

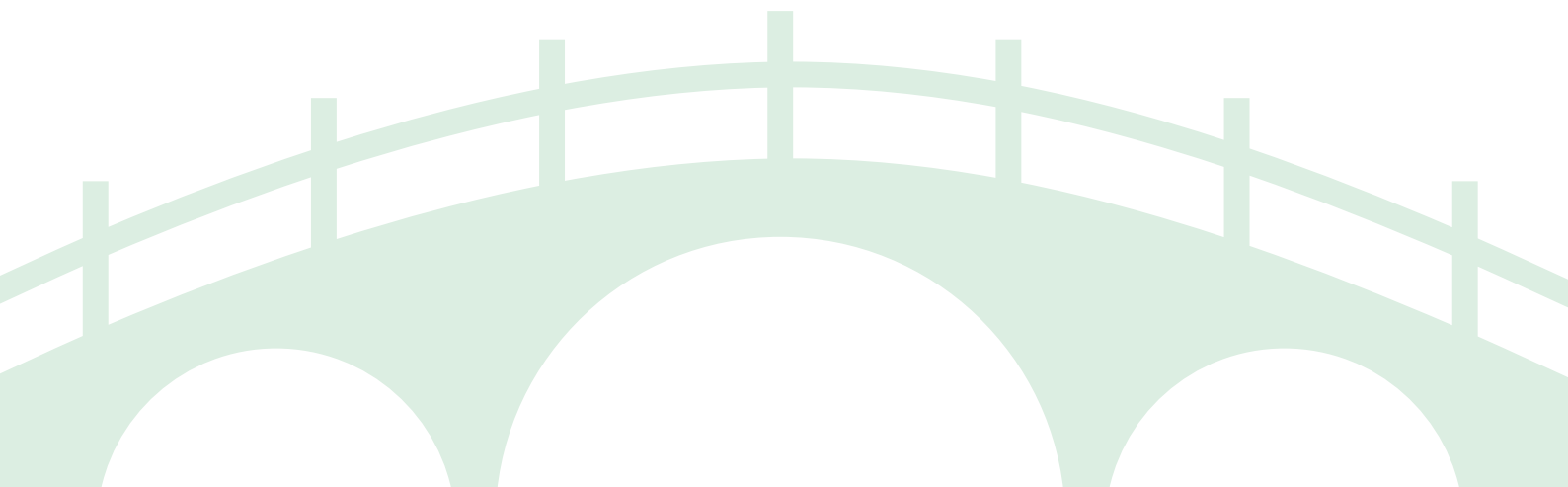
# 2023

**Sustainable values  
from family forestry**

Annual and Sustainability Report



**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 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 members' forests.

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The Board of Directors and President of Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) hereby submit the 2023 Annual Report for the Group and the Parent Company. The audited annual report comprises pages 46–101. 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 28 May 2024 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 (CLT) are enabling the construction of sustainable high-rise buildings in timber for residential, industrial and public use. CLT panels are precision cut in the plant according to customer requirements for construction elements such as joists, ceilings and 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.

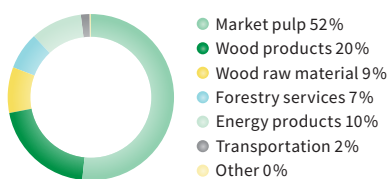
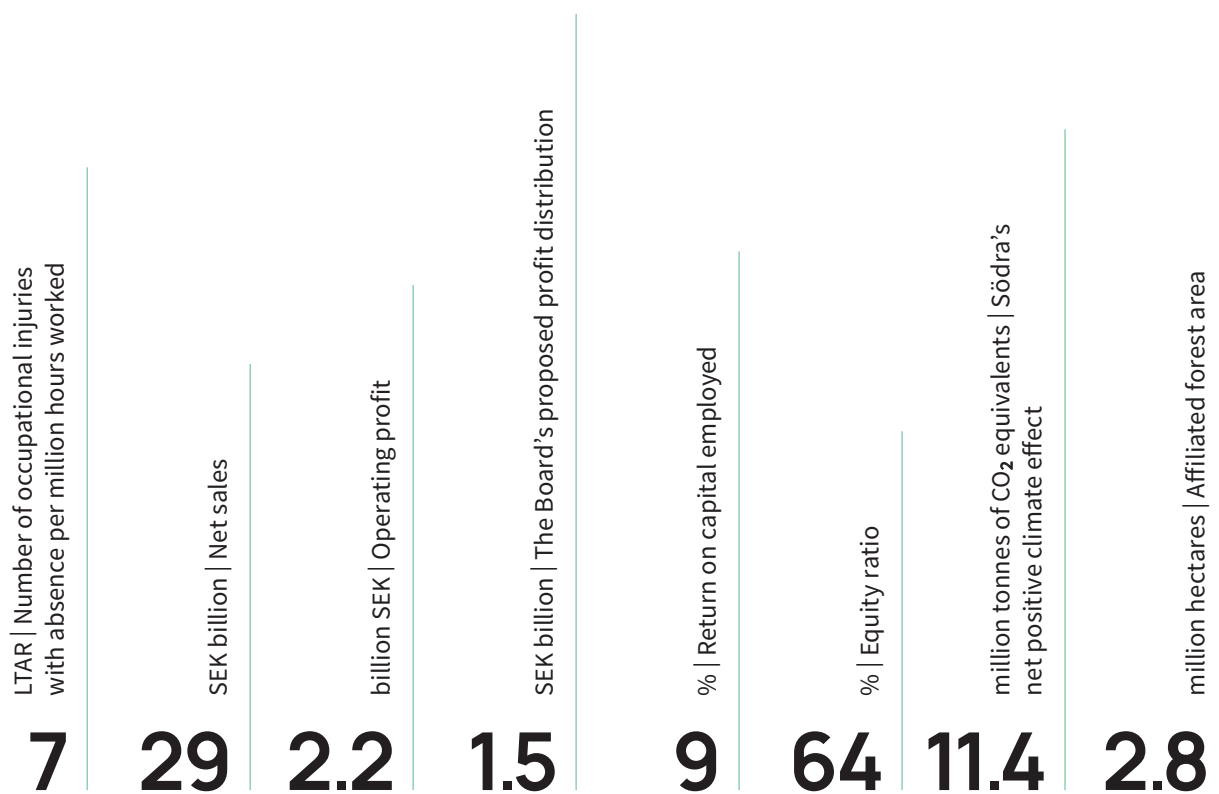


## Energy

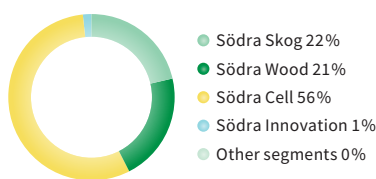
Forest raw material also provides energy products such as green electricity, district heating and biofuel. Electricity and district heating from Södra consist of excess energy from our mills, and biofuel can be used directly in thermal power stations or in the form of pellets.

# The year in figures

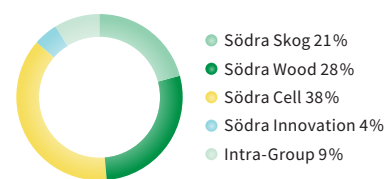
Some of our most important figures and key indicators for 2023.



Net sales per revenue category.



Sales per business area.  
SEK 28,896 million in total, excluding internal deliveries.



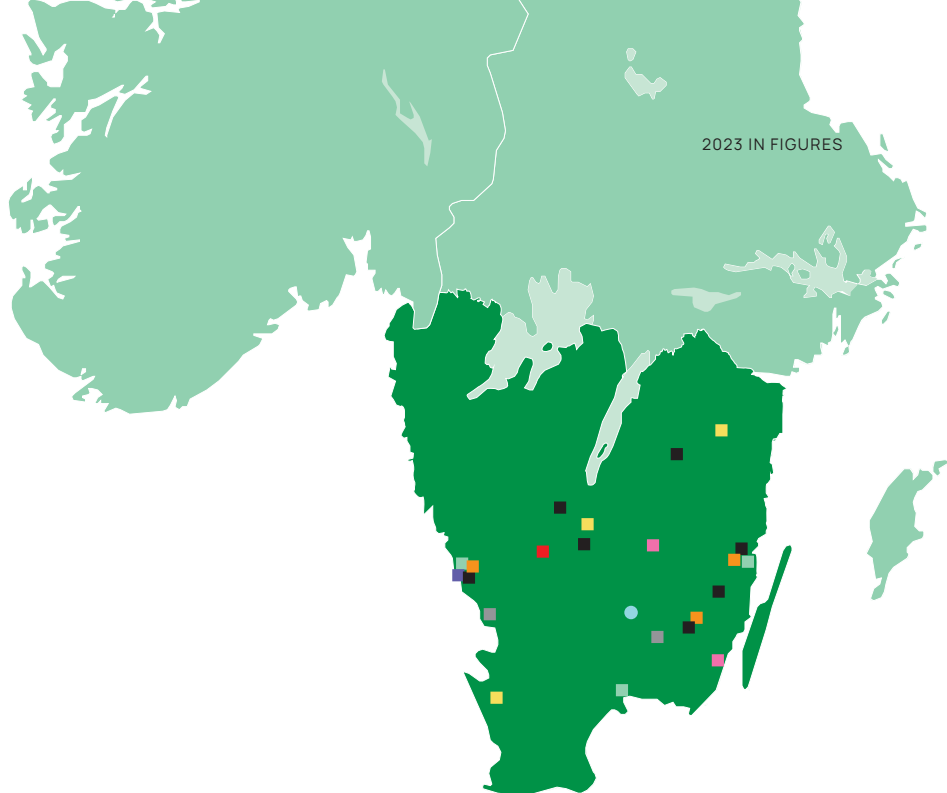
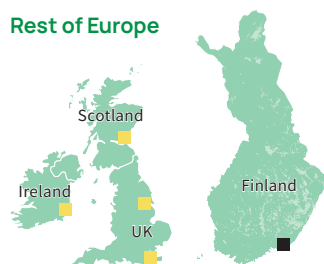
Average number of employees per business area. 3,402 employees in total.

## Production units

- Pulp mill
- Sawmill
- Pressure treatment plant
- Grinding facility
- Further processing
- Pellets factory
- Factory for cross-laminated timber (CLT)
- Nursery
- Head office

Refers to production units at 31 December 2023

### Rest of Europe



# 3,402

Average no. of employees

# 19

Forestry operations areas in Götaland

# 3

Pulp mills

# 8

Sawmills

Key indicators	2023	2022	2021	2020 <sup>1)</sup>	2019
Net sales, SEK million	28,896	33,367	27,060	20,351	23,183
Operating profit before depreciation, amortisation and impairment, SEK million	3,677	9,136	6,811	2,164	3,897
Operating profit, SEK million	2,226	7,805	5,316	891	2,582
Profit before tax, SEK million	2,272	7,724	5,233	746	2,495
Return on capital employed	9%	35%	25%	2%	12%
Equity ratio	64%	65%	63%	57%	59%
Cash flow after investments, SEK million	79	5,820	3,192	646	2,227
Profit distribution, SEK million	1,474 <sup>2)</sup>	3,243	2,239	598	1,068
Affiliated forest area, 1,000 ha	2,806	2,786	2,719	2,696	2,637
Wood volume, million m <sup>3</sup> sub	17.3	18.3	18.0	17.4	17.1
No. of members	51,774	51,476	51,938	52,921	52,192
Average no. of employees	3,402	3,262	3,118	3,112	3,126
Positive climate effect <sup>3)</sup> , Mt CO <sub>2</sub> e	11.4	12.1	13.3	11.0	10.8
Fossil emissions in the value chain <sup>4)</sup> , Mt CO <sub>2</sub> e	2.3	2.1	2.1	2.2	—
Lost time accidents (LTA) <sup>5)</sup> , no.	38	50	56	47	62
Lost time accident rate (LTAR) <sup>6)</sup>	7	10	11	9	12

<sup>1)</sup> The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations. Comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and earlier), but are reconcilable with historical reports.

<sup>2)</sup> Proposed profit distribution, including bonus issue.

<sup>3)</sup> CO<sub>2</sub>e=carbon dioxide equivalents.

The data for 2019 was produced with a different reporting principle than for 2020–2023, entailing a boundary in relation to the fossil greenhouse gas (GHG) emissions that are included.

<sup>4)</sup> 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 2019 is not presented.

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

<sup>6)</sup> 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



## Inauguration of Södra's new CLT facility

In mid-March, Södra's new facility for cross-laminated timber (CLT) was inaugurated at Värö. The facility is one of the largest in Sweden with the capacity to supply framing materials for more than 4,000 homes annually, representing a tenfold increase in our CLT production capacity.

"Södra's mission is to refine and renew the value of family forestry and our new CLT facility is one way of doing exactly that. Today is a proud moment for Södra's entire organisation – members, employees and customers are continuing to work together to build stronger value chains that enable us to meet society's demand for sustainable and innovative products from family forestry," said Lotta Lyrå, President and CEO of Södra.



## Jessica Nordin new Director of Sustainability

Jessica Nordin has been appointed new Director of Sustainability at Södra with responsibility for leading and developing Södra's overall sustainability agenda moving forward. A major focus will lie on strengthening efforts and knowledge about biodiversity and sustainable forestry, which are important future issues for Södra.

Jessica Nordin most recently served as Environmental Manager at Södra Skog, with responsibility for leading and developing Södra's nature conservation and consideration activities.

"I am looking forward to working with the breadth entailed by my role as Director of Sustainability. Södra is an organisation that creates great social benefit and with its foundation in family forestry contributes solutions to many of the major environmental challenges of our time," said Jessica Nordin.

## Paper pulp from agricultural products

During the year, Södra tested paper pulp made from pulpwood from members' sustainable family forestry combined with waste from agricultural operations close to our three pulp mills at Värö, Mönsterås and Mörrum.

The agricultural residues will complement the pulpwood in the paper pulp with the aim of producing a high-performing product with improved properties. The new blend will mean that more paper pulp can be produced from each tree, which will strengthen the profitability of family forestry and enable an even more resource-efficient and circular flow.



## New technology major lift for drivers

During the year, the most modern roundwood truck in Sweden was rolled out, with Södra's mill at Värö as its final destination. The new logging truck without a crane cabin that is controlled by virtual reality (VR) and has a wagon with more and higher stanchions is the result of a development project between Södra and two of its suppliers – Exte and Hiab.

"This new technology makes my job safer and easier," said Filippa Persson, one of Södra's drivers who tested the vehicle during the year.

Knowledge and experience from the project will help to guide the investments that are made in Södra's own logging trucks in the future, but also drive the technological development of the hauliers who work with Södra, who currently provide about 300 logging trucks.





### Promising results for development of planting machine

Södra's venture into a new advanced technique for better seedling survival was field tested with promising results. The aim of our proprietary planting machine, BraSatt 01, is to accelerate technical advances in forest regeneration.

"There haven't been any major technical breakthroughs in forest regeneration since the planting tube. With Södra's venture, we are giving the forest regeneration method a real boost and using a technique that is unusual in forestry. I hope this will have a ripple effect, so that forest owners can continue to benefit from more new techniques as we move forward," said Anna Wallner, project manager.

### New evaporator boosting green electricity production

In April, the new evaporation plant at the pulp mill in Mönsterås was commissioned – an investment of SEK 700 million. This will reduce the mill's consumption of heat in the form of steam and, in turn, increase the production of green electricity.

During the project, as many as 200 people were on site at the same time and they clocked up a total of more than 200,000 hours – without any serious incidents.

"This is an investment in a modern facility that is strengthening us," said Karin Dernegård, Site Manager at Södra Cell Mönsterås. The fact that not a single serious incident occurred despite the large number of hours worked and the numbers of people and companies on the site is a great achievement.



### EU visit with a focus on sustainable forestry

In May, under Sweden's Presidency of the Council of the European Union, Södra hosted a visit by the Permanent Representation of Sweden to the EU at the combined plant at Värö. The purpose was to discuss sustainable forestry, the role of the forest industry in Sweden's growth and joint solutions moving forward.

"We were very happy with the visit. It was a good opportunity to provide insight into Södra's entire value chain, from members' forests to finished products and innovations that are contributing to the climate transition," said Marcus Svensson, Head of Public Affairs at Södra.

### Record-high profit distribution to members

The Annual General Meeting in Lund on 31 May approved a record-high profit distribution. The Meeting adopted a distribution of SEK 3.2 billion to members based on the record result in 2022.

### Substantial demand for forest raw material from family forestry

Demand for forest raw material from family forestry was substantial during the year and timber prices rose to historically high levels. The year opened with a strong wood market and high demand for raw material from our mills. In January, Södra raised its prices for spruce and pine logs and urged members to maintain a high rate of harvesting.

The favourable situation in the wood market continued throughout the year. In May, prices were raised for several wood ranges. Prices for spruce logs and softwood pulpwood were raised 10 percent and 15 percent, respectively, and a market premium was introduced. Prices for sawable and energy ranges were raised on 1 September, and prices for spruce and pine saw logs were raised again on 9 October.



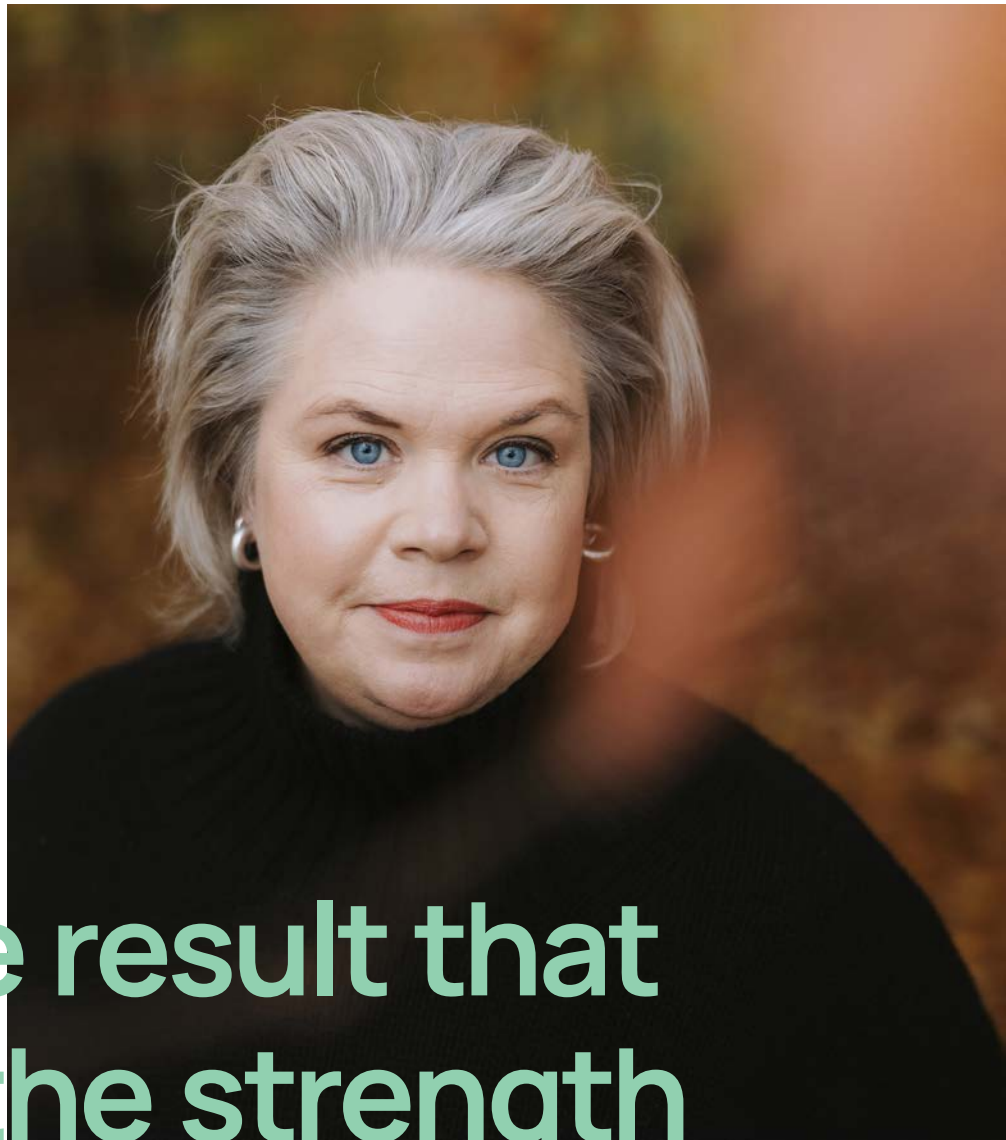
### Inauguration of new cold storage facility for seedlings

In October, Södra's new cold storage facility for seedlings was inaugurated by the Chair, Magnus Hall. The facility, which lies adjacent to the Falkenberg nursery, is Södra's first and has capacity for handling 40 million seedlings. The cold storage facility represents a major increase in capacity compared with previous rental solutions and the investment will eventually enable Södra to meet the growing demand for high quality seedlings.

### The product area Bioproducts strengthens the energy and chemicals business

The energy and chemicals business continues to grow. To further strengthen the customer offer with a more cohesive business structure, we formed the Södra Bioproducts product area with Johannes Bogren as manager in charge.

Södra Bioproducts will be responsible for developing and optimising the existing business, which includes electricity, district heating, solid fuel products, and liquid products such as biomethanol, tall oil, and turpentine. The responsibility for production will remain with Södra's various business areas.



# A stable result that shows the strength of the cooperative

**Lotta Lyrå**  
President & CEO

**When summarising the past year, I can confirm that Södra's position is stable.** As a cooperative with the mission to refine and renew the value of family forestry both today and tomorrow, the fact that we span the entire value chain is a strength, and together – members and employees – we can handle the short-term challenges alongside of long-term opportunities. At a time when the green transition is central, we have the benefit of working with the forest, which is appreciated and generates so much social value.

**At Södra, every second of the day counts when it comes to safety, security and taking care of each other.** 2023 was no exception, and we worked with improvements, behaviours and major shifts to ensure that all employees work safely or not at all. During the year, the number of accidents with absence from work decreased year-on-year to 38. We can never take time out from this work, but are glad when we improve.

## Global changes that affect us

During the year, it became clear that two major changes in particular had a combined impact on our business operations and day-to-day activities. Weaker demand due to slower consumer spending, while the geopolitical situation has reduced the supply of forest raw material and led to higher prices. In addition, the past nine years have been the warmest on record, and the changing climate means that we have to deal with storms, extreme drought and soil wetness in the forest. The changes are global, and both economic and structural factors play a role. And they have affected both our forests and the market. These events impact us, but our strength as a cooperative is demonstrated by the fact that we delivered a stable result in line with our expectations for the year. Our sales amounted to SEK 29 billion and operating profit totalled SEK 2.2 billion. On this basis, the Board proposes a profit distribution of SEK 1,474 million to members.

For Södra's core products of pulp and sawn timber, the overall trend during the year was characterised by a slowing market and lower prices. The lower prices were offset by the weak SEK, and towards the end of the year we saw an improvement in the pulp market due to lower global supply while our own production capacity increased. We expect this to continue in early 2024. The global market for sawn timber has been turbulent in recent times. This applies especially to Sweden where major and rapid changes in supply and demand have led to high volatility in both delivery volumes and prices. In 2023, the lower commodity market prices and slow pace of construction combined with rising saw log prices depressed activity for sawn timber from two directions. Our assessment is that the challenging situation in 2023 will continue.

## High demand for forest raw material

In the forest, the year was also characterised by intense competition and Södra made several price adjustments to meet demand. The raw material from family forestry is highly sought-after and wood prices in Götaland reached historically high levels. This is positive for the profitability of forest estates and we expect that demand will remain high. However, this is also increasing pressure on the Group's industries, which makes our focus on competitiveness even more important. Our efficiency improvements have therefore been in focus and due to the commitment of the line organisation, we had already achieved our annual target of SEK 724 million in efficiencies by November 2023 and the year closed on SEK 866 million. This contributed to the result for 2023 while also generating a long-term effect. Our efforts in this area will continue, to continuously calibrate and streamline our activities taking into account the market and the demand we see ahead.

## Investments with eyes on the horizon

The external situation has made it even clearer that our strategic direction for innovation – to strengthen the added value of forest estate products – is necessary and right. We believe strongly that many of our future solutions will come from the energy and chemicals business and we strengthened that pillar with Södra Bioproducts during the year. During the year, we completed investments that will strengthen our competitiveness over time. The new CLT facility at Värö, the evaporator in the pulp mill at Mönsterås, and the cold storage facility for seedlings in Falkenberg are three

examples of operations that are now in place. During the year, Södra became the first operator in the world with both PEFC and FSC® Chain-of-Custody certification on a commercial scale for tall oil, turpentine and biomethanol. And after several years of work to develop high-quality birch seeds, we can now meet the growing demand for deciduous seedlings from family forestry. More initiatives with our eyes on the horizon were initiated. Following a period of research and development, a venture to produce paper pulp from local agricultural residues and sustainable forest raw material was launched. The EU's LIFE programme granted the largest amount of funding ever for textile recycling when Södra and Lenzing's projects received EUR 10 million.

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.

## Sustainable in the long term

While global demand for sustainable solutions is immense, the reality is that profitability is required for long-term sustainability. And that we keep the door open for more solutions and technologies than are possible to carry alone. Our innovation is key here, but also that we have the courage to pass the baton whenever this is required by technological advances. That is why Södra divested its stake in Silva in 2023. Södra's partnerships with customers, research and strategic innovation partners along the road to the green transition are extremely important. We have seen progress in many projects during the year that, regardless of whether they lead to a future commercialisation or not, have resulted in new knowledge for us. Another key factor for realising and accelerating the green transition is that the political and social conditions promote the investments that are required due to a long-term and equal playing field. We work actively to promote constructive and Group-wide solutions at both national and EU level. As more and more forest-related issues are decided in Brussels, we have an important task to convey the everyday life and key role that family forestry plays for the climate, biodiversity and phase-out of fossil fuels. Following a period of many new and tightened forestry regulations under the European Green Deal, we are looking forward to contributing to the development of more business models where forest owners are paid for the work they do for the good of society.

Södra has been playing a key role in the development of forest estates in southern Sweden for more than 80 years. By being a driving market player that promotes the interests of forest owners and develops industry in line with the times, we have continuously secured markets and profitability for forest estates. Accordingly, the cooperative has also helped to create jobs in rural areas, improve nature conservation and provide access to wood-based products in daily life for millions of people.

With the roots of 52,000 family forest owners who want to manage and use their forests responsibly, and customers and consumers who want to achieve their goals and make sustainable choices in daily life, it is clear that we are expected to continue creating both value and solutions. And with the forest's fantastic opportunities that Södra can develop across the entire value chain – from forest estate to end-consumer – this work is continuing into a new year.

# We work safely, or not at all

We put people and culture at the centre of everything we do. Health and safety is therefore our top priority. Every second of the day should count when it comes to safety, security and taking care of each other, and that is why we never stop working to create a work environment and an organisation that are healthy, sustainable and injury-free. We work safely or not at all – and that applies to members, employees and contractors.

An organisation where health and safety is high on the agenda is also a prerequisite for the ability to attract and retain future employees.

## 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 2023, we noted a significant decline in the lost time accident rate (LTAR), which is our overarching objective.

## 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 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 high-risk behaviour. The purpose is to engage all employees in practices to reduce the number of workplace accidents.

In 2023, we continued develop the organisation. The Group-wide health and safety function supplements the legal line responsibility for the workplace environment and provides unified management and Group-wide processes. We started four rounds of our BBS training for managers and leaders, *Grow Health & Safety*, with participants from all business areas and functions.

## Activities across the entire organisation

Combined with our systematic approach to health and safety, we conduct strengthening initiatives and activities across the entire value chain. All with the aim of becoming an even safer and healthier Södra. Some examples from the business areas are the *Safety first* programme in the Wood business area, which has created a safer industrial environment and reduced work-related injuries by working proactively, the *Behaviours that Save Lives* concept that Cell rolled out during the year, Skog conducted a health and safety week and a BBS pilot project at the Flåboda nursery, while Innovation introduced positive observations to highlight best practices.





## Safety in the forest

Members raised safety-related issues on several occasions throughout the year, such as at local annual meetings and in the member newspaper (Södrakontakt), which also included the gift of a Hi-Vis vest. Local health and safety representatives are also important, combined with the *Safe Forestry* training course, which issued operator licences for brush cutters or chainsaws to more than 1,000 forest owners during the year.

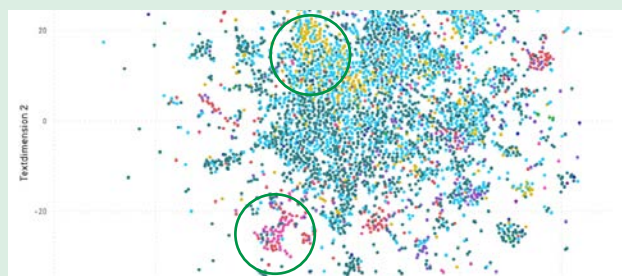
Södra's forest inspectors use Svevia's safety app for additional safety when they are working alone in forests or on roads. A timer starts in the app when the lone work starts. If the timer isn't turned off within a set time, the app sends a text message to the designated contact persons to inform them that something has happened and where the affected person is located. The app can also be used by forest owners and contractors for added safety.

## AI is helping us identify our biggest workplace risks

Every year, several thousand adverse events are recorded in Södra's IA system – a Group-wide system for handling positive observations, incidents, risk observations and injuries. The system gathers data for follow-ups, but the contents of the description of the course of events have been difficult to capture and analyse in order to take measures.

“Insurance companies base their premiums on risk levels. I thought that we could work pro-actively in a similar way and anticipate risks based on the courses of events we have reported,” said Jörgen Rydberg, Health and Safety Engineer at Mönsterås.

Jörgen's idea was snapped up by Södra's Air Traffic Control function and led to the creation of chatbot Jörgen who uses artificial intelligence (AI) to analyse the reports. It can now identify where the next incident is most likely to occur and prioritise key safety measures. The chatbot uses new AI language models that can interpret, and even generate, text content. It will also be possible to ask the chatbot questions, like “Can you tell me the five biggest risks when performing this task?” The chatbot is being trained and tested prior to a planned launch in 2024.



AI can be used to analyse the risk of accidents and show where they exist visually. In this example, text analysis has been used to identify risk observations and see problem areas with insufficient personal protective equipment.



Jörgen Rydberg, Health and Safety Engineer at Södra at Mönsterås, is the inspirer.

# 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

The remaining fossil emissions in our value chain.

### Biodiversity

### Responsible forest management

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

### Social benefit

Source of income | Jobs & competence | Infrastructure

## End-products



Wood products



Pulp



Energy



Building systems



Liquid bioproducts

Customers that reprocess 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, minus our fossil emissions, plus using our forest-based products to replace products with a higher climate impact, gives us a positive 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](https://sodra.com)

## Share of Södra's result through profit distribution

Between 2013 and 2022, the average profit distribution was:

- » 10% percent on wood deliveries
- » 10% on contributed capital\*
- » 16% bonus issue on paid-up contributed capital

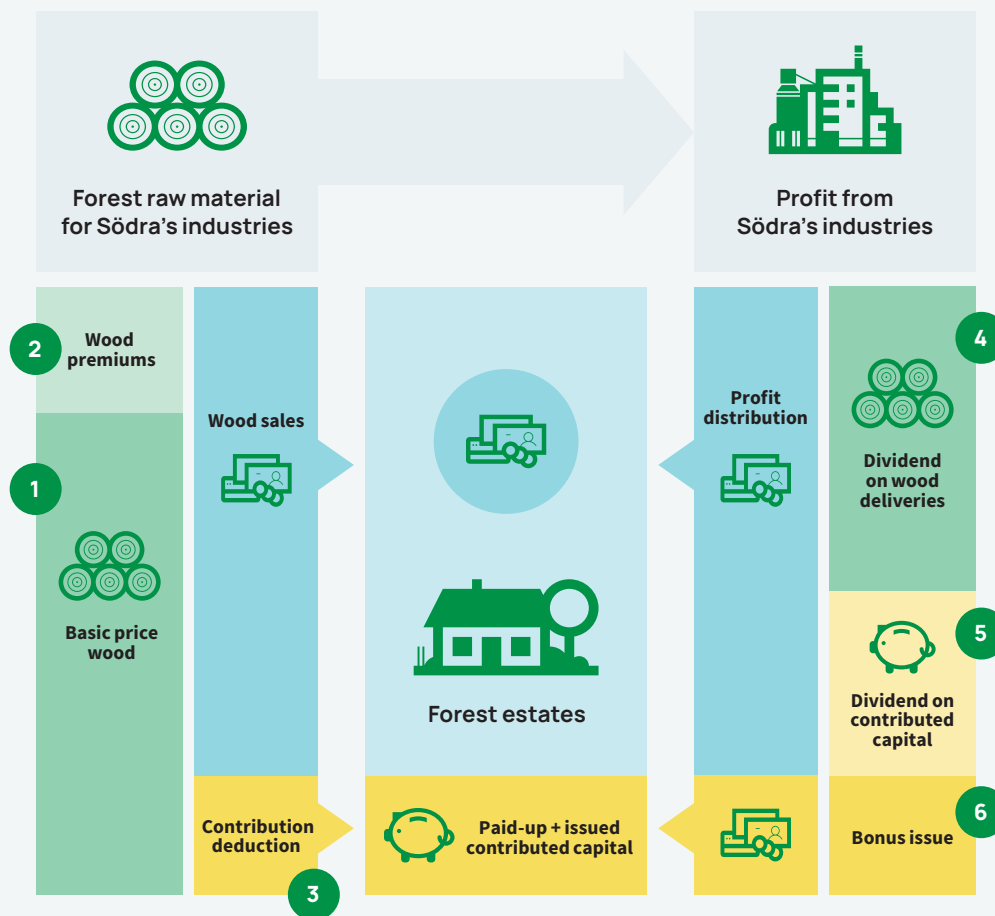
\*In 2022, there was also an extra dividend of 20 percent on paid-up contributed capital. Past performance is no guarantee of future results.

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 FSC<sup>®</sup>)<sup>1)</sup>
- » 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 the 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/hectare and 200 hectares, thereafter optional. Each member may have a maximum of SEK 5,000 in paid-up contributions per hectare of productive forest land.

## 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 contributed capital (paid-up and/or issued) 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.<sup>2)</sup>

<sup>1)</sup> Södra holds PEFC and FSC<sup>®</sup> certification – license numbers PEFC/05-22-11 and FSC<sup>®</sup>-C014930.

<sup>2)</sup> 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 2023, the model estate's profitability amounted to SEK 2,217 per hectare, compared with SEK 2,374 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 1,773 per hectare

550 m<sup>3</sup> was harvested on the model forest estate, of which thinning accounted for 34 percent. We calculate income from wood sales at an average wood price for member deliveries during the year. The costs include the total of harvesting costs, forest management 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 80 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 444 per hectare

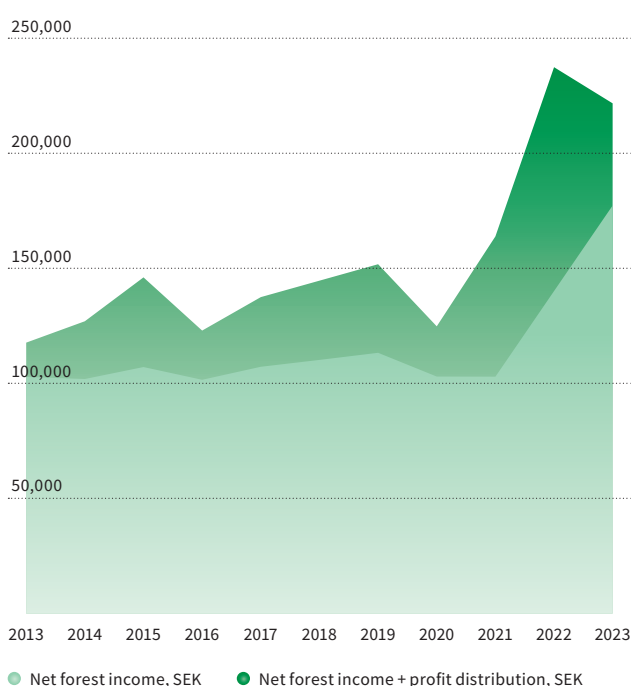
For the model forest estate, we base our calculation on the average contributed capital per member hectare. The dividend on wood deliveries is calculated on the basis of the model forest estate's harvesting (550 m<sup>3</sup>, of which thinning accounts for 34 percent). The profit distribution comprises:

- » 12 % dividend on wood deliveries – SEK 378/ha
- » 8 % dividend on contributed capital – SEK 66/ha

## Bonus issue – SEK 49 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 2023 is 6 percent of a member's paid-in contributed capital at year-end. That adds up to SEK 49 per hectare for the model forest estate.

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



PROFITABILITY OF THE MODEL FOREST ESTATE, 2023<sup>1)</sup>

Net forest income	SEK 1,773/ha	(1,219)
Dividend on wood deliveries	SEK 378/ha	(379)
Dividend on contributed capital	SEK 66/ha	(76)
<b>Total</b>	<b>SEK 2,217/ha</b>	<b>(2,374)</b>
Bonus issue on paid-up contributed capital	SEK 49/ha	(76)

<sup>1)</sup> The calculation is based on the Board's proposed profit distribution for 2023.

Calculation method for profitability of the model forest estate is currently being revised and will be updated in 2024.

# The Board's profit distribution proposal

As a member of Södra, you share the association's profit. The dividend is calculated on the value of your wood deliveries, and your contributed capital in Södra.

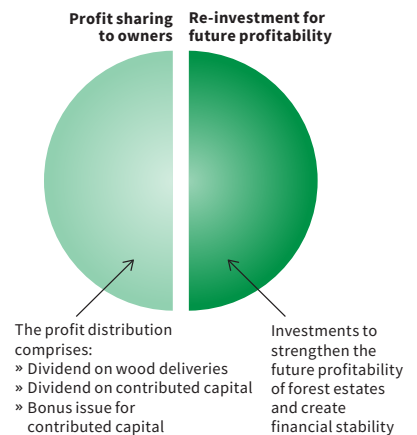
When you deliver wood to Södra, you are paid a market price for your wood. At the end of the year, all members also share half of Södra's result. The other half of the result is retained by the association to secure Södra's financial strength.

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 135,900 and their contributed capital to SEK 118,695.

## 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 2023, the Board proposes a profit distribution corresponding to 65 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

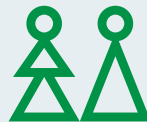


## Proposed profit distribution for 2023 for adoption by the 2024 AGM



Total

SEK **1,474** million



Per member

SEK **28,478**



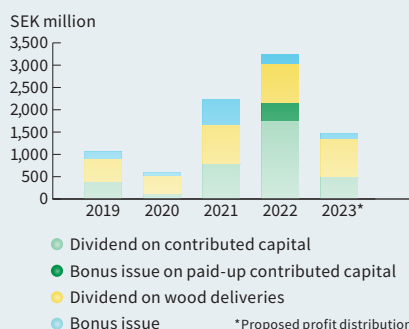
Per member hectare

SEK **525**

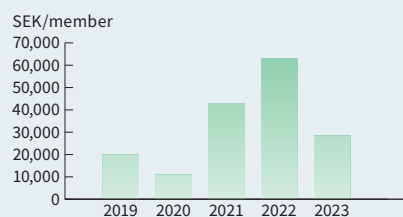
8% dividend on contributed capital <sup>1)</sup>	SEK 492 million
12% dividend on wood deliveries	SEK 844 million
6% bonus issue on paid-up contributed capital	SEK 138 million
<b>Total dividend</b>	<b>SEK 1,474 million</b>

<sup>1)</sup> Paid-up and issued.

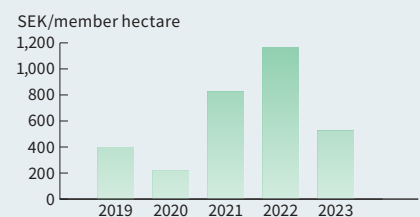
### Profit distribution and bonus issues



### Profit distribution SEK/member



### Profit distribution SEK/member hectare

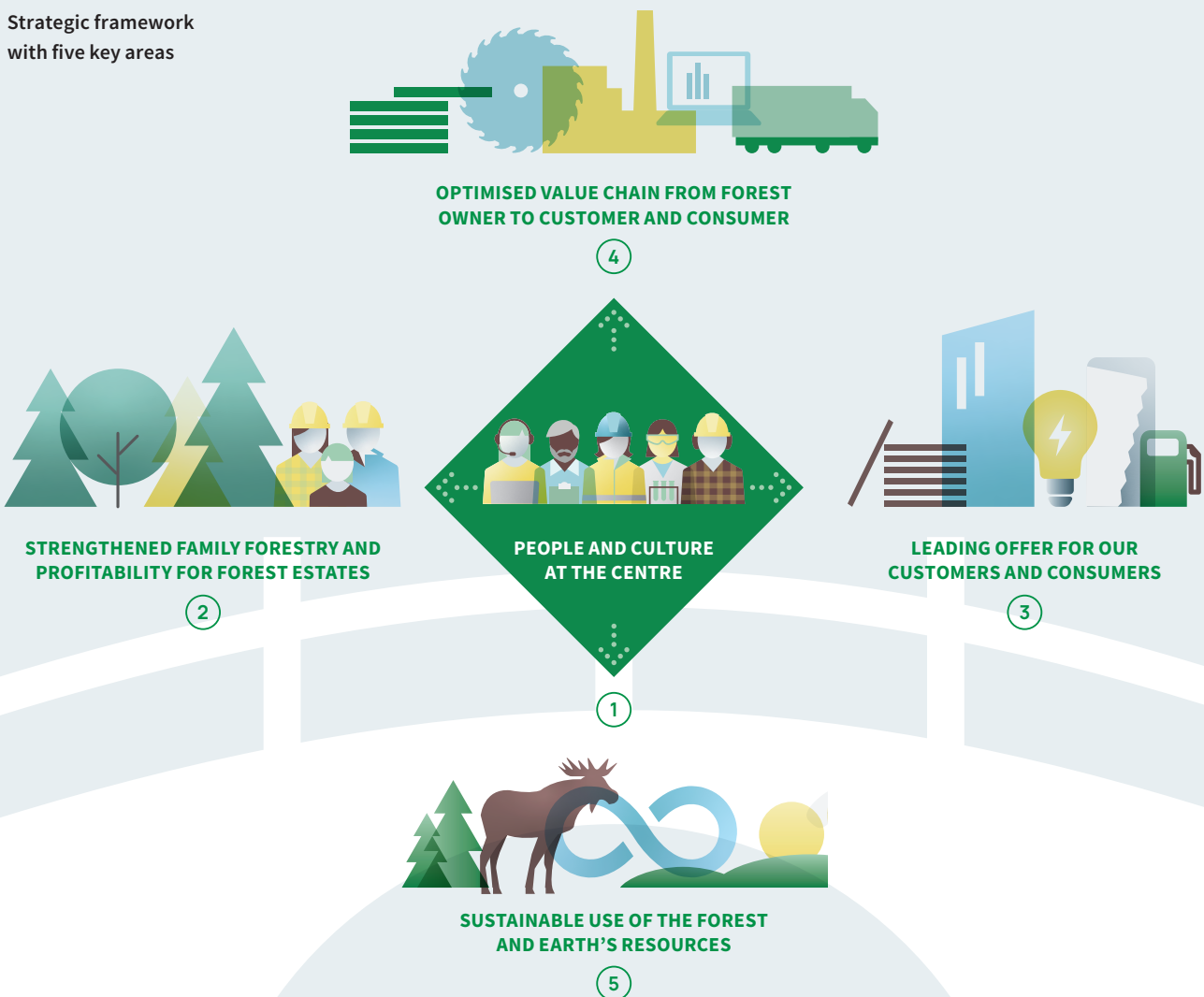


## Södra's Group-wide strategy

# From one family to another

Södra serves 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. Our joint strategy addresses how we connect forest owners with customers and consumers in five key areas – **from one family to another**.

Strategic framework with five key areas



## 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.

### 1 People and culture at the centre

People and culture are at the centre of our entire operations. Our values are central and guide how we act. We put safety first, apply values-driven leadership, act democratically and benefit from the value of digitisation.

Target  
Lost time accident rate (LTAR)

### 2 Strengthened family forestry and profitability for forest estates

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

Target  
Profitability of the  
model forest estate

### 3 Leading offer for 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.

Target  
Customer satisfaction

### 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.

Target  
Equity ratio  
Return on capital employed  
(ROCE)

### 5 Sustainable use of the forest and earth's resources

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.

Target  
Positive climate effect

# Strong global drivers that affect us

Macro-environmental factors are constantly changing, and creating both opportunities and challenges for us. In order to refine and renew the value of family forestry in an ever-changing world we must have our ears to the wind when it comes to the climate, technology, urbanisation and geopolitics.

## Climate change, the environment and biodiversity

2023 was the warmest year on record, and the consequences of global warming are illustrating the need to accelerate the climate transition. In December, however, an agreement was reached at the COP28 climate change conference in Dubai that could herald the beginning of the end for fossil fuels, making the role of forests in a fossil-free future even more topical.

At the same time, sustainability, traceability, quality and shelf life have become increasingly important for consumers as well as companies. More and more companies are exploring circular business models to reduce their environmental impact. Sustainability holds many complex challenges, however, and we have seen how new collaborations are emerging to solve them in an innovative way.

During the year, biodiversity climbed even higher on the agenda of decision-makers and companies, usually in connection with the climate. Many people see forests as a source of solutions to many of the problems we are currently facing, but that also brings new demands and dilemmas for forest owners. A consumer survey that we carried out shows that roughly 60 percent of European consumers (from Sweden, Germany, the Netherlands and the UK) feel that forests play an absolutely critical role from an environmental and climate perspective for the survival of the planet, and that the most important role of forests is to maintain biodiversity.

Södra is working ambitiously for climate neutrality and increased biodiversity by introducing, for example, electrified transportation and a nature conservation premium for high conservation values.

## New technologies and data

Generative AI emerged as a breakthrough technology in 2023, and we expect that many new companies and services will use this technology moving forward. Previously, we saw how collecting data about forests with drones, for example, made it possible to identify areas at risk of spruce bark beetle outbreaks. When large amounts of this type of data are combined with the power of generative AI, new and exciting opportunities arise for planning forest management in line with various targets and priorities.

In industry, the technology can be used to improve productivity through simulations and the optimisation of production, logistics and raw material flows. Södra has been at the forefront of this area for some time and will continue to make use of this new technology to enable even more sustainable and profitable family forestry. At the same time, we can see how cyber attacks are becoming increasingly sophisticated, which is why cybersecurity and privacy remain key issues in our work.



## People and urbanisation

The older population is growing in many parts of the world, which has a major impact on social development. For the forest industry, this is leading to higher demand for sustainable hygiene items and medical packaging, as well as biomaterials for medical devices. The elderly population is also growing in Sweden, and affecting conditions to supply companies with labour. This applies particularly to the forest industry's activities, which are located far away from the cities where many people are moving for education and jobs.

In the competition for employees, issues such as opportunities for life-long learning and development, remote work and a clear focus on health and safety are becoming increasingly important. In 2023, we saw how the view of health was broadened from physical health to also include mental, emotional and social well-being, both at home and at work. This is particularly evident among future generations of employees.

Södra always puts health and safety first. We will continue to develop our offer in pace with social development and focus on several initiatives in order to become an even more attractive employer in the future.

## Geopolitics and globalisation

Geopolitical tensions have been intensifying for several years. Today's economies are globally interconnected through trade, finance and technology, which means that conflicts and trade restrictions affect most companies and organisations in one way or another. The ban on all wood imports from Russia, as a direct consequence of the war in Ukraine, has had a clear impact on the availability of raw material for the forest industry. In 2023, the level of conflict also escalated in the Middle East, where unrest around one of the world's major trade routes in the Red Sea is having a major impact on global export flows.

Due to higher uncertainty, we are seeing clear signs of protectionism and many companies are reviewing the risks of dependence on, for example, input products from other parts of the world. We have also seen a dismantling of democracy in many parts of the world, and a high level of polarisation in public debate and politics. That makes it more difficult to predict how relationships between countries and leaders will develop moving forward, as well as conditions for global trade.

Södra operates in the global market which, despite prevailing uncertainties, reflects a long-term and steadily growing demand for green energy, and for sustainable and climate-friendly products in the construction sector.

## People & culture at the centre

# The impact of digital technologies is growing

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

### How we work with the key area

Our values – or how we act – are central. In our operations, we put people and culture at the centre. We want every second of the day to count when it comes to safety, security and taking care of each other. We use digitisation to strengthen our business and competitiveness, and to attract and retain future employees.

### Our achievements in 2023

#### Health and safety

During the year, the *Grow Health & Safety* training module was developed as part of our continuous improvement in health and safety. This is a course in behaviour-based safety which 200 managers and leaders have now completed.

Some examples of our health and safety programmes: In the Wood business area, proactive work with *Safety first* took place and a pilot project in behaviour-based safety was conducted in the pulp mill at Mönsterås and the Flåboda nursery. The Innovation business area introduced positive observations as part of efforts to reinforce safe behaviour.

A Group-wide Safety Day was held in December, where many managers were able to visit other parts of our operations, meet employees in their everyday situation, and train their eyes to see safe behaviour.

### Values-driven leadership and competence supply

Södra's trainee programme commenced. The focus for the 14 trainees is to understand the entire value chain and to acquire skills in business, cooperation and leadership in order to have the right conditions to lead themselves, and to lead others and development.

Södra's leadership development programme, *Grow*, continued and the methodology is also used for other strategic shifts, such as behaviour-based safety. A strategic project around diversity, equality and inclusion was also conducted and will be included in our Group-wide strategy with an even greater focus in 2024.

Competence supply has become an increasingly higher priority. A competency needs assessment gave good insight into the current situation, and strategic planning is taking place to meet the operation's needs both short and long term.

### Cooperation and democracy

A Cooperative Code of Ethics is currently being developed to guide elected representatives in their role as representatives of Södra. A key part of this process was dialogue with district councils around the dilemmas and situations that can arise and how these can be addressed. This dialogue was an important part of the new development programme for elected representatives, involving more than 400 people. The Cooperative Code of Ethics will be presented to the AGM in May 2024.





During the year, we reviewed the association's Articles of Association and local annual meeting arrangement and also started reviewing how we measure profitability of the model forest estate.

### Digitalisation

We made improvements to increase the accessibility of all systems. Group-wide management of major digital initiatives was introduced where the operation's proposals for digital shifts are prioritised, based on an overall perspective and how well they are aligned with the strategy. We increased opportunities for data-driven decision support by including more data that covers a larger part of our value chain. By introducing a new way of working with the digital My Forest Estate platform, we achieved fast, step-by-step deliveries when the operations, IT and members collaborate.

To strengthen our role in current and future digital ecosystems, we are building strong partnerships with other players. Together with Linnaeus University and a large number of European companies and universities, we are taking part in the EU-funded EnTrust project, which will increase value for family forestry and improve our digital maturity with regard to the Sustainable Development Goals.

### Diversity, equality and inclusion

In 2023, it was decided that diversity, equality and inclusion would be a new strategic area.

### The results we achieved

In health and safety, we noted a positive lost time accident rate (LTAR) trend with many proactive actions every day, where we are challenging old habits and shifting the perspective from reactive to proactive. Chatbot Jörgen learnt how to identify the thirty most common events and will be able to help us identify hazards and take proactive measures.

In the surveys we carry out, we noted high Leadership Index scores, a steadily rising employee Net Promoter Score (eNPS) – which measures how likely employees are to recommend their workplace to others – and an increase in learning and development. The *Grow* leadership development programme led to more everyday learning, a common language and the courage to try new things. The new development programme for elected representatives led to new ways of working for several district councils, including meeting procedures.

We strengthened our cybersecurity by providing training for employees, and enhancing our technical data protection and external monitoring to detect and prevent potential attacks. We use generative AI code generation to create code for analysing data sets. This streamlines the development of IT solutions. In our mills, we demonstrated the value of inspecting and analysing parts of production in order to, for example, anticipate the need for maintenance, minimise risk and optimise flows. Our deepened coordination between the operations and IT generated value for members and customers as well as internal efficiency gains.

Through a new business system solution, we have continuously updated support for our entire operations.

## Target 2023

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

## Outcome

- » Lost time accident rate (LTAR): 7

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

## Strategic areas included

- » Health and safety
- » Values-driven leadership and competence supply
- » Cooperation and democracy
- » Digitalisation
- » Diversity, equality and inclusion



## The trainee programme – a part of our competence supply

At the beginning of the year, we welcomed 14 new employees to Södra's trainee programme which will run for 18 months. It will contribute to competence and generational change and offer clear career paths and development opportunities for both internal and external talent. The programme will also strengthen our brand and position as an attractive employer, and our ability to succeed with our strategic shifts.

“By rotating between different areas of our organisation, the trainees will acquire a broad and deep understanding, and experience, of Södra. The aim is that they learn about the entire value chain, from seedling to consumer, from one family to another, while also developing their leadership and ability to lead change,” said Sofia Petersson, trainee manager at Södra and President trainee with Södra's President Lotta Lyrå.

Our trainee programme is popular and was named one of the ten most attractive in a survey carried out by Karriärföretagen's student ambassador network.

## Strengthened family forestry and profitability for forest estates

# New knowledge and services for forest ownership

We are working together to strengthen family forestry and profitability for forest estates by improving our offers, services and meetings. Knowledge and learning are two of the cooperative's guiding principles, and the clearest way to increase commitment and involvement in forest ownership and membership.

### 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 generate the most value. This includes both existing services and the creation of new services in new areas. These are based on, for example, member surveys and interviews to identify the needs of members. Digitisation is presenting new opportunities and the My Forest Estate website and app are the hub for Södra's service offer.

Our cooperative form of business is based on committed and competent owners, transparency, strong democratic processes and engaged members and employees. We see a need to further strengthen the cooperative perspective combined with other features that characterise the cooperative – sustainability, a long-term approach and reciprocity. We also want to raise awareness of family forestry among customers and consumers, and awareness of Södra's entire value chain among members – from one family to another.

Business policy lobbying is also important for strengthening forest ownership. Read more on pages 30–31.

### Our achievements in 2023

#### Knowledge and learning

During the year, new employees were recruited to the Cooperation and Learning unit to focus on this strategic area. Efforts to develop training representatives and course leaders in the *Södra School* continued. In *Safe Forestry*, we offered courses on how to handle chainsaws and brush cutters. The forest management and operations areas arrange local Forest Days and forest owner meetings that usually include some form of training.

Two new web-based training courses for forest owners were launched. The *Forest management in a changing climate* course, which was produced together with other forest owner associations, is for those who want to learn more about how climate change is affecting forests and how forests affect climate change. The new course, *Aquatic environments in forests*, raises knowledge of how forest management affects aquatic ecosystems both directly and indirectly. There are also open online courses about spruce bark beetles, forest roads and wildlife management on Södra's website. Furthermore, we are active in *skogskunskap.se* – an advisor portal for forest management hosted by the Forestry Research Institute of Sweden, in collaboration with the Federation of Swedish Farmers (LRF) and the Swedish Forest Agency.

During the year, we produced webcasts with various themes and a podcast, *Södragården*, which covered issues such as storm-damaged trees and cooperation. We also increased communication about Södra's value chain – from forest owner to customer and finished product.

An online course to raise employees' knowledge of the cooperative was produced, and held during the autumn.

### Meetings, tools and services

There is a growing need for forest-economic advisory services amongst members. During the autumn, we took a broader and clearer holistic approach to advisory services that support all aspects of forest ownership and now offer a complete digital service for bookkeeping, financial statements, tax returns and planning. The combination of Södra's forestry competence with financial advisory services gives a unique and more complete perspective that benefits members.

During the year, the My Forest Estate website and app were further developed. A new version of *My map*, similar to the map in the mobile app, was launched on the website platform. Efforts are ongoing to offer the same functionality on the website as in the app. To make searching easier, the sidebar menu on the My Forest Estate website has been redesigned.

A new feature in the app makes it possible to estimate forest growth in order to gain access to current information about the wood volume, even when the forest management plan is not completely new. The new *Blixövervakning* (Lightning tracker) service sends a push notification to the user's mobile device if their forest estate is struck by lightning. Information about the lightning strike includes the risk of ignition in the area when the lightning struck in order to determine the likelihood of a fire.

We are working on a Group-wide design and platform for the My Forest Estate app and website in order to give the same experience in the app and on the website. The technical aspects of the app were also updated during the year to improve the user experience.

### The results we achieved

More than 1,000 forest owners received an operator license for brush cutters or chainsaws by completing the *Safe Forestry* course, and *Södra School's* courses on forest ownership attracted nearly 500 participants. The new online courses now meet forest owners' need for knowledge in a better way. In forestry operations areas and forestry districts, our forest owner meetings attract many participants. In last year's member survey, 39 percent claimed they had participated in at least one of Södra's activities over the past year to gain more knowledge.

We have well-developed advisory services where we now offer members a holistic approach that strengthens forest ownership and the profitability of their forest estates. Through an analysis of self-organised learning, we can see how members can learn from each other and how knowledge is passed from one generation to another.

The use of My Forest Estate increased – both the app and the website. On average in 2023, more than 11,000 members used the app every month and about 9,500 used the website, representing a year-on-year increase of 7 and 11 percent, respectively.

## Target 2023

» Profitability of the model forest estate: SEK 1,700/hectare

## Outcome

» Profitability of the model forest estate: SEK 2,217/hectare

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

## Strategic areas included

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



## Knowledge and learning are increasing engagement and activity

Together with other forest owner associations, we produced a web-based course *Forest management in a changing climate*. It gives forest owners practical advice for self-assessment and suggestions for measures based on current knowledge of site-adapted forest management and tree species selection.

The opportunity for knowledge and learning is part of the cooperative's foundation and a clear path to increased engagement and activity in forest ownership, and to membership in Södra.

“By taking a leading role in promoting knowledge, strengthening Södra as a training provider for forest owners and supporting self-organised learning, we want to create a more unique member offer while also strengthening the Södra brand. For me, knowledge is a door opener that presents opportunities and unleashes new ideas,” said Hedvig Johansson, person responsible for knowledge and learning at Södra.



## Leading offer for our customers and consumers

# New insights into consumers provides guidance

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.

### How we work with the key area

To generate the most possible value from forest raw material, we continuously evaluate our product portfolio and industrial structure. Surveys have given us new insights into how our European consumers perceive forests. They associate forests with recovery and well-being, but many people do not know that forests are a resource for renewable raw materials and climate-smart products. We are now using these insights in our work to develop new and existing business opportunities.

By focusing on attractive markets, we are constantly developing our business and thereby strengthening the value of family forestry. In the innovation areas of forest, wood products, paper, textiles, chemicals and energy, we are working to find new and sustainable offers that will ensure competitiveness for a long time to come, while also helping to make Södra and our customers fossil-free and climate-neutral.

### Our achievements in 2023

#### Customer-oriented offer

We evaluated our customer offer on the basis of new insights into European consumers' knowledge about, and attitudes toward, forestry, and on the basis of descriptions of various scenarios for future access to forest raw material (Forestry impact assessment SKA 22).

During the spring, a new facility for evaporation – the process that removes water from the pulping process – was inaugurated in the

pulp mill at Mönsterås. This is one of the largest investments this century and key to increasing renewable electricity generation. Major steps forward were also taken regarding future plans for the sawmill in Kinda.

We further developed the facility for OnceMore® production at Mörrum to meet a growing customer need, while efforts to complete a concept design for a larger facility are ongoing. The European Commission's proposed targets for textile re-use and recycling, and the proposal for separate textile collections were monitored.

In our business areas, we are continuously developing the customer offer in various ways and highlighting the possibilities of the raw material.

#### New and sustainable offers

In 2023, we evaluated the technique for isolating lignin from wood raw material in the pulp mill and acquired a good overview of the markets for lignin as a product.

We divested our holding in the liquid biofuels demo facility, Silva Green Fuel, but energy and chemicals remain a strategic growth area and we signed a letter of intent to continue working with Statkraft. In collaboration with equity investment firm Verdane Capital, we launched a new venture during the year to explore opportunities for carbon capture. The collaboration, Njord Carbon, will help to strengthen Södra's profitability and climate contribution. We also hope that more partners join the venture moving forward.

The energy and chemicals business plays a key role in our strategy and is an area that will grow and further contribute to a fossil-free future. As a result, the product area Södra Bioproducts was formed during the year to further strengthen the customer offer through a more coherent business structure and sales.

Through our investment company Södra Ädla, we become a partner in the start-up company Nordic Forestry Automation (NFA) during the year. NFA is developing an AI-based support for harvesting to increase cost-efficiency and the ability

to make local adjustments, while also promoting biodiversity and carbon storage.

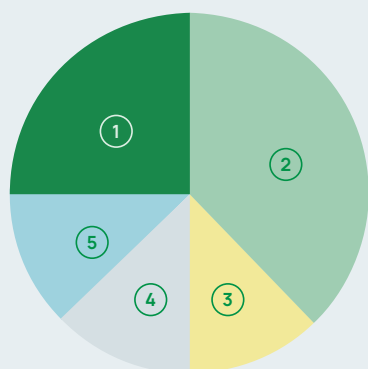
### The results we achieved

We developed and invested in our existing facilities to create conditions for both enhancing efficiency and increasing production, and have already seen results.

Our new cross-laminated timber (CLT) facility at Värö is now in operation, despite a sharp drop in residential construction due to the economic downturn. We have intensified our focus on the energy and chemicals business by gathering responsibility for the entire customer offer in the product area Södra Bioproducts.

The Group-wide plan for our future product portfolio and industrial structure that was produced in 2023 has created a Group-wide focus and increased insights into our opportunities and challenges. We have already started to roll-out some parts of the plan, while other parts are still under development.

By informing about the research and collaborations we are involved in, more people are perceiving Södra as an innovative association and business partner.



### Our future product portfolio consists of five core business areas:

- ① **Sawn timber** – more efficient and a higher level of processing of the available raw material from members in a profitable and modern production process with realised economies of scale.
- ② **Pulp** – continue to be a world-leading supplier of softwood, hardwood and dissolving pulp, where we create the highest possible value from all of the raw material, including the production of bioproducts, bioenergy and green electricity.
- ③ **Building systems** – the basis for a profitable business in CLT, for example, as well as established partnerships with standardised solutions for both projects and industry.
- ④ **Energy and chemicals** – maximum use of forest raw material and energy flows – energy products, chemicals and green electricity make a clear contribution to the profitability of forest estates.
- ⑤ **Carbon** – a driving player in the climate transition, and carbon from members' forests is captured from the smokestacks of our mills and either stored or used in products (Bio-CCS/U).

### Target 2023

Customer satisfaction:

- » Södra Wood: 80
- » Södra Cell: 84.9

### Outcome

Customer satisfaction:

- » Södra Wood: 80
- » Södra Cell: 83.6

**Customer satisfaction:** An index for measuring customer satisfaction.

### Strategic areas included

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



### Sales support is strengthening competitiveness in the building materials trade

In the Wood business area, we developed appreciated sales support for customers in the building materials trade. It provides support for retailers, as well as content for consumers who are planning a building project.

“We’ve created content that retailers can use on their own websites to inform about, and inspire, timber construction. Then they can easily link it to the type of construction timber required, if the customer is building a terrace, for example,” said Jennie Åkesson, Head of Communications at Södra Wood.

In addition to website content, the sales support includes instructional and inspirational videos, images, colour concepts and a clear range guide that complements the product information. The concept also includes shelf labels to make it easier for both retailers and end-consumers.

## Optimised value chain from forest owner to customer and consumer

# World-class efficiency has led to major progress

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.

### How we work with the key area

We are strengthening competitiveness across our entire value chain with smart efficiency enhancements and new insights from data. The flow of raw material, knowledge and data are central to our work to improve processes and quality control tools. The Air Traffic Control function's mission is to create value chain transparency and enable decisions that are best for the forest estate, and for Södra as a whole. The *World-class Efficiency* programme revitalises our focus on the digital transition and strengthens our ability to adopt new ways of working, processes, materials and techniques and thereby improve our competitiveness. By introducing a new business system and other projects, we are future-proofing Södra's business management with a focus on financial controls, processes and business systems.

### Our achievements in 2023

#### Flow-oriented value chain

In an AI digital twin of our value chain, we simulated all of our flows – wood products, pulp, energy – to create competitiveness and stay one step ahead. We have improved our ability to analyse the entire value chain digitally so that we can see where there are shortages and surpluses of raw material and products, and we can simulate the results when we change various parameters. We have started using generative AI so that employees can ask questions about the value chain in a simple way, such as “How much pulpwood is lying beside the road?”, or “Why is there a shortage of woodchips?”

We have also started using AI to prevent workplace accidents. By matching risk observations, events and proposed measures across all units, we can see common patterns of risk behaviours, for example.



### Competitive industry

Major progress has been made with World-class Efficiency in terms of both operational efficiency and value chain optimisation. At the same time, efforts to streamline the functions have commenced, which involves making each function more efficient and developing the organisation. The production units continued to review and analyse their activities based on data, in order to challenge their current situation and question old truths, prioritise areas for improvement and create the best conditions for improvement initiatives with better safety, quality and efficiency. In 2023, 15 analyses were carried out in production units in Skog, Wood and Cell.

To further optimise our value chain, a comprehensive process was carried out to develop our Group-wide purchasing activities. A particular focus was placed on introducing the category-based working method that allows employees and experts from all over Södra to cooperate around purchasing and purchasing strategies. In addition, several new solutions were introduced in the area of logistics such as a Group-wide transportation management system and network optimisation.

### Strategic business management

In 2023, the implementation of a Group-wide business system, Microsoft Dynamics 365, entered the final stages. The name of the project was *Unicon* and the focus was to introduce a modern financial system for all of Södra and for systems that support processes such as contracting, advisory services to members and raw material management. For members, the new system will enable more flexible payment plans and simplify setting up powers of attorney.

### The results we achieved

Since it was launched, World-class Efficiency has delivered 318 improvement initiatives, comprising 2,275 milestones with concrete measures, corresponding to a potential of about SEK 1,400 million, of which SEK 866 million has been implemented. This process also created a cultural shift around digitisation and continuous improvements and created a sense of security around living and leading through times of continuous change. Of the implemented amount, Operational Efficiency accounted for SEK 504 million, Optimised value chain for SEK 326 million in the form of purchasing cuts and digital tools, and *Effective Functions* for SEK 37 million.

Strategic business management and a new business system are giving us many advantages. Some examples are better access to data and information across all of Södra, automated processes, access to the systems from mobile devices and greater stability.

### Target 2023

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

### Outcome

- » Equity ratio: 64 %
- » Return on capital employed: 9 %

**Equity ratio:** The percentage of assets that are financed by equity.

**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



### Smart tools for efficient logistics

We control Södra's entire value chain with various systems in order to meet our customers' needs and work more efficiently. With a new logistics tool, we can strengthen competitiveness and work more efficiently with the pulp business.

We use a *Network optimisation tool* to plan and adapt various logistical activities in order to optimise the delivery of Södra's pulp to our customers. The tool takes into consideration customer needs, Södra's production and cost – how does the customer want their pulp delivered, what is the production capacity, and what is most cost-efficient?

“We then use this for support when negotiating logistics agreements to give us an overall view of all delivery points and all modes of transport, including road, sea or rail. In the long term, we can see a savings potential of several tens of millions Swedish kronor, while also expanding our service with better deliveries to customers,” said Henrik Wettergren, Marketing Manager at Södra Cell.

## Sustainable use of the forest and earth's resources

# Family forestry is important for the climate and biodiversity

Climate change is affecting the forest ecosystem in many ways. While we need to meet our needs for renewable raw material in order to handle the climate transition, we must also ensure this takes place in a way that does not deplete biodiversity. Climate change is also increasing demand for climate-positive products and services.

### How we work with the key area

Södra's strategy for reduced emissions entails a strategic systems change, such as large-scale electrification, resource and energy efficiencies, and the use of renewables to replace energy from fossil fuels. The transition will lead to a developed offer for our customers and new business opportunities. A high rate of growth in production forests is important for ensuring our access to raw material for renewable products, and to create scope for family forestry to promote biodiversity. At the same time, our aim is to help society develop in a positive direction by working to strengthen rural areas.

Both members and European consumers believe that forests play a vital role in preserving biodiversity. Therefore, how we use the forest is very important for southern Sweden and we are working in several ways to promote biodiversity. The cornerstones of our nature conservation activities are voluntary set-asides, nature-conservation measures and good general environmental considerations.

### Our achievements in 2023

#### Climate neutrality and circularity

With the new CLT facility in at Värö, we are broadening the market for solid wood, while also promoting sustainable construction and more sustainable communities. Södra's CLT can reduce the carbon footprint of a frame by up to 80 percent compared with concrete.

During the year, we continued to develop OnceMore® – dissolving pulp made from forest raw material combined with cotton and polyester textile waste. We also started testing paper pulp made from pulpwood mixed with agricultural residues from farms near our pulp mills.

Large-scale electrification of transportation is an important piece of the puzzle in Södra's climate transition. In 2023, investments in next-generation electric forklifts were made in the combined facility at Värö, the sawmill at Unnefors and the nursery at Flåboda.

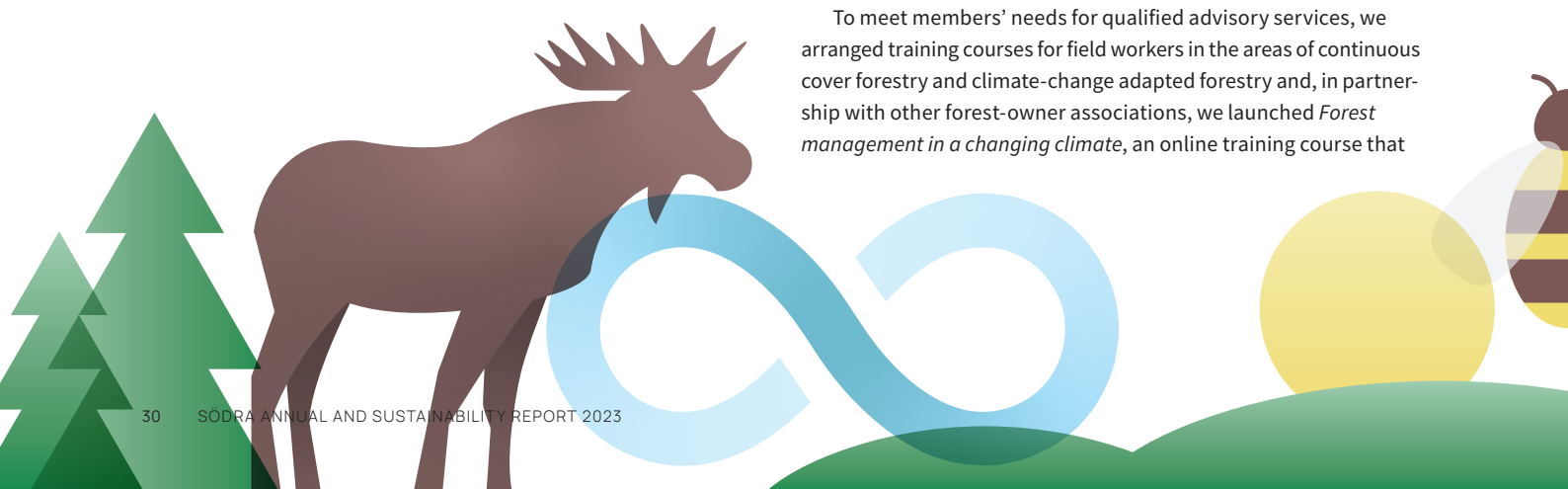
Through a collaboration with Mima Terminal and APM Terminals, we now transport some paper pulp by sea between Mönsterås and the Port of Gothenburg instead of by road, which is optimising and stabilising the export process and reducing greenhouse gas (GHG) emissions.

The *Sustainable IT* project ensures that used IT equipment is either reused in the operations or recovered in a sound way.

#### Climate-adapted forests with high growth

After a long period with a shortage of seeds, we harvested a large amount of birch seeds in the greenhouse orchard in Falkenberg. The seed will be used to cultivate improved birch seedlings with high-quality characteristics, which will promote forest growth and diversity. This new method will enable a significant scale-up of production in the coming years.

To meet members' needs for qualified advisory services, we arranged training courses for field workers in the areas of continuous cover forestry and climate-change adapted forestry and, in partnership with other forest-owner associations, we launched *Forest management in a changing climate*, an online training course that





addresses the key issues that forest owners need to understand in order to adapt their forest management to climate change.

### Biodiversity

Many of the conservation values in members' forests require management in order to be preserved and our target is to carry out nature-conservation measures on about 3,000 hectares annually by 2025. In 2023, nature-conservation measures were carried out on 2,010 hectares. The target for 2023 was 2,450 hectares, but due to wet conditions during the year, soil-bearing capacity was poor and the target could not be achieved.

To strengthen the link between our nature-conservation and species-conservation measures, the *Priority species* project was launched during the year. In collaboration with the Swedish University of Agricultural Sciences (SLU), a study of the Goodyera orchid also commenced.

We strengthened the organisation with an environmental coordinator in each forestry operations area who can support and help to raise the environmental awareness of field workers and contractors.

### Positive social impact

We conduct broad-based business policy lobbying, ranging from our statutory assignment to safeguard family forestry to conditions for our industrial activities. During the year, we focused on two issues of national significance: the right to compensation when forest owners are prohibited from using their own forest, and the Swedish Forest Agency's tightening of the knowledge requirements for forest owners.

Important EU-related issues during the year were the Renewable Energy Directive, the Deforestation Regulation and the Nature Restoration Regulation. In connection with a visit by the Permanent Representation of Sweden to the EU, we presented our entire value chain with a special focus on timber construction and the CLT facility at Värö.

During the autumn, a working group comprising elected representatives and salaried employees produced Södra's election message *Achieve climate targets with active forest management* for the 2024 European Parliament Election.

We were involved in a wide range of government assignments and several of our employees were appointed as experts to public inquiries.

### Forest and wild game

In December 2023, it was decided that forest and wild game would become a new strategic area.

### The results we achieved

The percentage of pine increased in regeneration stands and in the eastern areas, we achieved our target for the share of pine trees planted in soil suitable for pine. The first phase of the technical development project for better seedling survival, BraSatt, concluded and the final field tests were carried out in October.

We work continuously to improve our consideration measures and during the year, we launched a refresher course in objectives for good environmental considerations for all field workers and contractors. Despite challenging conditions, the area on which nature-conservation measures were carried out increased year-on-year. We also noted a higher level of engagement for environmental issues.

Our business policy lobbying led to changes on important issues at both national and EU policy levels.

During the year, 170 company cars were replaced by electric vehicles, and over 250 new charging poles was installed at Södra's units.

## Target 2023

» Positive climate effect: 11.6 Mt CO<sub>2</sub>e

## Outcome

» Positive climate effect: 11.4 Mt CO<sub>2</sub>e

**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 climate impact. Mt CO<sub>2</sub>e = million tonnes of carbon dioxide equivalents.

## Strategic areas included

- » Climate neutrality and circularity
- » Climate-adapted forests with high growth
- » Biodiversity
- » Positive social impact
- » Forest and wild game



## Major success for Södra's birch seed orchard

After several years of intensive work to produce high-quality birch seeds, Södra has now harvested a large amount of birch seeds in its greenhouse orchard in Falkenberg. The seeds will be used to cultivate improved birch seedlings with high-quality characteristics, which will promote growth and diversity in family forests.

The harvested birch seeds will be sown in the nursery in spring 2024 and birch seedlings with high-quality characteristics will be available for sale one year later.

"Birch seedlings are a fast-growing and fun product to work with, and we are expecting to have many birch seedlings for sale by as early as spring 2025. We now have a model and a methodology for how we want to work with birch seed cultivation and we think it may be possible to scale-up the production moving forward," said Johan Henriksson, Nursery Manager at Falkenberg.

# Four business areas for today and tomorrow

Södra's operations are organised into four business areas – 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
- » 19 local forestry operations areas
- » Two nurseries
- » Södra Åkeri and Mönsterås Hamn.



## Södra Wood

- » Wood products – sawn, planed, pressure-treated and 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

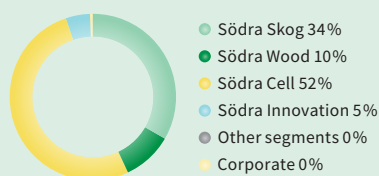
- » Paper and dissolving pulp
- » Liquid bioproducts – biomethanol, tall oil and turpentine
- » Biofuel, green electricity and district heating
- » Three Swedish pulp mills for paper and dissolving pulp.



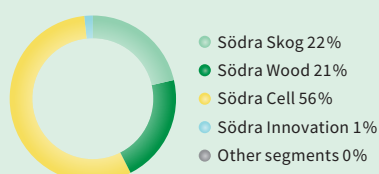
## Södra Innovation

- » Develops products, services and processes in Södra's focus areas of pulp, wood, textiles, energy, chemicals and forest
- » SunPine associate company
- » Södra Ädla
- » Södra Medlemsel
- » CLT production facility

Non-current assets per segment



Sales per business area



SEK 28,896 million in total, excluding internal deliveries.

	Forest		Wood		Cell		Innovation	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales, SEK million	15,819	14,613	7,103	9,246	16,388	18,658	412	298
Operating profit/loss, SEK million	367	366	-175	1,723	2,631	6,896	-227	-75
Return on operating capital	5%	6%	neg.	49%	18%	49%	neg.	0%
Investments, SEK million	608	343	351	360	886	1,076	146	230
Average no. of employees	698	661	946	921	1,306	1,258	156	139
Healthy attendance	98%	97%	94%	94%	97%	96%	98%	97%
LTAR	4	8	13	11	6	12	8	5

# 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.

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



## The year in brief

- » New cold storage facility for 40 million seedlings inaugurated and started-up.
- » Launch of new forest-economic services for financial statements and tax returns.
- » Clear shift in relation to site and climate change adaptation, which was evident from increased sales of pine seedlings.
- » Strong wood market with favourable demand for saw logs, pulpwood and biofuel. Wood prices in Götaland reached historical high levels.
- » Södra's priority species project commenced.
- » During the year, we worked together to handle the effects of storms, fire danger, soil wetness and spruce bark beetle attacks.

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 of 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.

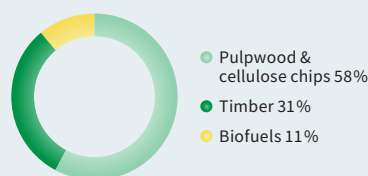
We offer forestry services that create opportunities for responsible forest management – from planting, thinning and regeneration harvesting to long-term planning of the forest estate's management, finances and administration. We also develop digital services and tools that create added value for members.

## Growth in Södra's forests 2023

Million m <sup>3</sup> fo	Sweden	Baltics	Total
Opening volume 2022	1.0	16.1	17.1
Growth	0.2	0.6	0.8
Acquisitions/divestments	0.3	0.2	0.5
Harvesting/forest management	-0.1	-0.4	-0.5
<b>Closing volume 2023</b>	<b>1.4</b>	<b>16.5</b>	<b>17.9</b>

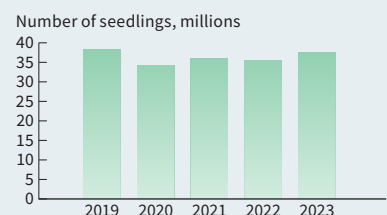
Södra's own forests comprise 134,200 hectares of productive forest land in Sweden and the Baltics.

## Wood sales



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

## Seedling sales



Seedling sales totalled 38 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.

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

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

### A leader in wood products

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

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

### Energy & chemicals a growing business


Green electricity, district heating, liquid bioproducts, liquid biofuels and biofuels are climate-smart products where we have maximised the use of forest raw material. The energy and chemicals business has a growing market.

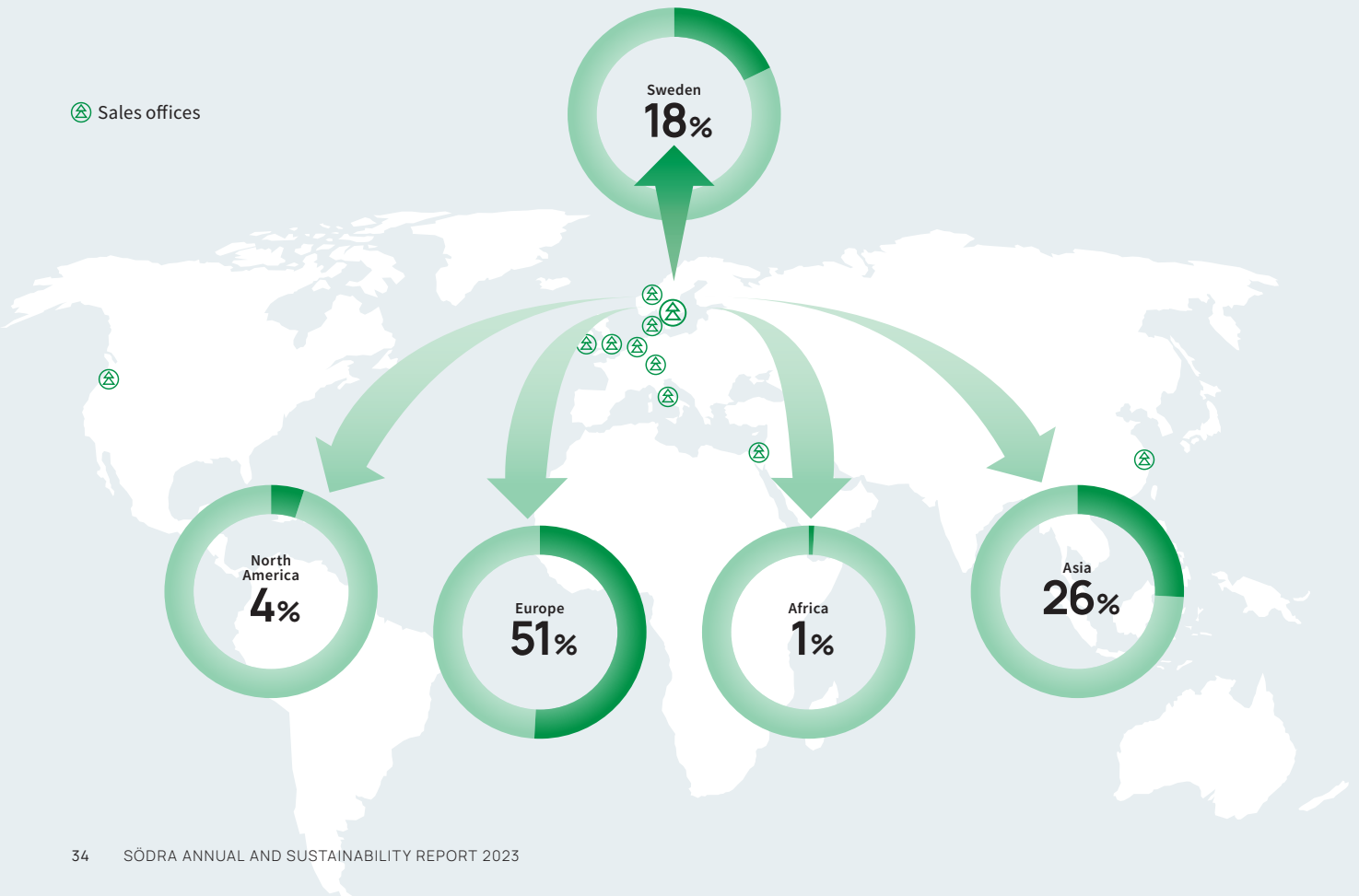
## 1.9+1.8

The pulp mills produced 1.9 million tonnes of pulp, and the sawmills produced 1.8 million m<sup>3</sup> of sawn timber.

## SEK 24.2 billion

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

 Sales offices



# 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.



## The year in brief

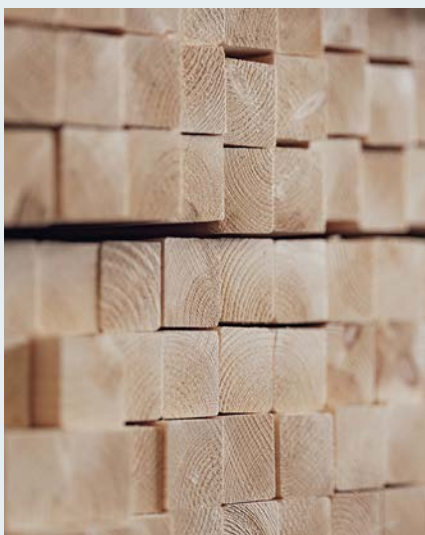
- » Södra's Board approved a pilot project for a new facility in Kinda.
- » New facility for further processing at Värö was inaugurated.
- » Södra Wood held an international sales conference in Varberg.
- » Marcus Åsgärde took office as President of the Södra Wood business area.

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

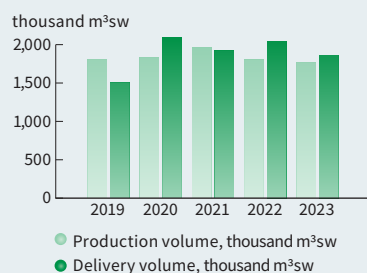
Sales are global, but most are conducted in northern Europe, with the UK as our core market. Exports account for about 80 percent of sales. Customers for our sawn timber, processed wood and construction products can be found in the building materials trade, and the construction, packaging and engineered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

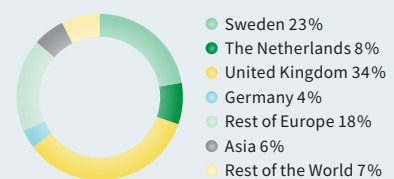
We also conduct extensive sales of energy products, such as wood pellets and other chip products.



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.

0000  
19,1  
m<sup>3</sup> production volume



## The year in brief

- » In March 2023, the new CLT the facility at Värö was inaugurated. For two days, external and internal guests celebrated this building material of the future.
- » During the autumn, we signed agreements to supply Sweden's first coffee roastery in timber with CLT and glued laminated timber (GLT). The client is Arvid Nordquist and construction will start at year-end.
- » We supplied CLT for Varberg's first apartment building with a timber frame (Tärnan). The project has a strong focus on sustainability and upon completion in 2024, 87 new homes – built entirely of wood – will be available between the forest and the sea.

Cross-laminated timber, or CLT, is a natural material with many possibilities. Södra's CLT is made from layers of planed spruce from family forestry that are finger-jointed and glued together into lamellae. Each lamella is then placed crosswise to adjacent layers to form a strong and rigid structural panel. The panels can be 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.

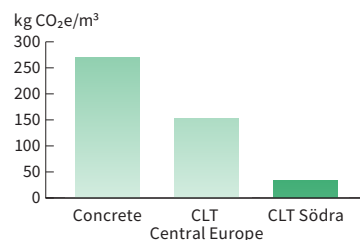
In about 30 years, almost 70 percent of the world population is expected to live in cities, and the construction of high-rise buildings, especially in timber, is on the increase. A CLT frame from Södra can reduce climate impact by up to 80 percent compared with a similar concrete construction.

The first delivery after inauguration of the new CLT facility was to an apartment building project in Mölndal with a sustainability focus. At full capacity, the facility 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 reduces the climate impact by 50 percent.
- » CLT from Södra reduces the impact even more, since the carbon emission factor of Södra's CLT is only 34 kg CO<sub>2</sub>e/m<sup>3</sup>.
- » 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](https://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

- » Södra develops paper pulp mixed with agricultural residues and forest raw material. Testing is planned for 2024.
- » New fibre testers enable customers to see the quality, performance and consistency of our products.
- » Transportation of paper pulp by sea between Mönsterås and the Port of Gothenburg to optimise the export process and reduce climate impact.
- » Electric truck tested on paper pulp flows at Värö.
- » OnceMore® launched a lyocell collaboration with Lenzing, Filippa K and Riopelle and received EU funding of EUR 10 million through the LIFE TREATS project.
- » *Conscious delivery* was launched – an initiative to reduce the use of fossil fuels in the logistics chain to customers.

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

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.

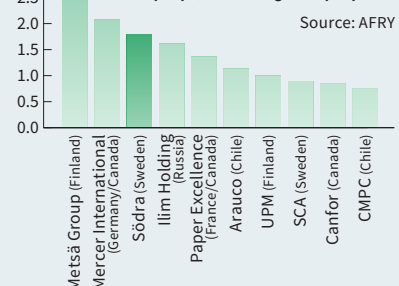
The OnceMore® process combines cellulose from wood with fibres from textile waste. We therefore recycle blended fabrics – cotton and polyester textile waste – which are mixed with wood fibres from members' forests.

## Applications for Södra's pulp



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

## Largest global producers of bleached softwood sulphate pulp (excluding fluff pulp)



# 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™.

400007

tonnes of bioproducts produced



## The year in brief

- » Södra was first in the world to obtain PEFC and FSC® certification for liquid bioproducts (tall oil, turpentine and biomethanol) on a commercial scale.
- » We worked actively with our biomethanol for the marine sector.

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

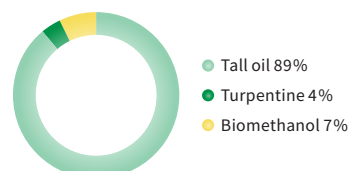
Tall oil is a renewable alternative to many fossil-based materials. Fuels, cleaning agents and cosmetics are some of the product categories where tall oil makes a climate-smart difference.

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. One collaboration in this area is SunPine, 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 and district heating from Södra consist of excess energy from our mills, and biofuel can be used directly in thermal power stations or processed into pellets.

4,600  
GWh external energy deliveries

## The year in brief

- » The prices of solid biofuels continued to rise due to reduced supply following sanctions against Russia and Belarus.
- » Prices for fossil fuels and electricity stabilised at a considerably lower level than during the previous year's energy crisis, largely due to a weaker global economy and the mild winter of 2022/2023.

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 and side streams from our mills provide valuable energy products that can be used directly as biofuel 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.

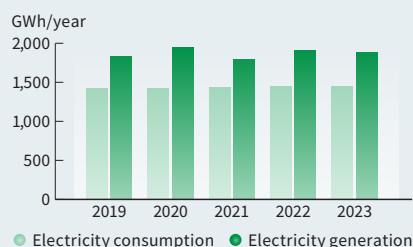
Other products in this area include chips for chipboard and horse bedding.

## Solid biofuels



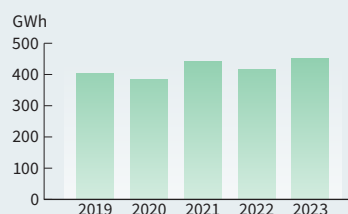
Solid biofuels are used in a variety of ways in Södra's value chain. Forest residues (branches and treetops) are a by-product of harvesting and used as fuel in thermal power stations. Bark from the pulp mills is used for internal energy generation and also sold on the market as biofuel. The sawmills contribute with bark, shavings and wood chips. The diagram shows the division between biofuels from the forest and biofuels from mills, about 3,700 GWh in total.

## Electricity consumption and electricity generation



Electricity generation continued to exceed electricity consumption. Net electricity deliveries were 432 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 2023, external district heating deliveries were 453 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: 2,226 million

Södra posted operating profit of SEK 2,226 million (7,805) for 2023 and net sales amounted to SEK 28,896 million (33,367). The past year was impacted by falling market prices due to market uncertainty, and rising raw material costs for saw logs due to lower supply. A stable pulp production volume and good cost control led to earnings that were lower year-on-year but in line with expectations. The proposed profit distribution is SEK 1,474 million.

## 64%

Södra's equity ratio remained stable at 64 percent, which exceeds the long-term target of 55 percent.

## 9%

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

## SEK 1,474 million

The proposed profit distribution amounts to 65 percent of profit before tax.

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# Multi-year summary

	2023	2022	2021	2020 <sup>2)</sup>	2019 <sup>3)</sup>	2018	2017	2016 <sup>4)</sup>	2015	2014
<b>RESULT</b>										
Net sales, SEK million	28,896	33,367	27,060	20,351	23,183	24,230	20,518	18,482	18,267	17,339
Net sales, change	-13%	23%	33%	-9%	-4%	18%	11%	1%	5%	5%
Operating profit before depreciation, amortisation and impairment, SEK million	3,677	9,136	6,811	2,164	3,897	5,654	3,009	1,887	3,146	2,552
Depreciation, amortisation and impairment of assets, SEK million	-1,451	-1,331	-1,495	-1,273	-1,315	-1,146	-1,092	-908	-984	-1,036
Operating profit, SEK million	2,226	7,805	5,316	891	2,582	4,508	1,917	979	2,162	1,516
Operating margin	8%	23%	20%	2%	11%	19%	9%	5%	12%	9%
Financial income and expenses, SEK million	46	-81	-83	-145	-87	-77	-87	-66	-90	-56
Profit before tax, SEK million	2,272	7,724	5,233	746	2,495	4,431	1,830	913	2,072	1,460
<b>FINANCIAL POSITION</b>										
Non-current assets, SEK million	21,794	21,179	19,764	19,150	18,805	18,408	14,932	14,413	11,948	10,044
Inventories, SEK million	3,965	4,232	3,866	3,364	3,835	3,649	3,036	3,097	2,801	2,615
Equity, SEK million	26,083	27,065	21,088	16,759	17,382	16,011	12,884	11,766	11,945	10,524
Return on equity	7%	25%	22%	1%	12%	24%	12%	6%	14%	11%
Net debt, SEK million	-845	-3,629	668	3,651	3,415	4,558	3,901	3,879	1,290	1,050
Debt/equity ratio, times	0.0	-0.1	0.0	0.2	0.2	0.3	0.3	0.3	0.1	0.1
Average capital employed, SEK million	24,089	22,476	21,350	21,039	21,104	19,029	16,493	14,600	12,639	11,349
Return on capital employed	9%	35%	25%	2%	12%	24%	12%	7%	17%	13%
Total assets, SEK million	40,494	41,433	33,429	29,253	29,337	27,094	23,104	21,671	19,248	17,229
Equity ratio	64%	65%	63%	57%	59%	59%	56%	54%	62%	61%
<b>CASH FLOW</b>										
Cash flow from operating activities, SEK million	1,890	7,652	5,190	2,317	3,343	4,270	1,915	2,315	3,123	1,988
Investments, SEK million	2,007	2,011	1,875	1,549	1,128	4,380	1,606	4,256	2,959	2,046
Cash flow after investments, SEK million	79	5,820	3,192	646	2,227	-142	356	-1,581	218	267
<b>VOLUMES</b>										
Wood volume, million m <sup>3</sup> sub	17.3	18.3	18.0	17.4	17.1	16.5	15.9	15.0	15.1	15.3
Deliveries of biofuels, 1,000 m <sup>3</sup> l	4,837	5,415	5,402	4,593	5,077	4,630	4,393	4,632	4,678	4,758
Sawn timber production, 1,000 m <sup>3</sup> sw	1,770	1,804	1,965	1,834	1,809	1,761	1,841	1,955	2,031	1,932
Pulp production, 1,000 tonnes	1,893	1,897	1,840	1,865	1,869	1,786	1,712	1,429	1,512	1,521
Electricity generation, GWh	1,886	1,913	1,790	1,956	1,830	1,772	1,719	1,326	1,379	1,419
<b>SUSTAINABILITY<sup>4)</sup></b>										
Fossil CO <sub>2</sub> from production, ktonnes	81	67	68	70	70	103	81	99	87	131
Fossil CO <sub>2</sub> from transportation, ktonnes	336	271	270	227	207	196	191	199	193	210
Lost time accidents (LTA) <sup>5)</sup> , no.	38	50	56	47	62	77	94	94	75	104
Lost time accident rate (LTAR) <sup>6)</sup>	7	10	11	9	12	15	17	16	13	18
<b>OTHER</b>										
Profit distribution, SEK million	1,474 <sup>1)</sup>	3,243	2,239	598	1,068	1,795	868	602	1,002	553
No. of members	51,774	51,476	51,938	52,921	52,192	51,637	51,009	50,771	50,360	50,227
Affiliated forest area, 1,000 ha	2,806	2,786	2,719	2,696	2,637	2,591	2,517	2,481	2,440	2,392
Members' wood deliveries, million m <sup>3</sup> sub	10.4	11.1	11.1	10.6	10.4	9.8	9.7	9.4	9.4	9.0
Average no. of employees	3,402	3,262	3,118	3,112	3,126	3,122	3,537	3,740	3,574	3,578
USD/SEK (average rate)	10.62	10.12	8.58	9.21	9.46	8.69	8.55	8.56	8.43	6.86
EUR/SEK (average rate)	11.48	10.63	10.14	10.49	10.59	10.26	9.64	9.47	9.35	9.10
NBSK (average rate USD/tonne)	1,268	1,437	1,201	844	983	1,166	881	802	856	925

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

<sup>2)</sup> The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations.

Comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and earlier), but are reconcilable with historical reports.

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

<sup>4)</sup> As of 2017, the accounting policy for Södra Cell's planned maintenance shutdowns has changed so that the cost is charged to profit for the current year, rather than being recognised as an improvement expense and subsequently amortised over the period until the next maintenance shutdown. The comparative figures affected have only been restated for 2016, while 2014-2015 are reconcilable with historical financial statements.

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

<sup>6)</sup> LTAR (lost time accident rate): 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	2023	2022	2021	2020	2019
Opening	33,367	27,060	20,351	23,183	24,230
Closing	28,896	33,367	27,060	20,351	23,183
Assets held for sale	—	—	—	679	—
Closing incl. assets held for sale	28,896	33,367	27,060	21,030	23,183
Change	-13%	23%	33%	-9%	-4%

### 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	2023	2022	2021	2020	2019
Operating profit	2,226	7,805	5,316	891	2,582
Assets held for sale	—	—	—	-537	—
Operating profit incl. assets held for sale	2,226	7,805	5,316	354	2,582
Depreciation, amortisation and impairment	1,451	1,331	1,495	1,273	1,315
Assets held for sale	—	—	—	341	—
Depreciation, amortisation and impairment incl. assets held for sale	1,451	1,331	1,495	1,614	1,315
Operating profit before depreciation, amortisation and impairment incl. assets held for sale	3,677	9,136	6,811	1,968	3,897

### 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	2023	2022	2021	2020	2019
Operating profit before depreciation, amortisation and impairment	3,677	9,136	6,811	1,968	3,897
Net sales	28,896	33,367	27,060	21,030	23,183
EBITDA margin	13%	27%	25%	9%	17%

### 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	2023	2022	2021	2020	2019
Net sales	28,896	33,367	27,060	20,351	23,183
Other revenue and profit from shares in associates	598	758	657	486	319
Operating expenses	-25,817	-24,989	-20,906	-18,673	-19,605
Depreciation, amortisation and impairment	-1,451	-1,331	-1,495	-1,273	-1,315
Assets held for sale	—	—	—	-537	—
Operating profit incl. assets held for sale	2,226	7,805	5,316	354	2,582

### 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.

## OPERATING MARGIN

SEK million	2023	2022	2021	2020	2019
Operating profit	2,226	7,805	5,316	354	2,582
Net sales	28,896	33,367	27,060	21,030	23,183
Operating margin	8%	23%	20%	2%	11%

### 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.

## RETURN ON EQUITY

SEK million	2023	2022	2021	2020	2019
Equity OB	27,065	21,088	16,759	17,382	16,011
Equity CB	26,083	27,065	21,088	16,759	17,382
Average equity	26,574	24,077	18,924	17,071	16,697
Profit before tax	2,272	7,724	5,233	746	2,495
Assets held for sale	—	—	—	-537	—
Standard tax	-468	-1,591	-1,078	-45	-534
Return	7%	25%	22%	1%	12%

### Explanation

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

### Definition

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

**NET DEBT**

SEK million	2023	2022	2021	2020	2019
Interest-bearing provisions	—	—	—	—	—
Interest-bearing liabilities	8,878	7,108	5,990	6,838	6,425
Financial receivables	0	0	0	0	—
Current investments and cash and cash equivalents	-9,723	-10,737	-5,322	-3,187	-3,010
<b>Net debt</b>	<b>-845</b>	<b>-3,629</b>	<b>668</b>	<b>3,651</b>	<b>3,415</b>

**Explanation**

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

**Definition**

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

**DEBT/EQUITY RATIO**

times	2023	2022	2021	2020	2019
Net debt	-845	-3,629	668	3,651	3,415
Equity	26,083	27,065	21,088	16,759	17,382
<b>Debt/equity ratio</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>

**Explanation**

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

**Definition**

Net debt in relation to equity.

**CAPITAL EMPLOYED**

SEK million	2023	2022	2021	2020	2019
Assets	40,494	41,433	33,429	29,253	29,337
- Surplus in funded pension plans	-138	-221	—	—	—
- Financial assets	-9,762	-10,884	-5,461	-3,220	-3,046
- Provisions <sup>1)</sup>	-540	-529	-381	-100	-143
- Income tax <sup>1)</sup>	-1,944	-2,287	-2,141	-1,639	-1,566
- Operating liabilities	-3,024	-4,420	-3,586	-3,154	-3,344
Assets held for sale	—	—	—	-300	—
<b>Capital employed</b>	<b>25,086</b>	<b>23,092</b>	<b>21,860</b>	<b>20,840</b>	<b>21,238</b>
Average	24,089	22,476	21,350	21,039	21,104

<sup>1)</sup> Not considered in the calculation of Operating capital.

**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	2023	2022	2021	2020	2019
Average capital employed	24,089	22,476	21,350	21,039	21,104
Operating profit	2,226	7,805	5,316	891	2,582
Assets held for sale	—	—	—	-537	—
Operating profit incl. assets held for sale	2,226	7,805	5,316	354	2,582
<b>Return</b>	<b>9%</b>	<b>35%</b>	<b>25%</b>	<b>2%</b>	<b>12%</b>

**Explanation**

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

**Definition**

Operating profit expressed as a percentage of average capital employed.

**EQUITY RATIO**

SEK million	2023	2022	2021	2020	2019
Equity	26,083	27,065	21,088	16,759	17,382
Assets	40,494	41,433	33,429	29,253	29,337
<b>Equity ratio</b>	<b>64%</b>	<b>65%</b>	<b>63%</b>	<b>57%</b>	<b>59%</b>

**Explanation**

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

**Definition**

Equity expressed as a percentage of total assets.

## Other definitions

**Return on operating capital**

Operating profit in relation to average operating capital.

**Equity**

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

**Operating capital**

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

**Dividends**

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

**Goodwill**

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

# Directors' Report

The Board of Directors and President of Södra Skogsägarna ekonomisk förening (corporate identity number 729500-3789) hereby submit the annual accounts and consolidated financial statements for the 2023 financial year.

## Södra delivers stable result in uncertain market conditions

The past year was impacted by falling market prices due to market uncertainty, and rising raw material costs for saw logs due to lower supply. A stable pulp production volume and good cost control led to earnings that were lower year-on-year but in line with expectations. Net sales for the full-year amounted to SEK 28,896 million (33,367), and operating profit totalled SEK 2,226 million (7,805). Return on capital employed was 9 percent (35). At 31 December 2023, the equity ratio was 64 percent (65).

### ABOUT SÖDRA

Södra is a member-owned global forest industry group and Sweden's largest forest-owner association with 51,774 members, where approximately 80 percent of the 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). At its pulp mills, wind turbines and hydropower plants, Södra produces nearly 2 TWh of electricity and supplies other energy producers with raw material.

### MARKET TREND

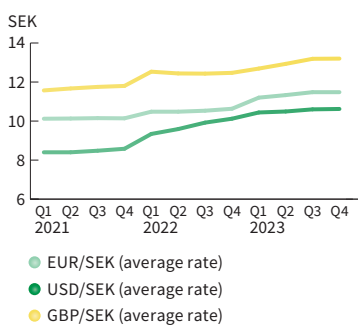
Throughout most of 2023, the global economy remained resilient despite challenging external factors. A slowdown was evident, but there were major differences between countries and sectors. While inflation gradually declined throughout the course of the year and approached inflation targets, the pace was somewhat slower than previously expected. Global

commodity prices have been falling since early 2022 which contributed to the generally lower prices. The war in Ukraine continued unfortunately, with no peace in sight. Beyond the human tragedy, the economic impact has been limited but the risk of negative setbacks in energy and commodity markets remains. Despite a relatively stable energy situation compared with the previous year, electricity prices are relatively high from a slightly longer perspective.

The US economy was strong, given external factors and rising interest rates. The US job market, in particular, was robust. Employment continued to rise and unemployment fell to historically low levels. In Europe, however, manufacturing continued to weaken during the year due to a general decline in global industrial activity. The decline was most evident in Germany, where energy-intensive industries were struggling. The property sector was challenged by higher interest rates, which also slowed development in the construction industry. The weak global industrial activity also had ripple effects in other economic areas.

Central banks continued to raise key interest rates in the US, the eurozone and Sweden during the year. While the increases eased toward year-end, the socio-economic effects of the rate hikes remain and are expected to affect growth moving forward. Central banks flagged that interest rates may need to remain as high over a longer period to tame inflation.

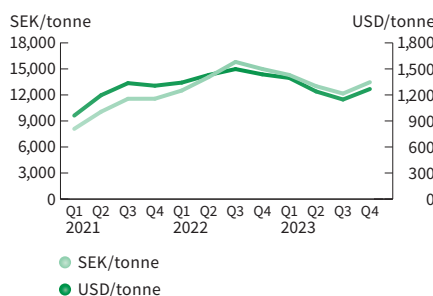
### Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

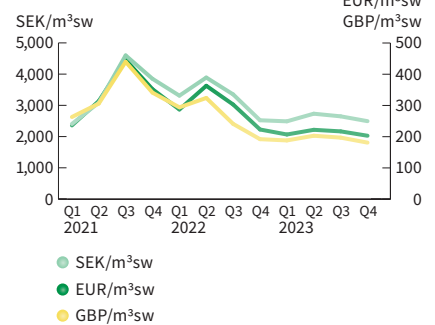
### Pulp prices



During the year, the price of bleached softwood sulphate pulp in USD fell initially and then recovered. The diagram shows the average prices for softwood sulphate pulp delivered to European customers.

Source: FOEX PIX and Södra

### Delivery prices for sawn timber



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

Source: Södra



Like its global equivalent, Swedish inflation dropped during the year. Falling electricity prices were a strong explanatory factor, but price pressure also eased during the year excluding these effects. The price of shipping and some raw materials fell, and helped to slow the rate of price increases. Inflation was higher in Sweden than in other parts of Europe, however, partially due to the weak SEK. Due to relatively high inflation and higher interest rates, however, the disposable income of households declined during the year.

During the year, inflation and interest rate hikes contributed to fluctuations in the foreign exchange market. The Federal Reserve's rate hiking cycle continued during the year. Rate differences accompanied by uncertainty surrounding the global economy helped to maintain the strength of the USD. In 2023, the USD, EUR and GBP strengthened against the SEK on average, compared with the preceding year. 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

During the year, demand was strong for both saw logs and pulpwood. The level of forestry activities was favourable, and supply was in line with the preceding year. For the various energy ranges such as fuel wood and forest chips, demand remained stable throughout the year. During the year, forest damage caused by spruce bark beetle outbreaks declined due to favourable weather and active forest protection measures.

#### Sawn timber market

The price trend for wood products was turbulent during the year. Prices were higher than planned at the beginning of the year, but declined in the second half due to weak construction activity. Overall, delivery prices fell about 5 percent for the year.

Sawlog supply was a challenge and affected production volumes in several units. During the year, the building materials trade was adversely impacted by a decline in purchasing power due to rising inflation, energy

prices and interest rates. Södra's industrial customers in Europe were affected by an increasingly competitive situation, which had a negative impact on market prices. Non-European markets were not as clearly affected by the energy situation, which helped to maintain demand for wood products. During the autumn, demand recovered slightly in China. Raw material costs also increased due to the saw log shortage. The US market is expected to emerge from the recession earlier than Europe and construction forecasts seem to have bottomed out already.

#### Pulp market

While demand for paper pulp strengthened at year-end, the level is still low. Combined with lower global supply due to pulp capacity closures and extended maintenance shutdowns in several pulp mills, the market equilibrium has improved. This led to a rise in the average price for softwood sulphate pulp at the end of the year. In total for the year, however, market prices fell about 15 percent.

This market does not have the same cyclical profile as the construction industry for sawn timber, despite a prolonged period of weak global growth with low levels of consumption.

#### NET SALES

Consolidated net sales amounted to SEK 28,896 million (33,367). The lower sales were mainly attributable to a lower price level for Södra's core products and lower outbound delivery volumes due to a lower supply of saw logs.

#### RESULT

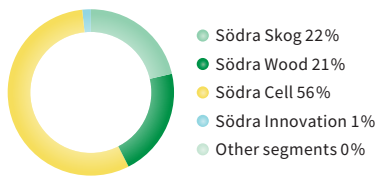
Operating profit totalled SEK 2,226 million (7,805). The year was impacted by the market slowdown for Södra's core products, lower prices for sawn timber in particular, and higher raw material costs for saw logs. A stable pulp production volume and good cost control led to a result that was in line with expectations. Tax expense for the year was SEK 151 million (889). The Group's net financial items amounted to income of SEK 46 million (expense: 81). Return on capital employed was 9 percent (35).

> Directors' Report, cont.

**BUSINESS AREAS**

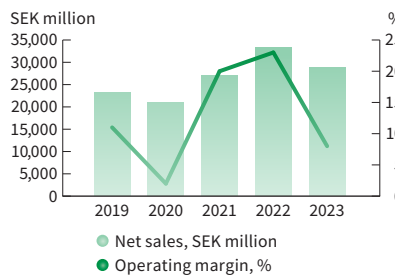
SEK million	Net sales		Operating profit/loss	
	2023 Jan-Dec	2022 Jan-Dec	2023 Jan-Dec	2022 Jan-Dec
Södra Skog	15,819	14,613	367	366
Södra Wood	7,103	9,246	-175	1,723
Södra Cell	16,388	18,658	2,631	6,896
Södra Innovation	412	298	-227	-75
Other segments	—	194	-2	0
Intra-Group	—	—	-368	-1,105
Eliminations	-10,826	-9,642	—	—
<b>Group</b>	<b>28,896</b>	<b>33,367</b>	<b>2,226</b>	<b>7,805</b>

**Sales per business area**

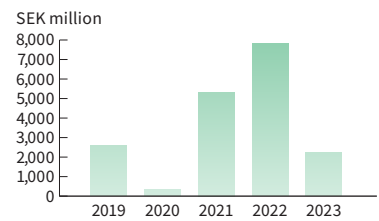


SEK 28,896 million in total, excluding internal deliveries.

**Net sales and operating margin**



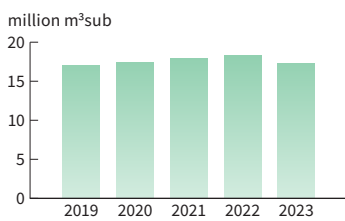
**Operating profit**



**Södra Skog's** operating profit totalled SEK 367 million (366), including the remeasurement of biological assets. The remeasurement effect for biological assets amounted to SEK 394 million (236). Profit for the year was impacted by lower volumes, which were partially offset by better earnings from sales of energy products. Demand for saw logs and pulpwood was stable during the year, but the delivery situation was challenging during the second half of the year.

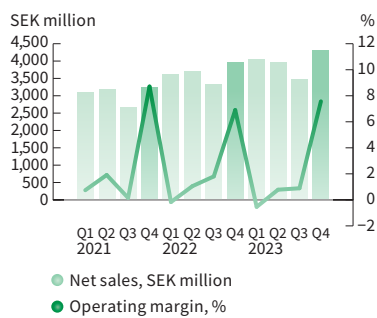
Södra's biological assets were impacted by higher prices for forest land and forest raw material, higher costs for harvesting and forest management, estimated harvest rates and exchange rate effects. Sales amounted to SEK 15,819 million (14,613), a consequence of price increases for saw logs and pulpwood, and a higher import volume at the beginning of the year. The total delivery volume was 17.3 million m<sup>3</sup>sub (18.3), comprising 57.8 percent pulpwood, 31.0 percent saw logs and 11.2 percent biofuel.

**Wood volume**

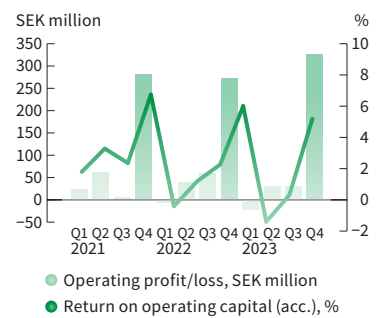


Wood supply in Södra's area was in line with the preceding year.

**Net sales and operating margin**



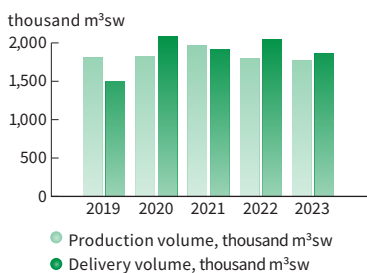
**Operating profit/loss and return on operating capital**



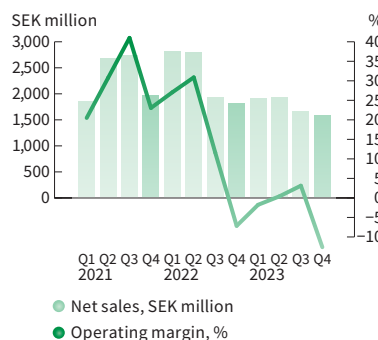
**Södra Wood's** operating loss totalled SEK 175 million (profit: 1,723). The lower year-on-year figures were due to weaker demand and falling prices during the second half-year, and higher costs for raw materials. Sales amounted to SEK 7,103 million (9,246), attributable to lower delivery

prices and a lower volume during the year. The total production volume of sawn timber was 1,770 thousand m<sup>3</sup>sw (1,804) and the delivery volume was 1,865 thousand m<sup>3</sup>sw, compared with 2,048 thousand m<sup>3</sup>sw in the preceding year.

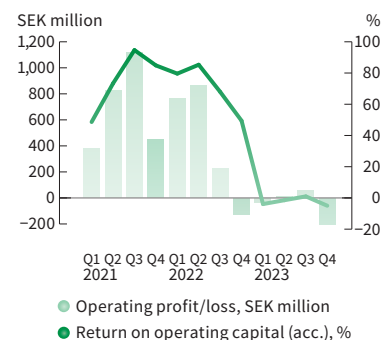
**Production and delivery volume, sawn timber**



**Net sales and operating margin**



**Operating profit/loss and return on operating capital**

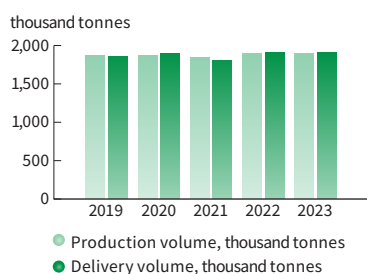


**Södra Cell's** operating profit totalled SEK 2,631 million (6,896). The decline was attributable to lower pulp prices and higher costs for raw materials. Sales amounted to SEK 16,388 million (18,658), primarily due to lower delivery prices during the year. Delivery volumes from Södra Cell amounted to 1,906 ktonnes, a year-on-year decrease of 9 ktonnes. The production volume declined 4 ktonnes to a total of 1,893 ktonnes (1,897), comprising

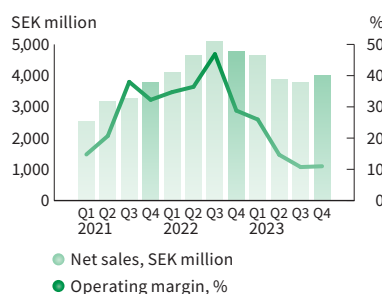
1,677 ktonnes (1,623) of softwood sulphate pulp, 60 ktonnes (120) of hardwood sulphate pulp and 155 ktonnes (155) of dissolving pulp.

Electricity generated at the pulp mills, the wind turbines and hydro-power plants amounted to 1,886 GWh (1,913). Excess electricity amounted to 561 GWh (581). The excess represented about 30 percent of the generated volume and was sold on the open market.

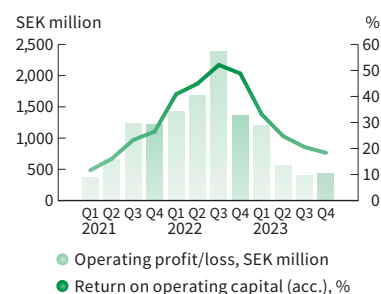
#### Production and delivery volume, pulp



#### Net sales and operating margin



#### Operating profit/loss and return on operating capital



**Södra Innovation's** operating loss totalled SEK 227 million (loss: 75). The earnings trend was attributable to Södra's participations in SunPine, and higher costs and depreciation/amortisation due to acceleration

of the CLT operations in the second half of the year. Sales for the year amounted to SEK 412 million (298), resulting from the start-up of CLT production at the Värö facility.

**Others segments** posted an operating loss of SEK 2 million (0) for the period.

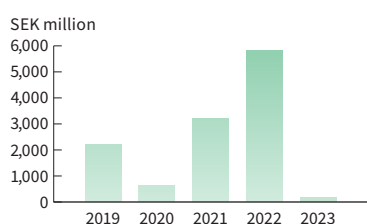
#### CASH FLOW AND LIQUIDITY

Cash flow amounted to SEK 1,890 million (7,652) before investments, and SEK 79 million (5,820) after investments. At year-end, cash and cash equivalents and current investments amounted to SEK 9,723 million (10,737).

#### INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Investments totalled SEK 2,007 million (2,011), of which SEK 886 million (1,076) pertained to Södra Cell, SEK 351 million (360) to Södra Wood, SEK 608 million (343) to Södra Skog and SEK 146 million (230) to Södra Innovation. The investments were mainly focused on productivity and the environment.

#### Cash flow after investments



#### FINANCIAL POSITION

At 31 December 2023, equity amounted to SEK 26,083 million (27,065), of which paid-up and issued contributed capital accounted for SEK 6,145 million (5,795). Total assets declined to SEK 40,494 million (41,433). At 31 December 2023, the equity ratio was 64 percent (65). Södra's borrowing comprised loans of SEK 8,322 million (6,430) from members, and a loan of SEK 333 million (466) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling Södra to borrow up to SEK 3,000 million until December 2028. The debt/equity ratio was 0.0 times (-0.1).

#### 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><b>Climate and nature.</b> 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/unequal access to water, more problems with pests, increased fire risk and changes to vegetation boundaries 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.</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 wood.</p> <p>Södra works nationally with wildlife damage issues by, for example, participating in Skogsbrukets viltgrupp (a cooperative 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><b>Economy.</b> 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 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><b>Competition.</b> 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>The strategy, <i>From one family to another</i>, is guiding Södra's development toward increased competitiveness. Investments in efficiencies in the core business are strengthening Södra's competitiveness and market position in existing business segments.</p> <p>The focus on innovation and new business with a vision for the future product portfolio will secure long-term competitiveness.</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><b>Raw material supply risks.</b> 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 are being taken to increase the robustness of existing logistics chains and ensure 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 affiliated forest area and wood volume is continuously monitored and in 2023, 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><b>Political risks.</b> 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 2023, the focus was on lobbying processes related to the Nature Restoration Regulation and the Deforestation Regulation. Several of Södra's employees were also appointed as experts in various public inquiries, including the inquiry that proposed the Deforestation Regulation. Södra was also represented in the Shoreline Protection Inquiry and the All Party Committee on Environmental Objectives. Input was also submitted to the government on issues related to species protection and compensation for infringement, as well as the pending Forest Inquiry. During the autumn, an election platform was created together with members of the Administrative Council prior to the 2024 European Parliament Election.</p>
<p><b>Brand risk.</b> 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><b>Facilities.</b> Unforeseen events that can damage facilities, cause production losses and damage to goods during transport.</p>	<p>Systematic work with preventive maintenance.</p> <p>Property and business interruption insurance where production facilities are insured up to their replacement value.</p> <p>In the event of production losses, business interruption insurance covers the loss of income. Goods in transit are insured at current market value.</p> <p>The value of the seed orchard is secured through geographic distribution and crosswise ownership.</p>
<p><b>Health and safety.</b> Södra's operations include facilities with hazardous work environments and activities that may be dangerous or entail health risks. This also includes the psychosocial work environment.</p>	<p>The Group works systematically with health and safety, according to the accepted methodology, with an explicit focus on continuous improvements. The focus on improved health and safety continued, with <i>Safety first</i> as the slogan.</p> <p>All pulp mills are certified according to the ISO 45001 occupational health and safety standard.</p> <p>Södra's occupational health and wellness initiatives are an important contribution to creating a healthy workplace.</p> <p>Employee surveys are conducted on a regular basis.</p> <p>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.</p> <p>BAM training (Better health and safety) is now provided for both managers and employees.</p>
<p><b>Environmental risks.</b> Environmental impacts due to consumption of water, energy and raw materials, as well as emissions from transportation. Risk of unexpected emissions 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 to be included in Södra's supplier agreements.</p> <p>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.</p> <p>There are also a large number of area-specific initiatives to reduce Södra's environmental impact, such as efforts to achieve fossil-fuel free pulp production, bio-based alternatives to petrodiesel for own operational machinery and hauliers, green forest management plans including the classification of watercourses (blue management targets) and specifications that contractors have completed training in nature conservation and cultural considerations to ensure competent management of natural, cultural and aquatic environments in forestry operations.</p>
<p><b>Product safety.</b> Several of Södra's products are used in the food and construction industries, both of which have clear and comprehensive regulations for safety and producer responsibility. Product defects could affect customers and/or consumers.</p>	<p>Södra Skog, Södra Wood and Södra Cell hold ISO certifications. Products hold the relevant labels/approvals, such as 'FDA approved' (U.S. Food and Drug Administration) and BfR (Bundesinstitut für Risikobewertung), for use in the food industry, CE marking for construction products, and so forth.</p> <p>Information/recall procedures are in place for defective products. Liability insurance includes global product liability.</p>
<p><b>Competence supply.</b> Södra is dependent on the ability to recruit, retain and develop competent leaders and employees. If people with the right expertise cannot be attracted to, and developed in, positions at Södra, this could have negative consequences in both the long and short term.</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.</p> <p>Resources are allocated to strengthening and developing recruitment, learning and development, HR communication, diversity, equality and inclusion, Grow Health &amp; Safety, and Trainee programmes.</p>
<p><b>Anti-corruption.</b> Södra operates in national and international markets across several different types of buying and selling channels. The risk of corruption in these settings varies but is always present and is, therefore, a constant threat to Södra's basic value of responsible business for a sustainable value chain.</p>	<p>The applicable guidelines and business practices for employees and representatives of Södra are set out in the Södra Code of Conduct. An updated Code was implemented in 2023, including training.</p> <p>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. The Supplier Code was updated in 2023.</p> <p>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.</p> <p>Processes and procedures for internal control are developed continuously in dialogue with Södra's auditors. A whistleblower function has been established.</p> <p>In 2023, Södra's new business ethics programme was rolled out according to plan. The programme includes new structured management and monitoring in the areas of business ethics, import and export control, competition and anti-corruption.</p>
<p><b>Information security and IT.</b> Society and Södra's increasing dependence on information technology and digital tools in everything from production in the Group's facilities to internal and external communication – especially with our customers and members – renders the Group vulnerable to IT/cyber-security risk. Risk in the form of malicious software, system disruptions, inadequate data quality and information loss/leakage could potentially have major consequences in terms of direct costs, an increased burden on the organisation and/or lost stakeholder trust.</p> <p>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.</p> <p>Redundant environments and a modern backup-system are in place. Internal training in cybersecurity is provided for all employees.</p> <p>Advanced crisis management capability.</p> <p>Strategic plans for digital-driven business development.</p>

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

&gt; Directors' Report, cont.

### INNOVATION, RESEARCH AND DEVELOPMENT

The Group's R&D costs amounted to SEK 247 million (217), 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 into forests, wood products, paper, textiles, chemicals and energy. In forest and sawn timber, 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 areas, 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 11 million to 26 different projects.

### REGULATED ACTIVITIES

Of Södra's net sales, 80 percent (81) are subject to permits or mandatory notification requirements under the Swedish Environmental Code.

At year-end, Södra conducted 56 (54) 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, the port in Mönsterås and hydropower plants. 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 2023, the sawmill at Klevshult submitted an application to amend its existing permit for a redistribution of production and further processing volumes to the environmental impact review delegation in Östergötland County. The sawmill at Kinda submitted an application for existing and expanded activities to the same environmental impact review delegation. The Land and Environment Court in Växjö set final permit conditions for noise at the sawmill at Orrefors. The main hearing regarding final conditions for emissions to water, nitrogen oxides to air, noise and chemical storage for the pulp mill at Värö was held at the Land and Environment Court in Vänersborg. A partial summary judgment was handed down, and Södra elected to appeal some parts. The Land and Environment Court granted leave to appeal at the end of the year. Under the current circumstances and pending the next stage of the process, Södra does not foresee any significantly negative effects in the short term. There were no other major changes regarding permits in 2023.

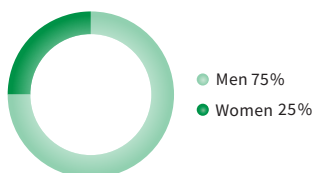
### SUSTAINABILITY REPORT IN ACCORDANCE WITH THE SWEDISH ANNUAL ACCOUNTS ACT

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

The average number of employees was 3,402 (3,262), of whom 25 percent were women (24).



### EUROPEAN COMMISSION CLOSED ITS ANTITRUST INVESTIGATION

In autumn 2021, the European Commission opened an investigation of several pulp producers, including Södra, in a number of European countries. The Commission decided to terminate its investigation without pursuing any action.

### EVENTS AFTER THE CLOSE OF THE PERIOD

The Board decided to consolidate Södra Wood's operations. The consolidation process will continue throughout 2024. At present, this is not expected to trigger any significant financial effects.

Otherwise, there were no other significant events after the balance-sheet date.

### FUTURE OUTLOOK

Inflation is slowing steadily, but remains at a high level. We see continued uncertainty ahead, even though falling inflation is on the cards and interest rate cuts are also expected during the year. This should have a positive effect on economic growth, but from a low level. Electricity prices were lower this winter, but there is uncertainty about whether, and at what rate, prices will change.

The forecast for sawn timber demand is highly uncertain. In the short term, demand is mainly affected by the slowdown in the construction sector, but a more balanced market is expected now that supply has also decreased. Demand for pulp has increased recently, especially in Europe, and pulp prices have started to rise again. Demand is forecast to rise during the year, but the pace and extent is uncertain.

Full-year 2024 is expected to be a challenging year with demand uncertainty and a strengthened SEK, but offset to some extent by higher pulp prices in USD. The long-term outlook for Södra's core products is considered favourable. Global economic growth will bolster the underlying demand for sustainable forest-based products. Tightened emissions reduction targets are also driving the transition towards a more sustainable bioeconomy.

### PARENT COMPANY

#### Result

Net sales declined to SEK 26,584 million (30,401) and operating profit decreased to SEK 1,565 million (6,712). Profit after financial items amounted to SEK 1,750 million (6,606).

#### Members

The number of members was 51,774 (51,476). The affiliated forest area increased by approximately 20,000 hectares to 2.8 million hectares (2.8). In 2024, contribution repayments to members who had left the association by 31 December 2023 will amount to SEK 82 million (93).

### Proposed appropriation of profits

The Board proposes that the profits at the disposal of the AGM, an amount of SEK 9,096,259,236, be appropriated as follows:

Dividend to members of 8 percent of contributed capital (paid-up and issued), totalling	SEK 491,626,222
Dividend to members of 12 percent of the value of wood deliveries in 2023, totalling and calculated on all ranges, excluding sold standing forest	SEK 844,328,880
To members' contribution capital accounts through a bonus issue	SEK 138,439,753
The bonus issue represents 6 percent of available paid-up contributed capital at 31 December 2023	
Amount carried forward	SEK 7,621,864,381
	<b>SEK 9,096,259,236</b>

# Consolidated statement of comprehensive income

SEK million	Note	2023	2022
Net sales	2, 3	28,896	33,367
Other revenue	4	568	654
Change in inventories of finished products and work in process		160	304
Own work capitalised		18	15
Raw materials and consumables		-18,969	-17,320
Goods for resale		-34	-165
Freight and transportation		-1,184	-1,625
Employee expenses	5	-2,960	-2,791
Other expenses	6	-2,848	-3,407
Depreciation, amortisation and impairment of assets	7	-1,451	-1,331
Share of profit of associates	8	30	104
<b>Operating profit</b>	<b>2</b>	<b>2,226</b>	<b>7,805</b>
Financial income		403	138
Financial expenses		-292	-155
Loss from shares in partnerships		-65	-64
<b>Net financial items</b>	<b>9</b>	<b>46</b>	<b>-81</b>
<b>Profit before income tax</b>		<b>2,272</b>	<b>7,724</b>
Income tax	10	-151	-889
<b>Profit for the year</b>		<b>2,121</b>	<b>6,835</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses		-143	433
Tax attributable to items that will not be reclassified to profit or loss		29	-89
<b>Items that will not be reclassified to profit or loss</b>		<b>-114</b>	<b>344</b>
Translation differences for the year on translation of foreign operations		-17	430
Fair value remeasurement, forest land		-126	-62
Fair value remeasurement of available-for-sale financial assets		15	-14
Hedge accounting		11	-41
Tax attributable to items that will be reclassified to profit or loss		21	31
<b>Items that will be reclassified to profit or loss</b>		<b>-96</b>	<b>344</b>
<b>Other comprehensive income for the year</b>	<b>11</b>	<b>-210</b>	<b>688</b>
<b>Total comprehensive income for the year</b>		<b>1,911</b>	<b>7,523</b>
<b>Profit attributable to:</b>			
Parent Company		2,121	6,835
<b>Profit for the year</b>		<b>2,121</b>	<b>6,835</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Parent		1,911	7,523
<b>Total comprehensive income for the year</b>		<b>1,911</b>	<b>7,523</b>

# Consolidated statement of financial position

31 December, SEK million	Note	2023	2022
<b>ASSETS</b>	12, 13		
<b>Non-current assets</b>			
Intangible assets			
Goodwill		64	64
Other intangible assets		4	4
<b>Total intangible assets</b>	14	<b>68</b>	<b>68</b>
Property, plant and equipment			
Buildings and land		5,297	4,850
Machinery and equipment		10,243	9,456
Construction in progress		963	2,077
<b>Total property, plant and equipment</b>	15	<b>16,503</b>	<b>16,383</b>
Biological assets	16	4,650	3,976
Shares and participations in associates	8	339	334
Surplus in funded pension plans	27	138	221
Financial investments	17	39	147
Non-current operating receivables	18	53	46
Deferred tax assets	19	4	4
<b>Total non-current assets</b>		<b>21,794</b>	<b>21,179</b>
Current assets			
Inventories	20	3,965	4,232
Tax assets		668	85
Current operating receivables	21	4,344	5,200
Current investments	17	6,361	5,733
Cash and cash equivalents	22	3,362	5,004
<b>Total current assets</b>		<b>18,700</b>	<b>20,254</b>
<b>TOTAL ASSETS</b>		<b>40,494</b>	<b>41,433</b>



31 December, SEK million	Note	2023	2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		6,145	5,795
Other paid-up capital		1,413	1,413
Reserves		423	519
Retained earnings including profit for the year		18,102	19,338
<b>Equity attributable to owners of the Parent</b>		<b>26,083</b>	<b>27,065</b>
<b>Total equity</b>	23	<b>26,083</b>	<b>27,065</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
12, 13			
Non-current interest-bearing financial liabilities	25	1,131	1,163
Non-current interest-bearing operating liabilities	26	125	136
Provisions for pensions	27	25	24
Non-current provisions	28	540	529
Deferred tax liabilities	19	1,922	1,997
Other non-current operating liabilities	29	13	25
<b>Total non-current liabilities</b>		<b>3,756</b>	<b>3,874</b>
<b>Current liabilities</b>			
Current interest-bearing financial liabilities	25	7,524	5,733
Current interest-bearing operating liabilities	26	98	76
Income tax liabilities		22	290
Current operating liabilities and provisions	28, 30	3,011	4,395
<b>Total current liabilities</b>		<b>10,655</b>	<b>10,494</b>
<b>Total liabilities</b>		<b>14,411</b>	<b>14,368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,494</b>	<b>41,433</b>

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 2023	5,795	1,413	457	103	-41	19,338	27,065
Profit for the year	—	—	—	—	—	2,121	2,121
Other comprehensive income for the year	—	—	-17	-100	21	-114	-210
<b>Comprehensive income for the year</b>	—	—	-17	-100	21	2,007	1,911
Contributed capital, paid-up by members	233	—	—	—	—	—	233
Contributed capital, paid-out to members	-94	—	—	—	—	—	-94
Dividends to members	—	—	—	—	—	-3,032	-3,032
Bonus issue	211	—	—	—	—	-211	—
<b>Closing balance, 31 December 2023</b>	<b>6,145</b>	<b>1,413</b>	<b>440</b>	<b>3</b>	<b>-20</b>	<b>18,102</b>	<b>26,083</b>
Opening balance, 1 January 2022	5,103	1,413	27	145	3	14,397	21,088
Profit for the year	—	—	—	—	—	6,835	6,835
Other comprehensive income for the year	—	—	430	-42	-44	344	688
<b>Comprehensive income for the year</b>	—	—	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	—
<b>Closing balance, 31 December 2022</b>	<b>5,795</b>	<b>1,413</b>	<b>457</b>	<b>103</b>	<b>-41</b>	<b>19,338</b>	<b>27,065</b>

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

# Consolidated statement of cash flows

SEK million	Note	2023	2022
<b>Operating activities</b>			
Profit before tax		2,272	7,724
Adjustment for non-cash items			
Depreciation and amortisation		1,413	1,319
Impairment of non-current assets		38	20
Change in value of biological assets		-394	-236
Loss from sale of non-current assets		-8	-23
Other items not affecting cash flow		-163	321
Income tax paid		-1,024	-834
<b>Cash flow from operating activities before change in working capital</b>		<b>2,134</b>	<b>8,291</b>
Change in			
Inventories (increase -)		210	-472
Operating receivables (increase -)		890	-817
Operating liabilities (increase +)		-1,344	650
<b>Cash flow from operating activities</b>		<b>1,890</b>	<b>7,652</b>
<b>Investing activities</b>			
Acquisition of subsidiaries and associates		—	-72
Divestment of companies	41	75	—
Acquisition of other financial assets		-5	-3
Divestment of other financial assets		—	0
Investments in intangible assets		-1	-2
Investments in property, plant and equipment		-1,606	-1,861
Investments in biological assets		-280	-61
Divestment of property, plant and equipment		6	167
<b>Cash flow from investing activities</b>		<b>-1,811</b>	<b>-1,832</b>
<b>Cash flow after investing activities</b>		<b>79</b>	<b>5,820</b>
<b>Financing activities</b>			
Contributed capital, paid-up		233	206
Contributed capital, paid out		-94	-95
Dividends paid		-3,032	-1,657
Loans from members	25	11,128	9,612
Payment from member deposits	25	-9,236	-8,268
Repayment of other loans	25	-133	-233
Dividends received		25	25
Change in current investments with maturity >90 days		-594	-4,120
<b>Cash flow from financing activities</b>		<b>-1,703</b>	<b>-4,530</b>
<b>CASH FLOW FOR THE YEAR</b>	41	<b>-1,624</b>	<b>1,290</b>
Cash and cash equivalents at beginning of period		5,004	3,674
Exchange gains on cash and cash equivalents		-18	40
Cash and cash equivalents at end of period	22	3,362	5,004

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

# Parent Company income statement

SEK million	Note	2023	2022
Net sales	2, 3	26,584	30,401
Change in inventories of finished products and work in process		116	130
Own work capitalised		17	16
Other revenue	4	199	462
Raw materials and consumables		-17,155	-15,659
Other external expenses	6	-3,990	-4,753
Employee expenses	5	-2,848	-2,660
Depreciation, amortisation and impairment of assets	7	-1,318	-1,219
Other operating expenses	6	-40	-6
<b>Operating profit</b>	2	<b>1,565</b>	<b>6,712</b>
Profit/loss from shares in Group companies		80	-160
Profit from shares in associates		25	25
Interest income and similar profit items		391	144
Interest expenses and similar loss items		-311	-115
<b>Net financial items</b>	9	<b>185</b>	<b>-106</b>
<b>Profit after financial items</b>		<b>1,750</b>	<b>6,606</b>
Appropriations	31	799	-665
<b>Profit before income tax</b>		<b>2,549</b>	<b>5,941</b>
Income tax	10	-133	-589
<b>Profit for the year</b>		<b>2,416</b>	<b>5,352</b>

Profit for the year matches Comprehensive income for the year.

# Parent Company balance sheet

31 December, SEK million	Note	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Other intangible assets		1	1
<b>Total intangible assets</b>	14	<b>1</b>	<b>1</b>
Property, plant and equipment			
Buildings and land		3,589	2,861
Machinery and equipment		9,969	9,168
Construction in progress		960	2,070
<b>Total property, plant and equipment</b>	15	<b>14,518</b>	<b>14,099</b>
Financial assets			
Shares in Group companies	32	4,485	4,480
Shares and participations in associates	8	99	99
Endowment policies	27	11	11
Other non-current investments	33	31	31
Other non-current receivables	18	53	46
Deferred tax assets	19	42	37
<b>Total financial assets</b>		<b>4,721</b>	<b>4,704</b>
<b>Total non-current assets</b>		<b>19,240</b>	<b>18,804</b>
Current assets			
Inventories	20	3,418	3,470
Current receivables			
Tax assets		643	—
Interest-bearing receivables from Group companies	34	258	234
Operating receivables	21	4,268	5,166
<b>Total current receivables</b>		<b>5,169</b>	<b>5,400</b>
Current financial investments	17	7,277	8,292
Cash and bank balances		2,196	2,260
<b>Total current assets</b>		<b>18,060</b>	<b>19,422</b>
<b>TOTAL ASSETS</b>		<b>37,300</b>	<b>38,226</b>

&gt; Parent Company balance sheet, cont.

31 December, SEK million	Note	2023	2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Contributed capital		6,145	5,795
Statutory reserve		1,413	1,413
<b>Total restricted equity</b>		<b>7,558</b>	<b>7,208</b>
<b>Non-restricted equity</b>			
Profit carried forward		6,681	4,572
Profit for the year		2,416	5,352
<b>Total non-restricted equity</b>		<b>9,096</b>	<b>9,924</b>
<b>Total equity</b>	23	<b>16,655</b>	<b>17,132</b>
<b>Untaxed reserves</b>	35	<b>7,637</b>	<b>8,347</b>
<b>Provisions</b>			
Provisions for pensions	27	11	11
Other non-current provisions	28	540	529
<b>Total provisions</b>		<b>551</b>	<b>540</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities from Group companies	36	7	8
Non-current interest-bearing financial liabilities	25	1,131	1,163
<b>Total non-current liabilities</b>		<b>1,138</b>	<b>1,171</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities from Group companies	36	810	788
Current interest-bearing financial liabilities	25	7,524	5,733
Current tax liabilities		—	278
Current operating liabilities and provisions	30	2,985	4,237
<b>Total current liabilities</b>		<b>11,319</b>	<b>11,036</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,300</b>	<b>38,226</b>

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

# Parent Company statement of changes in equity

SEK million	Restricted equity		Non-restricted equity		Total equity
	Contributed capital	Statutory reserve	Profit carried forward	Profit for the year	
Opening balance, 1 January 2023	5,795	1,413	4,572	5,352	17,132
Transfer of profit/loss for the period	—	—	5,352	-5,352	—
Profit for the year	—	—	—	2,416	2,416
<b>Total equity excluding owner transactions</b>	<b>5,795</b>	<b>1,413</b>	<b>9,924</b>	<b>2,416</b>	<b>19,548</b>
Contributed capital, paid-up by members	233	—	—	—	233
Contributed capital, paid-out to members	-94	—	—	—	-94
Appropriation of profits					
Dividends to members	—	—	-3,032	—	-3,032
Bonus issue	211	—	-211	—	—
<b>Closing balance, 31 December 2023</b>	<b>6,145</b>	<b>1,413</b>	<b>6,681</b>	<b>2,416</b>	<b>16,655</b>
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
<b>Total equity excluding owner transactions</b>	<b>5,103</b>	<b>1,413</b>	<b>6,810</b>	<b>5,352</b>	<b>18,678</b>
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	—	—
<b>Closing balance, 31 December 2022</b>	<b>5,795</b>	<b>1,413</b>	<b>4,572</b>	<b>5,352</b>	<b>17,132</b>

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

# Parent Company statement of cash flows

SEK million	Note	2023	2022
<b>Operating activities</b>			
Profit after financial items		1,750	6,606
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation according to plan		1,280	1,211
Impairment		38	8
Gain/loss from divestment of non-current assets		-1	1
Impairment Group companies		0	179
Other items not affecting cash flow		-119	217
Income tax paid		-1,060	-695
<b>Cash flow from operating activities before change in working capital</b>		<b>1,888</b>	<b>7,527</b>
<b>Change in</b>			
Inventories (increase -)		53	-423
Operating receivables (increase -)		957	-531
Operating liabilities (increase +)		-1,360	1,218
<b>Cash flow from operating activities</b>		<b>1,538</b>	<b>7,791</b>
<b>Investing activities</b>			
Shareholders' contributions paid	32	—	-351
Acquisition of Group companies		-5	—
Group contributions received		140	—
Group contributions paid		-5	-5
Investments in property, plant and equipment and intangible assets		-1,743	-1,645
Divestment of property, plant and equipment		6	18
Acquisition of external companies		-5	—
Others changes in financial items		-1	—
<b>Cash flow from investing activities</b>		<b>-1,613</b>	<b>-1,983</b>
<b>Cash flow after investing activities</b>		<b>-75</b>	<b>5,808</b>
<b>Financing activities</b>			
Contributed capital, paid-up		233	206
Contributed capital, paid out		-94	-95
Dividends paid		-3,032	-1,657
Loans from members	25	11,128	9,612
Payment from member deposits	25	-9,236	-8,268
Repayment of loans	25	-133	-233
Dividends received		130	25
Change in current investments with maturity > 90 days		-594	-4,120
<b>Cash flow from financing activities</b>		<b>-1,598</b>	<b>-4,530</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>41</b>	<b>-1,673</b>	<b>1,278</b>
Cash and cash equivalents at beginning of period		4,824	3,546
Cash and cash equivalents at end of period	22	3,151	4,824

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 2023 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 2023 financial year were approved for publication by the Board of Directors and President on 15 February 2024. The consolidated statement of comprehensive income and statement of financial position and the Parent Company earnings and balance sheet become subject for decisions on determination of the AGM the 28 May 2024.

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.

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.

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 2023. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups has also been applied.

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

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

except as specified in the section Parent Company's accounting policies and valuation principles.

### BASES IN PREPARATION OF THE FINANCIAL STATEMENTS

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

### 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. The amended standards with a material effect on the consolidated financial statements and that were applied for the first time in the financial year commencing 1 January 2023 are described below.

At the beginning of 2021, amendments to the disclosure requirements for the accounting policies applied in IAS 1, Presentation of Financial Statements, were issued with the overall aim of improving communication in the financial statements by ensuring more entity-specific disclosures, fewer irrelevant disclosures and that immaterial information does not obscure material information. During the autumn, representatives from Södra analysed the effect of the change in IAS 1 and the conclusion was that the changed approach has only a marginal impact on the financial statements.

Changed rules for the accounting of deferred tax came into effect on 1 January 2023. The aim of the changes is to specify how the company should record an asset for the first time, while also recording a liability. The general principle in IAS 12 Income Taxes is that a deferred tax liability is recognised for all taxable temporary differences. Södra has not used the exception that was previously available.

Accounting for top-up tax under the OECD's Pillar Two Model Rules has resulted in amendments to IAS 12 Income Taxes. The background to the amendments is that the OECD's Model Rules for a global minimum taxation for multinational enterprises, also referred to as top-up tax, is now being implemented in several countries. Södra is affected by the new regulatory frameworks and an analysis of the effects on the financial statements and the effective tax rate for the Group has commenced.

#### 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.

The Group is currently assessing its exposure to the Pillar Two regulations when they come into force. Due to the complexity of the application of the regulations and the Pillar Two GloBE income calculation, the quantitative effect of the regulations is not yet possible to estimate with reasonable certainty. Although the average effective tax rate is below 15 percent in one or more jurisdictions, there is no absolute certainty that the Pillar Two rules for top-up tax will be triggered for the Group. Furthermore, there may be Pillar Two tax effects for Group companies that apply an effective tax rate of more than 15 percent. Södra is currently working with tax specialists

> Note 1, cont.

in order to apply the new regulations adequately and transparently. The reported tax expense calculated with account for the new top-up tax will be disclosed from the first quarter of 2024.

### CONSOLIDATION POLICIES

Subsidiaries are entities over which the Parent Company Södra Skogs-ägarna ekonomisk förening has a controlling influence. A controlling influence is achieved when the Group is exposed or entitled to variable returns from its commitments in the company and can influence the returns by exercising its controlling influence. Such influence arises when the Group has existing rights that allow it to control the relevant operations, meaning the operations that significantly influence the company's returns. Potential voting shares that can be immediately 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, i.e. between owners of the Parent (in retained earnings) and non-controlling interests.

### FINANCIAL STATEMENTS OF FOREIGN ENTITIES

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

### RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

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

## Parent Company

### ACCOUNTING POLICIES

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995: 1554) and the recommendation of the Swedish Financial Reporting Board's 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.

### SUBSIDIARIES AND ASSOCIATES

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

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

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

## Note 2 | Operating segments

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

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

The Group has four main 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.

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 Cell 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. This 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 such as SunPine and Södra Medlemmel.

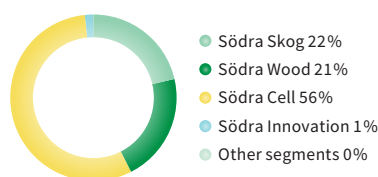
Other segments include remaining operations in the business area that previously conducted single-family home production.

All other activities, called Intra-Group, include management, the Group's financial operations and other Group-wide functions.

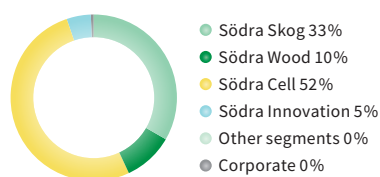
The Swedish operations in Södra Skog, Södra Wood and Södra Cell and some parts of Södra Innovation are included in the Parent Company.

&gt; Note 2, cont.

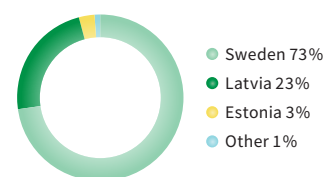
## External net sales per segment



## Facilities per segment



## Facilities by geographic market



Group	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Intra-Group		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Net sales</b>																
from external customers	6,260	5,921	6,083	8,493	16,142	18,463	411	296	—	194	—	—	—	—	28,896	33,367
from other segments	9,559	8,692	1,020	753	246	195	1	2	—	—	—	—	-10,826	-9,642	—	—
	<b>15,819</b>	<b>14,613</b>	<b>7,103</b>	<b>9,246</b>	<b>16,388</b>	<b>18,658</b>	<b>412</b>	<b>298</b>	<b>—</b>	<b>194</b>	<b>—</b>	<b>—</b>	<b>-10,826</b>	<b>-9,642</b>	<b>28,896</b>	<b>33,367</b>
Depreciation, amortisation and impairment of assets	-79	-74	-253	-207	-1,062	-1,027	-45	-5	—	-2	-12	-16	—	—	-1,451	-1,331
Share of profit of associates	0	0	—	—	—	—	30	104	—	—	—	—	—	—	30	104
<b>Operating profit/loss</b>	<b>367</b>	<b>366</b>	<b>-175</b>	<b>1,723</b>	<b>2,631</b>	<b>6,896</b>	<b>-227</b>	<b>-75</b>	<b>-2</b>	<b>0</b>	<b>-368</b>	<b>-1,105</b>	<b>—</b>	<b>—</b>	<b>2,226</b>	<b>7,805</b>
Net financial items															46	-81
<b>Profit before income tax</b>															<b>2,272</b>	<b>7,724</b>
Assets	6,119	6,128	7,439	7,999	30,566	28,597	135	296	93	216	-2,143	-346	-1,715	-1,457	40,494	41,433
Operating profit/loss excl. biological change in value	-27	130	-175	1,723	2,631	6,896	-227	-75	-2	0	-368	-1,105	—	—	1,832	7,569
Operating profit/loss before depreciation, amortisation and impairment	446	440	78	1,930	3,693	7,923	-182	-70	-2	2	-356	-1,089	—	—	3,677	9,136
Operating margin	2%	3%	neg.	19%	16%	37%	neg.	neg.	0%	0%	—	—	—	—	8%	23%
Average operating capital <sup>1)</sup>	7,075	6,106	3,509	3,488	14,344	14,125	1,169	874	119	208	—	—	—	—	24,089	22,476
Return on operating capital <sup>1)</sup>	5%	6%	neg.	49%	18%	49%	neg.	0%	neg.	neg.	—	—	—	—	9%	35%
Cash flow after investments	-942	-164	-329	1,832	2,780	6,254	-292	-397	127	40	-1,265	-1,745	—	—	79	5,820
Investments	608	343	351	360	886	1,076	146	230	—	—	16	2	—	—	2,007	2,011

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

## SEGMENT ALLOCATION

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

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

non-current assets. The non-current assets are mainly distributed between the geographic markets of Sweden SEK 15,536 million (15,306), Latvia SEK 4,846 million (4,312), Estonia SEK 603 million (569), Finland SEK 145 million (157), the UK SEK 61 million (61) and Denmark SEK 15 million (13).

## 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Net sales</b>																
from external customers	5,927	5,552	3,221	4,398	15,493	17,668	283	147	—	—	—	—	—	—	24,924	27,765
from other segments	9,559	8,692	2,154	2,542	771	1,036	0	2	—	—	—	—	-10,824	-9,636	1,660	2,636
	<b>15,486</b>	<b>14,244</b>	<b>5,375</b>	<b>6,940</b>	<b>16,264</b>	<b>18,704</b>	<b>283</b>	<b>149</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-10,824</b>	<b>-9,636</b>	<b>26,584</b>	<b>30,401</b>
Depreciation, amortisation and impairment of assets	-50	-46	-215	-183	-1,002	-977	-44	-6	—	—	-7	-7	—	—	-1,318	-1,219
<b>Operating profit/loss</b>	<b>-135</b>	<b>-44</b>	<b>-221</b>	<b>1,167</b>	<b>2,606</b>	<b>6,880</b>	<b>-267</b>	<b>-172</b>	<b>—</b>	<b>—</b>	<b>-418</b>	<b>-1,119</b>	<b>—</b>	<b>—</b>	<b>1,565</b>	<b>6,712</b>
Net financial items															185	-106
<b>Profit after financial items</b>															<b>1,750</b>	<b>6,606</b>

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.

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

	2023	%	2022	%
Sweden	14,853	51%	13,752	41%
UK	2,686	9%	3,648	11%
Italy	2,392	8%	2,963	9%
Germany	1,381	5%	2,057	6%
France	1,028	4%	1,375	4%
Denmark	749	3%	638	2%
Austria	699	2%	1,029	3%
The Netherlands	524	2%	939	3%
Poland	523	2%	831	2%
Ireland	286	1%	392	1%
Latvia	281	1%	308	1%
Finland	276	1%	220	1%
Hungary	269	1%	538	2%
Rest of Europe	1,231	4%	2,030	6%
Asia	617	2%	800	2%
US	1,100	4%	1,847	6%
Others, North America	1	0%	0	0%
Africa	0	0%	—	0%
<b>Total</b>	<b>28,896</b>	<b>100%</b>	<b>33,367</b>	<b>100%</b>

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

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

	2023	%	2022	%
Sweden	4,452	18%	5,425	19%
Rest of Europe	12,327	51%	16,970	59%
Asia	6,205	26%	4,516	15%
Africa	176	1%	143	1%
North America	1,101	4%	1,847	6%
Rest of World	0	0%	19	0%
<b>Total</b>	<b>24,261</b>	<b>100%</b>	<b>28,920</b>	<b>100%</b>

The table shows net sales of processed products from sales to those countries where Södra's end customers are.

#### 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

	2023	2022
Sweden	14,722	13,540
Italy	2,392	2,963
UK	1,816	2,285
Germany	1,381	2,057
France	1,028	1,375
Austria	699	1,029
The Netherlands	522	938
Poland	519	829
Denmark	404	332
Hungary	269	538
Rest of Europe	1,431	2,215
Asia	590	766
US	810	1,534
Others, North America	1	0
Africa	0	—
<b>Total</b>	<b>26,584</b>	<b>30,401</b>

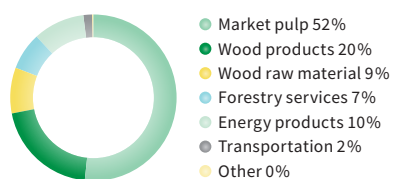
&gt; Note 3, cont.

## NET SALES PER REVENUE CATEGORY:

2023	Södra Skog	Södra Wood	Södra Cell	Södra Innovation	Other segments	Group
Wood raw material	2,595	—	—	—	—	2,595
Wood products	—	5,537	—	283	—	5,820
Pulp	—	—	14,995	—	—	14,995
Energy products	1,030	528	1,147	128	—	2,833
Forestry services	2,100	—	—	—	—	2,100
Transportation	521	—	—	—	—	521
Other	14	18	—	—	—	32
<b>Net sales, goods and services</b>	<b>6,260</b>	<b>6,083</b>	<b>16,142</b>	<b>411</b>	<b>—</b>	<b>28,896</b>

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
<b>Net sales, goods and services</b>	<b>5,921</b>	<b>8,493</b>	<b>18,463</b>	<b>296</b>	<b>194</b>	<b>33,367</b>

## External net sales by revenue category



## Note 4 | Other revenue

Revenue from activities outside the company's core operations is recognised as other revenue. This mainly comprises rental and lease income, other remuneration 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	
	2023	2022	2023	2022
Sale of goods	38	51	82	119
Services	15	13	38	28
Rental income	10	13	4	6
Change in fair value of biological assets	394	236	—	—
Exchange-rate effect	—	258	—	268
Capital gains	20	30	8	5
Government grants	5	13	2	11
Insurance compensation	17	1	17	1
Damages	—	1	—	1
AGS repayment	1	10	1	10
Other	68	28	47	13
<b>Total</b>	<b>568</b>	<b>654</b>	<b>199</b>	<b>462</b>

Other government grants of SEK 5 million (13) are included in the consolidated total and mainly relate to contributions of SEK 3 million (2) for forest management, SEK 1 million (5) for employees and SEK 1 million (5) for R&D.

## Note 5 | Employee expenses

EMPLOYEE EXPENSES SEK million	Group		Parent Company	
	2023	2022	2023	2022
Salaries and benefits	1,955	1,845	1,825	1,729
Contractual social security contributions	288	249	254	249
Other social security contributions	598	591	655	580
Other employee expenses	119	106	114	102
<b>Total</b>	<b>2,960</b>	<b>2,791</b>	<b>2,848</b>	<b>2,660</b>

AVERAGE NUMBER OF EMPLOYEES	2023			2022			2021			
	No.	Men/Women		No.	Men/Women		No.	Men/Women		
<b>Parent Company</b>										
Sweden	3,229	76%	24%	3,088	76%	24%	2,898	78%	22%	
<b>Subsidiaries</b>										
Sweden	—	—	—	—	—	—	28	69%	31%	
Finland	46	76%	24%	43	88%	12%	53	76%	24%	
UK	35	43%	57%	35	46%	54%	41	61%	39%	
Latvia	41	63%	37%	43	65%	35%	43	64%	36%	
Denmark	17	71%	29%	17	77%	23%	19	69%	31%	
Germany	12	50%	50%	14	64%	36%	13	46%	54%	
Estonia	6	50%	50%	7	57%	43%	7	57%	43%	
US	5	80%	20%	4	25%	75%	5	20%	80%	
Norway	5	100%	—%	5	100%	—	4	100%	—	
China	3	33%	67%	3	33%	67%	4	50%	50%	
Ireland	3	67%	33%	3	67%	33%	3	67%	33%	
<b>Total</b>	<b>3,402</b>	<b>75%</b>	<b>25%</b>	<b>3,262</b>	<b>76%</b>	<b>24%</b>	<b>3,118</b>	<b>77%</b>	<b>23%</b>	

MEN/WOMEN IN MANAGEMENT	Group						Parent Company					
	2023		2022		2021		2023		2022		2021	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
<b>Boards</b>												
<30 years	—	—	—	—	—	—	—	—	—	—	—	—
30–50 years	90%	10%	93%	7%	89%	11%	33%	67%	50%	50%	100%	—
>50 years	90%	10%	85%	15%	90%	10%	67%	33%	73%	27%	73%	27%
<b>Total proportion</b>	<b>90%</b>	<b>10%</b>	<b>90%</b>	<b>10%</b>	<b>89%</b>	<b>11%</b>	<b>58%</b>	<b>42%</b>	<b>69%</b>	<b>31%</b>	<b>73%</b>	<b>25%</b>
<b>Management groups</b>												
<30 years	—	—	—	—	—	—	—	—	—	—	—	—
30–50 years	58%	43%	62%	38%	69%	31%	40%	60%	33%	67%	50%	50%
>50 years	88%	12%	88%	12%	90%	10%	83%	17%	80%	20%	80%	20%
<b>Total proportion</b>	<b>74%</b>	<b>26%</b>	<b>76%</b>	<b>24%</b>	<b>81%</b>	<b>19%</b>	<b>64%</b>	<b>36%</b>	<b>55%</b>	<b>45%</b>	<b>64%</b>	<b>36%</b>

### SALARIES, BENEFITS AND SOCIAL SECURITY COSTS

	2023		2022		2023		2022	
	Board and President	Other employees	Board and President	Other employees	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
Parent Company	15	1,815	16	1,718	1,830	909	1,734	829
Subsidiaries	14	116	19	97				
<b>Total</b>	<b>29</b>	<b>1,931</b>	<b>35</b>	<b>1,815</b>				
Parent Company <sup>1)</sup>								
(of which pension costs in operating profit) <sup>2)</sup>						(331)		(306)
Other Group					130	–23	116	11
(of which pension costs)						(–43)		(–1)
<b>Total</b>					<b>1,960</b>	<b>886</b>	<b>1,850</b>	<b>840</b>
(of which pension costs in operating profit) <sup>3)</sup>						(288)		(305)

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

<sup>2)</sup> Of the Parent Company's pension costs, SEK 4 million (4) pertains to current and previous Presidents. Outstanding pension obligations to previous Presidents amounted to SEK 1 million (2).

<sup>3)</sup> Of the Group's pension costs, SEK 6 million (6) pertains to current and previous Presidents and Board members. Outstanding pension obligations to previous Presidents amounted to SEK 1 million (2).

> Note 5, cont.

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

2023, SEK 000s	Board fees		Salary <sup>3)</sup>	Pension cost <sup>4)</sup>	Benefits <sup>5)</sup>	Total	2022, SEK 000s	Board fees		Salary <sup>3)</sup>	Pension cost <sup>4)</sup>	Benefits <sup>5)</sup>	Total
	fixed <sup>1)</sup>	variable <sup>2)</sup>						fixed <sup>1)</sup>	variable <sup>2)</sup>				
Elected Board members in Södra Skogsägarna ekonomisk förening	3,894	962	—	—	—	4,856	Elected Board members in Södra Skogsägarna ekonomisk förening	4,029	1,017	—	—	—	5,046
President, Ann-Charlotte Lyrå	—	—	10,616	3,944	727	15,287	President, Ann-Charlotte Lyrå	—	—	10,029	4,119	447	14,595
Group Senior Management, other*	—	—	33,528	12,718	1,033	47,279	Group Senior Management, other*	—	—	31,477	11,163	873	43,513
<b>Total</b>	<b>3,894</b>	<b>962</b>	<b>44,144</b>	<b>16,662</b>	<b>1,760</b>	<b>67,422</b>	<b>Total</b>	<b>4,029</b>	<b>1,017</b>	<b>41,506</b>	<b>15,282</b>	<b>1,320</b>	<b>63,154</b>

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

<sup>1)</sup> Fixed Board fees pertain to fees adopted by the AGM.

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

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

<sup>4)</sup> Pension cost including special employer's contribution.

<sup>5)</sup> Applicable benefits are company cars, cleaning services and accommodation.

	2023	2022
Annual total compensation ratio between the Group's highest paid individual and the median for all other employees	19	18
Ratio between percentage change in annual total remuneration of the Group's highest paid individual and the median percentage change for all other employees	2.2	0.5

The calculations include all employees with gross salaries paid during the year. Salaries and benefits are included. Sickness absence, leave of absence and parental leave are deducted.

#### FEES TO ELECTED BOARD MEMBERS

2023, SEK 000s	Board fees		Total	2022, SEK 000s	Board fees		Total
	fixed	variable			fixed	variable	
Magnus Hall (Chair)	1,018	67	1,086	Magnus Hall (Chair Jun-Dec)	647	86	734
Paul Christensson (Vice Chair)	509	131	641	Lena Ek (Chair Jan-May)	733	124	857
Kristina Alsér	306	119	424	Paul Christensson (Vice Chair)	495	139	634
Hannele Arvonen	306	91	397	Kristina Alsér	297	123	420
Hans Berggren	306	107	412	Hannele Arvonen	150	48	198
Pål Börjesson	306	89	395	Hans Berggren	297	61	357
Ulf Johansson (Jan-May)	228	77	305	Pål Börjesson	297	115	411
Mikaela Johnsson	306	86	391	Ylva op den Velde Hammargren	220	35	255
Carina Olsson	306	103	408	Ulf Johansson	297	150	447
Mats Sandgren	306	92	397	Mikaela Johnsson	150	40	190
<b>Total</b>	<b>3,894</b>	<b>962</b>	<b>4,856</b>	Carina Olsson	150	47	197
				Mats Sandgren	297	49	346
				<b>Total</b>	<b>4,029</b>	<b>1,017</b>	<b>5,046</b>

No remuneration is paid for committee assignments.

No Board fees were paid for subsidiaries in 2022 or 2023.

#### SALARIES AND REMUNERATION OF SENIOR MANAGEMENT

##### Senior Management

Senior Management in this Note refers to Group Senior Management, which consists of the President and CEO, Business Area Presidents and Heads of Group functions. Members of Group Senior Management may be employed in the Parent Company or in subsidiaries. In 2023, 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 members of Senior Management have a defined-contribution pension, ITP 1, with a supplementary personal pension to compensate for the income ceiling in ITP 1.

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

## Note 6 | Other expenses

Group	2023	2022
Repairs, maintenance and other operating costs	1,075	1,280
Other services and subcontracted personnel	677	817
Vehicle costs	248	266
Travel expenses and cost of sales	142	165
Cost of premises and property	140	202
R&D costs	83	86
Company insurances and other risk costs	42	93
Rent of non-current assets	33	42
Administration expenses	46	40
Exchange-rate effect	32	—
Other expenses	330	416
<b>Total</b>	<b>2,848</b>	<b>3,407</b>

R&D costs of SEK 74 million (61) are included in employee expenses, and R&D costs of SEK 25 million (4) are included in amortisation. Other expenses include costs of SEK 160 million (258) for scheduled maintenance shutdowns in the Group's pulp mills.

### OTHER OPERATING EXPENSES

Parent Company	2023	2022
Capital loss	7	6
Exchange-rate effect	33	—
<b>Total</b>	<b>40</b>	<b>6</b>

### LEASES WHERE SÖDRA IS LESSEE.

	Parent Company	
Non-cancellable lease payments amounted to:	2023	2022
Within 1 year	98	76
Between 1-5 years	125	136
More than 5 years	—	—
<b>Total</b>	<b>223</b>	<b>212</b>

Of the Parent Company's future lease payments, time-charter vessels accounted for SEK 104 million (154), operational machinery and equipment for SEK 73 million (23) and rents for SEK 44 million (30). The amount of future lease payments for rented premises is based on the consumer price index. No variable fees otherwise occur.

	Parent Company	
Expensed charges for operating leases amounted to:	2023	2022
Minimum lease payments	101	83
<b>Total</b>	<b>101</b>	<b>83</b>

### AUDITOR FEES

	Group		Parent Company	
	2023	2022	2023	2022
<b>PwC</b>				
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
<b>Other</b>				
auditing assignments	1	1	—	—
tax consultancy services	1	0	1	—
other assignments	13	0	11	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 TSEK 4,225 (3,821) and other services TSEK 426 (1,195).

## 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.



&gt; Note 7, cont.

Group	2023			2022		
	Depreciation and amortisation	Impairment <sup>1)</sup>	Total	Depreciation and amortisation	Impairment <sup>1)</sup>	Total
Goodwill	—	—	—	—	—	—
Other intangible assets	1	—	1	1	—	1
Buildings	200	4	204	184	3	187
Land	2	4	6	2	2	4
Land improvements	60	1	61	56	—	56
Machinery	860	26	886	818	8	826
Equipment	290	3	293	257	—	257
<b>Total</b>	<b>1,413</b>	<b>38</b>	<b>1,451</b>	<b>1,318</b>	<b>13</b>	<b>1,331</b>

Parent Company	2023			2022		
	Depreciation and amortisation	Impairment <sup>1)</sup>	Total	Depreciation and amortisation	Impairment <sup>1)</sup>	Total
Goodwill	—	—	—	1	—	1
Other intangible assets	—	—	—	—	—	—
Buildings	174	4	178	164	0	164
Land	—	4	4	—	—	—
Land improvements	58	1	59	55	—	55
Machinery	840	26	866	802	8	810
Equipment	208	3	211	189	—	189
<b>Total</b>	<b>1,280</b>	<b>38</b>	<b>1,318</b>	<b>1,211</b>	<b>8</b>	<b>1,219</b>

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

## Note 8 | Shares in associates

Associates in which Södra has a significant influence are recognised using the equity method, which means that the Group's share of profit in the associates is recognised in the consolidated income statement. The Group's 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 ARRANGEMENTS

2023	Country	Revenue	Result	Assets	Liabilities	Adjust equity	Ownership
SunPine AB	Sweden	3,958	110	1,831	638	1,193	25%
Silva Green Fuel DA	Norway	—	-112	—	—	—	—%
Silva Green Fuel AS	Norway	—	0	4	4	0	49%
Prestige Exclusive Homes Ltd	UK	—	0	5	—	5	50%
Other associates	Sweden	7	2	6	2	4	—%
2022	Country	Revenue	Result	Assets	Liabilities	Adjust equity	Ownership
SunPine AB	Sweden	3,062	299	1,674	498	1,176	25%
Silva 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	—

The information is based on the reports available at the time of Södra's reporting. During the year, the participations in Silva Green Fuel DA were divested and Södra's share up until the divestment date amounted to a loss of SEK 112 million.

	Group		Parent Company	
	2023	2022	2023	2022
At the beginning of the year	447 <sup>1)</sup>	361 <sup>1)</sup>	99	99
Share of profit of associates	30	103	—	—
Share of loss of partnerships	-65	-64	—	—
Shareholders' contributions paid	—	72	—	—
Dividends	-25	-25	—	—
Divestments of shares in associates	-48	—	—	—
Translation difference	0	0	—	—
<b>Carrying amount at the end of the year</b>	<b>339</b>	<b>447<sup>1)</sup></b>	<b>99</b>	<b>99</b>

<sup>1)</sup> Shares in associates also includes shares in partnerships, which are recognised under Financial investments. At the beginning of the year, the value of shares in partnerships was SEK 113 million (105) and the carrying amount at year-end was SEK — million (113). 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	2023	2022
<b>Financial income</b>		
Net profit		
Assets and liabilities at fair value through profit or loss	26	6
Dividends	3	6
Other interest income	374	82
Net exchange rate fluctuations	0	44
Other financial income	—	—
	<b>403</b>	<b>138</b>
<b>Financial expenses</b>		
Held for trading	0	-27
Net loss		
Assets and liabilities at fair value through profit or loss	—	—
Net exchange rate fluctuations	0	0
Impairment of non-current operating receivables	—	-3
Interest expenses on defined-benefit pension obligations	-8	-5
Other interest expenses	-239	-102
Loss from shares in partnerships	-65	-64
Other financial expenses	-45	-18
	<b>-357</b>	<b>-219</b>
<b>Total</b>	<b>46</b>	<b>-81</b>
<b>Of which:</b>		
Interest income from instruments measured at amortised cost	374	82
Interest expenses from instruments measured at amortised cost	-245	-102
<b>PROFIT FROM FINANCIAL INSTRUMENTS RECOGNISED IN OPERATING PROFIT/LOSS</b>		
Group	2023	2022
Exchange-rate effect in trade receivables	-32	258
	<b>-32</b>	<b>258</b>

Value changes for hedging instruments pertaining to fair value hedging had an earnings impact of SEK – million (-) for derivatives, and SEK – million (-) 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	2023	2022
<b>Profit from shares in Group companies</b>		
Dividends from Group companies	105	18
Profit/loss from sale of shares in Group companies	-5	0
Impairment of shares in Group companies	-20	-178
	<b>80</b>	<b>-160</b>
<b>Profit from shares in associates</b>		
Dividends from associates	25	25
	<b>25</b>	<b>25</b>
<b>Interest income and similar profit items</b>		
Dividends on shares in other companies	3	6
Interest income from Group companies	15	10
Interest income from others	362	79
Exchange-rate gain	3	43
Gain on sale of current investments	7	6
Other	1	0
	<b>391</b>	<b>144</b>
<b>Interest expenses and similar loss items</b>		
Interest expenses from Group companies	-29	-3
Interest expenses from others	-235	-85
Impairment	0	-10
Foreign exchange rate loss	0	0
Loss on sale of current investments	—	—
Other	-47	-17
	<b>-311</b>	<b>-115</b>
<b>Total</b>	<b>185</b>	<b>-106</b>

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

## Note 10 | Taxes

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

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

The rules for economic associations were applied for the calculation of current tax. These mean that the 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	
	2023	2022	2023	2022
Tax expense for the period	-211	-693	-193	-624
Adjustment of tax pertaining to prior years	35	87	54	92
<b>Current tax expense</b>	<b>-176</b>	<b>-606</b>	<b>-139</b>	<b>-532</b>
Deferred tax expense pertaining to temporary differences	25	-283	6	-57
<b>Deferred tax expense</b>	<b>25</b>	<b>-283</b>	<b>6</b>	<b>-57</b>
<b>Total</b>	<b>-151</b>	<b>-889</b>	<b>-133</b>	<b>-589</b>

### RECONCILIATION OF EFFECTIVE TAX

	Group				Parent Company	
	2023	Tax rate	2022	Tax rate	2023	2022
Profit before tax	2,272		7,724		2,549	5,941
Tax based on current tax rate for Parent Company	-468	20.6%	-1,591	20.6%	-525	-1,224
Effect of special tax rules for economic associations <sup>1)</sup>	315		638		315	638
Effect of other tax rates for foreign subsidiaries	16		42		—	—
Non-deductible expenses incl. restructuring costs	-17		-28		-16	-47
Non-taxable income	10		0		36	9
Share of profit of associates	6		21		—	—
Remeasurement of loss carryforwards <sup>2)</sup> / temporary differences	-35		28		-1	—
Standard interest on tax allocation reserve	-4		—		-4	—
Tax pertaining to prior years	26		1		62	35
<b>Effective tax recognised</b>	<b>-151</b>	<b>6.6%</b>	<b>-889</b>	<b>11.5%</b>	<b>-133</b>	<b>-589</b>

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

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

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

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

&gt; Note 10, cont.

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

Group 2023	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	-1,534	2	—	-1,532
Biological assets	-274	-94	26	-342
Inventories	21	-16	—	5
Current receivables and liabilities	8	0	-2	6
Current investments	-1	-4	-3	-8
Provisions	-28	-7	29	-6
Tax allocation reserves	-185	144	—	-41
<b>Total</b>	<b>-1,993</b>	<b>25</b>	<b>50</b>	<b>-1,918</b>

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	—	—	—
<b>Total</b>	<b>-1,652</b>	<b>-283</b>	<b>-58</b>	<b>-1,993</b>

**Note 11 | Other comprehensive income****FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

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

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

Group 2023	Translation reserve	Revaluation reserve	Fair value reserve	Actuarial gain/ loss <sup>1)</sup>
At the beginning of the year	457	103	-41	-4
Translation differences	-17	—	—	—
Change in fair value of financial instruments	—	—	15	—
Change in forest land	—	-126	—	—
Change in fair value of hedged derivatives	—	—	11	—
Actuarial gains and losses	—	—	—	-143
Tax pertaining to components in other comprehensive income	—	26	-5	29
<b>Carrying amount at the end of the period</b>	<b>440</b>	<b>3</b>	<b>-20</b>	<b>-118</b>

<sup>1)</sup> Actuarial gain/loss is 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 2022	Translation reserve	Revaluation reserve	Fair value reserve	Actuarial gain/ loss <sup>1)</sup>
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	-89
<b>Carrying amount at the end of the period</b>	<b>457</b>	<b>103</b>	<b>-41</b>	<b>-4</b>

<sup>1)</sup> Actuarial gain/loss is 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 2023

There were no material acquisitions or divestments during the financial year.

#### 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.

## 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. 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

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

### Investments in debt instruments

Södra classifies investments in debt instruments into three measurement categories:

#### FAIR VALUE THROUGH PROFIT OR LOSS

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

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.

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

Group 2023	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
<b>Financial investments</b>					
Other shares and participations	39	—	—	39	39
	<b>39</b>	<b>—</b>	<b>—</b>	<b>39</b>	<b>39</b>
<b>Operating receivables</b>					
Trade receivables	—	—	3,326	3,326	3,326
LTFP <sup>1)</sup> , current	1	—	—	1	1
	<b>1</b>	<b>—</b>	<b>3,326</b>	<b>3,327</b>	<b>3,327</b>
Current investments	6,361	—	—	6,361	6,361
Cash and cash equivalents	—	—	3,362	3,362	3,362
<b>Total assets, financial instruments</b>	<b>6,361</b>	<b>—</b>	<b>3,362</b>	<b>13,089</b>	<b>13,089</b>
Other assets, non-financial instruments				27,405	
<b>Total assets</b>				<b>40,494</b>	
<b>Non-current liabilities</b>					
Loans from banks and other credit institutions	—	—	200	200	216
Member deposits	—	—	931	931	1,039
Non-current lease liabilities	—	—	125	125	126
Non-current derivatives	—	13	—	13	13
	<b>—</b>	<b>13</b>	<b>1,256</b>	<b>1,269</b>	<b>1,394</b>
<b>Current liabilities</b>					
Loans from banks and other credit institutions	—	—	133	133	138
Member deposits	—	—	7,391	7,391	7,632
Current lease liabilities	—	—	98	98	98
	<b>—</b>	<b>—</b>	<b>7,622</b>	<b>7,622</b>	<b>7,868</b>
<b>Current operating liabilities</b>					
Trade creditors	—	—	1,593	1,593	1,593
Derivatives	11	—	—	11	11
	<b>11</b>	<b>—</b>	<b>1,593</b>	<b>1,604</b>	<b>1,604</b>
<b>Total liabilities, financial instruments</b>	<b>11</b>	<b>13</b>	<b>10,471</b>	<b>10,495</b>	<b>10,866</b>
Other liabilities, non-financial instruments				3,916	
<b>Total liabilities</b>				<b>14,411</b>	

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

> Note 13, cont.

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

The fair value of currency derivatives is based on quoted prices, when available. In the absence of such prices, 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.

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

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

> Note 13, cont.

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 2023	Level 1	Level 2	Level 3	Total
Other shares and participations	—	—	39	39
LTFP <sup>1)</sup> , current	—	—	1	1
Current investments	6,361	—	—	6,361
<b>Total assets</b>	<b>6,361</b>	<b>—</b>	<b>40</b>	<b>6,401</b>
Derivatives, non-current	—	—	13	13
Derivatives, current	—	—	11	11
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>24</b>	<b>24</b>

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

Group 2022	Level 1	Level 2	Level 3	Total
Other shares and participations	—	—	34	34
Derivatives, current	—	—	6	6
LTFP <sup>1)</sup> , current	—	—	2	2
Current investments	5,733	—	—	5,733
<b>Total assets</b>	<b>5,733</b>	<b>—</b>	<b>42</b>	<b>5,775</b>
Derivatives, non-current	—	—	25	25
Derivatives, current	—	—	13	13
LTFP <sup>1)</sup> , current	—	—	6	6
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>44</b>	<b>44</b>

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

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

Group 2023	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP*	Derivatives	LTFP <sup>1)</sup>
At the beginning of the year	34	6	2	38	6
Total recognised gains and losses:					
– recognised in profit for the year	—	—	-1	—	—
– recognised in other comprehensive income	—	-6	—	-20	—
Acquisitions	5	—	—	11	—
Sold and terminated	—	—	—	-4	-6
<b>Carrying amount at the end of the period</b>	<b>39</b>	<b>—</b>	<b>1</b>	<b>25</b>	<b>—</b>

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

Group 2022	Assets			Liabilities	
	Other shares and participations	Derivatives	LTFP*	Derivatives	LTFP <sup>1)</sup>
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
<b>Carrying amount at the end of the period</b>	<b>34</b>	<b>6</b>	<b>2</b>	<b>38</b>	<b>6</b>

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



## Note 14 | Intangible assets

Goodwill represents the difference between the cost of a business combination and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. 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. 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.

Group 2023	Development expenses, licenses	Goodwill	Total
<b>Cost</b>			
At the beginning of the year	119	275	394
Investment	1	—	1
Divestment and disposals	-55	—	-55
Translation differences	—	—	—
	65	275	340
<b>Depreciation</b>			
At the beginning of the year	-90	—	-90
Divestment and disposal	30	—	30
Depreciation according to plan for the year	-1	—	-1
	-61	—	-61
<b>Impairment</b>			
At the beginning of the year	-25	-211	-236
Divestment and disposals	25	—	25
	—	-211	-211
<b>Carrying amount at the end of the period</b>	<b>4</b>	<b>64</b>	<b>68</b>

### GOODWILL IMPAIRMENT TESTING

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

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

The recoverable amounts of the business areas builds on the value-in-use that is based on cash flow forecasts, where the forecasts of individual business area management pertaining to revenue, operating profit, working capital and investments form the basis for discounting cash flows. Thereafter, average cash flow growth of approximately 0 percent (0–2) per year has been adopted. Growth rate and operating margins have been

Major investments in IT systems and licences are also recognised as intangible assets. Intangible assets are measured at cost less cumulative amortisation and impairment.

### PARENT COMPANY

#### Research and development

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

Group 2022	Development expenses, licenses	Goodwill	Total
<b>Cost</b>			
At the beginning of the year	117	274	391
Investment	2	—	2
Divestment and disposals	—	—	—
Translation differences	—	1	1
	119	275	394
<b>Depreciation</b>			
At the beginning of the year	-89	—	-89
Divestment and disposal	—	—	—
Depreciation according to plan for the year	-1	—	-1
	-90	—	-90
<b>Impairment</b>			
At the beginning of the year	-25	-211	-236
Divestment and disposals	—	—	—
	-25	-211	-236
<b>Carrying amount at the end of the period</b>	<b>4</b>	<b>64</b>	<b>68</b>

determined on the basis of historic experience and judgements of future economic trends that draw on both external and internal sources of information. Cash flow was discounted using an average pre-tax discount rate of about 7 percent (9). The most significant valuation parameter is the discount rate, and if this was changed by  $\pm 0.25$  percentage points, the value of the underlying asset would be impacted by SEK -157/+SEK 239 million.

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	2023	2022
Södra Wood	62	62
Södra Innovation	2	2
<b>Total</b>	<b>64</b>	<b>64</b>

&gt; Note 14, cont.

Parent Company 2023	Development expenses, licenses	Goodwill	Total
<b>Cost</b>			
At the beginning of the year	17	24	41
Divestment and disposal	—	—	—
	17	24	41
<b>Depreciation</b>			
At the beginning of the year	-17	-17	-34
Divestment and disposal	—	—	—
Depreciation according to plan for the year	—	—	—
	-17	-17	-34
<b>Impairment</b>			
At the beginning of the year	—	-6	-6
	—	-6	-6
<b>Carrying amount at the end of the period</b>			
	0	1	1

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

## 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 for a material facility is derecognised from the consolidated statement of financial position at disposal or divestments or when no future financial advantages is expected from 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 other revenue/expenses.

Property, plant and equipment are tested for impairment if there is any indication of a decline in the asset's market value. During the year, an indication of a possible impairment was identified in the Södra Wood business area, which is a cash-generating unit where impairment testing was carried out in the fourth quarter. Based on cash flow forecasting, the recoverable amount was estimated by discounting these cash flows by approximately 7 percent before income tax. The estimation of value-in-use in the Södra Wood business area did not give any indication of general impairment. However, some specific items were identified that had been impaired to their recoverable amount.

### ADDITIONAL EXPENSES

Additional expenses are added to the cost only if it is probable that the future economic benefits associated with the asset will benefit the company

and the cost can be reliably estimated. Other additional expenses are expensed in the period they are incurred.

An additional expense is added to the cost if the expense relates to the exchange of identified components or parts thereof. The expense is also added to the cost in situations where new components are created. Any undepreciated carrying amount on exchanged components, or parts of components, are disposed and expensed in conjunction with the exchange. Repairs are expensed on an ongoing basis.

### LEASES

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

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

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

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

&gt; Note 15, cont.

**BUILDINGS AND LAND**

Group 2023	Buildings	Leased buildings	Land	Leased land	Land improvements	Total Buildings and Land
<b>Cost</b>						
At the beginning of the year	4,656	77	2,189	8	1,422	8,352
Forest land revaluation <sup>1)</sup>	—	—	-130	—	—	-130
Investments	84	38	369	0	71	562
Reclassifications <sup>2)</sup>	521	1	-277	—	50	295
Divestments and disposals	-4	-3	-4	—	-2	-13
Translation differences	0	0	-7	—	0	-7
	<b>5,257</b>	<b>113</b>	<b>2,140</b>	<b>8</b>	<b>1,541</b>	<b>9,059</b>
<b>Depreciation</b>						
At the beginning of the year	-2,616	-52	—	-3	-718	-3,389
Divestments and disposals	4	3	—	—	3	10
Reclassifications	0	0	—	—	0	0
Depreciation according to plan for the year	-177	-23	—	-2	-60	-262
Translation differences	0	0	—	—	0	0
	<b>-2,789</b>	<b>-72</b>	<b>—</b>	<b>-5</b>	<b>-775</b>	<b>-3,641</b>
<b>Impairment</b>						
At the beginning of the year	-46	—	-56	—	-11	-113
Divestments and disposals	1	—	—	—	—	1
Reclassifications	—	—	—	—	—	—
Impairment for the year	-4	—	-4	—	-1	-9
	<b>-49</b>	<b>—</b>	<b>-60</b>	<b>—</b>	<b>-12</b>	<b>-121</b>
<b>Carrying amount at the end of the period</b>	<b>2,419</b>	<b>41</b>	<b>2,080</b>	<b>3</b>	<b>754</b>	<b>5,297</b>

<sup>1)</sup> Remeasurement recognised in Other comprehensive income, refer to Notes 11 and 23.<sup>2)</sup> Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

Group 2022	Buildings	Leased buildings	Land	Leased land	Land improvements	Total Buildings and Land
<b>Cost</b>						
At the beginning of the year	4,632	62	1,842	3	1,351	7,890
Forest land revaluation <sup>1)</sup>	—	—	111	—	—	111
Investments	40	20	235	6	31	332
Reclassifications <sup>2)</sup>	8	—	-61	—	44	-9
Divestments and disposals	-29	-5	-101	-1	-5	-141
Translation differences	5	—	163	—	1	169
	<b>4,656</b>	<b>77</b>	<b>2,189</b>	<b>8</b>	<b>1,422</b>	<b>8,352</b>
<b>Depreciation</b>						
At the beginning of the year	-2,465	-7	—	-1	-665	-3,138
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
	<b>-2,616</b>	<b>-52</b>	<b>—</b>	<b>-3</b>	<b>-718</b>	<b>-3,389</b>
<b>Impairment</b>						
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
	<b>-46</b>	<b>0</b>	<b>-56</b>	<b>—</b>	<b>-11</b>	<b>-113</b>
<b>Carrying amount at the end of the period</b>	<b>1,994</b>	<b>25</b>	<b>2,133</b>	<b>5</b>	<b>693</b>	<b>4,850</b>

<sup>1)</sup> Remeasurement recognised in Other comprehensive income, refer to Notes 11 and 23.<sup>2)</sup> Reclassifications predominantly relate to capitalised work in progress, which are considered investments.

&gt; Note 15, cont.

Parent Company	2023				2022			
	Buildings	Land	Land improvements	Total Buildings and Land	Buildings	Land	Land improvements	Total Buildings and Land
<b>Cost</b>								
At the beginning of the year	4,542	280	1,405	6,227	4,524	274	1,338	6,136
Investments	84	240	70	394	35	10	28	73
Reclassifications	521	3	50	574	8	0	44	52
Divestments and disposals	-5	—	-1	-6	-25	-4	-5	-34
	<b>5,142</b>	<b>523</b>	<b>1,524</b>	<b>7,189</b>	<b>4,542</b>	<b>280</b>	<b>1,405</b>	<b>6,227</b>
<b>Depreciation</b>								
At the beginning of the year	-2,594	—	-708	-3,302	-2,445	—	-657	-3,102
Divestments and disposals	4	—	2	6	15	—	4	19
Depreciation according to plan for the year	-174	—	-58	-232	-164	—	-55	-219
	<b>-2,764</b>	<b>—</b>	<b>-764</b>	<b>-3,528</b>	<b>-2,594</b>	<b>—</b>	<b>-708</b>	<b>-3,302</b>
<b>Impairment</b>								
At the beginning of the year	-44	-10	-10	-64	-50	-10	-11	-71
Reclassifications	1	—	-1	0	—	—	—	—
Divestments and disposals	2	—	—	2	6	—	1	7
Impairment for the year	-4	-4	-1	-9	0	—	—	0
	<b>-46</b>	<b>-14</b>	<b>-12</b>	<b>-72</b>	<b>-44</b>	<b>-10</b>	<b>-10</b>	<b>-64</b>
<b>Carrying amount at the end of the period</b>	<b>2,332</b>	<b>509</b>	<b>748</b>	<b>3,589</b>	<b>1,904</b>	<b>270</b>	<b>687</b>	<b>2,861</b>

## MACHINERY AND EQUIPMENT

Group	2023					2022				
	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment	Machinery	Leased machinery	Equipment	Leased equipment	Total Machinery and Equipment
<b>Cost</b>										
At the beginning of the year	25,230	8	3,018	369	28,625	24,932	8	2,825	325	28,090
Investments	441	2	268	80	791	304	3	144	58	509
Reclassifications <sup>1)</sup>	1,074	-1	115	—	1,188	164	—	107	7	278
Divestments and disposals	-262	0	-73	-35	-370	-178	-3	-60	-21	-262
Translation differences	1	—	—	—	1	8	—	2	—	10
	<b>26,484</b>	<b>9</b>	<b>3,328</b>	<b>414</b>	<b>30,235</b>	<b>25,230</b>	<b>8</b>	<b>3,018</b>	<b>369</b>	<b>28,625</b>
<b>Depreciation</b>										
At the beginning of the year	-16,731	-5	-1,893	-194	-18,823	-16,081	-4	-1,755	-144	-17,984
Divestments and disposals	255	0	66	33	354	170	3	57	21	251
Reclassification	9	—	-8	—	1	—	—	—	-7	-7
Depreciation according to plan for the year	-858	-2	-213	-77	-1,150	-814	-4	-194	-64	-1,076
Translation differences	0	0	1	0	1	-6	—	-1	—	-7
	<b>-17,325</b>	<b>-7</b>	<b>-2,047</b>	<b>-238</b>	<b>-19,617</b>	<b>-16,731</b>	<b>-5</b>	<b>-1,893</b>	<b>-194</b>	<b>-18,823</b>
<b>Impairment</b>										
At the beginning of the year	-272	—	-74	—	-346	-270	—	-74	—	-344
Divestments and disposals	0	—	0	—	0	6	—	—	—	6
Impairment for the year	-26	—	-3	—	-29	-8	—	—	—	-8
	<b>-298</b>	<b>—</b>	<b>-77</b>	<b>—</b>	<b>-375</b>	<b>-272</b>	<b>—</b>	<b>-74</b>	<b>—</b>	<b>-346</b>
<b>Carrying amount at the end of the period</b>	<b>8,861</b>	<b>2</b>	<b>1,204</b>	<b>176</b>	<b>10,243</b>	<b>8,227</b>	<b>3</b>	<b>1,051</b>	<b>175</b>	<b>9,456</b>

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

&gt; Note 15, cont.

Parent Company	2023			2022		
	Machinery	Equipment	Total Machinery and Equipment	Machinery	Equipment	Total Machinery and Equipment
<b>Cost</b>						
At the beginning of the year	25,027	2,980	28,007	24,781	2,791	27,572
Investments	440	262	702	260	138	398
Reclassifications	1,074	115	1,189	164	107	271
Divestments and disposals	-260	-68	-328	-178	-56	-234
	26,281	3,289	29,570	25,027	2,980	28,007
<b>Depreciation</b>						
At the beginning of the year	-16,623	-1,870	-18,493	-15,991	-1,735	-17,726
Reclassifications	9	-9	0	—	—	—
Divestments and disposals	252	62	314	170	54	224
Depreciation according to plan for the year	-840	-208	-1,048	-802	-189	-991
	-17,202	-2,025	-19,227	-16,623	-1,870	-18,493
<b>Impairment</b>						
At the beginning of the year	-272	-74	-346	-270	-74	-344
Divestments and disposals	—	1	1	6	0	6
Impairment for the year	-26	-3	-29	-8	—	-8
	-298	-76	-374	-272	-74	-346
<b>Carrying amount at the end of the period</b>	<b>8,781</b>	<b>1,188</b>	<b>9,969</b>	<b>8,132</b>	<b>1,036</b>	<b>9,168</b>

**CONSTRUCTION IN PROGRESS**

Group	2023		2022		Parent Company	2023		2022	
<b>Cost</b>									
At the beginning of the year	2,077	1,244			At the beginning of the year	2,070	1,240		
Investments	653	1,168			Investments	654	1,174		
Divestment	-4	-14			Divestments	—	-21		
Reclassifications	-1,763	-321			Reclassifications	-1,763	-323		
	963	2,077				960	2,070		
<b>Impairment</b>									
At the beginning of the year	—	-13			At the beginning of the year	—	-13		
Divestments and disposals	—	13			Divestments and disposals	—	13		
Impairment for the year	—	—			Impairment for the year	—	—		
<b>Carrying amount at the end of the period</b>	<b>963</b>	<b>2,077</b>			<b>Carrying amount at the end of the period</b>	<b>960</b>	<b>2,070</b>		

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

Södra recognises assets and liabilities for operating leases where Södra is the lessee. Lease payments are recognised as depreciation for right-of-use assets and interest expense for lease liabilities. Deferred tax gives rise to temporary differences in relation to right-of-use assets. Refer to Note 1 for a description of deferred tax on right-of-use assets.

**INVESTMENT COMMITMENTS****Group**

In 2023, the Group entered into agreements for SEK 299 million (524) pertaining to future acquisitions of property, plant and equipment. Södra continuously renews leasing agreements to the extent the business deems appropriate.

**Parent Company**

In 2023, the Parent Company entered into agreements for SEK 282 million (524) 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 production cycle of 100 years. 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 2023, Södra's forest holding amounted to 134,200 hectares (130,700) of productive forest land. The volume of standing timber was 18.0 million m<sup>3</sup>fo (16.3). The total value of the forest holding was SEK 6,518 million (5,858). Of this amount, SEK 1,868 million (1,882) pertained to forest land. Of the total value of the forest holding, the Swedish holding accounted for SEK 1,153 million and the Baltic holding for SEK 5,365 million. During the year, the change in value of standing timber was SEK 394 million (236), which was recognised in profit or loss. Of this amount, change in fair value accounted for SEK 400 million (neg: 29), and translation differences for negative SEK 6 million (pos: 265).

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 830/m<sup>3</sup>fo for 2023 and forms the basis for the total average value per m<sup>3</sup>fo of Södra's forest assets in Sweden. As for standing timber, the value of land assets is based on forest land transactions over the past five years and is a bare land value. The total value of the land assets was SEK 249 million.

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

Group	2023	2022
At the beginning of the year	3,976	3,681
Purchases of standing timber	280	61
Sales of standing timber	0	-2
Change in fair value	400	-29
Translation differences	-6	265
<b>Carrying amount at the end of the period</b>	<b>4,650</b>	<b>3,976</b>

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

Variable	Change	Change in value after tax, SEK million
Discount rate in the Baltics	±0.25 percentage points	-250/+298
Wood price in the Baltics	±2%, real	±149
Market price per m <sup>3</sup> fo in Sweden	±2%	±13
Exchange rate fluctuation, EUR	±0.25 kr	±152
Stand volume	0.8 million m <sup>3</sup> fo	±206

## 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

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	2023	2022
<b>Non-current assets</b>		
Measured at fair value through profit or loss		
Shares in partnerships	—	113
Financial investments	39	34
	<b>39</b>	<b>147</b>
<b>Current assets</b>		
Other current investments	7,316	8,297
– of which reclassified to cash and cash equivalents	–955	–2,564
	<b>6,361</b>	<b>5,733</b>

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 gain was SEK 2 million (loss: 14). Södra does not intend to divest any of the financial assets in 2024.

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 (1.35) and 5.04 percent (3.24). The receivables have maturities of up to five years.

Parent Company	2023	2022
<b>Current financial investments</b>		
Other current investments	7,277	8,292
	<b>7,277</b>	<b>8,292</b>

## Note 18 | Non-current operating receivables

	Group		Parent Company	
	2023	2022	2023	2022
Other non-current receivables	53	46	53	46
<b>Total</b>	<b>53</b>	<b>46</b>	<b>53</b>	<b>46</b>

Parent Company	2023	2022
At the beginning of the year	46	9
Additional	10	54
Reclassification	—	–2
Utilised	–3	–15
<b>Carrying amount at the end of the year</b>	<b>53</b>	<b>46</b>

## 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 in accordance with IAS 12. See Note 1.

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2023	2022	2023	2022	2023	2022
Intangible assets	—	—	0	0	0	0
Property, plant and equipment	4	4	-1,535	-1,538	-1,531	-1,534
Biological assets	—	—	-342	-274	-342	-274
Inventories	—	—	5	21	5	21
Operating receivables	—	—	5	7	5	7
Current investments	—	—	-8	-1	-8	-1
Untaxed reserves	—	—	-41	-185	-41	-185
Provisions for pensions	—	—	-25	-49	-25	-49
Non-current provisions	—	—	19	21	19	21
Operating liabilities	—	—	—	1	—	1
Other	—	—	—	0	—	0
<b>Deferred tax asset/liability</b>	<b>4</b>	<b>4</b>	<b>-1,922</b>	<b>-1,997</b>	<b>-1,918</b>	<b>-1,993</b>

Parent Company	Deferred tax assets		Deferred tax liabilities		Net	
	2023	2022	2023	2022	2023	2022
Property, plant and equipment	21	14	—	—	21	14
Provisions for pensions	2	2	—	—	2	2
Non-current provisions	19	21	—	—	19	21
<b>Deferred tax asset/liability</b>	<b>42</b>	<b>37</b>	<b>—</b>	<b>—</b>	<b>42</b>	<b>37</b>

Of the Group's deferred tax liabilities, SEK 1,541 million (1,541) 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 (2022:0, 2021: 0, 2020: 0)

### 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. At the balance-sheet date, the value of emission permits not deemed necessary to cover actual emissions was recognised at zero and had a market value of SEK 301 million (2022: 212, 2021: 204, 2020: 12). No permits were sold on contract for future deliveries.

	Group		Parent Company	
	2023	2022	2023	2022
Raw materials and consumables	1,142	1,450	994	1,117
Goods under production	318	257	298	242
Finished goods and goods for resale	2,505	2,525	2,126	2,111
<b>Total</b>	<b>3,965</b>	<b>4,232</b>	<b>3,418</b>	<b>3,470</b>



## Note 21 | Current operating receivables

Under IFRS 9, the entity's overall business model and characteristics of an asset impact the classification and measurement of financial assets in the form of debt instruments, including trade receivables, loan receivables and investments in bonds. IFRS 9 also requires that a provision for expected credit losses be recognised for receivables and other types of debt instruments. In order to recognise both the expected and actual credit losses, Södra made an impairment assessment of trade receivables and other receivables, which did not result in any material transition effect compared with the previous method of recognition and measurement.

Trade receivables are recognised less estimated expected and actual credit losses. They are measured in the amounts expected to be received. Trade receivables in foreign currency are measured at the closing rate. The value of uncertain receivables is based on individual estimates.

### Customer credit risk

The risk of customers not fulfilling their obligations, in other words payment not being received, represents a customer credit risk. Customer credit is checked using information on their financial position from various credit-rating agencies. The basic principle is that security is required for customers with a bad credit score or weak credit history. To the extent that sufficient security is not obtained, an individual assessment is carried out in accordance with the Financial Policy to determine whether delivery with the associated credit risk should go ahead. Södra estimates expected credit losses by grouping trade receivables on the basis of shared credit risk and the calculation of historical loss rate.

	Group		Parent Company	
	2023	2022	2023	2022
Current receivables from Group companies	—	—	455	573
Trade receivables	3,326	3,825	2,964	3,323
Derivatives	—	6	—	—
Customer contracts	1	2	—	—
Accrued revenue	11	10	11	10
Other receivables	763	1,208	679	1,149
Prepaid expenses and accrued income	243	149	159	111
<b>Total</b>	<b>4,344</b>	<b>5,200</b>	<b>4,268</b>	<b>5,166</b>

Prepaid expenses and accrued income for the Parent Company include prepaid rental charges of SEK 7 million (7), prepaid insurance premiums of SEK 15 million (13), accrued interest income of SEK 471 million (21), accrued income of SEK 6 million (15) and other prepaid expenses of SEK 85 million (93).

### CUSTOMER CREDIT RISK

	Group		Parent Company	
	2023	2022	2023	2022
<b>Trade receivables</b>				
Trade receivables gross	3,497	4,006	3,133	3,501
Provision for expected credit losses	-171	-181	-169	-178
<b>Total</b>	<b>3,326</b>	<b>3,825</b>	<b>2,964</b>	<b>3,323</b>

	Group		Parent Company	
	2023	2022	2023	2022
<b>Analysis of the credit risk exposure in trade receivables</b>				
Trade receivables that are neither overdue nor impaired	2,848	3,261	2,643	2,973
Trade receivables that are overdue				
<30 days	507	579	349	367
30-90 days	8	5	7	4
90-180 days	4	5	4	3
>180 days	130	156	130	154
<b>Total exposure to credit risk</b>	<b>3,497</b>	<b>4,006</b>	<b>3,133</b>	<b>3,501</b>
Provision for expected credit losses	-171	-181	-169	-178
<b>Trade receivables</b>	<b>3,326</b>	<b>3,825</b>	<b>2,964</b>	<b>3,323</b>

	Group		Parent Company	
	2023	2022	2023	2022
<b>Provision for uncertain receivables</b>				
At the beginning of the year	-181	-161	-178	-158
Actual credit losses	—	-2	—	—
Provision for expected credit losses	9	-19	9	-21
Reversal of unutilised amount	1	1	—	1
<b>Carrying amount at the end of the year</b>	<b>-171</b>	<b>-181</b>	<b>-169</b>	<b>-178</b>

## Note 22 | Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and similar institutions, and other short-term liquid investments with original maturity of three months or less from the date of acquisition which are exposed to only an immaterial risk of value fluctuations.

	Group		Parent Company	
	2023	2022	2023	2022
Cash and bank balances	2,407	2,440	2,196	2,260
Current investments, equivalent to cash	955	2,564	955	2,564
<b>Cash and cash equivalents according to statement of cash flows</b>	<b>3,362</b>	<b>5,004</b>	<b>3,151</b>	<b>4,824</b>

## Note 23 | Equity

Södra's Articles of Association states that an AGM resolution is to precede the disbursement of contributed capital. Södra thereby classifies contributed capital as equity.

Wood purchases from members are based on market-value pricing. Dividends based on wood deliveries are classified as dividends and recognised in equity.

	Group		Parent Company	
	2023	2022	2023	2022
Paid-up contributed capital	2,307	2,114	2,307	2,114
Issued contributed capital	3,838	3,681	3,838	3,681
Other equity <sup>1)</sup>	19,938	21,270	10,510	11,337
<b>Total</b>	<b>26,083</b>	<b>27,065</b>	<b>16,655</b>	<b>17,132</b>

<sup>1)</sup> Remeasurement of biological assets, refer to Note 11 and Note 15.

Board policy provides that the Group's financial objective is to have a strong financial position that contributes to retaining the confidence of members, creditors and the market and creating a foundation for ongoing development of the business, while also generating satisfactory long-term profit. Due to the cyclical risks that the Group's business areas are exposed to, the target for the minimum equity ratio for the Group 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 Södra to borrow up to SEK 3,000 million until December 2028. 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 2024, contribution repayments to members who had left the association by 31 December 2023 will amount to SEK 82 million (93).

## 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 an exchange-rate loss of SEK 32 million (gain: 258) 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.

&gt; Note 24, cont.

**TRANSACTION EXPOSURES AT 31 DECEMBER 2023  
(PER MAJOR CURRENCY)**

Currency	2024				2025			
	Forecast net influx	Hedges	%	Average rate	Forecast net influx	Hedges	%	Average rate
USD <sup>1)</sup>	1,032	—	—	—	976	—	—	—
EUR	157	—	—	—	263	—	—	—
GBP	140	—	—	—	147	—	—	—
<b>Total</b>								
According to the accepted hedging interval in Södra's Financial Policy			0-70		0-50			

<sup>1)</sup> The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2023-2024.**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 <sup>1)</sup>	1,104	—	—	—	891	—	—	—
EUR	293	—	—	—	270	—	—	—
GBP	159	—	—	—	172	—	—	—
<b>Total</b>								
According to the accepted hedging interval in Södra's Financial Policy			0-70		0-50			

<sup>1)</sup> The currency hedging component of pulp price hedges is included in forecast net influxes; there are no pulp price hedges for 2023-2024.**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 608 million (597), NOK 64 million (67), GBP 23 million (29) and DKK 70 million (64). Currency swaps equivalent to EUR 25 million (45) were signed to hedge some of the Group's translation exposure in EUR. The currency swaps are contracted using the SEK 333 million (466) 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**

	2023	2022
Currency swap and bank loan EUR	-25	-45
Hedged net investment in foreign operations (EUR)	518	448
Hedge ratio	1:21	1:10
Changes in the value of currency swap	11	40
Changes in value of the hedged item to determine effectiveness	236	465
Weighted average of forward rates, EUR/SEK	10.33	10.33
Closing rate EUR/SEK	11.10	11.12

**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 2023, the fixed-rate term of the financial liability was 3 months (3). 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 2023, no specific interest rate hedges had been entered into. At 31 December 2023, Södra had positive net debt of SEK 3,841 million (neg: 463). 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 2023, the fixed-rate term for interest-bearing investments was 3 months (3).

**Price risk**

Price risk pertains to the change in price of products or input goods and the subsequent effect on profit.

**Pulp price risk**

Pulp price risk is the risk of the average price received for pulp being less than the expected price. To reduce pulp price risk, Södra Treasury can trade in quoted pulp forward contracts, forward contracts or swap contracts on the OTC market. Södra hedges pulp price risk in two ways: hedging of cash flow risk from the future sale of Södra's pulp, and hedging of fair value risk in fixed price customer contracts.

Cash flow risk from the future sale of own production of pulp arises through cyclical variations in pulp price, expressed in foreign currency, which, in conjunction with variations in exchange rates, can mean the pulp price that Södra receives measured in SEK is less than the pulp price expected by the Group in the long term. The main strategy is to be restrictive with this kind of hedge and no hedges were in place at year-end.

Fair value risk arises when Södra, through the value-added service PulpServices Hedging, utilises its financial competence in the field of pulp price risk, and offers pulp supplies to buyers at a fixed price. To ensure the fixed prices contracted with customers will not deviate negatively from the prevailing market prices at the time of delivery, the fixed price contract is swapped to a variable price. Fixed price contracts may be signed for not more than 50 percent of the total delivery volume to individual customers. The contract period may not exceed 24 months. Business cycles, market price level, demand for fixed price contracts and the potential to sign swap contracts on acceptable terms are factors that, over time, affect current hedging levels.

**PULP PRICE DERIVATIVES**

31 December 2023	2024	2025
Fair value hedges, ktonnes	— 0%	— 0%
31 December 2022	2023	2024
Fair value hedges, ktonnes	10 0%	— —

> Note 24, cont.

### Electricity price risk

Södra has business areas with both excess and deficit electricity. Södra Wood is at risk of sharp price hikes for purchased electricity, leading to lower margins and a weaker competitive position. For Södra Cell, a net seller of electricity, adequately high prices for electricity are required to ensure a desirable return.

To best hedge the different needs of the business areas while optimising the Group's net position for electricity utilisation, Södra Treasury has a consumption portfolio and a production portfolio. The total net price position is hedged between the two portfolios using financial electricity contracts to avoid major profit effects of electricity price changes.

The permitted hedging instruments consist of standard contracts on Nasdaq. Södra's forecast net position on electricity can be hedged for a period of five years with an annually declining maximum percentage level. For the first two years, up to 100 percent of 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 2023 and onwards.

### Oil price risk

Most purchases are related to the spot market for each oil-related product. Since these markets are volatile, there is a risk of undesirable earnings fluctuations. Buying and selling oil-related products in financial markets enables Södra to limit this risk. The permitted hedging instruments consist of forward contracts and options.

Oil-related products that may be hedged are diesel, fuel oil and Brent crude. Hedging may be done for an 18-month period with the following purchasing volumes for each six-month period: 0–6 months 0–75 percent, 7–12 months 0–50 percent and 13–18 months 0–25 percent. Because of Södra's total energy exposure, consolidated profit is positively correlated with energy prices.

There is no oil price hedging for 2023 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 should 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 2023, the Södra Group's counterparty exposure totalled SEK 9,723 million (10,737). 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	2023	2022
Trade receivables that are not overdue	2,848	3,261
Trade receivables that are overdue	649	745
<b>Trade receivables gross</b>	<b>3,497</b>	<b>4,006</b>
Current investments	6,361	5,733
Cash and cash equivalents	3,362	5,004
<b>Total financial investments</b>	<b>9,723</b>	<b>10,737</b>
Derivative instruments with positive values	—	6
Customer contracts	1	2
Accrued revenue	11	10
Other operating receivables	763	1,208
<b>Total other receivables</b>	<b>775</b>	<b>1,226</b>
<b>Maximum credit risk exposure</b>	<b>13,995</b>	<b>15,969</b>

Refer to Note 21, Current operating receivables and information about a loan loss provision of SEK 171 million (181).

## 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. 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.

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 Södra to borrow up to SEK 3,000 million until December 2028. The loan agreement has 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 debt/equity ratio was 0.0 (–0.1). The loan agreement was unutilised at the balance-sheet date.

The covenants also apply to the loan of SEK 333 million from the Nordic Investment Bank. The interest rate is based on the six-month STIBOR rate plus a fixed surcharge. On the balance-sheet date, the liquidity reserve totalled SEK 12,723 million (14,737), corresponding to 44 percent (44) of consolidated annual sales. All loan commitments was unutilised at the balance-sheet date.

> Note 24, cont.

#### MATURITY STRUCTURE CURRENT INVESTMENTS

	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years			
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Financial investments</b>								
Quoted shares	141	96	—	—	—	—	141	96
Certificates	6,220	5,637	—	—	—	—	6,220	5,637
<b>Total</b>	<b>6,361</b>	<b>5,733</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,361</b>	<b>5,733</b>

Interest-bearing investments amounted to SEK 6,225 million (5,637), 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 <sup>1)</sup>	Currency	Maturity						Total	
			Within 1 year		1–5 years		More than 5 years			
			2023	2022	2023	2022	2023	2022	2023	2022
Borrowings		SEK	—	—	216	350	—	—	216	350
Loans from members										
Liquidity accounts	3.30% (2.0)	SEK	22	24	—	—	—	—	22	24
Payment plans	3.75% (2.25)	SEK	911	773	871	722	167	151	1,949	1,646
Member accounts <sup>2)</sup>	3.30% (2.0)	SEK	6,644	4,881	—	—	—	—	6,644	4,881
Fixed-rate account	3.75% (2.25–3.0)	SEK	40	10	15	25	—	—	55	35
Trade creditors			1,593	2,848	—	—	—	—	1,593	2,848
Negative derivatives			11	19	14	25	—	—	25	44
Lease liabilities			98	77	127	137	—	—	225	214
Other liabilities			138	137	—	—	—	—	138	137
<b>Total</b>			<b>9,457</b>	<b>8,769</b>	<b>1,243</b>	<b>1,259</b>	<b>167</b>	<b>151</b>	<b>10,867</b>	<b>10,179</b>

<sup>1)</sup> Relates to applicable interest rate at the balance-sheet date.

<sup>2)</sup> Fall due on request. Historical statistics indicate that they are non-current over a business cycle.

#### SENSITIVITY ANALYSIS

Södra is subject to major earnings fluctuations. Several of the Group's businesses are highly cyclical, and currency-dependent. However, it is primarily the upswings and downswings in the pulp market that give rise to earnings fluctuations at Group level.

Södra Skog's earnings are particularly sensitive to changing price margins in the wood trade and acquired volumes. Sawmill earnings are mainly affected by changes in the sawn timber price, sawlog cost and woodchip price. For Södra Cell, changes in pulp prices, currency, volume and fibre costs have the greatest impact. The table shows the effect on earnings had the values been higher or lower than the actual outcome. (Pertains to 12-month profit based on average conditions during the financial year.)

When calculating the earnings effect, the effects of the specified changes on hedging instruments for currencies and pulp prices have been taken into account. The effects that would have been realised during the year, and the unrealised effects that would have arisen by year-end, are taken into account in the specified earnings effect.

The table shows individual sensitivity for each variable. In reality, the change in one variable often affects other variables, but with a certain time delay. For example, a strengthening or weakening of a currency could affect the market price. There is no simple rule of thumb for calculating a "net income effect" since the relationships are complicated, and vary depending on market conditions and other factors.

Variable	Change	Effect on 12-month profit, SEK million
USD/SEK	SEK ±0.50	550
Pulp price	SEK ±300/tonnes	572
Fibre cost for the pulp mills	SEK ±25/m <sup>3</sup> sub	226
Pulp production	±50,000 tonnes	167
Sawn timber price	SEK ±50/m <sup>3</sup>	105
Sawlog cost for sawmills	SEK ±25/m <sup>3</sup> sub	90
Sawn timber production	±50,000 m <sup>3</sup>	44
Oil price	USD ±10/barrel	68
Total salary cost	±3%	89

#### PROFIT EFFECT OF CHANGE IN CLOSING RATE

Variable	Change	Profit effect, SEK million
Trade receivables	USD ±SEK 0.5	87
	EUR ±SEK 0.5	33
	GBP ±SEK 0.5	2
Trade creditors	USD ±SEK 0.5	0
	EUR ±SEK 0.5	8
	GBP ±SEK 0.5	0

The effect on equity corresponds to the effect on profit.

## Note 25 | Interest-bearing financial liabilities

Non-derivative financial instruments are initially measured at cost corresponding to the fair value of the instrument, plus transaction costs.

A financial liability, or part thereof, is derecognised from the consolidated statement of financial position when the obligation in the contract is fulfilled or otherwise extinguished.

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

Group	Maturity						Total	
	Within 1 year		1-5 years		More than 5 years		2023	2022
	2023	2022	2023	2022	2023	2022		
Liabilities to credit institutions	133	133	200	333	—	—	333	466
Loans from members <sup>1)</sup>	7,391	5,600	831	736	100	94	8,322	6,430
<b>Total</b>	<b>7,524</b>	<b>5,733</b>	<b>1,031</b>	<b>1,069</b>	<b>100</b>	<b>94</b>	<b>8,655</b>	<b>6,896</b>

Parent Company	Maturity						Total	
	Within 1 year		1-5 years		More than 5 years		2023	2022
	2023	2022	2023	2022	2023	2022		
Liabilities to credit institutions	133	133	200	333	—	—	333	466
Loans from members <sup>1)</sup>	7,391	5,600	831	736	100	94	8,322	6,430
<b>Total</b>	<b>7,524</b>	<b>5,733</b>	<b>1,031</b>	<b>1,069</b>	<b>100</b>	<b>94</b>	<b>8,655</b>	<b>6,896</b>

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

	Group		Parent Company	
	2023	2022	2023	2022
At the beginning of the year	6,896	5,785	6,896	5,785
Member deposits	11,128	9,612	11,128	9,612
Repayment of loans	-133	-233	-133	-233
Member deposits paid	-9,236	-8,268	-9,236	-8,268
<b>Carrying amount at the end of the period</b>	<b>8,655</b>	<b>6,896</b>	<b>8,655</b>	<b>6,896</b>

## Note 26 | Interest-bearing operating liabilities

For lease accounting principles, refer to Note 15 Property, plant and equipment.

Group	Within 1 year		1-5 years		More than 5 years		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Leases	98	76	125	136	—	—	223	212
<b>Total</b>	<b>98</b>	<b>76</b>	<b>125</b>	<b>136</b>	<b>—</b>	<b>—</b>	<b>223</b>	<b>212</b>

Lease liabilities recognised at 1 January 2023	212
New loans	116
Repayment of loans	-107
Translation differences	2
<b>Carrying amount at the end of the period</b>	<b>223</b>

## Note 27 | Pensions

Within the Group, there are a number of defined-contribution plans as well as defined-benefit pension plans.

### Defined-contribution pension plans

Defined-contribution pension plans are classified as pension plans under which the company's obligation is limited to the contributions the company has committed to pay. Under such plans, the size of an employee pension is based on the contributions the company pays to the plan or an insurance company and the capital yield generated by the contributions. Consequently, it is the employee who bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the investment assets will be inadequate to provide the expected benefits). The company's obligation to make payments to the defined-contribution plans is recognised as an expense in net profit or loss at the rate they are earned through services provided by the employees over a period. Pension obligations secured through endowment policies are recognised net in the Group.

### Defined-benefit pension plans

The Group's net obligation in terms of defined-benefit pension plans is calculated separately for each plan by estimating the future benefit that employees have earned in current and previous periods. This benefit is discounted to a present value. The discount rate is the interest on the balance-sheet date on a mortgage bond with a duration equivalent to the Group's pension obligations. The calculation is made by a qualified actuary using the Projected Unit Credit Method. The fair value of any plan assets is also calculated at the report date.

Actuarial gains and losses are recognised as revenue or expense in other comprehensive income.

In the consolidated statement of financial position, the carrying amount for pensions and similar obligations represents the present value of the obligation at the end of the financial year, less the fair value of plan assets.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised costs for service in earlier periods and the present value of future repayments from the plan or reduced future payments to the plan. When benefits in a plan are improved, the share of the increase in benefit attributable to past service is recognised as an expense in the consolidated statement of comprehensive income and allocated straight-line over the average period until the benefit is fully earned. If the benefit is fully earned, the total expense is recognised directly in net profit or loss.

When there is a difference between how pension costs are determined in a legal entity and Group, a provision or asset for special employer's contribution is recognised based on this difference. The provision or asset is not calculated at present value.

The net of the interest on pension liabilities and expected return on the associated plan assets is recognised in net financial items. Other components are recognised in operating profit or loss.

The value of pension obligations for defined-benefit pension plans is based on actuarial calculations based on assumptions of discount interest, future salary increases, inflation and demographic circumstances. These assumptions are normally updated on an annual basis. Changes in these assumptions affect the amount of the recognised pension liability and recognised equity in the Group.

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 Board of the Pension Foundation is responsible for management of the Foundation's plan assets. The Foundation's required return is 2.9 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.

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	2023	2022
<b>Defined-benefit plans</b>		
Pension costs accrued during the year	11	44
Net interest	-8	4
<b>Cost of defined-benefit plans in profit for the year</b>	<b>3</b>	<b>48</b>
Cost of defined-contribution plans	201	205
Special employer's contribution recognised in legal entity	76	56
<b>Pension cost in profit for the year</b>	<b>280</b>	<b>309</b>
Remeasurement recognised in other comprehensive income	143	-433
<b>Pension cost in comprehensive income for the year</b>	<b>423</b>	<b>-124</b>
Costs in the following line items are included in profit for the year:		
Employee expenses	288	305
Net financial items	-8	4
<b>Cost recognised in profit for the year</b>	<b>278</b>	<b>309</b>
Other comprehensive income	143	-433
<b>Pension cost recognised in comprehensive income for the year</b>	<b>423</b>	<b>-124</b>

#### RETURN ON PLAN ASSETS

Group	2023	2022
Actual return on plan assets	131	-141
Interest income on plan assets	-56	-28
<b>Actuarial result for plan assets during the period</b>	<b>75</b>	<b>-169</b>

&gt; Note 27, cont.

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

Group	2023	2022
Defined-benefit plans and value of plan assets Fully or partially funded obligations		
Present value of defined-benefit obligations	1,395	1,180
Fair value of plan assets	-1,533	-1,401
<b>Fully or partially funded obligations, net</b>	<b>-138</b>	<b>-221</b>
Present value of unfunded defined-benefit obligations	25	24
<b>Net (surplus - / obligations +) before adjustments</b>	<b>-113</b>	<b>-197</b>
Net amount is presented in the consolidated statement of financial position under the heading:		
Surplus in funded pension plans (asset) - / Provision for pensions (liability) +	-113	-197
<b>Net amount in consolidated statement of financial position (surplus -/ obligations +)</b>	<b>-113</b>	<b>-197</b>
Net amount is allocated between plans in the following countries:		
Sweden	-138	-221
Germany	25	24
<b>Net amount in consolidated statement of financial position (surplus -/ obligation +)</b>	<b>-113</b>	<b>-197</b>

**NET AMOUNT IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	2023	2022
Net liability in consolidated statement of financial position at the beginning of the period	-197	243
<b>Cost of defined-benefit plans</b>		
Net cost recognised in profit for the year	3	48
Payment of benefits	-64	-57
Actuarial gains and losses recognised in other comprehensive income	143	-433
Exchange-rate difference	1	2
<b>Net amount in consolidated statement of financial position at end of period (surplus -/ obligation +)</b>	<b>-113</b>	<b>-197</b>

**PRESENT VALUE OF DEFINED-BENEFIT OBLIGATIONS**

Group	2023	2022
At the beginning of the year	1,204	1,785
Service expenses	11	44
Payment of benefits	-64	-57
Interest expense	49	32
Actuarial gains and losses <sup>1)</sup>	219	-601
Exchange rate differences	1	2
<b>Carrying amount at the end of the period</b>	<b>1,420</b>	<b>1,204</b>

<sup>1)</sup> Of which change in demographic assumptions accounted for SEK 14 million (-13), financial for SEK 92 million (-582), experience-based for SEK 83 million (79) and special employer's contribution for SEK 28 million (-84).

**FAIR VALUE OF PLAN ASSETS**

Group	2023	2022
At the beginning of the year	1,401	1,542
Expected return on plan assets	56	29
Difference between expected and actual return	76	-169
<b>Carrying amount at the end of the period</b>	<b>1,533</b>	<b>1,401</b>

**FAIR VALUE OF PLAN ASSETS**

Group	2023	2022
Equity instruments	669	616
Hedge funds and bonds	219	169
Other interest-bearing securities	426	303
Properties	33	35
Cash and cash equivalents	186	278
<b>Carrying amount at the end of the period</b>	<b>1,533</b>	<b>1,401</b>

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	2023	2022
Discount rate	3.25%	4.00%
Inflation	1.60%	1.90%
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.

DUS23 is applied for the Swedish pension plans.

**SENSITIVITY ANALYSIS OF THE PENSION OBLIGATION**

Assumption	Change	Change in liabilities SEK million
Discount rate	±0.5%	+135/-128
Inflation	±0.5%	-103/+105
Life expectancy	±1 year	-68/+60

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 (15). The expected pension payments in the forthcoming year amount to SEK 64 million (62).

**PENSION LIABILITIES PER CATEGORY OF PERSON**

	2023		2022	
	Women	Men	Women	Men
Active	184	380	174	389
Disability pensioners	3	4	6	4
Leavers	331	595	323	603
Retirees	315	1,031	324	1,055
<b>Total</b>	<b>833</b>	<b>2,010</b>	<b>827</b>	<b>2,051</b>
<b>Total commitments comprised by the obligation</b>	<b>2,843</b>		<b>2,878</b>	

**PENSION EXPENSES**

Parent Company	2023	2022
Pension system run by Södra		
Cost for pensions accrued	0	0
Payment of benefits	62	56
Operating costs and credit insurance	1	1
Cost for pensions run by Södra excluding tax	63	57
Pensions through insurance		
Insurance premiums or equivalent	192	193
Special employer's contribution	76	56
<b>Recognised net cost pertaining to pensions</b>	<b>331</b>	<b>306</b>

**PROVISIONS FOR PENSIONS**

Parent Company	2023	2022
Net present value of pension obligations*	1,234	1,128
Less plan assets in Pension Foundation	-1,223	-1,117
<b>Total</b>	<b>11</b>	<b>11</b>
Pension obligations secured through endowment insurance recognised under financial assets	-11	-11
Net	-	-
* Of which PRI pensions ITP 2	1,108	995
* Credit insured via PRI Pensionsgaranti	1,223	1,117

Where plan assets exceed pension liabilities, the excess amount is not recognised. In 2023, the unrecognised surplus in the Pension Foundation was SEK 310 million (285).



> Note 27, cont.

#### CHANGES IN NET LIABILITY

Parent Company	2023	2022
At the beginning of the year	11	10
Cost recognised in profit or loss for pensions run by Södra excluding taxes	62	57
Pension payments	-62	-56
<b>Carrying amount at the end of the period</b>	<b>11</b>	<b>11</b>

In 2024, anticipated pension payments amounted to SEK 64 million (62).

#### FAIR VALUE OF PLAN ASSETS

Parent Company	2023	2022
Equity instruments	669	616
Hedge funds and bonds	219	169
Other interest-bearing securities	426	303
Properties	33	35
Cash and cash equivalents	186	278
<b>Value of plan assets</b>	<b>1,533</b>	<b>1,401</b>
Surplus value	-310	-284
<b>Carrying amount at the end of the period</b>	<b>1,223</b>	<b>1,117</b>

#### ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

Parent Company	2023	2022
<b>ITP plan according to PRI grounds</b>		
Discount rate	2.9%	2.9%

### 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.

Group 2023	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	541	541
Provisions made during the period	—	54	54
Utilised amount during the year	—	-16	-16
<b>Carrying amount at the end of the year</b>	<b>—</b>	<b>579</b>	<b>579</b>
of which non-current provisions	—	540	540
of which current provision, refer to Note 30	—	39	39

Group 2022	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	381	381
Provisions made during the period	—	165	165
Utilised amount during the year	—	-5	-5
<b>Carrying amount at the end of the year</b>	<b>—</b>	<b>541</b>	<b>541</b>
of which non-current provisions	—	529	529
of which current provision, refer to Note 30	—	12	12

### 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

Parent Company 2023	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	529	529
Provisions made during the period	—	54	54
Utilised amount during the year	—	-9	-9
<b>Carrying amount at the end of the year</b>	<b>—</b>	<b>574</b>	<b>574</b>
of which non-current provisions	—	540	540
of which current provision, refer to Note 30	—	34	34

### OTHER PROVISIONS

Other provisions described above also pertain to the Parent Company.

### 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.

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.

Parent Company 2022	Restructuring reserve	Other provisions	Total
At the beginning of the year	—	380	380
Provisions made during the period	—	153	153
Utilised amount during the year	—	-4	-4
<b>Carrying amount at the end of the year</b>	<b>—</b>	<b>529</b>	<b>529</b>
of which non-current provisions	—	529	529
of which current provision, refer to Note 30	—	—	—

## Note 29 | Other non-current operating liabilities

The fair value of currency derivatives is based on quoted prices.

Group	2023	2022
Derivatives	13	25
<b>Total</b>	<b>13</b>	<b>25</b>

## Note 30 | Other current operating liabilities and provisions

The fair value of currency derivatives is based on quoted prices. Fair value of pulp price derivatives is based on the valuation of the intermediary credit institution, and fairness is tested by discounting estimated future

cash flows and based on the market rate for similar instruments at the balance-sheet date. Cash flows are based on the best judgements of management.

	Group		Parent Company	
	2023	2022	2023	2022
Current liabilities from Group companies	—	—	257	235
Trade creditors	1,593	2,848	1,498	2,717
Derivatives	11	13	—	—
Customer contracts	—	6	—	—
Advances from customers	23	9	24	9
Value-added tax liability	40	47	—	—
Current provisions	39	12	34	—
Other operating liabilities	209	192	179	153
Accrued expenses and prepaid income	1,096	1,268	993	1,123
<b>Total</b>	<b>3,011</b>	<b>4,395</b>	<b>2,985</b>	<b>4,237</b>

## Parent Company notes

### Note 31 | Appropriations

Parent Company	2023	2022
Change in tax allocation reserve		
– releases for the year	700	—
– provisions for the year	—	-900
Change in provisions in excess of plan		
– machinery and equipment	10	240
Group contributions received	228	—
Group contributions paid	-139	-5
<b>Total</b>	<b>799</b>	<b>-665</b>

Group contributions paid and received 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	
				2023	2022
<b>Operational</b>					
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 Forest 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	216
Södra Skogsägarna TH Holding AB	556552-6810	5,000	100%	0	0
Södra mark & hus AB	556536-7520	5,000	100%	5	—
Södra Mark Holding AB	559098-6377	500	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	100
Non-operational				9	9
<b>Total</b>				<b>4,485</b>	<b>4,480</b>

During the year, the shares in Södra mark & hus AB were transferred from Södra Skogsägarna TH Holding AB to the Parent Company as part of the discontinuation of remaining operations in Trivselhus.

### SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2023	2022
<b>Cost</b>		
At the beginning of the year	4,480	4,308
Impairment	—	-178
Acquisitions, incl. shareholders' contributions	5	355
Mergers/Divestments	—	-5
<b>Carrying amount at the end of the period</b>	<b>4,485</b>	<b>4,480</b>

## Note 33 | Other non-current investments

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

Parent Company	2023	2022
<b>Cost</b>		
At the beginning of the year	73	73
	<b>73</b>	<b>73</b>
<b>Impairment</b>		
At the beginning of the year	-42	-40
Impairment for the year	—	-2
	<b>-42</b>	<b>-42</b>
<b>Carrying amount at the end of the year</b>	<b>31</b>	<b>31</b>

## Note 34 | Receivables from Group companies

### INTEREST-BEARING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2023	2022
<b>Cost</b>		
At the beginning of the year	234	810
Additional items	48	50
Deductible items	-24	-626
<b>Carrying amount at the end of the period</b>	<b>258</b>	<b>234</b>

### OPERATING RECEIVABLES FROM GROUP COMPANIES

Parent Company	2023	2022
<b>Cost</b>		
At the beginning of the year	573	371
Additional items	115	326
Deductible items	-233	-124
<b>Carrying amount at the end of the period</b>	<b>455</b>	<b>573</b>

### TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses in transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Unrealised profits in transactions with associates are eliminated to the extent they represent the Group's ownership in the company. Unrealised losses are eliminated in the same way as unrealised gains.

## Note 35 | Untaxed reserves

Parent Company	2023	2022
Tax allocation reserves	200	900
Accumulated depreciation and amortisation in excess of plan		
– buildings	0	0
– machinery and equipment	7,437	7,447
<b>Total</b>	<b>7,637</b>	<b>8,347</b>

Deferred tax in the above untaxed reserves amounted to SEK 1,573 million (1,719), 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		2023	2022
	2023	2022	2023	2022	2023	2022		
Group account – liabilities	810	788	–	–	–	–	810	788

Parent Company	Maturity						Total	
	Within 1 year		1–5 years		More than 5 years		2023	2022
	2023	2022	2023	2022	2023	2022		
Liabilities to Group companies	–	–	–	–	7	8	7	8

## Note 37 | Mergers

There were no mergers during the financial year.

## Other information

## Note 38 | Pledged assets

	Group		Parent Company	
	2023	2022	2023	2022
Pledged assets for own liabilities and provisions	–	–	–	–
Other pledged collateral and securities				
Financial assets <sup>1)</sup>	11	11	11	11
<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>

<sup>1)</sup> Endowment policies, see Note 27.

## Note 39 | Contingent liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Other contingent liabilities	47	47	50	47
<b>Total</b>	<b>47</b>	<b>47</b>	<b>50</b>	<b>47</b>

### GROUP

#### Restoration obligations

The future closure of part or parts of the operation could lead to a requirement for decontamination or other restoration work. This work is considered to be in the distant future and any expenses cannot be reliably calculated. No provision for expenses has been made.

Provision has been made for future environmental remediation in amounts deemed reasonable, based on the information available.

Future remediation measures are dependent on several unknown variables and therefore difficult to estimate. Accordingly, it is not possible to rule out whether the Group will be charged with additional costs for such measures in the future.

### Disputes

In the scope of Södra's operations, differences of opinion arise between companies within the Södra Group and various counterparties with regard to the size of compensation, results achieved, lines of responsibility, etc. Most of these differences can be solved on a commercial basis, while some will be subject to arbitration or court proceedings. Provisions have been made in the financial statements in amounts deemed reasonable.

### PARENT COMPANY

Contingent liabilities described above also relate to the Parent Company.

## Note 40 | Related parties

The Parent Company is deemed a related party in relation to its subsidiaries and associates, as presented in Note 32 Group companies and Note 8 Shares in associates.

Of the Parent Company's total purchases and sales measured in SEK million, 1 percent (1) of purchases and 6 percent (9) of sales were related to other Group companies.

Through its representation on the Boards of the Södra Pension Foundation in 2003 and the Södra Foundation for Research, Development and Education, the Parent Company is considered a related party to these foundations. 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
<b>Associates</b>					
2023		473	485	25	72
2022		212	163	25	0
<b>Parent Company</b>					
<b>Subsidiaries</b>					
2023	1,660	297	116	573	235
2022	2,501	626	50	579	58
<b>Associates</b>					
2023		473	485	25	72
2022		212	163	25	0

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	
	2023	2022	2023	2022
<b>Financial items</b>				
Interest received during the year	338	62	403	69
Interest paid during the year	-236	-89	-264	-87
Dividends received during the year	25	31	130	49
Capital gains	22	36	5	11
Capital losses	-28	-7	-7	-6
<b>Parent Company</b>				
Unsettled Group contributions	—	—	-50	-5

Proceeds from the divestment of Silva Green Fuel DA were SEK 75 million.

## Note 42 | Events after the balance-sheet date

The Board decided to consolidate Södra Wood's operations. The consolidation process will continue throughout 2024. At present, this is not expected to trigger any significant financial effects.

Otherwise, there were no other significant events after the balance-sheet date.

## Proposed appropriation of profits

The Board proposes that the profits at the disposal of the AGM, an amount of SEK 9,096,259,236, be appropriated as follows:

Dividend to members of 8 percent of contributed capital (paid-up and issued), totalling	SEK 491,626,222
Dividend to members of 12 percent of the value of wood deliveries 2023, totalling	SEK 844,328,880
The dividend is calculated on the value of members' wood deliveries from 1 January 2023 to 31 December 2023 and on all ranges, excluding sold standing forest	
To members' contribution capital accounts through a bonus issue	SEK 138,439,753
The bonus issue represents 6 percent of available paid-up contributed capital at 31 December 2023	
Amount carried forward	SEK 7,621,864,381
	<b>SEK 9,096,259,236</b>

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 view 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 2024

Magnus Hall  
*Chair*

Paul Christensson  
*Vice Chair*

Kristina Alsér  
*Board member*

Teddy Hedlund  
*Employee representative*

Hannele Arvonen  
*Board member*

Hans Berggren  
*Board member*

Pål Börjesson  
*Board member*

Pontus Johansson  
*Employee representative*

Mikaela Johnsson  
*Board member*

Ann-Sofi Petersson  
*Employee representative*

Carina Olson  
*Board member*

Mats Sandgren  
*Board member*

Lotta Lyrå  
*President and CEO*

Our audit report was submitted on 15 February 2024

Martin Johansson  
*Authorised Public Accountants*  
PricewaterhouseCoopers AB

Madeleine Edberg

Katarina Johansson  
*Member Representative Auditors*

Roger Johansson

# 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 2023, except for the statutory sustainability report on pages 106–143. 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 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 106–143. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting adopts the income statement and balance sheet for the parent association and the group.

### BASIS FOR OPINIONS

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Authorised public accountants' section and in the Member representative auditors' section. We are independent of the parent association and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OUR AUDIT APPROACH

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



## KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

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### KEY AUDIT MATTER

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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#### 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 2023, intangible assets, property, plant and equipment & biological assets total MSEK 21,221 and MSEK 14,519 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 2,287, respective MSEK 1,750. 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 2023 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 2023, 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.

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### 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 106–166. 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 2023 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.

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Växjö, 15 February 2024

Martin Johansson  
*Authorised Public Accountant*

Katarina Johnsson  
*Member Representative Auditor*

Madeleine Edberg  
*Authorised Public Accountant*

Roger Johansson  
*Member Representative Auditor*

# Sustainability

Sustainability is integrated with the Group-wide strategy, where we connect forest owners with customers and consumers in five key areas. We focus our efforts on the material sustainability topics, in which our ability to affect the economy, the environment and people is greatest. Prioritised areas with long-term targets 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.

## People and culture at the centre

By focusing on people and culture, we are creating Södra's future together. We shall offer a safe, secure and caring workplace with a zero accident vision. We want to be a learning organisation with curiosity about the future and an ability to adapt to, and drive, change. The commitment of our employees is key to our success as an attractive and responsible employer. We are working in several ways to break down traditional cultural barriers by increasing diversity, equality and inclusion. We create both direct and indirect employment, and help to build vibrant rural areas.

## Strengthened family forestry and profitability for forest estates

Strengthened forest ownership and profitability for forest estates lay the foundation for us to continue running a sustainable business. Better offers, services and meetings, as well as increased opportunities for knowledge and learning for members of Södra are also crucial for the achievement of our targets, including a zero accident vision, the promotion of biodiversity and a higher rate of forest growth.

## Leading offer for our customers and consumers

The raw material is delivered from members' forests and processed in our mills. Through innovation, we are meeting the growing demand for sustainable and climate-smart products in the evolving circular bioeconomy. A low carbon footprint, certifications and labelling are becoming increasingly important.

## Optimised value chain from forest owner to customer and consumer

Södra serves as the bridge between forest estates 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 practices in partnership with our suppliers and customers through in-depth dialogue and cooperation. Our sustainability efforts also extend to the local community and its development.

## Sustainable use of the forest and earth's resources

Sustainable forestry is natural for members of Södra. There is a desire to hand over forest 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 biodiversity, and the cultural and social values of forests. Climate change is the greatest challenge of our time. While our products are part of the solution to this challenge, we will still need to adapt our forestry and industrial operations to the changing climate. Reducing the GHG emissions in our value chain and transitioning to net zero are high on the agenda. 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.

Read more about the Group-wide strategy on pages 18–31.

# 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 Equal opportunity
- 6 Clean water and sanitation
- 10 Reduced inequalities
- 14 Life below water
- 16 Peace, justice and strong institutions
- 17 Partnerships for the goals

## INDIRECT IMPACT

- 1 No poverty
- 2 Zero hunger
- 4 Quality education

### THE UN SUSTAINABLE DEVELOPMENT GOALS

### IMPACT AND CONTRIBUTION

	<b>AFFORDABLE AND CLEAN ENERGY</b>	<ul style="list-style-type: none"> <li>+ Deliveries of bio-based energy (electricity, district heating, solid biofuels) and liquid bioproducts (tall oil, biomethanol), p. 126.</li> <li>+ Systematic efforts to reduce electricity and heating consumption, pp. 136–138.</li> <li>– Energy-intensive industrial processes and transportation, pp. 136–138.</li> </ul>
	<b>DECENT WORK AND ECONOMIC GROWTH</b>	<ul style="list-style-type: none"> <li>+ Zero accident vision – a focus on preventive measures, p. 122.</li> <li>+ Supplier risk assessment and audit with a focus on working conditions, etc. pp. 128–129.</li> <li>+ Continued investments and focus on innovation to strengthen Sweden's forest industry position, pp. 26–27, 33–39.</li> <li>– Health and safety risks in the workplace and supply chain, pp. 122, 129.</li> </ul>
	<b>INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>+ Effective use of wood raw material, p. 136.</li> <li>+ Production of new, sustainable products and services for a bio-based society, pp. 26–27, 33–39.</li> <li>+ Collaborative business development and innovation, pp. 26–27, 37–38.</li> </ul>
	<b>SUSTAINABLE CITIES AND COMMUNITIES</b>	<ul style="list-style-type: none"> <li>+ Development of timber building systems, p. 36.</li> <li>+ Access to outdoor recreation, and consideration for the cultural and social values of forests, p. 132.</li> <li>– Risk of negative impact on urban forests, pp. 116–117, 130–132.</li> </ul>
	<b>RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	<ul style="list-style-type: none"> <li>+ Systematic efforts to reduce emissions to air and water from industrial activities, p. 139.</li> <li>+ New applications for Södra's products, pp. 26–27, 37–38.</li> <li>– Risk of negative environmental impact of emissions to air and water from industrial activities, p. 139.</li> </ul>
	<b>CLIMATE ACTION</b>	<ul style="list-style-type: none"> <li>+ Long and short-term initiatives to reduce GHG emissions in the value chain, p. 134.</li> <li>+ Forest-based products with a low climate impact are used to replace products with a higher climate impact, p. 133.</li> <li>+ Initiatives to increase forest growth, p. 132.</li> <li>– Industrial production and transportation use fossil fuels, pp. 137–138.</li> </ul>
	<b>LIFE ON LAND</b>	<ul style="list-style-type: none"> <li>+ Sustainable forestry – balance between production and environmental considerations, pp. 130–132.</li> <li>+ Nature-conservation measures and areas set aside to promote biodiversity, pp. 130–131.</li> <li>– Risk of negative impacts on ecosystems and biodiversity, pp. 116–117, 130–132.</li> </ul>

# 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 2023 to 31 December 2023. Södra uses the calendar year as its financial year. Södra's Sustainability Report is part of the Group's Annual and Sustainability Report for 2023, which will be published in February 2024. The Sustainability Report has been reviewed by auditors on behalf of the Board of Södra Skogsägarna ekonomisk förening.

## 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 have not been 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. From a sustainability perspective, the Swedish operations are most relevant due to their scope and their 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. The number of employees was calculated at 31 December 2023. The supplier assessment covers Södra's suppliers, but not sub-suppliers (suppliers' suppliers). Refer to the specific scope in the Suppliers section on page 129. Disclosures related to other material sustainability topics are reported for operations involved in production. The impact of other activities is considered zero or negligible. For calculation principles, refer to pages 119–121.

## Changes and restatement of information compared with previous reports

Changes compared with previous reports have been made to the accounting policies for annual total remuneration ratio between the Group's highest paid individual and the median for all other employees, and internal mobility. The changes also mean that information for prior years has partly been restated.

- » Previously, employees who had been permanently employed for the full year were included in the calculation of the annual total compensation ratio between the Group's highest paid individual and the median for all other employees. As of 2023, all employees are included with gross salaries paid during the year. The comparative figures have been restated.
- » Previously, internal mobility was defined as a change of position. As of 2023, internal mobility refers to a change of position, place of work (location) and/or department for permanent employees. The comparative figures have not been restated.

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. All restatements are minor, with no material impact on Södra's sustainability reporting.

- » Lost days per injury has been restated for 2022.
- » Södra's purchasing value for which suppliers had been risk-assessed was restated for 2021.
- » Sawm timber (products and services from Södra) has been restated for 2021 and 2022.
- » The proportion of GHG emissions from customers who have set their own SBTi target, or committed to setting their own target, has been restated for 2022.
- » GHG emissions have been restated for 2020 in regard to Scope 1 or Scope 3 allocation.
- » GHG emissions have been restated for 2022.
- » Emissions of BOD<sub>7</sub> to water have been restated for 2022.
- » Hazardous waste has been restated for 2022.

### Material sustainability topics

The materiality assessment is updated on a regular basis in order to identify Södra’s most relevant sustainability topics, based on the organisation’s most significant impacts on the economy, environment and people, including human rights. The assessment forms the basis for the Sustainability Report. The last materiality assessment was conducted in 2022 and also applies to 2023. No new material topics were added, but there were some minor updates. See further down on this page. The assessment mapped the value chain, activities and business relationships. Several different stakeholders were interviewed and Södra’s actual and potential negative and positive impacts were identified by assessing internal and external information. The impact was evaluated and prioritised quantitatively. 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 2023, including their boundaries, are presented in the table below. Sustainability training and competency development have been renamed ‘competence supply.’ The sustainability topic of sustainable products was placed under *Leading offer for our customers and consumers*. It was previously included under *Optimised value chain from forest owner to customer*

and consumer. No material sustainability topics have been placed directly under the strategic key area of *Strengthened forest ownership and profitability for forest estates*. This area focuses on better offers, services and meetings, and more opportunities for knowledge and learning for members of Södra. It is crucial for the achievement of our targets, including a zero accident vision, the promotion of biodiversity and a higher rate of forest growth.

As an economic association, Södra is not subject to the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD). An impact assessment commenced during the year, including a gap analysis, in order to understand what a voluntary implementation would mean for Södra.

### Reporting

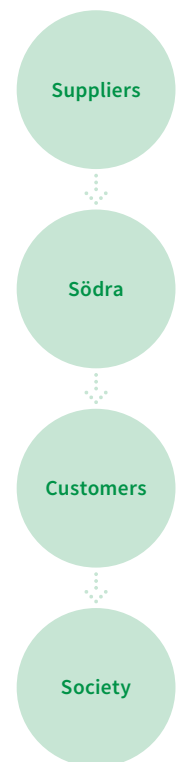
Södra’s material sustainability topics are presented in the GRI Content Index on pages 141–143. The connection between Södra’s material sustainability topics and selected GRI standards is presented in the table below. Södra’s own standards and disclosures for material sustainability topics that do not correspond to a GRI Standard are defined on page 111. 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.

MATERIAL SUSTAINABILITY TOPICS	VALUE CHAIN PLAYERS	GRI STANDARD/OWN STANDARD
<b>People and culture at the centre</b>		
<b>Health and safety</b>		
Health and safety	Södra, suppliers	GRI 403: Occupational health and safety
<b>Diversity, equality and inclusion</b>		
Diversity, equal opportunity and inclusion	Södra, suppliers	GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination
<b>Value-driven leadership and competence supply</b>		
Competence supply	Södra, suppliers, customers, society	GRI 404: Training and education
Jobs	Södra, suppliers	GRI 401: Employment
Organisational culture and values	Södra	Own: Organisational culture and values
<b>Leading offer for our customers and consumers</b>		
<b>New and sustainable offers</b>		
Sustainable products	Södra, customers, society	Own: Forest certification and certified products
<b>Optimised value chain from forest owner to customer and consumer</b>		
Business ethics and anti-corruption	Södra, suppliers, customers, society	GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour
Responsible value chain	Södra, suppliers, customers, society	GRI 308: Supplier environmental assessment GRI 414: Supplier social assessment
<b>Sustainable use of the forest and earth’s resources</b>		
<b>Biodiversity</b>		
Biodiversity	Södra, suppliers, customers, society	GRI 304: Biodiversity
<b>Positive social impact</b>		
The social values of forests	Södra, society	Own: The social values of forests
<b>Climate-adapted forests with high growth</b>		
Forest growth	Södra, suppliers	Own: Forest growth
Sustainable harvest rate	Södra	Own: Sustainable harvest rate
<b>Climate neutrality and circularity</b>		
Climate effect	Södra, suppliers, customers, society	GRI 201: Economic performance Own: Climate effect
Emissions to air, land and water	Södra, suppliers	GRI 303: Water and effluents GRI 305: Emissions
Energy	Södra, suppliers, society	GRI 302: Energy
GHG emissions	Södra, suppliers, customers, society	GRI 305: Emissions
Materials	Södra	GRI 301: Materials
Waste	Södra, suppliers, customers, society	GRI 306: Waste
Water	Södra, suppliers, customers, society	GRI 303: Water and effluents

### Value chain players



### 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

Södra's stakeholders contribute to the Group's development. The stakeholders were identified through a structured analysis and prioritisation. The stakeholders with the greatest impact on, and that 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. Ongoing stakeholder dialogue takes place in various forms, and with varying frequency, throughout the year. Refer to the table below.

Stakeholder dialogue takes place in networks, for example, and Södra is the driving party in a network with regard to working with cultural heritage considerations in the forest. The aim is to find ways of working and methods for preserving cultural heritage values while also using the forest. One example of what we worked with during the year is how we can preserve and use areas with cairnfields, which cover large parts of southern Sweden. The network comprises county administrative boards in Kronoberg, Jönköping and Kalmar, the Swedish Forest Agency, other forest companies in Götaland and soil scarification contractors.



### Dialogue with Södra's stakeholders

Stakeholder group	Stakeholder dialogue 2023	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 - New legislation	- 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 - New legislation	- Targets and key indicators - Business policy activities - Research and development - Development of service offers (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 - New legislation	- 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 - New legislation	- 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. The aim is that Södra will lead the way for 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.

## **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 percentage of affiliated forest area in Södra with forest certification and the percentage of certified products.

## **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.

## **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.

## **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.

## **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 are used to replace products with a higher climate impact, such as steel, concrete, plastic and energy from fossil sources. At the same time, there are still fossil GHG emissions in the value chain. This disclosure is used to report Södra's positive climate effect.

# Governance and sustainability organisation

## Sustainability framework

Södra's values – how we act – are:

- » Feet on the ground
- » Ears to the wind
- » Eyes on the horizon

Combined with stated competencies for both employees and leaders, the values help us keep step with our ever-changing business environment, while also feeling confident about what we, as both an organisation and employees, want to achieve with our vision: *Rooted in the forest, we grow the future*. All employees are responsible for acting in line with the values.

Södra 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), the desire to deliver a leading customer offer (customer satisfaction), securing a financially sustainable value chain (return on capital employed and equity ratio) and caring for the planet (higher positive climate effect). Prioritised areas with long-term targets are presented on pages 122–123, 130 and 132–134.

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 Board renews these documents once per year. Södra's policies, codes and guidelines apply to everyone who works for Södra. Employees and business partners are informed about these documents via the intranet and [sodra.com](http://sodra.com), where any major changes are also communicated.

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. In 2022, a criteria analysis commenced of how identified taxonomy-eligible activities affect the EU Taxonomy's first two environmental objectives: climate change mitigation and climate change adaptation. This work was paused in 2023 pending screening criteria for the four remaining environmental objectives, which were published at the end of the year: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Södra's sustainability targets are aligned with the UN Sustainable Development Goals. Read more on page 107. The framework is regularly reviewed to ensure its relevance.

Södra is living and operating in a changing business environment. In 2022, Södra completed several strategic projects that studied a number of future-critical areas, in sustainability for example,

which led to an update of the Group-wide strategy. In 2023, the areas of *forest and wild game*, and *diversity, equality and inclusion*, were added to the 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, working with the Sustainability Policy and monitoring targets in prioritised areas. The management team for the Sustainability function consists of the Director of Sustainability and representatives from the business areas. The team's mission is to lead and develop Södra's sustainability practices.

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.

An innovation project for the implementation of systems support for sustainability data is ongoing. The system handles Södra's direct and indirect GHG emissions from the generation of purchased energy. Implementation of the system for all of Södra's other indirect GHG emissions is ongoing. The aim of automating the collection and calculation of sustainability data is to achieve efficient processes, higher quality data and more frequent data updates, which are essential for in-depth business analytics and scenarios. It should be easier to include sustainability in both decision-making and follow-ups.

## 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 competence supply. Our cooperative values and democratic processes strengthen the culture through commitment and influence. Our digitisation puts people at the centre and grows business and capabilities.

Södra's values – *Feet on the ground, Ears to the wind, Eyes on the horizon* – guide how we act. All employees are equal and have the same rights and obligations. Södra's policies and guidelines for social responsibility cover health and safety, equality, 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 vision for accidents and ill health, with the target 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. Responsibility for occupational health and safety (OHS) is delegated from the President to all managers with responsibility for employees, and the process is supported by the Group-wide Health and Safety function.

Systematic OHS management is mandatory for all employers (AFS 2001:1). This means that employers are required to systematically, and together with employees and Health and Safety Officers, investigate, implement and monitor activities in a manner that prevents accidents and ill health at work, and to 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 refer 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 Cell business area holds ISO 45001 certification.

All OHS measures are implemented in collaboration between employers and employees and as close to the activities as possible, in local health & safety committees and through safety inspections. When issues that could generate value for other parts of Södra, or that cannot be solved locally, are identified, they are escalated to Business Area Councils, the Group Council or the Group-wide Health & Safety Committee. In these forums, employers and union parties discuss OHS-related issues of a long-term and overall nature with the aim of developing and stimulating Södra's workplace health and safety measures.

Under the Swedish Work Environment Act (AML), Södra is responsible for coordinating health and safety in the workplace. This means that all activities that are carried out in a workplace must be coordinated and planned so that employees, subcontracted workers and contractors are able to handle the risks that exist and arise when work is carried out in the same area or at the same time. SSG On site is an app that contains safety information for everyone who enters our industrial facilities. The app can provide information about production or traffic disruptions, for example, that may require special caution.

Contractors are always responsible for their own employees, which means they are obligated to take the measures that are required to prevent accidents and ill health. Designated people serve as links between clients and contractors to coordinate the work related to these issues. 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 pages 115-116.

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 incident is reported and then follows a pre-defined flow that manages both the reactive (occurred events) and proactive health and safety measures (such as safety inspections, risk assessments). 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 different levels, 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. Initiatives at both Group-side and local levels 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.

Health and safety training programmes are implemented on a regular basis and handled via the Group's Competency Toolkit. The courses are adapted to the needs of each unit. For example, they may be linked to physical hazards in a production environment that require a regular review, the safe handling of chemicals, safe production stoppages or the use of personal protective equipment and fire safety training. Södra also offers a range of courses with a focus on psychosocial risk factors in the workplace, such as bullying and harassment, workload, stress and working hours. Training in health and safety is mandatory for Södra's managers and leaders. *Grow Health & Safety* is focused on behaviour-based safety and the measures that are required to reinforce safe and reduce high-risk behaviour in our workplaces and are implemented across the organisation by learning group meetings, and by coaching at both individual and group level. In total, Södra's employees completed more than 28,000 hours of health and safety training in 2023. That corresponds to eight 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 128.

At the end of 2022, a Safety Culture Index was introduced to measure Södra's safety performance. The aim was to gain a view of Södra's safety culture in order to enable a strategic shift. The survey showed that Södra has a positive and mature safety culture and that we are an organisation that works proactively to identify and eliminate risk in order to prevent injury. Positive observations from the survey include active safety procedures by management, that managers put safety before production even under time pressure, that the dissemination of safety information is effective, that there is no fear of reprisal for reporting risk observations, incidents or accidents and that we can speak freely and openly about health and safety. Areas for improvement include being better at encouraging each other to make healthy everyday choices, talking more about health and safety in the team and that management could do more to involve employees in decisions about health and safety. This was the first Safety Culture Index survey. The survey will be conducted every other year.

## Diversity, equality and inclusion

Working proactively with diversity, equality and inclusion is essential for a positive work environment, well-being, and 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, equality 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. In 2023, a diversity, equality and inclusion programme commenced based on a completed strategic project that provided insights into both the current situation, and the competitive advantages that exist in this area. The programme encompasses Södra's entire value chain, from member to consumer, and this area was added to the strategy in 2023.

There is also a focus on diversity, equality and inclusion in the membership organisation. One of the targets in the action plan for greater diversity and equality 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 offer, spanning from when a forest owner becomes a member of 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.

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 year's salary analysis revealed unwarranted pay differences for a total of five positions. An action plan was created for all cases for further management and measures.

## Values-driven leadership and competence supply

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. In order to provide leaders with both structural and cultural conditions, we offer leadership development, coaching and networking meetings, and all units conduct organisational performance reviews every year to identify any need for support in the development of structure, culture and competence.

Södra has Group-wide competencies for both employees and leaders. These competencies are an important starting point for personal and organisational development. The values and competencies exist to help us keep step with our ever-changing business environment, while feeling confident about who we are, as both an organisation and as employees. They are embedded in all processes, from recruitment tests to our team development activities, the *Grow* leadership development programme and the personal development of our employees. Personal development is encouraged at Södra and builds on manager/employee dialogue in, for example, the performance review. The review is an opportunity for employees to contribute to, and influence, their performance, development and job satisfaction, and to discuss how they are contributing to the company's profitability, the development of the team, and Group-wide targets. For managers, performance reviews are a tool for driving performance, learning and competency development, and for ensuring job satisfaction. 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 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. We work in several ways to facilitate and stimulate internal mobility, and measure this with a key indicator. In 2023, an organisational competency matrix was created, and started with the identification of a Group-wide process for competence supply. The result was a comprehensive inventory of critical positions at Södra, a need for competencies to support a strategic shift, external collaborations and possibilities for competence supply based on training and competition forecasts.

The *Grow* leadership development programme is an important core for Södra. *Grow* is a programme for leaders 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 440 leaders have either commenced or completed the programme.

A trainee programme with 14 trainees commenced in March 2023. The programme is part of our strategic initiative in the area *People and culture at the centre* and is strengthening our long-term competence supply and helping to develop tomorrow's leaders. The programme runs for 18 months and focuses on health and safety, leadership, business and strategy.

Södra is continuing its work with *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. The partnership has led to an MSc programme, *Innovation through business, engineering 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 competence supply.

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.

Employee surveys in the form of pulse surveys are implemented twice per year. The aim is to receive continuous feedback on employees' perception of their work situation and of Södra, to identify areas for development and to take measures of both a general and more specific nature. The employee survey is one of the most important tools for receiving feedback from employees. Feedback, analysis and any need for measures arising from the results are shared between managers and employees. The answers and results can be followed digitally over time.

### Leading offer for our customers and consumers

Södra shall deliver a strong and leading offer for our customers and consumers. By offering products with a low carbon footprint, certifications and labelling, and assessing the sustainability of investments and new products and services, we are maximising the value of members' forest raw material.

### New and sustainable offers

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, mitigation measures should be taken, if possible, and then followed up. For investments, the impact on Södra's climate effect is also calculated as changes in net change in forest carbon stock, fossil GHG emissions in the value chain and reduced fossil GHG emissions due to substitution. During the year, an in-depth assessment linked to health and safety in investments was introduced. The assessment analysed reported risk observations and incidents to ensure that existing risks in the operations were taken into account.

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.

### 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

Södra's business ethics programme, based on the Code of Conduct, provides a business ethics framework for employees. The programme is based on a number of basic building blocks that together describe the process for identifying and handling legal and business ethics risks linked to identified key areas of Södra's operations. This is a continuously ongoing process and the programme is regularly updated on the basis of changed legal requirements, but also evaluations, audits and investigations that are carried out to ensure that the programme is, and remains, relevant in relation to Södra's business ethics risks. The business ethics programme includes several terms of reference, guidelines and business processes to support employees.

The Code of Conduct translates our values into concrete guidelines and behaviours. This applies to everyone who works for Södra and we expect our business partners and anyone else who represent us to have values and rules that correspond to Södra's. The Code of Conduct was updated in 2023 and is summarised as follows:

- » Show respect for people throughout the entire value chain
- » Engage in responsible business with our feet on the ground
- » Protect Södra's assets and interests
- » Use the forest and the earth's resources with eyes on the horizon
- » Keep our ears to the wind through open dialogue

The Code of Conduct contains guidance for health and safety, discrimination and harassment, working conditions and freedom of association, child labour and forced labour, anti-corruption, competition law, trade rules and restrictions, conflicts of interest, protection of confidential information, Södra's assets, information security and protection of personal data, the environment, climate and circularity, sustainable forestry, community engagement and stakeholder dialogue. 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, the HR department or a union representative.

Employees and other people who have a work relationship with Södra may use Södra's whistleblower function to report irregularities related to Södra's activities. The whistleblower function is a web-based reporting channel handled by an independent third party, together with designated internal recipients. Reports can be submitted in writing, orally or by booking a physical meeting via the reporting channel. The reporter always has the right to remain anonymous. Whistleblowing cases are communicated to Södra's Board via the Audit Committee.

During the year, further development of the method for assessing, reporting and monitoring risks continued. The method includes risk assessment in relation to regulatory compliance, including corruption. Implementation will continue in 2024.

### Responsible value chain

The Supplier Code contains guidelines for the obligations and responsibilities of Södra's suppliers in the same areas as the Code of Conduct. 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. Suppliers at high risk of non-compliance are reviewed regularly by either a self-assessment or a sustainability audit. After a sustainability audit, the supplier receives a report with feedback, an action plan is drawn up, if necessary, and the actions are monitored. During the year, the use of self-assessments was also introduced for large procurements of, for example, transport services and input products.

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 conducted in 2022 and new processes will be implemented as part of the responsible purchasing initiative in 2024.

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

### Sustainable use of the forest and earth's resources

Södra shall be a leader in the social transition to climate neutrality and circularity, promote richer biodiversity to generate value for future generations, and have climate-adapted forests with high growth that create added value for forest estates. The social values of forests are important for many people and Södra's operations contribute to a vibrant countryside and give family forestry a strong voice 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. Our offers 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. Active dialogue with members around nature-conservation and considerations, forest management certification and the social values of forests, is conducted via various communication channels and through 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 green forest management plan is mandatory for forest certification.

The preservation of forests with high conservation values is important for Södra. Not all forest owners 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

regulations. 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 percentage of land set aside, but is capped at SEK 25 extra per m<sup>3</sup> solid volume underbark. The nature conservation premium was well received and Södra has noted a rising interest in increasing the percentage of voluntary set-asides. 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. We also commenced a project to identify particular priority species, which are defined as threatened forest species with a habitat that spans across large parts of Götaland and that respond positively to nature conservation measures. A study commenced into the environmental considerations that are needed to promote the Goodyera orchid when harvesting, in collaboration with the Swedish University of Agricultural Sciences (SLU). The strategic biodiversity project also studied how Södra could contribute to the development of new business models for increasing 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 environmental and social issues. Södra provides continuous training for its forestry workers 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. In 2023, a refresher course, *The Group-wide objectives for environmental stewardship*, began for all field workers and contractors.

Every year, the considerations applied in regeneration harvests, thinning operations, 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 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 zones and sensitive habitats. The field work is carried out by Södra's forest management auditors. In 2023, a newly developed digital tool for the *Green Balance Sheet* came into use. The tool makes it possible to continuously monitor the results of follow-ups and identify any defects earlier.

Guidelines for the balance between production, economics, and conservation, cultural and social considerations in forestry are summarised in: *Environmental considerations, Södra Skog – strategic focus area*. Södra's employees undergo continuous training via the internal *Environmental considerations Södra* course, which includes application of the guidelines. During the year, training in nature-conservation measures, and cultural and ancient relics considerations also continued for Södra's employees.

The business management system for Södra's forestry operations is subject to internal and external audits every year. During the management's review, annual outcomes are evaluated and steps are taken to achieve continuous improvement. For third-party audits of PEFC and FSC® forest certification, about 70 randomly selected forest owners were visited. Three incidences of serious non-compliance were identified in relation to lack of agreements for forestry operations, follow-up of forestry operations and forest management plans that did not meet requirements. The observations and less serious incidences of non-compliance that were identified were mainly related to shortcomings with 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, from forest areas where traditional or civil rights are violated, from forests where high conservation values are threatened, from forests that have been converted to industrial tree plantations on a large scale, 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, key areas are identified: a higher seedling survival rate, effective stand management, forest tree breeding, site adaptation (forest management adapted to the conditions of each site, such as selection of tree species) and damage reduction. Continued investment in research and development (R&D) is also required to implement the changes. 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.

Södra applies a long-term approach when developing forest management measures for a higher rate of forest growth, with advice for active forest management for members. Forest management must also be adapted to climate change in view of the ongoing global warming. We follow forest growth over time, and can thereby monitor the effects of climate change, such as more extreme weather events with high temperatures and drought. Site adaptation (or planting the right tree in the right place) is an important tool and means that members of Södra have increased the proportion of pine forest and 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 important for enabling members to make well-informed decisions about their forestry.

### Climate neutrality and circularity

Södra's total climate impact is illustrated in a model with three input parameters: net change in forest carbon stock, fossil GHG emissions in the value chain and reduced fossil emissions through substitution. The model shows the total climate impact of forests and forest-based products. The substitution effect should be considered a potential for reduced emissions, with the reduction taking place in other sectors. The substitution effect 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 environmental impact. 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.

The emissions reduction targets, which have been approved by the Science Based Targets initiative, entail a broader roadmap. 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's roadmap for reduced GHG emissions is based on three parts: a strategic systems change (such as large-scale electrification of operational machinery and trucks), efficiency gains in production and logistics, and substitution (replacing energy from fossil sources with renewable energy). Activities in these three parts are expected to yield positive results both long and short term, and generate new business opportunities in the social transition and attractive customer offers. Research and development is needed in all three areas. The transition is an extensive process that requires long-term, external partnerships in biofuel supply and demand, as well as political advocacy. The roadmap was slightly adjusted due to the reduced blending obligation, which means that the transition rate must be stepped up. Södra has offered fossil-free transportation through *Zero Fossil* since 2021 and during the year, the *Conscious delivery* campaign was launched for European pulp customers with the aim of collaborating with customers to reduce the use of fossil fuels in the logistics chain. Internal carbon pricing is used to put a financial value on the climate impact of major investments and selected purchasing categories.

The Cell business area 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. The Cell business area is awarded electricity certificates for some of the electricity generated. Södra Medlemsel offer members, employees and partners an opportunity to purchase renewable electricity from the pulp mills and from Södra's own wind turbines and hydropower plants. 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 regularly inspected by authorities and Södra reports events in line with 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. The Cell business area has an environmental committee, energy committee and chemicals committee to coordinate these issues. 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 the Skog business area, a third-party ISO 14001 audit identified serious incidences of non-compliance. These were related to a procedure for binding requirements and a process for emergency preparedness. A number of minor non-compliances were noted in relation to the environmental objectives process, the determination of environmental aspects and compliance management were recorded. All non-compliances were addressed with established procedures and work methods. In the Wood business area, a third-party audit of PEFC and FSC® chain of custody certification and ISO 14001 identified incidences of non-compliance. Activities included resource reinforcement, training and changed/new ways of working. In the Cell business area, both internal and third-party audits of the business management systems identified areas for improvement in business management. Targeted initiatives are taking place in these areas to achieve improvements, including coordination and best-practice sharing between business areas and units. One strength identified during the year was the clear breakdown of Södra’s strategy to department level. In Södra Building Systems (Innovation business area), audits of Chain of Custody certification (PEFC and FSC®) and

ISO 14001 were conducted. One minor incidence of non-compliance was noted in relation to the measurement and evaluation of environmental performance, and areas for improvement in communication and participation were identified. The non-compliance was addressed and activities are ongoing to strengthen improvements and develop the business management system. One strength that was identified was the business area’s commitment and willingness to change.

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. Most 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. Every year, the Cell business area presents a *Water footprint* for its pulp products. Södra is a member of water organisations across Götaland. The aim of the water organisations is that stakeholders in each water area can assist authorities with knowledge 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).

### Summary of Södra’s sustainability governance

Area	Why is this important for Södra?	Södra’s governance tools	
<b>People and culture at the centre</b> - Health and safety - Diversity, equality and inclusion - 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 an inclusive culture that ensures diversity and competence supply. The values are: <i>Feet on the ground, Ears to the wind, Eyes on the horizon.</i>	- Group-wide strategy - Code of Conduct - Business ethics programme - Sustainability Policy - Health and Safety Policy - Equality and Inclusion Policy - Anti-Discrimination Policy - Targets: zero accident vision and more women in senior positions - Sustainability assessment of investments and the innovation process	- Preventive work for better health and safety - Projects and initiatives to improve diversity and inclusion - Training for employees - Management systems - Business area and local targets
<b>Leading offer for our customers and consumers</b> - New and sustainable offerings	More and more customers and consumers are demanding traceability and raw material from responsibly managed forests. Products with a low carbon footprint, certifications and labelling contribute to our customer offer and together with sustainability assessments of investments and new products and services, we are maximising the value of members’ forest raw material.	- Group-wide strategy - Code of Conduct - Business ethics programme - Sustainability Policy - Investment Policy - Purchasing Policy	- Sustainability assessment of investments and the innovation process. - Certifications and labelling - Training for employees - Management systems
<b>Optimised value chain from forest owner to customer and consumer</b>	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	- Training for employees and contractors - Management systems - Business area and local targets
<b>Sustainable use of the forest and earth’s resources</b> - 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 - 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	- Advisory and other services for members - PEFC or FSC® forest certification - Green forest management plan - Business policy lobbying - Partnerships with customers, universities, research institutes and companies in the value chain - Environmental permits for industrial processes - European policy instruments for greenhouse gas emissions and renewable electricity - Training for members and employees - Management systems - Business area and local targets



# Calculation principles

Data for the Sustainability Report is gathered in a variety of ways. 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. The Skog business area is responsible for biodiversity, sustainable harvesting, rate of forest growth and net change in forest carbon stock. Information about raw materials, energy, products, emissions to air and water and waste is gathered in Södra's annual environmental inventory and compiled centrally by the Sustainability function. Direct GHG emissions and indirect emissions from the generation of purchased energy are monitored using systems support.

## Employees

Information about employees is gathered by the central HR system, which covers all of Södra's units in Sweden. In Sweden, occupational safety and health (OHS) statistics are reported in the IA system (AFA Försäkring) and compiled. Foreign units report using digital tools and forms. Employees are reported in the Sustainability Report as number of employees at year-end. In the Annual Report, employees are reported as the average number of employees. 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), 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 (Note 5), is obtained from the registration certificate of each Group company (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 risk-assessed by the responsible purchaser and categorised on the basis of geographic risk, estimated complexity in the supply chain and assessed ability to comply with the Södra Supplier Code.

## 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*.

## Sustainable harvesting

The harvest rate is based on statistics from the National Forest Inventory for Götaland. The harvest rate for 2023 is a mean of three seasons, from the first bud burst in 2019 to the first bud burst in 2022. 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.

## Forest growth

Forest growth is based on statistics from the National Forest Inventory's sample plots on members' estates. The map data was updated in 2022. Forest growth for 2023 refers to annual increment, and is a mean of the annual growth rings from 2017–2021.

## Climate effect

Södra's climate impact is calculated in a model with three input parameters: net change in forest carbon stock (positive impact), fossil GHG emissions in the value chain (negative impact) and reduced fossil emissions through substitution (positive impact). Net change in forest carbon stock is calculated for forest land on members' estates, and for Södra's forest holding 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 members' estates, and a linear trend for ten years of the five-year averages for the growing stock, are used. The map data was updated in 2022. Internal annual data is used for Södra's forest holdings in the Baltics.

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 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.

The substitution effect of Södra's products arises when they are used to 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, wood chips, sawn timber, paper pulp, dissolving pulp, as well as energy and bioproducts. The substitution factors are based on scientific publications in the field and give a conservative estimate of the substitution effect's potential. There is major variation in the size of the factors between different publications and the factors will be adjusted as new research findings are presented. An international standard for the calculation model's parts is currently under development.

## 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 driven distance, calorific values and emission factors. Emissions of methane and nitrous oxide from the pulp mills are calculated on a standard basis using 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 own car, and by rail and air. The emissions are calculated on the basis of driven/travelled distance, calorific values and emission factors. Emissions from production and distribution of fuels are included.
- » 3.7 Emissions from employee commuting is calculated on 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, customers, 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 134. 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 reporting 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 134:

- » 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 other contractors working on behalf of Södra (part of Category 3.1 emissions), upstream and downstream transportation and distribution (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). Upstream energy consumption for fuel production and distribution is not included.

Energy intensity, electricity and heat, are recognised per tonne pulp and per m<sup>3</sup> sawn timber, and limited to energy consumption within Södra.

## Emissions to air

Other emissions to air (nitrogen oxides, sulphur, dust and volatile organic compounds) are reported as direct and indirect emissions. Direct emissions correspond to Scope 1 GHG emissions, and indirect emissions correspond to Scope 3 GHG emissions, with the same boundary as energy consumption outside the organisation. The emissions are based on measured values and calculations on the basis of fuel consumption and transportation using emission factors from the Swedish Environmental Protection Agency, information obtained from carriers, and standard values for emission factors from NTM and the Swedish Environmental Protection Agency.

## Water and emissions to water

Water withdrawal is measured and monitored for each water-consuming unit. Emissions to water are measured and analysed at the pulp mills with varying frequency. Both continuous and manual measurements in the form of sampling 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 by either 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.

# 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, equality and inclusion.

## Health and safety

The health and safety of our employees is a top priority. Healthy attendance was 96 percent (96). Södra shall offer a safe and secure workplace for employees and contractors, with a zero accident vision. The number of lost time accidents was 38 (50) and the lost time accident rate, measured as the number of occupational injuries with absence per million hours worked, was 7 (10). The number of lost days per injury was higher compared with earlier years due to several events that led to many days of absence from work. 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 of the areas in systematic OHS management are risk management,

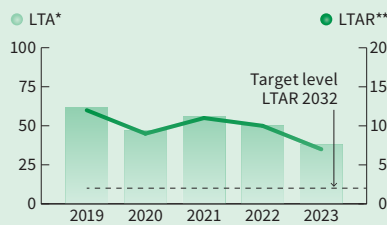
risk assessment, training, emergency drills and incident investigations. One of the approaches we apply is behaviour-based safety. We have also invested heavily to improve safety in the form of better safety equipment and technical solutions, with a greater focus on preventive safety measures.

In 2022, two fatal accidents occurred at Södra's workplaces, one at Orrefors, and one at Värö. The investigation of the accident at Orrefors continued during the year and concluded in early 2024. Södra accepted the corporate fine recommended by the prosecutor. The District Court's determination of the corporate fine is pending (15 February 2024). The Swedish Accident Investigation Board's report and the Swedish Work Environment Authority's inspection after the accident at Värö have concluded. A breach of the Work Environment Act has been reported and an investigation is ongoing.

### OCCUPATIONAL INJURIES – TARGET AND OUTCOME

We have a zero accident vision and the target was a lost time accident rate (LTAR) of nine or less in 2023, and two or less by 2032. The targets were updated as part of the strategy process during the year. In 2023, Södra had 38 (50) lost time accidents (LTAs) and the LTAR was 7 (10). 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.

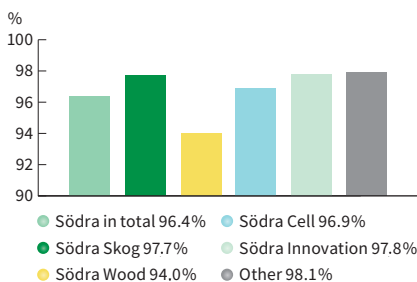
### Occupational injuries



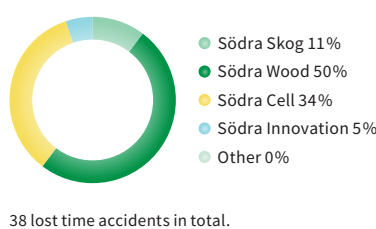
\* LTA (lost time accident). Occupational injury with absence.  
 \*\* LTAR (lost time accident rate). Number of occupational injuries with absence per million hours worked.

Some of the most common workplace hazards that can cause harm are contact with hazardous substances, exposure to extreme temperatures, contact with sharp edges and being struck by a flying/falling object. Accidents often occur in conjunction with activities during service disruptions. The most common risks for fatal accidents are traffic and operational machinery, falls from height, being struck by a flying/falling object, contact with hazardous substances or hot objects and crushing incidents. In 2023, serious accidents occurred due to a person falling, coming into contact with a sharp object or being trapped/crushed between objects.

### Healthy attendance 2023



### Lost time accidents 2023



38 lost time accidents in total.

### Comments

» The number of lost time accidents and the lost time accident rate were lower in 2023 compared with preceding years. A strong focus on health and safety from managers to employees contributed to the results. Moreover, proactive and systematic OHS management was further strengthened with better risk assessments, action plans and follow-ups. The *Grow Health & Safety* course is giving our leaders more knowledge about the significance of leadership for our safety culture.

Health and safety	2023	2022	2021
<b>Healthy attendance<sup>1)</sup></b>			
Healthy attendance	96.4 %	95.8 %	96.3 %
<b>Health and safety, no.</b>			
Incidents, including risk observations <sup>2)</sup>	6,904	5,638	5,703
Occupational injuries without absence <sup>2)</sup>	354	308	363
Lost time accidents (LTA) <sup>3)</sup>	38	50	56
Fatal accidents	0	1	0
Lost days per injury <sup>2)</sup>	10	6	10
Hours worked (million)	5	5	5
Lost time accident rate (LTAR) <sup>4)</sup>	7	10	11

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

<sup>1)</sup> 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.

<sup>2)</sup> Klevshult and Vaggeryd are included in the key indicator from 2022.

<sup>3)</sup> LTA (lost time accident): occupational injury with absence.

<sup>4)</sup> LTAR (lost time accident rate): number of occupational injuries with absence per million hours worked.

## Diversity, equality and inclusion

We are working to break down traditional cultural barriers by increasing diversity, equality and inclusion in several ways, including a strategic focus on the area and diverse types of community engagement such as collaborations with schools and universities. Södra's target is that 50 percent of newly appointed managers will be women by 2025. The target for Södra's membership organisation is that at least 40 percent of the elected representatives are women by 2025. In 2023, 26 percent (24) of Södra's employees and 36 percent (34) of newly appointed managers were women. The proportion of women in the forestry districts' district councils was 32 percent (32). In Södra's Swedish operations, the proportion of employees with a foreign background was 7.6 percent (7.9). Efforts need to continue in this area, with a stronger focus.

Södra has zero tolerance of bullying and harassment. Two employee surveys were conducted in 2023 – one in February, and one in September. In the September survey, more than 150 colleagues, or 4 percent, say they had experienced bullying or harassment. This is an increase since the survey in February, and also compared

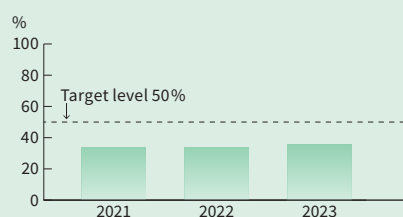
with the previous year's survey. The employee survey in September 2022 showed that just over 130 colleagues, or 4 percent of Södra's employees, had experienced bullying and harassment. At the end of 2023, 69 percent (66) of employees had completed a course in Södra's programme to prevent discrimination and bullying.

In 2023, 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. As an active measures initiative, a zero point survey was conducted at the end of 2023 to gain insight into how Södra's employees experience efforts to promote diversity, equality and inclusion. The results will be presented in 2024.

### 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 2023, 36 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	2023	2022	2021
No. of employees <sup>1)</sup>	3,503	3,282	3,124
– men	2,600	2,487	2,412
– women	903	795	712
Women	26%	24%	23%
Women managers	26%	24%	22%
Women in newly appointed senior positions	36%	34%	34%
Employees with a foreign background <sup>2)</sup>	7.6%	7.9%	7.4%
Employees with collective agreements, all employees <sup>3)</sup>	98%	97%	96%
Employees with collective agreements, Sweden	100%	100%	100%
Internal mobility <sup>4)</sup>	10.5%	6.8%	4.5%
Employee turnover <sup>5)</sup>	7%	10%	11%
Wages, salaries and social security contributions, SEK million	2,841	2,690	2,587

<sup>1)</sup> Number of employees relates to the number of employees at year-end. Seasonal variations in the number of employees are less than 1 percent of the total number of employees.

<sup>2)</sup> 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.

<sup>3)</sup> 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.

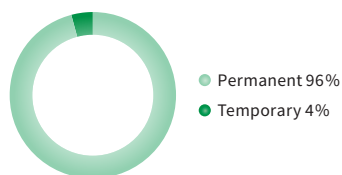
<sup>4)</sup> As of 2023, internal mobility refers to change of position, place of work (location) and/or department for permanent employees. Previously, internal mobility referred to change of position only. In 2023, payroll systems were replaced. Data for 2023 is therefore calculated using the June-December follow-up. Klevshult and Vaggeryd are included in the key indicator from 2022.

<sup>5)</sup> 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 had a work-environment responsibility was 107 (133). Subcontracted personnel work in areas such as production, maintenance and cleaning. Their contracts can be both long-term or task-based. The number of subcontracted people varies throughout the year, and between various parts of the operations.

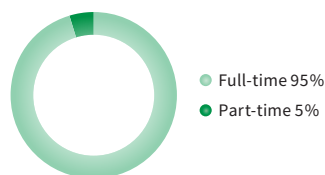
**Form of employment**



**Permanent:** 3,358 employees (3,148), of whom 75% (77) were men and 25%(23) women. Sweden: 3,185 employees (2,974), other countries: 173 employees (174).

**Temporary:** 145 employees (134), of whom 48% (57) were men and 52% (43) women. Sweden: 145 employees (131), other countries: 0 employees (3).

**Full-time/part-time employees**



**Full-time:** 3,342 employees (3,220), of whom 75% (76) were men and 25% (24) women. Sweden: 3,179 employees (3,049), other countries: 163 employees (171).

**Part-time:** 161 employees (62), of whom 59% (52) were men and 41% (48) women. Sweden: 151 employees (56), other countries: 10 employees (6).

**Age distribution**

Age category	2023			2022			2021		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
<b>&lt;30 years</b>	<b>16%</b>	<b>0%</b>	<b>16%</b>	<b>16%</b>	<b>0%</b>	<b>16%</b>	<b>14%</b>	<b>0%</b>	<b>14%</b>
- men	11%	0%	11%	11%	0%	11%	10%	0%	10%
- women	5%	0%	5%	5%	0%	5%	4%	0%	4%
<b>30-50 years</b>	<b>47%</b>	<b>5%</b>	<b>42%</b>	<b>50%</b>	<b>6%</b>	<b>44%</b>	<b>51%</b>	<b>5%</b>	<b>46%</b>
- men	33%	3%	30%	37%	4%	33%	38%	3%	35%
- women	14%	2%	12%	13%	2%	11%	13%	2%	11%
<b>&gt;50 years</b>	<b>37%</b>	<b>5%</b>	<b>32%</b>	<b>34%</b>	<b>4%</b>	<b>30%</b>	<b>35%</b>	<b>5%</b>	<b>30%</b>
- men	29%	4%	25%	28%	4%	24%	29%	5%	24%
- women	8%	1%	7%	6%	0%	6%	6%	0%	6%
<b>Average age, years</b>	<b>43</b>	<b>—</b>	<b>—</b>	<b>44</b>	<b>—</b>	<b>—</b>	<b>44</b>	<b>—</b>	<b>—</b>

**New employees and departures**

	2023		2022		2021	
	No.	%	No.	%	No.	%
<b>New employees</b>	<b>304</b>	<b>9%</b>	<b>399</b>	<b>13%</b>	<b>275</b>	<b>9%</b>
- men	200	8%	275	12%	200	9%
- women	104	13%	124	18%	75	12%
<b>Departures</b>	<b>190</b>	<b>6%</b>	<b>230</b>	<b>7%</b>	<b>349</b>	<b>12%</b>
- men	144	6%	186	8%	254	11%
- women	46	6%	44	6%	95	15%

Refers to the average number of employees during the year, in total and for men and women, respectively. In 2023, payroll systems were replaced. Data for 2023 is therefore calculated using the June-December follow-up. The Klevshult and Vaggerdyd units in the Wood business area are included in the key indicator as of 2022.

## Competence supply

The forest industry is knowledge-intensive and we are continuously working to support members, employees, managers, contractors and customers that 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 and everyday learning.

Digitisation and a faster rate of knowledge development are increasing the need for competency development, even for those employees who don't change their role. Our ability and familiarity with web-based training 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. During the year, the number of training hours per employee was 21 (16). The increase was due to several new mandatory online courses, such

as the Södra Code of Conduct, and training courses linked to a new business system solution.

Basic industry is currently faced by several challenges and opportunities related to competence supply, and these are expected to intensify moving forward. Södra therefore collaborates with external partners such as employer organisations, training providers, schools, municipalities and various external networks to help attract young people and adults to relevant training courses, and to the industry.

Internal mobility was 10.5 percent (6.8) – an important element for competence sharing, but also for learning and development. By identifying and communicating both critical positions and strategic competencies, employees at Södra can increasingly step into leadership roles to future-proof their competence.

In 2023, 60 percent (57) of Södra's employees completed performance reviews. The aim of performance reviews is to provide simple support for continued learning and to strengthen the link between strategy and everyday life for each employee.

### Training and performance reviews

	2023			2022			2021		
	Total	Managers	Employees	Total	Managers	Employees	Total	Managers	Employees
<b>No. of training hours per employee</b>	<b>21</b>	<b>42</b>	<b>19</b>	<b>16</b>	<b>42</b>	<b>14</b>	<b>8</b>	<b>14</b>	<b>7</b>
- men	13	40	10	16	41	14	8	12	7
- women	44	49	44	17	44	13	8	20	7
<b>Employees who completed performance reviews</b>	<b>60%</b>	<b>63%</b>	<b>60%</b>	<b>57%</b>	<b>55%</b>	<b>57%</b>	<b>60%</b>	<b>55%</b>	<b>60%</b>
- men	62%	64%	62%	60%	58%	60%	62%	56%	62%
- women	53%	60%	53%	50%	47%	50%	54%	51%	54%

Training hours relate to training hours registered in Södra's Competency Toolkit. In 2023, performance reviews relate to reviews completed and registered between September 2022 and March 2023. The same applies to the reporting of completed and registered performance reviews for 2022 and 2021.

## Organisational culture and values

In 2023, Södra received several external awards. We were named one of Sweden's *Career Companies*, voted one of the best employers for *Young Potentials* by engineering graduates and our work with employer branding was recognised together with our trainee programme.

The results of the two employee surveys conducted during the year show a major variation in employee experience between, and within, the business areas and functions. While Södra is generally perceived as a highly attractive employer, we must continue to strengthen our employee proposition and ensure an equal employee experience across our entire operations.

The surveys show a high level of commitment and good results for learning and development where the focus lies on how the organisation adopts new ways of working, as individuals, in teams and across Södra as a whole. The eNPS (employee Net Promoter Score) measures the likelihood that our employees would recommend Södra to a friend. The eNPS scores in the two latest measurements in 2023 were 13 and 17, respectively. A score above 0 is considered an acceptable employee experience. The results of the eNPS surveys in 2022 were 3 and 5, respectively. An eNPS score of 17 is the highest since the surveys started in 2016. The response rate was 84 percent.

# Leading offer for our customers and consumers

The members' forestry enables Södra to conduct a sustainable business and contribute sustainable products to society. Certification attests to the origin of wood raw material and products, and labelling contributes to our customer offer.

## Sustainable products

More and more customers and consumers are demanding traceability and raw material from responsible forestry. 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 2023, the percentage of PEFC or FSC®-certified products was 51 percent (63).

Products and services from Södra		2023	2022	2021
<b>Products from Södra<sup>1)</sup></b>				
Seedlings	million	29	30	30
Wood raw material	million m <sup>3</sup> sub	1.9	2.1	2.3
Biofuel (from forests and mills)	GWh	3,710	3,850	3,978
Peat for material use <sup>2)</sup>	1,000 m <sup>3</sup> l	160	253	179
Sawn timber <sup>3)</sup>	1,000 m <sup>3</sup>	1,713	1,763	1,920
Cross-laminated timber	1,000 m <sup>3</sup>	19	6	5
By-products of wood for material use	1,000 tonnes	402	419	468
Cellulose pulp	1,000 tonnes	1,893	1,897	1,840
Electricity	GWh	432	460	350
District heating	GWh	453	418	442
Tall oil	1,000 tonnes	36	38	36
Turpentine	1,000 tonnes	1.5	1.4	1.4
Biomethanol	1,000 tonnes	2.7	3.0	3.3
Lime sludge	1,000 tonnes	47	64	46
<b>Forestry services from Södra</b>				
Harvesting <sup>4)</sup>	million m <sup>3</sup> sub	9.0	9.1	9.4
Forest management <sup>5)</sup>	1,000 ha	137	119	116

<sup>1)</sup> Products relate to products produced within Södra intended for external delivery.

<sup>2)</sup> Peat for material use relates to peat litter, horticultural peat and block peat.

<sup>3)</sup> Sawn timber is presented excluding subcontracting.

<sup>4)</sup> Harvest volume relates to harvested roundwood from the field organisations in Sweden and the Baltics.

<sup>5)</sup> Forest management relates to forestry operations, excluding regeneration harvesting.

Products with either PEFC or FSC® certification	2023	2022	2021
Products with either PEFC or FSC® certification	51%	63%	65%

The percentage of Södra's revenue from external sales of physical products derived from sales of products with either PEFC or FSC® certification. The percentage of certified products was lower in 2023 compared with preceding years due to a higher proportion of product sales in markets outside of Europe and the US, where demand for certified products is lower. The Klevshult and Vaggeryd units in the Wood business area are included in the key indicator as of 2022.

## OTHER PRODUCT LABELLING

» All grades of paper pulp produced by the Cell business area 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 offer, the Södra Cell business area communicates the origins of its wood raw material as well as environmental data, including carbon dioxide emissions and water footprint, at product level.

## 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 2023, Södra's score was 79 (79) of a maximum 100, and the company received a platinum medal for the third consecutive year. The average score in the assessments was 49 (48).

» 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 holds Control Union certification (CU 1059293).

» There has been an Environmental Product Declaration (EPD) for Södra's CLT since 2020. The EPD communicates the environmental performance of a product over its lifetime.





# Optimised value chain from forest owner to customer and consumer

Södra serves as the bridge between forest estates and consumers. Our commitment to sustainability permeates every aspect of our operations, our entire value chain, and our social engagement.

## Business ethics and anti-corruption

The Södra Code of Conduct applies to everyone who works for Södra and translates our values into more concrete guidelines and behaviours. To raise awareness of the Code of Conduct, every employee must complete a compulsory online course. In 2023, a new Code of Conduct was adopted for Södra. At the end of 2023, 65 percent of Södra's employees and 67 percent of Södra's Group Senior Management had completed the online course in the new Code of Conduct. At the end of 2022, the corresponding figures for the previous version of the Code were 82 and 67 percent, respectively. The Supplier Code was also updated in 2023 and employees who are responsible for purchasing undergo continuous training.

In 2023, 15 cases of suspected gross misconduct in Södra's operations were reported to the whistleblower function. One of these cases was deemed to fall within the scope of whistleblowing. The case relates to non-compliance with guidelines and regulations, and is under investigation. All other cases were handled internally. In 2022, three cases were reported and, following an investigation, none were deemed to fall under the scope of a whistleblower case. All cases were handled internally.

In 2023, there was one (zero) health and safety-related incident in Södra's mills. A prosecutor issued a penalty order imposing a fine of SEK 15,000, which was paid during the year. In the external environment, two incidents (two) led to legal sanctions in the form of corporate fines totalling SEK 30,000 (15,000), which were paid during the year. One of the cases concerned Södra's forestry operations, the other Södra's industrial activities.

An assessment of risks was carried out during the year, including corruption risk. The risk assessment covered all of Södra's operations and was carried out by Group Senior Management. No significant risk of corruption was identified by the assessment.

In 2023, there were no confirmed cases of termination of contract with a business partner due to a corruption-related breach.

In 2022, there was one confirmed case of termination of contract with a business partner 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 had signed the Södra Supplier Code was 93 percent (92), corresponding to 99 percent (99) of the purchasing value. 100 percent (100) of the suppliers were risk-assessed. 99 percent (100) of the suppliers assessed as high-risk were reviewed by performing a self-assessment or being monitored on-site.

As part of Södra's work with due diligence in the value chain, Södra performs continuous risk assessments of customers. The assessments are based on publicly accessible information with a focus on sustainability. The aim of the assessments is to identify any sustainability-related risks linked to downstream relationships in Södra's value chain. During the year, 18 customers were selected and assessed on the basis of their activities in markets with higher country risk in relation to human rights, working conditions, corruption, and environmental aspects. Most of the assessed customers deemed high risk due to a lack of publicly accessible information. Methods will be developed for addressing these risks.

Purchasing and suppliers – purchasing category	No. of suppliers	Purchasing costs per geographic location for contracting party
Wood raw material <sup>1)</sup> (sawlogs, pulpwood and sawn timber)	20,946 <sup>2)</sup>	94 % Sweden, 2 % other Nordic countries and 4 % rest of Europe.
Forestry contracting services <sup>3)</sup> (independent contractors)	483	96 % Sweden, and 4 % rest of Europe.
Transport services <sup>4)</sup> (transportation of wood raw material and products)	140	67 % Sweden, 11 % other Nordic countries and 22 % rest of Europe.
Input products <sup>4)</sup> (process chemicals, fuels, energy and packaging materials)	52	61 % Sweden, 10 % other Nordic countries and 29 % rest of Europe.
Indirect material and services <sup>4)</sup> (investments, operating materials, vehicles, IT, travel, office supplies and services)	226	98 % Sweden, and 2 % rest of Europe.

<sup>1)</sup> Comprises suppliers with annual sales to Södra of more than SEK 100,000.

<sup>2)</sup> Of which 11,817 harvesting assignments, 9,038 wood deliveries and 91 external suppliers.  
Harvesting assignments and wood deliveries are not covered by the Södra Supplier Code.

<sup>3)</sup> Comprises suppliers with annual sales to Södra of more than SEK 100,000, for forestry contractors more than SEK 50,000.

<sup>4)</sup> Comprises suppliers with annual sales to Södra of more than SEK 1,000,000.

#### Comments

- » Södra's largest purchasing categories are wood raw material, contracting and transport services, input products and indirect material and services.
- » Södra's contracted suppliers are predominantly based in Sweden and the EU. In 2023, there was a certain shift towards a higher share from Sweden compared with rest of Europe. The need for imported wood raw material was lower compared with 2022, since Swedish wood met the needs of mills to a greater extent.
- » The Klevshult and Vaggeryd units in the Wood business area are included in the 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	2023	2022	2021
Suppliers that have signed the Södra Supplier Code	93 %	92 %	92 %
Södra's purchasing value for which suppliers had signed the Supplier Code	99 %	99 %	99 %
No. of reviewed suppliers in terms of environmental and social impact	214	255	228
No. of non-compliant suppliers	2	4	1
– suppliers with agreement to address the cause of non-compliance	100 %	100 %	100 %
– 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, slightly fewer suppliers were reviewed in 2023 compared with 2022 and two cases of supplier non-compliance were identified. The non-compliances were related to lack of compliance with the Posted Workers Directive, and absence of policies for alcohol and drugs.

Risk assessment and supplier assessments	2023	2022	2021
Södra's purchasing value for which a risk assessment of suppliers was performed	100 %	100 %	93 %
No. of suppliers assessed as high risk	69	64	60
– supplier self-assessments	64 %	64 %	77 %
– suppliers monitored on site (sustainability audit)	35 %	36 %	22 %

#### Comments

- » In 2023, the number of suppliers assessed as high risk refers to a risk assessment at the end of 2022. The same applies for 2022 (end of 2021) and 2021 (end of 2020).
- » Nearly all suppliers assessed as high risk have been reviewed over the past three years.

# 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 value. 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 2023 was 2,450 hectares and the outcome was 2,010 hectares (1,779). The target was not achieved due to the poor bearing capacity of soil during autumn 2023. To increase the focus on, and quality of, the performance of nature-conservation measures, about 150 people, both forestry workers and contractors, completed training during the year. In addition, a refresher course, *The Group-wide objectives for environmental stewardship*, commenced for all field workers and contractors. A web-based training programme on how forest management affects aquatic ecosystems was launched for forest owners.

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 2023, a total of 422 sites (334) were audited in the *Green Balance Sheet*, corresponding to 3,412 hectares (1,954). 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. In 2023, a project was launched to produce a *Green Balance Sheet* for pre-commercial thinning. The *Green Balance Sheet* report is available at [sodra.com](http://sodra.com)

Considerations in regeneration harvesting

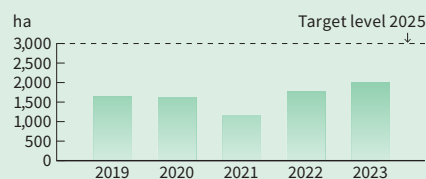
Main function	2023	2022	2021	2020	2019
	Percentage of acceptable main functions				
Sensitive habitats	87%	100%	100%	91%	96%
Wasteland	90%	100%	95%	100%	96%
Buffer zones and protection zones	95%	98%	97%	92%	96%
Impacts on soil and water	95%	98%	91%	92%	91%
Cultural environments	78%	96%	94%	84%	96%
Undergrowth when clearing	88%	97%	93%	92%	98%
Groups of trees and development areas	100%	100%	99%	99%	99%
High-conservation-value (HCV) trees	88%	91%	88%	93%	94%
Development trees	96%	96%	88%	93%	95%
Dry trees and windthrow	98%	95%	93%	98%	99%
New high stumps	95%	96%	91%	90%	94%
Experience	93%	94%	91%	96%	94%
Concentration of conservation considerations	98%	99%	98%	99%	99%
Branches and treetops	72%	67%	37%	30%	24%
Cultural heritage stumps	58%	67%	61%	65%	—

Percentage of acceptable sites in the *Green Balance Sheet*, where the main function was assessed, for each main function. During the year, Södra reviewed the assessment criteria in the *Green Balance Sheet*, which led to stricter assessments of cultural environments and cultural heritage stumps, for example, and subsequently led to a lower result.

## PROMOTION OF BIODIVERSITY – TARGET AND OUTCOME

Södra works to preserve and promote biodiversity – a process under continuous development. The aim is that Södra will pursue 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 2023 was 2,010 hectares (1,779). More key indicators for measuring the effects of measures to preserve and promote biodiversity are under development.

Nature conservation



Nature-conservation measures area.

### Certified affiliated forest area in Södra's group certification

	2023		2022		2021	
	Area (mil. ha)	%	Area (mil. ha)	%	Area (mil. ha)	%
PEFC	1.8	66%	1.8	65%	1.9	68%
FSC <sup>c</sup>	1.7	62%	1.7	63%	1.8	66%

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 holds PEFC and FSC<sup>c</sup> certification with license numbers:

PEFC/05-22-11  
PEFC/05-35-48  
PEFC/05-32-20  
PEFC/05-35-306  
FSC®-C014930  
FSC®-C006947  
FSC®-C015771

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

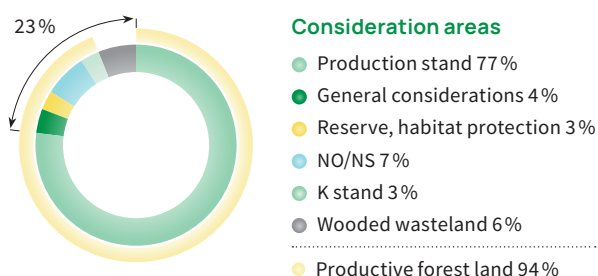
	2023	2022	2021
<b>Wooded wasteland<sup>1)</sup></b>			
area <sup>2)</sup> , ha	178,000	178,000	185,000
share of wooded forest land	6.4%	6.4%	6.8%
<b>Formal site protection (reserve, habitat protection)</b>			
area, ha	91,000	89,000	86,000
share of productive forest land	3.2%	3.2%	3.2%
<b>Voluntary set-asides (NO/NS)<sup>3)</sup></b>			
area, ha	148,000	141,000	145,000
of which regeneration harvest-ready forest	88%	86%	85%
share of productive forest land	8%	7.8%	7.8%
– of which NO	3.7%	3.6%	3.6%
– of which NS	4.3%	4.2%	4.2%
<b>Management target K (combined production and environmental objectives in addition to general considerations)<sup>4)</sup></b>			
area, ha	59,000	54,000	49,000
share of productive forest land	3.2%	3.0%	2.6%
<b>General considerations in regeneration harvesting</b>			
share of production stands	4.8%	4.6%	4.6%

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

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

<sup>3)</sup> The voluntary set-aside area relates to members with forest certification. NO refers to 'nature conservation, to be left untouched,' and NS refers to 'nature conservation, requiring management.' About 3,000 hectares of voluntary set-asides are protected by temporary nature conservation agreements.

<sup>4)</sup> The area with management target K 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.



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

### More about consideration areas

Wooded forest land consists of productive forest land and wooded wasteland. The productive forest land grows by at least one m<sup>3</sup> per hectare and year, while wooded wasteland is low-productive woodland and not used for timber production. Productive forest land consists of production stands – areas in which wood production is the primary objective, combined with general considerations in forestry measures – and various types of nature conservation areas. Formal types of site protection are nature reserves, habitat protection and nature conservation agreements. Nature reserves are formed by county administrative boards or municipalities to protect a connected area. Habitat protection and nature conservation agreements on forest land are formed by the Swedish Forest Agency or a county administrative board to protect small areas. Nature reserves, habitat protection areas or nature conservation agreements on members' estates 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 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. These stands should amount to at least 5 percent of the estate, according to forest certification requirements. 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 wood 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. The green forest management plan contains descriptions with objectives and measures for preserving and promoting nature conservation values.

### VALUE OF FOREST LAND, VOLUNTARY SET-ASIDES 2023

The area of voluntary set-asides with nature conservation considerations (NO/NS) on members' estates (PEFC-certified) is 148,000 hectares. The total value of this forest area was SEK 28 billion, with a variation ranging from SEK 18–38 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

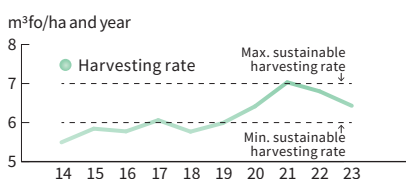
Forests are an important place for relaxation, recovery and recreation. We work continuously to promote the social values of forests and support the sector-wide objectives for environmental stewardship. This means that we work to maintain accessibility and preserve the experience values of forests, based on the unique conditions of each area. Good communication with the people who use the area is key to these efforts.

There are traces of past human activity in forests, such as 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 considerations 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 2023, about 300 people from Södra (employees and contractors) completed training in conservation considerations during scarification, the use of historical maps in planning and site instructions, which clarified 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 m<sup>3</sup>fo per hectare and year, corresponding to a total of 13–17 million m<sup>3</sup>sub per year, based on the current affiliated forest area. In 2023, Södra’s harvest rate was 6.4 m<sup>3</sup>fo per hectare and year (6.8), which was within the sustainable harvest rate.

Sustainable harvest rate



2023 refers to the mean for 2019–2021, 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:

- » A new scarification and planting method (*BraSatt*) was field tested with promising results. The next step is documentation and analysis in order to make a decision on the way forward.
- » Large birch seed harvest from the greenhouse orchard in Falkenberg. The seeds will be used to cultivate improved birch seedlings with high-quality characteristics, which will promote both growth and biodiversity.
- » Training in continuous cover forest management methods for Södra’s forestry workers with a starting point in scientific trials and completed measures.
- » Continued work with the guidelines for adapting forest management to climate change and training for Södra’s forestry workers and external forest management planners.
- » Launch of web-based training in forest management in a changing climate for forest owners. The training course was developed together with other forest owner associations.
- » 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.
- » Participation in a research project to develop management and breeding of the most common hardwood species.

#### FOREST GROWTH – TARGET AND OUTCOME

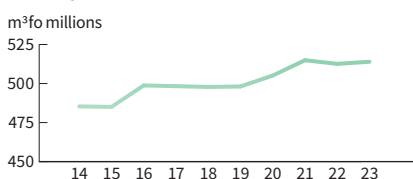
Södra’s target is that the annual rate of forest growth on members’ estates shall be 20 percent higher in 2050 compared with the base year of 2015. Growth is highly dependent on the amount of precipitation during the vegetation period, which is why the trend should be followed over a longer period of time. There can be major variations from year to year and extreme weather conditions, such as the hot and dry summer of 2018 and subsequent spruce bark beetle damage, can also affect the outcome.

#### Forest growth



In 2023, the average growth rate refers to 2017–2021, the most recent value available. Forest growth is based on information from the National Forest Inventory for members’ estates.

Growing stock on members’ estates



The growing stock on forest land on members’ estates 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. The growth rate has been lower in recent years, which the National Forest Inventory also shows for the whole of Götaland, while the harvest rate has been high, but has now fallen slightly.

## Climate effect

Net change in forest carbon stock minus our fossil emissions in the value chain, plus the use of our forest-based products to replace products with a higher climate impact, 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 growing stock than ever before, despite the fact that the growth rate has started to level off somewhat. Site adaptation (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 when products based on renewable forest raw material replace fossil raw materials or products manufactured with energy from fossil sources, they are contributing to a lower climate impact through substitution. 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 CO<sub>2</sub>e by 2032.

In 2023, the positive climate effect was 11.4 million tonnes of CO<sub>2</sub>e (12.1). This result was due to a lower net change in forest carbon stock and lower production volumes year-on-year, while the fossil emissions in the value chain were higher.

### Climate effect

CO <sub>2</sub> e, Mtonnes	2023	2022	2021
<b>Positive climate effect</b>	<b>11.4</b>	<b>12.1</b>	<b>13.3</b>
Net change in forest carbon stock	5.0	5.2	5.8
Fossil emissions in the value chain	2.4	2.1	2.1
Substitution	8.8	9.0	9.6

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

### NET CHANGE IN FOREST CARBON STOCK

The growing stock on members' estates has increased over a long period of time and led to a change in carbon stock. The long-term trend is an average CO<sub>2</sub> uptake of 4.6 million tonnes of CO<sub>2</sub>e per year (4.8) (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 2023, calculated as the difference between the two most recently available five-year averages for growing stock, the CO<sub>2</sub> uptake was 1.8 million tonnes of CO<sub>2</sub>e per year (net emissions in the preceding year were 3.2). For more information about the growing stock trend, refer to the diagram on page 132.

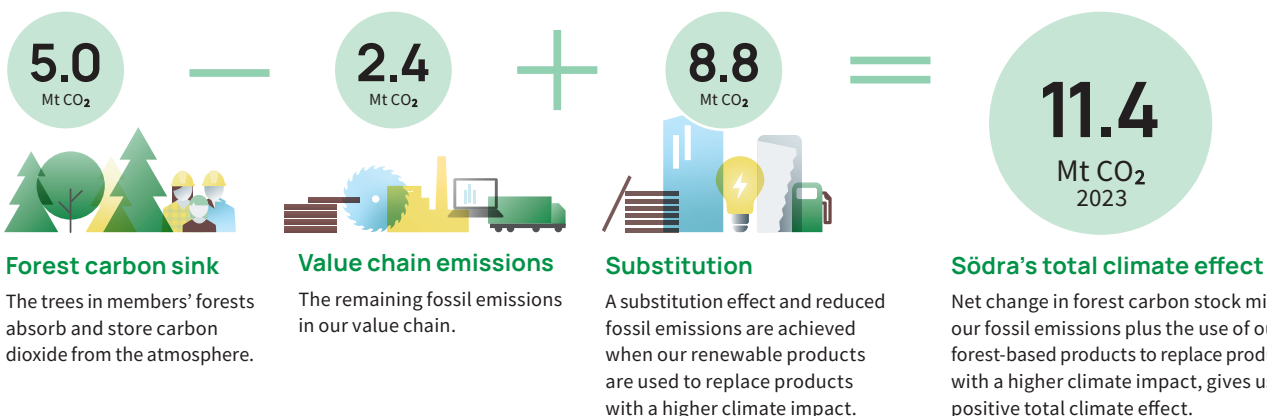
The net change in forest carbon stock in the Group's forests was 0.4 million tonnes of CO<sub>2</sub>e (0.4).

### FOSSIL EMISSIONS IN THE VALUE CHAIN

Fossil emissions in the value chain are presented on pages 134–135. The climate effect also includes fossil GHG emissions from forestry operations linked to the forest raw material that members use themselves, or that they sell to other forest industries. Emissions were higher in 2023 compared with earlier years due to higher consumption of fossil fuel oil and longer transport distances.

### SUBSTITUTION

Substitution creates climate benefits when products based on renewable forest raw material are used to replace products with a higher climate impact, such as steel, concrete, plastic and energy from fossil sources. The decrease in fossil emissions due to substitution was 8.8 million tonnes of CO<sub>2</sub>e (9.0). The result is an effect of lower production volumes year-on-year.



The model for climate effect shows the total climate impact of forests and forest-based products, signalling the importance of active forest management. The substitution effect should be considered a potential for reduced emissions, with the reduction taking place in other sectors. The substitution factors are conservative and based on scientific publications. There is a major variation between different publications and the factors will be adjusted as new research findings are presented. An international standard for the calculation model is currently under development. Read more about the calculation method in the report at [www.sodra.com/climateeffect](http://www.sodra.com/climateeffect).

Forest-based product	Substitution factor, tonne of fossil carbon replaced per tonne of biogenic carbon in the forest-based product
Wood raw material	0.5
Wood chips and other wood by-products	0.9
Sawn timber	1.5
Paper pulp	0.7
Dissolving pulp	1.0
Energy and bioproducts	0.7

### GHG emissions

Södra’s targets for reduced GHG emissions have been validated 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 the processing of sold products, we have 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 targets for net zero emissions and for SBTi FLAG (Forest, Land and Agriculture).

Our production processes are almost entirely powered by biofuels. Our own operational machinery and vehicles in mills and forests run mainly on HVO fuel – a bio-based alternative to petrodiesel – and we are working to increase the electrification of, for example, forklifts. During the year, five electric internal operational machines were rolled out. 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. Investments in liquid biofuel development and production through biomethanol and SunPine are helping to increase both the volume and varieties of liquid biofuel. Biorefineries are an important growth area in the Group-wide strategy.

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 goods and services with a low climate impact, are key measures for reducing these emissions.

To promote commuting with electric vehicles, there are now more than 400 charging points at our facilities and offices. In 2023, 250 charging points were 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. During the year, more than 300 electric vehicles and plug-in hybrids were purchased, of which less than 170 replaced fossil-fuel cars. Of the total number of company cars, 84 percent were electric vehicles or plug-in hybrids at the end of 2023.

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 2023. As we move forward, our aim is to work more closely with our customers to 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:

- » A new logistic arrangement, where pulp is transported by sea between Mönsterås and the Port of Gothenburg, enabling more efficient transportation and reducing the climate impact of the transportation.
- » The transportation of pulp between the pulp mill at Värö and the Port of Varberg with an electric truck was tested to evaluate how electric transportation could become a more efficient and sustainable mode of logistics moving forward.
- » *Conscious delivery*, a campaign for European pulp customers, is aimed at reducing the use of fossil fuels in the logistics chain to customers.
- » The Njord Carbon partnership with Verdane Capital was launched during the year and is exploring opportunities for negative carbon dioxide emissions (bioenergy capture and storage: BECCS).
- » The aim of participation in a research and innovation project, Transition to efficient electrified forestry transportation (TREE), coordinated by the Forestry Research Institute of Sweden, is to accelerate the electrification of timber transportation.
- » The aim of participation in the RSI Green Fleet project is to reduce GHG emissions from sea freight.
- » The aim of participation in the BioGlue Centre is to accelerate the development of a bio-based adhesive.
- » A feasibility study to assess the viability of sustainable aviation fuel from forest raw material in partnership with KLM, SkyNRG, Växjö Energi, RISE and the 2030-Secretariate concluded.

Continued focus on a strategic systems change, efficiencies and substitution for continuous operational improvements is of the utmost importance for achieving the reduced GHG emissions targets.

#### FOSSIL EMISSIONS IN THE VALUE CHAIN – TARGETS AND OUTCOMES

- » Total fossil GHG emissions in Scopes 1, 2 and 3 were 2,340 ktonnes CO<sub>2</sub>e (2,121).
- » 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 2023 was 94 ktonnes of CO<sub>2</sub>e (81), up 21 percent compared with the base year of 2020. Operational disruptions beyond what is normal at one of the pulp mills led to higher oil consumption than in preceding years. Due to a shortage of bio-oil in the global market, more fossil fuel oil was used.
- » 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 2023 was that 36 percent (34) of 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, and Category 10: Processing of sold products) shall be halved by 2030\*. The outcome for 2023 was 675 ktonnes of CO<sub>2</sub>e (570), up 9 percent compared with 2020. In 2023, pulp deliveries outside of Europe were higher than in previous years due to changed market conditions during the year. This led to longer transport distances with higher fuel consumption and increased emissions to air from transportation. 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.

\*The target comprises land use-related biogenic emissions and uptake from the use of biomass.

#### Fossil emissions in the value chain

CO <sub>2</sub> e, ktonnes	2023	2022	2021	2020
<b>Total emissions</b>	<b>2,340</b>	<b>2,121</b>	<b>2,051</b>	<b>2,160</b>
Direct (Scope 1) emissions	92	79	83	76
Indirect (Scope 2) emissions from the generation of purchased energy	2.7	2.5	2.7	2.6
Other indirect (Scope 3) emissions	2,245	2,040	1,966	2,081

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

#### Fossil carbon dioxide from production and transportation

Fossil carbon dioxide, ktonnes	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fossil carbon dioxide from production	81	67	68	70	70	103	81	99	87	131
Fossil carbon dioxide from transportation	336	271	270	227	207	196	191	199	193	210

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 119–121.

CO<sub>2</sub> equivalents (CO<sub>2</sub>e) is a standard unit for measuring greenhouse gas emissions. Each type of greenhouse gas has a different global warming effect. When emissions are reported as CO<sub>2</sub>e, all greenhouse gases are included as if they were carbon dioxide. Scope 1 refers to direct GHG emissions that occur from sources that are financially controlled by Södra. Scope 2 refers to indirect emissions associated with the purchase of energy. Scope 3 refers to other indirect emissions.



## GHG emissions

CO <sub>2</sub> e, ktonnes	2023	2022	2021
<b>Scope 1</b>	<b>92</b>	<b>79</b>	<b>83</b>
– of which fossil carbon dioxide	66	53	57
– of which other greenhouse gases	26	26	26
<b>Scope 2</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>
– of which fossil carbon dioxide	—	—	—
– of which other greenhouse gases	—	—	—
<b>Scope 3</b>	<b>2,245</b>	<b>2,040</b>	<b>1,966</b>
– of which fossil carbon dioxide	—	—	—
– of which other greenhouse gases	—	—	—
<b>Biogenic carbon dioxide</b>	<b>6,502</b>	<b>6,530</b>	<b>6,306</b>
– of which Scope 1	4,989	4,980	4,839
– of which Scope 2	—	—	—
– of which Scope 3	1,513	1,550	1,467

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 CO<sub>2</sub> equivalents for many purchased goods. Carbon dioxide emissions arising from biogenic sources are not reported in Scope 2.

## Direct (Scope 1) GHG emissions

CO <sub>2</sub> e, ktonnes	2023	2022	2021
<b>Scope 1</b>	<b>92</b>	<b>79</b>	<b>83</b>
– of which fossil carbon dioxide from fossil fuels	53	37	40
– of which fossil carbon dioxide from use of input products	13	16	17
– of which from other	26	26	26

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 <sub>2</sub> e, ktonnes	2023	2022	2021
<b>Scope 2</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>
– of which from purchased electricity in foreign companies	2.6	2.4	2.5
– of which from other	0.1	0.1	0.2

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 1.0 ktonnes (0.9).

## Other indirect (Scope 3) GHG emissions

CO <sub>2</sub> e, ktonnes	2023	2022	2021
<b>Scope 3</b>	<b>2,245</b>	<b>2,040</b>	<b>1,966</b>
– 3.1 Purchased goods and services	251	232	241
– 3.2 Capital goods	70	70	80
– 3.3 Fuel and energy-related activities	22	18	19
– 3.4, 3.9 Upstream and downstream transportation and distribution	344	261	255
– 3.5 Waste generated in operations	0.2	0.4	0.2
– 3.6 Business travel	1.2	0.7	0.3
– 3.7 Employee commuting	11	10	10
– 3.10 Processing of sold products	1,500	1,400	1,300
– 3.11 Use of sold energy products	38	40	50
– of which from sales of fossil fuels	15	17	26
– 3.12 End-of-life treatment of sold products	7.5	7.7	9.8
– 3.15 Investments	0.4	0.3	0.7

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 22 ktonnes (18). There was no impact on total Scope 3 emissions.

## Fossil carbon dioxide emissions from production and operational machinery

	2023	2022	2021
Pulp, kg fossil CO <sub>2</sub> /tonnes of pulp	22	16	18

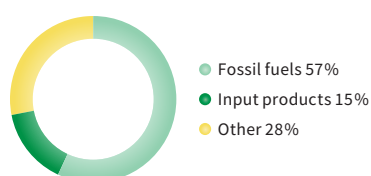
Excluding emissions from generation of sold electricity and district heating.

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 m<sup>3</sup> 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 2023



Scope 1 emissions are direct greenhouse gas emissions derived from the use of fossil fuels and input products in Södra's pulp mills, and the transportation of wood and pulp with vehicles owned or leased by Södra. Other GHG emissions also arise from the combustion of biofuels.

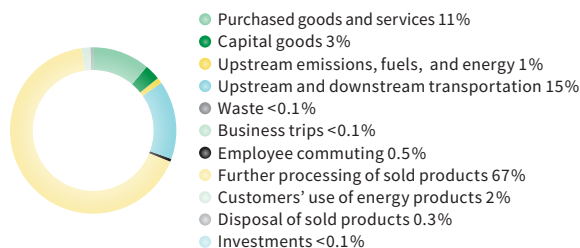
## Comments

» Operational disruptions beyond what is normal at one of the pulp mills led to higher oil consumption than in preceding years. Due to a shortage of bio-oil in the global market, more fossil fuel oil was used. Södra is working to secure future access to bio-oil.

## 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 2023



## 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.

» In 2023, pulp deliveries outside of Europe were higher than in previous years due to changed market conditions during the year. This led to longer transport distances with higher fuel consumption and increased emissions to air from transportation.

## 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 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. 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 <sup>1)</sup>		2023	2022	2021
Wood raw material <sup>2)</sup>	million m <sup>3</sup> sub	12.6	12.8	12.6
Sawn timber <sup>3)</sup>	1,000 m <sup>3</sup>	205	209	284
Chemicals <sup>4)</sup>	1,000 tonnes	322	320	325
Packaging materials	1,000 tonnes	6.6	6.8	6.7
Water withdrawal	million m <sup>3</sup>	85	88	85
Other raw materials	1,000 tonnes	1.4	1.6	1.3

<sup>1)</sup> Wood raw material and sawn timber are renewable raw materials, while chemicals, packaging materials and other raw materials are largely fossil-derived. Measurement and monitoring of the renewable percentage is not available for chemicals and packaging materials.

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

<sup>3)</sup> Sawn timber relates to external purchasing that is processed within Södra to varying degrees.

<sup>4)</sup> Chemicals relates to purchased chemicals. Consumption mainly takes place in the pulp mills, in digesters and bleachers. The alkaline cooking chemicals are almost completely recovered, while energy is also generated. Chemicals for bleaching are partly manufactured on site, but also purchased on an ongoing basis. The hazard categories of the chemicals vary, but are most corrosive, oxidising and toxic.

## 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 m<sup>3</sup> (6).

## 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

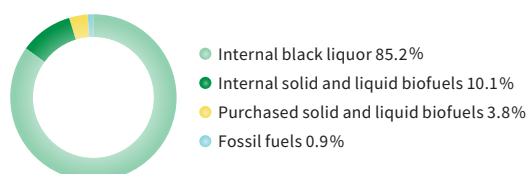
form of renewable electricity, district heating and biofuels. Electricity generation for the year exceeded electricity consumption, allowing us to deliver large amounts of excess electricity to the local community.

During the year, a new evaporation plant was deployed in the pulp mill at Mönsterås to replace an older facility. The investment is leading to lower heat consumption and enabling more renewable electricity generation and the extraction of more green bioproducts such as tall oil and biomethanol.

Fuel consumption, GWh	2023	2022	2021
<b>Renewable fuels, total</b>	<b>14,862</b>	<b>14,703</b>	<b>14,486</b>
Internal black liquor (within Södra)	12,527	12,321	11,917
Internal solid and liquid biofuels (within Södra)	1,492	1,552	1,705
Purchased solid and liquid biofuels	843	830	864
– for production (within Södra)	561	550	598
– for operational machinery and transportation (within Södra)	72	73	73
– for forestry and other contractors (outside Södra)	50	48	53
– for transportation, business travel and fuel sold externally from Södra's filling stations (outside Södra)	160	159	140
<b>Fossil fuels, total</b>	<b>1,511</b>	<b>1,208</b>	<b>1,188</b>
Fuel oil (within Södra)	107	51	59
Fossil fuels	1,380	1,131	1,102
– for operational machinery and transportation (within Södra)	89	86	65
– for forestry and other contractors (outside Södra)	145	140	130
– for transportation, business travel and fuel sold externally from Södra's filling stations (outside Södra)	1,146	905	907
Other fossil fuels (within Södra)	24	26	27

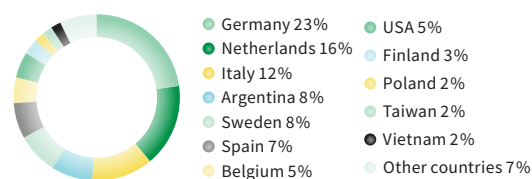
Fuel consumption takes place within and outside Södra. Within Södra comprises production, operational machinery and transportation (corresponding to Scope 1 GHG emissions). Outside Södra comprises forestry and other contractors (part of Category 3.1), transportation (Categories 3.4 and 3.9), transportation 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). Refer to the calculation principles on page 121 for details.

#### Fuel consumption for production 2023



Södra consumed fuel equivalent to 14.7 TWh for industrial production. 0.9 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.

#### Geographic origin of purchased liquid biofuels (bio-oils) 2023



During the year, 548 GWh of purchased liquid biofuels (bio-oils) was consumed. The bio-oils originated from several countries, predominantly Germany, the Netherlands and Italy. The others countries category comprises Austria, Benin, Bulgaria, China, Denmark, Ecuador, France, Hungary, India, Indonesia, Peru, Portugal, Serbia, South Africa, Türkiye, the UK and Ukraine.

#### Comments

- » The Cell business area has a duty to report under the Sustainability Criteria for Biofuels, Bioliquids and Biomass Fuels Act (2010:598) and therefore reports the geographic origin of used biofuels.
- » Internal black liquor and solid biofuels (internal and purchased) are 100 percent Swedish in origin for the amounts consumed in Sweden (more than 99 percent of the total amount) and 100 percent Finnish in origin for the amounts consumed in Finland (less than 1 percent of the total amount). The fuels belong to the Forest Biomass category, including forest residues.
- » Internal liquid biofuels come from Sweden and belong to the categories of crude tall oil and crude methanol.
- » Purchased liquid biofuels belongs to the categories of tall oil pitch, mixed fatty acids (MFA) and cashew nut shell liquid (CNSL). The geographic origin is shown in the diagram below.

Electricity and district heating, GWh	2023	2022	2021
<b>Electricity</b>			
Electricity consumption <sup>1)</sup>	1,479	1,482	1,469
– for production, operational machinery and transportation (within Södra)	1,454	1,453	1,440
– for transportation and business travel (outside Södra)	25	29	29
Purchased electricity <sup>1)</sup>	148	142	206
– for production, operational machinery and transportation (within Södra)	123	113	177
– for transportation and business travel (outside Södra)	25	29	29
Electricity generation	1,886	1,913	1,790
Electricity sales	555	573	527
Renewable electricity	99.5%	99.5%	99.5%
<b>District heating<sup>2)</sup></b>			
Purchased district heating, total (within Södra)	3	2	2
– from steam	3	2	2
– from secondary heat <sup>3)</sup>	0	0	0
District heating sold, total	453	418	442
– from steam	149	138	140
– from secondary heat	304	280	302

<sup>1)</sup> 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). Refer to the calculation principles on page 121 for details.

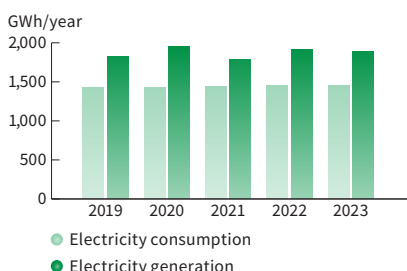
<sup>2)</sup> District heating relates to external purchasing and external sales.

<sup>3)</sup> Secondary heat is excess heat from the process. No additional fuel is required.

#### Comments

- » More than 99 percent of the electricity generated by Södra comes from renewable energy sources. Electricity is generated in the pulp mills at Mönsterås, Mörrum and Värö, in six wind turbines located at Mönsterås, and in a hydropower plant at Karlshammar.
- » In 2023, electricity generated was lower year-on-year due to operational disruptions.
- » District heating deliveries were higher compared with 2022. The deliveries are weather-dependent.

Electricity consumption and electricity generation



Electricity generation continued to exceed electricity consumption. Net electricity deliveries were 432 GWh.

Electricity and heating consumption – Pulp

kWh/tonnes of pulp	2023	2022	2021	2020	2019
Electricity	701	700	711	698	699
Heating	3,199	3,113	3,273	3,002	3,172

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

Electricity and heating consumption – Sawn timber

kWh/m <sup>3</sup> sawn timber	2023	2022	2021	2020	2019
Electricity	66	63	61	60	62
Heating	233	226	225	225	224

Electricity and heating consumption for sawn timber was higher compared with earlier years due to lower capacity utilisation. In addition, new electricity-consuming equipment and electric internal operational machinery was introduced.

Energy consumption within and outside Södra, GWh

	2023	2022	2021
<b>Renewable fuels</b>	<b>14,862</b>	<b>14,703</b>	<b>14,486</b>
- within Södra	14,652	14,496	14,293
- outside Södra	210	207	193
<b>Fossil fuels</b>	<b>1,511</b>	<b>1,208</b>	<b>1,188</b>
- within Södra	219	163	151
- outside Södra	1,292	1,045	1,037
<b>Purchased electricity</b>	<b>148</b>	<b>142</b>	<b>206</b>
- within Södra	123	113	177
- outside Södra	25	29	29
<b>Purchased district heating</b>	<b>3</b>	<b>2</b>	<b>2</b>
- within Södra	3	2	2
- outside Södra	0	0	0
<b>Total</b>	<b>16,524</b>	<b>16,055</b>	<b>15,882</b>
- within Södra	14,997	14,774	14,623
- outside Södra	1,527	1,281	1,259

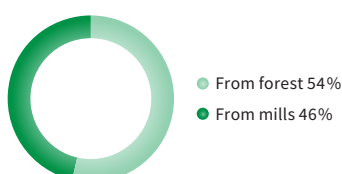
Energy is consumed within and outside Södra. Within Södra comprises production, operational machinery and transportation (corresponding to Scope 1 GHG emissions). Outside Södra comprises forestry and other contractors (part of Category 3.1), transportation (Categories 3.4 and 3.9), transportation of 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. Refer to the calculation principles on page 121 for details.

External energy deliveries, GWh

	2023	2022	2021
Electricity	432	460	350
District heating	453	418	442
Solid biofuels (forest fuel, bark, pellets, and by-products)	3,710	3,850	3,978
<b>Total</b>	<b>4,595</b>	<b>4,728</b>	<b>4,770</b>

In 2023, external energy deliveries totalled approximately 4,600 GWh.

Solid biofuels in 2023

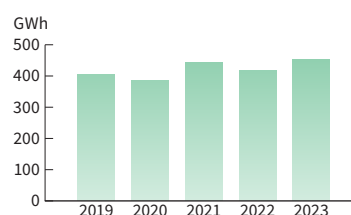


Solid biofuels are used in a variety of ways in Södra's value chain. Forest residues (branches and treetops) are a by-product of harvesting and used as fuel in thermal power stations. Bark from the pulp mills is used for internal energy generation and also sold on the market as biofuel. The sawmills 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 3,700 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.
- » In 2023, pulp deliveries outside of Europe were higher than in previous years due to changed market conditions during the year. This led to longer transport distances with increased fuel consumption for transportation.

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 2023, external district heating deliveries were 453 GWh. Two-thirds of the external district heating deliveries comprised excess heat from industrial processes. 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.

During the year, a research facility was installed for the cultivation of microalgae in the pulp mill at Mönsterås. The facility is part of a three-year research project in collaboration with Linnaeus University. The aim of the project is to study the potential for using microalgae to purify residual streams from pulp mills. The removal of carbon dioxide and nitrogen oxides from a lime kiln's flue gases, and nitrogen and phosphorus from waste water is being studied. The algae absorb the gases as they grow and the biomass that is produced can be further processed into animal or fish feed, or a biofuel.

Emissions to air, tonnes	2023	2022	2021
<b>NO<sub>x</sub> (nitrogen oxides calculated as NO<sub>2</sub>)</b>	<b>8,619</b>	<b>6,928</b>	<b>6,588</b>
– of which direct emissions	2,990	2,999	2,840
– of which indirect emissions	5,629	3,929	3,748
<b>S (gaseous sulphur calculated as SO<sub>2</sub>)</b>	<b>4,026</b>	<b>2,664</b>	<b>2,457</b>
– of which direct emissions	638	566	614
– of which indirect emissions	3,388	2,098	1,843
<b>Dust</b>	<b>960</b>	<b>595</b>	<b>531</b>
– of which direct emissions	510	313	276
– of which indirect emissions	450	282	255
<b>VOCs (volatile organic compounds)</b>	<b>2,306</b>	<b>2,251</b>	<b>2,100</b>
– of which direct emissions	2,198	2,161	2,012
– of which indirect emissions	108	90	88

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.
- » A long break-in period after maintenance shutdown and operational disruptions at one of the pulp mills led to an increase in sulphur emissions to air compared with previous years.
- » An electrostatic precipitator at one of the pulp mills was periodically out of operation, which led to higher dust emissions compared with previous years.
- » The indirect emissions of these substances are mainly derived from the transportation of products to customers.
- » In 2023, pulp deliveries outside of Europe were higher than in previous years due to changed market conditions during the year. This led to longer transport distances with higher fuel consumption and increased emissions to air from transportation.

Emissions to air from production and operational machinery	kg/tonne pulp (excluding emissions for generation of electricity sold and district heating)											
	2023				2022				2021			
	Cell total	Värö	Mönsterås	Mörrum	Cell total	Värö	Mönsterås	Mörrum	Cell total	Värö	Mönsterås	Mörrum
NO <sub>x</sub> (nitrogen oxides calculated as NO <sub>2</sub> )	1.4	1.5	1.3	1.4	1.4	1.4	1.3	1.4	1.4	1.3	1.3	1.5
S (gaseous sulphur calculated as SO <sub>2</sub> )	0.24	0.20	0.32	0.18	0.21	0.10	0.34	0.21	0.27	0.13	0.43	0.22
Dust	0.23	0.23	0.062	0.52	0.13	0.18	0.088	0.13	0.12	0.088	0.10	0.21

Emissions to water	2023	2022	2021	
Wastewater	1,000 m <sup>3</sup>	81,700	79,500	77,100
AOX (halogenated organic compounds)	tonnes	83	97	95
TOC (total organic carbon)	tonnes	7,549	8,355	8,345
COD (chemical oxygen demand)	tonnes	21,052	23,384	23,752
BOD <sub>7</sub> (biochemical oxygen demand)	tonnes	1,019	1,349	1,388
TSS/ (total suspended solids)	tonnes	1,402	1,969	2,075
TotalN (nitrogen)	tonnes	211	230	236
TotalP (phosphorus)	tonnes	21	23	21
Chlorate	tonnes	87	116	67

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

- » In 2022, two of the pulp mills had problems with their wastewater treatment systems. The problems were solved in 2023 and emissions to water subsequently decreased.

Emissions to water	kg/tonne pulp											
	2023				2022				2021			
	Cell total	Värö	Mönsterås	Mörrum	Cell total	Värö	Mönsterås	Mörrum	Cell total	Värö	Mönsterås	Mörrum
AOX (halogenated organic compounds)	0.044	0.076	—	0.065	0.051	0.087	—	0.072	0.052	0.096	—	0.064
TOC (total organic carbon)	4.0	4.9	2.5	5.0	4.4	4.7	3.2	5.8	4.5	5.7	3.2	4.8
COD (chemical oxygen demand)	11	13	7.6	13	12	13	9.8	16	13	16	9.7	13
BOD <sub>7</sub> (biochemical oxygen demand)	0.54	0.80	0.22	0.64	0.71	0.83	0.36	1.1	0.75	1.4	0.15	0.63
TSS/ (total suspended solids)	0.74	0.78	0.31	1.4	1.0	0.76	0.56	2.3	1.1	1.8	0.31	1.4
Total N (nitrogen)	0.11	0.11	0.081	0.17	0.12	0.089	0.14	0.15	0.13	0.16	0.074	0.17
Total P (phosphorus)	0.011	0.083	0.010	0.017	0.012	0.0078	0.015	0.014	0.012	0.017	0.0043	0.014
Chlorate	0.046	0.087	—	0.056	0.061	0.14	—	0.026	0.037	0.084	—	0.019

## 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	2023	2022	2021
<b>Non-hazardous waste</b>	<b>60</b>	<b>66</b>	<b>75</b>
– of which waste to materials recovery	17	17	39
– of which waste to energy recovery	3.2	3.0	3.4
– of which landfill waste, wet	40	45	33
<b>Hazardous waste</b>	<b>1.3</b>	<b>1.3</b>	<b>2.4</b>

It is assumed that energy is recovered from all waste incineration.

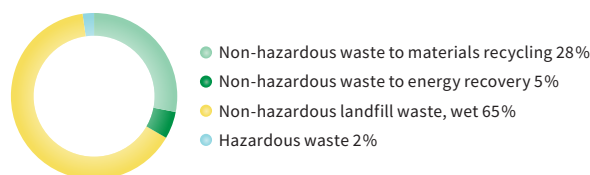
## REMEDIATION OF CONTAMINATED SOIL

Södra owns, or has owned, properties 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.

During the year, remediation measures in various stages of completion continued on several estates:

- » The Swedish Environmental Protection Agency granted new project funding for the former timber-treatment facility in Hultsfred. A new project organisation was appointed to commence the preparations required to clean up the deep-seated creosote-contaminated soil.
- » In the discontinued sawmills at Lidhult (Ljungby Municipality) and Hjortsberga (Alvesta Municipality), preparatory investigations were carried out. Based on the results, a method for the remediation of chlorophenol-contaminated groundwater was determined.
- » Samples of contaminated soil were taken at the former sawmill site and adjacent bark waste yard in Fagered (Falkenberg Municipality). The main contaminants were chlorophenols and dioxins in soil and groundwater. Based on the results, a remediation method was determined.
- » At the former paper mill site and adjacent sedimentation ponds and landfills at Emsfors (Oskarshamn Municipality), additional samples were collected to determine the extent of the contamination. The object comprises six different sub-areas where each area is geographically isolated and has its own contamination problems.
- » Samples of contaminated soil were collected from the former sawmill site in Korsberga (Vetlanda Municipality), and a report was submitted to the supervisory authority.
- » Samples were collected from the discontinued sawmill site in Långasjö (Emmaboda Municipality), and a proposal for the remediation of DDT and barium-contaminated soil was submitted to the supervisory authority.
- » A sampling plan was created for the remediation of mainly DDT-contaminated soil at the discontinued nursery in Brattfors (Ockelbo Municipality) and submitted to the supervisory authority.
- » At the discontinued sawmill site in Höreda (Vetlanda Municipality), soil contaminated with dioxins and oil was remediated. The decontamination was approved by the supervisory authority.

## End-of-life treatment 2023



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 2023, the total weight of Södra's waste was 61,556 tonnes.

## COMPLAINTS

- » During the year, Södra's industrial activities received 34 (32) external complaints. Most were related to noise and odours from Södra Cell's three pulp mills. The complaints were managed in accordance with the environmental management systems of the operations. The complainant receives feedback if requested. The complaints are also reported to the relevant supervisory authority.
- » During the year, Södra's forestry operations received 117 (82) external comments, mainly related to the occurrence of threatened or protected species. The year-on-year increase was the result of a heightened interest in forests and the public debate around forest-related issues. Dialogue meetings with authorities and interest groups were arranged on a few occasions during the year, mainly in the eastern region where there are more external views. The registration of external comments in the Skog business area's case management system was improved during the year, which may have contributed to the increase in the number of cases.

## 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, 15 (23) guideline values or other conditions for Södra's activities, and 1 (0) constraint, were exceeded. Södra Skog exceeded the guideline value for emissions of suspended solids to water in one peat bog. Södra Wood Långasjö exceeded the guideline value for emissions of nitrogen oxides to air. Södra Wood Mönsterås exceeded the guideline value for the oil index after oil separators. Södra Cell Mörrum exceeded the guideline value and constraint for dust emissions, guideline values for emissions of chlorate and suspended solids to water and the guideline value for noise. Total exceedances amounted to six for emissions to air, nine for emissions to water and one for noise.

In addition to these exceedances, several other environmental incidents were reported to the relevant supervisory authority in 2023, including fire, oil and chemical discharges, and operational disruptions in purification equipment.

# GRI content Index

Södra Skogsägarna ekonomisk förening has reported in accordance with the Global Reporting Initiative (GRI) Standards for the period of 1 January 2023 to 31 December 2023.

## GRI 1: Foundation 2021

GRI Standard	Disclosure	Description	Reference	Omissions
<b>The organisation and its reporting practices</b>				
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, 108	
	2-3	Reporting period, frequency and contact point	2, 108, 164	
	2-4	Restatements of information	108	
	2-5	External assurance	108, 144	
<b>Activities and workers</b>				
GRI 2: General disclosures 2021	2-6	Activities, value chain and other business relationships	3, 5, 12–13, 32–39, 43, 66, 129	
	2-7	Employees	68–69, 119, 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	119, 123	
<b>Governance</b>				
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	114, 151–152	
	2-11	Chair of the highest governance body	152, 158	
	2-12	Role of the highest governance body in overseeing the management of impacts	50, 112, 152	
	2-13	Delegation of responsibility for managing impacts	112, 152	
	2-14	Role of the highest governance body in sustainability reporting	108, 112, 152–153	
	2-15	Conflicts of interest	153–155	
	2-16	Communication of critical concerns	50, 115, 128	
	2-17	Collective knowledge of the highest governance body	128, 152, 155	
	2-18	Evaluation of the performance of the highest governance body	151–154	
	2-19	Remuneration policies	69, 153–154	
2-20	Process to determine remuneration	153–154		
2-21	Annual total compensation ratio	69		
<b>Strategy, policies and practices</b>				
GRI 2: General disclosures 2021	2-22	Statement on sustainable development strategy	8–9	
	2-23	Policy commitments	112	
	2-24	Embedding policy commitments	112, 128	
	2-25	Processes to remediate negative impacts	112–118, 140	
	2-26	Mechanisms for seeking advice and raising concerns	115	
	2-27	Compliance with laws and regulations	128	
	2-28	Membership associations	110	
<b>Stakeholder engagement</b>				
GRI 2: General disclosures 2021	2-29	Approach to stakeholder engagement	109–110	
	2-30	Collective bargaining agreements	123	
<b>Material sustainability topics</b>				
GRI 3: Material topics 2021	3-1	Process to determine material topics	109	
	3-2	List of material topics	109	
<b>Economic performance</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 88–91, 110, 117–118, 133–134, 150–154	
GRI 201: Economic performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	50–51, 86, 88–91, 117, 132–135	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-wide 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. >

&gt; GRI Content Index, cont.

GRI Standard	Disclosure	Description	Reference	Omissions
<b>Anti-corruption</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 110, 115, 118, 128	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	128	
	205-2	Communication and training about anti-corruption policies and procedures	128	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	128	
<b>Anti-competitive behaviour</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 110, 115, 118, 128	
GRI 206: Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	52	
<b>Materials</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 110, 117-118, 136	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	136	
<b>Energy</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 117-118, 134, 136	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	121, 137-138	
	302-2	Energy consumption outside of the organisation	121, 137-138	
	302-3	Energy intensity	121, 138	
<b>Water and effluents</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 117-118, 136, 139	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	118	
	303-2	Management of water discharge-related impacts	117-118	
	303-3	Water withdrawal	121, 136	
	303-4	Water discharge	121, 139	
<b>Biodiversity</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 110, 116-118, 130, 140	
GRI 304: Biodiversity 2016	304-3	Habitats protected or restored	119, 131, 140	Status of protected areas is not reported for specific areas, not applicable, but for members' estates.
	Own	Promotion of biodiversity	111, 119, 130	
<b>Emissions</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50-51, 110, 112, 117-118	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	119-121, 134-135	
	305-2	Energy indirect (Scope 2) GHG emissions	119-121, 134-135	
	305-3	Other indirect (Scope 3) GHG emissions	119-121, 134-135	
	305-4	GHG emissions intensity	119-121, 135	
	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ), and other significant emissions to air	121, 139	
<b>Waste</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 117-118, 140	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	117-118, 140	
	306-2	Management of significant waste-related impacts	117-118, 140	
	306-3	Waste generated	121, 140	
<b>Supplier environmental assessment</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 110, 115-116, 118, 128	
GRI 308: Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	129	
<b>Employment</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 114-115, 118	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	119, 124	Omission of division by age, no data is available. Omission of division by region, immaterial.



GRI Standard	Disclosure	Description	Reference	Omissions
<b>Health and safety</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 112–114, 118, 122	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	113	
	403-2	Hazard identification, risk assessment and incident investigation	113, 122	
	403-3	Occupational health services	113	
	403-4	Worker participation, consultation, and communication on occupational health and safety	113	
	403-5	Worker training on occupational health and safety	113	
	403-6	Promotion of worker health	113, 122	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51, 113, 115–116	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	119, 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.
<b>Competence supply</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 114–115, 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	
<b>Diversity and equal opportunity</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 114, 118, 123	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	68, 119, 123–124	
<b>Non-discrimination</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 114, 118, 123, 128	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	123, 128	
	Own	Training in non-discrimination policies	111, 123	
<b>Supplier social assessment</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 110, 115–116, 118, 128	
GRI 414: Supplier social assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	129	
<b>Organisational culture and values</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	51, 110, 114–115, 118	
Own: Organisational culture and values	Own	Employees who would recommend Södra	111, 125	
<b>Forest certification and certified products</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 110, 116–118	
Own: Forest certification and certified products	Own	Certified affiliated forest area, %	111, 131	
	Own	Certified products, %	111, 126	
<b>The social values of forests</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 110, 116–118, 132	
Own: The social values of forests	Own	Promotion of the social values of forests	111, 132	
<b>Sustainable harvest rate</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 110, 117–118	
Own: Sustainable harvest rate	Own	Harvest rate on land owned by members	111, 119, 132	
<b>Forest growth</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50, 110, 117–118	
Own: Forest growth	Own	Annual rate of forest growth on members' estates	111, 119, 132	
<b>Climate effect</b>				
GRI 3: Material topics 2021	3-3	Management of material topics	50–51, 110, 112, 115, 117–118, 133	
Own: Climate effect	Own	Positive climate effect	111, 119, 133	

# 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 2023. The company has defined the scope of the sustainability report on page 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 108–109 and 111 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 2024



Martin Johansson  
Authorised Public Accountant

Madeleine Edberg  
Authorised Public Accountant

# 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. 112–118, 122–140
  - Policies and governance: pp. 112–118
  - Results: see the table below
- » Other sustainability disclosures (including materiality assessment): pp. 108–111, 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	Leading offer for our customers and consumers: p. 126 Optimised value chain from forest owner to customer and consumer: pp. 128–129 Sustainable use of the forest and earth's resources: pp. 130–140
Social conditions and employment	People and culture at the centre: pp. 122–125 Optimised value chain from forest owner to customer and consumer: pp. 128–129
Human rights	People and culture at the centre: pp. 122–125 Optimised value chain from forest owner to customer and consumer: pp. 128–129 <i>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.</i>
Anti-corruption	Optimised value chain from forest owner to customer and consumer: pp. 128–129

## Auditor's opinion on the statutory sustainability report

To the general meeting of Södra Skogsägarna ekonomisk förening, Corp. ID. No. 729500-3789

### Opinion

A statutory sustainability report has been prepared.

### Engagement and responsibility

The Board of Directors is responsible for the sustainability report for the year 2023 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

Växjö, 15 February 2024

### 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.

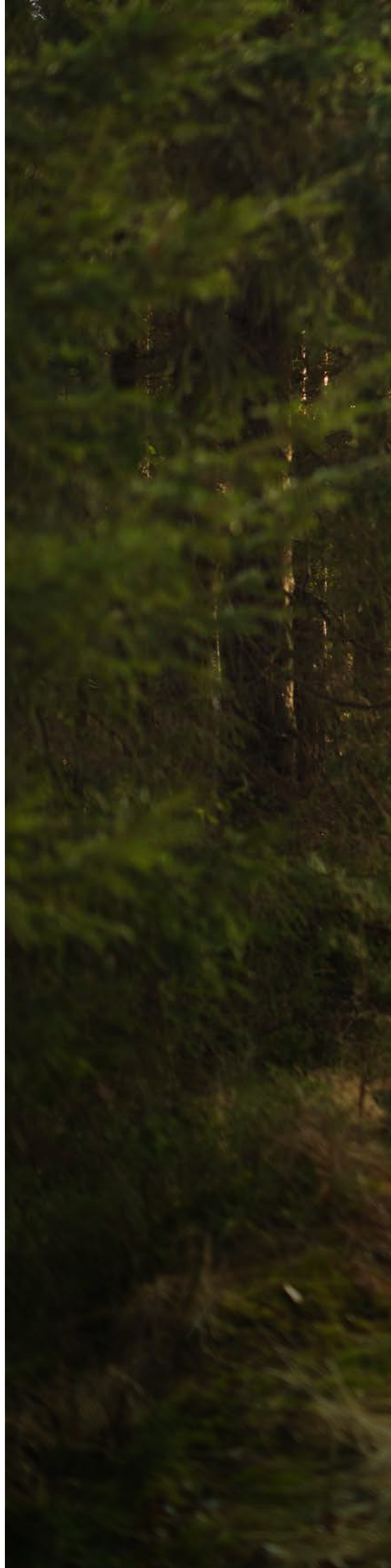
Martin Johansson  
Authorised Public Accountant

Madeleine Edberg  
Authorised Public Accountant

Katarina Johansson  
Member Representative Auditor

Roger Johansson  
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.

**51,774**

51,774 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.

# Creating long-term value



**The ability to create value and long-term growth** in challenging times is important for all types of businesses, but is also one of the cooperative's real strengths. A strength that I believe Södra has demonstrated over the past year, which has challenged our operations in several ways. I am thinking, of course, about how the economy, high inflation, more expensive input products and climate change have affected our everyday life, while we have stubbornly continued to work with our strategic direction and associated investments. We cannot control everything that happens in the world around us, but we can control how we respond. And we have every reason to be happy about how we – members, employees and elected representatives – have stepped up to the task of refining and renewing the value of family forestry for the benefit of current and future family forest owners. And the driving force to do just that is strong – it is Södra's mission and purpose.

## **Our aim is to secure a profitable industry**

As for many others, the economic situation with inflation and interest rates has also affected the everyday life of family forestry. At the same time, our wood prices in Götaland were record high in 2023. This was not only attributable to high demand for wood, but also to changes in wood flows due to the prevailing geopolitical situation. High wood prices are obviously positive for the profitability of forest estates but they also increase pressure on the profit margins of our jointly owned mills, where market conditions have been marked by the recession. To address this situation, we must work tirelessly with efficiencies that boost our competitiveness while also investing in innovation and product development that create added value, and therefore the business opportunities for forest products. That is the exact focus of our Group strategy.

And when we are building the bridge to end-consumers via our own customers, we have to remember that the sustainability aspect is extremely important. This means that we



must be able to show how we manage our forests responsibly. This is most credibly demonstrated by having as much certified forests as possible. A high proportion of PEFC- or FSC®-certified wood is a prerequisite for Södra's ability to focus on profitable customer segments and markets.

### Södra's high distributions continue

Despite the year's conditions and high price levels, we delivered operating profit of SEK 2,226 million. The result for 2023 was therefore historically stable. While a comparison with last year might be disappointing, our long-term earning capacity and strategic direction indicate that the Södra Model is standing the test of time. The Board's proposed profit distribution of SEK 1,474 million reflects the year behind us, while accounting for how we want to move forward. The proposal corresponds to an average amount of SEK 28,478 for each member.

### The association must be attractive

Södra must be an association in step with the times, with an attractive member offer for forest owners both today and tomorrow. We must also be an association where members and elected representatives want to be, and can be, involved. Because how we all engage and act today will create the association of tomorrow. In 2023, we therefore developed a Cooperative Code of Ethics that will help us get even better at translating our values into action. It is based on respect for each other and our various roles. This is an

extremely important task that all of us at Södra must now manage and implement in our daily lives.

### Forests have many benefits

We all know that forests have a lot to offer and the knowledge that we have to balance many different perspectives, like the legs of a stool, is what guides us. Family forestry generates major values that are shared societal benefits and that are becoming increasingly important, where regulations need to be supplemented, to a growing extent, with incentives and business models in order to remain sustainable.

One such example is the forest carbon sink. In 2023, the EU introduced challenging targets for carbon sinks in the land-use and forestry sectors, whereby we are required to increase our carbon sink in Sweden by 2030. I am convinced that combining growing forests with the high sustainability profile of our products is the best way to achieve a climate transition. The COP28 Agreement, where world leaders have now agreed to transition away from fossil fuels, will bring major industrial changes and a growing need for more fossil-free solutions. For Södra, rooted in the forest, this future is something that we truly can and want to contribute to.

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 and actively develop responsible forestry, and to lobby business policy. 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 52,000 forest owners in southern Sweden. The owners are members of the economic association, and contribute capital comprising at one contribution for each hectare of productive forest land, although more than 200 contributions are voluntary. One contribution is SEK 900. 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 51,774, an increase of 298.

## Forestry districts and local annual meetings

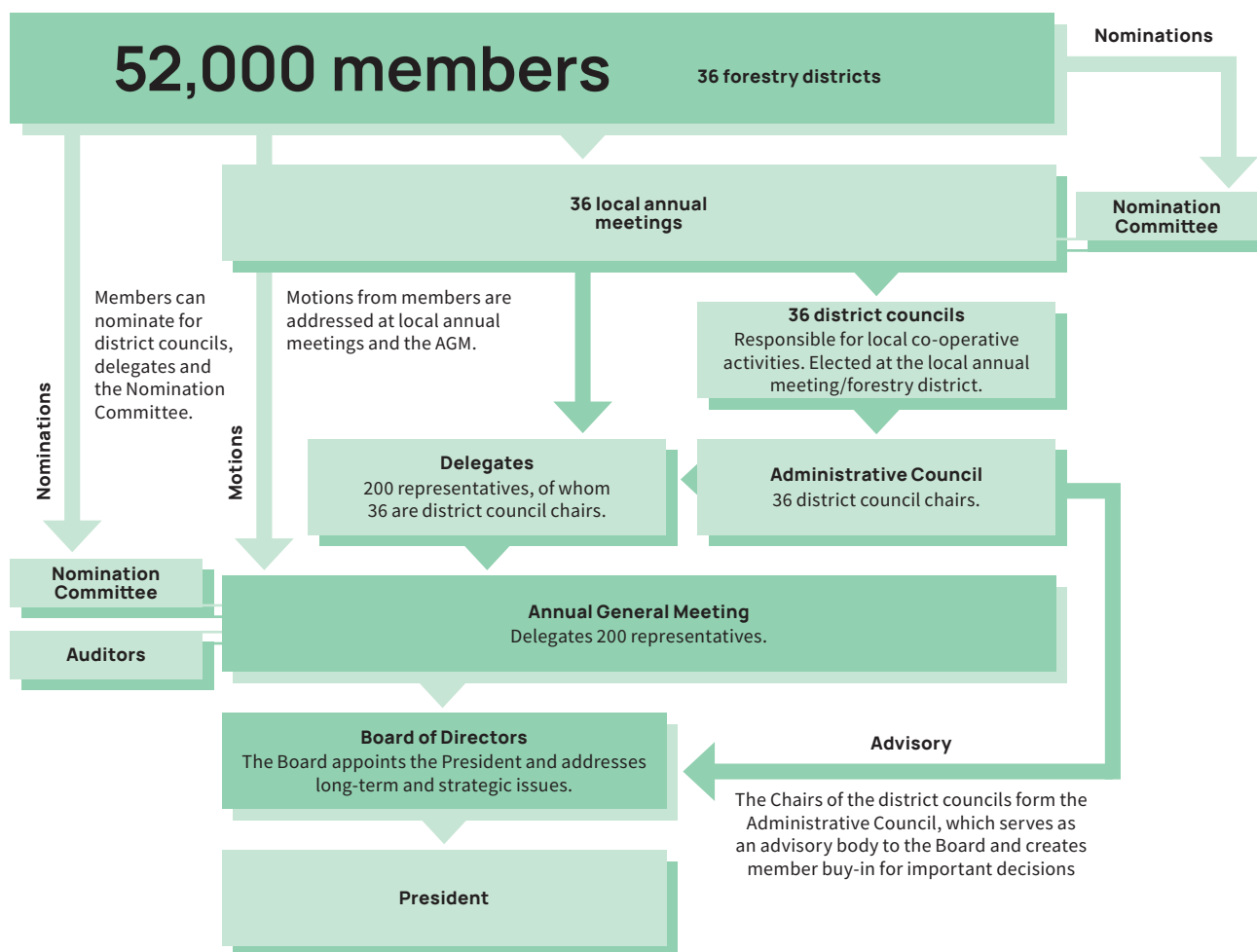
Members of Södra are organised into 36 forestry districts, and a member's opportunities for direct influence are greatest in their forestry district. The views of members are otherwise represented by elected representatives. Each forestry district appoints a district council and a nomination committee 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 11 March and 31 March.

## 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 2023, the Administrative Council held four scheduled meetings and eight 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 2023 AGM was held in Lund. In addition to the AGM proceedings, which were streamed live via Södra's website, a summary of the past year was presented with the Business Area Presidents and a look into the future.

The Meeting resolved on the appropriation of profits and addressed 16 motions that had been discussed by the representatives at digital motion meetings beforehand. The motions included nature conservation, business conditions and electricity prices. In addition, new terms of reference for member representative auditors were adopted.

In 2023, the Nomination Committee proposed that nine members be elected to the Board.

## 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 dele-



The 2023 AGM was held in Lund.



gates, 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 2023 AGM, Magnus Johansson, Lars Skogsberg, Ann Marke and Christer Andersson were re-elected and Margareta

Åkerström was newly elected. At the Nomination Committee's first meeting, Magnus Johansson was elected Chair, as recommended by the Administrative Council's nomination team.

### Composition and work of the Board

The Board has 10-13 ordinary members, of whom 7-10 are elected by the AGM, and three are appointed by 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.

In addition to the statutory meeting, the Board is to hold at least six meetings during the year. In 2023, the Board held 12 meetings, including one statutory meeting. Key Board matters in 2023 included new business, strategy and business plans, and an investment plan. 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 in a one-year pie chart, see over. The Board also appointed three committees to prepare matters.

#### Board members as of the AGM in June 2023

Board members	Function	Elected	Attendance	Fees paid (SEK 000s)	Member	Contributed capital at 31 Dec 2023	Committees
Magnus Hall	Chair	2020	12/12	1,086	Yes	SEK 1,005,561	Fees and Benefits
Paul Christensson	Vice Chair	2010	12/12	641	Yes	SEK 1,026,118	Cooperative
Kristina Alsér	Board member	2020	11/12	424	Yes	SEK 89,808	Cooperative
Hannele Arvonen	Board member	2022	12/12	397	No	0	Audit
Hans Berggren	Board member	2015	11/12	412	Yes	SEK 251,288	Audit
Pål Börjesson	Board member	2017	12/12	395	Yes	SEK 1,497,727	Audit
Mikaela Johnsson	Board member	2022	10/12	391	Yes	SEK 31,151	Cooperative
Carina Olson	Board member	2022	12/12	408	No	0	Fees and Benefits
Mats Sandgren	Board member	2019	12/12	397	No	0	Fees and Benefits
<b>Employee representatives</b>							
Teddy Hedlund	Employee representative (PTK)	2015	12/12		No	—	—
Pontus Johansson	Employee representative (LO)	2015	11/12		No	—	—
Ann-Sofi Petersson	Employee representative (LO)	2023	6/7		No	—	—

## 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 Cooperative Committee

**The Audit Committee** monitors and reviews financial reporting, risk management, sustainability reporting and compliance, and fulfilment of the digital strategy and information security. In 2023, the Committee consisted of Hans Berggren, Pål Börjesson and Hannele Arvonen.

**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 2023, the Committee consisted of Magnus Hall, Carina Olson and Mats Sandgren.

**The Co-operative Committee** prepares cooperative development issues and decisions for further management 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 2023, the Committee consisted of Paul

Christensson, Ulf Johansson (until the AGM), 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 Committee may solely consist of members. The Nomination Committee generally consist

### December

- » Business plan 2024–2026
- » Strategy: Mill portfolio
- » Succession planning
- » Adoption of investment plan with investment frameworks, Investment Policy
- » Adoption of Code of Conduct, Supplier Code, Sustainability Policy
- » Adoption of Financial Policy

### November

- » Risk management in the Group
- » Strategy: Update of raw material strategy
- » Forest/wildlife balance

### October

- » Q3 report

### September

- » THEME: Competence supply
- » Investment follow-ups
- » Global market analysis – wood products
- » Decision on Articles of Association
- » Board trip – France
- » THEME: Pulp

### July

- » Q2 report

### January

- » Profit distribution proposal

### February

- » Q4 report/Year-end report
- » Decision on profit distribution proposal
- » Carbon business
- » Policies
- » Determination of meeting dates for the coming year

### April

- » THEME: New business – Lignin – Innovation
- » Q1 report
- » Matters prior to the AGM (motions)
- » Nomination Committee's proposals

### May

- » Statutory meeting (after the AGM)

### June

- » THEME: Forest with forest excursion
- » AGM follow-up
- » World-class Efficiency – Progress & results follow-up



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 Finance function serves as the Group's internal control function and reports to Group Senior Management and the Audit Committee.

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** – Södra runs a business ethics programme that includes structured management and monitoring of the area with a particular focus on issues related to competition, anti-corruption and penalties.

### 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. The internal control process provides the Board, management and other employees with reasonable assurance regarding achievement of the company's objectives in relation to effectiveness, the reliability of financial reporting, and compliance with applicable laws and regulations.

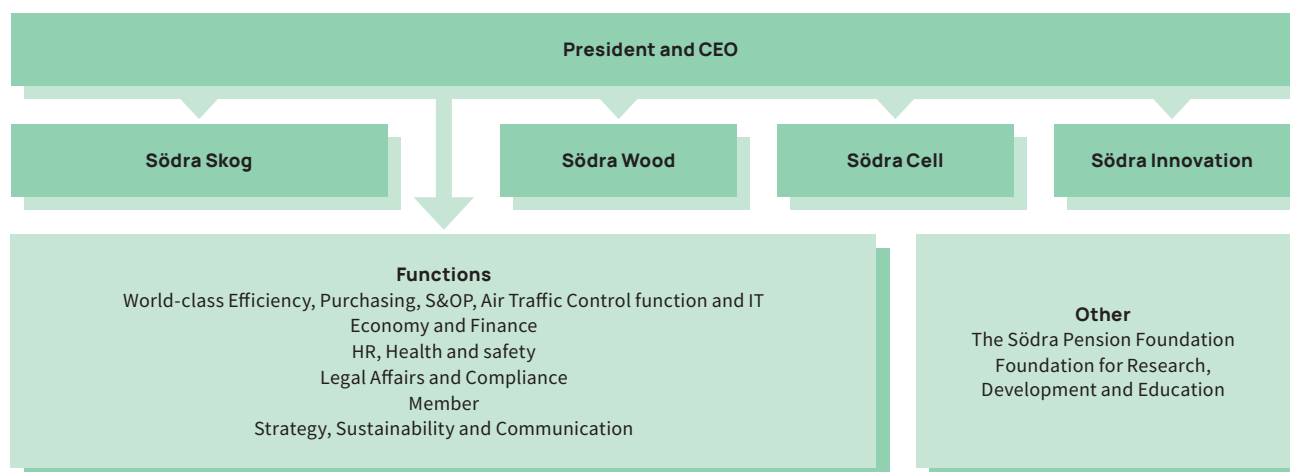
Södra's internal control is linked to the financial reporting system. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports, year-end reports and annual reports, and that the external financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements on economic associations.

The aim of Södra's risk assessment is 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 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 2023 AGM, Martin Johansson and Madeleine Edberg from PricewaterhouseCoopers AB were re-elected as auditors, and Katarina Johnsson and Roger Johansson were elected as member representative auditors. The Meeting established terms of reference for the Member Representative Auditors.



# Development of the cooperative

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.

## Strategy and association governance

Södra's strategy includes the strategic areas of *Cooperation and democracy, Knowledge and learning and Meetings, tools and services*. Within this framework, several initiatives took place during the year in connection with the cooperative principles.

The Administrative Council engages in continuous dialogue with the Board and management in relation to strategic issues. In 2023, particular emphasis was placed on the raw material situation and Södra's future direction and actions. In two groups, Business conditions and Democratic processes, the cooperative and operational components of Södra carried out development work together.

During the spring, a designated Articles of Association Committee, comprising representatives of the Administrative Council, the Board and Södra's operational organisation, performed a review of the Articles of Association. The Committee's recommendation has been circulated to district councils for comment and, following consideration by the Administrative Council and the Board, a final recommendation will be presented to the 2024 AGM.

Based on a new association governance policy and framework for Södra's governing documents, a new Code of Conduct and Supplier Code have been developed. The Codes clarify our responsibility and contain concrete guidelines and guidance for employees and suppliers, respectively. The cooperative ethical code that is now under development will be the equivalent for elected representatives in Södra. Efforts to develop complaint management commenced during the autumn, with the aim of ensuring prompt, transparent and equal handling.

In 2023, information about the association's governance on Södra's website was updated to make it more accessible and clear.

## Development of the democratic organisation

The 2022 AGM assigned the Board to develop and adopt a Cooperative Code of Ethics in consultation with the Administrative Council. Development of the Cooperative Code of Ethics commenced in 2022 and continued in 2023 with a broad buy-in process among elected representatives. During the year, elected representatives in nomination committees and district councils discussed how the Code should best be formulated and the situations that may need to be addressed. The Cooperative Code of Ethics was then drafted for consideration by the Board in early 2024.

In 2023, a broad development programme was implemented for elected representatives. The first module of the programme was designed for all members of the district councils and nomination committees with a focus on the Cooperative Code of Ethics, and more than 400 participants attended a total of six meetings. The second and third modules were designed for the Chairs and Vice Chairs of the district councils with a focus on the cooperative mission and cooperative leadership.

Newly elected representatives were inducted with a field trip, training and experience sharing. A Nomination Committee forum was also arranged during the autumn for continued development of the local nomination committees' work.

The 2023 AGM adopted new terms of reference for the member representative auditors.

## 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 to promote more active and open communication with members. For example, more virtual meetings, live streams, electronic newsletters and podcasts were introduced for both elected representatives and members to create better conditions for dialogue. During the year, the format of the local annual meetings was changed slightly to promote more dialogue.

Efforts to gain more insight into members' needs and expectations continued during the year, with new surveys, for example.

## 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 2023 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 2023.

Växjö, 15 February 2024



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 2024. Former CEO of Vattenfall. Chair of Höganäs AB, NTM media group and Göta Kanalbolaget. Board member of Ählin & Ekeröth.

Forest holding: 66 hectares of productive forest land. Total contributed capital in Södra: SEK 1,005,561.



## Kristina Alsér

Born 1956.

Board member since 2020. Term of office expires in 2024. Partner and Board member of Mercatus Engineering. Chair of Arkitektbolaget AB. Board member of the Kamprad Family Foundation for Entrepreneurship, Research & Charity, and fellow of the Royal Academy of Engineering Science. Honorary doctorate from Linnaeus University.

Forest holding:<sup>1)</sup> 31 hectares of productive forest land. Total contributed capital in Södra: SEK 89,808.



## Hannele Arvonen

Born 1966.

Board member since 2022. Term of office expires in 2024. Master of Science in Forestry. Fellow of the Royal Academy of Engineering Science, and the Royal Swedish Academy of Agriculture and Forestry and member of Finska Akademien. 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 2024. Agronomist. Former CEO and President of Sveriges Stärkelseproducenter economic association. Chair of SolEdits AB, Board member of SLU Holding.

Forest holding:<sup>1)</sup> 397 hectares of productive forest land. Total contributed capital in Södra: SEK 251,288.



## Pål Börjesson

Born 1962.

Board member since 2017. Term of office expires in 2024. Agronomist and professor of environmental and energy systems at the Faculty of Engineering at Lund University. Fellow of the Royal Swedish Academy of Agriculture and Forestry.

Forest holding: 130 hectares of productive forest land. Total contributed capital in Södra: SEK 1,497,727.



## Paul Christensson

Vice Chair. Born 1959.

Board member since 2010. Term of office expires in 2024. Vice Chair of LRF's Executive Committee, Chair of the Federation of Swedish Farmers (LRF).

Forest holding:<sup>1)</sup> 203 hectares of productive forest land. Total contributed capital in Södra: SEK 1,026,118.

Holding of total contributed capital pertains to conditions on 31 December 2023.

<sup>1)</sup> Jointly owned.





### Teddy Hedlund

Born 1968.

Alternate 2015, Board member since 2024. 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.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



### 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.



### Mikaela Johnsson

Born 1982.

Board member since 2022. Term of office expires in 2024. Agricultural technologist. Board member of LRF's National Board of Directors. Owns and operates a farm and forest estate.

Forest holding:<sup>1)</sup> 478 hectares of productive forest land. Total contributed capital in Södra: SEK 31,151.



### Carina Olson

Born 1965.

Member of Södra's Board since 2022. Term of office expires in 2024. President and CEO of Praktikertjänst. Former CFO of Södra.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



### Ann-Sofi Petersson

Born 1974.

Board member since 2023. Employee representative of the Swedish Trade Union Confederation (LO). Chair of Paper department 34.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



### Mats Sandgren

Born 1955.

Board member since 2019. Term of office expires in 2024. Master of Science in Forestry. Chair of the Swedish Forestry Association. Board member of Linnaeus University and fellow of the Royal Swedish Academy of Agriculture and Forestry.

Forest holding: 125 hectares of productive forest land. Total contributed capital in Södra: 0.

## ALTERNATES – EMPLOYEE REPRESENTATIVES



### Robert Andersson

Born 1968.

Alternate since 2023. Employee representative for the Swedish Federation of Salaried Employees in Industry and Services (PTK). Chair of SSF-Ledarna Södra Skog. Member of Södra's Group Council.



### Patrik Birgersson

Born 1970.

Alternate since 2023. Employee representative of the Swedish Trade Union Confederation (LO). Chair of the GS club at Södra Wood/Innovation Värö. 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.

<sup>1)</sup> Jointly owned.

# Group Senior Management



## Lotta Lyrå

President and CEO. Born 1975.

MBA, Stockholm School of Economics. Employed 2020. Member of Group Senior 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, Kivra and Spendrups.

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 Senior 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: 217 hectares of productive forest land. Total contributed capital in Södra: SEK 157,373.



## Magnus Björkman

President of Södra Cell business area. Born 1964.

MSc and MBA. Member of Group Senior 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 Stora Enso Nymölla AB. Site Manager at Södra Cell Mörrum and Marketing Manager at Södra Cell.

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 Senior 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.



## 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 Senior 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 Senior 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.

Holding of total contributed capital pertains to conditions on 31 December 2023.



### Caroline Leifson

Secretary and Executive Assistant.  
Born 1972.

Employed 2021. Member of Group Senior 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 Senior 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 Senior 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 Senior 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.



### Marcus Åsgärde

President of Södra Wood business area.  
Born 1977.

Master of Science from Chalmers University of Technology in Gothenburg and MBA from Stockholm School of Economics. Employed 2005. Member of Group Senior Management since 2023.

Previous experience: Various roles in several business areas at Södra, including Mill Manager for Södra Cell Värö and Södra Wood Värö.

Forest holding: 0 ha. Total contributed capital in Södra: 0.



### Magnus Örnberg

CFO. Born 1965.

Stockholm School of Economics. Employed 2023. Member of Group Senior Management since 2023.

Previous experience: CFO of SAS and Saab AB, as well as CFO and other financial roles at ABB.

Forest holding: 0 ha. Total contributed capital in Södra: 0.

## Changes during the year

Magnus Örnberg, new CFO.

Marcus Åsgärde, new President of the Södra Wood business area.

Peter Jhaveri 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.

## Cairnfields

A collective term for traces of different types of abandoned agricultural systems in Sweden shaped by past ploughing methods. Also known as clearance cairns.

## Carbon dioxide equivalents (CO<sub>2</sub>e)

A standard unit for measuring greenhouse gas (GHG) emissions. Each type of greenhouse gas has a different global warming effect. When emissions are indicated in CO<sub>2</sub> 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 consists of PEFC and/or FSC®-certified raw material and is qualified 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 number of different scenarios, in which Swedish forests are used and managed in different ways, the subsequent impacts of these scenarios in 100 years from now are assessed. The assessments provide detailed information about the state of the forest. 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.

## 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.

**GRI – Global Reporting Initiative**

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.

**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**

Hectares. An area equivalent to 10,000 m<sup>2</sup>.

**ISO 14001**

An international standard for environmental management systems.

**ISO 45001**

An international standard for occupational health and safety management systems.

**ISO 50001**

An international standard for energy management systems.

**Lignin**

Lignin is the substance that acts as a binding agent, and binds the cellulose fibres in wood. Valuable by-product of pulp production. Research is conducted to commercialise lignin-based carbon fibre for the production of lightweight materials that can be used to replace traditional heavyweight materials in, for example, cars.

**Liquid biofuels**

Vehicle fuels, such as biodiesel, HVO biodiesel, produced from renewable biomass.

**LTA**

Lost time accident. Occupational injury with absence.

**LTAR**

Lost time accident rate. The number of occupational injuries with absence per million hours worked.

**m<sup>3</sup>fo**

Forest cubic meters. Refers to the volume of the entire trunk above the stump, including tops and bark, but excluding branches. Generally used as a measure of standing timber.

**m<sup>3</sup>l**

Cubic metres of loose volume. Refers to the outer dimensions of the material and is used for woodchips, for example.

**m<sup>3</sup>sub**

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.

**m<sup>3</sup>sw**

Cubic metres of sawn wood.

**OnceMore®**

The dissolving pulp produced in the OnceMore® process consists of cellulose from two separate sources – 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 defines three 'scopes' for classifying 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 electricity, 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 climate impact, such as steel, concrete, plastic and energy from fossil sources.

**Substitution factor**

The substitution factor varies for each type of material. What we measure is the amount of 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.

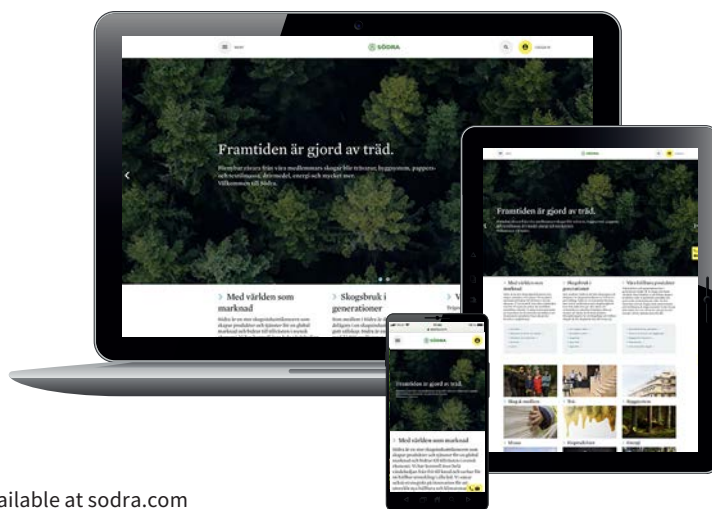
# Financial information

## Reporting calendar

Quarterly reports will be published on the following dates:

Q1	24 April 2024
Q2	25 July 2024
Q3	28 October 2024
Q4 / Year-end report	February 2025

The Annual General Meeting for the 2023 financial year will be held on 28 May 2024 in Kalmar.



The reports, as well as other information about Södra, are available at [sodra.com](https://sodra.com)

# Contact

For more information, visit: [sodra.com/contact](https://sodra.com/contact)

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## This is Södra

**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 more than 50,000 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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ekonomisk förening

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