

**SÖDRA WOOD LIMITED**  
**Annual report and financial statements**  
**31 December 2020**

**S172 Companies Act 2006 Statement**

The directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and describes below how this duty is performed.

**Shareholders**

The Company's ultimate shareholders are its 52,000 forest owners in Southern Sweden. Our mission is to secure markets for their forest raw material by selling sawn timber while promoting long term profitable growth. Our financial targets are ROCE, Equity ratio and profit distribution. Regular monthly financial reporting alongside KPIs are discussed with senior Group managers in addition to quarterly forecasts and annual budgets to keep them updated on matters as required.

**Sustainability**

Timber is a renewable raw material and helps create a sustainable society, the use of wood by replacing concrete helps combat climate change. Our key sustainability target, for transportation is to be fossil-free by 2030. As part of the Group we have endorsed the UN's sustainable development goals and identified the following goals as key for now, clean energy, decent work, climate action and sustainable communities. We sell the right products from the right part of the tree and by utilising every part of the tree, this ensures our finished sawn timber products are core to our sustainable business model. The use of timber in construction has important environmental benefits when compared with alternatives such as concrete, steel and masonry. Timber is a natural, renewable and bio-degradable material which provides excellent levels of thermal insulation. All our timber is sourced from well managed forests, with re-planting and renewal programmes, timber is the natural building material of choice.

**Customers**

As part of our growth strategy we have developed value-generating relationships with a long-term approach, and this is evident in the stability of our customer base over time. The UK is treated as a core market and is the Parent Company's single largest market. Our UK customers benefit from continuous supply, with products that have chain of custody from log to final product. We actively engage with the industries Trade associations to encourage the use of wood to the benefit of our owners and customers.

**Staff**

As a responsible employer we believe that committed employees are key to driving our company forward. Employee engagement takes place at many levels, monthly progress meetings with managers, with annual and interim appraisals. Employee satisfaction surveys are conducted yearly which monitor staff engagement. Regular monthly division wide communication via our intranet as well as department Team meetings are held. Performance management is seen as a key part of staff development as well as identifying future training needs at the Södra Academy. All staff share in a Group wide bonus system. The Company embeds Group wide policies for corporate social responsibility cover diversity, inclusion and bullying and harassment. The implementation of these policies encourages all employees to act fairly between members of the Company and the wider Group.

**Responsible Business**

The Company is committed in all its dealings to uphold the highest standard of business conduct and integrity. Our supplier code is included in all of our supplier agreements. In addition, our Code of conduct contains guidelines for how employees represent Södra are expected to behave, and set out rules that apply to gifts, entertainment, conflicts of interest and competition from a business ethics perspective. Every employee completes a compulsory online training course. The company also operates both internal and external whistle-blower arrangements. As a responsible business we have long term key supplier relationships that are all outsourced covering shipping, haulage and terminal handling which are critical to our business offering of being a just in time timber distributor. These critical supplier relationships are quality audited and subject to regular operational reviews against standard operating procedures and relevant KPI's. We are committed to paying all our suppliers in line with agreed payment terms. Robust business ethics, certified products and supply chain traceability underpin our business model as being a responsible business.

The directors are aware of their duty under s172 in their discussions at management meetings to take into account the interest of all key company stakeholders in its decision-making processes and the long-term impact of any decisions made. We believe that the long-term sustainable success of the company depends on our collaborative culture and the strong relationships we have built with our stakeholders over the years.

## **Principal risks and uncertainties**

The directors have identified five primary areas of risk for the company and have policies in place to reduce the likelihood of these risks materialising, and to mitigate any damage to the company if one or more does materialise to any significant extent.

**Loss of supply:** The directors believe that the company's supply base is secure. The company's largest single supplier in 2020 was the timber division of Södra Skogsägarna Ekonomisk förening, the parent company based in Sweden.

**Non-performance of IT systems:** The Company has taken further steps in 2020 to strengthen its IT infrastructure and support in addition to implementing various ongoing system improvements.

**Disruption at a distribution terminal:** The Company's three terminal logistical model has capacity to absorb disruption at one terminal without significant weakening of service levels.

**Disruption to head-office function:** The Company can continue its administrative functions by remote working in the event of a major incident rendering the company's head office inoperative.

**Exchange rate fluctuations:** The Company's net € exposure is now handled in conjunction with the Groups Central Treasury team and eliminated monthly.

Approved by the Board on 24<sup>th</sup> February 2021 and signed on its behalf by:



Simon Henry  
Director