1,331	-1,495	-1,273	-1,315	-1,146	-1,092	-908	-984	-1,036	-1,354
Operating profit/loss, SEK million	7,805	5,316	891	2,582	4,508	1,917	979	2,162	1,516	-417
Operating margin	23%	20%	2%	11%	19%	9%	5%	12%	9%	neg.
Financial income and expenses, SEK million	-81	-83	-145	-87	-77	-87	-66	-90	-56	-33
Profit/loss before tax, SEK million	7,724	5,233	746	2,495	4,431	1,830	913	2,072	1,460	-450
FINANCIAL POSITION										
Non-current assets, SEK million	21,179	19,764	19,150	18,805	18,408	14,932	14,413	11,948	10,044	9,230
Inventories, SEK million	4,232	3,866	3,364	3,835	3,649	3,036	3,097	2,801	2,615	2,570
Equity, SEK million	27,065	21,088	16,759	17,382	16,011	12,884	11,766	11,945	10,524	9,495
Return on equity	25%	22%	1%	12%	24%	12%	6%	14%	11%	neg.
Net debt, SEK million	-3,629	668	3,651	3,415	4,558	3,901	3,879	1,290	1,050	1,048
Debt/equity ratio, times	-0.1	0.0	0.2	0.2	0.3	0.3	0.3	0.1	0.1	0.1
Average capital employed, SEK million	22,476	21,350	21,039	21,104	19,029	16,493	14,600	12,639	11,349	11,434
Return on capital employed	35%	25%	2%	12%	24%	12%	7%	17%	13%	neg.
Total assets, SEK million	41,433	33,429	29,253	29,337	27,094	23,104	21,671	19,248	17,229	15,998
Equity ratio	65%	63%	57%	59%	59%	56%	54%	62%	61%	59%
CASH FLOW										
Cash flow from operating activities, SEK million	7,652	5,190	2,317	3,343	4,270	1,915	2,315	3,123	1,988	1,455
Investments, SEK million	2,011	1,875	1,549	1,128	4,380	1,606	4,256	2,959	2,046	952
Cash flow after investments, SEK million	5,820	3,192	646	2,227	-142	356	-1,581	218	267	597
VOLUMES										
Wood volume, million m ³ sub	18.3	18.0	17.4	17.1	16.5	15.9	15.0	15.1	15.3	15.0
Deliveries of biofuels, 1,000 m ³ l	5,415	5,402	4,593	5,077	4,630	4,393	4,632	4,678	4,758	4,997
Sawn timber production, 1,000 m ³	1,804	1,965	1,834	1,809	1,761	1,841	1,955	2,031	1,932	1,624
Pulp production, 1,000 tonnes	1,897	1,840	1,865	1,869	1,786	1,712	1,429	1,512	1,521	1,774
Electricity generation, GWh	1,913	1,790	1,956	1,830	1,772	1,719	1,326	1,379	1,419	1,664
SUSTAINABILITY⁴⁾										
Fossil CO ₂ from production, ktonnes	67	68	70	70	103	81	99	87	131	185
Fossil CO ₂ from transportation, ktonnes	271	270	227	207	196	191	199	193	210	235
Lost-time-accidents (LTA) ⁵⁾ , no.	50	56	47	62	77	94	94	75	104	89
Lost-time-accident rate (LTAR) ⁶⁾	10	11	9	12	15	17	16	13	18	15
OTHER										
Profit distribution, SEK million	3,243 ¹⁾	2,239	598	1,068	1,795	868	602	1,002	553	281
No. of members	51,476	51,938	52,921	52,192	51,637	51,009	50,771	50,360	50,227	50,296
Affiliated forest area, 1,000 ha	2,786	2,719	2,696	2,637	2,591	2,517	2,481	2,440	2,392	2,368
Members' wood deliveries, million m ³ sub	11.1	11.1	10.6	10.4	9.8	9.7	9.4	9.4	9.0	8.1
No. of employees	3,282	3,124	3,141	3,150	3,141	3,402	3,594	3,599	3,524	3,776
USD/SEK (average rate)	10.12	8.58	9.21	9.46	8.69	8.55	8.56	8.43	6.86	6.51
EUR/SEK (average rate)	10.63	10.14	10.49	10.59	10.26	9.64	9.47	9.35	9.10	8.65
NBSK (average rate, USD/tonne)	1,437	1,201	844	983	1,166	881	802	856	925	857

¹⁾ Proposed profit distribution.

²⁾ 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.

³⁾ 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.

⁴⁾ 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 2013-2015 have been adjusted against historic financial statements.

⁵⁾ LTA (lost time accident): occupational injury with absence.

⁶⁾ 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 earlier), but are reconcilable with historical reports.

NET SALES, CHANGE

SEK million	2022	2021	2020	2019	2018
Opening	27,060	20,351	23,183	24,230	20,518
Closing	33,367	27,060	20,351	23,183	24,230
Assets held for sale	—	—	679	—	—
Closing incl. assets held for sale	33,367	27,060	21,030	23,183	24,230
Change	23%	33%	-9%	-4%	18%

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	2022	2021	2020	2019	2018
Operating profit	7,805	5,316	891	2,582	4,508
Assets held for sale	—	—	-537	—	—
Operating profit incl. assets held for sale	7,805	5,316	354	2,582	4,508
Depreciation, amortisation and impairment	1,331	1,495	1,273	1,315	1,146
Assets held for sale	—	—	341	—	—
Depreciation, amortisation and impairment incl. assets held for sale	1,331	1,495	1,614	1,315	1,146
Operating profit before depreciation, amortisation and impairment incl. assets held for sale	9,136	6,811	1,968	3,897	5,654

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	2022	2021	2020	2019	2018
Operating profit before depreciation, amortisation and impairment	9,136	6,811	1,968	3,897	5,654
Net sales	33,367	27,060	21,030	23,183	24,230
EBITDA margin	27%	25%	9%	17%	23%

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	2022	2021	2020	2019	2018
Net sales	33,367	27,060	20,351	23,183	24,230
Other revenue and profit from shares in associates	758	657	486	319	372
Operating expenses	-24,989	-20,906	-18,673	-19,605	-18,948
Depreciation, amortisation and impairment	-1,331	-1,495	-1,273	-1,315	-1,146
Assets held for sale	—	—	-537	—	—
Operating profit incl. assets held for sale	7,805	5,316	354	2,582	4,508

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	2022	2021	2020	2019	2018
Equity OB	21,088	16,759	17,382	16,011	12,884
Equity CB	27,065	21,088	16,759	17,382	16,011
Average equity	24,077	18,924	17,071	16,697	14,448
Profit before tax	7,724	5,233	746	2,495	4,431
Assets held for sale	—	—	-537	—	—
Standard tax	-1,591	-1,078	-45	-534	-975
Return	25%	22%	1%	12%	24%

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	2022	2021	2020	2019	2018
Operating profit	7,805	5,316	354	2,582	4,508
Net sales	33,367	27,060	21,030	23,183	24,230
Operating margin	23%	20%	2%	11%	19%

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.

¹⁾ See next page.

NET DEBT

SEK million	2022	2021	2020	2019	2018
Interest-bearing provisions	—	—	—	—	—
Interest-bearing liabilities	7,108	5,990	6,838	6,425	5,630
Financial receivables	0	0	0	—	—
Current investments and cash and cash equivalents	-10,737	-5,322	-3,187	-3,010	-1,072
Net debt	-3,629	668	3,651	3,415	4,558

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	2022	2021	2020	2019	2018
Net debt	-3,629	668	3,651	3,415	4,558
Equity	27,065	21,088	16,759	17,382	16,011
Debt/equity ratio	-0.1	0.0	0.2	0.2	0.3

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	2022	2021	2020	2019	2018
Assets	41,433	33,429	29,253	29,337	27,094
- Financial assets	-11,105	-5,461	-3,220	-3,046	-1,086
- Provisions ²⁾	-529	-381	-100	-143	-141
- Income tax ²⁾	-2,287	-2,141	-1,639	-1,566	-1,569
- Operating liabilities	-4,420	-3,586	-3,154	-3,344	-3,329
Assets held for sale	—	—	-300	—	—
Capital employed	23,092	21,860	20,840	21,238	20,969
Average	22,476	21,350	21,039	21,104	19,029

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	2022	2021	2020	2019	2018
Average capital employed	22,476	21,350	21,039	21,104	19,029
Operating profit	7,805	5,316	891	2,582	4,508
Assets held for sale	—	—	-537	—	—
Operating profit incl. assets held for sale	7,805	5,316	354	2,582	4,508
Return	35 %	25 %	2 %	12 %	24 %

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	2022	2021	2020	2019	2018
Equity	27,065	21,088	16,759	17,382	16,011
Assets	41,433	33,429	29,253	29,337	27,094
Equity ratio	65 %	63 %	57 %	59 %	59 %

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.

¹⁾ 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.

²⁾ 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 2022 Annual Report for the Group and the Parent Company.

Södra generates ownership value 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 33,367 million (27,060), with operating profit of SEK 7,805 million (5,316). Return on capital employed was 35 percent (25). At 31 December 2022, the equity ratio was 65 percent (63).

ABOUT SÖDRA

Södra is a global, member-owned forest industry group and with 51,476 members, is the largest forest-owner association in Sweden. At the same time, is Södra an international forest industry group, where approximately 80 percent of its 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, Södra helps its members to manage their forests in a long-term, responsible and sustainable manner.

The wood delivered by 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's pulp mill and wind turbines also generate more than 2 TWh of electricity, and Södra supplies other energy producers with raw material.

MARKET TREND

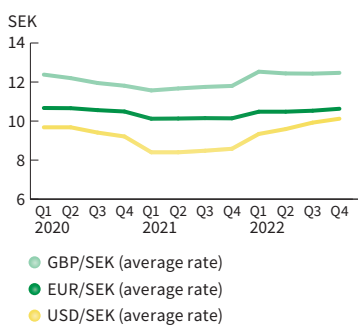
Despite a long period of uncertainty and instability in 2022, the global economic slowdown was modest during the year. Underlying demand was favourable despite high uncertainty, largely due to generally low unemployment rates around the world. The Purchasing Manager's Index (PMI) has decreased in all major economies since the first quarter

of 2021 and the same trend continued in 2022. Due to a strong starting position, economic indicators did not point to a slowdown in economic growth until the fourth quarter of 2022. During the year, economic development was largely impacted by the Russian invasion of Ukraine, especially energy prices and inflation. However, consumer prices had already started to rise rapidly before the war broke out. As society began to re-open after the pandemic and stimulus-driven demand was met by supply constraints, prices began to rise in general.

These external factors led to challenges for Europe's economic recovery. During the first half-year, the transport sector was still struggling with the spillover from the pandemic. The war in Ukraine added to the already fragile situation. At the same time, the container freight market was plagued by disruptions due to new Covid-19 outbreaks and lockdowns, especially in China. Lower supply led to higher freight rates, and the supply chain bottlenecks continued. The rising freight rates did not go unnoticed by Södra, since the Group is a major transportation buyer. Just as supply chain pressures were starting to ease, the European energy crisis took over. European energy prices had already started to rise by the end of 2021 and the situation deteriorated when Russia invaded Ukraine.

Higher prices and the unpredictability of energy markets have created major underlying uncertainty for both businesses and individuals. Furthermore, rising energy prices had a ripple effect on prices, which increased across the board during the year. While prices for most raw materials fell back during the year, higher energy prices led to higher costs for raw

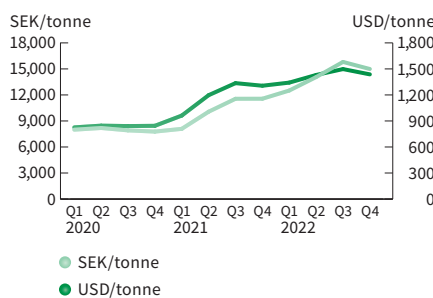
Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

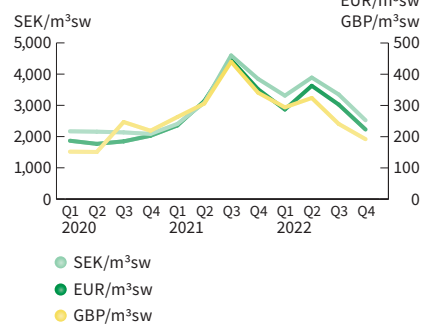
Pulp prices



The price of bleached softwood sulphate pulp in USD rose during the year. The diagram shows the average prices for softwood sulphate pulp delivered to European customers.

Source: FOEX PIX and Södra

Average delivery prices for sawn timber



The diagram shows average delivery prices for sawn timber in the most important currencies.

Source: Södra

material inputs. Södra is a net producer of electricity and contributes to the plannable power supply. Rising electricity prices have led to higher revenue for electricity, but from a broader perspective, higher energy prices in Europe have also led to higher costs for input products.

Economic growth in Sweden was largely similar to the situation throughout the rest of Europe. The easing of supply chain bottlenecks was followed by overall higher cost pressures. The Swedish labour market remained strong during the year, contributing to underlying favourable demand. Combined with higher interest rates, rising prices for food, fuel and electricity led to a deterioration in consumer purchasing power during the year. Together with uncertainty about future economic growth and falling asset prices, it is highly likely that these factors contributed to a gradual decline in consumer confidence in 2022.

The overall price rises were reflected in surging inflation. Many central banks tried to tackle inflation during the year, which led to historic rate hikes in terms of both basis points and frequency. Inflation persistence, combined with continued strong labour markets and low unemployment, is likely to keep interest rates high for some time to come. The economic uncertainty combined with higher interest rates has led to falling asset prices, and intensified consumer pessimism.

In this volatile and unpredictable market environment, the USD strengthened against several currencies. At the same time, the Federal Reserve was also first out in the rate-hike cycle and continuously raised its benchmark interest rate to a higher level than both the European Central Bank and the Swedish Riksbank. In 2022, the SEK weakened against the USD, GBP and EUR. The currency trend was favourable for Södra, since USD rates are relevant for pulp product prices, while GBP rates have a major impact on the sawmill operations, since the UK is a major export market for wood products.

Wood supply

Demand for softwood and hardwood pulpwood was high in the first six months of the year. Maintenance shutdowns at Värö and Mönsterås in the second and third quarters reduced demand for softwood pulpwood, which reduced the need for imports, whereby closure of the terminal warehouse was postponed. The need for sawlogs was high in the first half-year, but subsequently declined due to production cutbacks in the sawmills. Demand for energy ranges remained strong throughout 2022. During the year, the supply of final harvesting was lower year-on-year. In the first half-year, storm damage, top breaks and spruce bark beetles were managed. A storm-damaged range was introduced during spring to help move stocks. In 2022, spruce bark beetle damage eased compared with 2021 but significant damage continued in the north-eastern forestry operations areas, and these were prioritised in the second half-year. It is still important to remove damaged trees quickly to secure the value of the wood and to protect the forest.

Sawn timber market

The price trend for wood products was volatile in 2022. At the beginning of the year, sawn timber prices rose when the war broke out in Ukraine. During summer and autumn, however, they fell back sharply as the economic slowdown weakened demand for wood products while supply was high.

With the falling prices, stock levels further upstream in the supply chain gradually declined, which led to higher stock levels at the sawmills. Södra Wood therefore introduced production cutbacks during the autumn to achieve a balance between production, stocks and sales. The sales volumes improved slightly during the autumn, partly because European customers need to refill their stocks, but also due to growing sales to non-European markets.

In the European building materials trade, it is clear that the increase in demand that was fuelled by the pandemic fell sharply in 2022. Moreover, the building materials trade was adversely impacted by a decline in purchasing power during the year as inflation, energy prices and interest rates rose. Demand from our industrial customers in Europe was overall favourable in 2022 but it became clear during the autumn that the economic downturn was now affecting this segment. Non-European markets were not as clearly affected by the energy situation, which helped to maintain demand for wood products. Demand in China remained slow, however, due to the Covid-19 situation.

Pulp market

The pulp market continued to improve during the first three quarters of 2022. This led to a 17-percent increase in the average price for softwood sulphate pulp in Europe, from USD 1,194 in 2021 to USD 1,404 in 2022. The price of softwood sulphate pulp also rose in China, where the net price was higher than in Europe throughout most of the year. The price of hardwood sulphate pulp also rose during the first three quarters. In 2022, the average price in Europe was USD 1,285, compared with USD 1,011 in 2021, an increase of 27 percent. Softwood sulphate prices fell in all markets from early autumn, while prices for hardwood sulphate pulp have remained constant to date. At the end of the fourth quarter, prices were USD 1,429 for softwood sulphate pulp and USD 1,380 for hardwood sulphate pulp in Europe, compared with USD 1,498 and USD 1,380, respectively, at the end of the preceding quarter. The fall in prices was due to weaker demand for our customers' products in a contracting economy, which led to weaker demand for paper pulp. This trend is expected to continue in the first half of 2023, with further price drops for paper pulp as a result.

In 2022, the average price for hardwood dissolving pulp was USD 1,050, compared with USD 992 in 2021. Demand for dissolving pulp is weak and the price was USD 900 at the end of the fourth quarter. Further price drops are also expected due to weak demand.

NET SALES

Consolidated net sales amounted to SEK 33,367 million (27,060). The positive sales trend was mainly due to a stronger price level for pulp, and higher year-on-year delivery volumes for both pulp and sawn timber.

RESULT

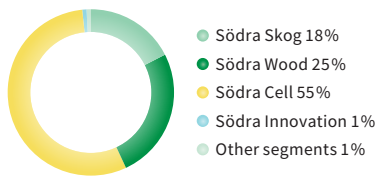
Operating profit totalled SEK 7,805 million (5,316). The earnings trend was mainly attributable to the positive price formation for Södra's core products and a weaker SEK against the EUR and USD. Tax expense for the year was SEK 889 million (750). The Group's net financial items amounted to an expense of SEK 81 million (expense: 83). Return on capital employed was 35 percent (25).

> Directors' Report, cont.

BUSINESS AREAS

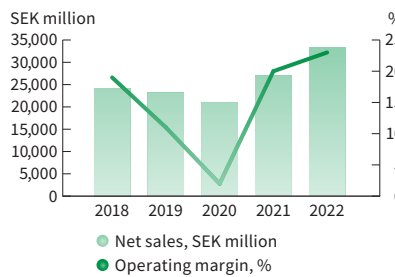
SEK million	Net sales		Operating profit	
	2022 Jan-Dec	2021 Jan-Dec	2022 Jan-Dec	2021 Jan-Dec
Södra Skog	14,613	12,203	366	370
Södra Wood	9,246	9,230	1,723	2,779
Södra Cell	18,658	12,818	6,896	3,508
Södra Innovation	298	173	-75	-110
Other segments	194	532	0	-27
Intra-Group	—	—	-1,105	-1,204
Eliminations	-9,642	-7,896	—	—
Group	33,367	27,060	7,805	5,316

Sales per business area

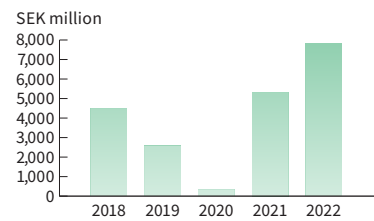


SEK 33,367 million in total, excluding internal deliveries.

Net sales and operating margin



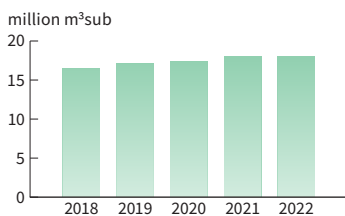
Operating profit



Södra Skog's operating profit for the year totalled SEK 366 million (370), including remeasurement of biological assets. The remeasurement effect for biological assets amounted to SEK 236 million (277). Profit for the year was positively impacted by better margins in the energy and sawlog market, but adversely impacted by higher fuel costs. Demand was favourable for all ranges during the year, despite a slight slowdown in the sawmill industry in the second half of the year.

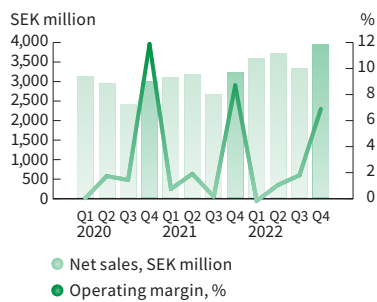
Södra's biological assets are impacted by higher prices for forest land and forest raw material, higher costs for harvesting and forestry, estimated harvest rates and exchange rate effects. Sales for the year amounted to SEK 14,613 million (12,203), a consequence of price increases for saw logs and pulpwood, and a higher import volume at the beginning of the year. The total delivery volume was 18.3 million m³sub (18.0), comprising 56.2 percent pulpwood, 31.5 percent saw logs and 12.3 percent biofuel.

Wood volume

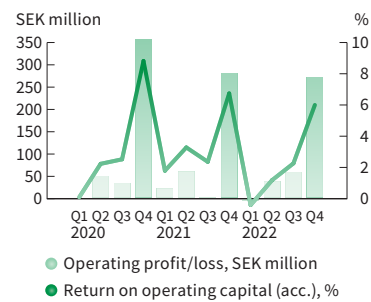


Wood supply in Södra's area was in line with the previous year.

Net sales and operating margin



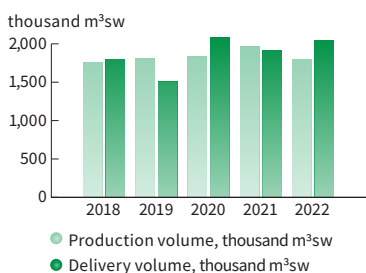
Operating profit/loss and return on operating capital



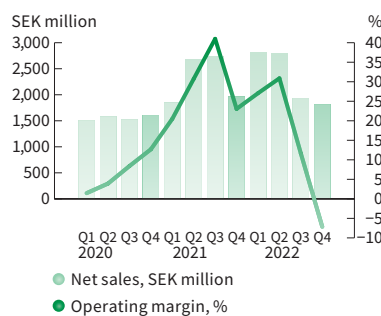
Södra Wood's operating profit totalled SEK 1,723 million (2,779), the second-highest result in Södra Wood's history. The lower figures year-on-year were due to weaker demand and falling prices during the second half-year.

The total production volume of sawn timber was 1,804 thousand m³sw (1,965) and the delivery volume was 2,048 thousand m³sw, compared with 1,923 thousand m³sw in the preceding year.

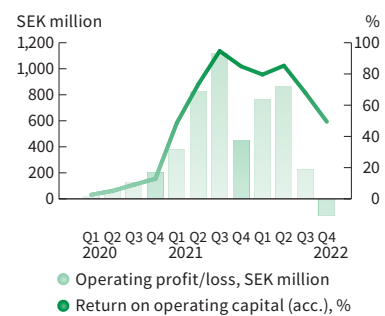
Production and delivery volume, sawn timber



Net sales and operating margin



Operating profit/loss and return on operating capital

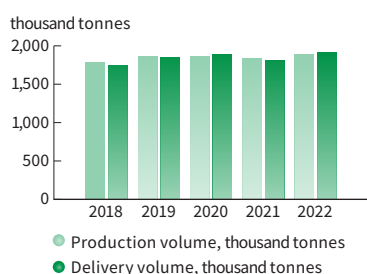


Södra Cell's operating profit totalled SEK 6,896 million (3,508), the highest result in Södra Cell's history. The increase was due to high pulp prices, an increase in delivery volumes, exchange-rate effects (a weaker SEK) and price increases for sold energy products. Sales for the year amounted to SEK 18,658 million (12,818). Delivery volumes from Södra Cell increased to 1,915 ktonnes, a year-on-year increase of 106 ktonnes. The production

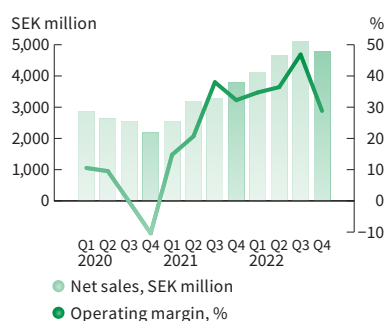
volume rose 57 ktonnes to 1,897 ktonnes (1,840), comprising 1,623 ktonnes (1,569) of softwood sulphate pulp, 120 ktonnes (114) of hardwood sulphate pulp and 155 ktonnes (157) of dissolving pulp.

Electricity generated by the pulp mills and wind turbines amounted to 1,913 GWh. Excess electricity amounted to 581 GWh. The excess represented about 30 percent of the generated volume and was sold on the open market.

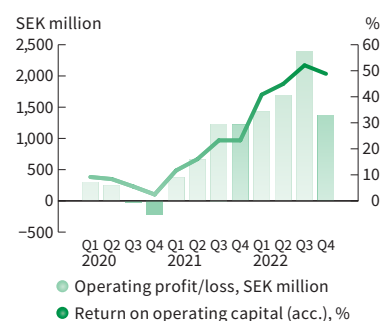
Production and delivery volume, pulp



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Innovation's operating loss totalled SEK 75 million (loss: 110). The positive trend was mainly attributable to the favourable market conditions for SunPine during the year. Construction of the demo facility for liquid biofuels in Silva Green Fuel at Tofte continued according to plan,

and test runs were more frequent during the autumn. In the latter part of the year, Södra Building Systems' CLT production facility at Värö commenced commercial panel production. Södra Building Project delivered a strong performance for the year in terms of both sales and earnings.

Others segments posted operating profit of SEK 0 million (loss: 27) for the period, pertaining to remaining operations in Trivselhus.

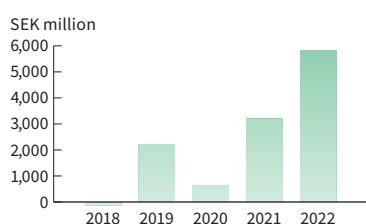
CASH FLOW AND LIQUIDITY

Cash flow before investments amounted to SEK 7,652 million (5,190) and after investments to SEK 5,820 million (3,192). At year-end, cash and cash equivalents and current investments amounted to SEK 10,737 million (5,322).

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Investments totalled SEK 2,011 million (1,875), of which SEK 1,076 million (1,009) pertained to Södra Cell, SEK 360 million (208) to Södra Wood, SEK 343 million (184) to Södra Skog and SEK 230 million (441) to Södra Innovation. The investments were mainly focused on expansion, productivity and the environment.

Cash flow after investments



FINANCIAL POSITION

At 31 December 2022, equity amounted to SEK 27,065 million (21,088), of which paid-up and issued contributed capital accounted for SEK 5,795 million (5,103). Total assets increased to SEK 41,433 million (33,429). At 31 December 2022, the equity ratio was 65 percent (63). Södra's borrowings comprised loans of SEK 6,430 million (5,085) from members and a loan of SEK 466 million (600) 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 two years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to two year maturities. The debt/equity ratio was -0.1 times (0.0).

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.

For more information, refer to Note 24 for financial risk management.

> Directors' Report, cont.

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. Södra Finance Centre 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
<p>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 initially but, ultimately, also Södra.</p>	<p>Forest management measures in the form of thinning, selective breeding material, stump treatment and so forth reduce the potential consequences and are continuously communicated with forest owners.</p> <p>Major training initiatives are implemented through, for example, the Södra School.</p> <p>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.</p> <p>According to agreement, forest owners are required to take out insurance to cover fire damage to standing, contracted wood.</p> <p>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.</p> <p>The more gradual effects of climate change, which are changing conditions for forestry, are addressed by adapting the existing seed orchard, advising forest owners on the selection of tree species and management of their existing forest stand, and continued focus on a forest/wildlife population balance to promote greater tree species diversity. Södra's updated forest strategy includes climate change management from several relevant aspects, which also includes supporting relevant research in this field.</p> <p>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.</p> <p>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).</p> <p>Reducing Södra's own climate impact by working to achieve the set targets for a higher rate of forest growth and reduced GHG emissions.</p>
<p>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.</p>	<p>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. The Södra Innovation business area is focused on innovation and growth initiatives in, for example, renewable energy and liquid biofuels.</p>
<p>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 and driving demand for packaging materials. The construction sector is affected by competition from non-timber materials. Moreover, the entire ongoing social shift to address and manage climate change is changing the playing field.</p>	<p>Ongoing development of strategic customer relationships, through longer contracts, for example, reduces Södra's vulnerability while improving long-term planning and markets due to more accurate forecasting.</p> <p>Investments in efficiency enhancements in the core business are strengthening Södra's competitiveness and market position in existing business segments.</p> <p>The innovation strategy with a focus on faster commercialisation of innovations and new products, such as biomethanol and liquid biofuels, is securing long-term competitiveness.</p> <p>Södra Innovation strengthens the focus on new business. The new facility that produces CLT for the commercial and residential construction industry became operational in the combined plant at Värö.</p> <p>Continued development to step up industry-scale production of OnceMore®, a dissolving pulp made with cotton/polyester blended textile waste.</p>
<p>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. The large flow of wood raw material from members of Södra is supplemented with a certain amount of imported wood. Both of these flows are also dependent on a well-functioning logistics chain.</p> <p>PEFC and FSC® certification of wood raw materials is crucial to the competitiveness of Södra's end products, including pulp and sawn timber.</p> <p>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.</p>	<p>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.</p> <p>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 were taken throughout the pandemic to increase the robustness of existing logistics chains and secure capacity.</p> <p>Södra holds both PEFC (PEFC/05 22 11) and FSC® (FSC C014930) endorsed certification for chain of custody and forest management. The percentage of certified members is continuously monitored and in 2022, was in line with set targets. All wood raw material is subject to clear traceability requirements (Chain of Custody), while documented procedures for monitoring ensure compliance.</p> <p>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.</p>
<p>Political risks. Södra operates in a highly regulated industry. Political 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.</p>	<p>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.</p> <p>In 2022, the focus was on monitoring and lobbying processes related to the European Green Deal, with a specific emphasis on the Renewable Energy Directive. In Sweden, a range of initiatives were undertaken to bring about an amendment of the Species Protection Ordinance, which was also achieved. A new business policy organisation was established, and messages and activities were created in connection with the Swedish general election.</p> <p>Södra supports its members in legal proceedings related to species protection precedents.</p>
<p>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.</p>	<p>Södra engages in active internal work around the company's set of 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.</p> <p>The Group's crisis management capacity is maintained by developing methodology and practical exercises.</p>

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
<p>Facilities. Unforeseen events that can damage facilities, cause production losses and damage to goods during transport.</p>	<p>Systematic work with preventive maintenance. Property and business interruption insurance where production facilities are insured up to their replacement value. In the event of production losses, business interruption insurance covers the loss of income. Goods in transit are insured at current market value. The value of the seed orchard is secured through geographic distribution and crosswise ownership.</p>
<p>Health and safety. 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.</p>	<p>The Group works systematically with health and safety, according to the accepted methodology, with an explicit focus on continuous improvements. All pulp mills are certified according to the ISO 45001 Health and safety management 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 health and safety. The Supplier Code is to be included in Södra's supplier agreements. BAM training (Better health and safety) is now provided for both managers and employees. During the year, the new Group-wide Health and Safety function was created.</p>
<p>Environmental risks. Environmental impacts due to consumption of water, energy and raw materials, as well as emissions from transport. Risk of unexpected emissions to air, land and water, and their impact on the environment/humans/local communities.</p>	<p>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 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 aims to achieve fossil-free pulp production, HVO fuel for own and contracted hauliers, the classification of watercourses, blue management targets, green forest management plans, and compulsory training in nature conservation and cultural considerations for contractors to ensure competent management of natural, cultural and aquatic environments in forestry operations.</p>
<p>Product safety. 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.</p>	<p>Södra Skog, Södra Cell and Södra Wood hold ISO certification. Products hold the relevant labels/approvals, such as 'FDA approved' (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.</p>
<p>Competency provision. 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.</p>	<p>Södra's Group-wide strategy with a focus on people and culture, 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, all work together to retain and increase Södra's attractiveness as an employer over time. Resources are allocated to strengthening and developing recruitment, learning and development, HR communication, HRIT, diversity, equal opportunity and inclusion, Grow Health & Safety and a Trainee Programme in 2023.</p>
<p>Anti-corruption. 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.</p>	<p>The applicable guidelines and business practices for employees and representatives of Södra are set out in the Södra Code of Conduct. In 2022, Södra began working on a new updated Code of Conduct with connected training programmes planned for 2023. Södra's purchasing is managed by the Group's purchasing departments. All suppliers, except for members of Södra, shall be covered by the Södra Supplier Code, which includes clear requirements for 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. In 2022, Södra also started to design a business ethics programme including proposals for a new, structured management and monitoring of the business ethics, competition and anti-corruption areas.</p>
<p>Information security and IT. 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/cybersecurity 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, and so forth could eventually erode Södra's competitiveness.</p>	<p>Administrative and technical controls are continuously updated to maintain 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.</p>

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

> Directors' Report, cont.

INNOVATION, RESEARCH AND DEVELOPMENT

The Group's R&D costs amounted to SEK 217 million (216), 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 sawn timber 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 through Södra Innovation at Värö, with a focus on both product and process development in new and existing business. The research is conducted through customer partnerships, a number of external networks with universities and research institutes, and together with companies that are often 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 granted more than SEK 15 million to 17 different projects.

REGULATED ACTIVITIES

Of Södra's net sales, 81 percent (82) are subject to permits or mandatory notification requirements under the Swedish Environmental Code. At year-end, Södra conducted 54 (58) 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 to air and water, and noise.

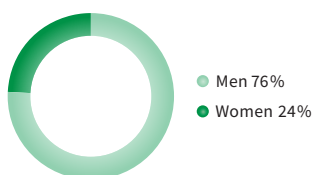
In 2022, Södra Cell Värö submitted supplementary information to the Land and Environment Court regarding the ongoing provisional period for emissions to air, water and noise. Södra Cell Mönsterås was granted a permit for water activities, in relation to renovation of the port quay. The sawmill at Orrefors was subject to an inspection and meeting with the Land and Environment Court regarding final noise conditions. Södra Wood Tools relocated to new premises. The terminal in Nannarp received a new decision on the storage of ash, and the permit for storing saw logs at the terminal in Rävsmåla was renewed. Water court rulings were announced for the nurseries in Flåboda and Falkenberg. There were no other significant changes regarding permits in 2022.

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 145.

EMPLOYEES

At year-end, the number of employees was 3,282 (3,124), of whom 24 percent (23) were women.

**ONGOING INVESTIGATION BY THE EUROPEAN COMMISSION**

On 12 October 2021, 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

The long-term outlook for Södra's core products is considered favourable. Underlying demand for sustainable forest-based products is bolstered by the underlying growth of the global economy, while tightened emissions-reduction targets are driving the transition towards a more sustainable bioeconomy. The short-term outlook is very uncertain, however, due to the economic situation, inflation and market turbulence. 2023 is therefore expected to be a challenging year.

A slowdown is expected for sawn timber and sustainable timber construction in the coming year, but the market will eventually recover in 2024.

The energy situation in Europe is challenging and could have a negative effect on paper producers in the coming years, but the exact extent is uncertain. Pulp prices are expected to fall in the coming year.

PARENT COMPANY**Result**

Net sales rose to SEK 30,401 million (24,601) and operating profit to SEK 6,712 million (4,672). Profit after financial items totalled SEK 6,606 million (4,615).

Members

The number of members was 51,476 (51,938). The affiliated forest area increased by approximately 67,000 hectares to 2.8 million hectares (2.7). In 2023, contribution repayments to members who had left the association by 31 December 2022 will amount to SEK 93 million (100).

Proposed appropriation of profits

The Board proposes that the profits at the disposal of the AGM, an amount of SEK 9,923,314,580, be appropriated as follows:

Dividend to members of 30 percent of contributed capital (paid-up and issued), totalling	SEK 1,738,600,777
Extra dividend to members of 20 percent of paid-up contributed capital, totalling	SEK 422,762,940
Dividend to members of 14 percent of the value of wood deliveries in 2022, totalling	SEK 870,732,956,
calculated on all ranges, but excluding sold standing forest	
To members' contribution capital accounts through a bonus issue	SEK 211,381,470
The bonus issue represents 10 percent of available paid-up contributed capital at 31 December 2022	
Amount carried forward	SEK 6,679,836,437

SEK 9,923,314,580

Consolidated statement of comprehensive income

SEK million	Note	2022	2021
Net sales	2, 3	33,367	27,060
Other revenue	4	654	657
Change in inventories of finished products and work in process		304	441
Own work capitalised		15	12
Raw materials and consumables		-17,320	-14,584
Goods for resale		-165	2
Freight and transportation		-1,625	-1,302
Employee expenses	5	-2,791	-2,655
Other expenses	6	-3,407	-2,867
Depreciation, amortisation and impairment of assets	7	-1,331	-1,495
Share of profit of associates	8	104	47
Operating profit	2	7,805	5,316
Financial income		138	118
Financial expenses		-155	-160
Loss from shares in partnerships		-64	-41
Net financial items	9	-81	-83
Profit before income tax		7,724	5,233
Income tax	10	-889	-750
Profit for the year		6,835	4,483
Other comprehensive income			
Actuarial gains and losses		433	212
Tax attributable to items that will not be reclassified to profit or loss		-89	-44
Items that will not be reclassified to profit or loss		344	168
Translation differences for the year on translation of foreign operations		430	63
Fair value remeasurement, forest land		-62	40
Fair value remeasurement of available-for-sale financial assets		-14	1
Hedge accounting		-41	-40
Tax attributable to items that will be reclassified to profit or loss		31	0
Items that will be reclassified to profit or loss		344	64
Other comprehensive income for the year	11	688	232
Total comprehensive income for the year		7,523	4,715
Profit attributable to:			
Parent Company		6,835	4,483
Profit for the year		6,835	4,483
Total comprehensive income for the year attributable to:			
Owners of the Parent		7,523	4,715
Total comprehensive income for the year		7,523	4,715

Consolidated statement of financial position

31 December, SEK million	Note	2022	2021
ASSETS	12, 13		
Non-current assets			
Intangible assets			
Goodwill		64	63
Other intangible assets		4	3
Total intangible assets	14	68	66
Property, plant and equipment			
Buildings and land		4,850	4,605
Machinery and equipment		9,456	9,762
Construction in progress		2,077	1,232
Total property, plant and equipment	15	16,383	15,599
Biological assets	16	3,976	3,681
Shares and participations in associates	8	334	256
Surplus in funded pension plans	27	221	—
Financial investments	17	147	139
Non-current operating receivables	18	46	12
Deferred tax assets	19	4	11
Total non-current assets		21,179	19,764
Current assets			
Inventories	20	4,232	3,866
Tax assets		85	38
Current operating receivables	21	5,200	4,439
Current investments	17	5,733	1,648
Cash and cash equivalents	22	5,004	3,674
Total current assets		20,254	13,665
TOTAL ASSETS		41,433	33,429

31 December, SEK million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		5,795	5,103
Other paid-up capital		1,413	1,413
Reserves		519	175
Retained earnings including profit for the year		19,338	14,397
Equity attributable to owners of the Parent		27,065	21,088
Total equity	23	27,065	21,088
Liabilities			
Non-current liabilities			
Non-current interest-bearing financial liabilities	25	1,163	1,246
Non-current interest-bearing operating liabilities	26	136	128
Provisions for pensions	27	24	243
Non-current provisions	28	529	381
Deferred tax liabilities	19	1,997	1,663
Other non-current operating liabilities	29	25	7
Total non-current liabilities		3,874	3,668
Current liabilities			
Current interest-bearing financial liabilities	25	5,733	4,539
Current interest-bearing operating liabilities	26	76	77
Income tax liabilities		290	478
Current operating liabilities and provisions	28, 30	4,395	3,579
Total current liabilities		10,494	8,673
Total liabilities		14,368	12,341
TOTAL EQUITY AND LIABILITIES		41,433	33,429

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

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 January 2022	5,103	1,413	27	145	3	14,397	21,088
Profit/loss for the year	—	—	—	—	—	6,835	6,835
Other comprehensive income for the year	—	—	430	-42	-44	344	688
Comprehensive income for the year	—	—	430	-42	-44	7,179	7,523
Contributed capital, paid-up by members	206	—	—	—	—	—	206
Contributed capital, paid-out to members	-95	—	—	—	—	—	-95
Dividends to members	—	—	—	—	—	-1,657	-1,657
Bonus issue	581	—	—	—	—	-581	—
Closing balance 31 December 2022	5,795	1,413	457	103	-41	19,338	27,065
Opening balance 1 January 2021	4,891	1,413	-36	112	35	10,344	16,759
Profit/loss for the year	—	—	—	—	—	4,483	4,483
Other comprehensive income for the year	—	—	63	33	-32	168	232
Comprehensive income for the year	—	—	63	33	-32	4,651	4,715
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	—	—	—	—	—	—	—
Closing balance 31 December 2021	5,103	1,413	27	145	3	14,397	21,088

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

Consolidated statement of cash flows

SEK million	Note	2022	2021
Operating activities			
Profit before tax		7,724	5,233
Adjustment for non-cash items			
Depreciation and amortisation		1,319	1,306
Impairment of non-current assets		20	189
Change in value of biological assets		-236	-277
Gain/loss from sale of non-current assets		-23	0
Other items not affecting cash flow		321	426
Income tax paid		-834	-271
Cash flow from operating activities before change in working capital		8,291	6,606
Change in			
Inventories (increase -)		-472	-627
Operating receivables (increase -)		-817	-1,144
Operating liabilities (increase +)		650	355
Cash flow from operating activities		7,652	5,190
Investing activities			
Acquisition of subsidiaries and associates		-72	-223
Divestment of companies	12	-	30
Acquisition of other financial assets		-3	0
Divestment of other financial assets		0	-
Investments in intangible assets		-2	-
Investments in property, plant and equipment		-1,861	-1,765
Investments in biological assets		-61	-65
Divestment of property, plant and equipment		167	25
Cash flow from investing activities		-1,832	-1,998
Cash flow after investing activities		5,820	3,192
Financing activities			
Contributed capital, paid-up		206	165
Contributed capital, paid out		-95	-42
Dividends paid		-1,657	-509
Loans from members	25	9,612	7,745
Payment from member deposits	25	-8,268	-7,285
Repayment of other loans	25	-233	-1,159
Dividends received		25	-
Change in current investments with maturity > 90 days		-4,120	-743
Cash flow from financing activities		-4,530	-1,828
CASH FLOW FOR THE YEAR	41	1,290	1,364
Cash and cash equivalents at beginning of period		3,674	2,300
Exchange gains/losses on cash and cash equivalents		40	10
Cash and cash equivalents at end of period	22	5,004	3,674

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

Parent Company income statement

SEK million	Note	2022	2021
Net sales	2, 3	30,401	24,601
Change in inventories of finished products and work in process		130	618
Own work capitalised		16	12
Other revenue	4	462	434
Raw materials and consumables		-15,659	-13,201
Other external expenses	6	-4,753	-3,933
Employee expenses	5	-2,660	-2,505
Depreciation, amortisation and impairment of assets	7	-1,219	-1,329
Other operating expenses	6	-6	-25
Operating profit	2	6,712	4,672
Loss from shares in Group companies		-160	-73
Profit from shares in associates		25	—
Interest income and similar profit items		144	105
Interest expenses and similar loss items		-115	-89
Net financial items	9	-106	-57
Profit after financial items		6,606	4,615
Appropriations	31	-665	-377
Profit before income tax		5,941	4,238
Income tax	10	-589	-568
Profit for the year		5,352	3,670

Profit for the year matches Comprehensive income for the year.

Parent Company balance sheet

31 December, SEK million	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets		1	2
Total intangible assets	14	1	2
Property, plant and equipment			
Buildings and land		2,861	2,963
Machinery and equipment		9,168	9,502
Construction in progress		2,070	1,227
Total property, plant and equipment	15	14,099	13,692
Financial assets			
Shares in Group companies	32	4,480	4,308
Shares and participations in associates	8	99	99
Endowment policies	27	11	10
Other non-current investments	33	31	33
Other non-current receivables	18	46	9
Deferred tax assets	19	37	93
Total financial assets		4,704	4,552
Total non-current assets		18,804	18,246
Current assets			
Inventories	20	3,470	3,048
Current receivables			
Interest-bearing receivables from Group companies	34	234	810
Operating receivables	21	5,166	4,089
Total current receivables		5,400	4,899
Current financial investments	17	8,292	1,883
Cash and bank balances		2,260	3,271
Total current assets		19,422	13,101
TOTAL ASSETS		38,226	31,347

> Parent Company balance sheet, cont.

31 December, SEK million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Contributed capital		5,795	5,103
Statutory reserve		1,413	1,413
Total restricted equity		7,208	6,516
Non-restricted equity			
Profit carried forward		4,572	3,143
Profit for the year		5,352	3,670
Total non-restricted equity		9,924	6,812
Total equity	23	17,132	13,329
Untaxed reserves	35	8,347	7,687
Provisions			
Provisions for pensions	27	11	10
Other non-current provisions	28	529	380
Total provisions		540	390
Non-current liabilities			
Non-current interest-bearing liabilities from Group companies	36	8	8
Non-current interest-bearing financial liabilities	25	1,163	1,246
Non-current operating liabilities		—	6
Total non-current liabilities		1,171	1,260
Current liabilities			
Current interest-bearing liabilities from Group companies	36	788	330
Current interest-bearing financial liabilities	25	5,733	4,539
Current tax liabilities		278	440
Current operating liabilities and provisions	30	4,237	3,372
Total current liabilities		11,036	8,681
TOTAL EQUITY AND LIABILITIES		38,226	31,347

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 January 2022	5,103	1,413	3,143	3,670	13,329
Transfer of profit/loss for the period	—	—	3,670	-3,670	—
Merger	—	—	-3	—	-3
Profit for the year	—	—	—	5,352	5,352
Total equity excluding owner transactions	5,103	1,413	6,810	5,352	18,678
Contributed capital, paid-up by members	206	—	—	—	206
Contributed capital, paid-out to members	-95	—	—	—	-95
Appropriation of profits	—	—	—	—	—
Dividends to members	—	—	-1,657	—	-1,657
Bonus issue	581	—	-581	—	—
Closing balance 31 December 2022	5,795	1,413	4,572	5,352	17,132
Opening balance 1 January 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
Total equity excluding owner transactions	4,891	1,413	3,741	3,670	13,715
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	—	—
Closing balance 31 December 2021	5,103	1,413	3,143	3,670	13,329

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	2022	2021
Operating activities			
Profit after financial items		6,606	4,615
Adjustment for non-cash items			
Depreciation and amortisation according to plan		1,211	1,185
Impairment		8	144
Gain from divestment of non-current assets		1	12
Impairment Group companies		179	197
Other items not affecting cash flow		217	358
Income tax paid		-695	-196
Cash flow from operating activities before change in working capital		7,527	6,315
Change in			
Inventories (increase -)		-423	-592
Operating receivables (increase -)		-531	-949
Operating liabilities (increase +)		1,218	585
Cash flow from operating activities		7,791	5,359
Investing activities			
Shareholders' contributions paid	32	-351	-223
Divestment of Group companies		-	20
Group contributions received		-	21
Group contributions paid		-5	-155
Investments in property, plant and equipment and intangible assets		-1,645	-1,830
Divestment of property, plant and equipment		18	-3
Cash flow from investing activities		-1,983	-2,170
Cash flow after investing activities		5,808	3,189
Financing activities			
Contributed capital, paid-up		206	165
Contributed capital, paid out		-95	-42
Dividends paid		-1,657	-509
Loans from members	25	9,612	7,745
Payment from member deposits	25	-8,268	-7,285
Repayment of loans	25	-233	-1,133
Dividends received		25	-
Change in current investments with maturity > 90 days		-4,120	-743
Cash flow from financing activities		-4,530	-1,802
CASH FLOW FOR THE YEAR	41	1,278	1,387
Cash and cash equivalents at beginning of period		3,546	2,159
Cash and cash equivalents at end of period	22	4,824	3,546

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 (corp. ID 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 2022 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 consists of four business areas: Södra Skog, Södra Wood, Södra Cell and Södra Innovation.

The annual accounts and consolidated financial statements for the 2022 financial year were approved for publication by the Board of Directors and the President on 15 February 2023. 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 31 May 2023.

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 2022. 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 RFR2 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 2022, as adopted by the EU, are not expected to have any material effect on the Group in either the current or future financial years.

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

> Note 1, cont.

operations, meaning the operations that significantly influence the company's returns. Potential voting shares that can be immediately 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.

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 business areas: Södra Skog, Södra Wood and Södra Cell and Södra Innovation. The business areas correspond to operating segments.

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 members of Södra, 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.

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 RFR2 Accounting for legal entities. RFR2 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.

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 about 80 percent of the production, 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 Medlemsele.

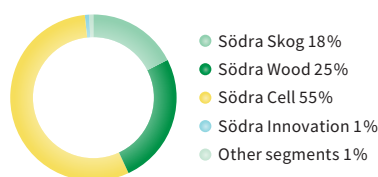
Other segments include remaining operations in the business area that previously conducted single-family home production.

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.

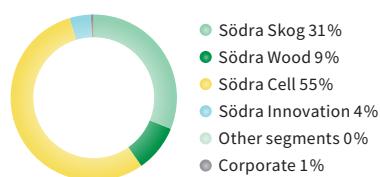
The Swedish operations in Södra Skog, Södra Wood and Södra Cell and some parts of Södra Innovation are included in the Parent Company.

> Note 2, cont.

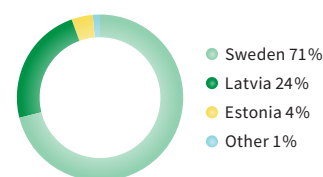
External net sales per segment



Facilities per segment



Facilities by geographic market



Group	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Intra-Group		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales																
from external customers	5,921	5,223	8,493	8,498	18,463	12,634	296	173	194	532	—	—	—	—	33,367	27,060
from other segments	8,692	6,980	753	732	195	184	2	—	—	—	—	—	-9,642	-7,896	—	—
	14,613	12,203	9,246	9,230	18,658	12,818	298	173	194	532	—	—	-9,642	-7,896	33,367	27,060
Depreciation, amortisation and impairment of assets	-74	-69	-207	-271	-1,027	-986	-5	-81	-2	-16	-16	-72	—	—	-1,331	-1,495
Share of profit of associates	0	0	—	—	—	—	104	47	—	—	—	—	—	—	104	47
Operating profit/loss	366	370	1,723	2,779	6,896	3,508	-75	-110	0	-27	-1,105	-1,204	—	—	7,805	5,316
Net financial items															-81	-83
Profit before income tax															7,724	5,233
Assets	6,128	4,953	7,999	6,448	28,597	21,223	296	97	216	324	-346	1,695	-1,457	-1,311	41,433	33,429
Operating profit/loss excl. biological change in value	130	93	1,723	2,779	6,896	3,508	-75	-110	0	-27	-1,105	-1,204	—	—	7,569	5,039
Operating profit/loss before depreciation, amortisation and impairment	440	439	1,930	3,050	7,923	4,494	-70	-29	2	-11	-1,089	-1,132	—	—	9,136	6,811
Operating margin	3%	3%	19%	30%	37%	27%	neg.	neg.	0%	neg.	—	—	—	—	23%	20%
Average operating capital ¹⁾	6,106	5,479	3,488	3,275	14,125	13,229	874	484	208	332	—	—	—	—	22,476	21,350
Return on operating capital ¹⁾	6	7	49	85	49	27	0	neg.	neg.	0	—	—	—	—	35	25
Cash flow after investments	-164	-118	1,832	2,218	6,254	2,404	-397	-565	40	233	-1,745	-980	—	—	5,820	3,192
Investments	343	184	360	208	1,076	1,009	230	441	—	3	2	30	—	—	2,011	1,875

¹⁾ 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 15,306 million (14,845), Latvia SEK 4,312 million (3,840), Estonia SEK 569 million (465), Finland SEK 157 million (109), the UK SEK 61 million (67), Denmark SEK 13 million (11) and Norway SEK 6 million (7).

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales																
from external customers	5,552	5,053	4,398	4,668	17,668	12,587	147	94	—	—	—	—	—	—	27,765	22,402
from other segments	8,692	6,980	2,542	2,747	1,036	348	2	0	—	—	—	—	-9,636	-7,876	2,636	2,199
	14,244	12,033	6,940	7,415	18,704	12,935	149	94	—	—	—	—	-9,636	-7,876	30,401	24,601
Depreciation, amortisation and impairment of assets	-46	-44	-183	-237	-977	-934	-6	-81	—	—	-7	-33	—	—	-1,219	-1,329
Operating profit/loss	-44	27	1,167	2,365	6,880	3,541	-172	-157	—	—	-1,119	-1,104	—	—	6,712	4,672
Net financial items															-106	-57
Profit after financial items															6,606	4,615

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 sawlogs, pulp, energy products and 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 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

	2022	%	2021	%
Sweden	13,752	41%	11,506	43%
UK	3,648	11%	3,683	14%
Italy	2,963	9%	2,421	9%
Germany	2,057	6%	1,360	5%
France	1,375	4%	1,010	4%
Austria	1,029	3%	813	3%
The Netherlands	939	3%	1,065	4%
Poland	831	2%	621	2%
Denmark	638	2%	505	2%
Hungary	538	2%	307	1%
Portugal	396	2%	322	1%
Ireland	392	1%	302	1%
Slovakia	330	1%	263	1%
Rest of Europe	1,832	5%	1,171	4%
Asia	800	2%	728	3%
US	1,847	6%	876	3%
Africa	0	0%	107	0%
Total	33,367	100%	27,060	100%

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

	2022	%	2021	%
Sweden	5,425	19%	4,769	21%
Rest of Europe	16,970	59%	13,844	60%
Asia	4,516	15%	3,241	14%
Africa	143	1%	187	1%
North America	1,847	6%	876	4%
Rest of World	19	0%	71	0%
Total	28,920	100%	22,988	100%

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

	2022	2021
Sweden	13,540	10,985
Italy	2,963	2,421
UK	2,285	2,333
Germany	2,057	1,358
France	1,375	1,010
Austria	1,029	813
The Netherlands	938	1,064
Poland	829	621
Hungary	538	307
Slovakia	332	263
Rest of Europe	2,215	1,681
Asia	766	704
US	1,534	935
Africa	0	106
Total	30,401	24,601

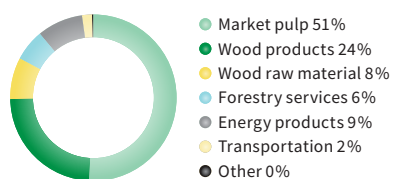
> Note 3, cont.

NET SALES PER REVENUE CATEGORY:

2022	Södra Skog	Södra Wood	Södra Cell	Södra Innovation	Other segments	Group
Wood raw material	2,621	—	—	—	—	2,621
Wood products	—	8,024	—	146	—	8,170
Pulp	—	—	16,894	—	—	16,894
Energy products	819	443	1,569	149	—	2,980
Forestry services	1,908	—	—	—	—	1,908
Transportation	551	—	—	—	—	551
Other	22	26	—	1	194	243
Net sales, goods and services	5,921	8,493	18,463	296	194	33,367

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
Net sales, goods and services	5,223	8,498	12,634	173	532	27,060

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	
	2022	2021	2022	2021
Sale of goods	51	28	119	71
Services	13	10	28	25
Rental income	13	12	6	4
Change in fair value of biological assets	236	277	—	—
Exchange-rate effect	258	136	268	136
Capital gains	30	26	5	13
Government grants	13	5	11	3
Insurance compensation	1	15	1	15
Damages	1	50	1	50
AGS repayment	10	52	10	52
Other	28	46	13	65
Total	654	657	462	434

Other government grants of SEK 13 million (5) are included in the consolidated total, and mainly pertain to contributions of SEK 5 million (2) for employees, SEK 5 million (1) for research and development, and SEK 2 million (2) for forestry.

Note 5 | Employee expenses

EMPLOYEE EXPENSES SEK million	Group		Parent Company	
	2022	2021	2022	2021
Salaries and benefits	1,845	1,781	1,729	1,650
Contractual social security contributions	249	272	249	271
Other social security contributions	591	530	580	514
Other employee expenses	106	72	102	70
Total	2,791	2,655	2,660	2,505

AVERAGE NUMBER OF EMPLOYEES	2022			2021			2020		
	No.	Men/Women		No.	Men/Women		No.	Men/Women	
Parent Company									
Sweden	3,088	76% / 24%		2,898	78% / 22%		2,752	79% / 21%	
Subsidiaries									
Sweden	—	— / —		28	69% / 31%		177	70% / 30%	
Finland	43	88% / 12%		53	76% / 24%		43	77% / 23%	
UK	35	46% / 54%		41	61% / 39%		47	64% / 36%	
Latvia	43	65% / 35%		43	64% / 36%		41	64% / 36%	
Denmark	17	77% / 23%		19	69% / 31%		17	65% / 35%	
Germany	14	64% / 36%		13	46% / 54%		13	46% / 54%	
Estonia	7	57% / 43%		7	57% / 43%		7	57% / 43%	
US	4	25% / 75%		5	20% / 80%		5	20% / 80%	
Norway	5	100% / —		4	100% / —		4	100% / —	
China	3	33% / 67%		4	50% / 50%		4	50% / 50%	
Ireland	3	67% / 33%		3	67% / 33%		2	67% / 33%	
Total	3,262	76% / 24%		3,118	77% / 23%		3,112	77% / 23%	

MEN/WOMEN IN MANAGEMENT	Group						Parent Company					
	2022		2021		2020		2022		2021		2020	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Boards												
<30 years	—	—	—	—	—	—	—	—	—	—	—	—
30–50 years	93%	7%	89%	11%	78%	22%	50%	50%	100%	—	100%	—
>50 years	85%	15%	90%	10%	80%	20%	73%	27%	73%	27%	70%	30%
Total proportion	90%	10%	89%	11%	79%	21%	69%	31%	73%	25%	75%	25%
Management groups												
<30 years	—	—	—	—	—	100%	—	—	—	—	—	—
30–50 years	62%	38%	69%	31%	62%	38%	33%	67%	50%	50%	80%	20%
>50 years	88%	12%	90%	10%	88%	12%	80%	20%	80%	20%	67%	33%
Total proportion	76%	24%	81%	19%	77%	23%	55%	45%	64%	36%	73%	27%

SALARIES, BENEFITS AND SOCIAL SECURITY COSTS

	2022		2021		2022		2021	
	Board and President	Other employees	Board and President	Other employees	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
Parent Company	16	1,718	14	1,641	1,734	829	1,655	785
Subsidiaries	19	97	16	114				
Total	35	1,815	30	1,755				
Parent Company ¹⁾								
(of which pension costs in operating profit) ²⁾						(306)		(271)
Other Group					116	11	130	17
(of which pension costs)						(-1)		(3)
Total					1,850	840	1,785	802
(of which pension costs in operating profit) ³⁾						(305)		(272)

¹⁾ Board fees are recognised as administration expenses under Other expenses.

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

³⁾ Of the Group's pension costs, SEK 6 million (4) pertains to current and previous Presidents and Board members. Outstanding pension obligations to previous Presidents amounted to SEK 2 million (2).

> Note 5, cont.

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

2022, SEK 000s	Board fees		Pension cost ⁴⁾	Benefits ⁵⁾	Total	2021, SEK 000s	Board fees		Pension cost ⁴⁾	Benefits ⁵⁾	Total		
	fixed ¹⁾	variable ²⁾					Salary ³⁾	fixed ¹⁾				variable ²⁾	Salary ³⁾
Elected Board members in Södra Skogsägarna ekonomisk förening	4,029	1,017	—	—	5,046	Elected Board members in Södra Skogsägarna ekonomisk förening	3,386	859	—	—	4,245		
President, Ann-Charlotte Lyrå	—	—	10,029	4,119	447	14,595	President, Ann-Charlotte Lyrå	—	—	9,782	3,045	292	13,119
Group Senior Management, other*	—	—	31,477	11,163	873	43,513	Group Senior Management, other*	—	—	29,396	9,423	935	39,754
Total	4,029	1,017	41,506	15,282	1,320	63,154	Total	3,386	859	39,178	12,468	1,227	57,118

* Of which estimated variable remuneration of SEK 4 million (2).

¹⁾ Fixed Board fees pertain to fees adopted by the AGM.

²⁾ Variable remuneration to Board members pertains to the hourly and per diem fees according to remuneration levels adopted by the AGM.

³⁾ Salary including holiday compensation, changes in holiday pay liability and the estimated variable remuneration for Group Senior Management.

⁴⁾ Pension cost including special employer's contribution.

⁵⁾ Applicable benefits are company cars, cleaning services and accommodation.

2022

Annual total compensation ratio between the Group's highest paid individual and the median for all other employees	19
Ratio between percentage change in annual total remuneration of the Group's highest paid individual and the median percentage change for all other employees	0.2

The calculations include employees who were permanently employed throughout 2022. Salaries and benefits are included. Sickness absence, leave of absence and parental leave are deducted.

FEES TO ELECTED BOARD MEMBERS

2022, SEK 000s	Board fees			2021, SEK 000s	Board fees		
	Fixed	Variable	Total		Fixed	Variable	Total
Magnus Hall (Chair Jun–Dec)	647	86	734	Lena Ek (Chair)	939	270	1,209
Lena Ek (Chair Jan–May)	733	124	857	Paul Christensson (Vice Chair)	477	88	565
Paul Christensson (Vice Chair)	495	139	634	Kristina Alsér	282	94	375
Kristina Alsér	297	123	420	Hans Berggren	282	79	360
Hannele Arvonen	150	48	198	Pål Börjesson	282	81	363
Hans Berggren	297	61	357	Magnus Hall	282	37	319
Pål Börjesson	297	115	411	Ylva op den Velde Hammargren	282	34	316
Ylva op den Velde Hammargren	220	35	255	Ulf Johansson	282	128	410
Ulf Johansson	297	150	447	Mats Sandgren	282	47	329
Mikaela Johnsson	150	40	190	Total	3,386	859	4,245
Carina Olson	150	47	197				
Mats Sandgren	297	49	346				
Total	4,029	1,017	5,046				

No remuneration is paid for committee assignments.
No Board fees were paid for subsidiaries in 2021 or 2022.

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 2022, 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 has a personal pension solution, while others 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	2022	2021
Repairs, maintenance and other operating costs	1,280	704
Other services and subcontracted personnel	817	915
Vehicle costs	266	179
Travel expenses and cost of sales	165	131
Cost of premises and property	202	110
R&D costs	86	46
Company insurances and other risk costs	93	53
Rent of non-current assets	42	27
Administration expenses	40	57
Exchange-rate effect	—	—
Other expenses	416	645
Total	3,407	2,867

R&D costs of SEK 61 million (50) are included in employee expenses, and R&D costs of SEK 4 million (4) are included in amortisation.

Other expenses include costs of SEK 258 million (189) for scheduled maintenance shutdowns at the Group's pulp mills.

OTHER OPERATING EXPENSES

Parent Company	2022	2021
Capital loss	6	25
Exchange-rate effect	—	—
Total	6	25

LEASES WHERE SÖDRA IS LESSEE.

	Parent Company	
	2022	2021
Non-cancellable lease payments amounted to:		
Within 1 year	76	82
Between 1-5 years	136	122
More than 5 years	—	—
Total	212	204

Of the Parent Company's future lease payments, time-charter vessels accounted for SEK 154 million (148), operational machinery and equipment for SEK 23 million (36) and rents for SEK 30 million (20). The amount of future lease payments for rented premises is based on the consumer price index. No variable fees otherwise occur.

	Parent Company	
	2022	2021
Expensed charges for operating leases amounted to:		
Minimum lease payments	83	86
Total	83	86

AUDITOR FEES

	Group		Parent Company	
	2022	2021	2022	2021
PwC				
auditing assignments	5	5	4	4
auditing activities other than the audit assignment	0	0	0	0
tax consultancy services	0	0	0	0
other assignments	1	1	1	1
Other				
auditing assignments	1	1	—	—
tax consultancy services	0	0	—	—
other assignments	0	0	0	—

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 3,821,000 (4,425,000) and others services SEK 1,195,000 (1,119,000).

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 considered indefinite.

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
Installations: 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.

> Note 7, cont.

Group	2022			2021		
	Depreciation and amortisation	Impairment ¹⁾	Total	Depreciation and amortisation	Impairment ¹⁾	Total
Goodwill	—	—	—	—	11	11
Other intangible assets	1	—	1	6	25	31
Buildings	184	3	187	184	13	197
Land	2	2	4	—	9	9
Land improvements	56	—	56	55	1	56
Machinery	818	8	826	797	92	889
Equipment	257	—	257	264	13	277
In progress	—	—	—	—	25	25
Less assets held for sale	—	—	—	—	—	—
Total	1,318	13	1,331	1,306	189	1,495

Parent Company	2022			2021		
	Depreciation and amortisation	Impairment ¹⁾	Total	Depreciation and amortisation	Impairment ¹⁾	Total
Goodwill	1	—	1	1	—	1
Other intangible assets	—	—	—	0	—	0
Buildings	164	0	164	160	13	173
Land	—	—	—	—	—	—
Land improvements	55	—	55	54	1	55
Machinery	802	8	810	782	92	874
Equipment	189	—	189	188	13	201
In progress	—	—	—	—	25	25
Total	1,211	8	1,219	1,185	144	1,329

¹⁾ 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

2022	Country	Revenue	Result	Assets	Liabilities	Adjust equity	Ownership
SunPine AB	Sweden	3,062	299	1,674	498	1,176	25%
Södra Green Fuel DA	Norway	—	-131	247	20	227	49%
Silva Green Fuel AS	Norway	—	0	5	0	5	49%
Prestige Exclusive Homes Ltd	UK	—	0	5	0	5	50%
Other associates	Sweden	8	0	5	3	2	—
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	—

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	
	2022	2021	2022	2021
At the beginning of the year	361 ¹⁾	367 ¹⁾	99	99
Share of profit/loss of associates	39	-75	—	—
Shareholders' contributions paid	72	102	—	—
Dividends	-25	-46	—	—
Translation difference	0	-8	—	—
Carrying amount at the end of the year	447¹⁾	361¹⁾	99	99

¹⁾ Shares in associates also includes shares in partnerships, which is recognised under Financial investments. At the beginning of the year, the value of shares in partnerships was SEK 105 million (-) and the carrying amount at year-end was SEK 113 million (105). For more information, refer to Note 17 Financial investments.

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	2022	2021
Financial income		
Net profit		
Assets and liabilities at fair value through profit or loss	6	42
Dividends	6	4
Other interest income	82	25
Net exchange rate fluctuations	44	44
Other financial income	—	3
	138	118
Financial expenses		
Held for trading	-27	—
Net loss		
Assets and liabilities at fair value through profit or loss	—	-8
Net exchange rate fluctuations	0	0
Impairment of non-current operating receivables	-3	-52
Interest expenses on defined-benefit pension obligations	-5	-5
Other interest expenses	-102	-69
Profit/loss from shares in partnerships	-64	-41
Other financial expenses	-18	-26
	-219	-201
Total	-81	-83
Of which:		
Interest income from instruments measured at amortised cost	82	25
Interest expenses from instruments measured at amortised cost	-102	-69

PROFIT FROM FINANCIAL INSTRUMENTS RECOGNISED IN OPERATING PROFIT/LOSS		
Group	2022	2021
Exchange-rate effect in trade receivables	258	136
	258	136

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

NET FINANCIAL ITEMS		
Parent Company	2022	2021
Profit from shares in Group companies		
Dividends from Group companies	18	125
Impairment of shares in Group companies	-178	-198
	-160	-73
Profit from shares in associates		
Dividends from associates	25	—
	25	—
Interest income and similar profit items		
Dividends on shares in other companies	6	4
Interest income from Group companies	10	15
Interest income from others	79	28
Exchange-rate gain	43	36
Gain on sale of current investments	6	18
Other	0	4
	144	105
Interest expenses and similar loss items		
Interest expenses from Group companies	-3	0
Interest expenses from others	-85	-72
Impairment	-10	—
Foreign exchange rate loss	0	0
Loss on sale of current investments	—	0
Other	-17	-17
	-115	-89
Total	-106	-57

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 for the year.

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	
	2022	2021	2022	2021
Tax expense for the period	-693	-758	-624	-626
Adjustment of tax pertaining to prior years	87	-5	92	0
Current tax expense	-606	-763	-532	-626
Deferred tax expense pertaining to temporary differences	-283	13	-57	58
Deferred tax expense	-283	13	-57	58
Total	-889	-750	-589	-568

RECONCILIATION OF EFFECTIVE TAX

	Group				Parent Company	
	2022	Tax rate	2021	Tax rate	2022	2021
Profit before tax	7,724		5,268		5,941	4,238
Tax based on current tax rate for Parent Company	-1,591	20.6%	-1,085	20.6%	-1,224	-873
Effect of special tax rules for economic associations ¹⁾	638		346		638	346
Effect of other tax rates for foreign subsidiaries	42		0		—	—
Non-deductible expenses incl. restructuring costs	-28		-34		-47	-67
Non-taxable income	0		4		9	26
Share of profit of associates	21		10		—	—
Remeasurement of loss carryforwards ²⁾ /temporary differences	28		1		—	—
Standard interest on tax allocation reserve	—		0		—	0
Tax pertaining to prior years	1		8		35	0
Effective tax recognised	-889	11.5%	-750	14.2%	-589	-568

¹⁾ 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.

²⁾ Loss carryforwards can be used indefinitely.

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

> Note 10, cont.

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS

Group 2022	At the beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Carrying amount at the end of period
Non-current assets	-1,586	52	—	-1,534
Biological assets	-240	-11	-23	-274
Inventories	60	-39	—	21
Current receivables and liabilities	3	-3	8	8
Current investments	-8	4	3	-1
Provisions	119	-101	-46	-28
Tax allocation reserves	—	-185	—	-185
Other	0	—	—	—
Total	-1,652	-283	-58	-1,993

Group 2021	At the beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Carrying amount at the end of period
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	6
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
Total	-1,620	12	-44	-1,652

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.

Group 2022	Translation reserve	Revaluation reserve	Fair value reserve	Actuarial gain/loss ¹⁾
At the beginning of the year	27	145	3	-348
Translation differences	430	—	—	—
Change in fair value of financial instruments	—	—	-14	—
Change in forest land	—	-62	—	—
Change in fair value of hedged derivatives	—	—	-41	—
Actuarial gains and losses	—	—	—	433
Tax pertaining to components in other comprehensive income	—	20	11	-12
Carrying amount at the end of the period	457	103	-41	344

¹⁾ 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 revaluation 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.

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

¹⁾ 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 for the year.

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 recognised in net 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 2022

In the fourth quarter, some of the operations in Trivselhus UK Ltd were divested. This was in line with the Group strategy, whereby Södra is exiting the single-family homes market. The divestments were not considered material in relation to the Group's sales and earnings.

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. The companies were included in the Södra Wood business area after the acquisition, and merged with the Parent Company at year-end. 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.

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 AND CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION

Group 2022	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Financial investments					
Other shares and participations	34	—	—	34	34
	34	—	—	34	34
Operating receivables					
Trade receivables	—	—	3,825	3,825	3,825
Derivatives, current	6	—	—	6	6
LTFP ¹⁾ , current	2	—	—	2	2
	8	—	3,825	3,833	3,833
Current investments	5,733	—	—	5,733	5,733
Cash and cash equivalents	—	—	5,004	5,004	5,004
Total assets, financial instruments	5,775	—	8,829	14,604	14,604
Other assets, non-financial instruments				26,829	
Total assets				41,433	
Non-current liabilities					
Loans from banks and other credit institutions	—	—	333	333	350
Member deposits	—	—	830	830	898
Non-current lease liabilities	—	—	136	136	137
Non-current derivatives	—	25	—	25	25
	—	25	1,299	1,324	1,410
Current liabilities					
Loans from banks and other credit institutions	—	—	133	133	138
Member deposits	—	—	5,600	5,600	5,688
Current lease liabilities	—	—	76	76	77
	—	—	5,809	5,809	5,903
Current operating liabilities					
Trade creditors	—	—	2,848	2,848	2,848
Derivatives	2	11	—	13	13
LTFP ¹⁾	6	—	—	6	6
	8	11	2,848	2,867	2,867
Total liabilities, financial instruments	8	36	9,956	10,000	10,180
Other liabilities, non-financial instruments				4,368	
Total liabilities				14,368	

¹⁾ Customer contracts tied to financial instruments.

> Note 13, cont.

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.

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 2021	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Financial investments					
Other shares and participations	34	—	—	34	34
	34	—	—	34	34
Operating receivables					
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
Total assets, financial instruments	1,684	4	7,073	8,761	8,761
Other assets, non-financial instruments				24,668	
Total assets				33,429	
Non-current liabilities					
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
Current liabilities					
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
Current operating liabilities					
Trade creditors	—	—	2,347	2,347	2,347
LTFP ¹⁾ , current	1	—	—	1	1
	1	—	2,347	2,348	2,348
Total liabilities, financial instruments	1	—	8,337	8,338	8,398
Other liabilities, non-financial instruments				4,003	
Total liabilities				12,341	

¹⁾ 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,

> 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 2022	Level 1:	Level 2:	Level 3:	Total	Group 2021	Level 1:	Level 2:	Level 3:	Total
Other shares and participations	—	—	34	34	Other shares and participations	—	—	34	34
Derivatives, current	—	—	6	6	Derivatives, non-current	—	—	4	4
LTFP ¹⁾ , current	—	—	2	2	Derivatives, current	—	—	2	2
Current investments	5,733	—	—	5,733	Current investments	1,648	—	—	1,648
Total assets	5,733	—	42	5,775	Total assets	1,648	—	40	1,688
Derivatives, non-current	—	—	25	25	LTFP ¹⁾ , current	—	—	1	1
Derivatives, current	—	—	13	13	Total liabilities	—	—	1	1
LTFP ¹⁾ , current	—	—	6	6					
Total liabilities	—	—	44	44					

¹⁾ Customer contracts tied to financial instruments.

¹⁾ 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 2022	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP [*]	Derivatives	LTFP ¹⁾
At the beginning of the year	34	6	0	0	1
Total recognised gains and losses:					
– recognised in profit for the year	—	3	0	—	3
– recognised in other comprehensive income	—	0	—	41	—
Acquisitions	—	0	2	—	3
Sold and terminated	—	-3	—	-3	-1
Carrying amount at the end of the period	34	6	2	38	6

¹⁾ Customer contracts tied to finance leases.

Group 2021	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP [*]	Derivatives	LTFP ¹⁾
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	—	—	—
Carrying amount at the end of the period	34	6	0	0	1

¹⁾ 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.

Group 2022	Brand	Develop- ment costs, licences	Goodwill	Total
Cost				
At the beginning of the year	—	117	274	391
Investment	—	2	—	2
Divestment and disposals	—	—	—	—
Translation differences	—	—	1	1
	—	119	275	394
Depreciation				
At the beginning of the year	—	-89	—	-89
Divestment and disposal	—	—	—	—
Depreciation according to plan for the year	—	-1	—	-1
	—	-90	—	-90
Impairment				
At the beginning of the year	—	-25	-211	-236
Divestment and disposals	—	—	—	—
Impairment for the year	—	—	—	—
	—	-25	-211	-236
Carrying amount at the end of the period	—	4	64	68

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

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.

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	Develop- ment costs, licences	Goodwill	Total
Cost				
At the beginning of the year	123	133	274	530
Investment	—	1	—	1
Divestment and disposals	-123	-17	—	-140
Translation differences	—	—	—	—
	—	117	274	391
Depreciation				
At the beginning of the year	—	-92	—	-92
Divestment and disposal	—	9	—	9
Depreciation according to plan for the year	—	-6	—	-6
	—	-89	—	-89
Impairment				
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
Carrying amount at the end of the period	—	3	63	66

business area level, since this is where goodwill is monitored internally.

The recoverable amounts of the business areas are based 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

> Note 14, cont.

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 9 percent (8). The most significant valuation parameter is the discount rate, and if this was changed by ± 1 percentage points, the value of the underlying asset would be impacted by SEK ± 1 million. Changes in management's projections of future cash flows may lead to impairment.

Parent Company 2022	Development costs, licences	Goodwill	Total
Cost			
At the beginning of the year	17	24	41
Divestment and disposal	—	—	—
	17	24	41
Depreciation			
At the beginning of the year	-17	-16	-33
Divestment and disposal	—	—	—
Depreciation according to plan for the year	—	-1	-1
	-17	-17	-34
Impairment			
At the beginning of the year	—	-6	-6
	—	-6	-6
Carrying amount at the end of the period	0	1	1

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

GOODWILL PER CASH-GENERATING UNIT	2022	2021
Södra Wood	62	61
Södra Innovation	2	2
Total	64	63

Parent Company 2021	Development costs, licences	Goodwill	Total
Cost			
At the beginning of the year	19	24	43
Divestment and disposal	-2	—	-2
	17	24	41
Depreciation			
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
Impairment			
At the beginning of the year	—	-6	-6
	—	-6	-6
Carrying amount at the end of the period	—	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.

> Note 15, cont.

BUILDINGS AND LAND

Group 2022	Buildings	Leased buildings	Land	Leased land	Land improvements	Total Buildings and Land
Cost						
At the beginning of the year	4,632	62	1,842	3	1,351	7,890
Forest land revaluation ¹⁾	—	—	111	—	—	111
Business combinations	—	—	—	—	—	—
Investments	40	20	235	6	31	332
Reclassifications ²⁾	8	—	-61	—	44	-9
Divestments and disposals	-29	-5	-101	-1	-5	-141
Translation differences	5	—	163	—	1	169
	4,656	77	2,189	8	1,422	8,352
Depreciation						
At the beginning of the year	-2,465	-7	—	-1	-665	-3,138
Business combinations	—	—	—	—	—	—
Divestments and disposals	17	3	—	—	4	24
Reclassifications	—	-31	—	—	—	-31
Depreciation according to plan for the year	-167	-17	—	-2	-56	-242
Translation differences	-1	—	—	—	-1	-2
	-2,616	-52	—	-3	-718	-3,389
Impairment						
At the beginning of the year	-50	-31	-54	—	-12	-147
Divestments and disposals	7	—	—	—	1	8
Reclassifications	—	31	-2	—	—	29
Impairment for the year	-3	—	—	—	—	-3
	-46	0	-56	—	-11	-113
Assets held for sale	—	—	—	—	—	—
Carrying amount at the end of the period	1,994	25	2,133	5	693	4,850

¹⁾ Remeasurement recognised in Other comprehensive income, refer to Notes 11 and 23.²⁾ Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

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

¹⁾ Remeasurement recognised in Other comprehensive income, refer to Notes 11 and 23.²⁾ Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

> Note 15, cont.

Parent Company	2022				2021			
	Buildings	Land	Land improvements	Total Buildings and Land	Buildings	Land	Land improvements	Total Buildings and Land
Cost								
At the beginning of the year	4,524	274	1,338	6,136	4,388	266	1,280	5,934
Business combinations	—	—	—	—	52	5	11	69
Merger	—	—	—	—	0	—	4	4
Investments	35	10	28	73	61	3	39	103
Reclassifications	8	0	44	52	23	—	20	43
Divestments and disposals	-25	-4	-5	-34	-1	—	-16	-17
	4,542	280	1,405	6,227	4,524	274	1,338	6,136
Depreciation								
At the beginning of the year	-2,445	—	-657	-3,102	-2,243	—	-605	-2,848
Business combinations	—	—	—	—	-43	—	-7	-50
Merger	—	—	—	—	0	—	-2	-2
Divestments and disposals	15	—	4	19	1	—	11	12
Depreciation according to plan for the year	-164	—	-55	-219	-160	—	-54	-214
	-2,594	—	-708	-3,302	-2,445	—	-657	-3,102
Impairment								
At the beginning of the year	-50	-10	-11	-71	-37	-10	-10	-57
Divestments and disposals	6	—	1	7	—	—	—	—
Impairment for the year	0	—	—	0	-13	—	—	-14
	-44	-10	-10	-64	-50	-10	-11	-71
Carrying amount at the end of the period	1,904	270	687	2,861	2,029	264	670	2,963

MACHINERY AND EQUIPMENT

Group	2022					2021				
	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment
Cost										
At the beginning of the year	24,932	8	2,825	325	28,090	24,000	4	2,648	286	26,938
Business combinations	—	—	—	—	—	229	—	66	—	295
Investments	304	3	144	58	509	471	4	131	78	684
Reclassifications ¹⁾	164	—	107	7	278	466	—	112	-7	571
Divestments and disposals	-178	-3	-60	-21	-262	-241	—	-133	-32	-406
Translation differences	8	—	2	—	10	7	0	1	0	8
	25,230	8	3,018	369	28,625	24,932	8	2,825	325	28,090
Depreciation										
At the beginning of the year	-16,081	-4	-1,755	-144	-17,984	-15,318	-2	-1,620	-109	-17,049
Business combinations	—	—	—	—	—	-167	—	-50	—	-217
Divestments and disposals	170	3	57	21	251	213	—	109	29	351
Reclassification	—	—	—	-7	-7	-11	1	—	7	-3
Depreciation according to plan for the year	-814	-4	-194	-64	-1,076	-794	-3	-193	-71	-1,061
Translation differences	-6	—	-1	—	-7	-4	0	-1	0	-5
	-16,731	-5	-1,893	-194	-18,823	-16,081	-4	-1,755	-144	-17,984
Impairment										
At the beginning of the year	-270	—	-74	—	-344	-178	—	-70	—	-248
Divestments and disposals	6	—	—	—	6	—	—	9	—	9
Impairment for the year	-8	—	—	—	-8	-92	—	-13	—	-105
	-272	—	-74	—	-346	-270	—	-74	—	-344
Assets held for sale	—	—	—	—	—	—	—	—	—	—
Carrying amount at the end of the period	8,227	3	1,051	175	9,456	8,581	4	996	181	9,762

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

> Note 15, cont.

Parent Company	2022			2021		
	Machinery	Equipment	Total Machinery and Equipment	Machinery	Equipment	Total Machinery and Equipment
Cost						
At the beginning of the year	24,781	2,791	27,572	23,829	2,390	26,219
Business combinations	—	—	—	229	66	295
Merger	—	—	—	—	186	186
Investments	260	138	398	461	127	588
Reclassifications	164	107	271	456	111	567
Divestments and disposals	-178	-56	-234	-194	-89	-283
	25,027	2,980	28,007	24,781	2,791	27,572
Depreciation						
At the beginning of the year	-15,991	-1,735	-17,726	-15,235	-1,509	-16,744
Business combinations	—	—	—	-167	-50	-217
Merger	—	—	—	—	-73	-73
Divestments and disposals	170	54	224	193	85	278
Depreciation according to plan for the year	-802	-189	-991	-782	-188	-970
	-16,623	-1,870	-18,493	-15,991	-1,735	-17,726
Impairment						
At the beginning of the year	-270	-74	-344	-178	-1	-179
Merger	—	—	—	—	-60	-60
Divestments and disposals	6	0	6	—	—	—
Impairment for the year	-8	—	-8	-92	-13	-105
	-272	-74	-346	-270	-74	-344
Carrying amount at the end of the period	8,132	1,036	9,168	8,520	982	9,502

CONSTRUCTION IN PROGRESS

Group	2022	2021	Parent Company	2022	2021
Cost					
At the beginning of the year	1,244	1,098	At the beginning of the year	1,240	804
Investments	1,168	931	Investments	1,174	1,065
Divestment	-14	-19	Divestments	-21	-19
Reclassifications	-321	-766	Reclassifications	-323	-610
	2,077	1,244		2,070	1,240
Impairment					
At the beginning of the year	-13	—	At the beginning of the year	-13	—
Divestments and disposals	13	12	Divestments and disposals	13	12
Impairment for the year	—	-25	Impairment for the year	—	-25
Carrying amount at the end of the period	2,077	1,232	Carrying amount at the end of the period	2,070	1,227

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.

INVESTMENT COMMITMENTS**Group**

In 2022, the Group entered into agreements for SEK 524 million (834) pertaining to future acquisitions of property, plant and equipment.

Parent Company

In 2022, the Parent Company entered into agreements for SEK 524 million (834) 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.

MEASUREMENT

At 31 December 2022, Södra's forest holding amounted to 130,700 hectares (128,400) of productive forest land. The volume of standing timber was 17.1 million m³fo (16.3). The total value of the forest holding was SEK 5,858 million (5,276). Of this value, SEK 1,882 million (1,595) pertained to forest land. Of the total value of the forest holding, the Swedish holding accounted for SEK 956 million and the Baltic holding for SEK 4,902 million. During the year, the change in value of standing timber was SEK 236 million (277), which was recognised in profit or loss. Of this amount, change in fair value accounted for a negative SEK 29 million (pos: 217), and translation differences for SEK 265 million (60).

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 a pre-tax interest rate of 6.5 percent (6.5), and in Latvia using a pre-tax interest rate of 6.4 percent (6.4). 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 853/m³fo for 2022, and forms the basis for the total average value per m³fo 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 amounted to SEK 325 million.

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

Group	2022	2021
At the beginning of the year	3,681	3,338
Purchases of standing timber	61	65
Sales of standing timber	-2	0
Change in fair value	-29	217
Translation differences	265	60
Carrying amount at the end of the period	3,976	3,681

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 %, units	-204/+228
Wood price in the Baltics	±2 %, real	±142
Market price per m ³ fo in Sweden	±2 %	±13
Exchange rate fluctuation, EUR	±SEK 0.25	±98
Stand volume	0.8 million m ³ fo	±185

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.

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 subsequent 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	2022	2021
Non-current assets		
Measured at fair value through profit or loss		
Shares in partnerships	113	105
Financial investments	34	34
	147	139
Current assets		
Other current investments	8,297	1,922
– of which reclassified to cash and cash equivalents	–2,564	–274
	5,733	1,648

Non-current financial 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. The remeasurement loss amounted to SEK 14 million (loss: 1). Södra does not intend to divest any of the financial investments in 2023.

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 a fixed interest rate of between 1.35 (–0.10) and 3.24 percent (0.65). The receivables have maturities of up to five years.

Parent Company	2022	2021
Current financial investments		
Other current investments	8,292	1,883
	8,292	1,883

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	
	2022	2021	2022	2021
Derivatives	—	3	—	—
Other non-current receivables	46	9	46	9
Total	46	12	46	9
Parent Company				
At the beginning of the year			9	22
Additional			54	2
Reclassification			-2	—
Utilised			-15	-15
Carrying amount at the end of the year			46	9

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	
	2022	2021	2022	2021	2022	2021
Intangible assets	—	—	0	0	0	—
Property, plant and equipment	4	11	-1,538	-1,597	-1,534	-1,586
Biological assets	—	—	-274	-240	-274	-240
Inventories	—	—	21	60	21	60
Operating receivables	—	—	7	-1	7	-1
Current investments	—	—	-1	-8	-1	-8
Untaxed reserves	—	—	-185	—	-185	—
Provisions for pensions	—	—	-49	41	-49	41
Non-current provisions	—	—	21	78	21	78
Operating liabilities	—	—	1	4	1	4
Other	—	—	0	0	0	0
Deferred tax asset/liability	4	11	1,997	-1,663	1,993	1,652

Parent Company	Deferred tax assets		Deferred tax liabilities		Net	
	2022	2021	2022	2021	2022	2021
Property, plant and equipment	14	15	—	—	14	15
Provisions for pensions	2	0	—	—	2	0
Non-current provisions	21	78	—	—	21	78
Deferred tax asset/liability	37	93	—	—	37	93

Of the Group's deferred tax liabilities, SEK 1,541 million (1,589) 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 (2021: 0 2020: 0 2019: 2)

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 212 million (2021: 204, 2020: 12, 2019: 39). No permits were sold on contract for future deliveries.

	Group		Parent Company	
	2022	2021	2022	2021
Raw materials and consumables	1,450	997	1,117	597
Goods under production	257	224	242	211
Finished goods and goods for resale	2,525	2,645	2,111	2,240
Total	4,232	3,866	3,470	3,048

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	
	2022	2021	2022	2021
Current receivables from Group companies	—	—	573	371
Trade receivables	3,825	3,399	3,323	2,889
Derivatives	6	2	10	—
Customer contracts	2	—	—	—
Accrued revenue	10	15	10	14
Other receivables	1,208	915	1,149	736
Prepaid expenses and accrued income	149	108	111	79
Total	5,200	4,439	5,166	4,089

Prepaid expenses and accrued income for the Parent Company include prepaid rental charges of SEK 7 million (7), prepaid insurance premiums of SEK 13 million (11), accrued interest income of SEK 21 million (1), accrued income of SEK 15 million (10) and other prepaid expenses of SEK 93 million (50).

CUSTOMER CREDIT RISK

	Group		Parent Company	
	2022	2021	2022	2021
Trade receivables				
Trade receivables gross	4,006	3,560	3,501	3,047
Provision for expected credit losses	-181	-161	-178	-158
Total	3,825	3,399	3,323	2,889

	Group		Parent Company	
	2022	2021	2022	2021
Analysis of the credit risk exposure in trade receivables				
Trade receivables that are neither overdue nor impaired	3,261	2,956	2,973	2,559
Trade receivables that are overdue				
< 30 days	579	448	367	334
30–90 days	5	3	4	1
90–180 days	5	1	3	1
> 180 days	156	152	154	152
Total exposure to credit risk	4,006	3,560	3,501	3,047
Provision for expected credit losses	-181	-161	-178	-158
Trade receivables	3,825	3,399	3,323	2,889

	Group		Parent Company	
	2022	2021	2022	2021
Provision for uncertain receivables				
At the beginning of the year	-161	-163	-158	-161
Actual credit losses	-2	14	—	14
Provision for expected credit losses	-19	-15	-21	-11
Reversal of unutilised amount	1	3	1	0
Carrying amount at the end of the year	-181	-161	-178	-158

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	
	2022	2021	2022	2021
Cash and bank balances	2,440	3,400	2,260	3,271
Current investments, equivalent to cash	2,564	274	2,564	275
Cash and cash equivalents according to statement of cash flows	5,004	3,674	4,824	3,546

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	
	2022	2021	2022	2021
Paid-up contributed capital	2,114	1,937	2,114	1,937
Issued contributed capital	3,681	3,166	3,681	3,166
Other equity ¹⁾	21,270	15,985	11,337	8,226
Total	27,065	21,088	17,132	13,329

¹⁾ 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

is 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 is calculated on contributed capital and wood deliveries during the year (and the preceding year in some cases) and on bonus issues. Combined, the total profit distribution should comprise at least 50 percent of profit before tax over a business cycle. Dividends are to reward 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 2023, contribution repayments to members who had left the association by 31 December 2022 will amount to SEK 93 million (100).

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. The overall objective is to provide cost-effective financing and liquidity management, while minimising the negative effects of market risks on consolidated profit. 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 258 million (136) in operating profit, and net financial items of SEK 44 million (44).

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 flows can be hedged with 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.

> Note 24, cont.

**TRANSACTION EXPOSURES AT 31 DECEMBER 2022
(PER MAJOR CURRENCY)**

Currency	2023				2024			
	Forecast net influx	Hedges	%	Average rate	Forecast net influx	Hedges	%	Average rate
USD ¹⁾	1,104	—	—	—	891	—	—	—
EUR	293	—	—	—	270	—	—	—
GBP	159	—	—	—	172	—	—	—
Total								
According to the accepted hedging interval in Södra's Financial Policy			0-70		0-50			

¹⁾ The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2023-2024.**TRANSACTION EXPOSURES AT 31 DECEMBER 2021
(PER MAJOR CURRENCY)**

Currency	2022				2023			
	Forecast net influx	Hedges	%	Average rate	Forecast net influx	Hedges	%	Average rate
USD ¹⁾	895	—	—	—	900	—	—	—
EUR	285	—	—	—	290	—	—	—
GBP	135	—	—	—	140	—	—	—
Total								
According to the accepted hedging interval in Södra's Financial Policy			0-70		0-50			

¹⁾ The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2022-2023.**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 597 million (554), NOK 67 million (58), GBP 29 million (21) and DKK 64 million (35). Currency swaps equivalent to EUR 45 million (58) were signed to hedge some of the Group's translation exposure in EUR. The currency swaps are contracted using the SEK 466 million (600) 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

	2022	2021
Currency swap and bank loan EUR	-45	-58
Hedged net investment in foreign operations (EUR)	448	431
Hedge ratio	1:10	1:7
Changes in the value of currency swap	40	-40
Changes in value of the hedged item to determine effectiveness	465	108
Weighted average of forward rates, EUR/SEK	10.33	10.33
Closing rate, EUR/SEK	11.12	10.25

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 2022, the fixed-rate term of the financial liability was 3 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 adjusted on a regular basis following a decision by the President taking into account the Riksbank's benchmark 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 2022, no specific interest rate hedges had been entered into. At 31 December 2022, Södra had positive net debt of SEK 3,841 million (neg: SEK 463 million). Based on a general decrease of

1 percentage point in market rates on net debt, consolidated profit would be negatively impacted by SEK 38 million.

The Financial Policy specifies how the interest-rate risk on the Group's interest-bearing investments must be limited by allocating investments across a mix of 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 2022, the fixed-rate term for interest-bearing investments was 3 months (4).

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 December 2022	2023	2024	
Fair value hedges, ktonnes	10	0%	—
31 December 2021	2022	2023	
Fair value hedges, ktonnes	10	1%	—

> 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 the net position may be hedged. For years 3–5, up to 80, 50 and 20 percent of the net position, respectively, may be hedged.

There is no electricity price hedging for 2022 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: 0–6 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 2022 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 2022, the Södra Group's counterparty exposure totalled SEK 10,737 million (5,322). 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	2022	2021
Trade receivables that are not overdue	3,261	2,956
Trade receivables that are overdue	745	604
Trade receivables gross	4,006	3,560
Current investments	5,733	1,648
Cash and cash equivalents	5,004	3,674
Total financial investments	10,737	5,322
Derivative instruments with positive values	6	6
Customer contracts	2	1
Accrued revenue	10	15
Other operating receivables	1,208	915
Total other receivables	1,226	937
Maximum credit risk exposure	15,969	9,819

Refer to Note 21 Current operating receivables and information about a loan loss provision of SEK 181 million (161) 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 requirements 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 two years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to two year maturities. The debt/equity ratio was –0.1 (0.0). 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 466 million from the Nordic Investment Bank. The interest rate is based on the six-month STIBOR rate 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 14,737 million (9,322), corresponding to 44 percent (34) of consolidated annual sales. All loan commitments was unutilised at the balance-sheet date.

> Note 24, cont.

MATURITY STRUCTURE CURRENT INVESTMENTS

Financial investments	Maturity						Total	
	Within 1 year		1-5 years		More than 5 years			
	2022	2021	2022	2021	2022	2021	2022	2021
Quoted shares	96	108	—	—	—	—	96	108
Certificates	5,637	1,540	—	—	—	—	5,637	1,540
Total	5,733	1,648	—	—	—	—	5,733	1,648

Interest-bearing investments amounted to SEK 5,637 million (1,540), of which 100 percent (100) have a duration of up to one year, 0 percent (0) from one-five years and 0 percent (0) of longer 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**

Financial liabilities	Interest rate	Currency	Maturity						Total	
			Within 1 year		1-5 years		More than 5 years			
			2022	2021	2022	2021	2022	2021	2022	2021
Borrowings		SEK	—	—	350	486	—	—	350	486
Loans from members										
Liquidity accounts	2.0% (0.0)	SEK	24	16	—	—	—	—	24	16
Payment plans	2.25% (1.0)	SEK	773	668	722	564	151	116	1,646	1,348
Member accounts ¹⁾	2.0% (0.9)	SEK	4,881	3,712	—	—	—	—	4,881	3,712
Fixed-rate account	2.25–3.0% (1.0–1.4)	SEK	10	18	25	25	—	—	35	43
Trade creditors			2,848	2,347	—	—	—	—	2,848	2,347
Negative derivatives			19	1	25	—	—	—	44	1
Lease liabilities			77	78	137	130	—	—	214	208
Other liabilities			137	135	—	102	—	—	137	237
Total			8,769	6,975	1,259	1,307	151	116	10,179	8,398

¹⁾ 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	748
Pulp price	± SEK 300/tonnes	570
Fibre cost for the pulp mills	± SEK 25/m ³ sub	228
Pulp production	± 50,000 tonnes	260
Sawn timber price	± SEK 50/m ³	100
Sawlog cost for sawmills	± SEK 25/m ³ sub	91
Sawn timber production	± 50,000 m ³	68
Oil price	± USD 10/barrel	68
Total salary cost	± 3%	84

PROFIT EFFECT OF CHANGE IN CLOSING RATE

Variable	Change	Profit effect, SEK million
Trade receivables	USD ± SEK 0.5	102
	EUR ± SEK 0.50	45
	GBP ± SEK 0.5	4
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 is 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		2022	2021
	2022	2021	2022	2021	2022	2021		
Liabilities to credit institutions	133	133	333	467	—	—	466	600
Loans from members ¹⁾	5,600	4,405	736	572	94	108	6,430	5,085
Other liabilities	—	0	—	100	—	—	—	100
Total	5,733	4,539	1,069	1,138	94	108	6,896	5,785

Parent Company	Maturity						Total	
	Within 1 year		1-5 years		More than 5 years		2022	2021
	2022	2021	2022	2021	2022	2021		
Liabilities to credit institutions	133	133	333	467	—	—	466	600
Loans from members ¹⁾	5,600	4,405	736	572	94	108	6,430	5,085
Other liabilities	—	0	—	100	—	—	—	100
Total	5,733	4,539	1,069	1,138	94	108	6,896	5,785

¹⁾ Historical statistics indicate that they are non-current over a business cycle.

	Group		Parent Company	
	2022	2021	2022	2021
At the beginning of the year	5,785	6,483	5,785	6,457
Member deposits	9,612	7,745	9,612	7,745
Repayment of loans	-233	-1,158	-233	-1,133
Member deposits paid	-8,268	-7,285	-8,268	-7,285
Carrying amount at the end of the period	6,896	5,785	6,896	5,785

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Leases	76	77	136	128	—	—	212	205
Total	76	77	136	128	—	—	212	205

Lease liabilities recognised at 1 January 2022	205
New loans	85
Repayment of loans	-91
Translation differences	13
Carrying amount at the end of the period	212

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	2022	2021
Defined-benefit plans		
Pension costs accrued during the year	44	43
Net interest	4	5
Settlements	—	—
Cost of defined-benefit plans in profit for the year	48	48
Cost of defined-contribution plans	205	179
Special employer's contribution recognised in legal entity	56	49
Pension cost in profit for the year	309	277
Remeasurement recognised in other comprehensive income	-433	-212
Pension cost in comprehensive income for the year	-124	65
Costs in the following line items are included in profit for the year:		
Employee expenses	305	272
Net financial items	4	5
Cost recognised in profit for the year	309	277
Other comprehensive income	-433	-212
Pension cost recognised in comprehensive income for the year	-124	65
RETURN ON PLAN ASSETS		
Group	2022	2021
Actual return on plan assets	-141	200
Interest income on plan assets	-28	-15
Actuarial result for plan assets during the period	169	185

> Note 27, cont.

**OBLIGATIONS AND PLAN ASSETS
FOR THE DEFINED-BENEFIT PLANS**

Group	2022	2021
Defined-benefit plans and value of plan assets		
Fully or partially funded obligations		
Present value of defined-benefit obligations	1,180	1,758
Fair value of plan assets	-1,401	-1,542
Fully or partially funded obligations, net	-221	216
Present value of unfunded defined-benefit obligations	24	27
Net (surplus - / obligations +) before adjustments	-197	243
Net amount is presented in the consolidated statement of financial position under the heading:		
Surplus in funded pension plans (asset) - / Provision for pensions (liability) +	-197	243
Net amount in Consolidated statement of financial position (surplus - / obligations +)	-197	243
Net amount is allocated between plans in the following countries:		
Sweden	-221	216
Germany	24	27
Net amount in Consolidated statement of financial position (surplus - / obligation +)	-197	243

NET AMOUNT IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022	2021
Net liability in consolidated statement of financial position at the beginning of the period	243	463
Cost of defined-benefit plans		
Net cost recognised in profit for the year	48	48
Payment of benefits	-57	-56
Actuarial gains and losses recognised in other comprehensive income	-433	-212
Exchange-rate difference	2	0
Net amount in consolidated statement of financial position at end of period (surplus - / obligation +)	-197	243

PRESENT VALUE OF DEFINED-BENEFIT OBLIGATIONS

Group	2022	2021
At the beginning of the year	1,785	1,804
Service expenses	44	43
Payment of benefits	-57	-56
Interest expense	32	20
Actuarial gains and losses ¹⁾	-601	-27
Exchange rate differences	2	1
Carrying amount at the end of the period	1,204	1,785

¹⁾ Of which change in demographic assumptions accounted for negative SEK 13 million (0), financial for negative SEK 582 million (neg: 30), experience-based for SEK 79 million (45) and special employer's contribution for negative SEK 84 million (neg: 42).

FAIR VALUE OF PLAN ASSETS

Group	2022	2021
At the beginning of the year	1,542	1,342
Expected return on plan assets	29	15
Difference between expected and actual return	-169	185
Carrying amount at the end of the period	1,401	1,542

FAIR VALUE OF PLAN ASSETS

Group	2022	2021
Equity instruments	616	763
Hedge funds and bonds	169	179
Other interest-bearing securities ¹⁾	303	270
Properties	35	19
Cash and cash equivalents	278	311
Carrying amount at the end of the period	1,401	1,542

¹⁾ Debentures issued by Södra Skogsägarna ekonomisk förening - SEK million (100).

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	2022	2021
Discount rate	4.00%	1.85%
Inflation	1.90%	2.20%
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.

DUS21 is applied for the Swedish pension plans.

SENSITIVITY ANALYSIS OF THE PENSION OBLIGATION

Assumption	Change	Change in liabilities SEK million
Discount rate	±0.5%	+115/-102
Inflation	±0.5%	-82/+89
Life expectancy	±1 year	-54/+53

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 15 years (19). Expected pension payments in the following year amount to SEK 62 million (55).

PENSION LIABILITIES PER CATEGORY OF PERSON

	2022		2021	
	Women	Men	Women	Men
Active	174	389	160	402
Disability pensioners	6	4	—	—
Leavers	323	603	337	617
Retirees	324	1,055	320	1,067
Total	827	2,051	817	2,086
Total commitments comprised by the obligation	2,878		2,903	

PENSION EXPENSES

Parent Company	2022	2021
Pension system run by Södra		
Cost for pensions accrued	0	0
Payment of benefits	56	54
Operating costs and credit insurance	1	2
Cost for pensions run by Södra excluding tax	57	56
Pensions through insurance		
Insurance premiums or equivalent	193	166
Special employer's contribution	56	49
Recognised net cost pertaining to pensions	306	271

PROVISIONS FOR PENSIONS

Parent Company	2022	2021
Net present value of pension obligations*	1,128	984
Less plan assets in Pension Foundation	-1,117	-974
Total	11	10
Pension obligations secured through endowment insurance recognised under financial assets	-11	-10
Net	—	—
* Of which PRI pensions ITP 2	995	842
* Credit insured via PRI Pensionsgaranti	1,117	974

Where plan assets exceed pension liabilities, the excess amount is not recognised. In 2022, the unrecognised surplus in the Pension Foundation amounted to SEK 285 million (567).

> Note 27, cont.

CHANGES IN NET LIABILITY

Parent Company	2022	2021
At the beginning of the year	10	2
Cost recognised in profit or loss for pensions run by Södra excluding taxes	57	54
Settlement of endowment policy	—	8
Pension payments	-56	-54
Carrying amount at the end of the period	11	10

In 2023, anticipated pension payments amount to SEK 62 million (55).

FAIR VALUE OF PLAN ASSETS

Parent Company	2022	2021
Equity instruments	616	763
Hedge funds and bonds	169	179
Other interest-bearing securities ¹⁾	303	270
Properties	35	19
Cash and cash equivalents	278	311
Value of plan assets	1,401	1,542
Surplus value	-284	-567
Carrying amount at the end of the period	1,117	974

¹⁾ Debentures issued by Södra Skogsägarna ekonomisk förening – SEK million (100).

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

Parent Company	2022	2021
ITP plan according to PRI grounds		
Discount rate	2.9%	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 2022	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	381	381
Provisions made during the period	—	153	153
Utilised amount during the year	—	-5	-5
Carrying amount at the end of the year	—	529	529
of which non-current provisions	—	529	529
of which current provision, refer to Note 30	—	—	—
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	—	—	—

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.

> Note 28, cont.

Parent Company 2021	Restructuring reserve	Other provisions	Total	Parent Company 2021	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	380	380	At the beginning of the year	22	100	122
Provisions made during the period	—	153	153	Provisions made during the period	60	346	406
Utilised amount during the year	—	-4	-4	Utilised amount during the year	-82	-66	-148
Carrying amount at the end of the year	—	529	529	Carrying amount at the end of the year	—	380	380
of which non-current provisions	—	529	529	of which non-current provisions	—	380	380
of which current provision, refer to Note 30	—	—	—	of which current provision, refer to Note 30	—	—	—

OTHER PROVISIONS

Other provisions described above also pertain to the Parent Company.

Note 29 | Other non-current operating liabilities

Group	2022	2021
Derivatives	25	—
Non-interest-bearing non-current liabilities	—	7
Total	25	7

Note 30 | Other current operating liabilities and provisions

	Group		Parent Company	
	2022	2021	2022	2021
Current liabilities from Group companies	—	—	235	67
Trade creditors	2,848	2,347	2,717	2,251
Derivatives	13	1	—	—
Customer contracts	6	1	—	—
Advances from customers	9	31	9	31
Value-added tax liability	47	62	—	—
Current provisions	12	—	—	—
Other operating liabilities	192	154	153	127
Accrued expenses and prepaid income	1,268	983	1,123	896
Total	4,395	3,579	4,237	3,372

Parent Company notes**Note 31 | Appropriations**

Parent Company	2022	2021
Change in tax allocation reserve	—	—
– releases for the year	—	13
– provisions for the year	-900	—
Change in provisions in excess of plan	—	—
– buildings and land	—	0
– machinery and equipment	240	-390
Group contributions received	—	—
Group contributions paid	-5	—
Total	-665	-377

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

	Corp. ID no.	No.	%	Carrying amount	
				2022	2021
Operational					
Södra Cell GmbH	164312351	50	100%	0	0
Sodra Cell USA Inc	87-1923567	1,000	100%	0	0
Sodra International Trading (Shanghai) Co Ltd	0034266114005	200,000	100%	0	0
Sodra Latvia SIA	41203019726	106,025,646	100%	3,082	3,082
SIA Fragaria	41203019711	16,784,658	100%		
SIA Myrtilus	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%	216	144
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 Wood AB	2571610-1	100	100%	113	113
Södra Wood A/S	73496314	2	100%	33	33
Södra Wood GmbH	208934	1	100%	0	0
Sodra Wood Ltd	1789912	1	100%	225	225
Sodra Wood Ireland	635053	1	100%	0	0
Södra Ädla AB	559351-1701	250	100%	100	—
Non-operational				9	9
Total				4,480	4,308

Södra Ädla AB was founded during the year, and is a holding company that invests in innovative companies whose ideas provide direct support for the development and profitability of forest estates. During the year, Södra Ädla AB received shareholders' contributions of SEK 100 million. During the year, Södra Silva Holding AB received shareholders' contributions of SEK 72 million. During the year, Södra Skogsägarna TH Holding AB received shareholders' contributions of SEK 178 million, and the corresponding amount was written off.

SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2022	2021
Cost		
At the beginning of the year	4,308	4,462
Impairment	-178	-175
Acquisitions, incl. shareholders' contributions	355	249
Mergers/Divestments	-5	-228
Carrying amount at the end of the period	4,480	4,308

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	2022	2021
Cost		
At the beginning of the year	73	73
	73	73
Impairment		
At the beginning of the year	-40	-40
Impairment for the year	-2	
	-42	-40
Carrying amount at the end of the year	31	33

Note 34 | Receivables from Group companies

INTEREST-BEARING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2022	2021
Cost		
At the beginning of the year	810	899
Additional items	50	309
Deductible items	-626	-398
Carrying amount at the end of the period	234	810

OPERATING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2022	2021
Cost		
At the beginning of the year	371	151
Additional items	326	285
Deductible items	-124	-65
Carrying amount at the end of the period	573	371

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	2022	2021
Tax allocation reserves	900	—
Accumulated depreciation and amortisation in excess of plan		
- buildings	0	0
- machinery and equipment	7,447	7,687
Total	8,347	7,687

Deferred tax in the above untaxed reserves amounted to SEK 1,719 million (1,584), 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		2022	2021
	2022	2021	2022	2021	2022	2021		
Group account - liabilities	788	330	—	—	—	—	788	330

Parent Company	Maturity						Total	
	Within 1 year		1-5 years		More than 5 years		2022	2021
	2022	2021	2022	2021	2022	2021		
Liabilities to Group companies	—	—	—	—	8	8	8	8

Note 37 | Mergers

During the year, Fastigheten Gislaved Munin 20 AB with corporate identity number 559366-3171 was merged. Property, plant and equipment with a value of SEK 12 million were merged.

Other information

Note 38 | Pledged assets

	Group		Parent Company	
	2022	2021	2022	2021
Pledged assets for own liabilities and provisions	—	—	—	—
Other pledged collateral and securities				
Financial assets ¹⁾	11	10	11	10
Total	11	10	11	10

¹⁾ Endowment policies, see Note 27.

Note 39 | Contingent liabilities

	Group		Parent Company	
	2022	2021	2022	2021
Other contingent liabilities	47	45	47	45
Total	47	45	47	45

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.

During the year, Södra issued a guarantee on behalf of Biometria Ekonomisk förening, with corporate identity number 769604-6924. The scope of the limited guarantee is approximately SEK 22 million.

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 denominated in SEK million, 9 percent (1) of purchases and 3 percent (9) of sales pertained 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. 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.

A Board member who is also a member of Södra plays an active role in the business operations through their business relationship with the company and, from time to time, has significant financial dealings with the company. 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 through their contributions. 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
Associates					
2022		212	163	25	0
2021		125	64	0	20
Parent Company					
Subsidiaries					
2022	2,501	626	50	579	58
2021	2,199	148	115	1,358	364
Associates					
2022		212	163	25	0
2021		125	64	0	20

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	
	2022	2021	2022	2021
Financial items				
Interest received during the year	62	27	69	41
Interest paid during the year	-89	-72	-87	-71
Dividends received during the year	31	4	49	129
Capital gains	36	44	11	31
Capital losses	-7	-25	-6	-25
Parent Company				
Unsettled Group contributions	—	—	-5	—

Note 42 | Events after the balance-sheet date

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

Proposed appropriation of profits

The Board proposes that the profits at the disposal of the AGM, an amount of SEK 9,923,314,580, be appropriated as follows:

Dividend to members of 30 percent of contributed capital (paid-up and issued), totalling	SEK 1,738,600,777
Extra dividend to members of 20 percent of paid-up contributed capital, totalling	SEK 422,762,940
Dividend to members of 14 percent of the value of wood deliveries in 2022, totalling	SEK 870,732,956
The dividend is calculated on the value of members' wood deliveries from 1 January 2022 to 31 December 2022 and on all ranges, excluding sold standing forest	
To members' contribution capital accounts through a bonus issue	SEK 211,381,470
The bonus issue represents 10 percent of available paid-up contributed capital at 31 December 2022	
Amount carried forward	SEK 6,679,836,437
	SEK 9,923,314,580

As a basis for its profit appropriation proposal, the Board has evaluated the consolidation needs, liquidity and financial position of the Parent Company and the Group, pursuant to Chapter 12, Section 4 of the Co-operative Societies' Act. In making this evaluation, the Board has considered all known circumstance that could be significant for the financial position of the Parent Company and the Group. The proposed appropriation of profits does not limit the Group's ability to invest or need for liquidity, and the Board's assessment is that the proposed appropriation of profits is well-balanced and justifiable taking into account the requirements that the nature, scope and risks of the business place on the amount of equity, and in view of the consolidation needs, liquidity and financial position of the Parent Company and the Group.

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 and fair 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 2023

Magnus Hall
Chair

Paul Christensson
Vice Chair

Kristina Alsér
Board member

Dan Andersson
Employee representative

Hannele Arvonen
Board member

Hans Berggren
Board member

Pål Börjesson
Board member

Pontus Johansson
Employee representative

Ulf Johansson
Board member

Mikaela Johnsson
Board member

Lars Nilsson
Employee representative

Carina Olson
Board member

Mats Sandgren
Board member

Lotta Lyrå
President and CEO

Our audit report was submitted on 15 February 2023

Martin Johansson
Authorised Public Accountants

Madeleine Edberg

Carina Arvidsson Löw

Dick Stagmo

Member Representative Auditors

Auditor's report

To the general meeting of Södra Skogsägarna ekonomisk förening, corporate identity number 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 2022, except for the statutory sustainability report on pages 106–145. The annual accounts and consolidated accounts of the association are included on pages 46–101 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 2022 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 2022 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 106–145. 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 and 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 2022, intangible assets, property, plant and equipment & biological assets total MSEK 20.427 and MSEK 14.099 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 MSEK 2.072, respective MSEK 1.645. 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 2022 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 of the Swedish holdings 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 2022, 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 1–45 and 108–166. 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 2022 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 2023

Martin Johansson
Authorised Public Accountant

Carina Arvidsson Lööv
Member Representative Auditor

Madeleine Edberg
Authorised Public Accountant

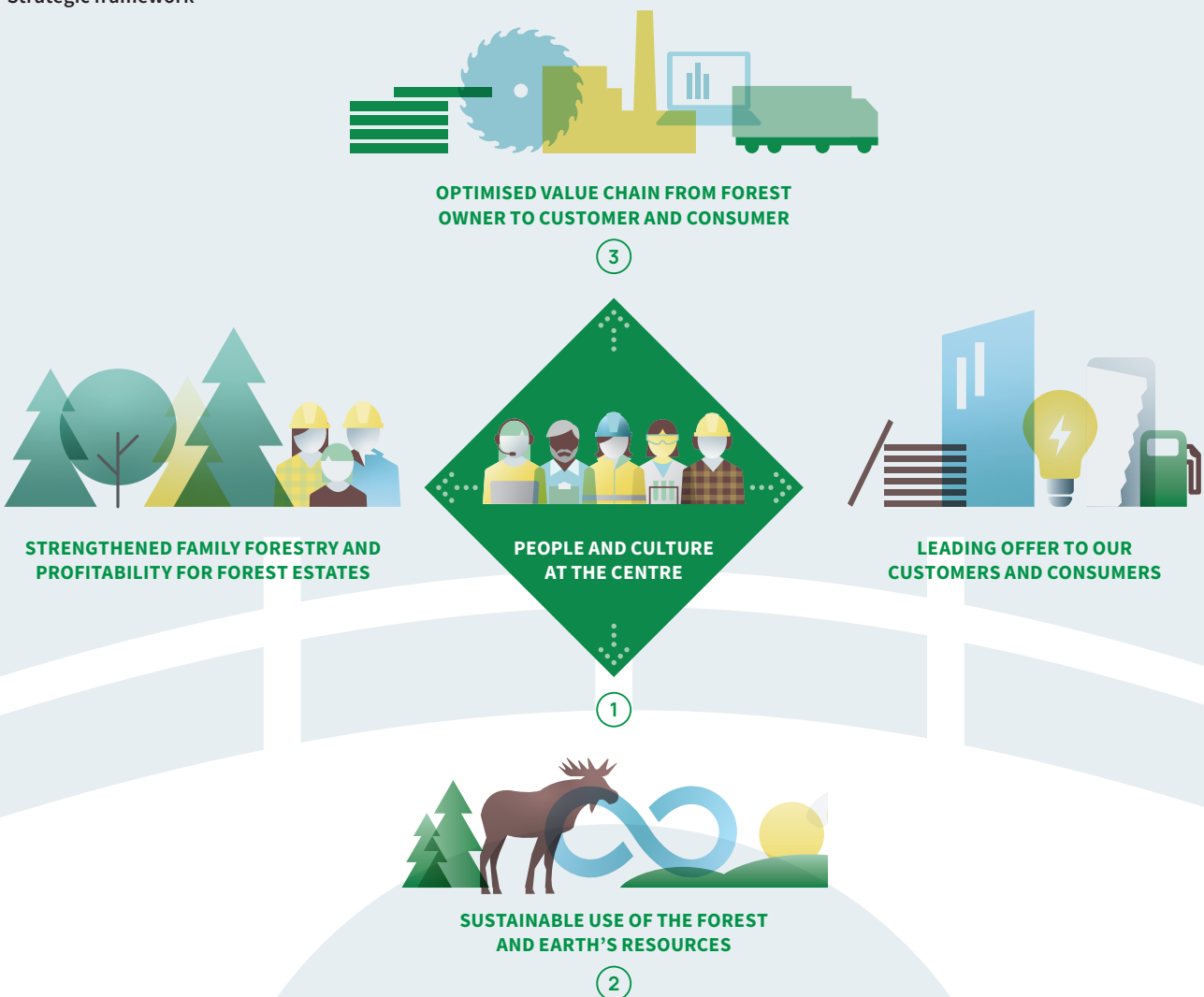
Dick Stagmo
Member Representative Auditor

Sustainability

Sustainability has been integrated with the strategy and is factored into all business decisions. The starting point is the material topics for Södra, members of Södra and others stakeholders. Our sustainability practices embrace a focus on people and culture, sustainable use of forests and the earth's resources, and an optimised value chain from forest owner to customer and consumer.

The prioritised targets for sustainability are a zero accident vision, more women in senior positions, promotion of biodiversity, a higher rate of forest growth, increased positive climate effect and reduced greenhouse gas (GHG) emissions. We work actively to achieve our sustainability targets through our business and action plans, and monitor the results closely.

Strategic framework





1 People and culture at the centre

By focusing on people and culture, we are creating Södra's future together. We shall offer a safe and secure workplace for employees and contractors with a zero accident vision – every second of the day counts when it comes to safety, security and taking care of each other. We want to be a learning organisation with a forward-looking capacity for change. 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 on their own terms. We are working to break down traditional cultural barriers by increasing diversity, equal opportunity and inclusion in several ways, including community engagement and partnerships with schools and universities. We create both direct and indirect employment, and help to build vibrant rural areas.

2 Sustainable use of the forest and earth's resources

Sustainable forestry is natural for members of Södra. There is a desire to hand over something with even more value than it has today to future generations – not only financial value, but also natural, cultural and social values. This requires a balance between higher forest growth, not harvesting more than forest growth over time, and preserving and developing the biodiversity, cultural and social values of forests.

Climate change is the greatest challenge of our time. While our climate-smart products form part of the solution to enabling a global climate transition, we will also need to continuously adapt our forestry and industrial operations to the changing

climate. Growing forests absorb carbon dioxide from the atmosphere, especially when they are managed responsibly. The continued reduction of GHG emissions in our value chain and efforts to achieve net zero emissions are at the top of our agenda. Through innovation and by processing our forest raw material, 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. Continued development of circular value chains is important.

3 Optimised value chain from forest owner to customer and consumer

Södra serves as the bridge between forest estates and consumers. The raw material is delivered from members' forests, which have often been in the family for generations, and converted into sustainable and essential products in our mills. Strengthened forest ownership and profitability for forest estates enable Södra to continue running a sustainable business, and to deliver leading offerings and sustainable products to our customers and consumers. We prioritise sustainability across our entire value chain, in every aspect of our business operations, and in our social engagement. 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 develop our sustainability efforts together with our customers by engaging in dialogue and cooperation. Our sustainability efforts also extend to the local community and its development.

Södra and the 2030 Agenda

Although 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. We can see the greatest opportunities for our work in areas covered by seven of these goals. We are working continuously to integrate the SDGs across our entire 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 Gender equality
- 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

IMPACT AND CONTRIBUTION

	AFFORDABLE AND CLEAN ENERGY	<ul style="list-style-type: none"> + Deliveries of bio-based energy in the form of electricity, district heating and solid biofuels, p. 134. + Systematic efforts to reduce electricity and heating consumption, p. 134. - Energy-intensive industrial processes and transportation, pp. 133-134.
	DECENT WORK AND ECONOMIC GROWTH	<ul style="list-style-type: none"> + Zero accident vision – a focus on preventive measures, p. 122. + Supplier risk assessment and audit with a focus on working conditions, etc. p. 139. + Continued investments and focus on innovation to strengthen Sweden's forest industry position, pp.26-27, 36-39. - Health and safety risks in the workplace and supply chain, pp. 122, 139.
	INDUSTRY, INNOVATION AND INFRASTRUCTURE	<ul style="list-style-type: none"> + Effective use of wood raw material, p. 132. + Production of new, sustainable products and services for a bio-based society, pp.26-27, 36-39. + Collaborative business development and innovation, pp.26-27, 37-38.
	SUSTAINABLE CITIES AND COMMUNITIES	<ul style="list-style-type: none"> + Development of timber building systems, pp. 27, 36. - Risk of negative impact on urban forests if Södra deviates from its procedures, pp.116-117, 126-128.
	RESPONSIBLE CONSUMPTION AND PRODUCTION	<ul style="list-style-type: none"> + Systematic efforts to reduce emissions to air and water from industrial activities, p. 135. + New applications for Södra's products, pp.26-27, 37-38. - Risk of negative environmental impact of emissions to air and water from industrial activities, p. 135.
	CLIMATE ACTION	<ul style="list-style-type: none"> + Long and short-term initiatives to reduce GHG emissions in the value chain, p. 130. + Forest-based products with a low climate impact are used to replace products with a higher climate impact, p. 129. + Initiatives to increase forest growth, p. 128. - Industrial production and transportation use fossil fuels, pp. 133-134.
	LIFE ON LAND	<ul style="list-style-type: none"> + Sustainable forestry – balance between production and environmental considerations, pp. 126, 128. + Ecosystem variation and protected areas to promote biodiversity, pp. 126-127. - Risk of negative impacts on ecosystems and biodiversity if Södra deviates from its procedures, pp. 116-117, 126-128.

About Södra's Sustainability Report

Södra Skogsägarna ekonomisk förening has prepared this report in accordance with the Global Reporting Initiative (GRI) Standards for the period of 1 January 2022 to 31 December 2022. Södra uses the calendar year as its financial year. Södra's Sustainability Report is part of the Group's Annual and Sustainability Report for 2022, which was published in February 2023. The Sustainability Report has been reviewed by auditors on behalf of the Board of Södra Skogsägarna ekonomisk förening.

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). Acquisitions, divestments and closures are included in the Sustainability Report from their respective date of acquisition, divestment or closure. The comparative figures are not restated. Associates are not included, refer to Note 8, except for other indirect (Scope 3) GHG emissions (Category 15: Investments). Södra mainly conducts operations in Sweden. The Swedish operations are most relevant from a sustainability perspective, due to both their scope and nature. Disclosures related to employees, anti-corruption and anti-competitive behaviour are generally reported for the Parent Company and its subsidiaries with employees, with any exceptions specified in each table or diagram. 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). Refer to the specific scope in the Suppliers section on page 139. The number of employees was calculated at 31 December 2022. For calculation principles, refer to pages 119–121.

Changes and restatement of information compared with previous reports

The reporting principles for healthy attendance, harvest rate and GHG emissions have been changed compared with earlier reports. The reporting principles for GHG emissions were changed as part of the Science Based Targets initiative's assessment of Södra's GHG-emissions reduction target, which also affects climate effect, energy consumption and emissions to air. Due to these changes, information for prior years has been added and restated.

- » Previously, healthy attendance was defined as the percentage of employees who had been sick five or fewer days. As of 2022, healthy attendance is defined as 100 percent less sickness absence as a percentage. The comparative figures have been restated.
- » Previously, calculation of the harvest rate for productive forest land included formally protected areas. As of 2022, calculation of the harvest rate for productive forest land does not include these areas. The comparative figures have been restated.
- » Previously, GHG emissions from subcontracted operational machinery and contractors at the sawmill in Finland and

terminals in the UK and Ireland were reported as direct (Scope 1) emissions and other indirect (Scope 3) emissions (Category 3: fuel and energy-related activities). As of 2022, these emissions are reported as other indirect (Scope 3) emissions (Category 1: Purchased goods and services). This change also affects energy consumption and emissions to air. The comparative figures have been restated.

- » Previously, GHG emissions from transportation with leased vessels were reported as other indirect (Scope 3) emissions (Category 4: upstream transportation and distribution, and 9: downstream transportation and distribution). As of 2022, these emissions are reported as direct (Scope 1) emissions, and other indirect (Scope 3) emissions (Category 3). This change also affects energy consumption and emissions to air. The comparative figures have been restated.
- » Previously, GHG emissions from the use of fuel sold externally from Södra's filling stations were reported as other indirect (Scope 3) emissions (Categories 4 and 9). As of 2022, these emissions are reported as other indirect (Scope 3) emissions (Categories 3 and 11: Use of sold energy products). The comparative figures have been restated.
- » Previously, GHG emissions from leased company cars were reported as other indirect (Scope 3) emissions (Category 6: Business travel). As of 2022, these emissions are reported as direct (Scope 1) emissions, and other indirect (Scope 3) emissions (Category 3). This change also affects energy consumption and emissions to air. The comparative figures have been restated.
- » As of 2022, other indirect GHG emissions are also reported in the following Scope 3 categories: 2. Capital goods, 7. Employee commuting, 10. Processing of sold products, 12. End-of-life treatment of sold products, and 15. Investments. This change also impacts climate effect. Comparative figures for 2020 and 2021 have been added.

The data for previous years have been restated. The reasons for these restatements include changed reporting principles, errors in the reported data, and errors in the calculations. The changed reporting principles for GHG emissions have had a material impact on Södra's sustainability reporting, as well as climate effect, energy consumption and emissions to air. Other restatements are minor, with no material impact on Södra's sustainability reporting.

- » Healthy attendance has been restated for 2020 and 2021.
- » Employee turnover has been restated for 2021.
- » Sustainable harvest rate has been restated for 2013–2021.
- » Climate effect has been restated for 2020 and 2021.
- » External purchasing of sawn timber has been restated for 2021.
- » Energy consumption has been restated for 2020 and 2021.
- » GHG emissions have been restated for 2020 and 2021.
- » Emissions to air have been restated for 2020 and 2021.
- » Emissions of chlorate to water has been restated for 2021.

Material sustainability topics

People and culture at the centre	Sustainable use of the forest and earth's resources	Optimised value chain from forest owner to customer and consumer
Health and safety » Health and safety Value-driven leadership and competence supply » Diversity, equal opportunity and inclusion » Jobs » Organisational culture and values » Training and education	Biodiversity » Biodiversity Positive social impact » The social values of forests Climate-adapted forests with high growth » Forest growth » Sustainable harvest rate	Climate neutrality and circularity » Climate effect » Emissions to air, land and water » Energy » GHG emissions » Materials » Waste » Water
		» Business ethics and anti-corruption » Responsible value chain » Sustainable products

Material sustainability topics	Value chain players	GRI Standard
Biodiversity	Södra, suppliers, customers, society	GRI 304: Biodiversity
Business ethics and anti-corruption	Södra, suppliers, customers	GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour
Climate effect	Södra, suppliers, customers, society	GRI 201: Economic performance Own: Climate effect
Diversity, equal opportunity and inclusion	Södra, suppliers	GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination
Emissions to air, land and water	Södra, suppliers	GRI 303: Water and effluents GRI 305: Emissions
Energy	Södra, suppliers, society	GRI 302: Energy
Forest growth	Södra, suppliers	Own: Forest growth
GHG emissions	Södra, suppliers, customers, society	GRI 305: Emissions
Health and safety	Södra, suppliers	GRI 403: Occupational health and safety
Jobs	Södra, suppliers	GRI 401: Employment
Materials	Södra	GRI 301: Materials
Organisational culture and values	Södra	Own: Organisational culture and values
Responsible value chain	Södra, suppliers, customers, society	GRI 308: Supplier environmental assessment GRI 414: Supplier social assessment
Sustainable harvest rate	Södra	Own: Sustainable harvest rate
Sustainable products	Södra, customers, society	Own: Forest certification and certified products
The social values of forests	Södra, society	Own: The social values of forests
Training and education	Södra, suppliers, customers, society	GRI 404: Training and education
Waste	Södra, suppliers, customers, society	GRI 306: Waste
Water	Södra, suppliers, customers, society	GRI 303: Water and effluents

Value chain players



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. The materiality assessment has been continuously updated to ensure that the sustainability strategy is relevant and provides a basis for sustainability targets, and to define material sustainability topics for the sustainability reporting. Various activities were carried out – roundtable discussions with experts, dialogue with customers and business environment analysis.

A new materiality assessment was conducted in 2022 to identify the issues that are most material to Södra's business, i.e. the areas that have the greatest impact on the economy, the environment and people, including human rights. As part of this process, Södra's actual and potential negative and positive impacts were identified, and a wide range of stakeholders were interviewed. In the first stage, Södra's value chain, activities and business relationships were identified. The actual and potential impacts were identified by performing an analysis of internal and external information. The work involved in updating the strategy was particularly significant. Interviews were conducted with interest groups, contractors, members, union representatives and internal experts. In the next stage, the impacts were quantitatively evaluated and prioritised. The significance of a negative impact was assessed on the basis of severity – a combination of scale,

magnitude and remediation. The significance of a positive impact was assessed on the basis of scale and magnitude. The potential impact also accounted for probability. Material sustainability topics were identified by engaging in discussion with internal and external sustainability experts. Validation was carried out by the sustainability management team and the HR function. The material sustainability topics for 2022, including their boundaries, are presented in the table below. New topics are jobs and sustainable products (previously included in responsible value chain). The materiality assessment will be continuously updated moving forward.

Reporting

Södra's material sustainability topics are presented in the GRI Content Index on pages 141–143. The link 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 112. 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.

Events after the close of the period

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

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's emissions-reduction targets for 2030 have been approved by the Science Based Targets initiative.
- » Södra is a member of Fossil Free Sweden, the f3 Innovation Cluster for Sustainable Biofuels 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 both PEFC and FSC®.
- » 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, the Energy Research Institute of Sweden, Bioenergy Europe and the Swedish Institute for Standards.

Stakeholder dialogue

All of Södra's stakeholders contribute to the Group's development. The stakeholders were identified through a structure analysis and prioritisation. The stakeholders with the greatest impact on, and are most impacted by, Södra's activities and the decisions that Södra makes are customers, owners/members, employees, business partners and a number of social stakeholders.

In 2022, a targeted stakeholder dialogue took place with a sustainability focus to identify material sustainability topics. 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 2022	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	- 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 offerings (forestry services, forest 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 salaried employees, public bodies, interest groups, other companies)	- 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 involvement in various organisations and initiatives - Environmental permits for industrial processes - 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 added its own disclosures to GRI Standards.

GRI 304 Biodiversity, Promotion of biodiversity

Södra works to preserve and promote biodiversity – a process under continuous development. In 2022, Södra formalised its ambitions to promote a richer biodiversity. Key indicators for measuring the effect of measures to preserve and promote biodiversity are under development. Until further notice, this disclosure will be used to report the area on which nature-conservation measures have been carried out.

GRI 406 Non-discrimination, Training in non-discrimination policies

Södra aims to be a welcoming workplace, where everyone contributes to health, job satisfaction and well-being. This means showing respect for each other regardless of sex, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation, age or any other similar personal factors. Every employee is responsible for maintaining a workplace free from bullying and harassment. This disclosure is used to report the proportion of Södra's employees who have completed training as part of Södra's efforts to prevent discrimination, harassment and bullying.

Sustainable harvest rate, Harvest rate on land owned by 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 forests owned by members of Södra.

The social values of forests

The estates owned by members of Södra have often been in the family for many generations. These members have strong emotional ties with their forest. Forests are an important place for relaxation, recovery and recreation for their owners as well as other people. This disclosure is used to report Södra's activities to protect 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 products based on renewable forest raw material drive back products with a higher climate impact, 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 members' estates

Growing forests absorb carbon dioxide from the atmosphere through photosynthesis and help to combat climate change. This disclosure is used to report the rate of forest growth in forests owned by members of Södra.

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 eNPS (employee Net Promoter Score), which is a measure of how likely employees are to recommend Södra as a good place to work.

Forest certification and certified products

Forest certification is an important tool for ensuring that members manage their forests responsibly. Södra offers products of certified forest raw material. 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 affiliated forest area in Södra that is certified, and the percentage 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 to the wind
- » Eyes on the horizon

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. Rooted in the forest, we grow the future. All employees are responsible for acting in line with the values.

Södra's has six Group-wide targets. These have been set to balance taking care of each other (lower lost time accident rate), protecting members (profitability of the model forest estate), securing a financially sustainable value chain (return on capital employed and equity ratio), delivering a leading customer offering (customer satisfaction) and caring for the planet (higher positive climate effect). In addition to these, there are also targets for sustainability. Refer to pages 122–130.

The Sustainability Policy governs and guides Södra's sustainability practices. 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 is inspired by several principles and standards: The UN Global Compact, 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. Södra became a signatory to the UN Global Compact in 2020. Despite not signing other external charters, principles and initiatives, Södra intends to follow them. 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 economic activities. Efforts to implement the taxonomy continued during the year. An assessment of the criteria for identified taxonomy activities was initiated to determine the taxonomy alignment of Södra's activities. Södra's sustainability targets are aligned with the UN Sustainable Development Goals. Read more on page 108. The framework is regularly reviewed to ensure its relevance. Employees and business partners are informed about the policies and codes via the intranet and sodra.com, where any major changes are also communicated.

Södra is living and operating in a changing business environment. In 2022, Södra completed several strategic projects that studied some of the areas, including sustainability, that will be critical in the future. This process involved both members and employees, and included projects on climate change position, biodiversity, and health and safety. These projects were an important part of the process to update the Group-wide strategy.

Sustainability organisation

Södra's Group-wide Sustainability function is included in the Strategy function, which is led by the Director of Strategy who is a member of Group Senior Management. At central level, the Sustainability function consists of the Director of Sustainability and three employees who are responsible for coordinating the Group's sustainability practices, driving and supporting development issues and projects, work with the Sustainability Policy and monitoring sustainability targets. During the year, a management team was formed for the Sustainability function, comprising the Director of Sustainability, a sustainability strategist and representatives from the business areas and the 'A Fossil-free Södra' programme. The team has been tasked with leading and developing Södra's sustainability practices, supported by the function strategy that was created during the year.

Södra's entire organisation works with sustainability issues – in the business areas, as well as functions. 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 half-yearly basis. Decisions are then made regarding further action.

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 2022 consisted of the HR Director (Chair), Chief Legal Officer, Director of Sustainability, CFO and management representatives from the Skog, Wood and Cell business areas. The Council met once during the year.

During the year, Södra started a business ethics programme that will be responsible for structured management and monitoring in the business ethics area, with a particular focus on competition and anti-corruption. A process to update the Code of Conduct commenced during the year. Södra's Board, which is responsible for renewing the Code of Conduct, Supplier Code and Sustainability Policy once per year, will therefore renew these policies in 2023.

Governance

In 2022, a model for assessing the sustainability of major investments was introduced. The model is based on the previous model for assessing the sustainability of new products and services within the innovation process. In the assessment of investments and new products and services, 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, a circular and bio-based economy, use of chemicals, emissions to land and water, emissions to air, fossil GHG emissions, legal and regulatory compliance in the value chain, 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 value chain are assessed. If negative impacts arise in any part of the value chain, measures should be taken to reduce them, if possible, and these measures are then monitored.

For investments, the impact on Södra's climate effect is also calculated as changes in net change in forest carbon stock, reduced fossil emissions due to substitution and fossil GHG emissions in the value chain.

Internal carbon pricing was introduced at year-end. It will be used to put a financial value on the climate impact of major investments and selected purchasing categories.

During the year, an innovation project was carried out to look into the possibility of a systems support for sustainability data. The aim of automating the collection and calculation of sustainability data is to achieve efficient processes, higher quality data, more frequent data updates and access to the right datasets for in-depth business analytics and scenarios. It should be easier to include sustainability in both follow-ups and decision-making. The project is now proceeding to implementation phase.

People and culture at the centre

At Södra, every second of the day counts when it comes to taking care of each other and creating a safe, secure and healthy workplace. Södra shall be a learning organisation with an inclusive culture that ensures diversity and competency provision. Our cooperative values and democratic processes strengthen diversity, engagement and influence, and powerful human-centred digitisation makes business and capabilities grow.

Södra's values – Feet on the ground, Ears to the wind and Eyes on the horizon – guide our actions. All employees are equal and have the same rights and obligations regardless of sex, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation, age or any other similar personal factors. Södra's policies and guidelines for social responsibility cover health and safety, equal opportunity, inclusion, bullying and harassment. The HR process is conducted coherently via a Group-wide function plan with a strategic, tactical and operational focus.

Health and safety

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 is led by the Group-wide Health and Safety function, which was established in 2022. The function has been tasked with supporting and developing the shifts required to achieve strategic health and safety objectives.

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 Health and Safety Officers, investigate, implement and monitor the activities in a manner that prevents accidents and ill health 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 procedures and processes. The systems are connected to Södra's HR portal, which contains Group-wide information, policies and guidelines related to areas such as workplace health and safety. The management systems enable planning, implementation, control, monitoring and evaluation and are crucial to Södra's continuous improvement in workplace health and safety. All of Södra's units create their own health and safety targets based on their own focus, requirements and needs. The starting point is the Health and Safety Policy, Group-wide targets and key indicators. 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 health and safety using existing management

systems and external systems. SSG Entré is mandatory for contractors who work in sawmills and pulp mills to ensure they have basic health and safety knowledge. The SSG On site app contains relevant safety information for everyone who works in an industrial facility. Contractors are always responsible for their own employees, which means they must take the required 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 (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 proactive (such as safety inspections, risk analyses) workplace health and safety measures. Employees and contractors are urged to report adverse events with an emphasis on risk observations. The mills use a risk matrix with consequence and probability to determine the 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 healthcare 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. Södra's employees have access to Occupational Health Services, which is both internal and external. 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. These activities are designed for Södra's employees. Other preventive measures include the annual wellness subsidy, free counselling and health insurance for planned specialist care, which also can be taken out by employee's families and members of Södra. 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, Group-wide structures are in place for this process in the form of health and safety committees, Group Council and business area councils. 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 workplace health and safety measures. Contractors are not represented in these structures, 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 their employees. Read more about the Supplier Code on page 118.

Health and safety training programmes are implemented on a regular basis. The Group's Competency Toolkit, SABA, is used for all internal and external training courses, including workplace health and safety 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. During the year, a new training course was started that is mandatory for managers and leaders at Södra: Grow Health & Safety. The course is focused on behaviour-based safety and the measures that are required to reinforce positive and prevent risky behaviours in regard to health and safety. Södra's employees completed more than 23,000 hours of health and safety training in 2022. That corresponds to seven hours of training per employee. Courses categorised under "health and safety" in Södra's Competency Toolkit are included. For more information about training in the Södra Code of Conduct, refer to page 138.

The Safety Culture Index was introduced during the year to measure safety performance. The aim is to gather feedback from employees on Södra's safety culture in order to enable a shift in line with the Group-wide strategy. The outcome will be presented in 2023.

Values-driven leadership and competency provision

Södra's leaders shall put safety first, show concern, live our values and unlock the full potential of each individual through feedback and continuous learning. To provide the leaders with both structural and cultural conditions, personal leadership development, coaching training and organisational performance reviews are offered.

The Grow leadership development programme is an important core for Södra. Grow is a modern leadership development programme based on everyday learning. Alongside of knowledge building, specific goals are set for personal development. Learning is expanded along the entire journey through reflection, both individually and together with other participants, in cross-functional learning teams. By leading for learning – by involving, acting, developing and coaching – Södra's leaders become active implementers of the Group-wide strategy at a faster rate. Our leaders are equipped for handling change and to continue evolving. Grow was introduced in 2021 and about 400 leaders have either commenced or completed the programme.

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 are contributing to the company's profitability and Group-wide targets. For managers, performance reviews are a tool for driving performance, learning and competency development, and for ensuring job satisfaction. Common competencies for both employees and leaders at Södra have been identified. These competencies are an important starting point for personal development.

Södra wants to be a learning organisation with a forward-looking capacity for change, and a focus on people and culture. Active talent and succession planning is important for ensuring good insight into our organisational status, and creating opportunities for exciting career and development paths for our employees. Learning and development are important at Södra and we work in several ways to facilitate and stimulate internal mobility, and measure this with a key indicator. In 2022, preparations and recruitment took place for a trainee programme that will start in March 2023. The trainee programme is part of our strategic initiative in the People and culture at the centre area to strengthen our long-term competence

requirements ahead of upcoming retirements, as well as our ambition to continuously develop.

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 for 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.

Working actively to improve diversity, equal opportunity and inclusion is essential for creating a positive work environment, well-being and, ultimately, sustainable and profitable growth. Södra's ambition is to encourage new perspectives and realise the full potential of every individual based on their own terms. Efforts to achieve this ambition are strengthening Södra's competitive advantages and supporting 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, age or any other similar personal factors.

Södra's efforts with diversity, equal opportunity and inclusion are guided by the Equality and Inclusion Policy and the Anti-discrimination Policy. Discriminatory treatment procedures describe how managers and employees should respond to such behaviour. Training in equal opportunity and inclusion is included in Södra's onboarding programme. A review of active measures and a salary analysis are carried out every year. The 'active measures' mandated by the Swedish Discrimination Act are aimed at preventing discrimination at both general and structural levels. The legal prohibition of discrimination is aimed at counteracting discrimination with concrete actions in individual cases and the 'active measures' are driving forces and urge greater efforts to prevent discrimination and promote equal rights and opportunities at a more overall level. This work takes place in process form at Södra via joint teams. Salary analysis is carried out within the framework of the active measures and via the annual salary analysis. This encompasses all grounds for discrimination. These analyses capture any discrepancies and unwarranted pay differences, whereby measures are proposed and follow-up plans are created. The salary analysis during the year revealed unwarranted pay differences for a total of seven positions. An action plan has been created for all cases, for further processing and measures.

Employee surveys are continuously conducted to identify development areas and to take both general and more specific measures. The employee survey is one of the most important tools for receiving feedback from employees. Managers inform their employees of the results.

There is also a focus on diversity, equal opportunity and inclusion in the membership organisation. One of the targets in the action plan for greater diversity and equal opportunity in Södra's membership organisation is that at least 40 percent of Södra's elected representatives should be women by 2025. Development of the member offering, spanning from when a member first joins Södra to a generational change or sale, continued during the year. The aim is to show the benefits of forest ownership and thereby inspire and engage young people. Moving forward, the focus on reflecting the diversity of members will intensify through, for example, broader involvement in the forestry districts' district councils.

During the year, terms of reference were created for the local nomination committees with a focus on diversity, and training courses were completed.

Sustainable use of the forest and earth's resources

Södra shall be a leader in a just transition to climate neutrality and circularity, promote richer biodiversity to generate value for future generations, and have climate-change adapted forests with high growth that create added value for forest estates. Moreover, Södra contributes to social sustainability and is a strong voice for family forestry in business policy.

Biodiversity and positive social impact

Members of Södra are highly committed to sustainable forestry and Södra contributes by offering a range of advisory and other services to support forest estate management and administration. PEFC and FSC® certifications are important tools for responsible forest management. Forest owners can sign up to Södra's group certification, under which they undertake 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. Södra engages in active dialogue with its members around nature conservation and considerations, forest certification and the social values of forests via various communication channels, and participation in member meetings, Forest Days and Forest Nights.

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 timber 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 watercourses 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 certification.

The preservation of forests with high conservation values is important for Södra. Not all landowners have the same conditions in this regard, depending on their management history, the nature of their land and the conditions of their estate. This means that many forest owners set aside a higher proportion of their estate for nature conservation than is required by forest certification schemes. To reward these members for their contributions to biodiversity, Södra introduced a nature conservation premium in 2022, whereby these members are paid an extra bonus for the yield of wood from their entire estate. The nature conservation premium increases relative to the proportion of land they set aside, but is capped at SEK 25 extra per m³ solid volume underbark.

In its nature conservation activities, Södra has historically worked with a variety of environments, substrates and structures to protect the various species that live in forest environments. Recently, the focus on certain species and their survival has increased. Södra has developed a tool for the inclusion of known species in nature conservation activities. The strategic biodiversity 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 environmental considerations that apply for forest management. For forestry operations in aquatic environments, such as ditch clearing, expertise in the management of aquatic environments in forests is required. The aim of business development appraisals with contractors is to develop the contractors in areas related to the environment and social issues. Södra provides continuous training for its field employees and contractors, including 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 on the practical aspects of forestry.

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. In 2022, the Green Balance Sheet was digitalised in order to continuously monitor the results of the follow-ups and thereby identify any shortcomings at an early stage.

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 Södra's internal Nature Conservation course, which includes application of the guidelines. During the year, Södra employees also completed training in nature-conservation measures, and cultural and ancient relics considerations.

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. For third-party audits of PEFC and FSC® forest certification, about 70 randomly selected forest owners were visited. No serious non-compliances were found, while the observations and minor non-compliances that were identified were mainly related to shortcomings in regard to general considerations.

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 have been illegally harvested, come from natural forests where high conservation values are threatened, forest areas where traditional or civil rights are violated and from genetically modified trees.

Climate-adapted forests with high growth

A higher rate of forest growth contributes to the profitability of forest estates and to a fossil-free society. In Södra's roadmap for higher forest growth, the key areas for achieving higher forest growth are: a higher seedling survival rate, effective stand management, forest tree breeding and damage reduction. Continued investment in research and development is also required.

Södra applies a long-term approach when developing forest management measures and to ensure that its members engage in

active forest management, since this is a prerequisite for higher forest growth. Forest management must also be adapted to climate change in view of the ongoing global warming. Södra is following long-term forest growth, since the extreme weather events brought on by climate change, such as high temperatures and drought, may have unprecedented effects. Planting the right tree in the right place is an important tool and means, for many members of Södra, that the proportion of pine forest is increasing and that more tree species are being used in forestry. Forest tree breeding enables faster adaptation to a warmer climate with longer periods of dry weather. Knowledge and learning are essential for equipping the association's members to make well-informed decisions about their forestry.

Forests are a resource that should be used, but not overused. A sustainable harvest rate is a prerequisite for maintaining and increasing the positive net change in forest carbon stock over time.

Climate neutrality and circularity

Södra's total carbon footprint is illustrated in a model with three input parameters: net change in forest carbon stock, reduced fossil emissions due to substitution, and fossil GHG emissions in the value chain.

The substitution effect, with reduced fossil emissions, arises when forest-based products are used to replace products with a higher climate impact. By optimising the use of our resources, we are reducing our environmental impact and creating sought-after alternatives to fossil-based products. That will also strengthen our competitiveness, efficiency and profitability. By working with energy efficiencies, deliveries of green energy are expected to increase moving forward. Research and development leads to new products that can replace products with a higher climate impact.

Södra's roadmap for reduced GHG emissions and a fossil-free value chain includes activities that are expected to yield positive results in both the long and short term by, for example, enabling substitution with fossil-free alternatives, large-scale electrification of operational machinery and trucks, continued efficiencies in production and logistics, and research and development. Since 2021, Södra has offered fossil-free products from a fossil-free value chain through Zero Fossil. The transition is an extensive process that requires long-term, external partnerships in biofuel supply and demand, as well as political advocacy. The new emissions-reduction targets, which have been approved by the Science Based Targets initiative, entail a broader pathway. This work is supported by the Board and Group Senior Management and Group-wide activities are coordinated in the 'A Fossil-free Södra' programme.

Södra Cell participates in the European Union Emissions Trading System. The aim of the trading system is to reduce Europe's GHG emissions in a cost-efficient manner. Södra sells its surplus emission 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. Guarantees of Origin are electronic certificates that show the origin of the electricity. 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.

Environmental permits control a major part of the industrial activities, such as emissions to air and water, and management systems are used to ensure that the activity complies with the permit. Water court rulings have been issued for all industries that extract raw water, to regulate their withdrawals and prevent any significantly 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. Södra applies the precautionary approach and other general rules of consideration set out in the Swedish Environmental Code for permit applications, and in its ongoing environmental work. Regulatory and permit compliance is inspected regularly by authorities and Södra reports events in line with the procedures. The business management systems have procedures for handling environmental incidents or accidents. 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 Energy Committee has been tasked with providing guidance for energy-related decisions. 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 pulp mills' energy management systems 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. Management performs regular reviews to ensure that management systems remain appropriate, adequate and effective. In Södra Wood, a third-party audit of FSC® Chain-of-Custody certification, PEFC and ISO 14001, identified serious incidences of non-compliance. Remedial action was taken, including resource reinforcement, training and changed/new ways of working. In Södra Cell, both internal and third-party audits of the business management systems identified areas for improvement in risk management and digitisation. Targeted initiatives are taking place in these areas to achieve improvements, including coordination and best-practice sharing between business areas and units.

Water supply and consumption is a key issue for Södra. In order to use water resource-efficiently, the pulp mills use a range of water-conservation measures when washing pulp. In addition, nearly all 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, the amount of waste generated by Södra's operations is reduced. 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 (where required).

Optimised value chain from forest owner to customer and consumer

Södra prioritises sustainability in every aspect of its operations, and expects employees and suppliers to meet their respective responsibilities as set out in policies and guidance. Sustainability efforts also extend to the local community and its development.

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, 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. A process to update the Code of Conduct commenced during the year.

Södra’s employees and other people with a work relationship with Södra can use Södra’s whistleblower function to report irregularities related to Södra’s activities. The reporter always has the right to remain anonymous. The whistleblower function is a web-based reporting channel handled by an independent third party, together with designated internal recipients. Whistleblowing cases are communicated to Södra’s Board via the Audit Committee.

During the year, the method for assessing, reporting and monitoring risks was further developed. The new method was introduced in Södra Cell during the year and includes corruption risk assessment. The method will be introduced in other business areas during 2023.

Responsible value 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 a self-assessment or sustainability audit. After a sustainability audit, the supplier receives a report with feedback and an action plan is drawn up, if necessary. Any actions are monitored. For vessel audits, shipping companies are monitored within the framework of the Responsible Shipping Initiative (RSI). The purchasing conducted by Södra’s foreign companies is not yet fully included in the monitoring of supplier performance. A current situation analysis was therefore carried out during the year to prepare for the implementation of new processes in 2023.

Södra purchases large volumes of wood raw material from the members. Since the members are private forest owners, their deliveries not covered by the Supplier Code. Nor are harvesting assignments or wood delivery contracts. Suppliers of wood raw material are audited instead on the basis of their compliance with PEFC and FSC® certification requirements. This applies to both certified and non-certified members who have delivered wood to Södra during the year.

Sustainable products

Södra uses several different schemes for certification and labelling. Chain-of-Custody certification ensures that the wood raw material and forest products in Södra’s value chain come from responsibly managed forests, and labelling is a tool for ensuring high environmental and sustainability performance for 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.

Södra’s sustainability governance

Area	Why is this important for Södra?	Södra’s governance tools
People and culture at the centre - Health and safety - Value-driven leadership and competence supply	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 safe, secure and healthy work environment, and a learning organisation with a inclusive culture that secures diversity and competency provision. The values are: Feet on the ground, Ears to the wind and Eyes on the horizon.	- Group-wide strategy - Code of Conduct - Business ethics programme - Sustainability Policy - Sustainability targets: zero accident vision and more women in senior positions - Sustainability assessment of investments and the innovation process.
Sustainable use of the forest and earth’s resources - Biodiversity - Positive social impact - Climate-adapted forests with high growth - Climate neutrality and circularity	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. 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.	- Group-wide strategy - Code of Conduct - Business ethics programme - Supplier Code - Sustainability Policy - Environmental considerations, Södra Skog – strategic focus area - Sustainability targets: increased positive climate effect, promotion of biodiversity, forest growth and reduced GHG emissions - Roadmaps for a higher rate of forest growth and reduced GHG emissions - Investment Policy - Purchasing Policy - Sustainability assessment of investments and the innovation process.
Optimised value chain from forest owner to customer and consumer	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.	- Group-wide strategy - Code of Conduct - Business ethics programme - Whistleblower function - Supplier Code - Sustainability Policy - Purchasing Policy

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 change in forest carbon stock and forest growth. Information about raw materials, energy, products, waste, emissions to air and water is gathered in Södra's annual environmental inventory and compiled centrally by the Sustainability function. The HR function is responsible for employee data and the Economy function gathers information about the gender and age diversity of Boards and management teams. Information about suppliers is gathered by each purchasing organisation and compiled centrally by the Sustainability function.

Sustainable harvesting

The harvest rate is based on statistics from the National Forest Inventory for Götaland. The harvest rate for 2022 is a mean of three seasons, from the first bud burst in 2018 to the first bud burst in 2021. Calculation of the long-term 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). The most recent analysis was carried out in 2022 and Södra chose 'Today's forestry' as its scenario, since it best reflects Södra's forest management strategy.

Biodiversity

Information about protected areas and measures to preserve and promote biodiversity, such as considerations in regeneration harvesting and nature-conservation measures, is obtained 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 change in forest carbon stock (positive impact), reduced fossil emissions due to substitution (positive impact), and fossil GHG emissions in the value chain (negative impact). The net change in forest carbon stock is calculated for forest land on land owned by members of Södra and in Södra's forest holdings in the Baltics, as an annual increase in growing stock. Biological growth, biomass extraction through harvesting, and losses due to biological processes or forest fires are taken into account. For members of Södra, statistics from the National Forest Inventory's sample plots on land owned by members of Södra, and a linear trend for ten years of the five-year averages for the growing stock, are used. The map of land owned by members of Södra was updated during the year. The previous map was from 2015. Internal annual data is used for Södra's forest holdings in the Baltics. The substitution effect of Södra's products arises when forest-based products replace products with a higher climate impact. The effect 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. The substitution factors are based on research and estimate the size of the substitution effect. Fossil GHG emissions in the value chain include Scopes 1, 2 and 3 from 2020 and onwards, with the same boundaries described in the GHG emissions section. An addition has been made for the fossil GHG emissions from forestry operations linked to the

forest raw material that members use themselves, or that they sell to other forest industries. For 2018 and 2019, fossil carbon dioxide 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. An international standard for the calculation model is currently under development.

Forest growth

Forest growth is based on statistics from the National Forest Inventory's sample plots on land owned by members of Södra. The map of land owned by members of Södra was updated during the year. The previous map was from 2015. The rate of forest growth for 2022 refers to annual increment, and is a mean of the annual growth rings from 2016–2020.

GHG emissions

Direct and indirect GHG emissions are reported using the base year of 2020, which is the same base year used for Södra's GHG emissions-reduction target in line with the SBTi's criteria. The emissions are calculated using the Greenhouse Gas (GHG) 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. The comparative figures for prior years were calculated with earlier GWP versions. 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, including leased vehicles. Emissions from boiler combustion, operational machinery and vehicles are calculated on the basis of fuel consumption using calorific values and emission factors. Emissions from transportation where fuel consumption has not been monitored are calculated on the basis of transport mode, transported volume and transport distance. Emissions from leased company cars are calculated on the basis of fuel consumption or distance driven or travelled, calorific values and emission factors. Emissions of methane and nitrous oxide from the pulp mills are calculated on the basis of sector-wide emission factors. Process emissions from calcination and biological treatment are calculated for the pulp mills. Volatile emissions of refrigerants are calculated as refilled amount of refrigerant in freezing and chilling systems. Scope 1 includes refrigerants for external chilling systems for seedlings.

Södra is a net supplier of electricity to the market and electricity is mainly generated by the pulp mills. GHG emissions from electricity generation are therefore included in Scope 1. Electricity purchased via Södra's electricity supply contract does not contribute to any additional GHG emissions. For the Swedish units that are not included in Södra's electricity supply contracts and for foreign companies, indirect emissions associated with purchased energy (Scope 2) are calculated using a market-based method based on the purchased amount of 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.

GHG emissions intensity refers to fossil carbon dioxide emissions from production and operational machinery, and is reported per tonne pulp.

Other indirect (Scope 3) GHG emissions in the value chain comprise the categories of purchased goods and services, capital goods, upstream emissions from fuel and energy-related activities, upstream and downstream transportation, waste, business travel, employee commuting, processing of sold products, use of sold energy products, end-of-life treatment of sold products, and investments. The selection of Scope 3 activities is based on the criteria set out in the GHG Protocol Guidance, 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 and other contractor services, external wood purchases, production chemicals and packaging materials.
- » 3.2 Emissions from the production of capital goods is calculated on the basis of total investment (SEK million) and emission factors.
- » 3.3 Upstream emissions from production and distribution of fuel and energy-related activities are calculated on the basis of fuel, electricity and district heating consumption, as well as calorific values and emission factors.
- » 3.4 and 3.9 Emissions from upstream and downstream transportation are calculated on the basis of fuel consumption, transport mode, transported volume and transport distance. Emissions from production and distribution of fuel are included. Upstream and downstream transportation is not reported separately.
- » 3.5 The emissions from waste are calculated on the basis of waste volume and emission factors for end-of-life treatment. Emissions from transportation of waste are included.
- » 3.6 Business travel includes emissions from business travel with rented and or own car, and by rail and air. 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.
- » 3.7 Emissions from employee commuting is calculated the basis of number of employees, estimated annual commuting distance from home to work by car, Swedish car fleet statistics, fuel consumption, calorific values and emission factors.
- » 3.10 Processing of sold products includes emissions from processing of paper pulp and dissolving pulp. The emissions are calculated on the basis of sold pulp in various categories, and representative Scope 1 and 2 emissions for each category, for processing of the pulp by customers.
- » 3.11 Use of sold energy products includes emissions from the use of solid biofuels, energy peat and fuel sold externally from Södra's filling stations. The emissions are calculated on the basis of fuel volume, calorific values and emission factors.
- » 3.12 Emissions from end-of-life treatment of sold products are calculated on the basis of the product volume, an estimated distance to end-of-life treatment and emission factors for waste transportation.

- » 3.15 Investments include Scope 1 and 2 emissions from Södra's associates. The emissions are calculated on the basis of the associates' emissions and Södra's ownership stake.

The conversion figures have been obtained from various sources, including historical figures, suppliers, the Network for Transport Measures (NTM), the Swedish Environmental Protection Agency and Quantis.

Fossil carbon dioxide from production and transportation

GHG emissions for Scopes 1, 2 and 3 are presented from 2020.

Ten-year data for fossil carbon dioxide from production and transportation based on the previous reporting principle is also presented on page 130. Fossil carbon dioxide from production, operational machinery and internal transportation as well as other transportation includes a limited amount of the emissions included in the presentation of Scope 1, 2 and 3 GHG emissions. The following are not included in the reporting of fossil carbon dioxide from production, operational machinery and internal transportation as well as other transportation, as presented in the table on page 130:

- » Emissions of methane, nitrous oxide and refrigerants
- » Emissions from biological treatment in the pulp mills
- » Emissions from the generation of purchased electricity outside Södra's electricity supply contract, and the production of district heating
- » Emissions from the production of purchased goods and services in addition to forestry and other contractors working on behalf of Södra
- » Emissions from the production of capital goods
- » Upstream emissions from the production of external fuel and energy-related activities
- » Upstream emissions from the 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 end-of-life treatment
- » Emissions from employee commuting
- » Emissions from processing of sold products
- » Emissions from the use of sold energy products, except for fuel sold externally from Södra's filling stations
- » Emissions from end-of-life treatment of sold products
- » Emissions from investments

As of 2021, the calculation principles have been changed for fossil carbon dioxide from production and transportation. Previously, emissions from the transportation of pulp where Södra was not responsible for the transportation were not included. As of 2021, these emissions have been included. Previously, emissions from fuel consumption were calculated on the basis of liquid biofuels added, depending on the type of fuel. As of 2021, the emissions are calculated on the basis of an average liquid biofuel blend or, alternatively, pure liquid biofuel.

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 forestry and others contractors working on behalf of Södra (part of Scope 3, Category 1 emissions), upstream and downstream transportation and distribution (Categories 4 and 9), transportation of waste (part of Category 5), business travel (Category 6) and fuel sold externally from Södra's filling stations (part of Category 11). Upstream energy consumption for fuel production and distribution is not included. As of 2021, the calculation principles have been changed for fuel consumption. Previously, fuel used for the transportation of pulp to customers where Södra was not responsible for the transportation was not included. As of 2021, these fuels have been included. Previously, the consumption of renewable and fossil fuels based on liquid biofuel blends was included, depending on the type of fuel. As of 2021, the consumption is calculated on the basis of average liquid biofuel blend or, alternatively, pure liquid biofuel.

Energy intensity, electricity and heat, are recognised per tonne pulp and per m³ 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. As of 2021, the calculation principles for emissions to air have changed. Previously, emissions to air from the transportation of pulp to customers where Södra was not responsible for the transportation were not included. As of 2021, emissions to air have been included. Previously, emissions to air from fuel consumption were calculated on the basis of liquid biofuels added, depending on the type of fuel. As of 2021, the emissions to air are calculated on the basis of average liquid biofuel blend or, alternatively, pure liquid biofuel.

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 using digital tools and forms. Information about subcontracted personnel (people who work on behalf of Södra and are not employed by Södra, but for whom Södra has a work-environment responsibility) is gathered via the HR managers of the business areas and units. Health and safety is reported for Södra's employees. Health and safety for subcontracted employees and contractors is handled 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, excluding 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 from work 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 32), 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.

People and culture at the centre

By focusing on people and culture, we are creating Södra's future together. Every second of the day counts when it comes to safety, security and taking care of each other. We are working to break down traditional cultural barriers by increasing diversity, equal opportunity and inclusion.

Health and safety

The health and safety of our employees is a top priority. In 2022, the Covid-19 pandemic also affected the work situation for our employees to some degree. To minimise the risk of spreading the virus, we followed the recommendations issued by the Swedish Public Health Agency and the regions, and adapted the way we work so that our units could keep running. The pandemic has changed our everyday routines and led to more remote working, online collaboration and meetings, and restrictions on visits and travel. Healthy attendance was 96 percent (96) – a positive outcome considering the Covid-19 pandemic.

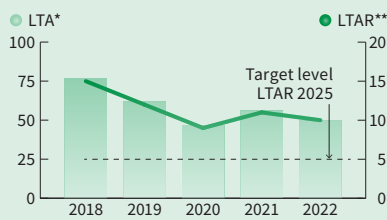
Södra shall offer a safe and secure workplace for employees and contractors, with a zero accident vision. Two fatal accidents occurred at Södra's workplaces during the year, one at Orrefors, and one at Värö. The Swedish Work Environment Authority is investigating the accidents. The number of lost time accidents was 50 (56) and the lost time accident rate, measured as the number of occupational injuries

with absence per million hours worked, was 10 (11). The number of lost days per injury was slightly higher year-on-year due to some accidents that caused long-term sickness absence. To reduce the number of occupational injuries, our systematic approach to health and safety, with proactive 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. One of the approaches we apply is behaviour-based safety. 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. During the year, a Group-wide Health and Safety function was established with the task of supporting and developing the shifts that are required to achieve our strategic health and safety objectives.

OCCUPATIONAL INJURIES – TARGET AND OUTCOME

We have a zero accident vision and the target is a lost time accident rate (LTAR) of less than five by 2025. In 2022, Södra had 50 (56) lost time accidents (LTA) and the lost time accident rate (LTAR) was 10 (11). A number of initiatives took place during the year to achieve a healthy and injury-free workplace. We must continue to work systematically and apply a long-term approach to reduce work-related injuries and achieve our zero accident vision.

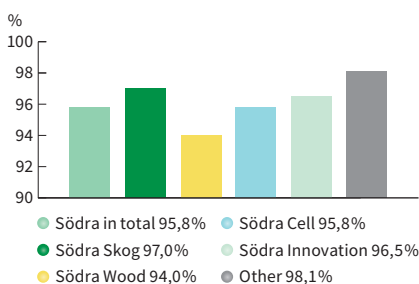
Occupational injuries



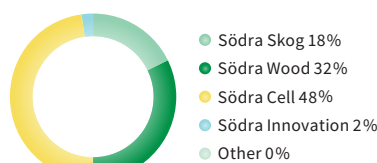
* LTA (lost time accident). Occupational injury with absence.
 ** LTAR (lost time accident rate). The number of occupational injuries with absence per million hours worked.

Some of the most common workplace hazards that can cause accidents 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 risks for fatal accidents 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 2022, serious accidents occurred due to falls, flying/flying objects, contact with sharp edges and crushing incidents.

Healthy attendance 2022



Lost time accidents 2022



Comments

» By focusing on continuous improvement and persistent work, Södra is mobilising to reduce the number of occupational injuries. In 2021, Wood launched the "Safety First" initiative which has led to positive results. In 2022, the number of occupational injuries increased in Cell, but the long-term trend is steadily negative. Cell's workplace health and safety initiatives including a safe facility, learning, life-saving behaviours, and work with existing initiatives will continue.

Health and safety	2022	2021	2020
Healthy attendance¹⁾			
Healthy attendance	95.8%	96.3%	96.2%
Health and safety, no.			
Incidents, including risk observations ²⁾	5,638	5,703	4,768
Occupational injuries without absence ²⁾	308	363	346
Lost time accidents (LTA) ³⁾	50	56	47
Fatal accidents	1	0	0
Lost days per injury ²⁾	13	10	7
Hours worked (million)	5	5	5
Lost time accident rate (LTAR) ⁴⁾	10	11	9

Information about health and safety is presented to Södra's employees.

¹⁾ Healthy attendance is defined as 100 percent, less sickness absence. The Klevshult and Vaggeryd units in the Wood business area are included in the key indicator as of 2022.

²⁾ Klevshult and Vaggeryd are included in the key indicator from 2022.

³⁾ LTA (lost time accident): occupational injury with absence.

⁴⁾ LTAR (lost time accident rate): number of lost time accidents per million hours worked.

Diversity, equal opportunity and inclusion

We are working to break down traditional cultural barriers by increasing diversity, equal opportunity and inclusion in several ways, including community engagement and partnerships with schools and universities. Södra's target is that 50 percent of newly appointed managers will be women by 2025.

In 2022, 24 percent (23) of Södra's employees were women.

In Södra's Swedish operations, the proportion of employees with a foreign background was 7.9 percent (7.4). Efforts need to continue in this area, with a higher focus.

Södra has zero tolerance of bullying and harassment. Two employee surveys were conducted in 2022 – one in January, and one in September. In the September survey, more than 130 colleagues, or 4 percent, say they had experienced bullying or harassment. While this represents a decline since the survey in January and

is positive, Södra has zero tolerance of all forms of bullying and harassment. The 2020 employee survey showed that 5 percent of Södra's employees experienced bullying and harassment.

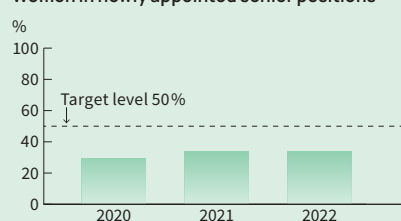
In 2022, efforts to comply with the Swedish regulation of active measures continued. Under the regulation, employers are required to take active measures to prevent discrimination at both general and structural levels, and to promote equal rights. The active measures shall be driving forces and urge greater efforts to prevent discrimination and promote equal rights and opportunities at a more overall level than the grounds of 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 2022, 66 percent (60) of employees had completed a course in Södra's programme to prevent discrimination and bullying.

WOMEN IN NEWLY APPOINTED SENIOR POSITIONS – TARGET AND OUTCOME

Södra's target is that 50 percent of newly appointed managers will be women by 2025. The aim of this target is to improve equal opportunity at Södra over time. In 2022, 34 percent (34) of newly appointed managers were women.

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.

Employees	2022	2021	2020
No. of employees ¹⁾	3,282	3,124	3,141
– men	2,487	2,412	2,427
– women	795	712	714
Women	24%	23%	23%
Women managers	24%	22%	22%
Women in newly appointed senior positions	34%	34%	29%
Employees with a foreign background ²⁾	7.9%	7.4%	6.8%
Employees with collective agreements, all employees ³⁾	97%	96%	96%
Employees with collective agreements, Sweden	100	100	100
Internal mobility ⁴⁾	6.8%	4.5%	3.2%
Employee turnover ⁵⁾	10%	11%	5.3%
Wages, salaries and social security contributions, SEK million	2,690	2,587	2,276

¹⁾ Seasonal variations in number of employees is less than 1 percent of the total number of employees.

²⁾ Relates to the Swedish part of Södra's operations. The Klevshult and Vaggeryd units in the Wood business area are included in the key indicator as of 2022.

³⁾ For employees without collective agreements, terms of employment and benefits are determined on the basis of legislation in each country, Group-wide guidelines and individual adaptations.

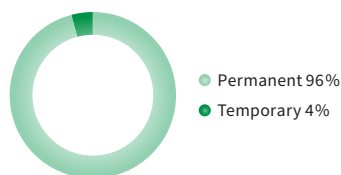
⁴⁾ Internal mobility relates to the movement of employees across roles. Klevshult and Vaggeryd are included in the key indicator from 2022.

⁵⁾ Employee turnover is calculated as new employees plus departures, divided by two and divided by the average number of employees. Klevshult and Vaggeryd are included in the key indicator from 2022.

Subcontracted personnel

» At year-end, the number of subcontracted personnel for whom Södra has a work-environment responsibility was 133. Subcontracted personnel are engaged in areas such as production, maintenance and cleaning. Their contracts may be long-term or task-based. The number of subcontracted people varies throughout the year as well as between the various business operations.

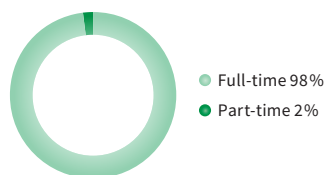
Form of employment



Permanent: 3,148 employees (2,985), of whom 77 percent (78) were men and 23 percent (22) women. Sweden: 2,974 employees (2,793), others countries: 174 employees (192).

Temporary: 134 employees (139), of whom 57 percent (53) were men and 43 percent (47) women. Sweden: 131 employees (134), other countries: 3 employees (5).

Full-time/part-time employees



Full-time: 3,220 employees (3,058), of whom 76 percent (78) were men and 24 percent (22) women. Sweden: 3,049 employees (2,868), others countries: 171 employees (190).

Part-time: 62 employees (66), of whom 52 percent (61) were men and 48 percent (39) women. Sweden: 56 employees (59), other countries: 6 employees (7).

Age distribution

Age category	2022			2021			2020		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
<30 years	16%	0%	16%	14%	0%	14%	14%	0%	14%
- men	11%	0%	11%	10%	0%	10%	10%	0%	10%
- women	5%	0%	5%	4%	0%	4%	4%	0%	4%
30-50 years	50%	6%	44%	51%	5%	46%	51%	6%	45%
- men	37%	4%	33%	38%	3%	35%	38%	4%	34%
- women	13%	2%	11%	13%	2%	11%	13%	2%	11%
>50 years	34%	4%	30%	35%	5%	30%	35%	4%	31%
- men	28%	4%	24%	29%	5%	24%	29%	4%	25%
- women	6%	0%	6%	6%	0%	6%	6%	0%	6%
Average age, years	44	—	—	44	—	—	44	—	—

New employees and departures

	2022		2021		2020	
	No.	%	No.	%	No.	%
New employees	399	13%	275	9%	199	7%
- men	275	12%	200	9%	149	6%
- women	124	18%	75	12%	50	7%
Departures	230	7%	349	12%	165	5%
- men	186	8%	254	11%	123	5%
- women	44	6%	95	15%	42	6%

Relates to the average number of employees during the year. The Klevshult and Vaggeryd units in the Wood business area are included in the key indicator as of 2022.

Training and education

The forest industry is knowledge-intensive and we are continuously working to support members, employees, managers and the contractors we work with by offering competency development. Combined with continuous improvement, this enhances efficiency and provides opportunities for professional and personal development, while also improving well-being and the willingness to recommend Södra as a good place to work. We also want to offer our employees new and interesting challenges.

Internal mobility (the movement of employees across roles) was 6.8 percent (4.5) and is a key element of learning and competency development.

Our ability and familiarity with e-learning and competency

development have taken a major step forward in recent years and our training offering now includes a higher proportion of online courses. The same applies to our Grow leadership development programme. The number of training hours per employee was 16 (8) during the year. Health and safety courses account for a considerable share of the increase while Grow, training in connection with strategic projects and a general rise in demand for training courses after the pandemic have also contributed to the increase.

In 2022, 57 percent (60) of Södra's employees completed performance reviews. The aim of the performance review is to provide simple support for continued learning, to strengthen the link between strategy and employee, and to unlock the potential of each employee.

Training and performance reviews

	2022			2021			2020		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
No. of training hours per employee	16	42	14	8	14	7	8	13	7
– men	16	41	14	8	12	7	8	14	7
– women	17	44	13	8	20	7	7	13	7
Employees who completed performance reviews	57%	55%	57%	60%	55%	60%	53%	51%	54%
– men	60%	58%	60%	62%	56%	62%	55%	53%	55%
– women	50%	47%	50%	54%	51%	54%	47%	44%	47%

Training hours relate to training hours registered in Södra's Competency Toolkit. In 2022, performance reviews relate to reviews completed and registered between September 2021 and March 2022. The same applies to the reporting of completed and registered performance reviews for 2021 and 2020.

Organisational culture and values

We are continuing our work in The Bridge, a strategic educational partnership with IKEA and Linnaeus University. The aim is to gather expertise in a shared interdisciplinary arena, with an active exchange between academia and industry. Among other things, the partnership has led to an MSc programme in Innovation that combines economics, technology and design. We also want to encourage young people to take an interest in science, technology, engineering and maths and are therefore involved in IGE Day (Introduce a Girl to Engineering Day), Tekniksprånget (engineering internships) and a pilot project within the scope of Maker Tour – Towards New Heights. By taking part in bridge-building between the business sector and schools, we are strengthening our long-term competency provision.

Södra's employees visit schools and universities to speak about Södra, at Career Days, for example. We hold talks and spread knowledge about Södra's views of forestry, the climate benefits of forests and other topics related to forest values. Södra also offers field trips, summer jobs, internships and degree projects.

In 2022, Södra was nominated for the Human Growth Award and named one of Sweden's Career Companies.

The results of the two employee surveys conducted during the year show a major variation in employee experience between, and even within, the business areas and functions. While Södra is generally perceived as an attractive employer, we must continue to improve our employee offering and our equal employee experience. eNPS (Employee Net Promoter score) measures the likelihood that a company's employees would recommend their employer to a friend. The eNPS scores in the two latest measurements in 2022 were 3 and 5, respectively. A score above 0 is considered an acceptable employee experience. In the 2020 employee survey, the eNPS score was 13. The willingness to recommend Södra as an employer is a complex issue involving a range of factors. The assessment is that pandemic effects and opportunities for being involved in the production of new strategic and change initiatives are strong contributing factors. In 2023, we will mobilise to reduce the variations in eNPS scores both between and within the business areas and functions

Sustainable use of the forest and earth's resources

A common denominator for members of Södra is the desire to hand over something with even greater value to the next generation – not only financial value, but also natural, cultural and social values. By managing and using forests responsibly, all of the values of forest estates will grow for the future. While our climate-smart products form part of the solution to enabling a global climate transition, we will also need to continuously adapt our forestry and industrial operations to the changing climate.

Biodiversity

Many forest values have arisen from how forests have been managed historically. To preserve and promote these values, we need to continue managing our forests responsibly. By adopting a holistic approach, where we are always trying to balance production with environmental 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 target is to perform nature-conservation measures on 3,000 hectares every year until 2025. The target for 2022 was 2,250 hectares and the outcome was 1,779 hectares (1,178). Harvesting resources in some of Södra's forestry operations areas were prioritised for efforts to control the severe spruce bark beetle outbreak. To increase the focus on, and quality of, the performance of nature-conservation measures, about 800 people from both Södra Skog's field organisation and contractors underwent training during the year.

Increasing the percentage of pine and mixed coniferous forests in Götaland is

important. It involves production, nature conservation and increasing the social values of forests, while we are also creating forest stands that can adapt to the changing climate. This also includes increasing the proportion of rowan, aspen, sallow 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 2022, a total of 334 sites (394) were audited in the Green Balance Sheet, corresponding to 1,954 hectares (1,877) (regeneration harvests, thinning, nature-conservation measures and regeneration operations). The aim is that all regeneration harvests will achieve an acceptable result (100 percent) for sensitive habitats, wasteland, buffer zones and protection zones, impacts on soil and water, and cultural environments. For other main functions, the aim is a satisfactory result for 95 percent. The results are presented in the table on the right. The Green Balance Sheet report is available at sodra.com

Considerations in regeneration harvesting

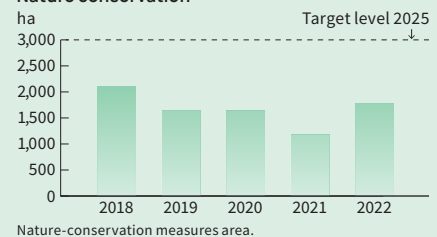
Main function	2022	2021	2020	2019	2018
	Percentage of acceptable main functions				
Sensitive habitats	100%	100%	91%	96%	98%
Wasteland	100%	95%	100%	96%	100%
Buffer zones and protection zones	98%	97%	92%	96%	97%
Impacts on soil and water	98%	91%	92%	91%	98%
Cultural environments	96%	94%	84%	96%	97%
Undergrowth when clearing	97%	93%	92%	98%	95%
Groups of trees and development areas	100%	99%	99%	99%	99%
High-conservation-value (HCV) trees	91%	88%	93%	94%	95%
Development trees	96%	88%	93%	95%	98%
Dry trees and windthrow	95%	93%	98%	99%	95%
New high stumps	96%	91%	90%	94%	91%
Experience	94%	91%	96%	94%	96%
Concentration of conservation considerations	99%	98%	99%	99%	98%
Branches and treetops	67%	37%	30%	24%	24%
Cultural heritage stumps	67%	61%	65%	—	—

Percentage of acceptable sites in the Green Balance Sheet, where the main function was assessed, for each main function.

PROMOTION OF BIODIVERSITY – TARGET AND OUTCOME

Södra works to preserve and promote biodiversity – a process under continuous development. In 2022, Södra formalised its ambitions to promote a richer biodiversity for future generations. In Götaland, nature-conservation measures are important for the preservation and promotion of biodiversity. Södra's target for nature-conservation measures is an area corresponding to 3,000 hectares per year until 2025. The outcome for 2022 was 1,779 hectares (1,178). More key indicators for measuring the effects of measures to preserve and promote biodiversity are under development.

Nature conservation



Certified affiliated forest area in Södra's group certification

	2022		2021		2020	
	Area (mil. ha)	%	Area (mil. ha)	%	Area (mil. ha)	%
PEFC	1.8	65%	1.9	68%	1.8	67%
FSC ^c	1.7	63%	1.8	66%	1.7	65%

The certified affiliated forest area has remained stable. Private forest owners appreciate the added value provided by forest certification. In 2021, the member register was replaced. As of 2022, the affiliated forest area from the new system is used.

Forest certification is an important tool for ensuring that members' forests are managed responsibly. 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 is certified according to PEFC and FSC[®] with license numbers:

PEFC/05-22-11
PEFC/05-35-48
PEFC/05-32-20

FSC-C014930
FSC-C006947
FSC-C015771

Consideration areas – areas in Götaland on estates owned by members of Södra

	2022	2021	2020
Wooded wasteland¹⁾			
area ²⁾ , ha	178,000	185,000	182,000
share of wooded forest land	6.4%	6.8%	6.7%
Formal site protection (reserve, habitat protection)			
area, ha	89,000	86,000	84,000
share of productive forest land	3.2%	3.2%	3.1%
Voluntary set-asides (NO/NS)³⁾			
area, ha	141,000	145,000	141,000
of which regeneration harvest-ready forest	86%	85%	85%
share of productive forest land	7.8%	7.8%	7.8%
of which NO	3.6%	3.6%	3.7%
of which NS	4.2%	4.2%	4.1%
Management Target K (combined production and environmental targets in addition to general considerations)⁴⁾			
area, ha	54,000	49,000	45,000
share of productive forest land	3.0%	2.6%	2.5%
General considerations in regeneration harvesting			
share of production stands	4.6%	4.6%	4.5%

¹⁾ Wooded wasteland is low-productive land with some degree of high conservation value.

²⁾ The same percentage of wooded wasteland as in Götaland in its entirety has been used.

³⁾ The voluntary set-aside area relates to members with forest 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.

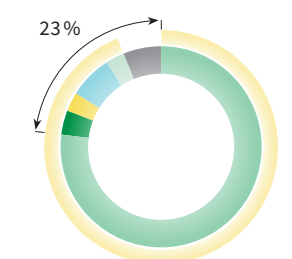
⁴⁾ The management target K area relates to members with forest certification. Under management target K, a production target applies for 63 percent of the area, and a nature-conservation target for 37 percent.

More about consideration areas

Wooded forest land consists of productive forest land and wooded wasteland. The productive forest land grows by at least one m³ per hectare and year, while wooded wasteland is low-productive woodland. Productive forest land consists of production stands – areas in which timber 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 members of Södra are covered by agreements between individual members and the Swedish Forest Agency or 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

VALUE OF FOREST LAND, VOLUNTARY SET-ASIDES 2022

The area of voluntary set-asides with nature conservation considerations (NO/NS) on land owned by members of Södra (PEFC-certified) amounted to 141,000 hectares. The total value of this forest area was SEK 26 billion,



23 percent of the wooded forest land has a main objective other than production.

Consideration areas

- Production stand 77%
- General considerations 4%
- Reserve, habitat protection 3%
- NO/NS 7%
- K stand 3%
- Wooded wasteland 6%
- Productive forest land 94%

may include buffer zones, sensitive habitats and groups of trees. In addition to general considerations, forest owners set aside stands voluntarily to preserve 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 preserving and promoting nature conservation values. NO (nature conservation, to be left untouched) designates areas where nature conservation values are best preserved and promoted when the forest is left untouched. NS (nature conservation, requiring management) designates the areas where special management methods are required to preserve and promote the 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.

with a variation ranging from SEK 20–31 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.

The social values of forests

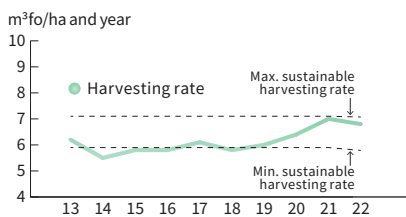
Forests are an important place for relaxation, recovery and recreation. We work continuously to promote the social values of forests and support the sector-wide objectives for environmental stewardship. This means that we work to maintain accessibility and preserve the experience values of forests, based on the unique conditions of each area, and good communication with the people who use the area 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 and ancient relics in the Green Balance Sheet. Considerations are hampered by the fact that many relics are not registered in cartographic material, but new technologies may provide opportunities for improvement in the future. In 2022, about 300 people from Södra, both employees and contractors, completed training in conservation considerations during scarification, the use of historical maps in planning and the introduction of a new standard for site directives, which clarifies how cultural environments should be demarcated and marked on both the site and the map prior to regeneration harvesting.

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 members of Södra is 5.8–7.1 m³fo per hectare and year, corresponding to a total of 13–17 million m³sub per year, based on the current affiliated forest area. In 2022, Södra’s harvest rate was 6.8 m³fo per hectare and year (7.0), which was within the sustainable harvest rate.

Sustainable harvest rate



2022 refers to the mean for 2018–2020, in the same way as for other years. As of 2022, 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 2022 (SKA 22). The harvest rate is based on the National Forest Inventory’s data for Götaland.

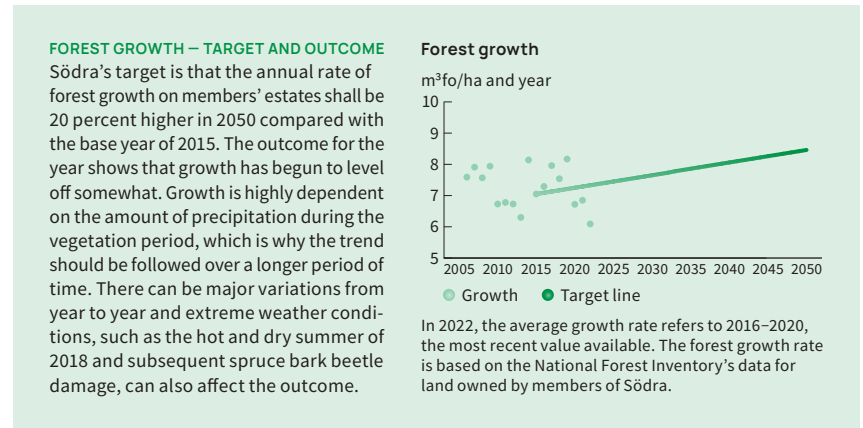
Forest growth

Södra’s target is that the annual rate of forest growth on members’ estates shall be 20 percent higher in 2050 compared with the base year of 2015. We have introduced many initiatives to increase forest growth responsibly:

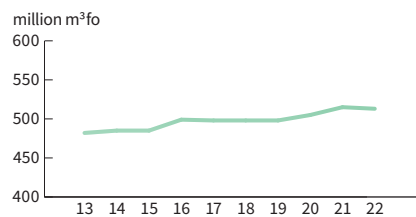
- » Tree breeding projects to adapt seedlings to changing climate conditions, promote higher growth and improve pest resistance.
- » Development of a concept for nutrient recycling with bio-ash.
- » Development of tomorrow’s system for effective and low-intensity forest regeneration.
- » Support for 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.
- » Active wildlife control measures.
- » 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 climate and longer dry periods.

Important activities during the year:

- » Work continued on a pilot facility to develop a new method of seedling production using vegetative propagation. This method will enable faster tree breeding from seedlings that are adapted to climate change and disease-resistant.
- » The guidelines for adapting forest management to climate change were updated and workshops were held with researchers in the field to raise levels of knowledge at Södra, review the climate change adaptation strategy and investigate possible research collaborations.
- » A new scarification and planting method was field tested.
- » Participation in a research project to develop management and breeding of the most common hardwood species.



Growing stock on estates owned by members of Södra



The growing stock on forest land owned by members of Södra is based on statistics from the National Forest Inventory. The growing stock has increased over a long period of time. Research and development, and the high ambitions of forest owners when it comes to forest management have contributed to this high rate of growth. At the same time, the harvest rate has been high. Growing stock declined in 2022 because growth has levelled off, as also shown by SKA 22, and the harvest rate was high. The lower rate of growth in recent years is due to the hot and dry summer in 2018 followed by spruce bark beetle damage.

Climate effect

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

Growing forests absorb carbon dioxide from the atmosphere, 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, despite the fact that the growth rate has started to level off somewhat. Planting the right tree in the right place, being proactive and taking the

right measures are all important for meeting the challenges of climate change, while also promoting biodiversity.

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 carbon dioxide emissions, and products based on renewable forest raw material are replacing products from fossil sources or manufactured with fossil fuels, and by substitution, are contributing to a lower climate impact. Through innovation and by processing our products, we are meeting the growing demand for sustainable and climate-smart products in the evolving circular bioeconomy.

CLIMATE EFFECT – TARGET AND OUTCOME

Södra's target is to increase the positive climate effect to 13.5 million tonnes of CO₂e by 2032.

In 2022, the positive climate effect was 12.1 million tonnes of CO₂e (13.3). The outcome was due to a lower positive net change in forest carbon stock and a lower substitution effect compared with the preceding year.

Climate effect

CO ₂ e, Mtonnes	2022	2021	2020
Positive climate effect	12.1	13.3	11.0
Net change in forest carbon stock	5.2	5.8	4.8
Fossil emissions in the value chain	2.1	2.1	2.2
Substitution	9.0	9.6	8.4

Net change in forest carbon stock plus the use of our forest-based products to replace products with a higher climate impact, minus our fossil emissions in the value chain, gives us Södra's total climate effect.

NET CHANGE IN FOREST CARBON STOCK

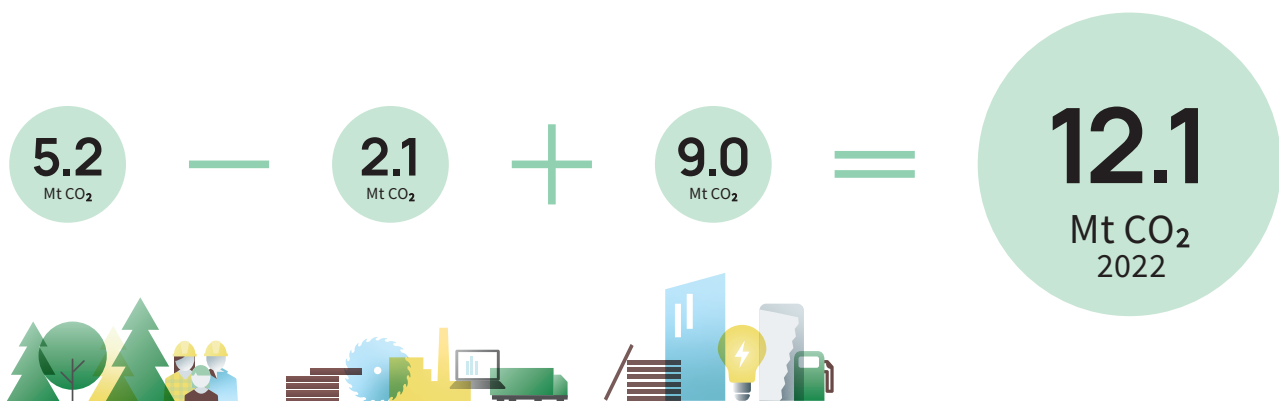
The growing stock on estates owned by members of Södra has increased over a long period of time, which has led to a positive net change in forest carbon stock. The long-term trend is an average carbon dioxide uptake of 4.8 million tonnes of CO₂e per year (5.4) (linear trend for ten years, five-year averages). Both research and development, and the high ambitions of forest owners when it comes to forest management have contributed to this high rate of growth. At the same time, the harvest rate has been high.

For 2022, calculated as the difference between the two most recently available five-year averages for growing stock, there was no positive net change in forest carbon stock in the forests owned by members of Södra. Growth has levelled of somewhat, while the harvest rate was high, bringing average net emissions to 3.2 million tonnes of CO₂e per year (the positive net change in 2021 was 9.9). For more information about the growing stock trend, refer to the diagram on page 128.

The positive net change in forest carbon stock in the Group's forests was 0.4 million tonnes of CO₂e (0.4).

SUBSTITUTION

Substitution creates climate benefits when products based on renewable forest raw material drive back products with a higher climate impact, such as steel, concrete, plastic and fossil fuels. The decrease in fossil emissions due to substitution was 9.0 million tonnes of CO₂e (9.6). The outcome was due to lower deliveries of sawn timber and a lower harvested volume in total year-on-year.



Forest carbon sink

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

Value chain emissions

There are still some fossil emissions in our value chain.

Substitution

A substitution effect and reduced fossil emissions are achieved when our renewable products are used to replace products with a higher climate impact.

Södra's total climate effect

Net change in forest carbon stock plus the use of our forest-based products to replace products with a higher climate impact, minus our fossil emissions, gives us a positive total climate effect.

GHG emissions

Södra’s target for reduced greenhouse gas (GHG) emissions has been approved by the Science Based Targets initiative (SBTi). The aim of the targets is to reduce GHG emissions by 50 percent by 2030, compared with the base year of 2020. For emissions from processing of sold products, the target is an engagement target whereby customers corresponding to 70 percent of the emissions will have set their own science-based targets by 2027. The next step is to set targets for net zero emissions by 2040 and for SBTi FLAg (Forest, Land and Agriculture).

Our production processes are almost entirely powered by biofuels. Our own operational machinery in mills and forests, 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.

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.

Emissions from purchased goods and services are derived from production of the input products required 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 climate impact 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. In the coming years, another 350 charging points will be installed. Under Södra’s company car regulations, employees are offered a wide range of electric vehicles and plug-in hybrids, and electric vehicles must be the first choice.

Customers use our pulp as the raw material for a wide range of paper

and textile products. Emissions arising from the use of fossil fuels and electricity in production processes accounted for about two-thirds of Södra’s total fossil GHG emissions in 2022. As we move forward, our aim is to work more closely with our customers and support them in their ambitions to reduce their GHG emissions in our shared value chain.

Several activities were carried out during the year that will reduce GHG emissions in both Södra and our value chain in the long and the short term:

- » Continuation of strategic project on Södra’s climate change position.
- » Approval of our targets for reduced GHG emissions by the Science Based Targets initiative.
- » Start-up of Group-wide projects for large-scale electrification of internal operational machinery and truck transport.
- » Sustainability assessment of investments and internal carbon pricing.
- » Membership of the f3 Innovation Cluster for Sustainable biofuels, a national network with a long history of stakeholder collaboration around system-related research on renewable fuels.
- » Two electric cranes ordered for Mönsterås.
- » Electrification of the railway yard in the combined plant at Värö was completed.
- » The Silva Green Fuel associate produced high-quality bio-oil in the demo facility in Norway.
- » Participation in the RSI Green Fleet project, with the aim of reducing GHG emissions from shipping.
- » The joint project with parties including KLM Royal Dutch Airlines for the production of sustainable aviation fuel (SAF) continued with a feasibility study and deeper sustainability assessments.

The aim of these activities is to reduce GHG emissions, increase supply and demand for biofuels and to contribute to technology developments and business policy lobbying. A continued focus on efficiencies and continuous improvement is of the utmost importance.

FOSSIL EMISSIONS IN THE VALUE CHAIN – TARGETS AND OUTCOMES

- » Total fossil GHG emissions in Scopes 1, 2 and 3 were 2,121 ktonnes CO₂e (2,051).
- » The target is that GHG emissions in Scopes 1 and 2 shall be 50 percent lower in 2030 compared with the base year of 2020*. The outcome for 2022 was 82 ktonnes CO₂e (85), a 13-percent reduction compared with the base year of 2020.
 - *The target comprises land use-related biogenic emissions and uptake from the use of biomass.
- » The target is that customers corresponding to 70 percent of Södra’s GHG emissions in Scope 3, Category 10 (Processing of Sold Products) shall have set their own science-based targets by 2027. The outcome for 2022 was that 33 percent (36) of the emissions were derived from customers who had either set their own science-based targets, or committed to setting their own targets.
- » The target is that other indirect (Scope 3) GHG emissions (excluding Category 2: Capital goods) shall be 50 percent lower by 2030. The outcome for 2022 was 570 ktonnes CO₂e (586), a 6-percent reduction compared with 2020. Capital goods are not included in the target since the aim of investments is, among other things, to enable reduced GHG emissions in Södra’s value chain and in society at large.

Fossil emissions in the value chain

CO ₂ e, ktonnes	2022	2021	2020
Total emissions	2,121	2,051	2,160
Direct (Scope 1) emissions	79	83	92
Indirect (Scope 2) emissions from the generation of purchased energy	2.5	2.7	2.6
Other indirect (Scope 3) emissions	2,040	1,966	2,066

The emissions include fossil carbon dioxide, methane, nitrous oxide and refrigerants.

Fossil carbon dioxide from production and transportation

Fossil carbon dioxide, ktonnes	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fossil carbon dioxide from production	67	68	70	70	103	81	99	87	131	185
Fossil carbon dioxide from transportation	271	270	227	207	196	191	199	193	210	235

Fossil carbon dioxide from production includes emissions from production, operational machinery (including external forestry and others contractors working on behalf of Södra) and internal transportation. Transportation includes emissions from other transportation, including Södra’s own haulage operations. Production and transportation account for a limited amount of the emissions included in Scope 1, 2 and 3 GHG emissions. For more detailed information about calculation principles, refer to pages 119–120.

CO₂ equivalents (CO₂e) 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 CO₂e, 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 the purchase of energy. Scope 3 refers to other indirect emissions.

GHG emissions

CO ₂ e, ktonnes	2022	2021	2020
Scope 1	79	83	92
– of which fossil carbon dioxide	53	57	67
– of which other greenhouse gases	26	26	25
Scope 2	2.5	2.7	2.6
– of which fossil carbon dioxide	—	—	—
– of which other greenhouse gases	—	—	—
Scope 3	2,040	1,966	2,066
– of which fossil carbon dioxide	—	—	—
– of which other greenhouse gases	—	—	—
Biogenic carbon dioxide	6,530	6,306	6,109
– of which Scope 1	4,980	4,839	4,812
– of which Scope 2	—	—	—
– of which Scope 3	1,550	1,467	1,297

Other greenhouse gases includes methane, nitrous oxide and refrigerants. For Scopes 2 and 3, classifying emissions as either fossil carbon dioxide or other greenhouse gases is not possible due to direct measurement of CO₂ equivalents for many purchased goods. Carbon dioxide emissions arising from biogenic sources are not reported in Scope 2.

Direct (Scope 1) GHG emissions

CO ₂ e, ktonnes	2022	2021	2020
Scope 1	79	83	92
– of which fossil carbon dioxide from fossil fuels	36	40	56
– of which fossil carbon dioxide from use of input products	17	17	11
– of which from other	26	26	25

Scope 1 refers to direct GHG emissions that occur from sources that are financially controlled by Södra, including leased vehicles.

Indirect (Scope 2) GHG emissions from the generation of purchased energy

CO ₂ e, ktonnes	2022	2021	2020
Scope 2	2.5	2.7	2.6
– of which from purchased electricity in foreign companies	2.4	2.5	2.5
– of which from other	0.1	0.2	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 ktonnes (1.0).

Other indirect (Scope 3) GHG emissions

CO ₂ e, ktonnes	2022	2021	2020
Scope 3	2,040	1,966	2,066
– 3.1 Purchased goods and services	232	241	240
– 3.2 Capital goods	70	80	60
– 3.3 Fuel and energy-related activities	18	19	8.1
– 3.4, 3.9 Upstream and downstream transportation and distribution	261	255	313
– 3.5 Waste generated in operations	0.4	0.2	0.2
– 3.6 Business travel	0.7	0.3	0.7
– 3.7 Employee commuting	10	10	11
– 3.10 Processing of sold products	1,400	1,300	1,400
– 3.11 Use of sold energy products	40	50	23
– of which from sales of fossil fuels	17	26	8.7
– 3.12 End-of-life treatment of sold products	7.7	9.8	9.2
– 3.15 Investments	0.3	0.7	1.2

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 Scope 3, Category 3. Using a location-based approach, Scope 3, Category 3 emissions were 17 ktonnes (19). There was no significant impact on total Scope 3 emissions.

Fossil carbon dioxide emissions from production and operational machinery

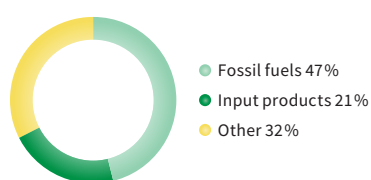
	2022	2021	2020
Pulp, kg fossil CO ₂ /tonnes of pulp	16	18	13

Excluding emissions from generation of sold electricity and district heating.

Solid biofuels are used as fuel for the production of sawn timber. Small amounts of petrodiesel are used in operational machinery. Fossil carbon dioxide emissions per m³ sawn timber are therefore very low.

Comments

- » Södra mainly uses biofuels in production processes, which means that biogenic carbon dioxide emissions are higher than fossil carbon dioxide emissions and other GHG in Scopes 1, 2 and 3.

Scope 1 GHG emissions in 2022

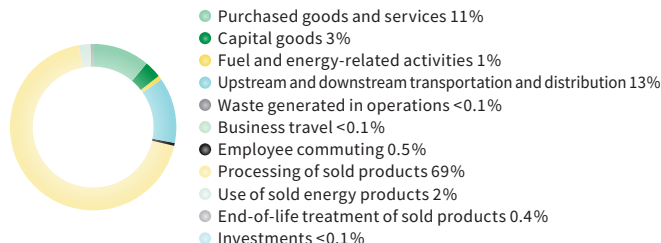
Direct (Scope 1) GHG emissions are derived from use of fossil fuels and input products in the pulp mills, the transportation of wood and pulp with vehicles owned or leased by Södra, and biofuel combustion.

Comments

- » Scope 1 emissions are derived from the use of fossil fuels and input products in the pulp mills, from the transportation of wood to the mills and pulp to customers, with vehicles owned or leased by Södra. Other GHG emissions also arise from the combustion of biofuels.

Comments

- » The indirect GHG emissions in Scope 2 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 GHG emissions in 2022**Comments**

- » In Scope 3, Category 1, the production of input products for pulp mills and forestry contractor services are significant.
- » In Scope 3, Categories 4 and 9, sea transportation of products to customers accounts for most of the emissions.
- » Scope 3, Category 11 includes emissions from the use of energy products by customers. Emissions from sales of fossil fuels were lower compared with 2021, but higher compared with the base year of 2020. The differences are due to the ratio between HVO and petrodiesel at Södra's filling stations and the level of biodiesel blend. Deliveries of energy peat also affect the outcome.

Materials

We mainly use the following raw materials in the production processes at our mills:

- » wood raw material
- » sawn timber
- » chemicals
- » packaging materials
- » water

Efficient use of wood raw material and chemicals reduces 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 biofuels, for the production of liquid 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. The crude methanol at the

pulp mill in Mönsterås was previously used internally as a fuel for energy generation, but the refined biomethanol is now sold commercially.

Some of the 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. They can now be used for the production of 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. A project was initiated to study the long-term water supply to the pulp mill at Mönsterås. 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.

Raw material use ¹⁾		2022	2021	2020
Wood raw material ²⁾	million m ³ sub	12.8	12.6	12.6
Sawn timber ³⁾	1,000 m ³	209	284	205
Chemicals ⁴⁾	1,000 tonnes	320	325	336
Packaging materials	1,000 tonnes	6.8	6.7	6.7
Water withdrawal	million m ³	88	85	82
Other raw materials ⁵⁾	1,000 tonnes	1.6	1.3	6.1

¹⁾ 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.

²⁾ Wood raw material include sawlogs, pulpwood, fuel wood and forest residues used in Södra's industries.

³⁾ Sawn timber relates to external purchasing.

⁴⁾ 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.

⁵⁾ Other raw materials in 2020 mainly comprised insulation and gypsum in Trivselhus. Trivselhus was divested on 1 March 2021 and is not therefore included in the sustainability reporting for raw material use as of 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 under 6 million m³.

Energy

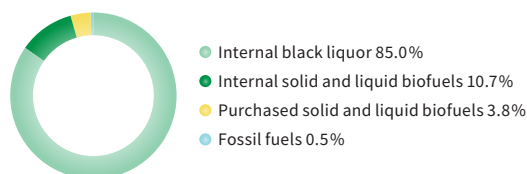
We are almost self-sufficient in renewable energy for our own industrial processes. The energy is generated in our pulp mills and sawmills and mainly derived from wood raw material. If needed, energy requirements are supplemented by purchasing biofuels and, to a limited extent, fossil fuels.

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. Electricity generation for the year exceeded electricity consumption, allowing us to deliver large amounts of excess electricity to the local community.

Fuel consumption, GWh	2022	2021	2020
Renewable fuels, total	14,703	14,486	14,397
Internal black liquor (within Södra)	12,321	11,917	11,947
Internal solid and liquid biofuels (within Södra)	1,552	1,705	1,608
Purchased solid and liquid biofuels	830	864	842
– for production (within Södra)	550	598	561
– for operational machinery and transportation (within Södra)	73	73	70
– for forestry and others contractors (outside Södra)	48	53	3
– for transportation, business travel and fuel sold externally from Södra's filling stations (outside Södra)	159	140	208
Fossil fuels, total	1,208	1,188	1,029
Fuel oil (within Södra)	51	59	51
Fossil fuels	1,131	1,102	956
– for operational machinery and transportation (within Södra)	86	65	115
– for forestry and others contractors (outside Södra)	140	130	171
– for transportation, business travel and fuel sold externally from Södra's filling stations (outside Södra)	905	907	670
Other fossil fuels (within Södra)	26	27	22

Fuel consumption takes place within and outside Södra. Within Södra comprises production, operational machinery and transportation (corresponding to Scope 1 GHG emissions). Outside Södra comprises forestry and other contractors (part of Category 3.1), transportation (Categories 3.4 and 3.9), transportation of waste (part of Category 3.5), business travel (Category 3.6) and fuel sold externally from Södra's filling stations (part of Category 3.11). For more detailed information about calculation principles, refer to pages 120–121.

Fuel consumption for production 2022



Södra consumed fuel equivalent to 14.5 TWh for industrial production. 0.5 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	2022	2021	2020
Electricity			
Electricity consumption ¹⁾	1,482	1,469	1,452
– for production, operational machinery and transportation (within Södra)	1,453	1,440	1,426
– for transportation and business travel (outside Södra)	29	29	26
Purchased electricity ¹⁾	142	206	143
– for production, operational machinery and transportation (within Södra)	113	177	117
– for transportation and business travel (outside Södra)	29	29	26
Electricity generation	1,913	1,790	1,956
Electricity sales	573	527	647
Renewable electricity	99.5%	99.5%	99.6%
District heating²⁾			
Purchased district heating, total (within Södra)	2	2	2
– from steam	2	2	2
– from secondary heat ³⁾	0	0	0
District heating sold, total	418	442	385
– from steam	138	140	98
– from secondary heat	280	302	287

¹⁾ Electricity consumption and purchasing of electricity within and outside Södra. Within Södra comprises production, operational machinery and transportation (corresponding to Scope 1 GHG emissions). Outside Södra comprises forestry and other contractors (part of Category 3.1), transportation (Categories 3.4 and 3.9), transportation of waste (part of Category 3.5), business travel (Category 3.6) and fuel sold externally from Södra's filling stations (part of Category 3.11). For more detailed information about calculation principles, refer to pages 120–121.

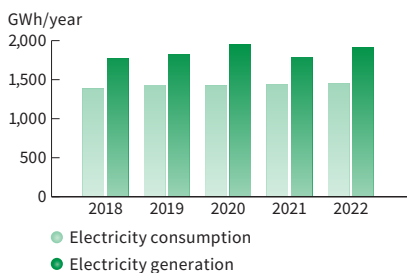
²⁾ District heating relates to external purchasing and external sales.

³⁾ Secondary heat is excess heat from the process. No additional fuel is required.

Comments

- » More than 99 percent of the electricity generated by Södra comes from renewable energy sources. Electricity is generated by the pulp mills at Mönsterås, Mörrum and Värö and by six wind turbines at Mönsterås.
- » In 2022, electricity generated was higher than in 2021 due to high turbine availability at the pulp mills.
- » District heating deliveries were in line with earlier years. The deliveries are weather-dependent.

Electricity consumption and electricity generation



Electricity generation continued to exceed electricity consumption. Net electricity deliveries were 460 GWh.

Electricity and heating consumption – Pulp

kWh/tonnes of pulp	2022	2021	2020	2019	2018
Electricity	700	711	698	699	701
Heating	3,113	3,273	3,002	3,172	3,105

Electricity and heating consumption for pulp was in line with earlier years.

Electricity and heating consumption – Sawn timber

kWh/m ³ sawn timber	2022	2021	2020	2019	2018
Electricity	63	61	60	62	63
Heating	226	225	225	224	241

Electricity and heating consumption for sawn timber was in line with earlier years.

Energy consumption within and outside Södra, GWh	2022	2021	2020
Renewable fuels	14,703	14,486	14,397
– within Södra	14,496	14,293	14,186
– outside Södra	207	193	211
Fossil fuels	1,208	1,188	1,029
– within Södra	163	151	188
– outside Södra	1,045	1,037	841
Purchased electricity	142	206	143
– within Södra	113	177	117
– outside Södra	29	29	26
Purchased district heating	2	2	2
– within Södra	2	2	2
– outside Södra	0	0	0
Total	16,055	15,882	15,571
– within Södra	14,774	14,623	14,493
– outside Södra	1,281	1,259	1,078

Energy is consumed within and outside Södra. Within Södra comprises production, operational machinery and transportation (corresponding to Scope 1 GHG emissions). Outside Södra comprises forestry and other contractors (part of Category 3.1), transportation (Categories 3.4, and 3.9), transportation of waste (part of Category 3.5), business travel (Category 3.6) and fuel sold externally from Södra's filling stations (part of Category 3.11). Södra also makes external deliveries of energy in the form of electricity and district heating. For more detailed information about calculation principles, refer to pages 120–121.

External energy deliveries, GWh	2022	2021	2020
Electricity	460	350	530
District heating	418	442	385
Solid biofuels (forest fuel, bark, pellets, and by-products)	3,850	3,978	3,551
Total	4,728	4,770	4,466

In 2022, external energy deliveries totalled approximately 4,700 GWh.

Solid biofuels in 2022

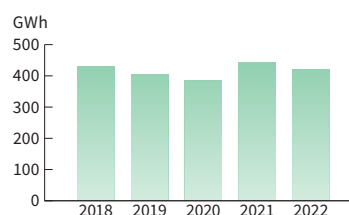


Solid biofuels are used in a variety of ways in Södra's value chain. Forest residues (branches and treetops) are a by-product of harvesting and used as fuel in thermal power stations. Bark from the pulp mills is used for internal energy generation and also sold on the market as biofuel. The sawmills contribute with bark, shavings and wood chips. The diagram shows the division between solid biofuels from forests and the mills, respectively, a total of about 3,900 GWh.

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 district heating deliveries



Södra delivers district heating from the pulp mills at Mönsterås, Mörrum and Värö, and the sawmills at Kinda and Hamina, to neighbouring communities. In 2022, external district heating deliveries were 418 GWh. Two-thirds of the external district heating deliveries comprised 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.

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.

Emissions to air, tonnes	2022	2021	2020
NO _x (nitrogen oxides calculated as NO ₂)	6,928	6,588	5,425
– of which direct emissions	2,999	2,840	2,813
– of which indirect emissions	3,929	3,748	2,612
S (gaseous sulphur calculated as SO ₂)	2,664	2,457	1,285
– of which direct emissions	566	614	748
– of which indirect emissions	2,098	1,843	537
Dust	595	531	682
– of which direct emissions	313	276	586
– of which indirect emissions	282	255	96
VOCs (volatile organic compounds)	2,251	2,100	2,145
– of which direct emissions	2,161	2,012	2,066
– of which indirect emissions	90	88	80

Direct emissions correspond to Scope 1 GHG emissions and energy consumption within Södra. Indirect emissions correspond to parts of Scope 3 GHG emissions 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. As of 2021, emissions from the transportation of pulp that Södra is not responsible for are also included. In 2022, total transportation was higher year-on-year, which led to higher emissions to air.
- » Dust emissions were slightly higher compared with earlier years due to operational disruptions in the purification equipment at one of the pulp mills. At the same time, another pulp mill improved its purification equipment, which led to lower dust emissions.

Emissions to air from production and operational machinery	kg/tonne pulp (excluding emissions from generation of sold electricity and district heating).											
	2022				2021				2020			
	Cell total	Värö	Mönsterås	Mörå	Cell total	Värö	Mönsterås	Mörå	Cell total	Värö	Mönsterås	Mörå
NO _x (nitrogen oxides calculated as NO ₂)	1.4	1.4	1.3	1.4	1.4	1.3	1.3	1.5	1.3	1.3	1.2	1.4
S (gaseous sulphur calculated as SO ₂)	0.21	0.10	0.34	0.21	0.27	0.13	0.43	0.22	0.28	0.087	0.38	0.44
Dust	0.13	0.18	0.088	0.13	0.12	0.088	0.10	0.21	0.27	0.10	0.16	0.81

Emissions to water		2022	2021	2020
Wastewater	1,000 m ³	79,500	77,100	72,100
AOX (halogenated organic compounds)	tonnes	97	95	98
TOC (total organic carbon)	tonnes	8,355	8,345	8,204
COD (chemical oxygen demand)	tonnes	23,384	23,752	22,857
BOD ₇ (biochemical oxygen demand)	tonnes	1,355	1,388	1,695
TSS (total suspended solids)	tonnes	1,969	2,075	2,457
Total N (nitrogen)	tonnes	230	236	196
Total P (phosphorus)	tonnes	23	21	22
Chlorate	tonnes	116	67	79

Emissions to water from pulp mills are presented. 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%) of the wastewater goes to municipal water treatment plants.

Comments

- » Emissions of chlorate were higher compared with earlier years due to periodic imbalance in a wastewater treatment facility at one of the pulp mills.

Emissions to water	kg/tonne pulp											
	2022				2021				2020			
	Cell total	Värö	Mönsterås	Mörå	Cell total	Värö	Mönsterås	Mörå	Cell total	Värö	Mönsterås	Mörå
AOX (halogenated organic compounds)	0.051	0.087	—	0.072	0.052	0.096	—	0.064	0.053	0.087	—	0.089
TOC (total organic carbon)	4.4	4.7	3.2	5.8	4.5	5.7	3.2	4.8	4.4	5.8	2.6	5.2
COD (chemical oxygen demand)	12	13	9.8	16	13	16	9.7	13	12	16	7.9	14
BOD ₇ (biochemical oxygen demand)	0.71	0.83	0.36	1.1	0.75	1.4	0.15	0.63	0.91	1.6	0.15	1.0
TSS (total suspended solids)	1.0	0.76	0.56	2.3	1.1	1.8	0.31	1.4	1.3	1.9	0.32	2.1
Total N (nitrogen)	0.12	0.089	0.14	0.15	0.13	0.16	0.074	0.17	0.11	0.12	0.058	0.16
Total P (phosphorus)	0.012	0.0078	0.015	0.014	0.012	0.017	0.0043	0.014	0.012	0.017	0.0040	0.018
Chlorate	0.061	0.14	—	0.026	0.037	0.084	—	0.019	0.043	0.098	—	0.021

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 to air from the incineration of waste by external recipients and emissions to air from transporting waste.

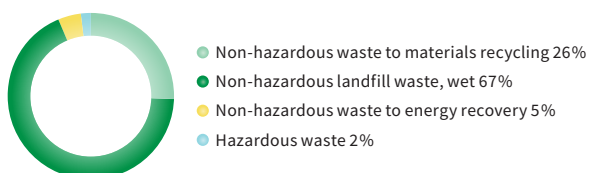
Waste, ktonnes	2022	2021	2020
Non-hazardous waste	66	75	90
– of which waste to materials recovery	17	39	29
– of which waste to energy recovery	3.0	3.4	3.5
– of which landfill waste, wet	45	33	57
Hazardous waste	1.1	2.4	1.8

It is assumed that energy is recovered from all waste incineration.

Comments

» In 2022, the amount of waste to materials recovery was lower compared with earlier years since more inorganic material from the pulp mills was sent to landfill, instead of being used as landfill cover.

End-of-life treatment 2022



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 2022, the total weight of Södra's waste was 66,797 tonnes.

REMEDIATION OF CONTAMINATED SOIL

Södra owns, or has owned, sites contaminated by earlier industrial production, 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, an environmental assessment to determine the groundwater impacts from excavation commenced. Preparations for the remediation of deep-seated creosote contamination are ongoing. In the discontinued sawmills at Lidhult and Hjortsberga, preparatory investigations have commenced for the remediation of chlorophenol-contaminated groundwater. Samples of contaminated soil were taken at the former sawmill site and adjacent bark waste yard in Fagered. An historical presentation and sampling plan were created for the former paper mill site and adjacent sedimentation ponds and landfills at Emsfors, and samples were collected. A sampling plan was created for the former sawmill site at Korsberga, and sampling commenced. Excavation work was carried out at the former sawmill site at Åtvidaberg.

COMPLAINTS

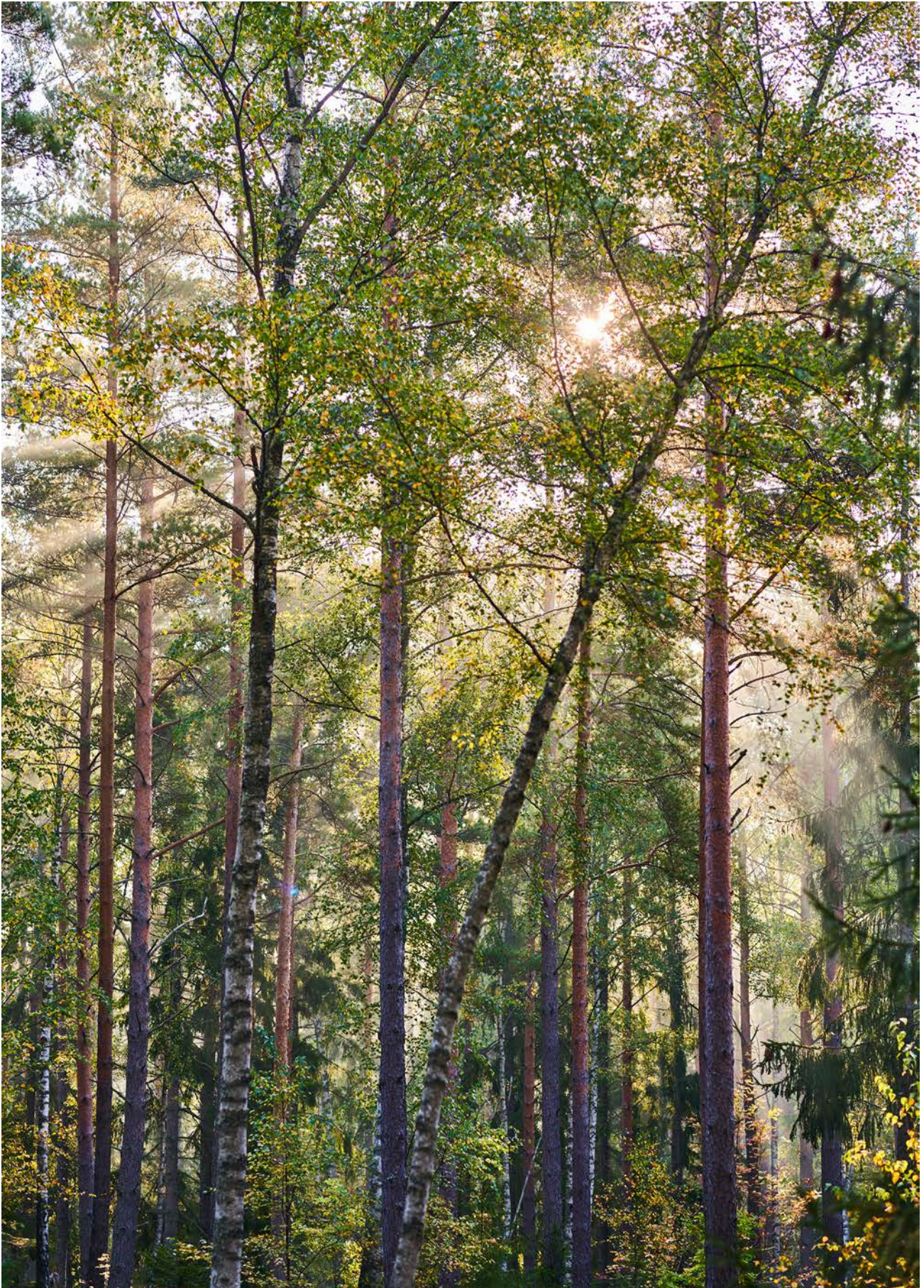
- » During the year, Södra's industrial activities received 32 (96) external complaints. Most were related to noise and odours from Södra Cell's three pulp mills. In 2021, the pulp mill at Värö received many complaints related to noise. In 2022, Södra engaged with local residents to inform them about the mill's operations in general and the noise reduction programme that is in place. 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 82 (81) formal comments, mainly related to the presence of endangered or protected species.

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.

During the year, 23 (43) guideline values or other conditions for Södra's activities were exceeded. Södra Skog exceeded guideline values for emissions of suspended solids to water in four peat bogs. Södra Wood Långasjö exceeded guideline values for emissions of nitrogen oxides to air and noise. Södra Wood Orrefors exceeded guideline values for emissions of carbon monoxide to air, and the oil index after oil separator. Södra Wood Värö exceeded the guideline value for dust emissions. Södra Cell Värö exceeded guideline values for emissions of suspended solids to water. Södra Cell Mönsterås exceeded guideline values for emissions of ammonia to air, emissions of total organic carbon, nitrogen and phosphorus to water and night noise. Södra Cell Mörrum exceeded guideline values for emissions of total organic carbon, chlorate and suspended solids to water. Total exceedances amounted to four for emissions to air, 17 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 2022, including fire, oil and chemical discharges, and operational disruptions in purification equipment.



Optimised value chain from forest owner to customer and consumer

Södra serves as the bridge between forest estates and consumers. The members' forestry enables Södra to conduct a sustainable business and contribute sustainable products to society. Our commitment to sustainability permeates every aspect of our operations, our entire value chain, and our social engagement. Certification attests to the origin of wood raw material and products.

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 e-learning course. A process to update the Code of Conduct commenced during the year.

At the end of 2022, 82 percent (81) of Södra's employees and 67 percent (82) of Södra's Group Senior Management had completed the e-learning course. 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 2022, three reports of suspected serious misconduct in Södra's operations were received by Södra's internal whistleblower function. One of these cases was deemed to fall within the scope of whistleblowing. The case relates to a report of bullying and discrimination, and is under investigation. The other two cases were addressed internally and thereby closed by the whistleblower function. In 2021, two cases were reported to the whistleblower function. One case was related to health and safety, the other to discrimination. Both cases were investigated and no breach of the Södra Code of Conduct nor any other form of gross misconduct could be determined.

In 2022, there were no health and safety-related incidents (one) that led to the imposition of a fine by a prosecutor. In the external environment, two incidents (three) led to legal sanctions in the form of corporate fines totalling SEK 15,000, which were paid

during the year. Both were related to Södra's forestry operations. A corporate fine of SEK 150,000 was paid during the year for an incident that occurred in 2020. In 2021, company fines totalling SEK 185,000 were paid for incidents that occurred in 2021.

During the year, a risk assessment was carried out, including corruption risk, due to the geopolitical situation. All of Södra's operations were included in the risk assessment. A new method for assessing, reporting and monitoring risk was applied for the Cell business area. No significant risk of corruption was identified by the assessment.

In 2022, there was one confirmed case where a contract with a business partner was terminated due to a corruption-related breach by the business partner.

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 (92), corresponding to 99 percent (99) of the purchasing value. 100 percent (100) of the suppliers were risk-assessed. 100 percent (99) of the suppliers assessed as high-risk were reviewed by performing a self-assessment or being monitored on-site.

Purchasing and suppliers – purchasing category	No. of suppliers	Purchasing costs per geographic location for contracting party
Wood raw material ¹⁾ (sawlogs, pulpwood and sawn timber)	21,566 ²⁾	88% Sweden, 2% other Nordic countries and 10% rest of Europe.
Forestry contracting services ³⁾ (independent contractors)	483	92% Sweden, and 8% rest of Europe.
Transport services ⁴⁾ (transportation of wood raw material and products)	143	70% Sweden, 8% other Nordic countries and 22% rest of Europe.
Input products ⁴⁾ (process chemicals, fuels, energy and packaging materials)	54	45% Sweden, 13% other Nordic countries and 41% rest of Europe.
Indirect material and services ⁴⁾ (investments, operating materials, vehicles, IT, travel, office supplies and services)	192	98% Sweden, 1% other Nordic countries and 1% rest of Europe

¹⁾ Comprises suppliers with annual sales to Södra of more than SEK 100,000.

²⁾ Of which 12,623 harvesting assignments, 11,323 wood deliveries and 96 external suppliers.
Harvesting assignments and wood deliveries are not covered by the Södra Supplier Code.

³⁾ Comprises suppliers with annual sales to Södra of more than SEK 100,000, for forestry contractors more than SEK 50,000.

⁴⁾ 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. In 2022, there was a shift towards a higher share of contracted suppliers from rest of Europe, compared with Sweden and other Nordic countries. The need for imported wood raw material was greater than in 2021 due to high demand for wood from the pulp mills.
- » The Klevshult and Vaggeryd units in the Wood business area are included in key indicators as of 2022.
- » Suppliers to Södra's foreign Group companies are only partly included in the supplier follow-up, Supplier Code, supplier review, risk assessment and supplier assessments.

Key indicators Supplier Code and supplier review	2022	2021	2020
Suppliers that have signed the Södra Supplier Code	92%	92%	77%
Södra's purchasing value for which suppliers had signed the Supplier Code	99%	99%	97%
No. of reviewed suppliers in terms of environmental and social impact	255	228	157
No. of non-compliant suppliers	4	1	0
– suppliers with agreement to address the cause of non-compliance, %	100%	100%	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.
- » The year's review process focused on vessel audits, sampling in various areas of purchasing and verification of compliance with forest management and Chain of Custody standards.
- » In total, more suppliers were reviewed in 2022 than in 2021 and four cases of supplier non-compliance were identified. The cases were related to defective supply chain monitoring, absence of personal protective equipment and lack of compliance with the Posted Workers Directive.

Risk assessment and supplier assessments	2022	2021	2020
Södra's purchasing value for which a risk assessment of suppliers was performed	100%	100%	95%
No. of suppliers assessed as high risk	64	60	67
– supplier self-assessments, %	64%	77%	87%
– suppliers monitored on-site (sustainability audit), %	36%	22%	10%

Comments

- » In 2022, the number of suppliers assessed as high risk refers to a risk assessment at the end of 2021. The same applies for 2021 (end of 2020) and 2020 (end of 2019).
- » All suppliers identified as high risk were assessed over the past three years.

Sustainable products

More and more consumers are demanding traceability and raw material from responsibly managed forests. 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 products of certified forest raw material with Chain of Custody certification from PEFC or FSC®. In 2022, the percentage of PEFC or FSC®-certified products was 63 percent (65).

Products and services from Södra		2022	2021	2020
Products from Södra¹⁾				
Seedlings (own production)	million	30	30	26
Wood raw material	million m ³ sub	2.1	2.3	1.9
Biofuel (from forests and mills)	GWh	3,850	3,978	3,551
Peat for material use ²⁾	1,000 m ³ l	253	179	204
Sawn timber ³⁾	1,000 m ³	1,773	1,928	1,792
By-products of wood for material use	1,000 tonnes	419	468	409
Cellulose pulp	1,000 tonnes	1,897	1,840	1,865
Electricity	GWh	460	350	530
District heating	GWh	418	442	385
Tall oil	1,000 tonnes	38	36	36
Turpentine	1,000 tonnes	1.4	1.4	1.7
Biomethanol	1,000 tonnes	3.0	3.3	0.8
Lime sludge	1,000 tonnes	64	46	66
Houses	no.	—	—	260
Forestry services from Södra				
Harvesting ⁴⁾	million m ³ sub	9.1	9.4	8.9
Forest management ⁵⁾	1,000 ha	119	116	124

¹⁾ Products relates to external deliveries.

²⁾ Peat for material use relates to peat litter, horticultural peat and block peat.

³⁾ Sawn timber is presented excluding subcontracting.

⁴⁾ Harvest volume relates to harvested roundwood from the field organisation in Sweden and the Baltics.

⁵⁾ Forest management relates to forestry operations, excluding regeneration harvesting.

Comments

» In 2022, outbound deliveries of lime sludge were higher than in 2021, due to operational disruptions in the lime kilns at the pulp mills.

Products with either PEFC or FSC® certification	2022	2021	2020
Products with either PEFC or FSC® certification	63%	65%	64%

The percentage of Södra's revenue from external sales of physical products derived from sales of products with either PEFC or FSC® certification. In 2022, the percentage of certified products was in line with earlier years. The Klevshult and Vaggeryd units in the Wood business area are included in the key indicator as of 2022.

EXTERNAL ASSESSMENTS

French company EcoVadis, which conducts Corporate Social Responsibility (CSR) assessments of companies, awarded Södra a top 1 percent in the packaging, pulp and paper segment. In 2022, Södra's score was 79 (76) of a maximum 100, and the company received a platinum medal for the second consecutive year. The average score in the assessments was 48 (47).

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

Södra Skogsägarna ekonomisk förening has reported in accordance with the Global Reporting Initiative (GRI) Standards for the period of 1 January 2022 to 31 December 2022.

GRI 1: Foundation 2021

GRI Standard	Disclosure	Description	Reference	Omissions
The organisation and its reporting practices				
GRI 2: General disclosures 2021	2-1	Organisational details	2, 66, 68, 150–154, 164	
	2-2	Entities included in the organisation's sustainability reporting	98, 109	
	2-3	Reporting period, frequency and contact point	2, 109, 164	
	2-4	Restatements of information	109	
	2-5	External assurance	109, 144	
Activities and workers				
GRI 2: General disclosures 2021	2-6	Activities, value chain and other business relationships	3, 5, 12–13, 32–39, 43, 66, 139	
	2-7	Employees	68–69, 121, 123–124	Omission of disclosures for employees who are paid on an hourly basis, no data is available.
	2-8	Workers who are not employees	121, 123	
Governance				
GRI 2: General disclosures 2021	2-9	Governance structure and composition	150–154, 158–161	Follows Swedish practice regarding disclosure of the Board's composition.
	2-10	Nomination and selection of the highest governance body	115–116, 152–153	
	2-11	Chair of the highest governance body	152, 158–159	
	2-12	Role of the highest governance body in overseeing the management of impacts	50, 113, 152–153	
	2-13	Delegation of responsibility for managing impacts	113, 152–153	
	2-14	Role of the highest governance body in sustainability reporting	109, 113, 152–153	
	2-15	Conflicts of interest	153–154	
	2-16	Communication of critical concerns	50, 113, 118, 152–154	
	2-17	Collective knowledge of the highest governance body	138, 152	
	2-18	Evaluation of the performance of the highest governance body	152–154	
	2-19	Remuneration policies	69, 153–154	
	2-20	Process to determine remuneration	69, 153–154	
	2-21	Annual total compensation ratio	69	
Strategy, policies and practices				
GRI 2: General disclosures 2021	2-22	Statement on sustainable development strategy	8–9	
	2-23	Policy commitments	113	
	2-24	Embedding policy commitments	113, 138	
	2-25	Processes to remediate negative impacts	114–118	
	2-26	Mechanisms for seeking advice and raising concerns	118	
	2-27	Compliance with laws and regulations	138	
	2-28	Membership associations	111	
	Stakeholder engagement			
GRI 2: General disclosures 2021	2-29	Approach to stakeholder engagement	110–111	
	2-30	Collective bargaining agreements	123	
Material sustainability topics				
GRI 3: Material topics 2021	3-1	Process to determine material topics	110	
	3-2	List of material topics	110	
Economic performance				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 89–92, 111, 116–118, 129–130, 150–154	
GRI 201: Economic performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	50–51, 87, 89–92, 117, 128–131	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, Södra's climate-change risks and opportunities are a top priority, entailing intensified efforts to increase positive impacts and minimise negative impacts, collection and quantification of data, and presentation and reporting.

GRI Content Index, cont. >

> GRI Content Index, cont.

GRI Standard	Disclosure	Description	Reference	Omissions
Anti-corruption				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 111, 118, 138	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	138	
	205-2	Communication and training about anti-corruption policies and procedures	138	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.
	205-3	Confirmed incidents of corruption and actions taken	138	
Anti-competitive behavior				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 111, 118, 138	
GRI 206: Anti-competitive behaviour	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	52	
Materials				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 111, 117-118, 132	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	132	
Energy				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 117-118, 130, 132	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	120-121, 133-134	
	302-2	Energy consumption outside of the organisation	120-121, 133-134	
	302-3	Energy intensity	120-121, 134	
Water and effluents				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 117-118, 132, 135	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	117	
	303-2	Management of water discharge-related impacts	117, 132, 135	
	303-3	Water withdrawal	121, 132	
	303-4	Water discharge	121, 135	
Biodiversity				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 111, 116, 118, 126, 136	
GRI 304: Biodiversity 2016	304-3	Habitats protected or restored	119, 127, 136	Status of protected areas is not reported for specific areas, not applicable, but for land owned by members of Södra.
	Own	Promotion of biodiversity	112, 119, 126	
Emissions				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 111, 113-114, 117-118, 130, 135	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	119-120, 130-131	
	305-2	Energy indirect (Scope 2) GHG emissions	119-120, 130-131	
	305-3	Other indirect (Scope 3) GHG emissions	119-120, 130-131	
	305-4	GHG emissions intensity	119-120, 131	
	305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant emissions to air	121, 135	
Waste				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 117-118, 136	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	117, 136	
	306-2	Management of significant waste-related impacts	117, 136	
	306-3	Waste generated	121, 136	
Supplier environmental assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 111, 118, 138	
GRI 308: Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	139	
Employment				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 115, 118	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	121, 124	Omission of division by age, no data is available. Omission of division by region, immaterial.

GRI Standard	Disclosure	Description	Reference	Omissions
Health and safety				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 114–115, 118, 122	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	114	
	403-2	Hazard identification, risk assessment and incident investigation	114, 122	
	403-3	Occupational health services	114	
	403-4	Worker participation, consultation, and communication on occupational health and safety	114	
	403-5	Worker training on occupational health and safety	114–115	
	403-6	Promotion of worker health	114, 122	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51, 114–115, 118, 138–140	Restricted to impacts linked to Södra's suppliers and from Södra's products and services. No other data is available.
	403-9	Work-related injuries	121–122	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.
Training and education				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 115, 118	
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	125	
	404-2	Programs for upgrading employee skills and transition assistance programs	125	
	404-3	Percentage of employees receiving regular performance and career development reviews	125	
Diversity and equal opportunity				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 115–116, 118, 123	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	68, 121, 123–124	
Non-discrimination				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 115, 118, 123, 138	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	123, 138	
	Own	Training in non-discrimination policies	112, 123	
Supplier social assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 111, 118, 138	
GRI 414: Supplier social assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	139	
Sustainable harvest rate				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 111, 117–118	
Own: Sustainable harvest rate	Own	Harvest rate on land owned by members	112, 119, 128	
The social values of forests				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 111, 116, 118, 128	
Own: The social values of forests	Own	Promotion of the social values of forests	112, 128	
Climate effect				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 111, 113–114, 117–118, 129	
Own: Climate effect	Own	Positive climate effect	112, 119, 129	
Forest growth				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 111, 116–118, 128	
Own: Forest growth	Own	Annual rate of forest growth on members' estates	112, 119, 128	
Organisational culture and values				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 111, 115, 118	
Own: Organisational culture and values	Own	Employees who would recommend Södra	112, 125	
Forest certification and certified products				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 111, 116, 118	
Own: Forest certification and certified products	Own	Certified affiliated forest area, %	112, 127	
	Own	Certified products, %	112, 140	

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 2022. 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 109–110 and 112 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 2023



Martin Johansson
Authorised Public Accountant

Madeleine Edberg
Authorised Public Accountant

Moa Gomersson
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. 12–13
- » Risks and risk management: pp. 50–51
- » Sustainability topics: pp. 122–140
 - Policies and governance: pp. 113–118
 - Results: see the table below
- » Other sustainability disclosures (including materiality assessment): pp. 109–112, 119–121

For more information about where the various sustainability-related disclosures can be found, refer to the GRI Content Index on pages 141–143.

Sustainability topics	Reference
Environment	Sustainable use of the forest and earth's resources: pp. 126–136 Optimised value chain from forest owner to customer and consumer: pp. 138–140
Social conditions and employment	People and culture at the centre: pp. 122–125 Optimised value chain from forest owner to customer and consumer: pp. 138–139
Human rights	People and culture at the centre: pp. 122–125 Optimised value chain from forest owner to customer and consumer: pp. 138–139 The reporting on human rights relates to Södra's operations and value chain on the basis of work with the Code of Conduct and Supplier Code.
Anti-corruption	Optimised value chain from forest owner to customer and consumer: pp. 138–139

Auditor's opinion on the statutory sustainability report

To the general meeting of Södra Skogsägarna ekonomisk förening, Corp. ID. No. 729500-3789

Engagement and responsibility

The Board of Directors is responsible for the sustainability report for the year 2022 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12, The auditor's opinion on 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.

Opinion

A statutory sustainability report has been prepared.

Växjö, 15 February 2023

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 refine and renew family forestry. For almost a century, we have been working together in Södra to increase the value of forests.

51,476

51,476 forest owners were members of Södra at year-end.

36

The members are organised into 36 forestry districts.

2.8 million

Combined, the members own approximately 2.8 million hectares of forest.

56,193 people are working together to strengthen forest estates



There are 56,193 people behind every sheet of paper. That was the heading for a campaign run by Södra's pulp producing branch in 2022. I think these two lines reflect what a fantastic organisation that we – members, employees and elected representatives – comprise and represent. But there are even more people to thank for Södra's position today.

When I became Chair of Södra in 2022, it almost felt like coming home. My first contact with Södra was when I was five years old. We had just moved to Strömsnäsbruk and my father became the manager of the sack paper mill. I went to school in Växjö and Södra has always been close to me. Throughout this time, I've been amazed by how Södra has somehow managed to stay one step ahead, and dared to take a slightly different approach to its competitors. Södra is an exciting company with its deep roots in both forest and industrial ownership, a combination that makes us unique. That is a strength that we should all make sure we use and build on.

Silveryxan tells the story of Södra

This is reflected by, among other things, the investment in energy over the decades to make our mills self-sufficient in electricity. There is a story about Södra's history that I think represents the association's legacy as well as its future. It is the story of Silveryxan (the Silver Axe).

In the mid-1960s, our industrial operations needed to be expanded to secure markets for our members' wood. Södra's founder, Gösta Edström, therefore launched 'The major industrial package,' which included expansion of the pulp mills at Värö, Mönsterås and Mörrum. The problem: There was a shortfall of SEK 100 million. So Gösta Edström launched the Silveryxan (Silver Axe) campaign, where members and employees were urged to help with financing – using a silver axe as the metaphor – to ensure a bright future for family forestry in Götaland. No sooner said than done: The goal was achieved with flying colours and the joint effort laid the foundation for the successful industrial structure that we are now continuing to develop.

This is one example of the unique strength of Södra, and the Södra Model. The combined strength of all members, employees and elected representatives is building a Södra for the future, while we are also tackling the challenges along the way. Together, we can both produce world-class products – like sheets of paper – and develop our business. The fact that we are a cooperation and that the members are dependent on a business that continues to develop and find new applications, is a strong driver. Not doing so will have a direct impact on members' forest estates.

This is an important legacy for me and the entire Board to continue safeguarding. We are responsible for continuing to make wise choices that will not only benefit us today, but also generations to come.



Proposed profit distribution reflects record result

All of the choices we have made in the past, also helped the association in 2022. Despite the year's conditions, we delivered operating profit of SEK 7,805 million due to a well-invested industry and high price levels. The Board's profit distribution proposal reflects this record-strong result and we propose a total distribution of SEK 3,243 million, corresponding to an average amount of SEK 63,010 per member.

We have an exceptional time behind us and over the years, many members have been contributing to the association's strong performance. It is important that the result is shared with the members – especially at a time when many family forest owners are directly impacted by high energy prices and other challenges. The proposal therefore includes a reallocation of the bonus issue to an extra dividend on paid-up contributed capital. This means that the money will generally be paid into members' accounts rather than topping up their contributions to the association.

The Södra Model shares the value created by the mills with members, and rewards those who actively promote the association by delivering their raw material over the long term. The model is showing its strength once again. It is a platform that allows the profitability of individual forest estates and members to grow.

Södra follows this development by measuring the profitability of the model forest estate, which is calculated using net forest income (the forest estate's revenue minus costs) plus dividends for wood deliveries and contributed capital. The model forest estate is based on members' estates and gives us an up-to-date view of members' profitability. It also gives us a baseline and something we have to work hard to increase.

Refine and renew family forestry

Family forestry in Götaland is currently facing a number of challenges – from severe spruce bark beetle outbreaks to high prices for fuel. At the same time, members of Södra have a raw material that many people want, not least to succeed with the climate transition. That is why our future Group strategy is focused on refining and renewing family forestry.

Today's Södra holds strong market positions in pulp, sawn timber and energy. New lines of business evolve from these core activities. Cross-laminated timber is one, dissolving pulp is another. In addition, we can further develop all of our various by-product streams with more processing and aim directly for substitution of fossil products with climate-smart products. With the support of wood deliveries from 51,000 members and owners and individually managed forests, this is a strong vantage point for continued development.

Five areas will be in focus for 2023 and onwards: Strengthen the family forestry and profitability for forest estates, optimise the value chain from forest owner to customer and consumer, ensure a leading offer to our customers and consumers, and prioritise sustainable use of the forest and earth's resources. Through these, we will build Södra as a bridge between forest estates and consumers, where the value of members' products and services grows in step with their benefit for society. I am looking forward to continuing and developing this work together with all of the 56,193 people who make up Södra.

Magnus Hall
Chair of the Board

Corporate Governance Report

Effective corporate governance and internal control are key components of a successful organisation and essential for upholding the trust of members, customers, authorities and other stakeholders. Effective corporate governance essentially ensures that systematic decision-making processes are in place, with a clear division of responsibilities between the various decision-making bodies. The Board and other corporate bodies need to work together to ensure effective governance and management of the company. Södra's governance proceeds from the association's Articles of Association, and the Co-operative Societies' Act.

Södra applies the specific cooperative principles of *Objectives and benefits for members, Democratic processes and Participation of the members in the enterprise's value creation*, pursuant to the Swedish Code for the Governance of Cooperative and Mutual Enterprises. Södra also applies appropriate parts of the Swedish Corporate Governance Code, since the Code is based on the Swedish model of corporate governance and provides guidance on what is considered good corporate governance.

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 raw material 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. The assignment can be summarised as *We refine and renew family forestry*.

Structure and organisation

Södra Skogsägarna ekonomisk förening is the Parent Company of a forest industry group that offers forestry services, sawn timber, timber building systems, dissolving and paper pulp for the pulp market, and 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 51,000 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 productive forest land, although more than 200 contributions are voluntary. One contribution is SEK 900. Anyone who owns, or leases, at least five hectares of forest land in the association's membership area, which is mainly in Götaland, can become a member. 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 51,476, a decrease of 462.

Forestry districts and local annual meetings

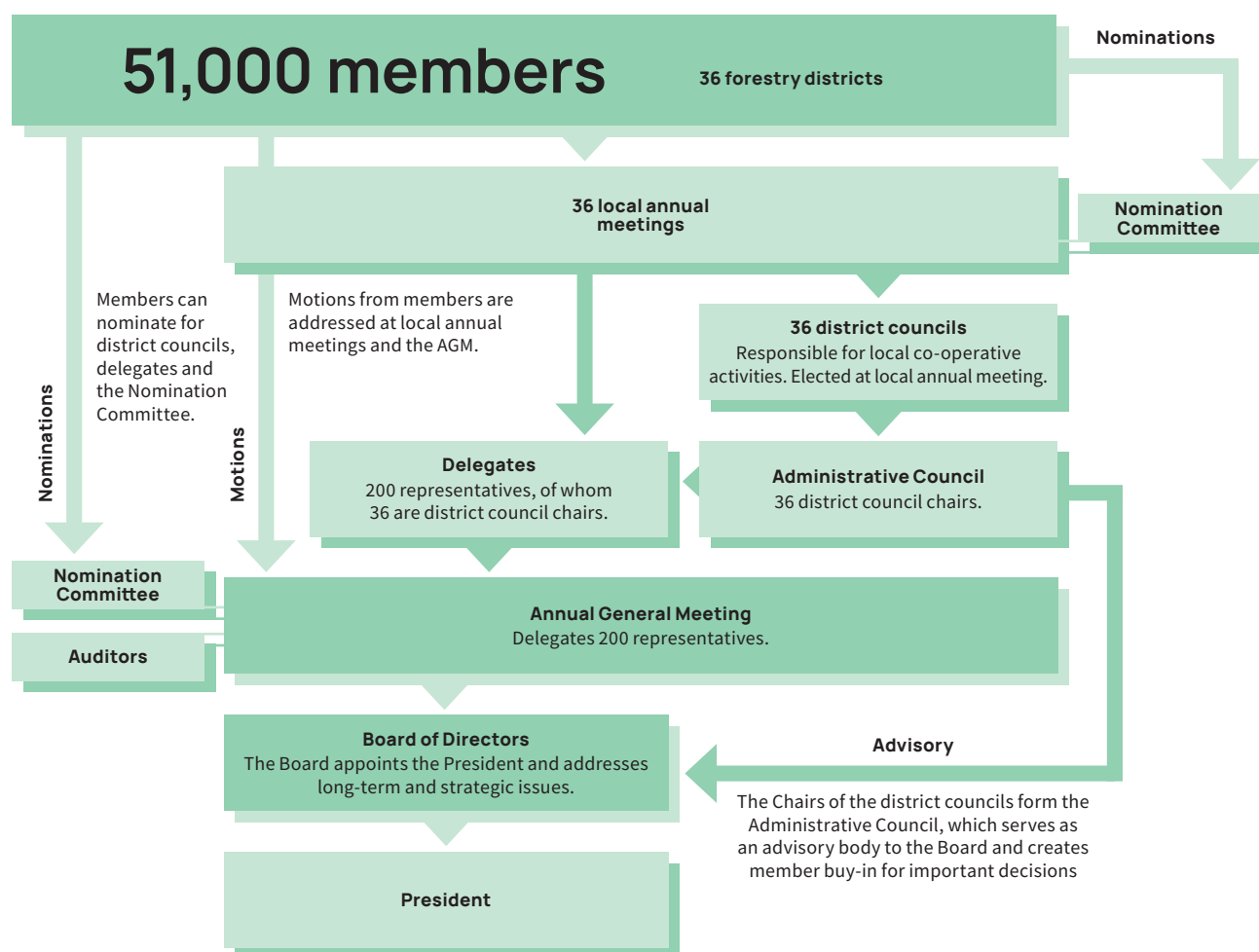
Members of Södra are organised into 36 forestry districts, and the opportunity for direct influence is greatest in a forestry district. The views of members are otherwise represented by elected representatives. Each forestry district appoints a district council and a nomination committee at its local 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 AGM. Members may submit motions directly to the AGM. In addition, all members are entitled to submit proposals directly to the district council or the Board. 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. Södra's 36 forestry districts held their local annual meetings between 13 March and 2 April.

The forestry districts' nomination committees

The forestry districts' nomination committees play an important role in Södra's democratic organisation and governance. The local annual meeting's election of members to the forestry district's council and delegates to the AGM must be prepared via a structured process that enables well-informed decision-making. The main purpose of the local nomination committees is to make recommendations for these elections. The nomination committee members must have good insight into Södra, the foundations and values of the association, and a broad network of contacts in the forestry district. At the 2022 AGM, terms of reference were adopted for the nomination committees in the forestry districts. These included that the nomination committees must work actively to increase the diversity of elected representatives in order to future-proof Södra and adapt to changes in the association's membership and the business environment. This is also strengthened in the nomination committee forum and in additional guidance for the nomination committees.



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. This includes member activities, training courses and monitoring local business policy. The district council also appoints special representatives to focus on important issues, such as a nature conservation representative, safety representative and wildlife representative. The members of the district council play an important role in member dialogue and the development of Södra.

The district council must have at least five and not more than twelve members. More members may be elected in larger forestry districts, but no more than 15.

Administrative Council

The 36 Chairs of the district councils form the Administrative Council, which is an advisory body to the Board and the AGM in strategic issues. The Administrative Council is also tasked with ensuring that Södra's strategic direction and decisions

are supported by members. As part of this process, the Administrative Council meets Södra's Board and management for more in-depth information and open dialogue.

In 2022, the Administrative Council held four scheduled meetings and five brief information meetings.

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 always included in the 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 year. Written notice shall be sent to each delegate not less than four weeks, and not later than

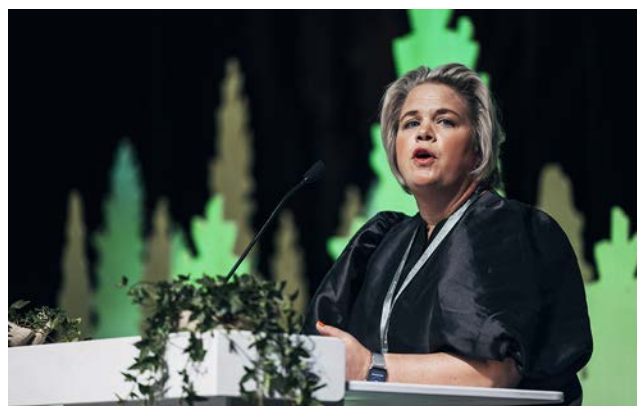
two weeks, before an Ordinary General Meeting, and not later than one week before an Extraordinary Meeting.

The 2022 AGM was held in Värnamo over the course of two days. On the first day, general meeting procedures were held, and streamed via Södra's website, as well as strategy dialogue. On the second day, there was a forest excursion on Södra's own estate.

The Meeting resolved on the appropriation of profits and addressed 17 motions that had been discussed by the representatives at digital motion meetings beforehand. The motions addressed included competency provision, profit distribution, browsing pressure and continuous cover forestry.

It was also resolved to clarify and amend the Articles of Association regarding an increase of the compulsory contribution from SEK 600 to SEK 900, and the introduction of a cap on paid-in contributions of SEK 5,000 per hectare of productive forest land.

In 2022, the Nomination Committee proposed that ten members be elected to the Board.



The 2022 AGM was held over two days in May in Värnamo.

The Annual General Meeting 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. Members of the Meeting's Nomination Committee are recommended by the Administrative Council's nomination team and shall comprise five to seven members. The composition shall reflect the association's members and, if possible, the entire membership area.

The Nomination Committee's work continues throughout the year and includes gathering knowledge about the association's development and future, and the performance of the Board as well as assessing the need for any changes. The Nomination Committee also reviews

the evaluation of the performance of the Board, which is carried out regularly with the help of an external party. This provides a basis for the identification of suitable candidates. Members and elected representatives may submit regular proposals to the Nomination Committee regarding candidates, both external and members.

At the 2022 AGM, Christer Andersson, Magnus Johansson, Ann Marke, Lars Skogsberg and Ingemar Thorstensson were re-elected, and Maria Åkesson was newly elected. At the Nomination Committee's first meeting, Ingemar Thorstensson was elected Chair, as recommended by the Administrative Council's nomination team.

The Board's composition and work

The Board has 13 ordinary members, of whom ten are elected by the AGM, and three are appointed of employees. Of the elected Board members, at least two-thirds must be members of the association, and

the combined competencies of the Board members must serve the association's needs. The aim of the Nomination Committee is that the association will always have a Board with the ability to create value on behalf of both industrial and cooperative interests. The competencies of the Board members are also continuously developed through, for example, training and field trips. The President is not a member of the Board.

The Board manages Södra's affairs in the Group based on the interests of the owners and is responsible for ensuring that appropriate targets, plans, strategies and policies are in place to 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.

Board members as of the AGM in June 2022

Board members	Function	Elected	Attendance	Fees paid (SEK 000s)	Member	Contributed capital at 31 Dec 2022	Committees
Magnus Hall	Chair	2020	16/16	734	Yes	SEK 1,005,202	Fees and Benefits
Paul Christensson	Vice Chair	2010	16/16	634	Yes	SEK 1,011,549	Cooperative
Kristina Alsér	Board member	2020	16/16	420	Yes	SEK 80,000	Cooperative
Hannele Arvonen	Board member	2022	10/16	198	No	0	Audit
Hans Berggren	Board member	2015	14/16	357	Yes	SEK 804,637	Audit
Pål Börjesson	Board member	2017	16/16	411	Yes	SEK 1,418,975	Audit
Ulf Johansson	Board member	2014	16/16	447	Yes	SEK 1,077,298	Cooperative
Mikaela Johnsson	Board member	2022	10/16	190	Yes	SEK 10,745	Cooperative
Carina Olsson	Board member	2022	10/16	197	No	0	Fees and Benefits
Mats Sandgren	Board member	2019	14/16	346	No	0	Fees and Benefits
Employee representatives							
Dan Andersson	Employee representative (PTK)	2014	16/16		Yes	SEK 1,251,871	—
Pontus Johansson	Employee representative (LO)	2015	15/16		No	—	—
Lars Nilsson	Employee representative (LO)	2017	15/16		No	—	—

In addition to the statutory meeting, the Board is to hold at least six meetings during the year. In 2022, the Board held 16 meetings, including one statutory meeting. Key Board matters in 2022 included health and safety, strategy and business plans, and amendment of the Articles of Association. The Vice Chair of the Board is appointed at the statutory meeting after the AGM.

The Board has detailed Terms of Reference setting out the Board's duties and meetings, and the ordinary agenda items that must be included. These are described using a one-year pie chart, see below. An internal evaluation during the year led to recommendations for improved market intelligence and adapted Board materials. The Board also appointed three committees to prepare matters.

Committees

The Board appointed three committees from within its ranks and established a terms of reference document for each committee:

- » the Audit Committee
- » the Fees and Benefits Committee
- » the Co-operative Committee

The Audit Committee monitors and reviews financial reporting, risk management, sustainability reporting and compliance with the digital strategy and information security. In 2022, the Committee consisted of Hans Berggren, Pål Börjesson and Magnus Hall (until the statutory Board meeting) and Hannele Arvonen (from the statutory Board meeting and onwards).

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 2022, the Committee consisted of Lena Ek (until the AGM), Mats Sandgren, Kristina Alsér (until the statutory Board meeting) and Magnus Hall (from the statutory Board meeting and onwards).

The Co-operative Committee was appointed in 2022 to prepare cooperative development issues and decisions for further review

by the Board. These included evaluation of the company's cooperative interaction and the Södra Model, the need to amend the Articles of Association, development of the Board's work with the Administrative Council, and recommendations regarding the Corporate Governance Report and the handling of motions to the AGM. In 2022, the Committee consisted of Paul Christensson, Ulf Johansson, Mikaela Johnsson and Kristina Alsér.

Independence

According to the Swedish Corporate Governance Code, the Board, its Audit Committee and Nomination Committee should consist of a majority of members who are independent in relation to the company. The members of the Fees and Benefits Committee shall be independent, except for the Chair of the Board, should they be a member of the Committee. Significant business relationships or other significant financial dealings with the company are one of the factors that are considered when assessing a member's independence. Two thirds of the Board must consist of members, whereas the Audit Committee and Fees and Benefits

December

- » THEME-Innovation – OnceMore®
- » Business plan 2023
- » Succession planning
- » Profit distribution
- » Annual planning, Board

November

- » THEME: Cooperative development – Member
- » Health and safety, business situation
- » Business policy

October

- » Q3 report

September

- » THEME: Södra Building Systems
- » Health and safety, business situation
- » Strategy – Communication
- » Innovation – Silva

August

- » THEME: Sawn timber – Wood
- » Health and safety, business situation
- » Strategy
- » Compliance
- » Terms of Reference

July

- » Q2 report

January

- » Proposed profit distribution

February

- » THEME: Pulp – Cell
- » Health and safety, business situation
- » Q4 report/annual accounts
- » Decision on proposal/profit distribution
- » Unicon
- » Results of member survey

March

- » Strategy
- » Prior to local annual meetings

April

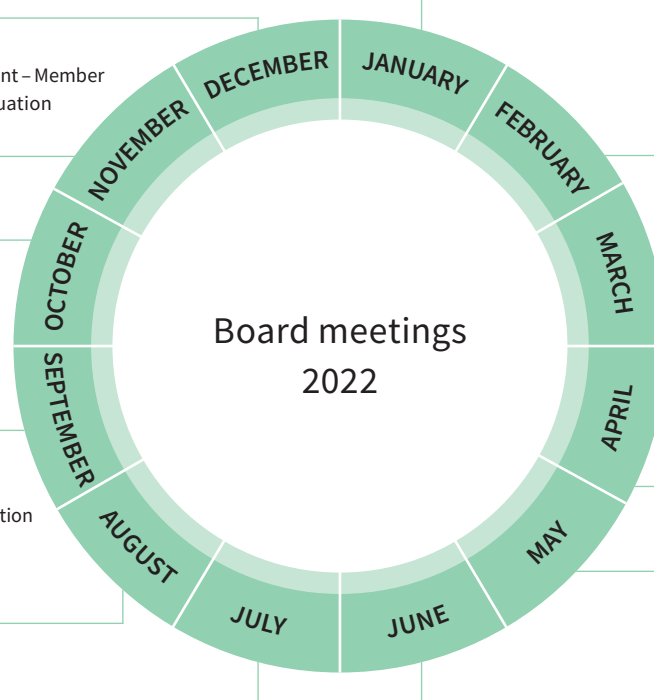
- » THEME: New business – Silva – Innovation
- » Health and safety, business situation
- » Q1 report
- » Matters prior to the AGM (motions)
- » Nomination Committee's proposals

May

- » Statutory meeting (after the AGM)

June

- » Health and safety, business situation
- » Strategy – framework
- » Air Traffic Control function



Committee may solely consist of members. The Nomination Committee generally consist of members of the Administrative Council, who are all therefore members. Members play an active role in the operations through their business relationship with the company and both Board and Nomination Committee members have had significant financial dealings with the company from time to time. The independence requirement cannot therefore be met in this respect. The Terms of Reference for the Board contains clear rules regarding conflicts of interest. Agreements are concluded between Södra and members of the Board, and Södra and members of the Administrative Council, in a special arrangement.

Evaluation, fees and remuneration

The performance of the Board and the President was evaluated in the fourth quarter with the help of an external party. The remuneration guidelines for Senior Management were adopted by the AGM.

Group Senior Management

Group Senior Management usually meets once a month and consists of the President, Business Area Presidents and function heads. Recurring agenda items are health and safety, strategy, economy and cooperative issues. Plans and follow-ups for each business area and function are also prepared at quarterly meetings. The President is responsible for the ongoing management in accordance with the Board’s guidelines and instructions. The Board has established a terms of reference document for the President.

Control functions

Risk control – Södra’s risk control function is responsible for the structure and coordination of the company’s strategic risk reporting. Södra Finance Centre is responsible for managing financial risk, based on the Financial Policy.

Internal control The Group’s Accounts & Internal Control function serves as the Group’s internal control function and reports to the Audit Committee and Group Senior Management. 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.

Compliance – In 2022, Södra strengthened the compliance programme and started a business ethics programme that includes a new structural management and monitoring process in the area with a particular focus on competition and anti-corruption.

Internal control and risk management system

The responsibility of the Board and the President for internal control is regulated by the Swedish Co-operative Societies’ Act. Internal control is a process that provides the Board, management and other employees 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 regulations.

Södra’s internal control is linked to the financial reporting system. Internal control

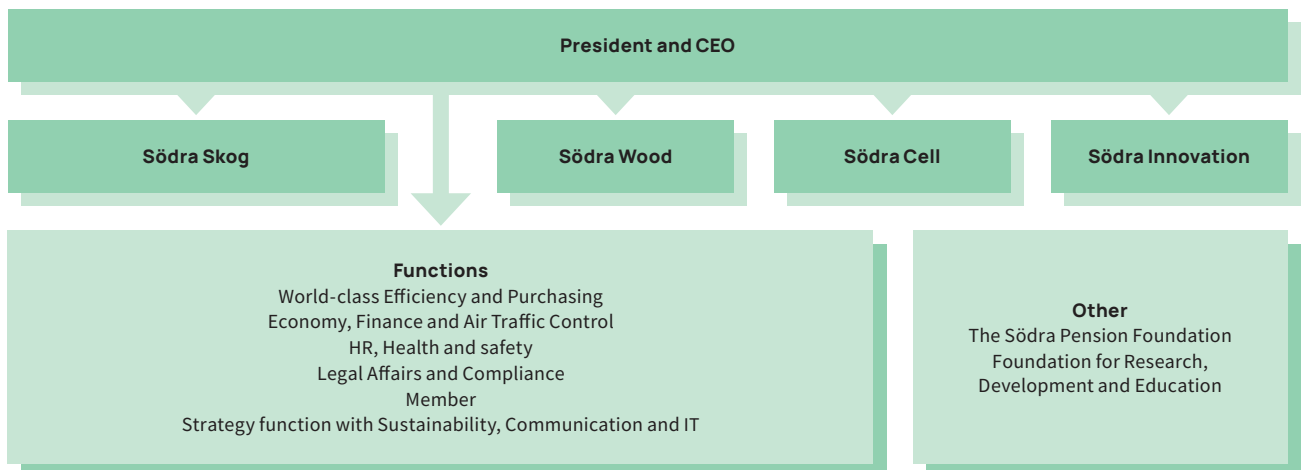
over financial reporting is designed to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports, year-end reports and annual reports, and that the external financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements on economic associations.

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 is updated annually under the supervision of Group Accounts & Internal Control and the results are reported to the Audit Committee and Group Senior Management.

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 2022 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. The Meeting established terms of reference for the Member Representative Auditors.



Development of the cooperation

Södra applies the specific cooperative principles of the Swedish Code for the Governance of Cooperative and Mutual Enterprises – Objectives and benefits for members, Democratic processes and Participation of the members in the enterprise's value creation.

- » **Objectives and benefits for members** The Board shall ensure that the company's objectives, set of values and strategy are based on the members' best interests and that the company delivers long-term benefits for members. The Board shall ensure that the company maintains open communication with members, employees and other stakeholders, established guidelines for the company's conduct and specifies the regulatory frameworks and principles that apply to the company.
- » **Democratic processes** Cooperative companies have democratic processes where every member's voice matters. The processes shall promote the participation of members in various forums in an open and transparent manner and provide opportunities for influence and transparency in the business. The members also appoint representatives to the highest decision-making body. The Board shall continuously evaluate the company's democratic organisation and initiate changes if necessary.
- » **Participation of the members in the enterprise's value creation** The cooperative business model is based on participation of the members in the enterprise's value creation via two roles, a business relationship and an owner relationship. The Board shall ensure that these relationships are designed to promote the economy, engagement and loyalty of the members.

The activities undertaken during the year with a specific connection to the cooperative principles are presented below.

Assignment and benefits for members

In 2022, Södra's strategy was updated and the cooperative perspective and benefits for members became clearer through, for example, the following strategic areas *Cooperative values and democratic processes, Knowledge and learning for family forestry and Meetings, tools and services for strengthened forest ownership*. Throughout this process, close dialogue with elected representatives was maintained through the Administrative Council, district councils and working groups, where elected representatives worked together with Södra's employees.

The amendment of the Articles of Association adopted by the 2022 AGM regarding Södra's ownership and profit distribution model was based on a broad buy-in and acceptance process together with the Administrative Council, district councils and

delegates. The Meeting also adopted Remuneration Guidelines for Senior Management.

The Co-operative Committee was appointed in 2022 to prepare matters related to cooperative development for the Board. These included evaluation of the company's cooperative interaction and the Södra Model, the need to amend the Articles of Association, development of the Board's work with the Administrative Council, and recommendations regarding the Corporate Governance Report and the handling of motions to the AGM.

Development of the democratic organisation

A revision of governing documents was an important part of this process in 2022. For example, the AGM adopted terms of reference for the forestry districts' nomination committees and assigned the Board to create and adopt a Cooperative Code of Ethics in consultation with the Administrative Council. The Ethical Code process is led by a project team of both elected representatives and employees, and involves a broad buy-in process with elected representatives. The terms of reference for the Administrative Council were also updated in regard to work methods and interaction with the Board.

In 2022, a decision was also made regarding a broader development programme for elected representatives (district council and nomination committees), starting in the first quarter of 2023. The aim of the development programme is to strengthen the mutual learning and development of both elected representatives and Södra through work with strategies, values, the Code of Ethics and the role of an elected representative.

During the autumn, the nomination committee forum held a discussion on the new terms of reference and guidance for fulfilling the terms of reference.

Open and active communication

Alongside of the recurring platforms for member dialogue, including local annual meetings, motions, proposals and autumn meetings, further steps were taken in 2021 and 2022 to promote more active and open communication with members. For example, more virtual meetings, streams, electronic newsletters and podcasts were introduced for both elected representatives and members to create better conditions for dialogue. Within the framework of strategy activities, the awareness of members' needs and expectations was improved by conducting interviews, questionnaires and so forth. The updated strategy contains initiatives aimed at increasing member dialogue, self-organised learning and transparency.

Important regulatory frameworks

External:

- » Co-operative Societies' Act
- » Companies Act
- » Annual Accounts Act
- » Swedish Corporate Governance Code
- » Swedish Code for the Governance of Cooperative and Mutual Enterprises



Internal

- » The association's Articles of Association
- » AGM resolutions
- » Terms of Reference 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 2022 Corporate Governance Report on pages 150–156.

Focus and scope of the audit

Our audit 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 2022.

Växjö, 15 February 2023



Martin Johansson
Authorised Public Accountant

Madeleine Edberg
Authorised Public Accountant

Board of Directors



Magnus Hall

Chair. Born 1959.

Board member 2020 and Chair 2022. Term of office expires in 2023. Former CEO of Vattenfall. Chair of Höganäs AB, NTM media group and Göta Kanalbolaget. Board member of Åhlin & Ekeröth.

Forest holding: 66 hectares of productive forest land. Total contributed capital in Södra: SEK 1,005,202.



Kristina Alsér

Born 1956.

Board member since 2020. Term of office expires in 2023. 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:¹⁾ 31 hectares of productive forest land. Total contributed capital in Södra: SEK 80,000.



Dan Andersson

Born 1961.

Alternate 2014, Board member since 2015. Employee representative for the Swedish Federation of Salaried Employees in Industry and Services (PTK). Representative of SSF-Ledarna at Södra Skog. Member of Södra's Group Council.

Forest holding: 160 hectares of productive forest land. Total contributed capital in Södra: SEK 1,251,871.



Hannele Arvonen

Born 1966.

Board member since 2022. Term of office expires in 2023. CEO and partner of Flooré AB. Former Board member of Holmen and Metsä, and CEO of Sveaskog and Setra Group.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



Hans Berggren

Born 1956.

Board member since 2015. Term of office expires in 2023. Agronomist. Former CEO and President of Sveriges Stärkelseproducenter economic association. Chair of SolEdits AB, Board member of SLU Holding.

Forest holding: 428 hectares of productive forest land. Total contributed capital in Södra: SEK 804,637.



Pål Börjesson

Born 1962.

Board member since 2017. Term of office expires in 2023. Agronomist and professor of environmental and energy systems at the Faculty of Engineering at Lund University. Member of the Swedish Academy of Agriculture and Forestry.

Forest holding: 126 hectares of productive forest land. Total contributed capital in Södra: SEK 1,418,975.

Holding of total contributed capital pertains to conditions on 31 December 2022.

¹⁾ Jointly owned.



Paul Christensson

Vice Chair. Born 1959.

Board member since 2010. Term of office expires in 2023. Vice Chair of LRF's Executive Committee, Chair of the Federation of Swedish Farmers (LRF).

Forest holding:¹⁾ 230 hectares of productive forest land. Total contributed capital in Södra: SEK 1,011,549.



Pontus Johansson

Born 1980.

Alternate 2015, Board member since 2017. Employee representative of 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.



Ulf Johansson

Born 1971.

Board member since 2014. Term of office expires in 2023. 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 1,077,298.



Mikaela Johnsson

Born 1982.

Board member since 2022. Term of office expires in 2023. Agricultural technologist. Board member of LRF's National Board of Directors. Owns and operates a farm and forest estate.

Forest holding:¹⁾ 450 hectares of productive forest land. Total contributed capital in Södra: SEK 10,745.



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.



Carina Olsson

Born 1965.

Member of Södra's Board since 2022. Term of office expires in 2023. President and CEO of Praktikertjänst. Former CFO of Södra.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



Mats Sandgren

Born 1955.

Board member since 2019. Term of office expires in 2023. Master of Science in Forestry. Chair of the Swedish Forestry Association. 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.



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.

¹⁾ Jointly owned.

Group Senior Management



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.



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 82,223.



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.



Sara Cronholm

Acting CFO Born 1977.

MBA. Employed 2021. Member of Group management since 2022.

Previous experience: Senior positions at IKEA in finance, innovation and business development.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



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 Pulping and research engineer at Stora Enso.

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.

Holding of total contributed capital pertains to conditions on 31 December 2022.



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.



Peter Karlsson

President of Södra Skog business area. Born 1976.

MBA. Employed 2016. Member of Group management since 2019.

Previous experience: Various positions within Södra, including CFO, President of Södra Interiör, CFO of Elajo Invest and senior finance positions in the manufacturing industry.

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.



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.



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.



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.

Changes during the year

Peter Karlsson, new President of the Södra Skog business area.

Sara Cronholm, new Interim CFO.

Olof Hansson resigned from his position.

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).

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.

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.

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 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 (CO₂e)

A standard unit for measuring greenhouse gas (GHG) emissions. Each type of greenhouse gas has a different global warming effect. When emissions are indicated in CO₂ equivalents, all greenhouse gases are included as if they were carbon dioxide.

Carbon sink

Uptake of carbon dioxide – in a growing forest, for example.

Chemicals

A general term for the chemical products used in Södra's operations.

Contributed capital

Capital contributed by the association's members.

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 PEFC and/or FSC®-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. 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).

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.

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.

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. Based on a range of different 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 information can then be used for decisions related to the long-term use of forests. The most recent forestry impact assessment (SKA 22) was conducted 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 is an international organisation that develops Sustainability Reporting Standards (GRI Standards) to help organisations increase their transparency and communicate 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 regeneration stands 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 carbon dioxide, 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 m².

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.

m³l

Cubic metres of loose volume. Refers to the outer dimensions of the material and is used for woodchips, for example.

m³fo

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.

m³sub

Cubic metres solid volume under bark. Refers to volume of a tree trunk, excluding bark and treetops. Generally used as a measure in harvesting and the timber trade.

m³sw

Cubic metres of sawn wood.

OnceMore®

The dissolving pulp produced in the OnceMore® process consists of cellulose from two separate sources – textile waste, and wood from sustainable forests.

PEFC

The Programme for the Endorsement of Forest Certification is an international organisation dedicated to promoting sustainable forest management through independent third-party certification.

Process chemicals

Chemicals used in the production processes of Södra's industries.

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.

Pulp

Södra produces paper pulp – both softwood and hardwood sulphate pulp – and dissolving pulp, which are sold on the pulp market to customers worldwide.

RASE

Swedish abbreviation for 'rowan, aspen, sallow and oak.'

Recycled Claim Standard (RCS)

The aim of RCS is to increase the use of recycled materials. RCS certification of the products that are sold to consumers requires certification and traceability across the entire value chain. Through 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.

Right tree, right place principle

Forest management is adapted to the conditions of each site, such as selecting the right tree species.

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 emissions from the generation of purchased energy, and Scope 3 – other indirect emissions.

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.

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 products based on renewable forest raw material 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 the fossil carbon emissions that are replaced per unit of biogenic carbon in forest-based 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.

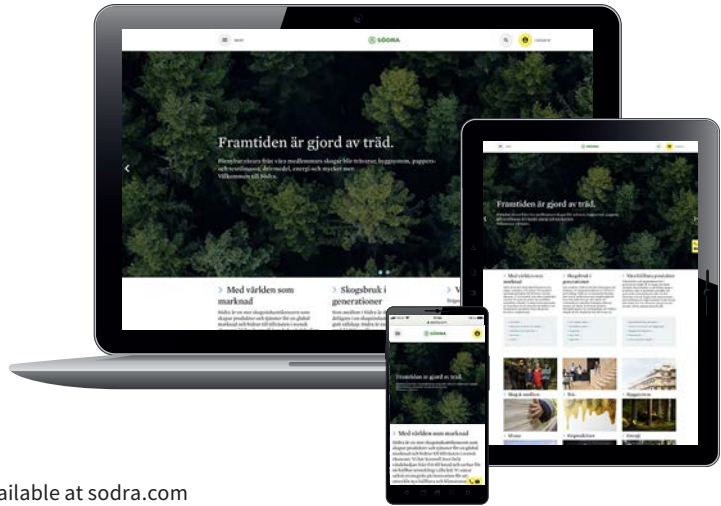
Financial information

Reporting calendar

Quarterly reports will be published on the following dates:

Q1	27 April 2023
Q2	17 July 2023
Q3	20 October 2023
Q4/Year-end report	February 2024

The Annual General Meeting for the 2022 financial year will be held on 31 May 2023 in Lund, Sweden.



The reports, as well as other information about Södra, are available at sodra.com

Contact

For more information, visit: sodra.com/contact

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This is Södra

Rooted in the forest, we grow the future. Södra was founded in 1938 on the idea that we are stronger together. Södra is now the largest forest-owner association in Sweden, with 51,000 family forest owners as members. Together, the members of Södra own a world-leading industry that processes forest raw material into renewable products such as pulp, timber, building systems, liquid bioproducts and energy.

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