

Annual Report  
and Sustainability  
Report

2020



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SVEASKOG



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The annual report with the directors' report covers pages 11-13, 21-23, 29-32, 37-97.  
The Sustainability Report comprises pages 14-19, 24-27, 32-35, 101-107.



# Sweden's largest forest owner

Sveaskog is owned by the Swedish state and is Sweden's largest forest owner with 14% of Sweden's forest land. We have operations in around 170 municipalities and in 2020 we employed an average of 827 employees. We want to set an example and lead the way to a sustainable society. Sveaskog manages the forest in a way that reinforces climate benefit, biodiversity and social and economic values. At the same time, forestry must be profitable and competitive. We achieve this through active, profitable and responsible management of forests and land in order to continuously create and increase growth, abundant nature and increased value for future generations.

## Business at a glance

**100 %**

owned by the state



Sweden's largest forest owner



827 employees

**37**

ecoparks



Owns 14% of forest land in Sweden

**6,597**

MSEK net sales

The forest and the assets it contains are our core business. The focus is on silviculture, sales of products from the forest and development of the forest's other values, such as concessions for wind power, hunting, fishing and nature experiences. Sveaskog's business activities also include land transactions. Our principal products are sawlogs, pulpwood and wood chips and biofuel. The majority of Sveaskog's customers are in Sweden and in the forest industry. The Swedish forest industry is export-oriented and delivers to customers all over the world. To meet customer demand for different qualities and volumes, Sveaskog supplies raw material from its own forests and from other forest owners in Sweden and abroad.

Our business activities are organised in two geographical market areas, as well as Svenska Skogsplantor and other businesses. These are supported by central support functions. The market areas are divided based on our forest assets, customer structure and trade flows.

- Market area North comprises Norrbotten, Västerbotten and the northern parts of Jämtland and Västernorrland. The office for this market area is located in Piteå.
- Market area South covers the rest of the country. The office for this market area is located in Örebro.
- Svenska Skogsplantor produces and sells forest plants. Swedish Skogsplantor has five nurseries spread throughout Sweden.
- Other business activities include leases, Hjälmare Canal and Mörrums Kronolaxfiske salmon fishery, as well as permits for wind power.

Read more about our activities during the year on pages 21-35.



# 2020 at a glance

A selection of events and activities in the business during the year.



## Support package for forest and logistics contractors

To reduce negative business effects from the coronavirus pandemic, Sveaskog has developed a support package aimed at the company's important forest and logistics contractors. The aim is to enable them to deal with the consequences of the coronavirus pandemic. The response has been very positive. Read more on page 32.



## Restoring wetlands

A wetland project has been inaugurated in the landscape at Grävsätter, next to the Åsen Nature Reserve in Åtvidaberg Municipality. The project has recreated wetlands in order to benefit more aquatic organisms and insects. Efforts are under way in general to recreate wetlands in the Swedish forest industry. The vegetation in new wetlands dies and decays after 5–10 years. Recreated wetlands can then be emptied of water, allowing the vegetation to recover. The water level can then be raised again, introducing new plant material for decomposition.

There are a number of wetland projects under way within Sveaskog. These include Böda ecopark on Öland and in the Småland municipality of Högsby along the Emån river. In Ydre Municipality, a pond has been modified to allow fish to migrate in the watercourses. Wetland restoration is an important biodiversity measure, which contributes to the national environmental quality objective of Thriving Wetlands.



## The most sustainable brand in the forest industry

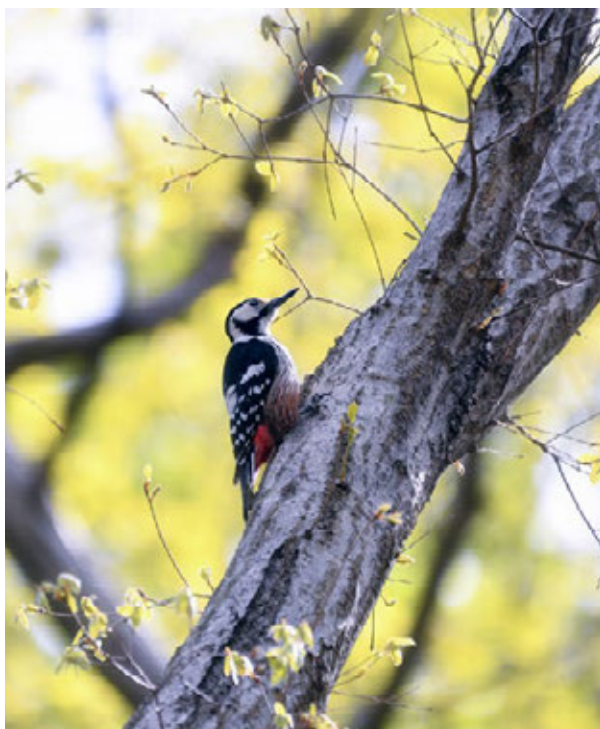
Sveaskog has been named the most sustainable brand in the forest industry. This can be seen in the Sustainability Brand Index 2020.



## Invests MSEK 100 in plant operations

Increased demand meant that Svenska Skogsplanter decided on an investment package of MSEK 100 during the year in increased production of forest plants. The growing areas at the Kilåmon nursery in Västernorrland are being extended and the sowing line is being renovated with new equipment. The Stakheden nursery in Dalarna has been equipped with a new Coniflex plant to provide pine weevil protection, which will be augmented with a new packing machine later this autumn. At another three nurseries, the growing areas are being expanded while the production lines are being updated for greater efficiency. In total, the treatment capacity for mechanically treated plants is also being increased by 33 million plants a year, which corresponds to approximately 63% of current capacity.





## Working together for the white-backed woodpecker

Sveaskog and Järvzoo, a Nordic wilderness park in Järvsö, have initiated a long-term partnership to preserve and help the white-backed woodpecker. The partnership is aimed at increasing the population of this vulnerable species.

For many years now, Järvzoo has been working with the Swedish Society for Nature Conservation in a conservation project to save the endangered white-backed woodpecker. Järvzoo already has more than ten woodpeckers for breeding, release and knowledge dissemination about the species' opportunities for survival.

The partnership with Sveaskog will initially cover financing for the construction of a new public woodpecker facility in the wilderness park. In the longer term, the partnership will also involve restoring the species' natural habitats, including deciduous forest and wetlands, and releasing viable individuals into these suitable nature areas. In our continued involvement, we will participate in the release of white-backed woodpeckers on our lands, where we have worked to restore natural biotopes for the species.

## Continued high results for consideration inventory

The Swedish Forest Agency's annual inventory of consideration for nature shows that 97 per cent of Sveaskog's felling took place without a major environmental impact. The target is 99%, and this is also one of our indicators of sustainable business. When defining the target and calculation, the parameters assessed were consideration areas left alone, trees of significant conservation value saved and land damage avoided when felling. This is almost on par with the previous year, even though 2020 was a difficult year with rain and high water flows.



## Greenwashing

As Sweden's largest forest owner and with the state as its owner, Sveaskog must set an example in the area of sustainable forestry. It is our ambition to combine long-term and responsible forestry with the conservation, protection and restoration of forest and water areas for increased biodiversity. During the autumn, Sveaskog was awarded the Greenwashing Prize, which was established by Friends of the Earth, whose rationale was that the business is presented as being sustainable while contributing major damage to land and biodiversity. This underlines the challenge we face in being able to clearly demonstrate the conservation measures that the company is implementing.

## Luokta-Mávas

In late autumn, despite a consultation process being undertaken, strong public opinion was aroused against Sveaskog's planned felling activities in the Sami village of Luokta-Máva's winter pastures in Norrbotten. The Sami village, together with several influential individuals and organisations, expressed criticism of the felling plans.

Sveaskog has decided that the plans will be put on hold, with the aim of continuing the dialogue with the Sami village. Sveaskog holds about 160 consultation meetings every year with the reindeer industry.





# Sustainable business goals

## – outcome 2020

Sveaskog measures and monitors its internal sustainable business goals on a regular basis, using a number of indicators. The outcomes of the indicators are key components of the annual review of the business plan. Below is a summary of the goals, indicators, outcomes over the last five years and goals for the end of the business planning period. The final year for all indicators is 2020.

### Customers' foremost and most knowledgeable partner (To read more, see page 18 and 29-31)

Indicators	Measurement	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020
Satisfied customers <sup>1</sup>	Customer satisfaction index sawmill customers	72		73		75	80
	Customer satisfaction index pulpwood customers	64		63		65	70
	Customer satisfaction index biofuel customers	69		67		76	70

### First choice for employees and satisfied contractors and suppliers

Indicators	Measurement	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020
Confidence in Sveaskog	Confidence index <sup>2</sup>	78	78	74	74	78	80
Good leadership and employeeship, and satisfied contractors <sup>2</sup>	Motivated employee index		68		64	Measurement not made	75
	Leader index		70		71	Measurement not made	75
	Contractor satisfaction index felling	72		66		77	73
	Contractor satisfaction index forest management	76		66		72	76
	Contractor satisfaction index facility			79		83	
	Contractor satisfaction index logistics			82		82	
Supplier satisfaction index <sup>2</sup>	Supplier satisfaction index	71		70		70	70
Minimum 30% women by 2021	Proportion of women, %	22	24	24	26	27	30
Proportion of employees with non-Swedish background, %		3.3	2.9	3.1	3.9	4.0	5

### A leader in innovation and efficiency (To read more, see page 23)

Indicators	Measurement	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020
Increased efficiency, change <sup>3</sup> , %	Total productivity	-2.5	+6.7	+2.2	-1.0	-2.9	>2.0

Change in profit at constant prices per unit (%).

### Leader in sustainable forestry (To read more, see pages 5 and 17)

Indicators	Measurement	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020
Carbon dioxide emissions should be reduced by at least 30% between 2010 and 2020 <sup>4</sup>	CO <sub>2</sub> emissions in tonnes/delivered thousand m <sup>3</sup> sub	11.8	10.3	10.5	11.5	11.6	10.0
Environmental considerations are taken into account in forestry without major impact	Environmental consideration index	95	95	98	98	97	99

### The most profitable forestry company in the short and long term (See page 37 for more information)

Indicators	Measurement	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Outcome 2020	Target 2020
Dividend yield of at least 4.5% per year	Dividend yield	4.2	4.8	5.4	4.9	2.4	>4.5

The reduction is mainly attributed to the increase in the average operating capital through a change in the accounting method for valuation of forest assets, see page 11.

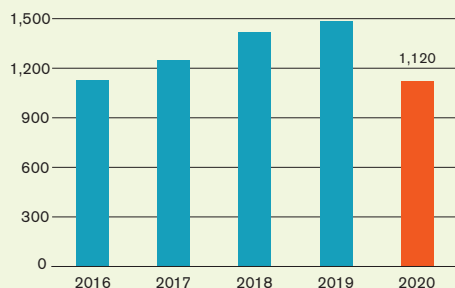
- 1) Measurement takes place every two years.
- 2) The confidence index is an aggregate of employees' confidence in Sveaskog's sustainable forestry and customer, contractor and supplier satisfaction. The employee engagement survey together with the customer, contractor and supplier satisfaction surveys are conducted by external companies on behalf of Sveaskog.
- 3) For measurement, operating profit from continuing operations has been adjusted for non-recurring items.
- 4) In 2010, CO<sub>2</sub> emissions amounted to 14.9 tonnes/delivered thousand m<sup>3</sup>sub.



# Performance measures

## Operating profit from continuing operations 5 years

MSEK



## Performance measures – owner's requirements

Dividend yield, % (goal at least 4.5%)	<b>2.4</b> (4.9)
Net debt/equity ratio, multiple (goal 0.3–0.6)	<b>0.13</b> (0.30)
Dividend, MSEK (goal 65–90%)	<b>850</b> (1,100)

## Other performance measures

Return on operating capital, %	<b>28.2</b> (6.8)
Return on equity, %	<b>26.2</b> (6.7)
Interest coverage ratio, multiple	<b>7.6</b> (11.6)
Equity ratio, %	<b>68</b> (57)
Net interest-bearing liabilities, MSEK	<b>7,613</b> (7,149)
Average number of employees	<b>827</b> (807)
Total delivery volume, thousand m³sub	<b>10,629</b> (10,648)

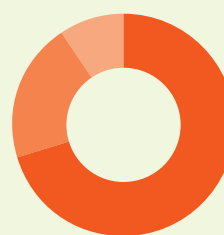
# Forestry in figures

## Sveaskog's forest assets

	2018	2019	2020
Total land area, million ha	3.95	3.90	3.90
Of which productive forest land, million ha	3.07	3.05	3.04
Book value in accordance with IFRS, MSEK	36,122	36,623	82,430
Taxable value, MSEK	58,309	58,294	66,295
All deliveries, thousand m³sub	10,995	10,648	10,629
Deliveries from own forest, thousand m³sub	6,177	6,127	6,248
Timber purchases, thousand m³sub	1,739	1,701	1,706
Central purchases and imports, thousand m³sub	3,079	2,819	2,675
Timber extraction as a proportion of growth on managed land, %	70	69	70

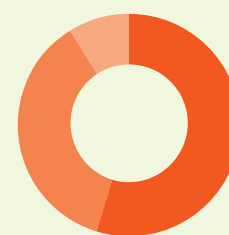
## Breakdown of tree species on Sveaskog's land

### Market area North



■ Pine 70.4%  
■ Spruce 20.3%  
■ Broad-leaved 9.2%

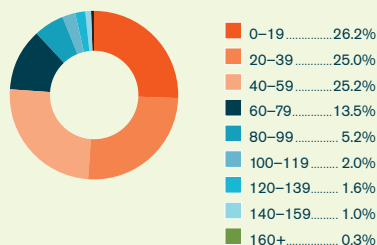
### Market area South



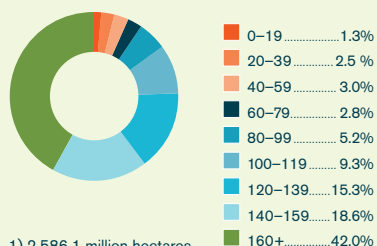
■ Pine 54.9%  
■ Spruce 36.3%  
■ Broad-leaved 8.8%

## Age class distribution of Sveaskog's forest land

### Managed area<sup>1</sup>, %



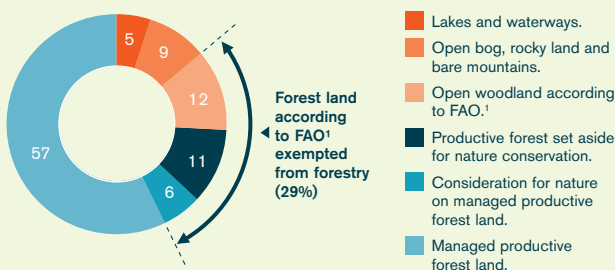
### Unmanaged area<sup>2</sup>, %



1) 2,586.1 million hectares  
2) 0.548 million hectares

## Nature in Sveaskog

Sveaskog's land consists of different parts. The following diagram describes the size of the different parts and how much is excluded from forestry. (In many contexts, Sveaskog states that it sets aside 20% for nature conservation. That is 20% of all productive forest land below the mountains and montane forests. This diagram comprises all land).



1) FAO: Food and Agricultural Organisation, United Nations.



## CEO'S COMMENTS

# A challenging year with a focus on forest resources

2020 was eventful and challenging in many ways. The ongoing coronavirus pandemic, challenging weather with heavy rainfall and waterlogged forest areas, presentation of the forest inquiry and subsequent discussions and debates on all of its various proposals. Clearly, 2020 was a year in which forest resources came under increasing focus. On the whole, I think it is good that we need to have a vigorous and engaged debate on forests and forestry. It is through dialogue and discussion that we can take on the challenges that exist and do our best – in terms of both timber extraction and biodiversity.

## Stable finances

In purely financial terms, Sveaskog is in a stable situation. After a year with an "all-time high" in 2019, our operating profit decreased and ended at MSEK 1,120 (1,483). This decrease was expected, as the prices of our products have been falling gradually since autumn 2019. Production in the Swedish forestry industry, which is our market, continued to perform well during the last period of 2020, especially within the sawmill industry, where good demand in the export markets and rising prices have driven production.

As we have reported previously, as of the fourth quarter of 2020, we are applying a valuation method for the company's forest assets that is based on market data, which is based on forest transactions in the areas where Sveaskog's forests are located. We are therefore following other companies in the industry with regard to the valuation of forest assets. The effect has been that the total value of forest assets has more than doubled, from approximately MSEK 37,000 to approximately MSEK 82,000.

## Effects of the pandemic and the spruce bark beetle

One thing that has affected me and many others within Sveaskog and around the world is, of course, the ongoing coronavirus pandemic that affected us at the beginning of the year. An extremely serious situation that we and everyone else have taken very seriously. The pandemic has caused so much suffering and grief, with many people having lost their lives and even more have lost a close relative or friend. The pandemic has also affected us in Sveaskog in operational terms. Through rapid changes in our timber production, we have managed to create the conditions so that our sawmill customers have not had to lay off anyone, and it is with pride that I confirm

that the support package we introduced to support local contracting companies has had an effect and contributed to them coping well with the economic consequences of the pandemic.

But the year was not only affected by the pandemic, there was also the spruce bark beetle. The final inventory of damage caused by the spruce bark beetle reveals that almost eight million cubic metres of forest were damaged during 2020. This was a record year in Sweden for damage. The infestations gradually moved northwards, and the greatest damage is now to be found in Svealand. Within Sveaskog, we are making a number of urgent efforts to reduce the effects of the damage, and we are also playing a part in the development of various preventive measures.

## Useful discussion about the role of the forest and its resources

During the year, there was increased debate and discussion about Swedish forestry. It is no coincidence that this discussion and debate are increasing just now. With the Forest Inquiry, which was presented during autumn, and its proposed measures, there is every reason to discuss how forestry should be run in the future. I think it is good and important that these issues are discussed. There are challenges that we are aware of and that we need to address in our continued work within Sveaskog.

## Positive follow-ups on our operations

At Sveaskog, we follow up our operations in many different ways. These include continuously measuring how our customers, contractors and timber suppliers perceive us. The results in this year's surveys are consistently high among both customers and felling and silviculture contractors. Overall satisfaction has been influenced and reinforced in important





Per Matses  
President and CEO

areas such as the image of Sveaskog, relationships and collaboration, delivery quality and professionalism. Sveaskog's ability to act fast and assume responsibility during the pandemic has been appreciated and contributed to the favourable results.

We also have the Swedish Forest Agency produce an inventory every year of how we are complying with conservation considerations. The annual inventory of about 300 randomly selected areas shows that 97% (98) of Sveaskog's felling took place without any major environmental impact. Assessed in the calculation were the parameters consideration areas left alone, trees of significant conservation value saved and land damage avoided when felling. This is a good result, one that shows that we show good conservation consideration in our forestry activities.

#### **Sustainable forestry**

My ambition and Sveaskog's ambition is for the company to be a leader in the development of sustainable forestry. This involves, among other things, sustainable and secure deliveries of renewable raw materials to our customers, and contributing to both the 2030 Agenda and to national environmental and climate goals. I will do my utmost to drive our

new strategic direction, where biodiversity is central and primary together with increased forest growth and thereby, in the long term, increased timber harvest. We are now in a phase where this focus will be shaped into concrete action plans, which will then be implemented.

Finally, I would like to say a big thank you to all 800 employees in Sveaskog. I know that you have all done your utmost to ensure that our business is functioning painlessly during this challenging period. You have at all time shown courage, assumed responsibility and been curious. These qualities will be valuable as we now look to the future and begin our journey towards developing our business even more. Many thanks for all your work over the past year!

Stockholm, March 2021

A handwritten signature in blue ink, appearing to read 'Per Matses'.

Per Matses  
President and CEO



# Sveaskog in a sustainable society

- 
- A photograph of two forest workers, a man and a woman, wearing high-visibility black and yellow safety gear. They are kneeling in a field of purple heather, carefully planting a small green sapling. The background shows a forest of tall trees under a cloudy sky.
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# SEK 82 billion

Sveaskog's forest assets are valued at approximately SEK 82 billion.

## Valuation of forest land

**S**veaskog is Sweden's largest forest owner, with forest from northern to southern Sweden. In total, Sveaskog owns 3.9 million hectares of forest land, of which 3.1 million hectares are productive forest land.

As of 31 December 2020, Sveaskog changed the reporting method for valuing the company's forest assets so that the value is based on sales prices in the areas where Sveaskog owns forest assets. The valuation price represents a five-year average (2015-2019) and amounts to approximately SEK 300 per cubic metre of forest. Based on this, Sveaskog's forest assets are valued at approximately SEK 82 billion as of 31 December 2020. This compares with the previously carrying amount of forest assets of approximately SEK 37 billion.

The changed approach to forest valuation in the balance sheet must be viewed against a background of the price of forest land in a number of larger forest land deals showing that the value of larger forest assets per hectare or per cubic metre of forest is generally at the same

level as for smaller or medium-sized forest assets.

In accordance with the IFRS accounting standard and associated regulations, Sveaskog reports in accordance with, among other things, IAS 41 – Biological assets and IAS 16 – Property, plant and equipment, for the valuation of forest assets. In the past, there was uncertainty about the value of forest land in forest transactions, but since 2020 Sveaskog has valued both the biological asset (forest) and the forest land at fair value.

In 2019, some of the major listed forest-owning companies in Sweden made changes to their method and assumptions for valuing the forest with associated land. Sveaskog announced at the end of 2019 that the company will follow the development of any changes to IAS 41 and other regulations for forest valuation among other Swedish forest-owning companies that produce financial statements in accordance with IFRS. With the change implemented as of 31 December 2020, Sveaskog is now following the industry standard that has been established.

Sveaskog's valuation is based on price statistics in different geographical areas.



# Trends and business environment

## The coronavirus pandemic

During the year, the world was hit by a pandemic that has had severe and far-reaching consequences. Sveaskog's operations have on the whole continued without major operational disruptions. We are contributing to the recovery of society by supporting local contractors and by not collecting rent from companies that are dependent on tourism. Read more on page 32.

## Opinion

Forests and forestry arouse a lot of emotions. An occasionally intense debate on different aspects of forestry in general, and Sveaskog's mandate specifically, has been taking place in the media during the year, and this has highlighted many of the challenges that exist in forestry. Sveaskog monitors this debate and strives to continuously respond to the issues that are highlighted.

## Wooden house-building gains ground

The new construction of multi-storey buildings in wood now accounts for a growing market share, with construction technology that is developing rapidly, for example with cross-laminated timber. Building in wood is a climate-smart way of using wood raw material, as the timber stores the carbon that the trees have absorbed over decades in the form of carbon dioxide.

## Spruce bark beetle

For the third summer in a row, forests in southern and central Sweden have been hit by extensive spruce bark beetle infestations. Timber values of significant amounts have been lost. The large volume of forest damaged by the spruce bark beetle has affected the market and sales of wood raw materials. Sveaskog has been actively involved in business solutions for timber damaged by the spruce bark beetle. Read more on pages 29-31.

## The social values of the forest

The major social values of forests are important, in terms of both jobs and recreation. This has been evident not least during a year marked by the coronavirus pandemic. Sveaskog's 37 ecoparks offer environments of high ecological quality for a rich and varied outdoor life, and we support rural development by creating direct jobs for entrepreneurs and indirectly in the forest industry.



The Swedish forest industry is export-oriented. Trends and events in the world at large as well as the global economy affect demand and flows in global markets. Wood raw material is also an important renewable resource and Sveaskog has a key role in the bioeconomic value chain.

1. Spruce bark beetle – a tough pest in the forest
2. The bee is a valuable pollinator
3. Witch's cauldron is a red-listed fungus with special habitat requirements
4. Dress in material made of wood fibres

### Global economy

On a global level, the year has brought major upheavals, including the coronavirus pandemic and Brexit. Sveaskog's customers operate in an international market and the global economy affects our market outlets.

### Politics

At the end of the year, the Forest Inquiry was presented, based on the January agreement between the government and the collaborative parties. Many of the issues in the Forest Inquiry concern Sveaskog, and what is known as the Sveaskog programme is to be implemented in accordance with the January agreement.

### Circular transition

The forest is often presented as the solution to many of the major challenges we face, and we often hear that "anything you can make from oil, you can make from wood". But the forest cannot do it all. In a circular bioeconomy, we use renewable resources instead of finite ones, and wood raw material has an important role to play here – to contribute to sustainable and climate-smart solutions and a circular, bio-based welfare society.

### Nature conservation – biodiversity

Recent years have been characterised by concerns about the loss of biodiversity, globally, within the EU and at a national level. Legislation and regulations such as the Species Protection Ordinance, the EU's Biodiversity Strategy and a new framework for the Convention on Biological Diversity (CBD) aim to reverse this trend. See pages 24-25 for more information about our nature conservation work.

### Digitalisation

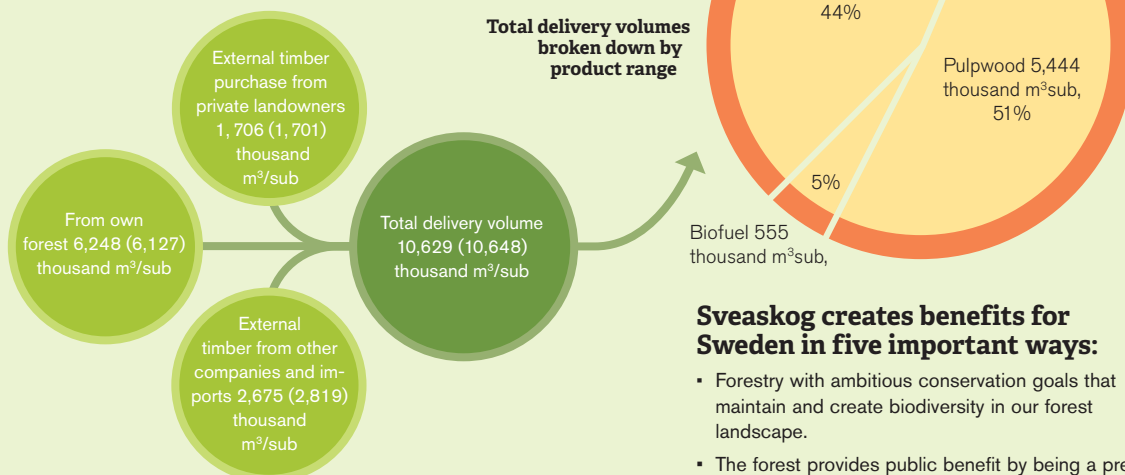
Many large international companies are establishing themselves in Sweden, and as a nation we have taken our place as a key player in the area of digitalisation. Digital technology is also resulting in achievements in the forest. In Sveaskog, for example, drones are being used in forest planning, and trials are being conducted with remotely controlled forest machines.



# Sveaskog's business model

Sveaskog's core business is to use the forest and sell timber and pulpwood, as well as biofuel. Sveaskog also deals in land and develops the forest as a place for fishing, hunting and other outdoor experiences.

## Sveaskog's total deliveries



### Sveaskog creates benefits for Sweden in five important ways:

- Forestry with ambitious conservation goals that maintain and create biodiversity in our forest landscape.
- The forest provides public benefit by being a pre-requisite for jobs and public services in rural areas, while being available for outdoor activities and recreation.
- The forest creates climate benefits partly by binding carbon dioxide, and partly by the fact that what is harvested largely replaces climate-impacting materials. Read more about the forest's climate benefits on pages 16-17.
- One of Sweden's largest suppliers of renewable raw material to the forest industry and heating plants, where customers' products partially replace fossil materials.
- Total dividends of SEK 4.7 billion to the owner, the State, over the past five years, which contributes to the welfare of the country.



**Employees**  
Sveaskog has around 800 employees. Most are employed in forestry and at Svenska Skogsplanter. Most work in rural areas and smaller towns.

**Contractors**  
Sveaskog has contractors who perform work equivalent to 1,600 full-time equivalents per year.

## Forest management

**Planting**  
Sveaskog replants the felled forest with its own forest plants.

**Regeneration felling**  
Regeneration felling involves Sveaskog removing primarily sawlogs and a small proportion of pulpwood.

**Cleaning**  
Cleaning takes place in the young forest. Cleaning involves forest resources being thinned out so that the most suitable trees have the opportunity to grow and develop.

**Thinning**  
Thinning improves the quality of remaining trees. Thinning is done to optimise the timber share, i.e. the part of the timber that can later be used as sawn timber. Timber extracted from thinning is used primarily for pulpwood, but also for timber and bioenergy.

## Customers

**Sawmills**  
Sveaskog supplies sawlogs to some 70 sawmills in Sweden. The sawlogs are refined and used primarily for buildings and furniture.

**Biofuel customers**  
Sveaskog supplies around 50 biofuel customers in Sweden, primarily heating plants and paper and pulp mills.

**Paper & pulp mills**  
Sveaskog supplies pulpwood to some 20 paper and pulp mills that manufacture packaging paper and other paper products.

**Other forest owners**  
Approximately 3,500 forest owners buy forest plants and forest management services from Sveaskog.

**Concessions**  
Sveaskog leases land to hunters, fishermen, nature tourism, wind farms, power lines, etc.

# Long-term focus

During the year, a broad process has been under way to develop Sveaskog's long-term focus for 2020-2026.

More than 100 employees have participated to analyse together in depth both the current situation and our opportunities and challenges in the future. In this work, we have defined our long-term focus – to make a positional shift that is imbued with Sveaskog's equal ambitions for: 1) active forest management that results in sustainable, high forest growth with high future timber yields that enable increased timber deliveries to customers, and 2) active conservation work to increase the ecological values of our land and guarantee abundant biodiversity. Within the framework of this positional shift, Sveaskog also intends to develop the benefits of the forest landscape in addition to the production of renewable raw material. Sveaskog's forests shall be attractive and as far as possible functional for reindeer husbandry, hunting and fishing, recreation, nature tourism and the harvesting of berries and mushrooms.

This shall contribute to Sweden's national environmental goals and the 2030 Agenda, taking into account the high social values generated by the forest and Sveaskog.



## The 2030 Agenda

Sveaskog's activities and value creation contribute to the 17 sustainability goals of the UN 2030 Agenda for Sustainable Development. According to the government's action plan for the 2030 Agenda, Sweden should be a leader in the implementation of the agenda with a transition both at home and in the global system. Sveaskog works actively to achieve the goals and

has mapped out the goals where we can contribute in the most relevant way. Sveaskog has also carried out an analysis, Integrated Profit and Loss, of the company's value creation and the added value generated by the business and forest assets. Read more on pages 26-27.

### Five goals where Sveaskog makes a clear contribution



#### Goal 13: Combat climate change

The forest absorbs carbon dioxide, and standing timber absorbs most of it. Sveaskog defines goals and action plans to reduce its own carbon emissions. Relevant target 13.2. "Integrate climate change measures into policy and planning". See pages 16-17 for more information about the forest and climate.



#### Goal 15: Ecosystems and biodiversity

Sveaskog's goal is to combine profitable forestry with ambitious nature conservation work to reduce the negative impact of forestry on ecosystems. Relevant target 15.2. "Promote sustainable forest forestry, halt deforestation and restore degraded forests". See pages 24-25 for more information about our nature conservation work.



#### Goal 5: Achieve gender equality and the empowerment of all women and girls

With increased gender equality and diversity, the recruitment base is broadened and future skills provision improved. Relevant target 5.5. "Ensure full participation of women in leadership and decision-making". See page 33 for more information about our work on gender equality and diversity.



#### Goal 7: Sustainable energy for all

Sveaskog produces biofuel that provides renewable energy from the forest, grants concessions for renewable electricity generation in the form of wind power and is an active contributor to the production of pine oil-based diesel, which is a component of renewable diesel. Relevant target 7.2. "Increase the share of renewable energy in the world". See page 21 for more information about our biofuel range.



#### Goal 8: Decent work and economic growth

Sveaskog's activities contribute to a living countryside and economic growth outside the big cities. The skills of contractors are important for Sveaskog's ability to create efficient processes and satisfied customers. Relevant target 8.8. "Protect labour rights and promote a safe and secure working environment for all".

We also contribute through our operations, our renewable forest raw material and our business to Goal 9: Sustainable industry, innovation and infrastructure, Goal 11: Sustainable cities and communities. Goal 12: Responsible consumption and production.



# The forest's climate benefits

The world is facing a major challenge in limiting climate change. A growing population will need consumer products that are produced sustainably, consumption must be made more efficient and fossil dependence reduced. Forests are expected to contribute to this green transition.

The forestry sector is already providing a major climate benefit, but in order to further contribute to the Paris Agreement, contributions from forests need to increase. Increased climate benefits compared with today create the necessary additionality to achieve the climate goals. It is a question of taking measures that both have immediate impact and work in the short and longer term, while taking into account other important environmental objectives such as the conservation of biodiversity. In the short term, we will remain fossil-dependent, but the forest can be used there to counteract the negative impact caused by the use of fossil resources. In both the short and long term, we must increase the forest's contribution to a growing bioeconomy and thus phase out our fossil dependence.

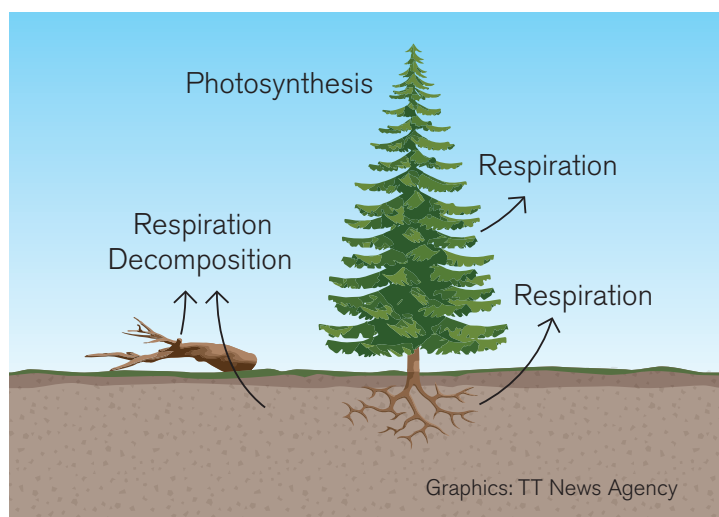
Sveaskog will set new ambitious climate goals for 2030 in order to clarify our contribution to the transition to a climate-neutral economy.

## New climate goals in in-house operations

Sveaskog's climate goals from 2010 expired in 2020. By such means as an increased use of renewable fuels, streamlined transport logistics and the replacement of all oil-fired boilers by pellet-fired boilers to heat Svenska Skogsplantor's greenhouses, we managed to reduce our climate impact. We did not, however, manage to achieve our stated goals in full. In order to limit global warming to 1.5 degrees in accordance with the Paris Agreement, climate action needs to be further intensified, and we are raising our ambitions for 2030.

*A new climate goal will be developed in 2021, including a climate adaptation policy and milestones for 2026.*

Uptake and emissions of carbon dioxide into the forest.



## New climate goals in the forest

The forest contributes to climate work in two ways. Through its growth, the forest can absorb carbon dioxide that is already in the atmosphere and store it in biomass. This allows the forest to compensate for emissions in other sectors of society. The forest's growth can also be transformed into renewable forest products that can replace fossil products and concrete. This reduces the supply of carbon dioxide to the atmospheric cycle. Sveaskog is increasing its forest management ambitions on land that is used for timber production. By actively working simultaneously to limit damage caused by game grazing and other damage in the forest, we estimate that growth in our forests will increase over the next thirty years. This means that the overall climate benefit of our business may increase further, and with it our contribution to the achievement of society's climate goals.

## We discourage emissions in other sectors of society

During the year, stocks of standing timber increased by a net 5.2 million cubic metres of forest. As each cubic metre of live biomass corresponds to 1,375 tonnes of CO<sub>2</sub>-equivalents<sup>1</sup>, this means that just over 7 million tonnes of CO<sub>2</sub> have been stored in a growing stock of standing timber. Added to this is the increase in the stock of soil carbon that occurs and corresponds to approximately 0,3 tonnes of carbon dioxide equivalents per hectare<sup>2</sup>, which corresponds to an increase in stock of almost 1 million tonnes of CO<sub>2</sub>e in soil carbon. In total, just over 8 million tonnes of carbon dioxide equivalents were stored in living tree biomass and land during the year.

## We replace fossil-based products

There are different definitions of the substitution factor. Sveaskog has chosen to present calculations for the range of 470–880 kg<sup>3</sup> in emissions avoided per forest cubic metre harvested. During the year, felling totalled approximately 8 million forest cubic metres, which corresponds to 3–7 million tonnes of carbon dioxide emissions being avoided, thanks to it being possible for products from Sveaskog's felling to replace equivalent fossil products. Read more in Note S20.

## Climate adaptation

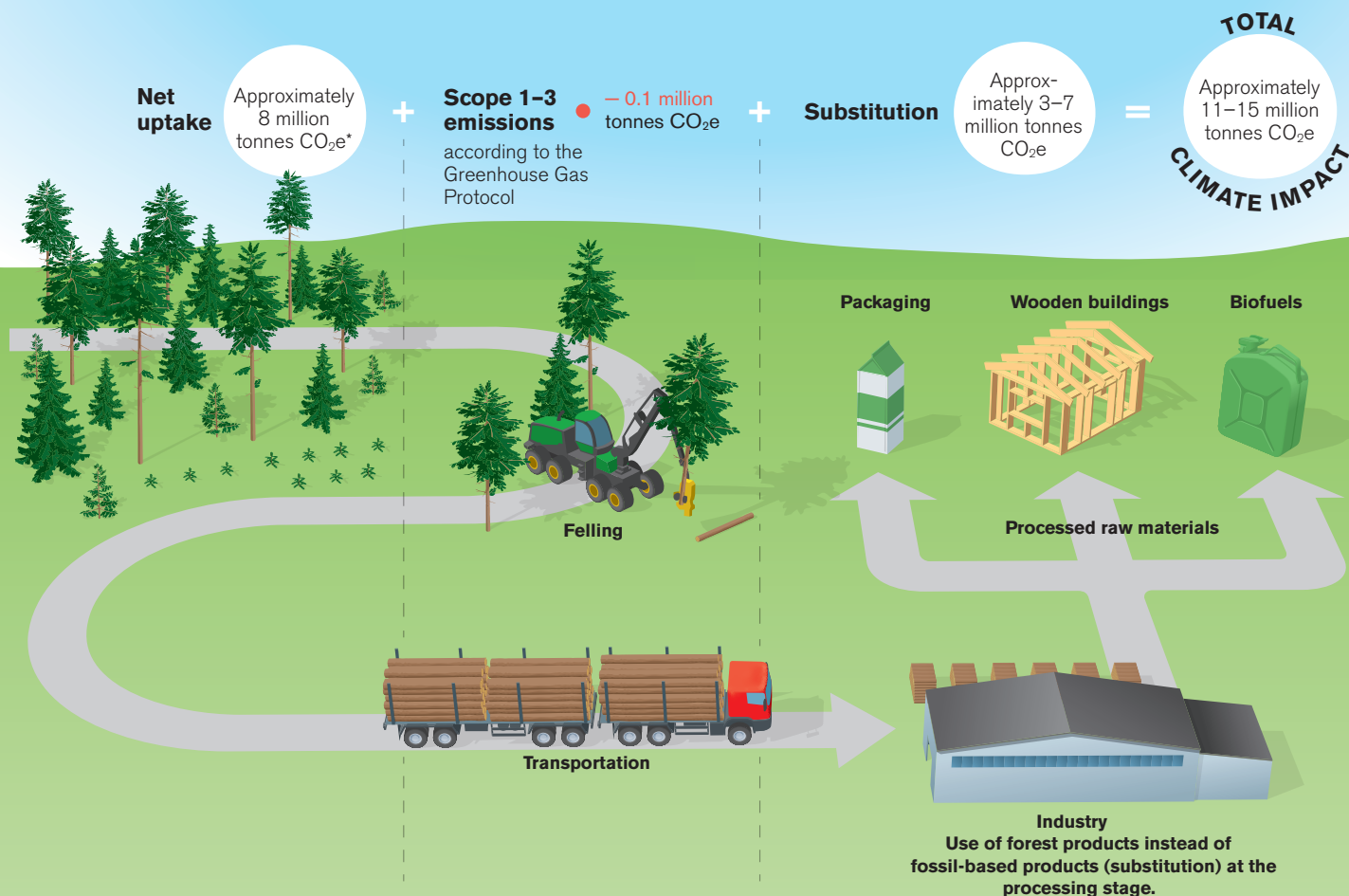
A changing climate can bring both threats and opportunities for the forest, which means that forest management must always be adapted to new

1) Näslund 1947, Marklund 1988, Sandström et al 2007

2) Nilsson et al 2015

3) Based on Lundmark et al (2014) and Holmgren & Kolar (2019)

# Sveaskog's climate impact in the value chain



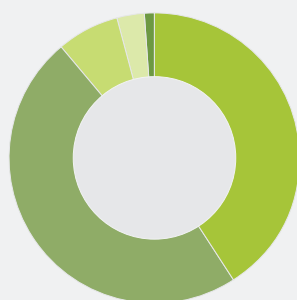
\*Ekvivalents

Graphics: TT Nyhetsbyrån

Sveaskog's forests grow annually by more than we harvest. This means that the climate benefit in the form of the stock of bound carbon in the standing forest is constantly increasing, corresponding to a net uptake of approximately 8 million tonnes of CO<sub>2</sub>e. Annual emissions from Sveaskog's operations amount to just over 0.1 million tonnes of CO<sub>2</sub>e, primarily from felling and transporting timber to customers. At the same time, the forest raw material that we harvest in our own forest contributes to reducing our fossil dependence by the equivalent of 3-7 million tonnes of carbon dioxide. Sveaskog's total climate impact is thus estimated at 11-15 million tonnes of carbon dioxide.

conditions. A warmer climate causes longer growing seasons, which can result in higher growth. At the same time, the risks of drought, fires, storm felling and various pests are increasing. It is fundamental to Sveaskog's sustainability as a company that we have vital, productive and resilient forests. The plants we plant today lay the foundation for the forests we will harvest in 60-100 years, and well-landscaped and managed forests provide scope to increase the contribution to climate work in the future.

Sveaskog has taken a number of measures to be able to better respond to a changing climate, such as new thinning procedures to reduce the risk of storm felling, better location adaptation, adaptations in breeding programmes, extensive work on fire prevention, stump treatment, more efficient work to counteract insect infestations, e.g. from spruce bark beetles, and wetland restoration. The continuous further development of work on the climate adaptation of our forests is a high priority.



## Total emissions in 2020, tonnes of CO<sub>2</sub>e

- Forestry and felling: 41,200
- Transport activities: 69,700
- Road construction: 9,100
- Electricity and heating: 600
- Travel: 2,300

Total CO<sub>2</sub>e footprint: **122,800 (+1 %)**

During the year, Sveaskog's operations generated carbon dioxide emissions of 122,800 tonnes, which means that the company has reduced emissions by 22.1% compared to 2010, relating to the unit volume delivered. Read more in Note S6. One contributory factor to our failure to achieve our emissions goal of a 30% reduction is primarily inadequate supplies of bio-based fuels.



# Stakeholders and materiality assessment

With its large forest holdings, Sveaskog has a business that affects many stakeholder groups. As part of our sustainability work, we conduct a dialogue with key stakeholders, and their opinions form the basis of our materiality analysis, which identifies our most important sustainability issues.

## How our stakeholder dialogues work

We communicate regularly with stakeholder groups in various forms, for example through consultation with the local community when planning our operational activities, but also in discussions about sustainability in business discussions with our customers.

” Views expressed by stakeholders included broad agreement on Sveaskog's role as an example, the importance of measuring and developing follow-up on biodiversity, the climate issue and transparent communication.

We also have a dialogue with environmental organisations about our conservation work and knowledge-enhancing discussions with the field of research and academia. In our dialogues, we encounter many different

perceptions about how the forest should be used and consumed, opinions that often differ. Views of Sveaskog's priorities are also perceived differently. Every stakeholder is important, but we cannot meet everyone's wishes without trade-offs, and prioritisations have to be made. Sveaskog strives to achieve a balance between different interests.

In 2020, there were 267 formal meetings with Sami villages, county administrative boards, the

Swedish Forest Agency and other authorities. The number the year before was 271. In autumn 2020, a series of virtual round table discussions were arranged with a total of approximately 30 representatives of different stakeholder groups, under the leadership of an external party. These discussions focused on issues linked to Sveaskog's ambition to achieve increased value creation in the areas of growth, production and biodiversity.

Views expressed by stakeholders included broad agreement on Sveaskog's role as an example, the importance of measuring and developing follow-up on biodiversity, climate adaptation and transparent communication.

*A summary of important issues for each stakeholder group can be found in Note S4.*

During the autumn of 2020, we also conducted targeted index measurements and interviews with stakeholder groups such as suppliers, customers and contractors, who are directly involved in or affected by our core business – forestry. Just over 400 responses were received in total. The evaluation of Sveaskog's performance in business relations and sustainability, which is performed every two years, forms the basis of our improvement work.

Annual statutory consultations are conducted with representatives of the reindeer industry. These aim to find common solutions for how the land is used in their area. See more at [sveaskog.se](https://sveaskog.se).

## How consultation with the local community can take place

Those who plan our felling activities have clear guidelines on how to take outdoor activities and recreation into consideration in felling. Separate dialogues about forest plans are conducted with relevant stakeholders, such as municipalities, private individuals, non-profit associations such as community associations, sports clubs or nature tourism entrepreneurs. After identifying the relevant parties, we inform them about planned actions and invite them to meet with us for discussion. If a large number of stakeholders are involved, we refer to it as consultation. In order to ensure that the outcome corresponds to what was agreed by us and our stakeholders, the person who conducted the dialogue is responsible for the design of the plan and follow-up on its execution. Possible measures to give more consideration to forests for outdoor activities and rest areas may include selective felling methods, mosaic felling, different types of screens, shared felling on time and avoiding vehicle damage.



### Materiality assessment

Sveaskog's most important issues from a sustainability perspective are compiled in a materiality assessment, which is revised annually. These are the issues that have the greatest impact on Sveaskog, but also issues that Sveaskog as a company is able to influence. Our most important stakeholders are identified based on their interest and impact on Sveaskog, as well as the significant impact on them as a result of our operations. This year's update of the materiality

assessment is based on the 2020 digital stakeholder dialogue, the targeted index measurements, the company's external analysis and management's strategic priorities.

The areas that rank highest in the balance between Sveaskog's priorities and the stakeholder dialogues are increased biodiversity, alongside sustainable forestry and climate-related aspects. Collaboration with research and academia is also ranked highly, as are innovation and development.

## Materiality assessment





# How we create value



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- 33 An inclusive and developmental workplace
- 34 Meet some of our employees



# Our operations

Sveaskog uses the forest with an ambition to balance economic, ecological and social interests. Our forests are certified in accordance with the Swedish FSC® and PEFC standard, and we also require certification of all imported timber. This means that Sveaskog's customers can be guaranteed a responsible and sustainable product, all the way from forest to consumer.

Licence number: FSC-C008344, PEFC/05-23-239

## Our product ranges

### Sawlogs

Sveaskog offers a wide range of sawlogs in order to meet customers' requirements. These involve different volumes, tree species, qualities and dimensions. In order to meet customers' needs, Sveaskog can supplement the timber from its own forests with externally purchased volumes. The trend is moving towards increased specialisation in the sawmills, which requires Sveaskog to constantly improve delivery precision. The work involves using new digital technology to carry out forest inventories in order to ensure that the right product from the tree is received by the right customer. This requires a good dialogue and cooperation, not only with customers and the company's own internal working groups, but also with contractors and transport companies. Sveaskog supplies more than half of the sawmills in Sweden, which produce more than 10,000 m³ of sawn timber per year. There are around 130 such sawmills, and some 70 of them are Sveaskog's customers.

### Pulpwood

Pulpwood is those parts of the tree that cannot be used by the sawmills, for example

because they do not have the right dimension and quality. Pulpwood is produced both during thinning and final felling, and is supplemented with purchases from other forest owners and imports, as well as with cellulose chips from our own sawmill customers. We have around 20 pulpwood customers in Sweden. Our customers manufacture paper pulp, paper and board that are exported or used in Sweden. The pulp is also used in hygiene products such as nappies, household paper and toilet paper. Pulpwood from Swedish forests has qualities that make it particularly good for packaging with strict requirements, such as cartons for milk and juice. Sveaskog's strength is that we have long experience of working together with pulpwood customers, and the focus in recent years has been on developing goods logistics together with them. Sveaskog also has the advantage of being able to offer a wide range of fresh pulpwood and sawmill chips.

### Svenska Skogsplantor

The Svenska Skogsplantor business area has a growing capacity of approximately 140 million forest plants per year, which corresponds to around one third of what is planted in total



During the year, extensive investments in machine lines and an environmental initiative in heating greenhouses using biofuel have been completed in several of our nurseries.

in Sweden each year. Svenska Skogsplantor offers not only forest seed and processed plants, but also regeneration services: planting, ground preparation, protective treatments and growth controls. Well-executed regeneration with high-quality growing material lays the best foundation for tomorrow's forests. Forests that generate high growth and contribute to the carbon dioxide sequestration that is important for the climate. Forests that are valuable for biodiversity and that create value for future generations.

During the year, extensive investments in machine lines and heating greenhouses using biofuel have been completed in several of our nurseries.



### Biofuel

Sveaskog's biofuel consists of branches and tree tops. From a climate perspective, biofuel is good because the carbon dioxide emitted during combustion is an amount equal to what the trees absorb while growing. There is no net supply of carbon dioxide, as is the case with the combustion of fuels based on fossil raw materials. Biofuel harvesting is a natural part of sustainable forestry and takes place with major consideration of environmental and cultural factors, partly on the basis of FSC® certification. As a consequence of the high transport costs, the biofuel market is regional and local. Sveaskog has around 50 customers, mainly heating plants, combined heating and power plants and paper and pulp mills.





## Hunting, fishing and nature experiences

Just over 25,000 hunters go hunting on Sveaskog's land every year. Sveaskog's hunting grounds cover approximately 4.1 million hectares across the country. Sveaskog holds the hunting rights on its land and grants parts of this right to hunting teams, clubs, nature tourism entrepreneurs, associations and private individuals. In total, Sveaskog issues around 2,500 hunting agreements. Hunting on Sveaskog's land is an important tool in maintaining the balance in game populations. Sveaskog has a good collaboration with its hunting teams and hunters. As a hunting team, signing an agreement with Sveaskog means having access to wonderful land and being able to experience the beauty of nature, excitement and camaraderie. It also means that the hunting team must follow the guidelines that are part of the agreement we have agreed on.

### Sveaskog supports a new generation of hunters

The average age among hunter corps is high, and there is a strong desire to attract more young people. In recent years, Sveaskog has carried out several different projects to increase interest in hunting among young people. Young people who want to hunt are given priority on Sveaskog's land. Initiatives include a 40% on the fee for hunting rights and, when applicable, also on the felling fee, until the year in which you reach the age of 25.

Sveaskog offers training hunts at several places around Sweden, and tries to make room for young people with an interest in one of the hunting teams that hunt on Sveaskog's land.

### Fisheries management for sustainable fishing and preservation of biodiversity

Sveaskog promotes the sustainable development of fisheries and for protecting the habitat so that biodiversity is preserved. We strive to ensure that all fishing on Sveaskog's land takes place in a biological and ethical manner, so that conditions are maintained for the development of naturally reproducing fish stocks. Some of the income from our commercial products is used for fisheries conservation measures, such as improving spawning grounds, clearing migratory barriers,

introducing appropriate fishing rules and supervision. They aim to create the conditions for long-term and sustainable fishing.

At Mörrums Kronolaxfiske, fisheries management and ground-breaking research are carried out to preserve and develop the Mörrumsån river's salmon and trout stocks.

### Boom in fishing during the coronavirus pandemic

After a tentative start to the season in March and April, fishing in the Mörrumsån river exploded completely. What gave a boost to the season was the catching of the first salmon on 30 April. During the spring, fishing tourists flocked to Mörrums Kronolaxfiske, and despite the coronavirus pandemic it was a record-breaking year for the number of fishing licences sold and the number of salmon landed.



## Digitalisation and innovation

### IT technology and digitalisation

Digitalisation in the forest industry paves the way for totally new ways of working and is necessary for Sveaskog to develop its deliveries to customers and to enhance both its own and its customers' competitiveness. Digitalisation is also important in order to increase the ability to forecast what is actually in Sveaskog's forest holdings and make predictions about what we will be able to produce from different time perspectives.

Sveaskog sees great potential in the digitalisation of the forest industry, and we aim to broaden our knowledge base in the area of IT. In 2020, we had a collaboration with Umeå University in which we participated with a so-called live case on a course in digital strategy. One of the students was offered a work placement in autumn 2020.

### Innovation of the future from the forest

Sveaskog was a partner of the global innovation competition for the environment, "What wood you do", in 2020. Fifty submissions were received from ten countries. Among all the innovative business ideas, six finalists were finally selected – young companies with exciting competition entries to accelerate the transition to the fossil-free society.

The winner was Arboair in Linköping, which offers forest owners assistance in finding out whether they have spruce bark beetle infestations in their forest. They use a 4K camera, a high-resolution video camera and an IR camera connected to a drone that can detect infected or stressed trees.

"What wood you do" is organised by Paper Province, a world-leading cluster company in forest-based bioeconomy, which is owned and run by just over 100 member companies and is based in Karlstad.



### Tailwind for wind power

Sveaskog leases land to planners and energy companies for the creation of wind farms. 50 new wind farms were taken into use during the year. So far, nearly 450 wind turbines have been built with leasehold rights on our land. The wind farms have a total installed output of approximately 1270 MW and production of approximately 3.8 TWh of electricity/year. Interest in running wind power projects and leasing land for wind power expansion remains high all over the country.



### Testing remote-controlled forwarders

As part of the ongoing automation of Swedish forestry, Sveaskog is involved in the exciting development of driverless and remote-controlled forwarders, with tests conducted during the third quarter of 2020. The working environment will be improved for many machine operators, as remote-controlled operation will eliminate full-body vibrations.

The project is part of a technical development project that aims to develop forestry machines to meet the future need for fossil-free products and solutions. The project is funded by Vinnova and the

forest industry, and is a collaboration between several universities and companies, including Sveaskog.

Sveaskog also aims to focus more on digitalisation and innovation in its business and the total value chain, and in order to be proactive in that development, there will be a focus on developing and improving core and support processes, as well as driving the development of Sveaskog's business model towards a digital and seamless flow, from plant to customer delivery.





Bark-stripping\* of pine, Hornsö ecopark

## How we look after forests with high conservation values

Every year, Sveaskog undertakes a number of initiatives to protect the conservation values of the forest and biodiversity. In addition to our ecoparks, we also create nature conservation forests and show consideration for nature in the productive forest.

**O**ne important measure to create effective conservation work is to set aside forests with high conservation values to promote biodiversity. Sveaskog has set aside 15% of its productive forest land holdings, corresponding to almost 460,000 hectares. Regarding the age of the forests that have been set aside, 85% are 100 years old or more.

When we carry out work in a forest, such as regeneration felling, we also leave spaces. These so-called consideration areas are usually much smaller than the forests set aside. Sveaskog currently leaves about 6,000 hectares of consideration

areas every year. Some already have high conservation values in the form of habitats requiring consideration, such as natural forest residues, rock and scree, swamp forests and spring-affected land. Others have no conservation values at present, but will develop them over time. These consideration areas will be important for the forest landscape of the future, as they contribute ecological values in the productive forests.

Other types of land that are of great importance for biodiversity are so-called impediments, such as marshes, mosses and rocky outcrops. They are

\* Bark-stripping involves causing deliberate damage to the tree trunk in order to enhance the tree's future value for biodiversity.





Burning for nature conservation purposes.

already exempted from forestry. Tree-bearing impediments are particularly important for forest's biodiversity, and Sveaskog has just over half a million hectares of tree-bearing impediments on its land holdings.

#### How ecological quality is created

Another conservation measure is to make sure that the land retains or even acquires higher conservation value. This can be achieved through nature conservation. Put briefly, it is about mimicking natural processes that used to be common in our forest landscape, such as fires or floods. Many species in the forest depend on the environments created by a forest fire. We can use conservation burning to burn an individual forest by planning and taking the necessary safety measures. Another measure is to block ditches, causing a forest to flood. Just like in a natural landscape, all coniferous trees will then die and instead a deciduous forest will emerge, which benefits, among others, insects and birds.

Conservation management measures can also involve creating low-grade high stumps of birch in consideration areas, where forest birds can create new nests, or to "damage" a number of pine trees at the edge of forest impediments to create, in due course, so-called silver pines. A third example is to

completely recreate wetlands on land that has previously been drained.

#### How we create ecological functionality

Just as important as setting aside small areas of land is to link them together with each other. An area containing both high conservation values and endangered species might be too far away from other similar areas. The distance can prevent the species from moving away from there, but also prevent species from getting there. By planning where in the landscape different areas are needed, these can be interconnected and utilised more efficiently by the species in the landscape. This is called making the landscape more ecologically functional.

#### How the impact of conservation work is evaluated

One prerequisite for more effective conservation work is that we follow up on the conservation measures that are undertaken. It is by following up on measures that we learn to carry out our conservation measures even better and thereby achieve a greater impact with them.

Since 2009, Sveaskog has been running Effect 20, a project aimed at evaluating the overall impact of conservation measures in a landscape. With the aid of regular inventories of birds and wood-dwelling insects in six of our ecoparks with adjacent reference landscapes, we will be able to demonstrate how biodiversity is affected by our conservation work.

Read more about Effect 20 at [Sveaskog.se](https://www.sveaskog.se)

At least half of the area in an ecopark is set aside for conservation. In a nature conservation forest, the entire area is set aside for nature conservation in accordance with a method developed in dialogue with researchers, government agencies and non-profit organisations.

In our productive forests, we set aside between 5% and 40% of the area for conservation considerations. The average for 2020 was 14%. Read more about our conservation areas in Note S5.



Storveland wetlands, Hornslandet ecopark

## Ecoparks

An ecopark is a large, contiguous landscape with high conservation ambitions and opportunities for recreation. This is where we combine both nature conservation and forestry. Sveaskog currently has 37 ecoparks around Sweden with an average size of 50 square kilometres.

#### Find out more at:

[www.sveaskog.se/skog-och-virke/miljo--och-naturvard/vara-ekoparker/](https://www.sveaskog.se/skog-och-virke/miljo--och-naturvard/vara-ekoparker/)



# All the values of the forest in a sustainable

## Hidden added value in the value chain

In a value chain from forest to customer, value is created from in-house operations – running forestry activities and trading in wood raw materials – and when the company's sales generate a financial gain. But through forest ownership and forest management, other values are also created that are important to society. Sveaskog uses the IP&L method, see fact box below, to measure and account for hidden values, or “capital”, that exist but have not previously been measured, such as recreation. Sveaskog's standing timber also binds large amounts of carbon dioxide and has a regulatory effect on the water cycle.

### Responsible purchasing

Responsible purchasing and selection of serious suppliers is an important part of a sustainable value chain. We make sure that services are performed well through a service declaration with specific requirements for our contractors and through field checks. Our contractors' operations contribute to a living countryside through jobs and infrastructure support in the local community.

### Natural capital - Carbon sequestration

Our standing timber binds carbon dioxide and products from wood raw material can be used to replace materials from fossil sources. In this way, the forest is used as an important piece of the puzzle in the climate challenge. The more the forest grows, the greater the carbon dioxide uptake. Read more about the forest's climate benefits on pages 16-17.

### Human capital

Sveaskog generates value for its employees via such things as training, skills development, wellness initiatives and pension provisions. Values that belong to the individual and are not visible in the income statement.

### Natural capital – biodiversity

Measuring the value of biodiversity is important, but also complex and long-term. There is currently no standardised method, although there are many actors working in this area.

### Social capital

Our network of forest roads makes forests accessible to the public – for recreation and outdoor activities. Our forest roads also facilitate rapid responses in emergencies, for example, firefighting – which is of great value for society. Social capital includes the value of activities such as hunting, fishing, berry picking and recreation on our land.

### Multidimensional value creation <IP&L>

The <IP&L>TM evaluation model involves holistic and integrated evaluation in monetary terms of the company's impact and value creation through four different types of capital. The four types of capital are Financial, Social, Human and Natural Capital, and the result is an illustration of the company's overall positive and negative impact. The values in the chart are based on data from 2016, apart from financial capital, which is the figure from 2020. The analysis is described in further detail in Note S2.

### Breakdown of deliveries from own forest

54%	41%	5%
Sawlogs 3,395 thousand m <sup>3</sup> sub	Pulpwood 2,585 thousand m <sup>3</sup> sub	Biofuel 268 thousand m <sup>3</sup> sub

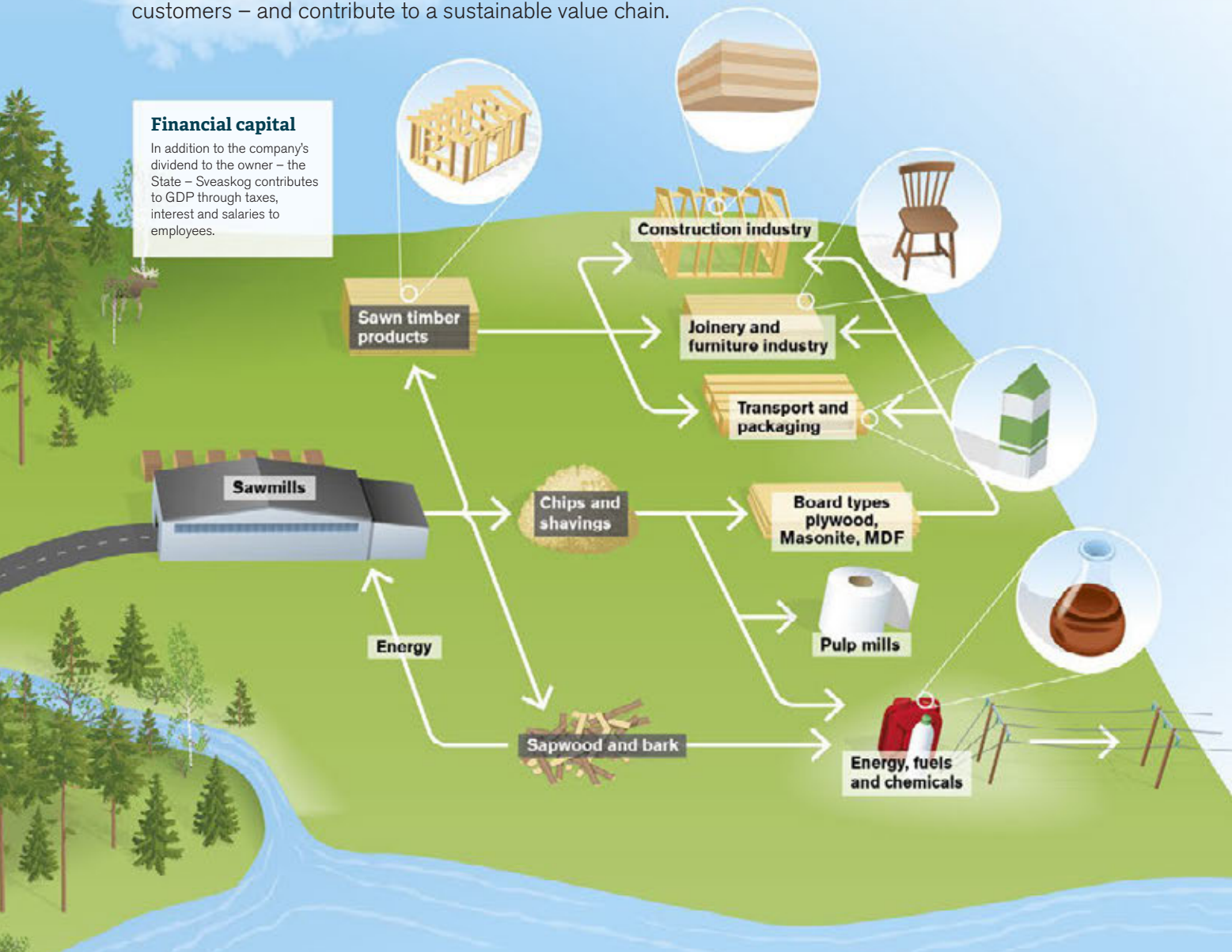
**6,248**  
thousand m<sup>3</sup>sub  
total volume



# value chain

## The financial values of the value chain

The renewable raw material from the forest is processed by our customers. Primarily sawlogs, which are the most valuable part of the tree. Other parts of the tree are used in the pulp and paper industry, while residues from forestry and from the forest industry are further processed into biofuels, chemicals and new innovative materials and uses. The whole tree is thus used for various purposes. In our role as a sustainable supplier of wood raw material, we make sure that we meet the demands of our customers' customers – and contribute to a sustainable value chain.



**Financial capital**  
In addition to the company's dividend to the owner – the State – Sveaskog contributes to GDP through taxes, interest and salaries to employees.

**Natural capital - water management**  
A properly managed forest has a very important role in the water cycle by absorbing precipitation via the water-retention properties of the forest land, thus contributing to the formation of ground-water.



1) Figure for 2020.



” We have pushed the boundaries of how to do business with timber. And we have done it together with our customers.



# Change breeds success

In a changing market, which has been affected over the past year by a global pandemic and an increase in spruce bark beetle infestations, it is important to be able to change quickly to identify new business opportunities.

**S**veaskog is an independent actor in the timber market with a total of 130 customers, mainly in Sweden. We aim to enhance our position with a long-term increase in sales volumes. With good customer relations, a professional, responsible organisation and a strong brand, Sveaskog shall be the leading actor and be perceived as a long-term, reliable and developmental business partner. Rarely has it been as clear what this means in practice as it was in 2020.

"We have pushed the boundaries of how to do business with timber in a number of areas. And we've done this together with our customers, which shows that we have a high degree of trust and understanding of each other's circumstances and needs," says Patrick Bäckström, Head of Market in Sveaskog's Market Area North.

## Digital integration between Sveaskog and its customers

Through digital integration, Sveaskog connects its own operations with those of its customers on a totally new level. One example is the collaboration with the sawmill company Setra and their plant in Malå.

"Sveaskog and Setra continuously share information that we obtain from the quality-assured harvests. It makes it easier for the product and delivery planners at Malåsågen when it's possible to identify the key products even as they are being felled in the forest. Sveaskog also gets better supporting data for decisions, which enables us to develop as a supplier," says Patrick Bäckström.

Development work for increased digital integration also takes place in collaboration with Setra's plant in Hasselfors, to which Sveaskog is a significant supplier of spruce timber. Setra Hasselfors recently invested MSEK 300 in a new adjusting plant with a planing mill for the US market.

"When you move into new market, you have to be quick on your feet and able to adapt your products to current demand, and that puts demands on us to

deliver exactly the logs required for them," says Roger Johansson, Head of Market in Sveaskog's Market Area South.

By extending the planning horizon for the production planner on the saw, so that it includes not only the raw material delivered, but also the trees recently felled, great benefits are achieved.

"By the same token we'll receive feedback from the saw that can be passed on to the machine operator, so that we keep track of how the order is being fulfilled. New information helps us further increase precision. This creates value at all stages," says Roger Johansson.

## Enhanced internal collaboration through new business model

The wood raw material that Sveaskog sells to customers comes from its own forest, as well as via imports or supplementary purchases from forest companies and private forest owners. A new business model of a long-term strategically important nature was created when Sveaskog signed an agreement with Gysinge Skog. The agreement came into force on 1 January 2020 and means that Sveaskog performs services for Gysinge throughout the value chain; felling, reforestation via Sveaskog's Svenska Skogsplantor business area, forest management, young forest management, road measures and sales of timber, pulpwood and biofuel.

The partnership is characterised by high ambitions in terms of sustainability and a long-term approach, which is a prerequisite for both parties, believes Roger Johansson. But there is another dimension of value creation:

"We have a very good dialogue. Gysinge Skog and Sveaskog sometimes

Digitalisation enables the forest to be utilised more efficiently.





have different views on the details of forestry, but we always reach a consensus. This has made us at Sveaskog sharper in a number of areas, something we will benefit from in our other procurement activities. These include improvements to IT tools, and even closer collaboration internally in Sveaskog between felling and forest management."

Close business relationships that are characterised by a high level of openness can put their finger on areas for improvement that have not been identified before, and the development that takes place based on that paves the way for new business opportunities going forward.

"We'd like to be able to make it easier for our business partners to achieve their sustainability goals. It's becoming increasingly important for both our customers and the customers' customers that we are a sustainable supplier," says Roger Johansson.

“Since the end of 2020, we’ve been supplying bark beetle-damaged wood to the Domsjö pulp mill in Örnsköldsvik. It’s great that a factory outside bark beetle-affected areas is interested in bringing in this timber and makes a good deal out of it!”



Roger Johansson is Head of Market in Sveaskog's Market Area South. Southern Sweden has been hard hit by spruce bark beetle infestations.

### Customers create good business out of bark beetle-damaged wood

In the wake of the spruce bark beetle, in the summer of 2020 the Swedish Forest Agency was already warning of losses worth billions of Swedish kronor for forest owners in the southern half of the country. Damage to forests spread further northwards during the year compared to 2019. Västmanland, Södermanland and Örebro counties were particularly hard hit. At the same time, the industry became better at meeting the challenges. Roger Johansson describes how Sveaskog was quick to harvest and make use of the timber, resulting in major timber values being saved:

"Every little part of the chain knows what has to be done, and we work together we're successful. We moved quickly on the market side. Since Storm Alfri-da in Uppland a few years ago, we've established business contacts that facilitate exports to countries such as Germany and Finland. This enabled us to deliver bark beetle timber on an unprecedented scale – all the way from Köping, which is all the way in by Lake Mälaren, to name just one example," says Roger Johansson.

The new normal has become that a lot goes for export. Both Sveaskog and its customers are getting better at creating different kinds of values from damaged forest.

"Since the end of 2020, we've been supplying bark beetle-damaged wood to the Domsjö pulp mill in Örnsköldsvik. It's great that a factory outside bark beetle-affected areas is interested in bringing in this timber and makes a good deal out of it!"

The wood becomes, among other things, dissolving pulp, a raw material for viscose production, which takes place in India. The mill is owned by the Aditya Birla Group, which has a base in the Indian textile industry.

"Birla has established itself in Sweden to secure cost-efficient raw materials for its production. We already had deliveries there from northern Sweden, but also found each other in the solution around the bark beetle-damaged wood, which they realised could be used in the manufacturing of clothes," says Patrick Bäckström.

This deal also highlights another important factor. Even though Sveaskog uses forest in Sweden, and the timber is mostly sold to Swedish customers, the company forms part of an international value chain.



The sawmill company Stenvalls Trä, which started out as a small-scale carpentry company, has had major exports to the UK. When the UK went into lockdown during the coronavirus pandemic, they chose to invest in the Japanese timber market, which required completely different lengths and products.

"This places extra-high demands on our adaptability and flexibility. What we do affects and is affected by what happens in the world at large."

#### **Rapid transitions – and long-term relationships**

The global coronavirus pandemic has, of course, affected the market. But Patrick Bäckström believes that the effects could have been even greater had it not been for the many and rapid transitions:

"The Stenvalls sawmill company, which exports a lot to the UK, is one example. They chose to focus on the Japanese market when the UK closed down. That required completely different lengths and products. By working closely with the customer, we quickly managed to redirect production in the forest. This meant that Stenvalls was able to get a higher ranking and become a priority supplier in its new market. So we solved the coronavirus challenge together in a really great way!"

When the British customers returned, Stenvalls had started the Seskarö sawmill, an industrial initiative in a sparsely populated area that would not have been possible without timber from Sveaskog. The

raw material for the Seskarö sawmill could be quickly adapted to the needs of the global markets when production started.

"Here we created good business at several levels by jointly advancing our way of working in real time when we were faced with challenges."

At the same time, long-term business projects are continuing. If the business, as in the case of Älvsbyhus, is also about wooden houses, this goes hand in hand with the desires of more and more home buyers for a more sustainable lifestyle. Younger customers in particular consider this an important aspect when buying a house.

"It was something that we identified when we started working together a long time ago, and we see it as a really long-term business relationship in which we're build something together," says Patrick Bäckström.

Älvsbyhus represents many sympathetic values, ranging from caring for its employees all the way to the end customer. It is important for them to be confident about the origin of the raw material, and over the years Sveaskog has also helped to train their salespeople in issues relating to forestry.

"Now they can tell their customers that 'we know where your house grew up'. This is important, because wooden houses are the future. When our customers take us with them on the whole journey like this, it creates great opportunities for both parties to broaden the playing field!"

This is how Patrik Bäckström sums up the situation:

"If we have the approach of being present together with the customer and responding quickly to change, we create peace of mind, because customers know that we can handle future challenges as well. We must also be humble enough to acknowledge that we don't have all the answers. For example, we don't know what the pandemic will bring in the future. But we can learn from different events in 2020, in both the short term and long term."



Patrick Bäckström, Head of Market Manager in Sveaskog's Market Area North, confirms that wooden houses are the future.





## Support package and web portal for contractors

**S**peed, flexibility and concern for our joint business have also characterised relationships with contractors over the past year.

"Collaboration with skilled contractors is a necessity if we're to be able to achieve the sustainable and profitable long-term management of the forest, and to make deliveries to our customers. The majority of Sveaskog's assignments in felling, forest management and transport are currently carried out by about 350 contractors all over the country," explains Mats Oja, Purchasing Manager at Sveaskog. "To make sure that our contractors meet agreed requirements for working environment, responsibility and employment conditions, during the year we carried out a total of 145 field checks, i.e. follow-ups in the forest during ongoing assignments in felling and forest management."

In early April, Sveaskog launched a support package for the company's contractors in order to mitigate the effects of the pandemic on business operations and increase the ability of contracting companies to manage their businesses. The package included measures such as the faster payment of invoices and an opportunity to use Sveaskog's recruitment channels.

A few weeks later, it was expanded with the opportunity for downtime compensation in the event

of an absence of felling and round timber or chipping transport activities caused by Covid-19.

"The immediate response was very positive, and this picture was strengthened during both business development discussions and the autumn CSI survey (Contractor Satisfaction Index)," says Mats Oja.

Sveaskog wants to create the conditions necessary for a viable and sustainable contractor market in which Sveaskog is the first choice of client for contractors.

"In its dialogue with contractors, Sveaskog has identified a need for faster and simpler communication. In 2020, we responded by launching a brand new portal for contractors: 'Entrén'. This is a unique initiative that aims to provide our key contractors with a number of benefits and to strengthen our joint business."

In addition to news and up-to-date information, Entrén also brings together training courses, practical links, 'buy and sell' functions, business intelligence, an opportunity to take advantage of preferential purchasing agreements and shortcuts to all the systems that contractors use in their everyday work.

"Entrén creates business value for both the contractors and Sveaskog, and helps to strengthen the relationship. It's one of many initiatives deriving from our new contractor strategy – work we will be continuing in 2021," concludes Mats Oja.

# An inclusive and developmental workplace

The ambition is to build a strong, sustainable and inclusive corporate culture that attracts the right skills and provides employees with the conditions to succeed.

**I**n 2020, Sveaskog has continued to focus on active employeeship and regular exercise sessions are held with employees and managers at each unit on the theme "Active employeeship in Sveaskog". During the year, we have also continued the implementation of the employeeship and leadership principles "We want to do right by each other". This is a way of strengthening Sveaskog's culture and employees' attitudes towards each other.

## A safe and secure working environment

Occupational safety and health issues are high priorities in the company. No one should have to suffer ill health at work. The working environment has also become an increasingly important parameter when it comes to being an attractive employer. The current level of sickness absence is 3.1%. Read more in Note S13.

Sveaskog's reporting of incidents and occupational injuries increased significantly in 2020. The increasing figures are due to a stronger safety culture and people become more accustomed to reporting work environment events in operations. Sveaskog is taking active measures to increase the reporting of working environment events, while at the same time we are getting better at rectifying deficiencies in the working environment. The most common reports relate to slip and fall accidents in the field and incidents associated with driving.

The most recent employee engagement survey was conducted in 2019 and the response rate was 90%. The survey showed there is still strong leadership and that employees feel proud to work for Sveaskog. Because of the coronavirus pandemic, many of Sveaskog's employees have to a large extent been working from home. A survey was conducted to obtain an overall picture of how employees feel about working from home. The results show that the salaried employees who responded to the survey are relatively satisfied with the working environment at home and our digital work tools.

## Increased diversity and inclusion

In 2020, Sveaskog continued its partnership with the Mitt Liv (Chance of a Lifetime) mentorship pro-

gramme, which serves as a bridge between the Swedish labour market and skilled workers with a foreign background. So far, 20 employees at Sveaskog have acted as mentors and in different ways supported mentees with a foreign background and academic degree on their way to a job that corresponds with their skills. Because it is important that Sveaskog's managers of the future have diversity skills, the mentoring programme is part of our Talent Programme.

To guarantee the skills supply among our contractors, we offer an online course in gender equality, diversity and inclusion. The course is aimed at ensuring that the knowledge acquired can be used in our efforts to build a more inclusive workplace. So far approximately 350 people, in addition to our own employees, have completed the course.

The proportion of women who are permanently employed at Sveaskog has increased from 19% to 27%, and in the market areas (forestry positions) the proportion of women has more than doubled.

Please refer to Notes S7-S16 for statistics in the area of HR.

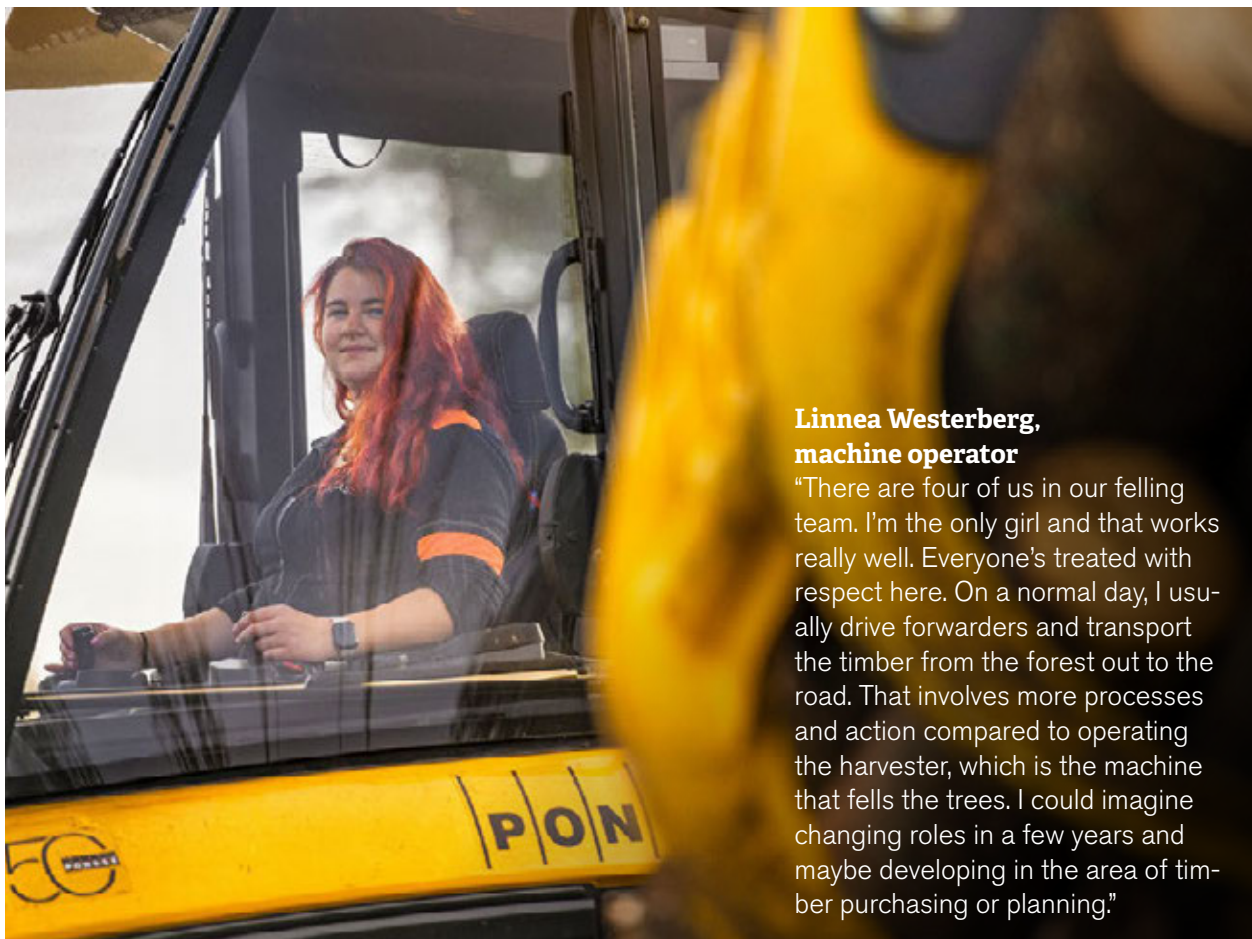
There is still strong leadership and employees feel proud to work for Sveaskog.





# Meet some of our employees

Sveaskog has over 800 employees and around 100 different occupational roles. We encourage internal mobility and offer employees great opportunities to develop at both the personal and the professional level.



**Linnea Westerberg,  
machine operator**

"There are four of us in our felling team. I'm the only girl and that works really well. Everyone's treated with respect here. On a normal day, I usually drive forwarders and transport the timber from the forest out to the road. That involves more processes and action compared to operating the harvester, which is the machine that fells the trees. I could imagine changing roles in a few years and maybe developing in the area of timber purchasing or planning."



**Stefan Ivarsson, Head  
of Forest Management  
and Business Support,  
Svenska Skogsplantor**

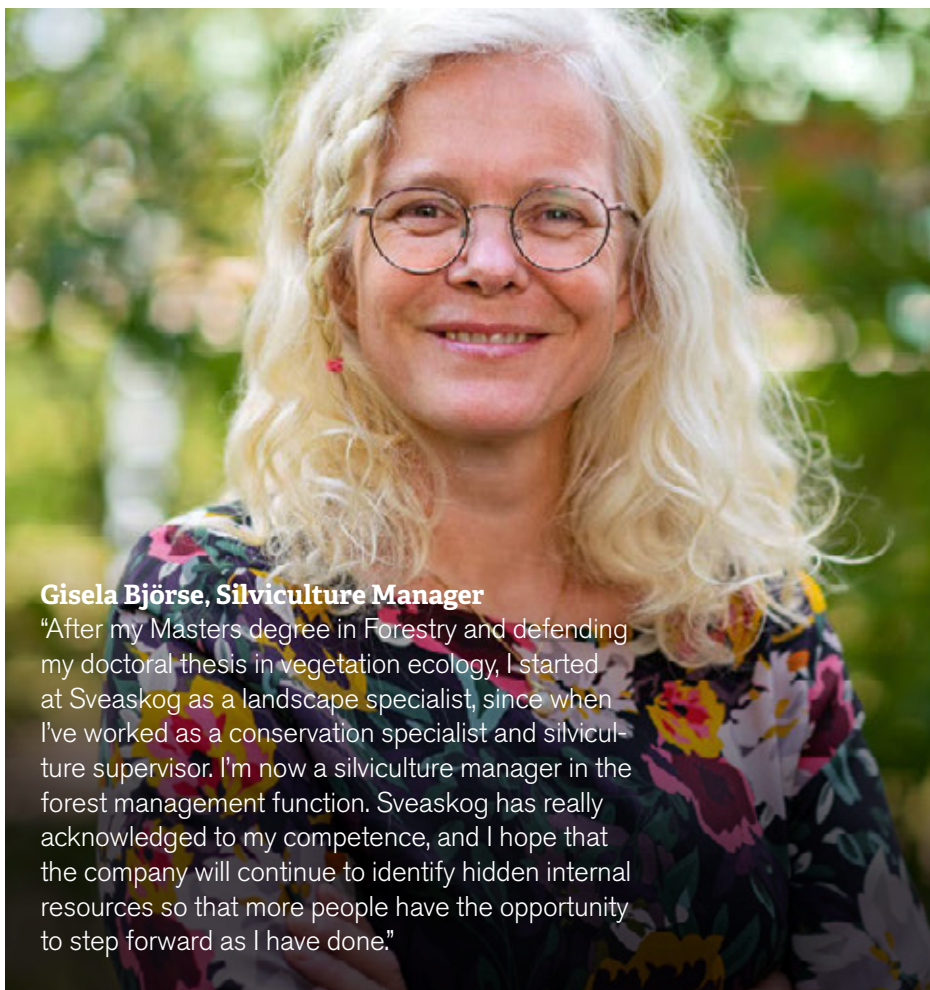
"During my ten years I've had different roles within Svenska Skogsplantor. I started as a salesperson, before working as an assistant site manager and then site manager at various nurseries. I'm now Head of Forest Management and Business Support within Svenska Skogsplantor and am a member of the management team."



„It's fantastic that you don't need to live in a particular place to be able to develop in your job at Sveaskog.

**Anette Waara, Head of  
Market Area North**





**Gisela Björse, Silviculture Manager**

"After my Masters degree in Forestry and defending my doctoral thesis in vegetation ecology, I started at Sveaskog as a landscape specialist, since when I've worked as a conservation specialist and silviculture supervisor. I'm now a silviculture manager in the forest management function. Sveaskog has really acknowledged to my competence, and I hope that the company will continue to identify hidden internal resources so that more people have the opportunity to step forward as I have done."

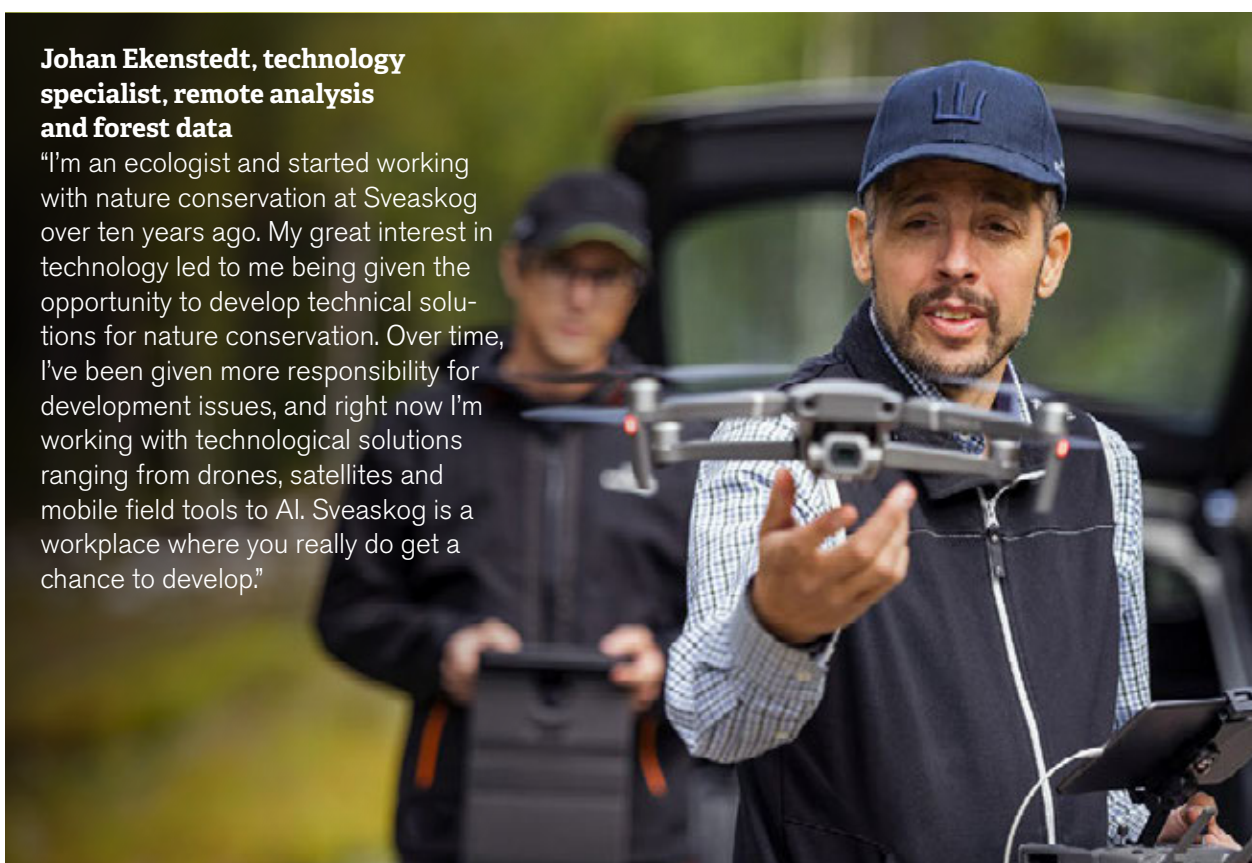
” Sveaskog is characterised not only by a deep-rooted sense of pride and community, but also gives the employee the opportunity to constantly develop and grow.

**Tobias Norrbom, Felling Manager**



**Johan Ekenstedt, technology specialist, remote analysis and forest data**

"I'm an ecologist and started working with nature conservation at Sveaskog over ten years ago. My great interest in technology led to me being given the opportunity to develop technical solutions for nature conservation. Over time, I've been given more responsibility for development issues, and right now I'm working with technological solutions ranging from drones, satellites and mobile field tools to AI. Sveaskog is a workplace where you really do get a chance to develop."





# Corporate Governance and Risk Analysis

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# Financial performance

The operating profit decreased by 24 per cent to MSEK 1,120 (1,483).

## Net sales

Net sales decreased by eight per cent to MSEK 6,597 (7,209). Prices of wood raw materials were down by nine per cent on average, while total delivery volumes declined one per cent. The sales of wood raw materials amounted to 10.6 million cubic metres (m<sup>3</sup>sub) (10.6).

## Earnings

Operating profit decreased by 24 per cent to MSEK 1,120 (1,483). The decrease in profit can be attributed primarily to lower prices and increased costs of forest management, nature conservation and roads, but has been partly offset by higher delivery volumes from our own forests. Deliveries from externally sourced wood raw materials have decreased.

Capital gains from property sales were MSEK 163 (185). Share of profits of associates was MSEK 57 (26).

At the end of the year, Sveaskog changed the accounting method for valuing the company's forest assets so that it is based on the market value calculated on transactions in the areas where Sveaskog owns forest assets. We are therefore following the lead of other major companies in the industry. The effect of the revaluation of the year's operating profit was SEK 9.9 billion net after tax. The remaining part of the revaluation has been recognised in other comprehensive income. The change in value had no impact on cash flow. After the change in value of forest assets, operating profit was MSEK 13,821 (2,093).

Net financial items during the year were MSEK –153 (–130). Profit before tax was MSEK 13,668 (1,963). Tax amounted to MSEK –2,801 (–405). Profit for the period increased to MSEK 10,867 (1,558), which is mainly related to a positive impact on profit of net SEK 9.9 billion from the change in accounting method for valuation of forest assets.

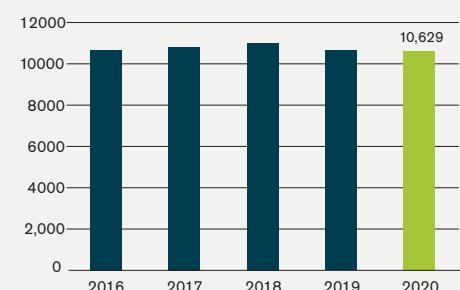
## Cash flow, investments and financial position

Cash flow from operating activities for the period was MSEK 623 (1,108). The decrease is primarily due to lower operating profit and an increase in working capital in the form of increased trade receivables and increased inventories. Investments in non-current assets, mainly forest properties and forest machines, totalled MSEK 264 (445) while investments in shares were MSEK 7 (5). Sales of non-current assets, mainly forest properties, were MSEK 331 (407). Dividends from associates totalled MSEK 12 (60). A dividend of MSEK 1,100 (1,100) was paid to the owner.

Sveaskog's net interest-bearing debt at 31 December was MSEK 7,613 (7,149). At the end of the period, the loan portfolio consisted mainly of loans issued under Sveaskog's MTN programme and a Swedish commercial paper programme. The loan volume under the Swedish commercial paper programme was MSEK 1,400 (1,925), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 6,090 (4,990), of which MSEK 4,800 (3,100) refers to green bonds. The lowest average

## Total delivery volume

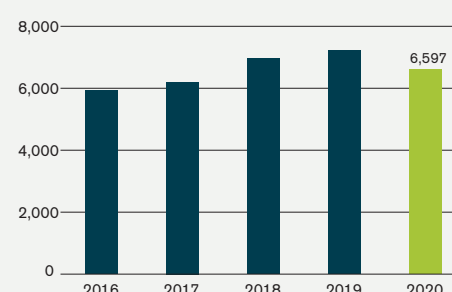
thousand m<sup>3</sup>sub



Production within the Swedish forestry industry continued to perform well during the last quarter of the year, especially within the sawmill industry where good demand in the export markets and rising prices have driven production. The strong supply of forests damaged by spruce bark beetles is affecting the market, particularly the biofuel market where the significant surplus is restricting the provision for wood raw material.

## Net sales

MSEK



Net sales, which comprise both deliveries from our own forest and externally acquired wood raw materials, decreased by 8 per cent to MSEK 6,597 (7,209).



fixed interest period during the year was 31 months (35). The net debt/equity ratio was 0.13 (0.30).

The interest coverage ratio was 7.6 (11.6) and the gross borrowing cost was 1.57 (1.39) per cent.

#### Parent company

Sveaskog AB (publ.), which is 100% owned by the Swedish state, owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing. For Sveaskog AB (publ.), operating income for the period January–December totalled MSEK 101 (43), of which MSEK 86 (28) was accounted for by capital gains from sales of forest land. The loss after financial items was MSEK –7,767 (–259). The parent company's costs consist mainly of interest expenses. The company has no employees.

#### Setra Group AB

Sveaskog owns 50 per cent of the shares in the wood products company Setra Group AB, which is classified as an associated company. The share of the associate company's profit and loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 4,131 (4,264). The operating profit was MSEK 117 (8). The improvement in profit is mainly due to the fact that lower selling prices compared with 2019 were offset by lower commodity prices, positive currency effects and higher delivery volumes. Sveaskog's share of the company's profit or loss adjusted for intercompany profits decreased by MSEK 43 (0). Sveaskog's share of Setra Group's other comprehensive income was MSEK 11 (–6).

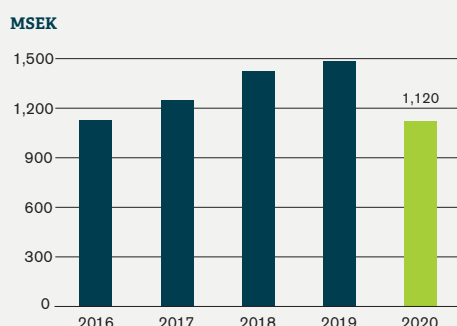
#### SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate company's profit and loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 1,377 (1,436). The operating profit was MSEK 43 (104). The reduced profit is due mainly to lower production coupled with a temporary decrease in demand. Sveaskog's share of the company's profit decreased by 36 per cent to MSEK 7 (20).

#### ShoreLink AB

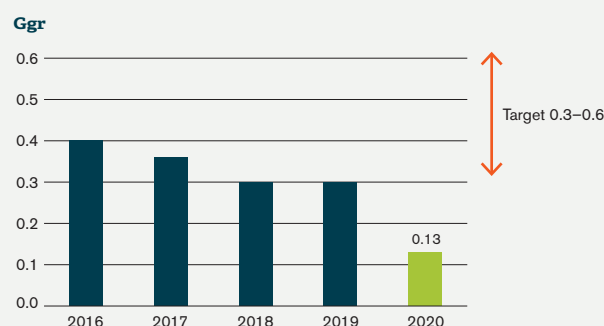
Sveaskog owns 24.1 per cent of the shares of the logistics and transport firm ShoreLink AB. The Group's income statement for 2020 reports the share of the associate company's profit and loss for the period September 2019 up to and including November 2020, while the figures for the previous year cover the period from January 2019 up to and including August 2019. Net sales for this period totalled MSEK 391 (215) and the operating loss for the same period was MSEK 40 (30). Sveaskog's share of the company's profit or loss was MSEK 7 (6).

#### Operating profit from continuing operations



The operating profit decreased by 24 per cent to MSEK 1,120 (1,483). The decrease in profit can be attributed primarily to lower prices and increased costs of forest management, nature conservation and roads, but has been partly offset by higher delivery volumes from our own forests.

#### Net debt/equity ratio



The target was established by the 2014 Annual General Meeting. The target is for the net debt/equity ratio to be in the range 0.3–0.6. This metric indicates the amount of net interest-bearing liabilities in the company in relation to equity.

**Condensed income statement**

MSEK	2020	2019
Net sales	6,597	7,209
<b>Operating profit from continuing operations</b>	<b>1,120</b>	<b>1,483</b>
Capital gains on property disposals	163	185
Share of profit/loss of associates	57	26
<b>Operating profit before change in value of forest assets</b>	<b>1,340</b>	<b>1,694</b>
Change in value of forest assets	12,481	399
<b>Operating profit</b>	<b>13,821</b>	<b>2,093</b>
Net financial income/expense	-153	-130
<b>Profit before tax</b>	<b>13,668</b>	<b>1,963</b>
Tax	-2,801	-405
<b>Profit for the year</b>	<b>10,867</b>	<b>1,558</b>

**Condensed cash flow statement**

MSEK	2020	2019
Cash flow from operating activities before changes in working capital	869	985
Cash flow from operating activities	623	1,108
Cash flow from investing activities	72	16
Cash flow from financing activities	-578	-857
<b>Cash flow for the year</b>	<b>117</b>	<b>267</b>

**Change in operating profit from continuing operations**

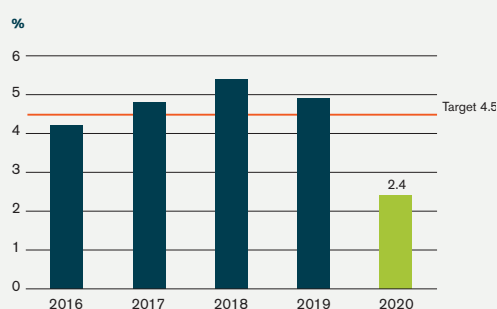
MSEK	
<b>2019</b>	<b>1,483</b>
Price, own wood raw materials	-251
Volume and change in inventories, own wood raw materials	66
Unit cost harvesting	-12
Forest management and nature conservation	-38
Roads	-39
Svenska Skogsplanter	-4
Earnings from externally procured wood raw materials	-26
Other property transactions <sup>1</sup>	0
Other	-59
<b>2020</b>	<b>1,120</b>

1) Other property transactions relate to a combination of:

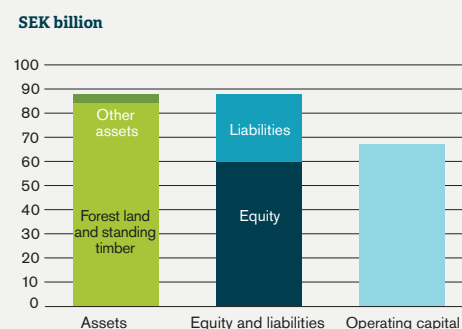
All future concessions	-5
Sale of non-forest land	5
<b>Other property transactions</b>	<b>0</b>

**Change in net sales**

MSEK	
<b>2019</b>	<b>7,209</b>
Price, wood raw materials	-494
Delivery volume, wood raw materials	-130
Concessions, etc.	12
<b>2020</b>	<b>6,597</b>

**Dividend yield**

The target was established by the 2014 Annual General Meeting. The dividend yield is to average a minimum of 4.5% per year. The dividend yield shows the return on operating capital, excluding capital gains on property sales and changes in forest value.

**Assets, equity and liabilities**

Most of the assets consist of standing timber, which is valued in accordance with the International Financial Reporting Standards, IFRS.



# Risk and sensitivity analysis

An important aspect of creating long-term value is to understand and be able to manage the risks in the business. The entire company is included in the risk inventory that forms part of annual business planning. The significant risks described in the summary below are based on the outcome of the risk inventory.

Sveaskog's deliveries from its own forests are high and stable. This means that Sveaskog's direct financial risks are limited. However, there are other risks that Sveaskog systematically takes stock of. Sveaskog is exposed to financial, legal, market, operational, public opinion and social risks. Forests are also exposed to biological risks, as well as weather and climate risks.

The large amount of felling caused by storm damage in recent years has highlighted the weather and climate risks. However, Sveaskog's forest holdings are spread across the country, which evens out weather and biological risks. The forests are also insured against major additional costs.

Sveaskog is working to develop new products and businesses such as biofuels and ecosystem services. The com-

pany is also increasing revenue from the forest by granting concessions for hunting, fishing, nature tourism and wind power. These efforts result in a broader revenue base, but may also involve risks, such as conflicts of interest or undesirable impact on our lands.

### Responsibility

Sveaskog's Board of Directors is responsible for ensuring that the company manages risks correctly and that established principles for financial reporting and internal control are complied with. The CEO has overall operational responsibility and has delegated management of the risk management process to the CFO. Operational responsibility lies with the profit centres and functions and is followed up at management level.

### Risk management process in Sveaskog

Risk management is an integral part of the company's annual business planning and includes both profit centres and functions.

Reporting includes a description of the risk and management and who is responsible. Measurement of risk is made



## Management of significant risks

### Biological risks

#### A. Spruce bark beetle

Pest insect which has grown in number in the north of Sweden and the control area has been expanded. In southern Sweden, spruce bark beetle attacks are substantial after hot and dry summers.

**Management:**

- Rapid processing of storm-felled timber and standing trees with fresh infestations.
- Development of method for early identification of damage.

#### B. Shortage of spruce seed

The problems with spruce cone rust continue. Flowering has been absent for several years, but 2019 was a good year for flowering. A shortage of processed seed in Norrland can lead to growth losses.

**Management:**

- Collection of stand seed and/or external purchases. Research and development.

#### C. Root rot

The value of standing timber decreases, trees die.

**Management:**

- Prevent infestation by treating stumps against fungal spores during felling.

#### D. New pests take hold

For example, if the nun moth or mountain pine beetle or other serious pests take hold in the country, this could result in great destruction.

**Management:**

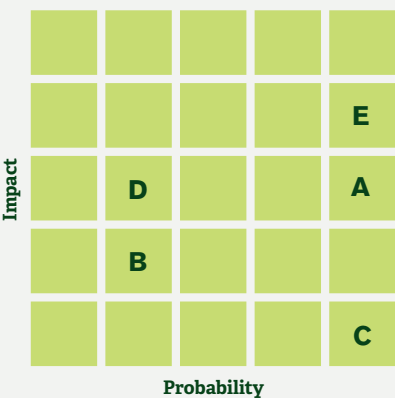
- Monitoring.

#### E. Game grazing damage

Game which graze on trees and plants reduce forest growth. Game grazing damage is a fact and the annual cost of damage on Sveaskog's land amounts to hundreds of millions of Swedish krona. An increase of 10% would have a large impact on operating profit.

**Management:**

- More hunting, measures to increase access to feed, increased knowledge of game populations.



from a five-year perspective and aims to describe the impact that the described risk may have on the company's strategic objectives according to the current business plan. Probability is assessed on a five-point scale where the lowest level (1) means that it is unlikely to occur during the period and the highest level (5) means that it is expected to occur during the period.

Impact is assessed on a five-point scale where the lowest level (1) means that it will have a negligible negative impact and the highest level (5) means that it will have a very large negative impact on Sveaskog's goal attainment.

The outcome of this assessment gives the total risk score illustrated in the risk matrix above and on the next few pages.

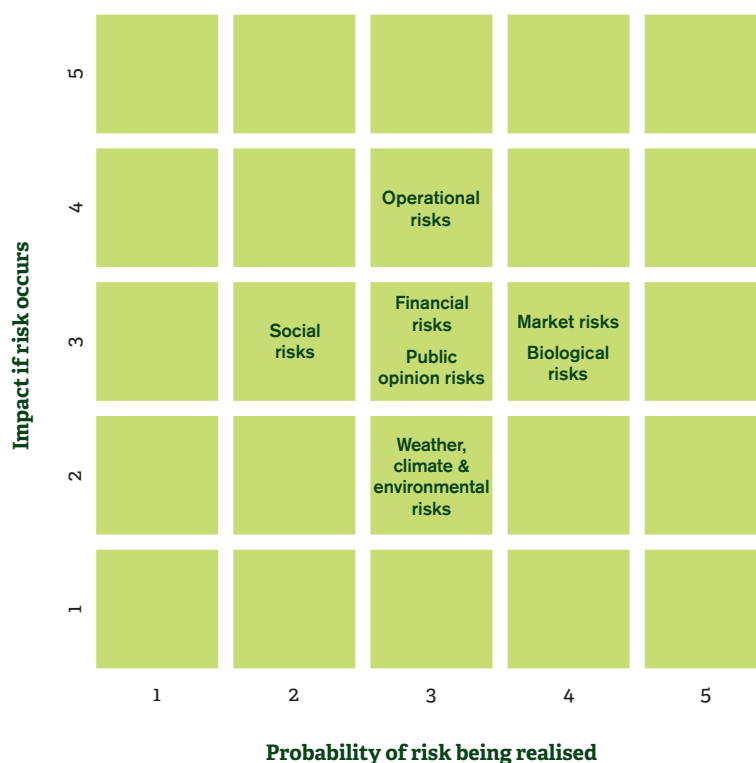
The identified risks are measured and prioritised on the basis of the overall risk score. The risk manager is responsible for identifying improvement measures and assessing these on the basis of effect and how time-consuming and cost-intensive the measure is. These are implemented according to prioritisation and availability of resources. Following implementation of such measures, an evaluation is carried out to assess if the measure was sufficient to manage the intended risk.

This reports how Sveaskog manages its most significant risks.

## Identification of significant risks

A balanced assessment of each risk area.

These are described in more detail below.



## Financial risks

### A. Financial risk

Assets are partly financed through external loans. This entails a risk if a large borrowing requirement arises in a strained credit market situation.

#### Management:

- A well-diversified loan portfolio of lenders and investors with good flexibility and competitive pricing as well as stable cash flows.

### B. Interest rate risk

The risk that Sveaskog will be exposed to an unfavourable interest rate situation with a large loan portfolio.

#### Management:

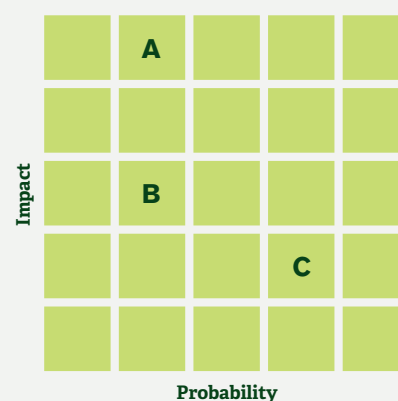
- Sveaskog's policy is that the average fixed-interest term of the loan portfolio should be 12-48 months.

### C. Credit risk

That a counterparty is unable to fulfil its obligations. A weaker economy involves an increased risk of credit losses. The coronavirus pandemic might have a short-term and a long-term impact on customers' ability to pay.

#### Management:

- The finance policy regulates maximum credit exposure in the investment portfolio. With regard to commercial credit exposure, with the exception of a few major customers, customers are covered by credit insurance.
- Regular meetings of the Credit Committee and information to the Board of Directors.





# Management of significant risks, cont.

## Operational and legal risks

### A. Loss of FSC® certification

Reduced quality of silviculture and al consideration for nature measures, together with shortcomings in social responsibility measures and follow-up, may cause Sveaskog to lose FSC® certification, which would have a significant impact on the wood business.

**Management:**

- Documented procedures and work processes in all parts of the business.
- Internal and external audits and training for continuous improvement efforts

### B. Restrictions on forestry as a consequence of political decisions

National and EU directives (e.g. directives on renewable resources and the climate impact of land use), interpretations from authorities and their impact on forestry.

**Management:**

- Follow, participate in and influence the debate.
- Monitor the interpretations made.

### C. Access to labour and contractors

We are currently seeing a reduction in access to labour and increased competition from the industry and other industries, which means that it has become increasingly difficult both to recruit our own staff and to hire contractors in the areas of forestry and transport. The availability of foreign labour has been negatively impacted by the coronavirus pandemic.

**Management:**

- Profiling of Sveaskog as an attractive employer.

### D. Nature conservation and high conservation value forests

Sveaskog has chosen to set aside 20% of its productive forest land as nature conservation areas. Half of this area (10%) is set aside for nature conservation forests. Excessive set-aside of nature conservation forests leads to a reduced supply of wood raw material to industry and reduced results for Sveaskog.

**Management:**

- Continuous valuation to ensure that the 10 per cent set aside are those with the highest conservation values.
- Procedures to make sure that forests with lower conservation values remain as productive forest.

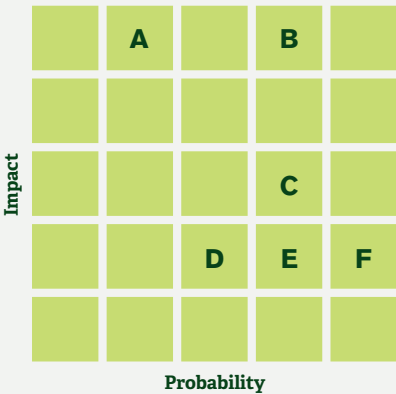
### E. Information security risks

**Administrative/organisational information security risks:**

Risks related to information security are exemplified by inadequate procedures, incorrect documentation, lack of resources for the work and follow-up on information security work, and incorrect division of responsibilities when processing Sveaskog's information. The risk of leaks, destruction or unauthorised manipulation of personal data has also been identified.

**Management:**

- Information classification in order to identify information requiring protection and appropriate security measures
- Uniform and well-thought-out procedures for the correct processing of information requiring protection
- Information and training
- Continued introduction of an Information Security Management System
- Participation from the business in information security activities.
- Follow-up and control of information security measures.



**Technical/physical IT security risks:**

Interruptions, information leaks, hacking, virus attacks, sabotage and IT-related blackmail.

**Management:**

- Protective measures based on completed information classifications and risk analyses
- Monitoring to detect and address information security incidents.
- Follow-up and control of information security measures

### F. Pandemic

A new type of influenza virus that spreads and infects people in large parts of the world, with major consequences for businesses and society.

**Management:**

- Follow advice and recommendations from government agencies. Work proactively to mitigate negative effects for businesses, customers and employees.

## Weather, climate and environmental risks

In 2005, storm Gudrun caused gross damage worth around MSEK 730. Based on today's insurance cover, similar damage would affect operating profit from continuing operations by around MSEK 337. Sveaskog's insurance cover is described in more detail in Note 26.

### A. Climate risks

Climate change can increase the risk of storms, changes in precipitation, forest fires, deteriorating driving conditions and changes in vegetation boundaries.

**Management:**

- Cleaning and thinning adapted to habitat.
- Specially adapted forestry methods in case of fire risk and hazardous conditions.
- Work involving processed seed and plant material.
- Insurance.

### Storm felling

A significant storm results in direct financial loss through reduced operating profit and reduced value of forest assets. Cleaning up results in direct financial loss through reduced operating profit, reduced value of forest assets, cleaning up puts a strain on the organisation, damage caused by spruce bark beetle.

**Management:**

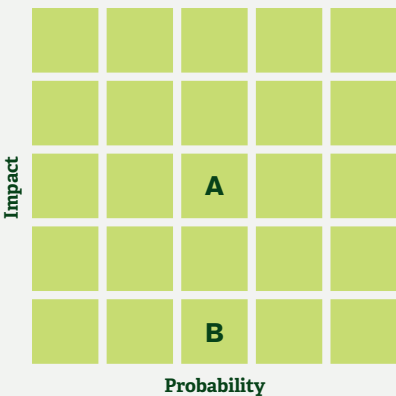
- Silviculture measures that reduce the risks: increased proportion of broad-leaved trees, final felling at economic maturity.
- Good crisis organisation and logistics. Capacity to move felling resources to storm-felled area.
- Insurance against damage.

### B. Contaminated land

Liability for contaminated land from any previous pollutants.

**Management:**

- Mapping, strategy and action plan for management of ongoing operations and any subsequent treatment.



# Management of significant risks, cont.

## Market risks

### A. Sawmill industry

Intermittent poor profitability results in sawmill closures and credit losses for Sveaskog. Restructuring may result in fewer customers in the local area for Sveaskog's forest holdings. Changes in international markets may affect demand for products from the pulp and paper industry. The coronavirus pandemic might have a negative impact in the short term and the long term.

#### Management:

- Active customer selection and credit insurance.
- Priority given to cooperation with customers who have long-term survival and profitability potential.
- Prioritise product development and innovation.

### B. Pulp and paper industry

A few, dominant companies means a lack of competition and few alternative business and marketing opportunities. Changes in the international markets may affect demand for products from the pulp and paper industry. The coronavirus pandemic might have a negative impact in the short term and the long term.

#### Management:

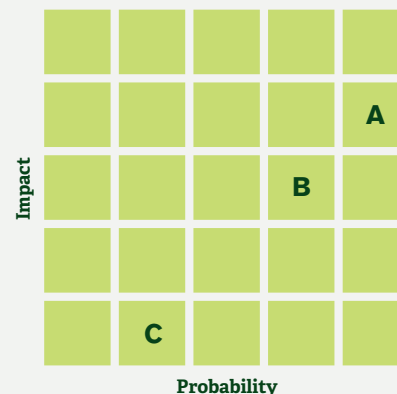
- Increase market and customer capital.
- More efficient logistics and increased exports.
- Prioritise product development and innovation.

### C. Energy sector

Increased competition from substitutes and low energy prices result in limited market outlets. Closure of companies and customers in Sveaskog's traditional markets.

#### Management:

- Be an efficient supplier with developed customer-oriented business concepts that achieve added value and increased profitability for the parties.
- Prioritise product development and innovation.



A 10% change in average delivery volume from our own forests impacts operating profit from continuing operations by around MSEK 200.

A 10% change in the average price of wood raw material from our own forests impacts operating profit from continuing operations by around MSEK 300.

## Social risks

### A. Imported wood of undesirable origin

Purchasing from other countries may involve risks linked to illegal logging, corruption and labour law.

#### Management:

- Sveaskog's Code of Conduct, as well as certification and clear guidelines for traceability and documentation of purchased raw material, which govern the company's actions and follow-up.

### B. Contractors

Contractors who fail to fulfil commitments may constitute a risk linked to working environment, health, safety and labour law. The coronavirus pandemic has made it difficult to carry out company checks and field checks.

#### Management:

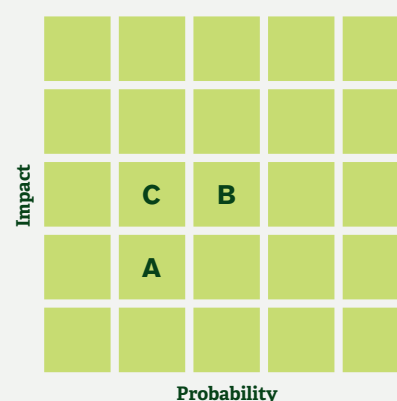
- Code of Conduct, guidelines for procurement of contractors, service declarations and follow-up and control of compliance reduce risks.

### C. Corruption

Unclear guidelines and procedures lead to a risk of bribery and corruption.

#### Management:

- Continuous training and dialogue, Code of Conduct, clear guidelines, internal control, possibility to report suspected violations anonymously.



## Public opinion risks

### A. Public opinion about the forest

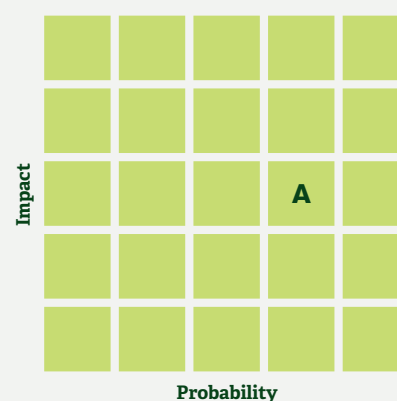
Public opinion on the management and use of the forest which involves restrictions on forestry can affect profitability and the value of forest land.

The reputation of our business and the forestry activities that we conduct are also affected by public opinion.

The brand and confidence in the company may be affected and thereby customer relationships and collaborations.

#### Management:

- Active participation in the forest debate. Cooperation with other parties and players. Local presence and dialogue.
- Code of Conduct, internal procedures, active information measures and continuous dialogue with stakeholders.





# Appropriation of profits

The Board of Directors proposes to the Annual General Meeting that the dividend for 2020 be MSEK 850 (1,100), corresponding to SEK 7.18 (9.26) per share.

## Proposed appropriation of profits, SEK

Profits available to the Annual General Meeting:

SEK	
Retained earnings	5,225,647,210
Profit for the year	8,022,712,434
<b>Total</b>	<b>13,248,359,644</b>

The Board of Directors proposes that the profit be distributed as follows:

SEK	
Dividend to shareholder	850,000,000
Carried forward to the following year	12,398,359,644
<b>Total</b>	<b>13,248,359,644</b>

*Board of Directors' statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act*

Following the Board's proposal for a dividend, the Board of Directors of Sveaskog AB (publ) hereby makes the following statement.

According to current financial targets, the ordinary dividend over time shall correspond to 65–90% of the Group's profit after tax excluding non-cash adjustments in the value of own forests after tax. A dividend is paid provided that the capital structure target after the dividend falls within the target range and taking into account implementation of the Group's strategic and investment requirements.

The Board of Directors proposes to the Annual General Meeting that the total dividend for 2020 be SEK 850,000,000, corresponding to SEK 7.18 per share. It is proposed that the dividend, which comprises 89% of the dividend base, take the form of a cash dividend.

Provided that the Annual General Meeting 2021 resolves in accordance with the Board's proposal for appropriation of profits, SEK 12,398,359,644 will be carried forward to a new account. Full coverage exists for the company's restricted equity after the proposed distribution of profits.

The nature and scope of the company's operations are set out in the Articles of Association and the published Annual Report. The operations carried out in the company and the

Group do not entail risks in addition to those that exist or can be assumed to exist in the industry or risks inherent in conducting business activities. The company's and the Group's dependence on business cycles does not differ from that otherwise occurring in the industry. The Board of Directors' opinion is that after the proposed distribution of profit, the company will have a sufficient restricted equity in relation to the size of the business.

The Board of Directors has taken into account the company's and the Group's consolidation needs through a comprehensive assessment of the company's and the Group's financial position and ability to meet their commitments over time. The company's financial situation is disclosed in the Annual Report. It is disclosed here that the Group's net debt/equity ratio is 0.13. Sveaskog's adopted target for the net debt/equity ratio is 0.3–0.6. The Group's financial position is therefore strong.

The proposed dividend does not compromise the company's ability to make any necessary investments. The company has financial resources to cope with unexpected events and temporary variations in payment flows to a reasonable extent. The company's financial position does not give rise to any assessment other than that the company is able to continue its operations and that the company is expected to fulfil its obligations in the short and long term.

The Board of Directors has taken into account the position of the company and the Group in other respects. The Board of Directors has therefore taken into account all known circumstances that may be significant for the company's financial position and which have not been taken into account within the framework of the assessment of the company's consolidation needs and liquidity. Among the circumstances taken into account by the Board of Directors can be noted such events and circumstances as the company has disclosed in the Directors' Report, including those relating to dates after the financial year 2020.

With reference to the above, the Board of Directors is of the opinion that the dividend is justifiable in view of the demands that the nature, scope and risks of operations place on the size of the company's and the Group's equity, as well as the consolidation needs, liquidity and position in general of the company and the Group.

# Corporate Governance Report

Sveaskog is a limited company owned by the Swedish state. Governance of Sveaskog is based on the Swedish Companies Act, the State Ownership Policy and principles for companies owned by the state, the Swedish Code of Corporate Governance (the Code), as well as other applicable Swedish and foreign laws and regulations.

This Corporate Governance Report has been prepared as part of Sveaskog's application of the Code. The report has been examined by the company's auditors.

In accordance with the Swedish government's state ownership policy and guidelines for state-owned companies, Sveaskog has deviated from the Code in three instances:

- Preparation of decision on nomination of the Board of Directors and auditors, which means that Sveaskog has not appointed a Nomination Committee.
- With regard to the independence of Board members in relation to the state as a major shareholder, this not reported because the Code in this respect focuses on companies with a diverse ownership.
- The date and location of the Annual General Meeting shall be stated on the company's website not later than in connection with the interim report for the third quarter. Sveaskog has chosen to comply with Nasdaq Stockholm's regulations for issuers and therefore provides details of the scheduled date for the Annual General Meeting in the year-end report.

## Mission

According to the state's ownership policy, companies owned by the state shall adopt a long-term approach, be efficient and profitable and be given the capacity to develop. The companies shall serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. The companies shall also strive to achieve the international and national climate and environmental goals, and serve as role models in their industry.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials. The company may also conduct related activities if these contribute to increased returns for the company. According to a special parliamentary assignment, the company shall contribute to strengthening private agriculture and forestry by selling land in sparsely populated areas to private individuals. Sale of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested. At year-end, around 27,000 hectares remained available for sale. Operations shall be conducted on a commercial basis and generate a market return.

## Annual General Meeting

The Annual General Meeting is Sveaskog's highest decision-making body. The Annual General Meeting of the Parent Company Sveaskog AB (publ) took place on 24 April 2020 in Stockholm. The 2021 Annual General Meeting will be held on 26 April. See page 114 for more information about the 2020 Annual General Meeting.

In accordance with the state ownership policy and principles for state-owned companies and the Articles of Association, Mem-

bers of Parliament have the right to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public. This did not, however, apply in 2020 due to the pandemic.

## Nomination process

The state ownership policy and principles for state-owned companies set out a different nomination process than that proscribed in the Code in respect of the Board of Directors and auditors. Nomination of the Board is coordinated by the Government Offices of Sweden. The Government Offices of Sweden also submit a proposal for the Chairman of the Board and chairman of the general meetings. Nominations of members of the Board are presented in the notice of the Annual General Meeting and on Sveaskog's website.

The election of auditors is decided by the owner at the Annual General Meeting. The Board of Directors submits proposals for the election of auditors to the general meeting based on a recommendation from the Audit Committee. A proposal for election of auditors is presented in the notice of the Annual General Meeting and on Sveaskog's website. Auditors are appointed for a term of one year. The practical work of procurement of auditors is handled by the Board's Audit Committee together with the company and owner.

## Board of Directors

The Board of Directors shall be responsible for the company's organisation and administration of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of a minimum of five and a maximum of nine members. In addition, there are two employee representatives with two deputies. The Articles of Association do not contain any regulations on the appointment or dismissal of Board members.

The company's legal adviser is the secretary to the Board of Directors.

## Composition of the Board of Directors

At the 2020 Annual General Meeting, Eva Färnstrand, Marie Berglund, Johan Kuylenstierna, Leif Ljungqvist, Kerstin Lindberg Göransson, Annika Nordin and Sven Wird were re-elected, which means that after the Annual General Meeting the Board still consists of four women and three men. The Board also includes two employee representatives with two deputies. Eva Färnstrand was also re-elected as chairman.

## Work of the Board of Directors

The work of the Board is governed by the Board's formal work plan. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board fulfils its obligations. The formal work plan stipulates which issues are to be dealt with at each meeting and which specific issues should be submitted to the Board. According to the formal work plan, the Chairman shall, on behalf of the Board of Directors, consult with representatives of the owner on matters of crucial importance for Sveaskog. The formal work plan also contains details of the Chairman's role on the Board of Directors and on the division of roles and responsibilities



between the Board of Directors and the CEO. The Board continuously evaluates the CEO's work, and also evaluates the work of the Board on an annual basis. At least once a year, the work of the CEO shall be evaluated without any member of Group management being present.

The Board held eleven meetings in 2020. In addition to dealing with permanent items on the agenda, the Board of Directors dealt with issues regarding the company's strategic direction, insect infestations and other damage to the forest, the relationship with the reindeer industry and other stakeholders, valuation of forest assets and the governmental forest inquiry. The Board also made decisions on a number of acquisitions and sales of properties.

#### Board committees

The Board committees prepares issues ahead of a decision by the Board. Guidelines for the work of the committees can be found in the Board's formal work plan. In addition, there are specific instructions for the Property and Audit Committees. The issues dealt with by the committees are minuted and reported at the next Board meeting.

#### Remuneration Committee

Prepares issues including those relating to remuneration and terms of employment of senior executives. The Remuneration

Committee consisted of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.

#### Property Committee

Prepares issues relating to property acquisitions, property management and property sales. The Property Committee consisted of Sven Wird (Chairman), Annika Nordin, Johan Kuylenstierna and Sara Östh.

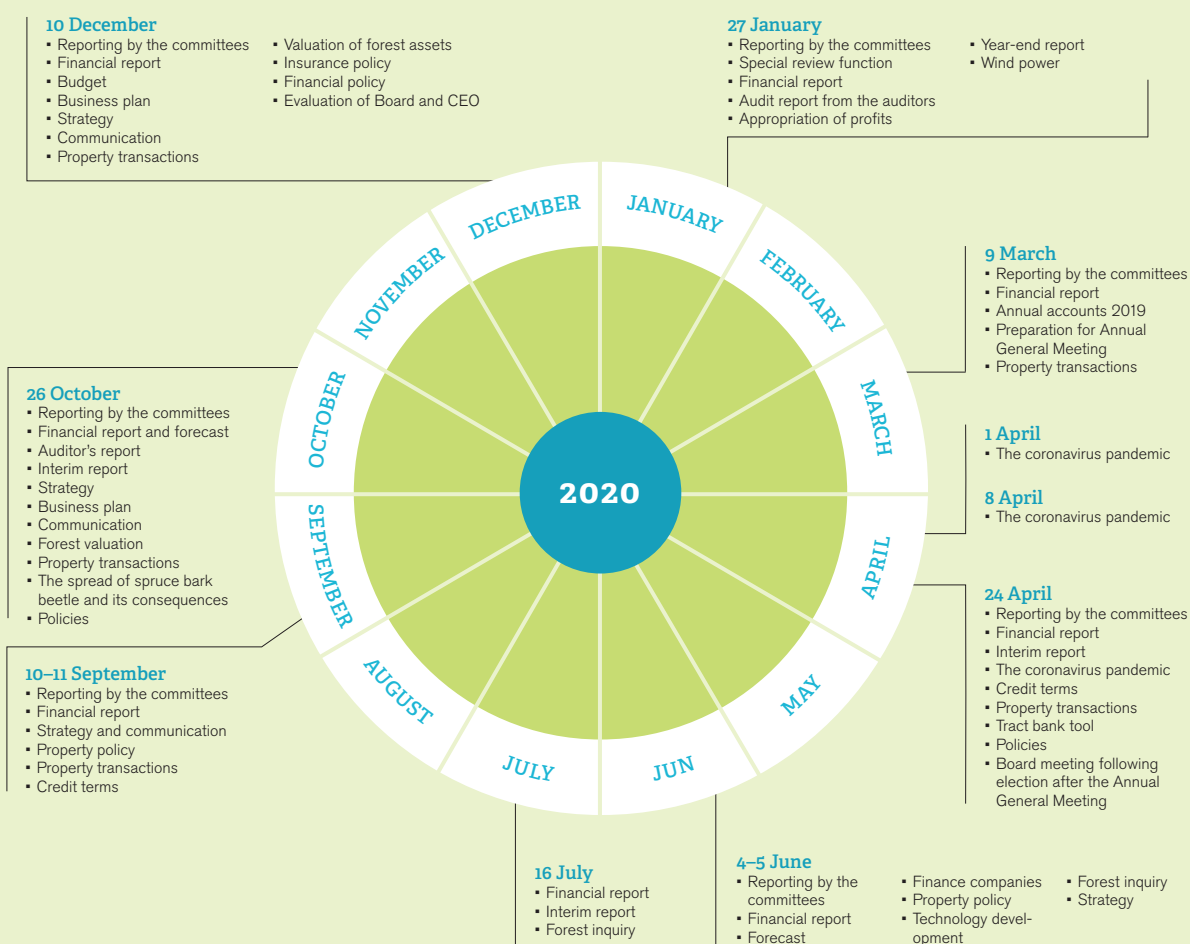
#### Audit Committee

Prepares issues relating to the Board's work on quality assurance of the company's financial reporting, regular meetings with the company's auditors in order to be informed of the direction, scope and results of audits and to discuss coordination between the external auditors and internal control activities and approach to the company's risks. The Audit Committee consisted of Kerstin Lindberg Göransson (Chairman), Leif Ljungqvist, Eva Färnstrand and Kenneth Andersson.

#### Communications Committee

The Communications Committee is a temporary committee that handles and prepares issues relating to the company's communication. The Communications Committee consisted of Eva Färnstrand (Chairman), Marie Berglund and Leif Ljungqvist.

## Board meetings 2020



### Principles for remuneration of the Board of Directors

Fees to the Board are determined by the Annual General Meeting as are fees to members of the Board committees. In 2020, remuneration of the Board of Directors totalled SEK 1,595,000. The Board of Directors does not participate in any bonus or incentive programme. Employee representatives and the Board member employed by the Government Offices of Sweden do not receive a fee.

### Corporate structure

Sveaskog's operations are organised in two geographical market areas and the business area Svenska Skogsplantor. The division into market areas is based on forest holdings, customer structure and trade flows. The market areas have customer, production and delivery responsibility for the wood raw material. Concessions (with the exception of hunting concessions) and property transactions are handled centrally within the Property support unit. Operating activities are supported by Group-wide support units.

Sveaskog also owns shares in companies where there is no consolidation relationship. The holding in the wood products company Setra Group AB (publ) is the largest holding that is an associated company, followed by SunPine AB.

### CEO and Group Management

Sveaskog's CEO is responsible for the ongoing management of the company in accordance with the Board's instructions. The CEO gives presentations at Board meetings. The CEO's responsibilities include ongoing business issues. The CEO leads the work of Group management. Group management comprises eight people, six of them women and two men. During the year, the Head of Communications left the company, whereupon an Acting Head of Communications was appointed. During the year, a new CFO (Chief Financial Officer) and a CDO (Chief Digital Officer) were also appointed in the company. During the year, Sveaskog also recruited a business area manager for Svenska Skogsplantor. The Chief Legal Adviser left the company during the year.

### Systems for internal control and risk management in financial reporting

The Board's responsibility for internal control is governed by the Swedish Companies Act and the Code. Internal control is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of financial statements, interim reports and annual reports. Control shall also include external financial reporting and that this is prepared in accordance

with the legislation, applicable accounting standards and other requirements for limited companies.

### Framework for internal control

A description of how internal control is organised in relation to financial reporting is provided below.

#### Control environment

The Board of Directors has overall responsibility for maintaining an effective system for internal control and risk management. The Board has appointed the Audit Committee to prepare matters related to risk assessment, internal control, financial reporting and audit. The Board's risk management has been given greater scope in recent years.

Responsibility for maintaining an effective control environment and day-to-day work with risk management and internal control relating to financial reporting is delegated to the CEO. Managers at different levels of the company have corresponding responsibilities within their respective areas.

The most significant parts of the control environment relating to financial reporting are dealt with in the governing documents concerning accounting and financial reporting and in the financial manual published on Sveaskog's employee intranet.

#### Risk assessment and control structures

The Board of Directors is responsible for ensuring that the company manages its risks correctly and that adopted policies for financial reporting and internal control are complied with. Identified risks in connection with financial reporting are loss or misappropriation of assets, unlawful benefit of another party at the company's expense and other risks relating to material misstatement in the financial statements, for example, relating to recognition and measurement of assets, liabilities, income and expenses or discrepancies in disclosure requirements.

These issues are prepared by the Audit Committee for consideration by the Board. A number of items in the income statement and balance sheet have been identified where the risk of material misstatement is significant. These risks are mainly attributable to measurement of forest assets, accruals and the IT systems that support the business.

#### Information and communication

The company's information and communication channels are designed to promote completeness and accuracy of financial reporting. For external communication there are guidelines

## Mission

According to the state's ownership policy, companies owned by the state must take a long-term approach, be efficient and profitable and be given the capacity to develop. In order to promote long-term sustainable value growth in state owned companies, sustainable business is integrated into corporate governance. This means that the companies should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence.

According to its Articles of Association, Sveaskog shall own and manage real and personal property and conduct forestry operations and forest industry as well as related activities. Its core business shall comprise forestry. Sveaskog shall also be an independent operator without major interests of its own as an end user of wood raw materials.

As part of efforts to improve the efficiency of operations,

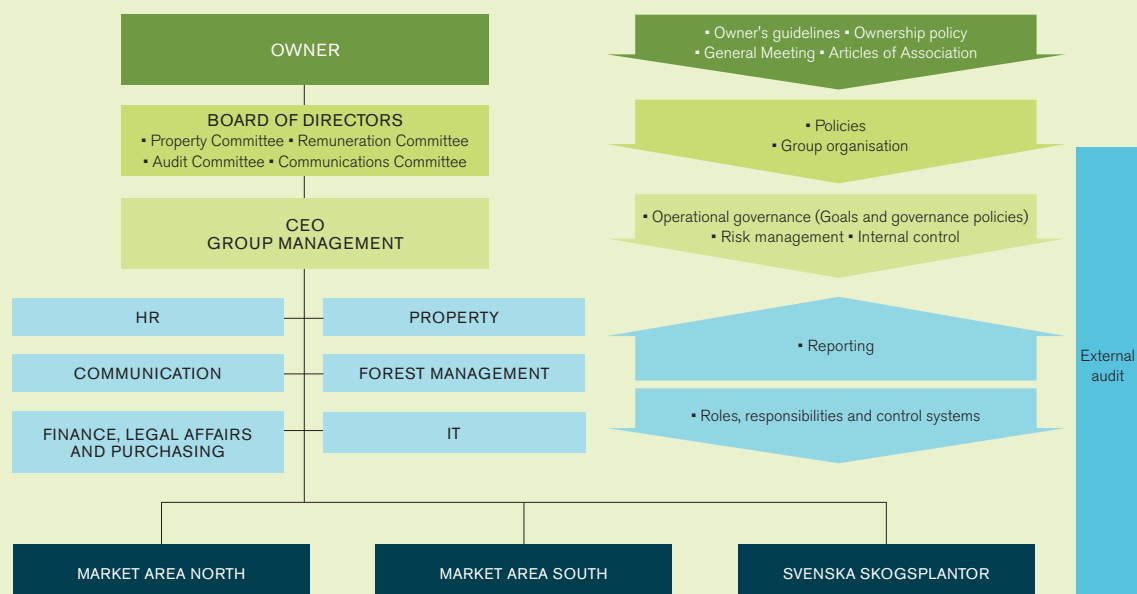
Sveaskog must also strive to adapt the structure of forest holdings to its customer structure through the purchase, exchange and sale of forest land. According to a parliamentary decision, sales of land shall be carried out until 10% of the land area owned by Sveaskog at the time of its foundation in 2002 has been divested.

Sales shall be conducted on market terms and aimed at strengthening private forestry. Because the aim is not to reduce Sveaskog's land holdings, the mission does not preclude Sveaskog from simultaneously purchasing land. 6,272 hectares (19,889) were sold in 2020. A total of 408,831 hectares, or 9.38%, have been sold in 2,348 transactions since the land sales programme started.

The owner has a stated dividend policy and clear financial targets for Sveaskog regarding yield and net debt/equity ratio.



## Organisation and governance



### Board attendance and remuneration 2020

	Attendance Board meetings	Attendance Remuneration Committee	Attendance Property Committee	Attendance Audit Committee	Attendance Communications Committee	Remuneration, SEK	
						Board of Directors	Committee
<b>Board members</b>							
Eva Färnstrand	12/12	4/4	–	10/10	4/4	470,000	30,000
Marie Berglund	12/12	4/4	–	–	4/4	185,000	10,000
Johan Kuylenstierna	11/12	–	6/6	–	–	185,000	40,000
Kerstin Lindberg Göransson	10/12	–	–	9/10	–	185,000	40,000
Leif Ljungqvist	12/12	4/4	–	10/10	4/4	–	–
Annika Nordin	11/12	–	6/6	–	–	185,000	40,000
Sven Wird	12/12	–	6/6	–	–	185,000	40,000
<b>Employee representatives</b>							
Sara Östh	12/12	–	6/6	–	–	–	–
Kenneth Andersson	12/12	–	–	8/10	–	–	–
Lars Djerf (deputy)	12/12	–	–	–	–	–	–
Thomas Esbjörnsson (deputy)	12/12	–	–	–	–	–	–

designed to ensure that the company meets the owner's requirement that reporting is carried out in accordance with Nasdaq Stockholm's Issuer Rules.

### Monitoring

Monitoring is regulated in the Board's formal work plan and the instructions to the CEO.

### Special review function

It is the Board's opinion that Sveaskog's significant risks and risk areas are covered by the risk management process applied by the company. Responsibility for risk inventories and management of the risk management processes has been delegated to the CFO unit by the CEO. The CFO unit is also responsible for a number of central controls combined with local follow-up. However, operational responsibility rests with the market areas and other operating areas. The Board of Directors considers that there is no need for a special review function in the company. The CFO unit is led by the CFO and consists of finance, controlling, purchasing and timber finance.

### Audit

The task of the auditors is to examine, on behalf of shareholders, the company's annual accounting and accounting records as well as the administration by the Board of Directors and the CEO. A limited assurance engagement is performed in respect of the company's Sustainability Report. The Board communicates with the auditors through the Audit Committee and also through auditors being present at Board meetings at which issues ahead of the annual accounts and annual report are discussed. At least once a year, the auditors meet with the Board of Directors without the CEO or any other member of the Group management being present. The auditors participated in 10 of the Audit Committee's 10 meetings.

Remuneration of auditors is described in Note 6.

### Sustainable business

Sveaskog takes an integrated approach to sustainability throughout the organisation. Sveaskog's overall goals for sustainable business are broken down into strategies and business objectives that are followed up regularly. The work is supported by a number of policies and guidelines which are available on Sveaskog's intranet and website.

Monitoring of sustainability work is performed on an ongoing basis both internally and externally. The Board of Directors issues the Sustainability Report and the Audit Committee does prepares the work on the report.

Collaboration with local contractors and suppliers is important for Sveaskog's development. The Code of Conduct, general sustainability requirements linked to the UN Global Compact and

detailed requirements for contractors govern the assessment of contractors. Follow-up is taken in the form of self evaluation and internal audits. Non-conformances are reported in the business management system. Follow-ups of framework agreements with external suppliers take place annually.

The external audit consists of the auditors examining the annual financial statements and the Sustainability Report. In addition, an internal audit in accordance with ISO 14001 is carried out of the integrated business management system. An external audit of FSC® certification is performed and regular surveys are conducted for customers, employees, contractors and suppliers and of the brand.

These provide the tools for creating an understanding of the impact of operations from a stakeholder perspective and offer support for monitoring of international frameworks such as national environmental objectives and the 2030 Agenda.

### Code of Conduct

Sveaskog is dependent on the outside world having confidence in the company. It is only through a high level of confidence that Sveaskog can continue to be a successful company. Sveaskog's Code of Conduct makes it clear to all employees how they should conduct themselves as business partners, employers, employees and members of society.

Sveaskog's Code of Conduct applies to all employees. Anyone who concludes agreements with customers, suppliers, contractors and consultants must ensure and monitor that these comply with the Code of Conduct. Sveaskog's managers shall ensure that the Code of Conduct is complied with in day-to-day operations. The Code of Conduct must be read in connection with new recruitment, performance appraisals, procurement, operational follow-ups, etc. The Code of Conduct must be appended to business and cooperation agreements.

In order to ensure compliance with the Code of Conduct, there is a separate reporting system for deviations or infringements. This whistle-blower function is available through the website and provides guaranteed anonymity. The function is external, which means that the information is processed and investigated by an external party. No reports were received via the whistle-blower function in 2020.

Under the guidance of lawyers and HR specialists, regular meetings are held in the different profit areas at which issues concerning the Code of Conduct, guidelines for entertainment and other ethical issues are discussed.

## To find out more:

### The State's governance policy

[www.regeringen.se/regeringens-politik/bilag-med-statligt-agande/sa-styrs-bolagen/](http://www.regeringen.se/regeringens-politik/bilag-med-statligt-agande/sa-styrs-bolagen/)

### Sveaskog's Articles of Association

[www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/](http://www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/)

### Sveaskog's Code of Conduct

[www.sveaskog.se/om-sveaskog/uppforandekod/](http://www.sveaskog.se/om-sveaskog/uppforandekod/)

### The Swedish Companies Act

[www.regeringen.se](http://www.regeringen.se)

### The Swedish Corporate Governance Code

[www.bolagsstyrning.se/](http://www.bolagsstyrning.se/)

### Nasdaq Stockholm's Issuer Rules

[www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html](http://www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html)





Eva Färnstrand,  
Chairman of the Board.

## MESSAGE FROM THE CHAIRMAN

# Equal ambitions for biodiversity and for growth

**D**uring 2020, Sveaskog conducted a wide-ranging review of the strategic direction and decided to strengthen biodiversity by means of active conservation measures, while strengthening growth in our forests in order to guarantee and in due course increase potential timber extraction. Sveaskog is taking on the challenge of reconciling these two ambitions and is convinced that it is entirely possible.

In recent years there has been an increasingly strong realisation, both nationally and internationally, that the lack of biodiversity is just as great a threat as climate change. This insight also characterised the ownership policy that we received in spring 2020. It calls on all state-owned companies not only to act as role models and contribute to sustainable value creation, but also to work for the 2030 Agenda and for the Swedish environmental and climate goals to be met. The owner's call is very much in line with the strategic direction that has now been adopted.

In the public debate, which has become increasingly intense around forests, forestry and other land use, it has often been said that productive forestry is incompatible with strengthening biodiversity. We at Sveaskog believe that it is perfectly possible to reconcile these ambitions.

So, how is it possible? Sveaskog is in a good starting position, as for a long time it has been investing in a targeted way in protecting high conservation values, including by the creation of thirty-seven ecoparks. It remains our goal to set aside 20% including consideration areas in the managed forest. Sveaskog's forest holdings cover four million hectares of land, of which three million are productive forest. We have rational forestry, which is constantly evolving, based on new knowledge and high competence in the company.

In large areas, it is perfectly possible to use the forest rationally and extract timber, while at the same time taking measures to strengthen the diversity of both flora and fauna around it. With a more qualitative approach than before, both in terms of timber produc-

tion and conservation values, we will work to increase both. Selective cutting forestry is our base, evolving constantly and adapting to ecology and conservation values in the landscape.

Sveaskog takes on the challenge of being a leader in the area of sustainable forestry, with a long-term perspective. At the same time, we safeguard the sustainable delivery capacity to the Swedish forest industry by investing in growth. The task we now face is to describe in concrete terms what sustainable forestry means for Sveaskog, and what measures will take us there. Forest processes take time, the effects will be not be seen for a while, but there is good science to lean on.

We have not forgotten the climate, it is in the nature of sustainable forestry that it binds carbon from the atmosphere in both plants and soil, making a positive contribution to combating global warming. But the temperature increase under way rise affects the forest in many ways, so there is an urgent need for climate adaptation. More deciduous forest and thriving wetlands contribute to biodiversity and also provide protection against forest fires.

2020 was characterised by a strategic process that involved many employees in Sveaskog. We on the Board see that we are better equipped to meet the challenges of our time through our focus on all the values of the forest. On behalf of the Board, I would like to express our sincere thanks for the strong engagement that all employees at Sveaskog have for our forest, now and for the future.

Stockholm, March 2021

A handwritten signature in black ink that reads "Eva Färnstrand".

Eva Färnstrand  
Chairman of the Board





# Board of Directors



**Eva Färnstrand**  
Chairman of the Board

MSc in Engineering. Born in 1951. Elected in 2008 and Chairman since 2017. Chairman of the Remuneration Committee and the Communications Committee, and member of the Audit Committee.

*Other assignments:* Member of the Royal Swedish Academy of Engineering Sciences (IVA). Chairman of Infranord AB. Chairman of Forsen AB. Chairman of HRP AS.

*Previous experience:* Plant Manager at Södra Cell Mönsterås, CEO of Tidningstryckarna AB, Business Area Manager at SCA. Chairman of Profilgruppen AB, Inlandsinnovation AB, and C-Green Technology AN. Board member of, among others, Saminvest AB, Indutrade AB, Domsjö fabriker AB, Södra Cell AB, Handelsbanken regionbank Stockholm City and Schibsted Tryck AS.



**Kenneth Andersson**  
Director

Machine operator. Born in 1969. Elected in 2017.

Employee representative appointed by the Swedish Forest and Wood Trade Union. Member of the Audit Committee.



**Marie Berglund**  
Director

MSc in Biology. Born in 1958. Elected in 2019. Member of the Remuneration Committee and the Communications Committee.

*Other assignments:* Raw Material Manager and Sustainability Coordinator at NCC Industry AB, Board member of Boliden AB until the Annual General Meeting 2020, BalticSea Foundation 2020, BalticWaters Foundation 2030, Council of Trustees of the Swedish World Wide Fund for Nature WWF and the Advisory Council of the County Administrative Board of Västernorrland.

*Previous experience:* External CEO of Bioendev AB, Environmental Manager at Botniabanan AB and Group Ecologist and Environmental Audit Leader in Mo och Domsjö AB.

Chairman of Eurocon Consulting AB and MIS Environmental and Sustainability Auditors in Sweden. Board member of, among others, the Swedish Forest Agency, the Bothnian Sea Water Delegation, the Swedish World Wide Fund for Nature WWF, Enefjärn Natur AB and the Delegation for the Promotion of Environmentally Friendly Technology.



**Johan Kuylenstierna**  
Director

Ph. Lic. Physical Geography. Born in 1965. Elected in 2019. Member of the Property Committee.

*Other assignments:* Adjunct professor, Adviser to the Vice-Chancellor for Sustainable Development and honorary doctorate at Stockholm University. Deputy Chairman of the Climate Policy Council. Member of the Royal Swedish Academy of Agriculture and Forestry and the Royal Swedish Academy of Engineering Sciences. Member of the boards of the University of Gothenburg, WWF Sweden, Ecogain and Axfoundation. Runs own company Modulator AB, specialising in speaker and moderator activities.

*Previous experience:* Former CEO of Stockholm Environment Institute. Has also worked at the UN in New York, Geneva and Rome, and at the Stockholm International Water Institute.



**Kerstin Lindberg Göransson**  
Director

MSc Business and Economics. Born in 1956. Elected in 2019. Chairman of the Audit Committee.

*Other assignments:* CEO of Akademiska Hus AB since 2011. Board member of Hemnet Group AB. Formerly Airport Director Stockholm-Arlanda Airport and CFO and Deputy CEO of Scandic Group.

*Previous experience:* Chairman of Svensk Bilprovning AB and K2 National Knowledge Centre for Public Transport and former member of the Third Swedish National Pension Fund, Jernhusen AB, Strömme Sjöfarts och Turism AB, Grand Hotel AB, OEM AB and Swegon AB.



**Leif Ljungqvist**  
Director

MSc Business and Economics. Born in 1971. Elected in 2016. Member of the Remuneration, Communication and Audit Committees.

*Other assignments:* Company Manager and Deputy Director of the Ministry of Enterprise and Innovation's corporate governance unit. Board member of Samhall AB and Teracom AB.

*Previous experience:* Board member of Apotek AB, Statens Bostadstransformation AB, Akademiska Hus AB, AB Svensk Bilprovning, Vasallen AB and AB Bostadsgaranti. Previously equity analyst at Kaupthing Bank, Nordiska Fondkommission and Hagströmer & Qviberg.



### Lars Djerf

#### Deputy member of the Board

Machine operator. Born in 1968. Elected in 2013. Employee representative appointed by the Swedish Forest and Wood Trade Union.



### Thomas Esbjörnsson

#### Deputy member of the Board

Process developer. Born in 1962. Elected in 2015. Employee representative.



### Sven Wird

#### Director

MSc in Engineering. Born in 1951. Elected in 2016. Member of the Property Committee.

*Other assignments:* Chairman of Nordiska Virkesbörsen AB. Board member of Rise Research Institutes of Sweden AB, Setra Group AB and Biofiber Tech Sweden AB

*Previous experience:* Technology Director, Holmen AB. Leading positions at SCA, Norske Skog France, Modo AB and Modo Paper AB. Formerly Chairman of the Board of SunPine AB and Board member of Innventia AB, SP Technical Research Institute of Sweden and Melodea Ltd.



### Sara Östh

#### Director

MSc Forestry. Forest management leader. Born in 1983. Elected in 2018.

Employee representative. Member of the Property Committee.

#### Auditor

The auditor is audit firm Deloitte AB with Hans Warén, born 1964, as Auditor in charge.

Deloitte AB's address is Rehnsgatan 11, SE-113 79 Stockholm.

#### Member of the Board of Directors who stood down in 2020

Annika Nordin, Director, PhD Forestry. Born in 1968. Elected in 2016.



# Management



## Per Matses

### President and CEO

MSc Business and Economics. Born in 1958. Employed since 2010. Assumed current position in 2021.

*Previous experience:* CFO and Deputy CEO at Sveaskog, CFO and Administrative Director at Apoteket AB, Finance Director at Postgirot Bank AB and Finance Director at Posten AB.

*Other assignments:* Chairman of Sveaskog Försäkrings AB and Hjälmare Kanal AB. Board member of Setra Group AB, SJ AB and Praktikertjänst AB.



## Eva Karlsson Berg

### Head of Market Area South

MSc in Engineering. Born in 1959. Employed since 2015. Assumed current position in 2015.

*Previous experience:* Leading positions within Stora Enso. Chairman of the Swedish Association of Pulp and Paper Engineers (SPCI).

*Other assignments:* Board member of University of Gävle.



## Helene Bergström

### Head of Svenska Skogsplanter

Elementary school teacher and MSc Forestry. Executive MBA, Stockholm School of Economics. Born 1972. Employed since 2010. Assumed current position in 2020.

*Previous experience:* Planning Manager and Head of Profit Area Sveaskog Norra Bergslagen and Södra Bergslagen.



## Patrik Karlsson

### Chief Digital Officer, CDO

MSc Business and Economics and systems analyst. Born in 1969. Employed in 2020. Assumed current position in 2020.

*Previous experience:* CIO of Nordic Cinema Group and Filmstaden, CIO of Intrum Justitia, CIO of Ventelo, various roles at Capgemini and Tre.

*Other assignments:* Board member of Biometrics.



## Fredrik Klang

### Head of Forestry

MSc, PhD in Forestry. Born in 1970. Employed since 2000. Assumed current position in 2018.

*Previous experience:* Head of Market Area South. Regional Manager and Head of Production for Götaland, District Manager, Head of Silviculture, AssiDomän Forestry, SLU, SCA Strömsund.

*Other assignments:* Board member of Sveaskog Försäkrings AB. Chairman of Arboreal AB. Board member of PEFC, deputy Board member of SkogForsk and Chairman of ÄBIN ekonomiska förening.



## Marie Stålnacke

### Head of HR

BSc Human Resource Management. Born in 1966. Employed since 2019. Assumed current position in 2019.

*Previous experience:* Leading positions at Stora Enso with responsibility for HR, communication, working environment and safety. HR Manager at Lantmäteriet with responsibility for HR, research and external issues.

*Other assignments:* Board member of Sveaskog Baltfor. Board member of ShoreLink



### **Kristina Ferenius**

**Chief Financial Officer, CFO**

MSc Economics. Born in 1968. Employed in 2020, assumed current position in 2020.

*Previous experience:* CFO and Deputy CEO of Specialfastigheter Sverige AB, CFO of Huga Fastigheter AB, of CFO Enaco AB, Business Controller of Coor Service Management AB, CFO of Skanska Guest Relocation AB



### **Anette Waara**

**Head of Market Area North**

MSc Forestry. Born in 1969. Employed since 2002. Assumed current position in 2016.

*Previous experience:* Head of Production, Market Area Västerbotten, Head of Profit Area Västerbotten.

#### **Other persons who were involved in Sveaskog's Group Management during 2020:**

Hannele Arvonen,  
President and CEO.  
Jan Wintzell,  
Head of Business Development & Innovation.  
Viveka Beckeman,  
Head of Legal Affairs and Property.  
Helene Samuelsson,  
Head of Communications and Public Affairs  
Anders Nilsson,  
Head of Svenska Skogsplanter



# Sustainability Report

Sveaskog publishes a Sustainability Report in accordance with the Swedish Annual Accounts Act 6:11 which is integrated into the Annual Report. The Sustainability Report comprises Sveaskog AB and its subsidiaries.

According to the Swedish Annual Accounts Act, the Sustainability Report must include business model, policy, policy outcome, significant risks, risk management and performance indicators. The table shows where in the Annual Report the various areas can be found.

Area	Disclosure requirements	Environment	Staff	Social conditions	Human rights	Anti-corruption
Business model	The Sustainability Report must describe the Company's business model	Sveaskog's business model is described on page 14, and pages 26-27; all the values of the forest in a sustainable value chain				
Policy	The Sustainability Report must describe the policy applied by the Company in respect of these issues, including the audit procedures that have been implemented	This is described on pages 16-17 (energy) and 24-25 (environment)	Working environment and gender equality, page 33	Decent work, page 23, new contractor strategy, page 32	Human rights and anti-corruption, page 33, Corporate Governance Report, pages 45-49 and Code of Conduct, sveaskog.se	Human rights and anti-corruption, page 33, Corporate Governance Report, pages 45-49 and Code of Conduct, sveaskog.se
Policy outcomes	The Sustainability Report must describe the outcomes of the policy	This is described on pages 16-17 (energy) and 24-25 (environment) 33	Working environment and gender equality, page 33	Creating a sustainable value chain, page 32	Human rights and anti-corruption, page 33, Corporate Governance Report, pages 45-49 and Code of Conduct, sveaskog.se	Human rights and anti-corruption, page 33, Corporate Governance Report, pages 45-49 and Code of Conduct, sveaskog.se
Significant risks	The Sustainability Report shall describe the significant risks which relate to these issues and are linked to the Company's activities, including, where relevant, the Company's business relationships, products or services that are likely to have negative consequences	Risk and sensitivity analysis, weather, climate and environmental risks, page 42	Risk and sensitivity analysis, operational and legal risks, page 42	Risk and sensitivity analysis, social risks, pages 40-43	Risk and sensitivity analysis, social risks, page 43	Risk and sensitivity analysis, social risks, page 43
Risk management	The Sustainability Report must describe how the Company manages the risks	Risk and sensitivity analysis, weather, climate and environmental risks, page 42	Risk and sensitivity analysis, operational and legal risks, page 42	Risk and sensitivity analysis, social risks, pages 40-43	Risk and sensitivity analysis, social risks, page 43	Risk and sensitivity analysis, social risks, page 43
Performance indicators <sup>1</sup>	The Sustainability Report must describe key performance indicators relevant to the business	Biodiversity and nature conservation, pages 24-25	Sickness absence and occupational injuries, page 34	Evaluation of contractors, page 32	Values and anti-discriminatory practice, page 33	Values and anti-discriminatory practice, page 33

1) A summary of all indicators can be found on page 6.

# Five year summary<sup>1</sup>

	2020	2019	2018	2017	2016
<b>Income statements, MSEK</b>					
Net sales	6,597	7,209	6,971	6,206	5,922
Other operating income	101	109	160	205	171
Operating expenses	-5,429	-5,690	-5,624	-5,082	-4,885
Depreciation/amortisation and impairment	-149	-145	-85	-81	-80
Operating profit from continuing operations	1,120	1,483	1,422	1,248	1,128
Capital gains on property disposals	163	185	234	321	131
Share of profit/loss of associates	57	26	156	108	53
Operating profit before change in value of forest assets	1,340	1,694	1,812	1,677	1,312
Change in value of forest assets	12,481	399	1,697	200	319
Operating profit	13,821	2,093	3,509	1,877	1,631
Net financial income/expense	-153	-130	-143	-133	-174
Profit before tax	13,668	1,963	3,366	1,744	1,457
Tax	-2,801	-405	-195	-360	-267
<b>Profit for the year</b>	<b>10,867</b>	<b>1,558</b>	<b>3,171</b>	<b>1,384</b>	<b>1,190</b>
<b>Statement of comprehensive income for the year, MSEK</b>					
Profit for the year	10,867	1,558	3,171	1,384	1,190
Total other comprehensive income after tax	26,152	-29	26	29	-18
<b>Total comprehensive income for the year</b>	<b>37,019</b>	<b>1,529</b>	<b>3,197</b>	<b>1,413</b>	<b>1,172</b>
<b>Balance sheets, MSEK</b>					
Non-current assets, non-interest-bearing	84,149	38,164	37,498	35,704	35,415
Non-current receivables, interest-bearing	5	4	3	5	7
Inventories	708	576	570	540	582
Current receivables, non-interest bearing	1,878	1,691	1,868	1,662	1,520
Cash and cash equivalents and interest-bearing receivables	1,231	1,114	847	1,681	1,070
<b>Total assets</b>	<b>87,971</b>	<b>41,549</b>	<b>40,786</b>	<b>39,592</b>	<b>38,594</b>
Equity	59,493	23,574	23,145	20,816	20,081
Non-interest-bearing liabilities	19,629	9,708	9,776	9,685	9,506
Interest-bearing liabilities	8,849	8,267	7,865	9,091	9,007
<b>Total equity and liabilities</b>	<b>87,971</b>	<b>41,549</b>	<b>40,786</b>	<b>39,592</b>	<b>38,594</b>
<b>Operating capital</b>	<b>67,178</b>	<b>30,736</b>	<b>30,314</b>	<b>28,316</b>	<b>28,012</b>
<b>Cash flow</b>					
Cash flow from operating activities	623	1,108	921	778	789
Cash flow from investing activities	72	16	334	502	122
Cash flow from financing activities	-578	-857	-2,089	-669	-976
<b>Cash flow for the year</b>	<b>117</b>	<b>267</b>	<b>-834</b>	<b>611</b>	<b>-65</b>
<b>Net interest-bearing debt</b>	<b>7,613</b>	<b>7,149</b>	<b>7,014</b>	<b>7,410</b>	<b>7,937</b>
<b>Performance measures</b>					
Return on equity, %	26.2	6.7	14.4	6.7	6.0
Dividend yield, %	2.4	4.9	5.4	4.8	4.2
Equity ratio, %	68	57	57	53	52
Return on operating capital, %	28.2	6.8	12.0	6.6	5.8
Net debt/equity ratio, multiple	0.13	0.30	0.30	0.36	0.40
Capital turnover rate, multiple	0.13	0.24	0.24	0.22	0.21
Interest coverage ratio, multiple	7.6	11.6	11.0	10.0	6.3
Gross margin, %	211	31	49	30	28
Operating margin, %	209	29	50	30	28
<b>Dividend</b>					
Total approved dividend, MSEK <sup>2</sup>	850 <sup>2)</sup>	1,100 <sup>2</sup>	1,100	900	800
<b>Investments, MSEK</b>					
Business acquisitions and investments in shares	7	5	1	1	1
Other investments	264	445	237	219	183
<b>Staff</b>					
Number of employees	713	682	682	685	674
Average number of employees	827	807	840	846	844
Expensed salaries and other remuneration, MSEK	398	385	379	386	373

1) Sveaskog has chosen to present the Company's alternative performance measures in accordance with the decision by the European Securities and Markets Authority (ESMA). See pages 115–117.

2) The figure for 2020 is the proposed dividend.



# Consolidated income statement

MSEK	Note	2020	2019
Net sales	Note 4, 7	6,597	7,209
Other operating income	Note 5	101	109
Raw materials and consumables		-1,976	-2,314
Change in inventories		128	31
Other external costs	Note 6, 7	-2,990	-2,838
Personnel costs	Note 8	-591	-569
Depreciation/amortisation and impairment	Note 7, 9	-149	-145
<b>Operating profit from continuing operations</b>		<b>1,120</b>	<b>1,483</b>
Capital gains on property disposals	Note 14	163	185
Share of profit/loss of associates	Note 16	57	26
<b>Operating profit before change in value of forest assets</b>		<b>1,340</b>	<b>1,694</b>
Change in value of forest assets	Note 14	12,481	399
<b>Operating profit</b>		<b>13,821</b>	<b>2,093</b>
Financial income	Note 10	2	0
Financial expenses	Note 10	-155	-130
Net financial income/expense		-153	-130
<b>Profit before tax</b>		<b>13,668</b>	<b>1,963</b>
Tax	Note 11	-2,801	-405
<b>Profit for the year</b>		<b>10,867</b>	<b>1,558</b>
Earnings per share			
- undiluted, SEK		91.78	13.16
- diluted, SEK		91.78	13.16

# Statement of comprehensive income

MSEK	2020	2019
Profit for the year	10,867	1,558
<b>Other comprehensive income</b>		
<b>Components that will not be reversed in profit or loss</b>		
Change in value in land assets	32,949	-
Tax on change in value in land assets	-6,797	-
Actuarial gains/losses relating to pensions	-10	-25
Tax on actuarial gains/losses	2	5
<b>Components that may be reversed in profit or loss</b>		
Exchange differences	-2	1
Other comprehensive income from associates	14	-8
Tax on other comprehensive income from associates	-3	2
Cash flow hedges	-1	-5
Tax attributable to cash flow hedges	0	1
<b>Total other comprehensive income for the year, net after tax</b>	<b>26,152</b>	<b>-29</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>37,019</b>	<b>1,529</b>

# Consolidated balance sheet

MSEK	Note	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	Note 13	164	136
Right-of-use assets	Note 7	163	129
Forest assets	Note 14	82,430	36,623
–of which land assets (Note 3)		35,709	2,723
–of which biological assets (Notes 2, 3)		46,721	33,900
Other property, plant and equipment	Note 15	597	537
Non-current financial assets			
–Interests in associates	Note 16	768	712
–Other securities held as non-current assets	Note 16	16	16
–Non-current receivables	Note 17	5	4
Deferred tax assets	Note 11	11	11
<b>Total non-current assets</b>		<b>84,154</b>	<b>38,168</b>
<b>Current assets</b>			
Stock	Note 18	708	576
Contract assets		14	14
Advance payments to suppliers		187	165
Tax assets		38	34
Trade receivables, loan receivables and other receivables	Note 19	1,639	1,478
Cash and cash equivalents	Note 21	1,231	1,114
<b>Total current assets</b>		<b>3,817</b>	<b>3,381</b>
<b>TOTAL ASSETS</b>		<b>87,971</b>	<b>41,549</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	Note 20	118	118
Reserves		–25,534	–35
Retained earnings		–33,841	23,491
<b>Total equity</b>		<b>59,493</b>	<b>23,574</b>
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	Note 21, 26	–5,849	5,253
Provisions for pensions	Note 22	353	376
Other provisions for pensions and similar obligations	Note 22	11	13
Non-current liabilities		6	6
Other provisions	Note 24	352	153
Deferred tax liabilities	Note 11	17,728	8,354
<b>Total non-current liabilities</b>		<b>24,299</b>	<b>14,155</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities and provisions	Note 21, 22, 26	2,636	2,625
Contract liabilities		1	2
Tax liabilities		110	47
Trade payables, other liabilities and provisions	Note 23, 24	1,432	1,146
<b>Total current liabilities</b>		<b>4,179</b>	<b>3,820</b>
<b>Total liabilities</b>		<b>28,478</b>	<b>17,975</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87,971</b>	<b>41,549</b>



# Consolidated statement of changes in equity

Equity attributable to the Parent Company's shareholders

MSEK	Share capital	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Total
<b>Opening equity 1 January 2019</b>	<b>118</b>	<b>–</b>	<b>–22</b>	<b>–5</b>	<b>23,054</b>	<b>23,145</b>
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	1,558	1,558
<b>Other comprehensive income</b>						
Actuarial gains/losses relating to pensions	–	–	–	–	–25	–25
Tax on actuarial gains/losses	–	–	–	–	5	5
Other comprehensive income from associates	–	–	–7	1	–2	–8
Tax on other comprehensive income from associates	–	–	1	–	1	2
Cash flow hedges	–	–	–5	–	–	–5
Tax attributable to cash flow hedges	–	–	1	–	–	1
Translation differences relating to translation of foreign operations	–	–	–	1	–	1
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>–10</b>	<b>2</b>	<b>1,537</b>	<b>1,529</b>
Dividend paid according to Annual General Meeting resolution 24 April 2019	–	–	–	–	–1,100	–1,100
<b>Closing equity 31 December 2019</b>	<b>118</b>	<b>0</b>	<b>–32</b>	<b>–3</b>	<b>23,491</b>	<b>23,574</b>
<b>Opening equity 1 January 2020</b>	<b>118</b>	<b>0</b>	<b>–32</b>	<b>–3</b>	<b>23,491</b>	<b>23,574</b>
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	10,867	10,867
<b>Other comprehensive income</b>						
Change in value in land assets	–	32,949	–	–	–	32,949
Tax on change in value in land assets	–	–6,797	–	–	–	–6,797
Actuarial gains/losses relating to pensions	–	–	–	–	–10	–10
Tax on actuarial gains/losses	–	–	–	–	2	2
Other comprehensive income from associates	–	–	16	–2	0	14
Tax on other comprehensive income from associates	–	–	–3	–	0	–3
Cash flow hedges	–	–	–1	–	–	–1
Tax attributable to cash flow hedges	–	–	0	–	–	0
Translation differences relating to translation of foreign operations	–	–	–	–2	–	–2
<b>Total comprehensive income</b>	<b>0</b>	<b>26,152</b>	<b>12</b>	<b>–4</b>	<b>10,859</b>	<b>37,019</b>
Dividend paid according to Annual General Meeting resolution 24 April 2020	–	–	–	–	–1,100	–1,100
<b>CLOSING EQUITY 31 DECEMBER 2020</b>	<b>118</b>	<b>26,152</b>	<b>–20</b>	<b>–7</b>	<b>33,250</b>	<b>59,493</b>

# Consolidated cash flow statement

MSEK	Note	2020	2019
<b>Operating activities</b>			
Operating profit		13,821	2,093
Non-cash items	Note 12	-12,653	-574
Interest received, etc.		2	0
Interest paid		-138	-138
Tax paid		-163	-396
<b>Cash flow from operating activities before changes in working capital</b>		<b>869</b>	<b>985</b>
Change in working capital:			
- Operating receivables		-184	206
- Inventories		-107	3
- Operating liabilities, etc.		45	-86
<b>Cash flow from operating activities</b>		<b>623</b>	<b>1,108</b>
<b>Investing activities</b>			
Investments in non-current assets		-264	-445
Investments in shares		-7	-5
Dividends from associates		12	60
Sale of non-current assets		331	407
Change in interest-bearing receivables		0	-1
<b>Cash flow from investing activities</b>		<b>72</b>	<b>16</b>
<b>Financing activities</b>			
Change in equity:			
- Dividend		-1,100	-1,100
Change in interest-bearing liabilities:			
- Borrowings		9,285	8,450
- Repayment of loans		-8,763	-8,207
<b>Cash flow from financing activities</b>		<b>-578</b>	<b>-857</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>117</b>	<b>267</b>
<b>Cash and cash equivalents at the beginning of the year</b>	Note 21	<b>1,114</b>	<b>847</b>
<b>Cash and cash equivalents at the end of the year</b>	Note 21	<b>1,231</b>	<b>1,114</b>



# Parent Company's income statement

MSEK	Note	2020	2019
<b>Operating income</b>			
Net sales	Note 4, 7	15	14
Other operating income	Note 5	86	29
		101	43
<b>Operating expenses</b>			
Other external costs	Note 6, 7	0	0
Personnel costs	Note 8	-2	-2
Depreciation/amortisation according to plan	Note 9	-1	0
<b>Total expenses</b>		<b>-3</b>	<b>-2</b>
<b>Operating profit</b>		<b>98</b>	<b>41</b>
<b>Profit/loss from financial items</b>	Note 10		
Other financial income		8,018	19
Other financial expense		-349	-319
Net financial income/expense		7,669	-300
<b>Profit/loss before appropriations and tax</b>		<b>7,767</b>	<b>-259</b>
Group contributions received		400	377
Group contributions provided		-1	-1
Provisions to untaxed reserves		-87	-70
<b>Profit before tax</b>		<b>8,079</b>	<b>47</b>
Tax	Note 11	-56	-45
<b>PROFIT FOR THE YEAR<sup>1</sup></b>		<b>8,023</b>	<b>2</b>
Proposed dividend per share, SEK (2019 approved dividend per share)		7,18	9,29

<sup>1</sup>Same as Total comprehensive income for the year.

# Parent Company's balance sheet

MSEK	Note	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Tangible non-current assets</i>	Note 15		
Forest properties		29	34
Buildings, other land and land improvements		11	12
<b>Total property, plant and equipment</b>		<b>40</b>	<b>46</b>
<i>Non-current financial assets</i>			
Shares and participations	Note 16	24,934	24,934
Receivables from Group companies, interest-bearing	Note 3, 17	1,200	1,200
<b>Total non-current financial assets</b>		<b>26,134</b>	<b>26,134</b>
<b>Total non-current assets</b>		<b>26,174</b>	<b>26,180</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies	Note 3, 17, 19	8,403	389
Tax assets		37	0
Other receivables	Note 19	164	73
Receivables from Group companies, interest-bearing	Note 3, 19	489	500
Cash and cash equivalents	Note 21	0	0
<b>Total current assets</b>		<b>9,093</b>	<b>962</b>
<b>TOTAL ASSETS</b>		<b>35,267</b>	<b>27,142</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>	Note 20		
<i>Restricted equity</i>			
Share capital		118	118
Statutory reserve		24	24
<b>Total restricted equity</b>		<b>142</b>	<b>142</b>
<i>Unrestricted equity</i>			
Retained earnings		5,225	6,323
Profit for the year		8,023	2
<b>Total unrestricted equity</b>		<b>13,248</b>	<b>6,325</b>
<b>Total equity</b>		<b>13,390</b>	<b>6,467</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		157	70
<b>Total untaxed reserves</b>		<b>157</b>	<b>70</b>
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	Note 21	5,732	5,183
<b>Total non-current liabilities</b>		<b>5,732</b>	<b>5,183</b>
<b>Current liabilities</b>			
Liabilities to Group companies, interest-bearing	Note 3, 21	13,287	12,811
Other liabilities, interest-bearing	Note 21	2,549	2,525
Liabilities to Group companies	Note 3, 23	1	1
Tax liabilities		101	45
Other liabilities	Note 23	50	40
<b>Total current liabilities</b>		<b>15,988</b>	<b>15,422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,267</b>	<b>27,142</b>

For information about the Group's pledged assets and contingent liabilities, see Note 25.

# Parent Company's statement of changes in equity

MSEK	Share capital <sup>1</sup>	Statutory reserve	Unrestricted equity	Total
<b>Equity 1 January 2019</b>	<b>118</b>	<b>24</b>	<b>7,423</b>	<b>7,565</b>
Dividend paid according to Annual General Meeting resolution 24 April 2019	–	–	–1,100	–1,100
Profit for the year	–	–	2	2
<b>Equity 31 December 2019</b>	<b>118</b>	<b>24</b>	<b>6,325</b>	<b>6,467</b>
<b>Equity 1 January 2020</b>	<b>118</b>	<b>24</b>	<b>6,325</b>	<b>6,467</b>
Dividend paid according to Annual General Meeting resolution 24 April 2020	–	–	–1,100	–1,100
Profit for the year	–	–	8,023	8,023
<b>CLOSING EQUITY 31 DECEMBER 2020</b>	<b>118</b>	<b>24</b>	<b>13,248</b>	<b>13,390</b>

1) Number of shares amounts to 118,373,034 Class A shares.

Also see Note 20 Equity.

## Cash flow statement, Parent Company

MSEK	Note	2020	2019
<b>Operating activities</b>			
Operating profit		98	41
Non-cash items	Note 12	–85	–28
Interest and dividends received		19	18
Interest paid		–339	–315
Tax paid		–37	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>–344</b>	<b>–284</b>
<i>Change in working capital</i>			
Operating receivables		–572	9
Operating liabilities		0	5
<b>Cash flow from operating activities</b>		<b>–916</b>	<b>–270</b>
<b>Investing activities</b>			
Investments in non-current assets		0	–25
Sale of non-current assets		91	50
Decrease in interest-bearing receivables		500	0
<b>Cash flow from investing activities</b>		<b>591</b>	<b>25</b>
<b>Financing activities</b>			
Dividend paid		–1,100	–1,100
Group contributions received		377	182
Group contributions provided		–1	–
Borrowings		9,285	8,450
Repayment of loans		–8,236	–7,287
<b>Cash flow from financing activities</b>		<b>325</b>	<b>245</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>Note 21</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>Note 21</b>	<b>0</b>	<b>0</b>



# Note

## NOTE 1 Accounting policies

### General information

Sveaskog AB and its subsidiaries (the Sveaskog Group) sell sawlogs, pulpwood and biofuel. Just over half of net sales come from the Group's own forests and the rest from externally acquired wood raw materials. The Group's own forests comprise forests that are 100 percent located in Sweden.

The Parent Company is a public limited company whose registered office is in Sweden. The address of the company's registered office is Torggatan 4, Kalix, Sweden.

In connection with the Board meeting held on 9 March 2021, the Board of Directors of Sveaskog AB (publ) decided to approve the 2020 financial statements for publication. The approved financial statements comprise the income statements, balance sheets, statements of changes in equity and cash flow statements, together with accompanying notes, submitted by the Sveaskog Group and the Parent Company.

### Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations from the IFRS Interpretations Committee, as adopted by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 – Supplementary Accounting Rules for Groups has been applied.

### Annual accounts

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, according to which the Parent Company is required to apply all IFRS and interpretations adopted by the EU in the annual accounts of the legal entity as far as is possible within the framework of the Swedish Annual Accounts Act and taking into account the link between accounting and taxation. The recommendation sets out the exceptions from and additions to IFRS that must be implemented.

The Parent Company applies the same accounting policies as the Group except in the cases shown below under section "Parent Company's accounting policies". The differences in accounting policies that exist between the Parent Company and the Group are due to limitations relating to the ability to apply IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and taxation legislation.

### Measurement basis

Assets and liabilities are recognised at historical cost, apart from certain financial assets, liabilities and biological assets, which are measured at fair value.

### Judgements and estimates in the financial statements

Preparation of the financial statements in accordance with IFRS requires management to make judgements and estimates, as well as to make assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that are considered to be reasonable under the circumstances. The results of these estimates and assumptions are used to assess the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may differ from these estimates and judgements.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised in the period in which the change is made if it only affects that period, or in the period the change is

made and future periods if the change affects both the current period and future periods.

Judgements which have a significant impact on the financial statements and estimates made and which may result in significant adjustments to the following year's financial statements are described in more detail in the relevant notes.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. The Group's accounting policies have been consistently applied in reporting and consolidation of subsidiaries.

### New and revised standards applied by the Group with effect from 1 January 2020

#### *Amendment to IFRS 3 Business Combinations: Definition of a Business*

The purpose of the amendment is to clarify the definition of a business combination. The amendments introduce an optional concentration test that allows for a simplified assessment of whether an acquired set of activities and assets is an acquisition of a business or asset. The test means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset, or a group of similar assets, the acquisition does not constitute a business acquisition, but an asset acquisition. The amendments must be applied to all acquisitions of a business or assets that occur on or after 1 January 2020. The amendment has not had a material impact on Sveaskog.

#### *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*

The amendment is a response to the ongoing reforms of benchmark rates that include the replacement of commonly used benchmark rates (e.g. STIBOR, EURIBOR, LIBOR) with alternative, risk-free, benchmark rates (RFR). IASB has provided relief to the hedge accounting requirements so that companies that apply hedge accounting may assume that the benchmark rate for the hedged item corresponds to the benchmark rate for hedging instruments. The change takes place in two stages, with the first phase taking effect on 1 January 2020. During the year, the Company only had exposure to STIBOR and follows the development of alternative risk-free interest rates for STIBOR.

#### *Amendments to IAS 1 and IAS 8: Definition of materiality*

The amendment involves a clarification of the definition of materiality, while the underlying meaning is not changed. Material information must also not be concealed in too much immaterial information. This amendment took effect on 1 January 2020 and has not had any effect on Sveaskog.

#### *Amendments to References to the Conceptual Framework in IFRS Standards*

A review has been conducted of the conceptual framework, in which the importance of stewardship for financial statements is emphasised, and the concept of prudence is reintroduced. These amendments took effect on 1 January 2020 and have not had any effect on the financial statements.

#### *Amendment to IFRS 16 Leases due to Covid-19*

According to IFRS 16, rental discounts and other financial incentives are to be viewed as a modification of the lease if the discount/relief was not part of the original contract. The amendment applies to a practical exemption for rental discounts that are directly linked to Covid-19, and only if total lease payments are reduced or are essentially unchanged, and the discount affects payments that fall due for payment no later than 30 June 2021, and no other material changes are made to the contract. In these cases, there is no need to assess whether the change constitutes a modification of the lease. The discount/relief is recognised in the income statement in the period to which the discount relates and information is provided to the effect

**IFRS 16 Leases****NOTE 1 Accounting policies, cont.**

that the exemption rule applies. This amendment took effect as of 1 January 2020 and has not had any effect on the financial statements. *Amendment to RFR 2 in respect of IFRS 16 Leases due to Covid-19* This amendment relates to a legal entity where the choice is made not to apply IFRS 16 and applies to both lessee and lessor. Discounts received/issued due to Covid-19 may be recognised in the period to which the discount belongs and do not therefore need to be accrued over the term of the contract. Sveaskog is applying this amendment.

**New standards and interpretations not yet effective**

*Amendments to IFRS 9, IAS 39 and IFRS 7:*

*Interest Rate Benchmark Reform, Phase 2*

This amendment involves a continuation/conclusion of the interest rate benchmark reform, in which IBOR rates are replaced by risk-free rates (RFR). The intention is that Phase 2 will take effect from 1 January 2021, but it has not yet been adopted by the EU.

**IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts when it takes effect on 1 January 2023. The new standard aims to create a uniform approach to accounting for all types of insurance contracts, a higher degree of transparency of the earnings of insurance undertakings and increased comparability between companies and countries. The amendment means that estimates are revalued each period using discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin (CSM). Changes in the discount rate are recognised either in the income statement or in other comprehensive income, depending on how insurance companies recognise their financial assets in accordance with IFRS 9. The standard is expected to have only a marginal, if any, effect on the Group's financial statements when it takes effect. The Swedish Financial Supervisory Authority decided in October 2020 that it will not be possible to apply the standard in a legal entity (Sveaskog Försäkring AB).

**Performance measures****Operating profit from continuing operations**

Operating profit from continuing operations is the operating profit/loss before change in value of forest assets, share of profit/loss of associates and capital gains from property disposals. Operating profit from continuing operations is the result of the Group's core operating activities, the vast majority of which comprise the forest operations, including purchases and sales of sawlogs, pulpwood, wood chips and biofuel.

**Operating profit before change in value of forest assets**

Operating profit before change in value of forest assets is the operating profit before calculation of forest growth according to IAS 41, felling during the year and any forest assets sold or purchased.

**Associates**

Associates are recognised in the consolidated income statement outside operating profit from continuing operations because they do not form part of the Group's core operating activities.

**Segment reporting**

The Group applies IFRS 8, but this does not have a material impact on the Group's financial statements and has not led to any change in the Group's segments, which consist of a single segment named Forest Operations. Forest Operations is the Group's collective segment for purchases and sales of sawlogs, pulpwood, wood chips and biofuels and the operations are recognised internally as one segment.

**Principles of consolidation****Transactions to be eliminated on consolidation**

Intra-group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-group transactions between Group companies are eliminated in full when preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates

and jointly controlled entities are eliminated to the extent that the ownership interest in the entity is eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

**Functional currency and date**

The functional currency is the Swedish krona, which is also the reporting currency. This means that the financial statements are presented in Swedish krona. All amounts, unless otherwise stated, are rounded to the nearest million SEK (MSEK). The amounts within parentheses refer to the previous year. Items relating to the income statement refer to the period 1 January – 31 December and items relating to the balance sheet refer to 31 December.

**Foreign currency****Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rates at the balance sheet date. Exchange differences arising from the translations are recognised in the income statement, partly in operating profit and partly in net financial items depending on the nature of the underlying transactions. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate at the time of the transaction.

The functional currency is the currency of the primary economic environments in which the companies involved operate. The companies in the Group are the Parent Company and subsidiaries. The functional currency is the Swedish krona, which is also the reporting currency.

**Receivables and liabilities in foreign currency**

Changes in the value of operating receivables and liabilities are recognised in operating profit, while changes in the value of financial receivables and liabilities are recognised in net financial items.

**Financial statements of foreign operations**

The assets and liabilities of foreign operations, including goodwill and other consolidated overvaluations and undervaluations, are translated into Swedish krona at the exchange rates at the balance sheet date. Income and expenses in foreign operations are translated into Swedish krona at average exchange rates that are an approximation of the rates prevailing on each transaction date. Translation differences arising from currency translation of foreign operations are recognised in other comprehensive income and in equity as a translation reserve.

**Impairment**

If it is not possible to determine largely independent cash flows for an individual asset, for the purposes of impairment testing, assets shall be grouped at the lowest level for which there are separately identifiable cash flows (so-called cash-generating unit). A cash-generating unit is the smallest group of assets for which it is possible to determine cash flows that are largely independent of other assets or groups of assets. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. An impairment loss is recognised in the income statement.

Impairment of assets attributable to a cash-generating unit is first recognised against goodwill. Thereafter, impairment losses are allocated to other assets included in the unit on a pro rata basis.

**Determining the recoverable amount**

Assets with a short maturity are not discounted.

The recoverable amount of other assets is the higher of fair value less costs of disposal and value in use. When determining the value in use, future cash flows are discounted by a discount factor that takes into account risk-free interest rates and the risk associated with the specific asset. For an asset that does not generate cash flows that are largely independent of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## NOTE 1 Accounting policies, cont.

### Reversal of impairment losses

Impairment losses on loan receivables and trade receivables that are recognised at amortised cost are reversed if a subsequent increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was recognised.

Impairment losses on other assets are reversed if there has been a change in the assumptions used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that the asset would have had if no impairment loss had been made, taking into account any depreciation.

## PARENT COMPANY

### Parent Company's accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2. According to RFR 2, the Parent Company is required to apply all IFRS and interpretations adopted by the EU in the annual accounts of the legal entity as far as is possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation sets out the exceptions from and additions to IFRS that must be implemented. The differences between the accounting policies of the Group and the Parent Company are shown below.

The Parent Company's accounting policies below have been applied consistently to all periods presented in the Parent Company's financial statements. In accordance with the relief rules in RFR 2, IFRS 9 is not applied in the Parent Company.

Due to the relationship between accounting and taxation, the rules in IFRS 16 do not need to be applied in a legal entity. The Parent Company implements this exemption from application of IFRS 16. The Parent Company has no leases.

The Parent Company does not apply the revaluation method for its forest assets, but measures them at cost in accordance with IAS 16 p30.

### Taxes

As a responsible social stakeholder, Sveaskog strives to pay the right amount of tax, in the right country and at the right time, based on the activities carried out within the Group. Our decisions are based on a commercial approach to tax expense in the companies that form part of the Sveaskog Group and we manage tax as an expense in the business. In cases where legislation and/or rules are unclear, Sveaskog shall act responsibly, transparently and from a long-term perspective in order to minimise the risk of the wrong amount of tax being paid. Find out more about Sveaskog's taxes in Note 11.

The Parent Company recognises untaxed reserves including deferred tax liability. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

### Group contributions and shareholder contributions

The company recognises group contributions and shareholder contributions in accordance with RFR 2 Accounting for listed legal entities. The Parent Company recognises Group contributions in appropriations in accordance with the alternative method.

## NOTE 2 Information about the Parent Company

Sveaskog AB (publ), corporate identity number 556558-0031, is a Swedish limited company whose registered office is in Kalix, Sweden. As of 31 December 2020, the company was wholly owned by the Swedish state. The address of Sveaskog's head office is:

SE-105 22 STOCKHOLM

Visiting address: Torsgatan 4

Sveaskog AB (publ) owns and manages forest properties and shares in subsidiaries and is responsible for Group-wide financing

## NOTE 3 Related-party transactions

### ACCOUNTING PRINCIPLES

Transactions with related parties take place on market terms. Related parties are companies in which Sveaskog is able to exercise a controlling or significant influence with regard to operational and financial decisions. Related parties also includes those companies and natural persons who are able to exercise a controlling or significant influence over Sveaskog's financial and operational decisions. Related party transactions also include defined benefit and defined contribution pension plans.

### Transactions with the state

Sveaskog AB is 100% owned by the Swedish state. The Sveaskog Group's products and services are offered to the state, public authorities and state-owned enterprises on commercial terms in competition with other suppliers.

Similarly, Sveaskog AB and its Group companies purchase products and services from public authorities and state-owned enterprises at market prices and on commercial terms. Individually, neither the state, government agencies nor state-owned enterprises account for a significant proportion of the Sveaskog Group's net sales or profit/loss. In 2020, property transactions with the Swedish Environmental Protection Agency amounted to MSEK 23 (30). The disposals took place at market prices. There are no pledged assets or contingent liabilities.

### Sveaskog AB's transactions with subsidiaries

No internal property transactions took place in 2020 and 2019.

Sveaskog AB's invoicing to subsidiaries amounted to MSEK 15 (14) in 2020. No purchases were made from subsidiaries. Dividends from Sveaskog Förvaltnings AB and interest income from and interest expenses to Group companies are described in Note 10 Financial income and expense.

With regard to Sveaskog AB's receivables from and liabilities to subsidiaries, see Note 17 Non-current receivables, Note 19 Trade receivables, loan receivables and other receivables, Note 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments and Note 23 Non-interest-bearing liabilities. Details of shares in Group companies are disclosed in Note 16 Shares and participations.

Sveaskog AB has issued guarantees for pensions to FPG for Sveaskog Förvaltnings AB. There are no other pledged assets or contingent liabilities.

### Transactions with associates

Transactions with associates refer to Setra Group AB. Sveaskog Förvaltnings AB owns 50% of the shares and votes in Setra Group AB.

Sales to Setra Group account for 14% (15) of the Group's total net sales. Purchases from Setra Group mainly comprise residual products from Setra's sawmills (chips, shavings and bark) and account for 2% (2) of the Group's total costs for raw materials and consumables. Sveaskog Förvaltnings AB has two more associates, SunPine AB, in which it holds 25.14% of the shares and votes, and ShoreLink AB, in which it holds 24.07% of the shares and votes. There were no transactions with SunPine AB in 2020 or 2019, neither purchases nor sales. Loading, unloading and timber transport services were purchased from ShoreLink AB in the reporting period to a value of MSEK 6 (11).

### Transactions with senior executives

There were no transactions or receivables/liabilities from Sveaskog to senior executives/Board of Directors. Sveaskog has no pledged assets or contingent liabilities in respect of senior executives/Board of Directors.

For information on remuneration of senior executives and Board members, see Note 8.



**NOTE 3 Related-party transactions, cont.**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Related party disposals, subsidiaries			15	14
Related party acquisitions, subsidiaries	–	–	–	–
Receivables from related parties, Group companies	–	–	10,092	2,089
Liabilities to related parties, Group companies	–	–	13,288	12,812
Related party disposals, associates	948	1,072	–	–
Related party acquisitions, associates	51	55	–	–
Receivables from related parties, associates	198	88	–	–
Liabilities to related parties, associates	5	8	–	–

**NOTE 4 Revenue breakdown****ACCOUNTING POLICIES**

Sveaskog applies IFRS 15 Revenue from Contracts with Customers. Revenue is recognised when the customer obtains control of the sold good or service and is able to use and obtain benefit from the good or service.

**Sawlogs**

Revenue from the sale of sawlogs comprise sawlogs of spruce, pine and various hardwoods such as beech, oak and birch. Sales can range from standard deliveries to complex, customised orders.

To meet customer demand, Sveaskog supplements the timber from its own forests with externally purchased timber or by swapping timber with other forest owners. The customer obtains control of the timber when it is delivered to industry and measured. Invoicing and revenue recognition takes place in the same month as measurement.

**Pulpwood and woodchips**

Revenue from the sale of pulpwood and wood chips includes a wide range from the Group's own forests, imports and purchases from other forest owners. These products are sold to the paper and pulp industry. The customer obtains control of the pulpwood and wood chips when they are delivered to industry and measured. Invoicing and revenue recognition takes place in the same month as measurement.

**Biofuel**

Revenue from the sale of biofuel include rejected branches and tree tops as well as low-grade trees and fuelwood. The biofuel comes from cleaning, thinning and regeneration harvesting in Sveaskog's own forests and from purchases from other forest owners. Revenue is recognised when the biofuel is delivered to the customer.

**Svenska Skogsplantor**

Seeds and forest plants are produced and sold within the framework of the Svenska Skogsplantor brand. Svenska Skogsplantor also offers silviculture services such as ground preparation and planting to external customers. Revenue is recognised when seedlings or seeds are delivered to the customer or when planting or ground preparation has been carried out.

**Other**

Other revenue from contracts with customers include silviculture assignments, elk culling fees, fishing licenses, lockage, etc. Revenue is recognised when the services have been performed.

**Concessions (revenue from leases)**

Revenue from concessions mainly comprise hunting and fishing concessions. Other concessions include rental objects and leases for e.g. agriculture, peatlands, gravel pits and rock quarries, as well as wind power and telecom equipment.

**Net sales by principal goods and services**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Sawlogs	3,016	3,297	–	–
Pulpwood and woodchips	2,793	2,969	–	–
Biofuel	140	153	–	–
Seedlings	301	305	–	–
Other	170	305	–	–
<b>Total revenue from contracts with customers</b>	<b>6,420</b>	<b>7,029</b>	<b>0</b>	<b>0</b>
Of which IFRS 15 in net sales	6,415	7,025	–	–
Lease income	182	184	15	14
<b>Total net sales</b>	<b>6,597</b>	<b>7,209</b>	<b>15</b>	<b>14</b>
Of which IFRS 15 in other operating income	5	4	–	–
Capital gains etc.	96	105	86	29
<b>Total other operating income</b>	<b>101</b>	<b>109</b>	<b>86</b>	<b>29</b>
<b>Date of revenue recognition</b>				
Goods and services transferred to customers on a specific date	6 478	6,944	–	–
Services transferred to customers over time	119	85	–	–

Sveaskog has unsatisfied performance obligations for sales contracts with a contract period of more than 12 months of MSEK 4,198 (4,483), of which MSEK 1,685 (1,216) is expected to be earned next year, MSEK 2,213 (2,645) within 2-5 years and MSEK 300 (622) in the following years. Sveaskog applies the practical exception of not disclosing the remaining performance obligations for contracts with an original term of no more than one year in accordance with IFRS 15.121. The obligations consist of contracted deliveries forward in time, mainly for pulpwood but also for biofuel and seedlings, where Sveaskog has undertaken to deliver a certain volume per year. The value of these obligations has some uncertainty since the contracts consist of several delivery contracts where the price is renegotiated each year. Of the unsatisfied performance obligations of MSEK 4,483 reported for last year, MSEK 1,216 was attributable to 2020. In the reporting period, MSEK 1,216 was recognised as revenue.

**Net sales by geographic market**

The Group's net sales are 97% (96) attributable to Sweden. The Parent Company's net sales are wholly attributable to Sweden.

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Revenue by geographic market</b>				
<i>Net sales</i>				
Sweden	6,410	6,886	15	14
Finland	144	113	–	–
Norway	10	11	–	–
Latvia	1	6	–	–
Poland	0	151	–	–
Germany	29	30	–	–
France	0	9	–	–
Other countries	3	3	–	–
<b>Total</b>	<b>6,597</b>	<b>7,209</b>	<b>15</b>	<b>14</b>

**NOTE 4 Revenue breakdown, cont.****Information about major customers**

The Group has three (three) customers, each of which accounts for 10% or more of sales. Sales to these customers amounted to MSEK 948 (1,080), MSEK 909 (957) and MSEK 675 (744) respectively.

**NOTE 5 Other operating income****ACCOUNTING POLICIES****State subsidies**

A government grant attributable to a biological asset is recognised as revenue when the terms and conditions are met. Grants are recognised in the income statement through systematic allocation in the same manner and over the same periods as the expenses for which the grants are intended as compensation. Government grants related to assets are recognised in the balance sheet as deferred income and allocated over the useful life of the asset. Compensation for road grants of MSEK 26 (24) and nature conservation initiatives of MSEK 2 (7) were recognised as income in the income statement. There are two types of road grants: for annual operations (summer and winter maintenance) and for special operations (road improvements). There are no unfulfilled conditions that could result in repayment.

Sveaskog does not expect any significant reductions in state subsidies in the next few years. Applications for the rural areas programme "environmental values in the forest are prioritised according to the highest conservation and cultural value.

Road grants are paid to road maintenance organisations for areas where there are permanent residents more than 1 km from a public road. The maintenance grant is calculated as a flat rate and amounts to approximately 50-70% of Sveaskog's maintenance costs for the roads eligible for subsidies. The grants received are used each year. Every road for which a grant has been provided can be monitored using the project number both at Sveaskog and the Swedish Transport Administration, which is the main grant provider.

Sveaskog has also received SEK 1 million in state support for costs of sick pay during the coronavirus pandemic.

**Insurance compensation**

Sveaskog's forest holdings are insured against additional costs caused by storms and fire. No external insurance compensation was received for this type of damage in 2020, nor in 2019.

MSEK	Group		Parent company	
	2020	2019	2020	2019
Capital gains on sales of machinery, equipment and properties	38	41	86	28
Insurance compensation	0	1	–	–
Encroachment compensation	19	25	–	–
Subsidies	30	31	–	–
Licensing revenue and royalties	5	4	–	–
Other operating income	9	7	0	1
<b>Total</b>	<b>101</b>	<b>109</b>	<b>86</b>	<b>29</b>

**NOTE 6 Other external costs**

Of other external costs, 72% (72) comprise compensation to contractors within Forest Operations, as well as freight and transportation.

**Fees and reimbursement of expenses to auditors**

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Deloitte AB</b>				
Audit assignment	2	3	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
<b>Total</b>				
Audit assignment	2	3	–	–
Audit activities other than the audit assignment	0	0	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
<b>Total</b>	<b>2</b>	<b>3</b>	<b>–</b>	<b>–</b>

The audit assignment is the examination of the Annual Report and financial statements and the administration by the Board of Directors and the CEO, other tasks that it is incumbent on the company's auditors to perform, as well as advice or other assistance resulting from observations made in connection with such examination or the performance of such other tasks. Any other work undertaken is included in other audit activities.

**NOTE 7 Leases****Group as lessee****ACCOUNTING POLICIES**

Sveaskog applies IFRS 16 Leases.

The Group assesses whether the contract is, or contains, a lease when the contract is concluded. The Group recognises a right-of-use asset and associated lease liability for all leases in which the Group is the lessee, except for short-term leases (contracts classified as leases with a lease term of 12 months or less) and leases of low value (such as office equipment). For these leases, the Group recognises lease payments as a cost on a straight-line basis over the lease term unless another systematic approach is more representative of when the economic benefits of the leased assets are obtained by the Group.

The lease liability is initially valued at the present value of the lease payments not paid at the commencement date, discounted using the implicit interest rate of the lease, if this interest rate can be readily determined. If this interest rate cannot be readily determined, the Group uses the incremental borrowing rate. The Group's incremental borrowing rate is determined on the basis of a yield curve based on bonds issued in SEK by companies with a similar credit rating. The curve is produced by the information service Refinitiv and is used to determine the interest rate for each maturity.

Lease payments included in the measurement of the lease liability include:

- Fixed payments (including in-substance fixed payments, less any incentives paid when the lease was concluded).
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.
- Amounts expected to be payable by the lessee (or a related party or third party who is financially capable of discharging the obligations under the agreement) according to residual value guarantees.
- The exercise price of purchase options if the lessee is reasonably certain to exercise those options.

**NOTE 7 Leases, cont.**

- Penalties payable for terminating the lease, if the lease term reflects that the lessee will exercise an option to terminate the lease.

The lease liability is recognised in interest-bearing current and non-current liabilities in the Group's statement of financial position and is described in Note 21.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) if either:

- The lease term changes or the assessment of an option to purchase the underlying asset changes, in which case the lease liability has to be remeasured by discounting the revised lease payments using a revised discount rate.
- Lease payments change as a result of changes in an index or rate, or if there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in the variable rate, in which case a revised discount rate must be used).
- A modification of the lease which is not recognised as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets comprise the total of the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. Subsequently, they are measured at cost less any accumulated depreciation and impairment losses.

Where the Group is required to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition under the terms and conditions of the lease, a provision is recognised and measured according to IAS 37, unless these costs are incurred in connection with the production of goods.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the Group or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset shall be depreciated over the useful life of the underlying asset. Depreciation starts at the lease commencement date.

Right-of-use assets are recognised as a separate item in the Group's statement of financial position.

The Group applies IAS 36 to determine whether the right-of-use asset is impaired and recognises any identified impairment loss as described in Note 1 under Impairment losses and in Note 15 Other Property, Plant and Equipment.

Variable lease payments that do not depend on an index or a rate shall not be included in the measurement of the lease liability or right-of-use asset. These payments are recognised as an expense in the period in which the event or relationship that gives rise to these payments occurs and are included in Other external costs in profit or loss.

As a practical solution, IFRS 16 permits lessees not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group has elected not to use this practical solution.

Sveaskog is a lessee of:

- Office premises, warehouses, storage rooms, garages
- Forest machines, trucks and cars
- Land for plant terminals, seed plantations, fishing rights, parking, etc.
- Office equipment, alarms, etc.

**Right-of-use assets**

MSEK	Right-of-use asset land	Right-of-use asset building	Right-of-use asset machinery & equipment	Total right-of-use assets
<b>Group</b>				
Opening balance, 1 January 2019	7	93	32	132
New leases	1	16	17	34
Terminated leases	–	0	–1	–1
Remeasurements	0	8	10	18
Depreciation for the year	–1	–42	–11	–54
<b>Closing balance, 31 December 2019</b>	<b>7</b>	<b>75</b>	<b>47</b>	<b>129</b>
New leases	0	73	16	89
Terminated leases	–	–5	–14	–19
Remeasurements	0	17	4	21
Depreciation for the year	–1	–42	–14	–57
<b>Closing balance, 31 December 2020</b>	<b>6</b>	<b>118</b>	<b>39</b>	<b>163</b>

**Lease liability**

MSEK	2020	2019
<b>Group</b>		
Opening balance, 1 January	124	126
New leases	89	34
Repayments and terminations	–63	–55
Remeasurements	12	18
Interest payable on maturity	2	1
<b>Closing balance, 31 December</b>	<b>164</b>	<b>124</b>
of which current	47	53
of which non-current	117	71

Maturity analysis for other financial liabilities, see Note 26.

Reconciliation of financial liabilities to cash flow, see note 21.

**IFRS 16 impact on income statement**

MSEK	2020	2019
<b>Group</b>		
Depreciation of right-of-use assets	–57	–54
Interest expenses for lease liabilities	–2	–1
Deferred tax	0	0
<b>Impact on net profit/loss</b>	<b>–59</b>	<b>–55</b>

MSEK	2020	2019
<b>Group</b>		
Lease payments paid for contracts that form part of the lease liability	53	54
Variable lease payments relating to the leases that form part of the lease liability, but are not included in the lease liability	3	3
Short-term leases, lease expense	8	9
Leases of low value assets, lease expense	3	4
Total cash flow of leases	67	70



**NOTE 7 Leases, cont.****Type of lease**

	Lease term	Extension options	Index clauses	Variable lease payments	Residual value guarantees	Notice period (before the end of the lease)
Office premises	1-5 years	Usually	Usually	Yes, property tax	No	3-12 months
Plant terminal and warehouse	2-10 years	Usually	Usually	No	No	6-24 months
Garages and car parks	1-5 years	Usually	Usually	No	No	1-12 months
Production machinery and forklift trucks	2-6 years	Yes, for production machines	Yes, or linked to interest rate index	No	No	3 months for production machines
Land and water for plantations, fishing waters and leasehold	2-50 years	Yes	Yes	No	No	12-24 months
Office equipment, including alarms, video equipment and room booking screens	3-5 years	Yes, for alarms	One lease linked to interest rate index	No	No	10 months for alarms
Cars	2-5 years	No	No	Yes, vehicle tax	Yes	N/A

Extension options have been included if it has been deemed reasonably certain that they will be exercised. The weighted average incremental borrowing rate was 0.49% (0.68%). The Parent Company does not have any leases.

The biggest lease is a new ten-year lease in respect of a plant terminal in Kumla. A review is under way of the office premises in Stockholm, and a new lease may be in place from 2023.

**Group as lessor**  
**ACCOUNTING POLICIES**

Leases for which Sveaskog is the lessor are classified as finance or operating leases. When the terms and conditions of the lease substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. All Sveaskog's leases are operating leases.

Rental income from operating leases is recognised on a straight-line basis over the current lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Sveaskog enters into leases as a lessor in respect of:

- Hunting and fishing concessions.
- Leases for housing and holiday homes, and farm tenancies and licences.
- Other land concessions such as wind power and mobile phone masts.
- Gravel pits, peatlands and rock quarries.

**Lease income**

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Group</b>				
Income from leases for the year	182	184	15	14
<b>Maturity of existing leases</b>				
Within one year	171	168	15	14
Between one and five years	232	212	–	–
Longer than five years	854	807	–	–
<b>Total</b>	<b>1,257</b>	<b>1,187</b>	<b>15</b>	<b>14</b>

The hunting and fishing agreements are mostly indefinite concessions, or concessions for 1-5 years which can be terminated by either party at short notice.

Contracts for agricultural leases, residential tenancies, etc. and concessions with tenancy rights (mainly holiday homes) have varying lease terms, but concessions involving housing usually have long lease terms or indefinite leases associated with some form of protection of tenancy rights.

The Group has revenue from infrastructure leases for wind turbines, communication masts and other capital-intensive facilities. In particular, leases for wind power are concluded for long lease terms, 25 years or more. The Group issues concessions for rights of use to rock quarries, gravel pits and peatlands. In most cases, concessions are linked to existing extraction licences and may have a maturity of up to 25 years.

**NOTE 8 Staff costs, average number of employees and sickness absence**
**ACCOUNTING POLICIES****Employee benefits****Pension obligations**

Sveaskog has pension obligations under pension plans arising from collective agreements and as a result of obligations according to the incorporation agreement concluded with the government. Pension plans are either defined contribution or defined benefit plans and include vested and non-vested pension obligations. Pension plans for employees who are active members are financed primarily through premium payments to an insurance company.

**Defined contribution plans**

Obligations primarily relate to obligations to employees linked to the SAF-LO Collectively Agreed Pension and the ITP1 (new ITP) occupational pension. Obligations relating to contributions to defined contribution plans are recognised as an expense in the income statement as benefits are earned, which normally coincides with the period for which premiums are paid. After premiums have been paid to the formal or informal independent insurance company engaged to provide pension insurance, there is no obligation to pay additional premiums.

**Defined benefit plans**

Under defined benefit plans, the amount of pension is determined on the basis of factors such as salary, length of service and age.

Obligations primarily relate to obligations relating to employees linked to the ITP2 (old ITP) occupational pension and obligations relating to pensions and annuities taken over from the state in connection with incorporation (see Note 22 Provisions for pensions).

**NOTE 8 Staff costs, average number of employees and sickness absence, cont.**

The obligations under ITP2 are secured through premium payments to Alecta. According to a statement issued by the Swedish Financial Reporting Board (UFR 10), an ITP plan secured through insurance with Alecta shall be classified as a multi-employer defined benefit plan. The Group has not had access to sufficient information to enable it to account for the Group's share of the defined benefit obligations and the plan assets and costs associated with the plan. The plan is therefore recognised as a defined contribution plan, which means that the premiums paid are recognised as an expense. Estimated contributions to the plan for the next reporting period amount to MSEK 15 (12). Alecta's surplus can be distributed to policyholders and/or the insured persons. Alecta's capital adequacy target is that 140% of the market value of assets shall be achieved in relation to pension insurance obligations. Alecta's capital adequacy amounted to 148% (148), compared with obligations as of 31 December 2019. Sveaskog's share of the total number of active members in the plan was 0.07% (0.07), corresponding to 294 (292) active members. Net obligations in respect of other defined benefit plans are calculated separately for each plan based on company-specific actuarial assumptions. These include assessments of future salary adjustments, inflation rate, mortality, attrition and changes in income base amounts; obligations are discounted to a present value. The discount rate is determined on the basis of the market rate on mortgage bonds.

The measurements were performed by a qualified external actuary.

If the benefits in a plan improve, the proportion of the increased benefit attributable to employees' service in previous periods is recognised as an expense in the income statement allocated on a straight-line basis over the average period until the benefits are fully earned. If the benefits are fully earned, an expense is immediately recognised in the income statement.

In accordance with IAS 19, all actuarial gains and losses are recognised in other comprehensive income as they arise.

**Termination benefits**

A provision is recognised in connection with termination of employment only if the company is demonstrably obliged to terminate an employment before the normal date or when termination benefits are offered to encourage voluntary redundancy. In cases where employment is terminated by the company, a detailed plan is drawn up containing as a minimum the workplace, positions and number of persons concerned, as well as the benefits for each personnel category or position and the schedule for implementation of the plan.

**Salaries and other remuneration and social security expenses**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Salaries and other remuneration	398	385	2	2
Contractual pensions for CEO	2	2	–	–
Contractual pensions, others <sup>1</sup>	50	45	–	–
Other social security costs	141	137	–	–
<b>Total</b>	<b>591</b>	<b>569</b>	<b>2</b>	<b>2</b>
Capitalised pension obligations to the CEO and Deputy CEO	–	–	–	–

1) Also see Note 22, Provisions for pensions.

Of the costs of contractual pensions, MSEK 21 (15) refers to defined benefit plans and MSEK 31 (32) to defined contribution plans.

**Salaries and other remuneration by country**

MSEK	2020		2019	
	Board, CEO, Deputy CEO	Other employees	Board, CEO, Deputy CEO	Other employees
<b>Parent company</b>				
Sweden	2	–	2	–
<b>Subsidiaries</b>				
Sweden	6	379	7	366
- of which bonus	–	–	–	–
Latvia	1	9	1	9
Finland	–	1	–	0
Lithuania	–	–	–	–
<b>Total, subsidiaries</b>	<b>7</b>	<b>389</b>	<b>8</b>	<b>375</b>
<b>TOTAL</b>	<b>9</b>	<b>389</b>	<b>10</b>	<b>375</b>

**Average number of employees by country**

	2020		2020	2019
	Women	Men	Total	Total
<b>Parent company</b>	–	–	–	–
<b>Subsidiaries</b>				
Sweden	203	589	792	772
Latvia	6	27	33	34
Finland	–	2	2	1
<b>Total, subsidiaries</b>	<b>209</b>	<b>618</b>	<b>827</b>	<b>807</b>
<b>TOTAL</b>	<b>209</b>	<b>618</b>	<b>827</b>	<b>807</b>

**Gender breakdown in Board and Group Management****Group**

	2020		2019	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected by the Annual General Meeting <sup>1</sup>	3	3	4	3
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	1	–
Other Group Management	5	3	5	4
<b>Total</b>	<b>10</b>	<b>9</b>	<b>11</b>	<b>10</b>

The Boards of Sveaskog AB and Sveaskog Förvaltnings AB are identical.

**Parent company**

	2020		2019	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected by the Annual General Meeting <sup>1</sup>	3	3	4	3
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	1	–
<b>Total</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>

1) At the Annual General Meeting, 4 women were elected to the Board of Directors, one of whom chose to leave the Board in December 2020.

**NOTE 8 Staff costs, average number of employees and sickness absence, cont.****Subsidiaries (operating)**

	2020		2019	
	Women	Men	Women	Men
<b>Board members</b>				
- Elected by the Annual General Meeting	5	9	6	9
- Employee representatives	1	1	1	1
- Employee representatives, deputies	–	2	–	2
CEO	1	–	1	–
<b>Total</b>	<b>7</b>	<b>12</b>	<b>8</b>	<b>12</b>

**Information on employee absence due to sickness, Group**

	2020	2019
<b>Total sickness absence as a percentage of employees' total normal working hours</b>		
Men	3.2	2.6
Women	3.9	4.9
<b>Total</b>	<b>3.3</b>	<b>3.2</b>
<b>Days of sickness absence as a percentage of total sickness absence</b>		
Continuous period of 60 days or more	45	42
< 60 days	55	58
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Breakdown by age of employees absent due to sickness, as a percentage</b>		
29 years and under	2.3	3.5
30–49 years	3.3	3.2
50 years and over	3.6	3.1
<b>TOTAL</b>	<b>3.3</b>	<b>3.2</b>
Number of long-term healthy people as a percentage of average number of permanent employees <sup>1</sup>	30.6	32.6

1) Persons employed for at least three years who have not been absent due to sickness in the last two years

**Principles for remuneration and other benefits for the Board of Directors and senior executives**  
**Principles**

The Chairman of the Board and other Board members elected by the Annual General Meeting are paid fees in accordance with a decision by the Annual General Meeting. Sveaskog follows government guidelines regarding remuneration of senior executives. Remuneration of the CEO is decided by the Board of Directors and remuneration of the rest of the Group Management by the CEO following consultation with the Remuneration Committee. Remuneration issues are prepared by the Remuneration Committee, which consists of Eva Färnstrand, Marie Berglund and Leif Ljungqvist.

**Remuneration and other benefits during the year, Board of Directors**

2020, SEK	Board fees	Commit-tee fees	Total
Eva Färnstrand, Chairman of the Board	470,000	30,000	500,000
Annika Nordin, until 10 December 2020	185,000	40,000	225,000
Sven Wird	185,000	40,000	225,000
Leif Ljungqvist	0	0	0
Marie Berglund	185,000	10,000	195,000
Johan Kuylenstierna	185,000	40,000	225,000
Kerstin Lindberg Göransson	185,000	40,000	225,000
<b>Total</b>	<b>1,395,000</b>	<b>200,000</b>	<b>1,595,000</b>
2019, SEK	Board fees	Commit-tee fees	Total
Eva Färnstrand, Chairman of the Board	465,000	23,333	488,333
Annika Nordin	183,333	40,000	223,333
Sven Wird	183,333	40,000	223,333
Leif Ljungqvist	0	0	0
Marie Berglund, from 24 April 2019	123,333	6,667	130,000
Johan Kuylenstierna from 24 April 2019	123,333	26,667	150,000
Kerstin Lindberg Göransson from 24 April 2019	123,333	26,667	150,000
Thomas Hahn, until 24 April 2019	60,000	6,667	66,667
Anna-Stina Nordmark-Nilsson, until 24 April 2019	60,000	13,333	73,333
<b>Total</b>	<b>1,321,665</b>	<b>183,334</b>	<b>1,504,999</b>

The Board of Directors also includes employee representatives. They do not receive fees.



**NOTE 8 Staff costs, average number of employees and sickness absence, cont.****Remuneration and benefits during the year, Group Management and other senior executives**

2020, SEK	Salaries and remuneration	Taxable benefits	Pension expense <sup>1</sup>	Total
<b>Group Management</b>				
Hannele Arvonen, CEO	4,276,042	78,821	1,082,957	5,437,820
Helene Bergström, Business Area Manager, Svenska Skogsplantor (from 1 November 2020)	229,752	0	115,908	345,660
Kristina Ferenius, CFO (from 1 December 2020)	155,000	1,421	0	156,421
Patrik Karlsson, CDO (from 17 August 2020)	593,095	25,889	317,854	936,838
Eva Karlsson Berg, Head of Market Area South	1,773,769	6,612	762,054	2,542,435
Fredrik Klang, Head of Staff, Forestry	1,679,548	40,824	537,619	2,257,991
Marie Stålnacke, HR Manager	1,428,258	78,211	691,190	2,197,659
Anette Waara, Head of Market Area North	1,742,535	56,077	694,044	2,492,656
Viveka Beckeman, Chief Legal Officer (until 13 September 2020)	1,122,976	4,959	313,040	1,440,975
Per Matses, Deputy CEO, CFO (until 30 November 2020)	2,195,745	23,276	597,595	2,816,616
Anders Nilsson, Acting Business Area Manager, Svenska Skogsplantor (until 30 September 2020)	1,232,117	27,943	382,050	1,642,110
Helene Samuelsson, Head of Communications and Public Affairs (until 29 February 2020)	245,059	9,344	120,426	374,829
Jan Wintzell, Head of Business Development (until 31 August 2020)	950,558	28,120	302,276	1,280,954
<b>Other senior executives</b>				
Guntars Zvejlsalnieks, CEO SIA Sveaskog Baltfor (EUR) <sup>2</sup>	79,527			79,527
SEK	795,509			795,509
<b>TOTAL (SEK)</b>	<b>18,419,963</b>	<b>381,497</b>	<b>5,917,013</b>	<b>24,718,473</b>
<b>2019, SEK</b>				
<b>Group Management</b>				
Hannele Arvonen, CEO (from 1 July 2019)	2,133,600	20,671	609,174	2,763,445
Per-Olof Wedin, CEO (until 30 June 2019)	2,221,862	46,455	665,270	2,933,587
Per Matses, Deputy CEO, CFO	2,585,581	25,056	607,655	3,218,292
Anette Waara, Head of Market Area North	1,582,560	53,256	531,607	2,167,423
Eva Karlsson Berg, Head of Market Area South	1,743,915	6,504	684,345	2,434,764
Fredrik Klang, Head of Staff, Forestry	1,592,888	41,109	481,945	2,115,942
Viveka Beckeman, Chief Legal Officer	1,487,746	6,504	366,271	1,860,521
Helene Samuelsson, Head of Communications and Public Affairs	1,491,006	54,204	692,216	2,237,426
Jan Wintzell, Head of Business Development	1,383,817	41,844	427,990	1,853,651
Marie Stålnacke, HR Manager (from 1 October 2019)	346,939	19,420	101,252	467,611
Anders Nilsson, Acting Business Area Manager, Svenska Skogsplantor (from 2 December 2019)	111,437	3,000	26,597	141,034
Roger S Johansson, Business Area Manager, Svenska Skogsplantor (until 30 November 2019)	1,306,103	34,575	375,351	1,716,029
Henrik Dider, HR Manager (11 November 2019 - 12 July 2019)	526,586	20,936	172,200	719,722
<b>Other senior executives</b>				
Guntars Zvejlsalnieks, CEO SIA Sveaskog Baltfor (EUR) <sup>2</sup>	99,161			99,161
SEK	1,039,115			1,039,115
<b>TOTAL (SEK)</b>	<b>19,553,155</b>	<b>373,534</b>	<b>5,741,871</b>	<b>25,668,560</b>

<sup>1</sup>Pension premiums paid during the year or during the specified period.<sup>2</sup>EUR, exchange rate as of 31 December 2020 EUR/SEK 10.003 (10.4791).**Senior executives**

Remuneration of the CEO, other members of the Group management and other senior executives consists of basic salary, company car or annual card for public transport and pension. The Group does not offer incentive programmes or variable remuneration.

**CEO**

Hannele Arvonen. Hannele Arvonen stepped down as CEO of Sveaskog on 18 January 2021. See also Note 27.

**Pension**

The retirement age is 65. In addition to pension benefits under national pension insurance (national pension), occupational pension benefits are payable, which means that the company annually pays the equivalent of 25% of monthly salary to a pension plan including disability insurance; survivor's pension and waiver of premium.

**Termination and severance pay**

In the event of termination by the company, a notice period of six months applies. In the event of termination by Hannele Arvonen,

## NOTE 8 Staff costs, average number of employees and sickness absence, cont.

the notice period is six months. In the event of termination by the company, severance pay amounting to 12 months' salary is payable. Pay during the notice period and severance pay are offset against other income. Severance pay does not include entitlement to pension or holiday pay.

### Other members of the Group management and the CEO of the subsidiary in Latvia

#### Pension

A pension equivalent to the ITP occupational plan is payable from the age of 65. For high earners, premiums are paid as in a traditional ITP occupational pension plan. For the CEO of the subsidiary in Latvia, pension terms apply in accordance with Latvian law.

#### Termination and severance pay

In the event of termination by the company, a notice period of six months applies. In the event of termination by employees, the notice period is 3-6 months. In the event of termination by the company, severance pay amounting to 12-18 months' salary is payable.

Pay during the notice period and severance pay are offset against other income. Severance pay does not include entitlement to pension or holiday pay. One of the senior executives is not entitled to severance pay. There is no settlement for this person.

## NOTE 9 Depreciation/amortisation according to plan and impairment

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Depreciation/amortisation according to plan</b>				
<b>Intangible assets</b>				
Capitalised expenditure on systems development, etc. (see Note 13)	16	13	–	–
<b>Right of use assets</b>				
Right-of-use assets (see Note 7)	57	54	–	–
<b>Tangible non-current assets</b>				
Buildings (see Note 15)	3	4	1	0
Land improvements (see Note 15)	0	0	–	–
Machinery and equipment (see Note 15)	73	76	–	–
<b>Total depreciation</b>	<b>149</b>	<b>147</b>	<b>1</b>	<b>0</b>

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Impairment</b>				
<b>Property, plant and equipment</b>				
Machinery and equipment	0	–2	–	–
<b>Total depreciation/amortisation</b>	<b>0</b>	<b>–2</b>	<b>–</b>	<b>–</b>
<b>Total depreciation/amortisation according to plan and impairment</b>	<b>149</b>	<b>145</b>	<b>1</b>	<b>0</b>

## NOTE 10 Financial income and expense

### ACCOUNTING POLICIES

#### Financial income and expense

Financial income and expense comprise interest income on bank deposits, receivables and fixed-income securities, dividend income, interest expenses on loans, unrealised and realised gains on financial investments and derivative instruments used in the financial operations as well as exchange differences.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is

the interest rate that results in the present value of all future payments received and made during the fixed rate period equal to the carrying amount of the receivable or liability. Interest income includes the accrued amounts of transaction costs and any discounts, premiums and other differences between the original value of a receivable and the amount received on maturity.

Dividend income is recognised when the right to receive payment has been established.

The Parent Company recognises Group contributions in appropriations according to the alternative rule in RFR 2 Accounting for legal entities.

Group, MSEK	2020	2019
<b>Financial income</b>		
Interest income	2	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Financial expenses</b>		
Interest expense, pensions	–3	–5
Interest expense, other	–128	–113
Impairment loss	–7	0
Other financial expense	–15	–14
Exchange rate differences	–2	2
<b>Total</b>	<b>–155</b>	<b>–130</b>
<b>TOTAL</b>	<b>–153</b>	<b>–130</b>

The financial part of the expenses for own pension liabilities has been calculated using an interest rate of 0.376% (0.77).

Parent Company, MSEK	2020	2019
<b>Other financial income</b>		
Dividend from subsidiaries	8,000	–
Interest income, other Group companies	18	19
<b>Total</b>	<b>8,018</b>	<b>19</b>
<b>Other financial expense</b>		
Interest expense, other Group companies	–228	–223
Interest expense, other	–107	–84
Other financial expense	–14	–12
<b>Total</b>	<b>–349</b>	<b>–319</b>
<b>TOTAL</b>	<b>7,669</b>	<b>–300</b>

## NOTE 11 Taxes

### ACCOUNTING POLICIES

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the related tax effects are recognised in other comprehensive income and equity respectively. Current tax is tax payable or receivable in respect of the current year, applying the tax rates decided or substantively decided at the balance sheet date. This also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The following temporary differences are not taken into account: temporary differences arising from initial recognition of goodwill, temporary differences arising from initial recognition of assets and liabilities that are not business combinations and at the time of the transaction did not affect either the recognised or taxable profit/loss, as well as temporary differences attributable to shares or participations in subsidiaries and associates that are not expected to be reversed in the

**NOTE 11 Taxes, cont.**

foreseeable future. The valuation of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and tax rules that have been decided or substantively decided at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent that it is probable that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they will be utilised.

**Significant judgements and estimates**

The valuation of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realised. For Sveaskog, this means that the deferred tax liability also depends on the model assumptions made in the calculation of the biological asset.

**Profit after financial items**

MSEK	2020	2019
Sweden	13,662	1,950
Other countries	6	13
<b>TOTAL</b>	<b>13,668</b>	<b>1,963</b>

**Tax expense (-) / tax income (+)**

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Current tax</b>				
Tax expense (-)/tax income (+) for the period	-222	-253	-56	-45
Adjustment of tax expense attributable to previous years	0	0	-	-
<b>Total</b>	<b>-222</b>	<b>-253</b>	<b>-56</b>	<b>-45</b>
<b>Deferred tax</b>				
Deferred tax income (+)/tax expense (-) in respect of temporary differences	-2,579	-152	-	-
<b>Total</b>	<b>-2,579</b>	<b>152</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>-2,801</b>	<b>-405</b>	<b>-56</b>	<b>-45</b>

**Tax expense (-)/tax income (+) by country**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Sweden	-222	-253	-56	-45
Other countries	0	0	-	-
<b>Total</b>	<b>-222</b>	<b>-253</b>	<b>-56</b>	<b>-45</b>

**Difference between nominal and effective tax rate**

Group, MSEK	Group		Parent company	
	2020	2019	2020	2019
Swedish income tax rate	-21.4	-21.4	-21.4	-21.4
Tax effect attributable to previous years	0.0	0.0	-	-
Tax effect of share of profit/loss in associates recognised net after tax	0.1	0.3	-	-
Tax effect due to non-deductible expenses and non-taxable income	0.7	0.5	20.7	-73.6
Effect of tax rate change <sup>1</sup>	0.1	0	-	-
Effective tax rate according to income statement	-20.5	-20.6	-0.7	-95.0

1) In 2018, the Swedish Parliament decided to reduce the rate of corporate income tax in Sweden in two stages. From 22% to 21.4% from 1 January 2019, and then to 20.6% as of 1 January 2021. Stage 2 of the decision has now had a positive impact on Sveaskog's profit of SEK 10 million.

**Tax items recognised in other comprehensive income**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Tax attributable to items recognised in other comprehensive income	6,795	6	-	-
Current tax in Group contributions provided (-)/received (+)	-	-	-	-
<b>TOTAL</b>	<b>6,795</b>	<b>6</b>	<b>-</b>	<b>-</b>

**Deferred tax liabilities and tax assets<sup>1</sup>**

Group, MSEK	2020	2019
<b>Deferred tax liability</b>		
Forest assets		
- of which land assets <sup>1</sup>	6,797	-
- of which biological assets	10,120	7,468
Other non-current assets	25	26
Inventories	28	24
Silvicultural liability	-	91
Provision for employee benefits	1	-1
Tax allocation reserve	437	421
Replacement reserve for land	70	75
Other untaxed reserves	253	253
<b>TOTAL</b>	<b>17,731</b>	<b>8,357</b>
<b>Deferred tax asset</b>		
Financial instruments	10	10
Reserves	0	0
Provisions	4	4
<b>TOTAL</b>	<b>14</b>	<b>14</b>
<b>Total net deferred tax liability (+)/ deferred tax asset (-)</b>	<b>17,717</b>	<b>8,343</b>
Recognised as		
- Deferred tax asset	11	11
- Deferred tax liability <sup>1</sup>	17,728	8,354
<b>Net deferred tax liability</b>	<b>17,717</b>	<b>8,343</b>

1) All changes in deferred tax have been recognised in comprehensive income, of which MSEK 6,795 (-6) in other comprehensive income.

Of the total that went via other comprehensive income, MSEK 6,797 is related to the amended principle for the measurement of land assets.

**Breakdown of deferred tax liabilities and tax assets:**

Group, MSEK	2020	2019
<b>Deferred tax assets</b>		
Deferred tax assets to be utilised after more than 12 months	11	11
Deferred tax assets to be utilised within 12 months	-	-
<b>Deferred tax liability</b>		
Deferred tax liabilities to be paid after more than 12 months	17,728	8,354
Deferred tax liabilities to be paid within 12 months	-	-
<b>Deferred tax liabilities (net)</b>	<b>17,717</b>	<b>-8,343</b>



**NOTE 12 Non-cash items**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Depreciation/amortisation	149	145	1	0
Capital gains/losses <sup>1</sup>	-37	-39	-86	-28
Capital gains on property disposals	-163	-185	-	-
Share of profit/loss of associates	-57	-26	-	-
Change in value of forest assets	12,481	-399	-	-
Other	64	-70	-	-
<b>TOTAL</b>	<b>-12,653</b>	<b>-574</b>	<b>-85</b>	<b>-28</b>

1) Capital gains 38 (41), capital losses -1 (-2).

**NOTE 13 Intangible assets, Group****ACCOUNTING POLICIES****Intangible assets**

Intangible assets acquired or generated internally are recognised at cost less accumulated amortisation (see below) and impairment losses.

**Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is recognised as an asset in the balance sheet only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is recognised as an expense as it arises.

**Amortisation**

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Amortisable intangible assets are amortised from the date they are available for use. The estimated useful lives are:

Intangible assets	Estimated useful lives	Amortisation rates
<b>Acquired and internally generated</b>		
Capitalised expenditure on systems development, etc.	5-10 years	10-20%

MSEK	Capitalised expenditure on systems development, etc.
<b>Cost</b>	
Opening balance, 1 January 2019	174
Investments	25
<b>Closing balance, 31 December 2019</b>	<b>199</b>
<b>Accumulated revaluations</b>	
Opening balance, 1 January 2019	4
<b>Closing balance, 31 December 2019</b>	<b>4</b>
<b>Accumulated amortisation according to plan</b>	
Opening balance, 1 January 2019	-23
Depreciation for the year	-13
<b>Closing balance, 31 December 2019</b>	<b>-36</b>
<b>Accumulated impairment</b>	
Opening balance, 1 January 2019	-31
Closing balance, 31 December 2019	-31
<b>Closing residual values according to plan 31 December 2019</b>	<b>136</b>

MSEK	Capitalised expenditure on systems development, etc.
<b>Cost</b>	
Opening balance, 1 January 2020	199
Decommissioning	44
Investments	-4
<b>Closing balance, 31 December 2020</b>	<b>239</b>
<b>Accumulated revaluations</b>	
Opening balance, 1 January 2020	4
<b>Closing balance, 31 December 2020</b>	<b>4</b>
<b>Accumulated amortisation according to plan</b>	
Opening balance, 1 January 2020	-36
Decommissioning	4
Depreciation for the year	-16
<b>Closing balance, 31 December 2020</b>	<b>-48</b>
<b>Accumulated impairment</b>	
Opening balance, 1 January 2020	-31
<b>Closing balance, 31 December 2020</b>	<b>-31</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2020</b>	<b>164</b>

**NOTE 14 Forest assets****Biological assets, standing timber and forest land****ACCOUNTING POLICIES****Forest assets**

Ahead of the 2020 annual accounts, Sveaskog has carried out a review of its valuation of forest assets which resulted in a new method and new assumptions to determine the fair value of the assets. The new method means that the total forest value was based on forest land transactions in the areas where Sveaskog owns forest assets. The change has results in the land assets that are attributable to forest assets also being recognised at fair value, representing a change in the accounting policy. The land assets were previously recognised at cost. The land assets are now recognised at fair value according to the so-called revaluation method, IAS 16 p.31. The value of land assets amounts to the residual between the total value in accordance with the new method to determine the total market value and the value of the biological assets that were based on discounted cash flow. The change in value for land is recognised as other comprehensive income and does not affect the year's financial performance. The increase is accumulated in equity under the heading revaluation reserve. The increase is, however, recognised in the income statement to the extent that it reverses a decrease in value that was previously recognised in the income statement. If the carrying amount of the asset decreases as a result of revaluation, the decrease is recognised in the income statement. The decrease must, however, be recognised in other comprehensive income to the extent that there is an existing credit balance in the revaluation reserve in respect of that asset, in which case the amount in the revaluation reserve must also be reduced.

The parent company does not apply the revaluation method for the valuation of its forest assets, but these are recognised at cost, IAS 16 p.30, and are therefore recognised in Note 15 Other property, plant and equipment.

**Biological assets – standing timber**

According to IFRS, standing timber is recognised in accordance with IAS 41, which means that standing timber is measured and recognised at each reporting date at level three of the fair value hierarchy. Changes in fair value are recognised in the income statement and

**NOTE 14 Forest assets, cont.**

Sveaskog performs a valuation on an earnings basis, where future the cash flow from timber extractions less any harvesting costs, etc. has been discounted to a present value. These calculations include future timber extractions corresponding to a forest growth cycle of 100 years in northern Sweden and 80 years in southern Sweden. The timber extractions are based on Sveaskog's felling and forestry plans. Sveaskog has set aside large areas of productive forest land as nature conservation areas. The value of standing timber in the nature conservation areas is not included in the value determined on an earnings basis. Other value of the forest land in the form of e.g. hunting income and other lease income is not included in the value determined on an earnings basis. Provision for deferred tax is calculated in accordance with IAS 12 on the full value of the biological asset according to IAS 41.

**FOREST ASSETS**

The book value of Sveaskog's forest assets as of 31 September 2020 has been calculated at MSEK 82,430 (36,623), of which MSEK 46,721 (33,900) refers to the fair value of the standing timber and MSEK 35,709 (2,723) refers to the cost of the land. The change in the balance sheet since the previous year is MSEK 45,807 (501) and is shown below. If the revaluation method had not been used on forest assets in 2020, the value of the forest land would have been SEK 2,760 million. The parameters that are included in the model for calculating the fair value are updated for total forest assets annually, but an in-house analysis is performed quarterly in order to assess whether the annual price is essentially reasonable, while the value for biological assets and forest land is updated quarterly. The forest assets are divided into standing timber and land assets. Standing timber is recognised as a biological asset according to IAS 41 Agriculture and forestry. Land assets are recognised as property, plant and equipment in accordance with IAS 16 Property, plant and equipment. In 2019 some of the major forest-owning companies in Sweden made changes to their method and assumptions for valuing the forest assets with associated land. Sveaskog announced at the end of 2019 that the company is following the development of any changes to IAS 41 and other regulations for forest valuation and how practices are being developed among other Swedish forest-owning companies that produce financial statements in accordance with IFRS. As practices are adapted according to prevailing market conditions, Sveaskog has, starting from 2020, adapted the method for reporting and valuing forest assets.

The changed approach to forest valuation must be viewed against a background of the price of forest land in a number of larger forest land deals showing that the value of larger forest assets per hectare or per cubic metre of forest is generally at the same level as for smaller or medium-sized forest assets. In previous years the market price or other comparable price was not used, as there was a degree of uncertainty about the market price for forest assets of Sveaskog's size as no larger transactions had been performed in the market. As of 31 December 2020, Sveaskog changed the reporting method for valuing the company's forest assets so that the value is based on sales transactions in the areas where Sveaskog owns forest land. The valuation price comprises the five-year average and the new method means that the forest assets are also recognised at fair value according to the revaluation method in IAS 16 with a changed accounting principle as a result. Land assets that are associated with the standing timber have previously been recognised at cost which is possible according to IAS 16, p. 30. For biological assets there has been no change to the accounting policies, as the new method has only resulted in changed assumptions according to previously applied accounting policies. The new accounting policy for forest assets therefore involves a change to the accounting policies for land assets, but only a change to the assumptions in respect of biological assets. Statistics of forest land transactions are available from several market actors, but Sveaskog has chosen to retrieve the statistics that are reported on Ludvig & Co's website ([www.ludvig.se](http://www.ludvig.se)). These statistics can be regarded as market-corroborated input according to valuation level 2 (IFRS 13). Input that is used for valuation of an asset or liability at fair value is attributed to different levels in the valuation hierarchy according to IFRS 13. See Note 3 for a description of the different valuation levels. In these cases, the valuation is attributable to fair value as a whole at the lowest of the levels, valuation level 3. In order to refine the market-corroborated input, certain adjustments are made using non-

observable input. In addition to this, an assessment is made of what period transactions should be included when calculating an average price. Sveaskog has chosen to base the market price on a five-year average.

The new method therefore includes more elements of observable input but is nevertheless assessed to be attributable to valuation level 3 with regard to adjustment of inputs at valuation level 2. No transfers between valuation levels have therefore taken place during the year. In combination with market transactions and in order to determine the fair value of the group's biological assets, the expected future cash flows from the assets have been discounted. The calculation for determining the value of biological assets has been based on existing felling plans and assessments of growth, wood prices, felling costs, etc. The calculation is performed for one production cycle which for biological assets Sveaskog estimates amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. The change in value is reported in the income statement on the row change in value biological assets. The value of the land assets amounts to the residual between the total value in accordance with the new method to determine the total market value of the forest assets and the value of the biological assets that were based on discounted cash flow. The change in value for land is recognised in other comprehensive income and does not affect the year's financial performance. The land assets that are associated with the standing timber were previously classified in the balance sheet as Property, plant and equipment – forest land. The effect of changing the accounting principles to the so called revaluation method according to IAS 16 p.31 means that the land assets are now recognised at fair value and have therefore as at 31 December 2020 been reported in their own row in the balance sheet under forest assets. A corresponding reclassification has taken place for the comparative year. The comparative year has not been restated at fair value but is instead recognised at cost. In the balance sheet the change of accounting principles to the revaluation method has meant that the value of the land assets has increased by MSEK 32,986, and that a deferred tax liability of MSEK 6,797 on the difference between the assets' tax cost and carrying amount have been reported. The increase in the land assets' value and the tax effect that arises from the revaluation is recognised in other comprehensive income and is accumulated in equity in the rows change in value land assets and income tax attributable to components in other comprehensive income. The revaluation reserve in equity constitutes non-distributable equity and amounts to MSEK 26,152 (0) as of 31 December 2020.

**Significant judgements and estimates**

In previous years the market price or other comparable price was not used for forest assets, as there was a degree of uncertainty about the market price for assets of Sveaskog's size as no larger transactions had been performed in the market. A number of major forest land deals now show that the value of larger forest assets per hectare or per cubic metre of forest is generally at the same level as for smaller or medium-sized forest assets. In order to value the forest assets at fair value, the valuation is based on the sales transactions in the areas where Sveaskog owns forest assets. The valuation price consists of a five-year average that is multiplied by Sveaskog's current timber stocks in cubic metres of forest in the different areas. In order to calculate the fair value of the biological assets – standing timber, the estimated cash flow from future income from timber extractions less felling costs has been discounted to a present value. The calculation is performed for one production cycle, which for biological assets is estimated by Sveaskog to amount to an average of 100 years in northern Sweden and 80 years in southern Sweden. Cash flows are calculated on the basis of felling volumes according to Sveaskog's current felling plan and assessment of future price and cost development. Prices are based on a rolling ten-year average (2011–2020). In terms of cost development, the current standard cost (see model assumptions below) is applied. The inflation assumptions in the model are based on estimated future development during the valuation period. Cash flows before tax are discounted using an interest rate of 4.5 per cent (5.75), which is estimated to correspond to the long-term weighted cost of capital for this asset class, but which also includes the level of interest as at the closing date. In the judgement of Sveaskog's Board of Directors, this interest rate should correspond to the long-term cost of capital for an investment in forest assets and not be affected by short-term fluctuations in market rates. In total Sveaskog owns a volume of standing timber amounting to 277 <sup>1)</sup> million cubic

## NOTE 14 Forest assets, cont.

metres of forest (239)<sup>1)</sup> which forms the basis for the valuation of the forest assets. According to current felling estimates, which date from 2018 and are based on a forest optimisation model, felling will amount to approximately 6.3 million m<sup>3</sup>sub per year. This level is estimated to remain relatively unchanged until 2033, after which it can be gradually increased to approximately 6.8 million m<sup>3</sup>sub by 2063. It is then expected that the level can be increased further to 7.2–7.9 million m<sup>3</sup>sub. In 2020, approximately 54 per cent (56) of the volume, own forest, was sold as sawlogs to sawmills and 41 per cent (40) comprised pulpwood sold to the pulp and paper industry. Other volumes consisted of, for example, biofuel in the form of rejected branches and tree tops, which are primarily used as fuel wood; this volume is not included in the valuation. The value of forest land consists of the residual of the value of the forest assets and the value of the biological assets – standing timber.

### Model assumptions

#### Forest assets

The valuation price per cubic metre of forest in SEK is based on market prices that are published and compiled by Ludvig & Co (formerly LRF Konsult). The prices are a five-year average (2015–2019). Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refer to the most recent (October 2020) calculation.

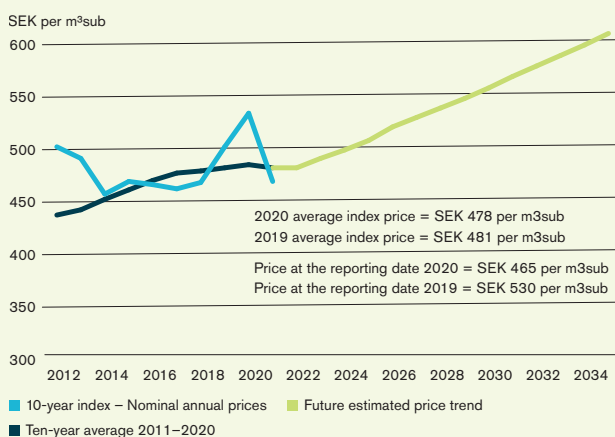
1) This year's value (277 million forest cubic metres) refers to productive land minus ecoparks minus experimental parks and minus nature reserves, while the 2019 value (239) refers to managed land i.e. excluding high conservation value forests.

#### Biological assets

Income (timber prices) is based on prices from a ten-year average (2011–2020) and then an estimated development during the valuation period with a nominal price increase of 1.75 percent (1.75) per year; this estimated development is adjusted when the company forecasts a deviating development in its long-term business plans.

### Timber prices

#### 10-year index – nominal and average, SEK per m<sup>3</sup>sub



For the production costs (felling costs), a current normal cost is applied that corresponds to the average of three years (outcome for the current year, the previous year and the budget for the coming year). These costs are based on an estimated development during the valuation period of 2.0 per cent (2.0) per year.

Sveaskog has set aside areas of productive forest land as nature conservation areas. These areas are not included in the value of forest assets.

### Summary of model assumptions – Forest assets

#### Summary of model assumptions <sup>1)</sup>

MSEK	2020	2019
Valuation price per cubic metre of forest in SEK	5 year average	–
Timber stocks per million cubic metres of forest	Forest registers as at October 2020	–
Discount rate	4.50%	5.75%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.75% per year
Costs	Normal cost <sup>1)</sup>	Normal cost <sup>1)</sup>
Nominal cost increase	2.00% per year	2.00% per year

1) Normal cost = outcome for the current year and the previous year as well as budget for the coming year.

#### Forest assets

##### MSEK

#### Fair values

Opening value, 1 January 2019	36,122
Change during the year	501
<b>Closing value, 31 December 2019</b>	<b>36,623</b>
Deferred tax attributable to forest assets	7,468

#### Fair values

Opening value, 1 January 2020	36,623
Change during the year	45,807
<b>Closing value, 31 December 2020</b>	<b>82,430</b>
Deferred tax attributable to forest assets	16,917

#### Biological assets

##### MSEK

#### Fair values

Opening balance, 1 January 2019	33,607
Acquisition of standing timber	39
Sales of standing timber	–144
Changes due to harvesting	–1,211
Changes in fair value	1,609
<b>Closing balance, 31 December 2019</b>	<b>33,900</b>

##### MSEK

Opening balance, 1 January 2020	33,900
Acquisition of standing timber	8
Sales of standing timber	–94
Changes due to harvesting	–1,384
Changes in fair value	14,291
<b>Closing balance, 31 December 2020</b>	<b>46,721</b>

#### Forest land

##### MSEK

#### Fair values

Opening balance, 1 January 2019	2,515
Acquisition of forest land	213
Sale of forest land	–5
<b>Closing balance 31 December 2019 (cost)</b>	<b>2,723</b>

##### MSEK

Opening balance, 1 January 2020	2,723
Acquisition of forest land	44
Sale of forest land	–7
Change in fair value	32,949
<b>Closing value, 31 December 2020</b>	<b>35,709</b>



**NOTE 14 Forest assets, contd.****Sensitivity analysis based on key measurement parameters and their impact on Sveaskog's forest assets****Valuation price per cubic metre of forest in SEK**

A reduction in the market value of SEK 5 per cubic metre of forest lowers the value of forest assets by approximately MSEK 1,300.

An increase in the market value of SEK 5 per cubic metre of forest raises the value of forest assets by approximately MSEK 1,300.

**Timber stocks per million cubic metres of forest**

A reduction in the standing timber of 5 million cubic metres of forest lowers the value of forest assets by approximately MSEK 1,500. An increase in the standing timber of 5 million cubic metres of forest raises the value of forest assets by approximately MSEK 1,500.

**Discount rate**

A decrease in the discount rate by 0.5 percentage points will increase the value of standing timber by MSEK 7,500 (4,300). An increase in the discount rate by 0.5 percentage points will reduce the value of standing timber by MSEK 6,000 (3,500).

**Revenue (wood prices)**

A decrease in the annual price increase by 0.5 percentage points will reduce the value of standing timber by approximately MSEK 12,600 (8,900). An increase in the annual price increase by 0.5 percentage points will increase the value of standing timber by approximately MSEK 15,700 (11,000).

**Costs (felling, silviculture, road and joint costs)**

An increase in the annual price increase by 0.5 percentage points will decrease the value of standing timber by approximately MSEK 8,100 (6,700). A decrease in the annual price increase by 0.5 percentage points will increase the value of standing timber by approximately MSEK 6,500 (5,400).

**NOTE 15 Other property, plant and equipment****ACCOUNTING POLICIES****Assets owned by the Group**

Other property, plant and equipment are recognised as assets in the balance sheet if it is probable that the future economic benefits will flow to the company and the costs of the assets can be reliably measured.

Other property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price as well as costs directly attributable to the asset in order to bring it to the location and condition necessary for it to be used in accordance with the purpose of the acquisition. Examples of directly attributable costs are costs of delivery and handling, installation, registration of title, consulting services and legal services. Accounting policies for impairment are shown in Note 1.

The cost of self-constructed items of property, plant and equipment includes materials costs, employee benefit expenses, other manufacturing expenses that are considered to be directly attributable to the item of property, plant and equipment.

Other property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of other property, plant and equipment is derecognised from the balance sheet on disposal or when no future economic benefits are expected from the use or disposal of the asset. The gain or loss arising on disposal of an asset is the difference between the selling price and the carrying amount of the asset less direct selling expenses. Gains and losses are recognised as other operating income/expense.

**Subsequent expenditure**

Subsequent expenditure is added to cost only if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

A decisive factor in the assessment of whether subsequent expenditure should be added to cost is whether the expenditure relates to the replacement of identified components, or parts thereof, in which case such expenditure is capitalised. In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts of replaced components, or parts of components, are disposed of and carried as an expense in connection with the replacement. Repairs are carried as an expense as they occur.

**Borrowing costs**

Borrowing costs such as interest and other costs incurred that are directly attributable to the purchase, construction or production of a qualifying asset are part of the cost of the asset. Other borrowing costs are carried as an expense.

**Depreciation principles**

Cost is depreciated to the residual value on a straight-line basis over the useful life, land is not depreciated. The Group applies component depreciation, which means that the estimated useful lives of components are used as the basis for depreciation.

**Other property, plant and equipment**

	Estimated useful lives	Depreciation rates
Industrial buildings	20–25 years	4–5%
Residential and office buildings	33–50 years	2–3%
Land improvements	20 years	5%
Vehicles and other machinery and equipment	3–6 years	16.5–33%
Machinery and other technical equipment	5–20 years	5–20%

Assessment of the residual value and useful life of an asset is performed annually.

An impairment loss is recognised for an asset if the carrying amount of the asset exceeds the estimated recoverable amount.

The parent company does not apply the revaluation method for the valuation of its forest assets, but these are recognised at cost, IAS 16 p30, and are therefore recognised in this Note.

**NOTE 15 Other property, plant and equipment, contd.****Other property, plant and equipment**

<b>Group, MSEK</b>	<b>Buildings, other land and land improvements</b>	<b>Machinery and equip- ment</b>	<b>Construction in progress and prepayments</b>	<b>Total other property, plant and equipment</b>
<b>Cost</b>				
Opening balance, 1 January 2019	505	776	34	1,315
Investments	16	90	62	168
From construction in progress and prepayments, etc.	4	27	-31	-
Sales and disposals	-9	-89	-	-98
Translation differences, etc.	0	1	0	1
<b>Closing balance, 31 December 2019</b>	<b>516</b>	<b>805</b>	<b>65</b>	<b>1,386</b>
<b>Accumulated depreciation according to plan</b>				
Opening balance, 1 January 2019	-328	-500	-	-828
Sales and disposals	1	64	-	65
Depreciation for the year	-4	-76	-	-80
Translation differences, etc.	0	0	-	-
<b>Closing balance, 31 December 2019</b>	<b>-331</b>	<b>-512</b>	<b>-</b>	<b>-843</b>
<b>Accumulated impairment</b>				
Opening balance, 1 January 2019	-3	-5	-	-8
Impairment losses for the year	-	2	-	2
Closing balance, 31 December 2019	-3	-3	-	-6
<b>Closing residual values according to plan 31 December 2019</b>	<b>182</b>	<b>290</b>	<b>65</b>	<b>537</b>
<b>Cost</b>				
Opening balance, 1 January 2020	516	805	65	1,386
Investments	1	91	76	168
From construction in progress and prepayments, etc.	8	4	-12	-
Sales and disposals	-16	-129	-	-145
Translation differences, etc.	0	-1	0	-1
<b>Closing balance, 31 December 2020</b>	<b>509</b>	<b>770</b>	<b>129</b>	<b>1,408</b>
<b>Accumulated depreciation according to plan</b>				
Opening balance, 1 January 2020	-331	-512	-	-843
Sales and disposals	0	113	-	113
Depreciation for the year	-3	-73	-	-76
Translation differences, etc.	0	1	-	1
<b>Closing balance, 31 December 2020</b>	<b>-334</b>	<b>-471</b>	<b>-</b>	<b>-805</b>
<b>Accumulated impairment</b>				
Opening balance, 1 January 2020	-3	-3	-	-6
Impairment losses for the year	-	-	-	-
<b>Closing balance, 31 December 2020</b>	<b>-3</b>	<b>-3</b>	<b>-</b>	<b>-6</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2020</b>	<b>172</b>	<b>296</b>	<b>129</b>	<b>597</b>

**NOTE 15 Other property, plant and equipment, cont.**

Parent Company, MSEK	Forest properties	Buildings, other land and land improvements
<b>Cost</b>		
Opening balance, 1 January 2019	30	17
Investments	6	0
Sales and disposals	-2	-1
<b>Closing balance, 31 December 2019</b>	<b>34</b>	<b>16</b>
<b>Accumulated depreciation according to plan</b>		
Opening balance, 1 January 2019	-	-4
Sales and disposals	-	0
Depreciation for the year	-	0
<b>Closing balance, 31 December 2019</b>	<b>-</b>	<b>-4</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2019</b>	<b>34</b>	<b>12</b>
<b>Cost</b>		
Opening balance, 1 January 2020	34	16
Investments	0	0
Sales and disposals	-5	-1
<b>Closing balance, 31 December 2020</b>	<b>29</b>	<b>15</b>
<b>Accumulated depreciation according to plan</b>		
Opening balance, 1 January 2020	-	-4
Sales and disposals	-	1
Depreciation for the year	-	-1
<b>Closing balance, 31 December 2020</b>	<b>-</b>	<b>-4</b>
<b>CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2020</b>	<b>29</b>	<b>11</b>

**Tax assessment values for Swedish properties**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Forest assets	65,571	57,668	809	699
Other land	614	536	33	27
Buildings	110	90	13	9
<b>Total</b>	<b>66,295</b>	<b>58,294</b>	<b>855</b>	<b>735</b>
<b>Recognised in the balance sheet:</b>				
Forest land	35,709	2,723	29	34
Biological access – standing timber	46,721	33,900	-	-
<b>Total</b>	<b>82,430</b>	<b>36,623</b>	<b>29</b>	<b>34</b>

**NOTE 16 Shares and participations****ACCOUNTING POLICIES****Subsidiaries**

Subsidiaries are companies in which the Parent Company Sveaskog AB has a controlling interest. An investor has a controlling interest in an investee when it is exposed to or entitled to variable returns from its involvement in the investee and is able to influence returns through its controlling interest in the investee.

Subsidiaries are recognised according to the acquisition method. According to this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The consolidated cost is determined through an acquisition analysis in connection with the business combination. The analysis establishes the cost of the participations or business, as well as the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities. The difference between the cost of the shares in subsidiaries and the fair value of acquired assets and assumed liabilities and contingent liabilities comprises consolidated goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement. Transaction costs are recognised in the income statement.

The financial statements of the subsidiary are included in the consolidated financial statements from the date of acquisition to the date on which the controlling interest ceases.

**Associates**

Associates are companies in which the Group has a significant influence, but not a controlling influence, over operational and financial governance, usually through participating interests of between 20% and 50% of the voting rights. Exceptions may exist if the Group does not exercise a significant influence and does not intend to exercise a significant influence. From the date the significant influence is obtained, participations in associates are recognised according to the equity method in the consolidated financial statements. According to the equity method, the consolidated carrying amount of the shares in the associates corresponds to the Group's share in the associates' equity and consolidated goodwill as well as any residual consolidated overvaluations/undervaluations. In the Group's income statement, the Group's share in the associates' net profit/loss after tax and minority interests is recognised as "Share of profit/loss of associates" and also adjusted for any depreciation/amortisation, impairment or resolution of overvaluation/undervaluation of acquired assets or liabilities. Dividends received from the associate reduce the carrying amount of the investment. The Group consolidates its share of associates' other comprehensive income in the Statement of Comprehensive Income.

Any difference at acquisition between the cost of the holding and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 Business combinations. When the share of recognised losses in the associate exceeds the consolidated carrying amount of the participating interest, the value of the participating interest is reduced to zero. Losses are also offset against unsecured long-term financial interests that, in an economic sense, form part of the investor's net investment in the associate. Where the share in the losses of an associate equals or exceeds its holding in the associate, additional losses are not recognised unless guarantees have been provided to cover losses incurred by the associate. The equity method is applied until the date when the significant influence ceases.



**NOTE 16 Shares and participations, cont.**

Group, MSEK	Associates <sup>1</sup>	Other securities held as non-current assets
Opening balance, 1 January 2019	752	11
Investments	–	5
Dividend	–60	–
Share in profit/loss of associates <sup>2)</sup>	26	–
Share of other comprehensive income of associates	–6	–
<b>Closing balance, 31 December 2019</b>	<b>712</b>	<b>16</b>
Opening balance, 1 January 2020	712	16
Investments	–	7
Impairment	–	–7
Dividend	–12	–
Share in profit/loss of associates <sup>2)</sup>	57	–
Share of other comprehensive income of associates	11	–
<b>Closing balance, 31 December 2020</b>	<b>768</b>	<b>16</b>

- 1) The holdings in Setra Group, SunPine and ShoreLink are reported according to the equity method. Participating interests in other associates are measured at cost. The equity method of accounting has not been applied to these holdings because of their negligible significance.
- 2) Share of profit/loss after tax of associates for 2020 (2019) and change in the internal revenue reserve in respect of Setra.

**Breakdown of income, profit/loss, assets and liabilities of associate Setra Group**

MSEK	2020	2019
<i>Setra Group</i>		
According to the company's accounts:		
Net sales	4,131	4,264
Profit/loss after tax	71	–10
Profit/loss from continuing operations	71	–10
Other comprehensive income	23	–12
Comprehensive income for the period	94	–22
Non-current assets	1,654	986
Current assets	1,486	1,938
Equity	1,553	1,580
Non-current liabilities	830	540
Current liabilities	757	804

**Breakdown of income, profit/loss, assets and liabilities of associate SunPine**

MSEK	2020	2019
<i>SunPine</i>		
According to the company's accounts:		
Net sales	1,377	1,436
Profit/loss after tax	28	78
Profit/loss from continuing operations	28	78
Comprehensive income for the period	28	78
Non-current assets	688	517
Current assets	438	462
Equity	519	573
Untaxed reserves	203	179
Non-current provisions	112	23
Current liabilities	292	204

**Breakdown of income, profit/loss, assets and liabilities of associate ShoreLink<sup>1</sup>**

MSEK	2020	2019
<i>ShoreLink</i>		
According to the company's accounts:		
Net sales	391	215
Profit/loss after tax	31	24
Profit/loss from continuing operations	31	24
Comprehensive income for the period	31	24
Non-current assets	121	119
Current assets	142	134
Equity	198	172
Non-current provisions	12	12
Current liabilities	53	69

**Parent company**

MSEK	2020	2019
<b>Cost</b>		
Opening cost	24,934	24,934
Closing cost	24,934	24,934

- 1) The 2020 income statement items refer to the period 09/19–11/20 (01/19–08/19), while the balance sheet items refer to 08/2020 (08/2019), which is the latest data we have received.

**NOTE 16 Shares and participations, cont.****Breakdown of shares and participations and other securities held as non-current assets**

	Corp. ID No.	Registered office/ country	Number of shares	Participating interest, % <sup>1</sup>		Equity MSEK, 31 Dec 2020	Profit/loss for the year, MSEK 2020	Carrying amount MSEK, 31 Dec	
				2020	2019			2020	2019
<b>Sveaskog AB</b>	<b>556558-0031</b>								
<i>Direct holdings in Group companies</i>									
Hjälmare Kanal AB	556002-4472	Stockholm	5,936	100	100	2	–	3	3
Sveaskog Förvaltnings AB	556016-9020	Stockholm	95,157,179	100	100	23,659	820	24,931	24,931
Total directly owned Group companies								24,934	24,934
<i>Indirect holdings in Group companies</i>									
SIA Sveaskog Baltfor	40003293038	Riga, Latvia	2,500	100	100	33	6	–	–
Sveaskog Försäkringsaktiebolag	516401-8466	Stockholm	500,000	100	100	51	0	–	–
Sveaskog Timber AB	556000-1074	Stockholm	90,000	100	100	261	0	–	–
<b>Group's holdings in associates</b>									
<i>Parent Company's indirect holdings</i>									
Setra Group AB	556034-8483	Stockholm	25,761,671	50	50	1,553	71	489	434
Shorelink AB	556053-7168	Piteå	18,775	24.07	24.07	198	31	48	41
SunPine AB	556682-9122	Piteå	16,685	25.14	25.14	519	28	231	237
<b>Total associates</b>								<b>768</b>	<b>712</b>
<b>Group's other securities held as non-current assets</b>									
<i>Parent Company's indirect holdings</i>									
Arboreal AB	559171-8548	Umeå	12,450	24.9	24.9	–	–	0	0
Arevo AB	556995-8423	Umeå	33	1.1	1.08	–	–	2	1
EkoNord Invest AB	556769-8625	Krokoms	7,143	14.29	14.29	–	–	9	9
Swe Tree Technologies AB	556573-9587	Umeå	430,987	13.97	13.97	–	–	1	0
Torsta AB	556892-2420	Krokoms	200	5.0	5.0	–	–	0	0
SunCarbon AB	556972-7315	Lomma	698	33.7	33.3	–	–	3	5
Svensk Skogskommunikation AB	559031-9231	Stockholm	33,334	33.33	33.33	–	–	0	0
Other holdings								1	1
<b>Total of Group's other securities held as non-current assets</b>								<b>16</b>	<b>16</b>
<b>TOTAL OF GROUP'S INVESTMENTS IN ASSOCIATES AND OTHER SECURITIES HELD AS NON-CURRENT ASSETS</b>								<b>784</b>	<b>728</b>

1) The voting interest corresponds to the equity interest in respect of all participations.

A complete statutory breakdown of the holdings of Group companies can be found in the Annual Report submitted to the Swedish Companies Registration Office. This breakdown can be found at [www.sveaskog.se](http://www.sveaskog.se).

**NOTE 17 Non-current receivables**

MSEK	Group		Parent Company <sup>1</sup>	
	2020	2019	2020	2019
<b>Interest-bearing non-current receivables</b>				
Receivables from Group companies	–	–	1,200	1,200
Other non-current receivables	5	4	–	–
<b>Total</b>	<b>5</b>	<b>4</b>	<b>1,200</b>	<b>1,200</b>
<b>Non-interest-bearing non-current receivables</b>				
Other non-current receivables	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>5</b>	<b>4</b>	<b>1,200</b>	<b>1,200</b>

1) The Parent Company has judged the risk of expected credit losses on internal receivables as not being material.

**NOTE 18 Inventories****ACCOUNTING POLICIES**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in operating activities, less estimated costs of completion and costs associated with a sale.

The cost of processed wood is fair value less estimated selling costs at the time of felling in accordance with the accounting policy for biological assets.

Cost of inventories is calculated by applying the first in, first out method (FIFO) and includes expenses incurred during the acquisition of the inventory assets and their transport to their current location and condition. Cost includes a reasonable share of indirect costs based on normal capacity utilisation.

Group, MSEK	2020	2019
Felling rights	6	6
Accrued felling costs for felling rights	111	86
Consumables	22	17
Work in progress <sup>1</sup>	142	139
Finished goods <sup>1</sup>	427	328
<b>TOTAL</b>	<b>708</b>	<b>576</b>

1) Work in progress refers to seedlings, other plants and seed. Finished goods refer to timber stocks, rejected branches and tree tops by the roadside, fuel at terminals and cuttings.

## NOTE 19 Trade receivables, loans and other receivables

### ACCOUNTING POLICIES

Trade receivables are classified in the category financial assets measured at amortised cost in accordance with IFRS 9. Trade receivables are initially valued at fair value and subsequently at amortised cost using the effective interest method. The expected maturity of trade receivables is short, and the value is recognised at the nominal amount without discounting.

In accordance with IFRS 9, an assessment is made of expected credit losses on loan receivables and other receivables using a 3-stage model. In stage 1, a provision corresponding to expected credit losses within the next 12 months is recognised. In stage 2, an assessment is made whether credit risk has increased significantly since initial recognition but where there is no objective evidence of impairment at the reporting date. In stage 3 there has been an incurred loss event or impairment loss by an amount corresponding to lifetime expected credit losses.

For trade receivables, a simplified approach can be applied, whereby the Group directly reports expected credit losses for the remaining maturity of the asset. A provision matrix may be used for this. In the provision matrix, historical losses are adjusted for forward-looking factors. These forward-looking factors are based on the estimated overall creditworthiness of the customer portfolio and forecasts for GDP in the financial year and subsequent years. Impairment losses on trade receivables are recognised in operating expenses.

MSEK	Group		Parent company	
	2020	2019	2020	2019
<b>Trade receivables and loan receivables</b>				
Trade receivables	1,063	1,024	–	–
Provision for doubtful trade receivables	0	0	–	–
Receivables from associates	198	88	–	–
Receivables from Group companies, interest-bearing	–	–	489	500
Receivables from other Group companies	–	–	8,403	389
<b>Total</b>	<b>1,261</b>	<b>1,112</b>	<b>8,892</b>	<b>889</b>
<b>Other receivables</b>				
Prepaid expenses	47	53	6	9
Accrued income	13	13	–	–
Other current receivables	318	300	158	64
<b>Total</b>	<b>378</b>	<b>366</b>	<b>164</b>	<b>73</b>
<b>TOTAL TRADE RECEIVABLES, LOAN RECEIVABLES AND OTHER RECEIVABLES</b>	<b>1,639</b>	<b>1,478</b>	<b>9,056</b>	<b>962</b>
Of which financial	1,519	1,388	9,006	953

See Note 26 for age analysis and information on receivables past due but not impaired.

## NOTE 20 Equity

### ACCOUNTING POLICIES

Equity in the Group comprises share capital, reserves and earnings (including profit for the year). Equity in the Parent Company comprises share capital, reserves, retained earnings and profit for the year.

Dividends to shareholders are recognised as a liability to shareholders only when the dividend has been approved by the Annual General Meeting.

### Group Share capital

The number of shares amounts to 118,373,034 Class A shares with a quotient value of SEK 1.

### Reserves

Reserves comprise revaluation reserve, hedging reserve and translation reserve.

### Revaluation reserve

The revaluation reserve consists of the change in the fair value of land assets less deferred tax (see Note 14).

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of a cash flow instrument attributable to hedging transactions that have not yet been completed.

### Translation reserve

The translation reserve includes all exchange differences arising from the translation of financial statements from foreign operations that have prepared their financial statements in the currency used in the primary economic environment in which each entity operates (functional currency) to SEK. The Parent Company and the Group present their financial statements in Swedish krona.

### Earned profit

Earned profit in the Group consists of profit for the year and earned profit in the previous year after any dividend.

The Board of Directors proposes a dividend. The amount of dividend is decided by the Annual General Meeting.

### Parent company

### Unrestricted equity

Retained earnings in the Parent Company consists of profit for the year and retained earnings in the previous year after any dividend.

The Board of Directors proposes a dividend. The amount of dividend is decided by the Annual General Meeting.

### Proposed appropriation of profits, SEK

Profits available to the Annual General Meeting:

SEK	
Retained earnings	5,225,647,210
Profit for the year	8,022,712,434
<b>Total</b>	<b>13,248,359,644</b>
The Board of Directors proposes that the profit be distributed as follows:	
SEK	
Dividend to shareholder	850,000,000
Carried forward to the following year	12,398,359,644
<b>Total</b>	<b>13,248,359,644</b>

## NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments

### ACCOUNTING POLICIES

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, trade receivables, shares, loan receivables, fixed income instruments and derivative instruments. Equity and liabilities include trade payables, derivative instruments, non-current and current other liabilities and non-current and current interest-bearing liabilities.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Trade receivables are recognised in the balance



**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**

sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset is derecognised from the balance sheet when the rights under the contract are realised, expire or the company loses control of them. The same applies to part of a financial asset.

A financial liability is derecognised from the balance sheet when the obligation under the contract is discharged or otherwise extinguished. The same applies to part of a financial liability. Acquisitions and disposals of financial assets are recognised on the trade date, which is the date on which the company undertakes to acquire or dispose of the asset.

Financial instruments are initially recognised at cost corresponding to the fair value of the instrument through profit or loss plus transaction costs for all financial instruments except those belonging to the category financial asset recognised at fair value through profit or loss. Subsequent recognition depends on classification as set out below.

**Classification and measurement*****Financial assets at amortised cost***

This category includes receivables held with the aim of collecting contractual cash flows and where the contractual terms of the asset at specified times give rise to cash flows that are only payments of principal and interest on the outstanding principal. Assets in this category are measured at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated on the acquisition date. For further information, see cash and cash equivalents below and Note 19 Trade receivables, loan receivables and other receivables.

***Financial assets at fair value through profit or loss***

This category includes receivables held in accordance with a business model whose objectives can be achieved both by collecting contractual cash flows and selling financial assets, and that the agreed terms and conditions at specified times give rise to cash flows that are only payments of principal and interest on the outstanding principal. Sveaskog's assets in this category consist of other long-term securities holdings and interest-bearing long-term receivables. These are measured at fair value with changes in value recognised in the income statement. See Note 16 Shares and participations for further information.

***Financial liabilities measured at amortised cost through profit or loss***

Amortised cost is determined on the basis of the effective interest rate calculated on the date the liability was assumed. This means that overvaluations and undervaluations are accrued over the maturity of the liability. For further information, see Interest-bearing liabilities below and Note 23 Non-interest-bearing liabilities.

***Derivatives at fair value through profit or loss and derivatives used for hedging purposes.***

Derivatives are measured at fair value with changes in value recognised in the income statement, except when hedge accounting is applied. When hedge accounting is applied, the change in value is recognised in other comprehensive income. Liabilities and derivatives are level 2 of the fair value hierarchy. For details of the different levels, see Note 26 Financial risks.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and in hand, as well as short-term investments. Cash and cash equivalents are included in the general impairment model. The low credit risk exemption applies to cash and cash equivalents.

Cash at bank and in hand consist of bank balances and investments that are readily converted to cash, the latter with maturities at the acquisition date of no more than three months. The carrying amount, amortised cost, is considered to be a good approximation of fair value because a discount based on current market rates is not expected to lead to significant differences.

Short-term investments consist of commercial paper or short-term bonds according to established counterparty regulations (see Note 26). The investments have a maximum maturity of 12 months from the acquisition date and are recognised at amortised cost. Fair value is determined using the discounted cash flow method. The discount rate is the yield payable on securities with a similar credit value at the reporting date.

**Interest-bearing liabilities**

Interest-bearing liabilities consist of financing from the banking system via bilateral loan agreements and financing from the capital market via commercial paper and bonds. Liabilities are recognised at amortised cost. The carrying amount including accrued interest is considered to be a good approximation of the fair value of short-term debt instruments. The fair value of non-current debt instruments is determined using the discounted cash flow method. The discount rate is based on current market rates for securities with credit value, according to Sveaskog, for the respective remaining maturities. When variable rate are specified, the most recent variable rate based on Stibor three months was used for each loan as of 31 December 2020.

***Derivative instruments and cash flow hedges***

Derivative instruments include forward contracts and swaps that are used to cover the risk of exchange rate fluctuations and exposure to interest rate risk. At present, Sveaskog does not hedge exchange rate risks relating to net income. Interest swaps are used to hedge interest rate risks.

The discounted cash flow method is used to determine the fair value of derivatives. The discount rate is a market-based swap rate that is converted into a yield curve and zero coupon curve.

If hedge accounting is applied and the criteria for effectiveness are met, changes in the value of derivatives are recognised in the statement of comprehensive income. In hedge accounting, any excess inefficient portion is recognised in the same way as changes in the value of derivatives that do not apply hedge accounting, see below. In order to meet the requirements for hedge accounting, there must be an unequivocal link to the hedged item and the hedge must effectively protect the hedged item. Hedge accounting is in compliance with IAS39. The company prepares hedging documentation for each hedging transaction. A measurement of effectiveness is performed and documented in order to determine whether or not hedge accounting is to be applied.

If hedge accounting is not applied, or if the conditions for hedge accounting are no longer met, the changes in the value of derivatives are recognised as income and expenses in net financial items. Accrued interest is recognised as interest income and interest expense regardless of whether the derivative is hedged or not. Gains and losses on hedges are recognised in the income statement at the same time as gains and losses for the hedged items. All of the Group's derivatives are covered by ISDA agreements, which allows for offsetting of assets and liabilities against the same counterparty in a credit event. Offsetting of assets and liabilities is not applied in these financial statements. The table *Consequence of offsetting right in hedging strategies* shows this offsetting right.

**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.**

Group, MSEK financial instruments	Financial assets at amortised cost		Financial assets at fair value through other comprehen- sive income		Financial assets at fair value through profit or loss		Financial liabilities at amortised cost		Derivatives at fair value through profit or loss		Derivatives used for hedging purposes		Carrying amount		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Interest-bearing assets and liabilities</b>																
<i>Interest-bearing non-current assets</i>																
Interest rate derivatives (nom. amount MSEK 225)	-	-	-	-	-	-	-	-	1	3	-	-	1	3	1	3
Interest-bearing other non-current receivables	-	-	-	-	5	4	-	-	-	-	-	-	5	4	5	4
<b>Total</b>	-	-	-	-	5	4	-	-	1	3	-	-	6	7	6	7
<i>Cash and cash equivalents</i>																
Cash at bank and in hand	1,231	463	-	-	-	-	-	-	-	-	-	-	1,231	463	1,231	463
Short-term investments	-	651	-	-	-	-	-	-	-	-	-	-	-	651	-	650
<b>Total</b>	<b>1,231</b>	<b>1,114</b>	-	-	-	-	-	-	-	-	-	-	<b>1,231</b>	<b>1,114</b>	<b>1,231</b>	<b>1,113</b>
<b>Total interest-bearing assets</b>	<b>1,231</b>	<b>1,114</b>	-	-	5	4	-	-	1	3	-	-	<b>1,237</b>	<b>1,121</b>	<b>1,237</b>	<b>1,120</b>
<i>Interest-bearing non-current liabilities</i>																
MTN (Ceiling MSEK 8,000)	-	-	-	-	-	-	4,932	4,382	-	-	-	-	4,932	4,382	5,169	4,533
Bank facilities (Ceiling 4,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	800	800	-	-	-	-	800	800	801	801
Interest rate derivatives (nom. amount MSEK 1,200)	-	-	-	-	-	-	-	-	-	-	73	72	73	72	73	72
Lease liability, non-current element (see Note 7)	-	-	-	-	-	-	117	71	-	-	-	-	117	71	117	71
<b>Total</b>	-	-	-	-	-	-	<b>5,849</b>	<b>5,253</b>	-	-	<b>73</b>	<b>72</b>	<b>5,922</b>	<b>5,325</b>	<b>6,160</b>	<b>5,477</b>
<i>Interest-bearing current liabilities</i>																
Commercial paper programme (Ceiling MSEK 5,000)	-	-	-	-	-	-	1,399	1,925	-	-	-	-	1,399	1,925	1,400	1,925
MTN (Ceiling MSEK 8,000)	-	-	-	-	-	-	1,150	600	-	-	-	-	1,150	600	1,166	604
Bank facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate derivatives (nom. amount MSEK 500)	-	-	-	-	-	-	-	-	-	-	-	3	-	3	-	3
Utilised bank overdraft facility and overnight deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease liability, current element (see Note 7)	-	-	-	-	-	-	47	53	-	-	-	-	47	53	47	53
<b>Total</b>	-	-	-	-	-	-	<b>2,596</b>	<b>2,578</b>	-	-	-	<b>3</b>	<b>2,596</b>	<b>2,581</b>	<b>2,613</b>	<b>2,584</b>
<b>Total interest-bearing liabilities</b>	-	-	-	-	-	-	<b>8,445</b>	<b>7,831</b>	-	-	<b>73</b>	<b>75</b>	<b>8,518</b>	<b>7,906</b>	<b>8,773</b>	<b>8,061</b>
<b>Non-interest-bearing financial instruments</b>																
<i>Non-current non-interest-bearing assets</i>																
Other securities held as non-current assets (Details Note 16 Share and Participations)	-	-	-	-	16	16	-	-	-	-	-	-	16	16	16	16
<b>Total</b>	-	-	-	-	16	16	-	-	-	-	-	-	16	16	16	16
<i>Current non-interest-bearing assets</i>																
Trade receivables and other receivables	1,519	1,388	-	-	-	-	-	-	-	-	-	-	1,519	1,388	1,519	1,388
<b>Total</b>	<b>1,519</b>	<b>1,388</b>	-	-	-	-	-	-	-	-	-	-	<b>1,519</b>	<b>1,388</b>	<b>1,519</b>	<b>1,388</b>
<b>Total non-interest-bearing assets</b>	<b>1,519</b>	<b>1,388</b>	-	-	16	16	-	-	-	-	-	-	<b>1,535</b>	<b>1,404</b>	<b>1,535</b>	<b>1,404</b>
<i>Non-current non-interest-bearing liabilities</i>																
Non-current non-interest-bearing liabilities	-	-	-	-	-	-	6	6	-	-	-	-	6	6	6	6
<b>Total</b>	-	-	-	-	-	-	<b>6</b>	<b>6</b>	-	-	-	-	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

**NOTE 21** Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

Group, MSEK financial instruments	Financial assets at amortised cost		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Financial liabilities at amortised cost		Derivatives at fair value through profit or loss		Derivatives used for hedging purposes		Carrying amount		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Current non-interest-bearing liabilities</i>																
Trade payables	–	–	–	–	–	–	868	853	–	–	–	–	868	853	868	853
Other current liabilities excl. derivatives	–	–	–	–	–	–	117	78	–	–	–	–	117	78	117	78
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>985</b>	<b>931</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>985</b>	<b>931</b>	<b>985</b>	<b>931</b>
<b>Total non-interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>991</b>	<b>937</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>991</b>	<b>937</b>	<b>991</b>	<b>937</b>
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>2,750</b>	<b>2,502</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>20</b>	<b>–9,436</b>	<b>–8,768</b>	<b>1</b>	<b>3</b>	<b>–73</b>	<b>–75</b>	<b>–6,737</b>	<b>–6,318</b>	<b>–6,992</b>	<b>–6,475</b>

**Reconciliation of liabilities attributable to financing activities, Group**

MSEK	2018	Cash flow	Non-cash flow events			Non-cash flow change in lease liabilities	2019
			Acquisitions	Exchange rate fluctuations	Changes in fair value		
<i>Financial liabilities</i>							
Interest-bearing non-current liabilities	4,764	438	–	–	–	51	5,253
of which lease liabilities	76	–56	–	–	–	51	71
Interest-bearing current liabilities	2,773	–195	–	–	–		2,578
of which lease liabilities	50	3	–	–	–		53
<b>Total liabilities attributable to financing activities</b>	<b>7,537</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>7,831</b>

MSEK	2019	Cash flow	Non-cash flow events			Non-cash flow change in lease liabilities	2020
			Acquisitions	Exchange rate fluctuations	Changes in fair value		
<i>Financial liabilities</i>							
Interest-bearing non-current liabilities	5,253	504	–	–	–	92	5,849
of which lease liabilities	71	–46	–	–	–	92	117
Interest-bearing current liabilities	2,578	18	–	–	–		2,596
of which lease liabilities	53	–6	–	–	–		47
<b>Total liabilities attributable to financing activities</b>	<b>7,831</b>	<b>522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92</b>	<b>8,445</b>

**Interest rate terms Group as of 31 December 2020**

Nominal values MSEK	Currency	Excluding interest rate derivatives		Including interest rate derivatives	
		Nominal amount	Interest rate %	Nominal amount	Interest rate %
<i>Interest-bearing assets</i>					
Short-term investments	SEK	–	0		
Cash at bank and in hand	SEK	1,231	0		
<i>Interest-bearing liabilities</i>					
0 - 1 years	SEK	4,880	0.91	3,455	0.85
1 - 2 years	SEK	450	1.10	850	2.63
2 - 3 years	SEK	720	1.28	1,020	1.33
3 - 4 years	SEK	1,240	1.39	1,340	1.50
4 - 5 years	SEK	600	1.38	800	1.03
5 years -	SEK	400	4.25	825	3.36



**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.****Consequence of offsetting right in hedging strategies 31 December 2020**

Amounts recognised in the balance sheet	2020	2019
<i>Assets</i>		
Derivative instruments	1	3
<i>Liabilities</i>		
Derivative instruments	73	75
Offset amount	1	3
<b>TOTAL AFTER OFFSET</b>	<b>72</b>	<b>72</b>

**Financial instruments, Parent Company**

Parent Company, MSEK	Financial assets at amortised cost		Financial liabilities at amortised cost		Carrying amount	
	2020	2019	2020	2019	2020	2019
<b>Interest-bearing assets and liabilities</b>						
<i>Non-current interest-bearing assets</i>						
Receivables from Group companies	1,200	1,200	–	–	1,200	1,200
<b>Total</b>	<b>1,200</b>	<b>1,200</b>	<b>–</b>	<b>–</b>	<b>1,200</b>	<b>1,200</b>
<i>Current interest-bearing assets</i>						
Receivables from Group companies	489	500	–	–	489	500
<b>Total</b>	<b>489</b>	<b>500</b>	<b>–</b>	<b>–</b>	<b>489</b>	<b>500</b>
<b>Total interest-bearing assets</b>	<b>1,689</b>	<b>1,700</b>	<b>–</b>	<b>–</b>	<b>1,689</b>	<b>1,700</b>
<i>Non-current interest-bearing liabilities</i>						
MTN	–	–	4,932	4,383	4,932	4,383
Bank facilities	–	–	–	–	–	–
Bonds	–	–	800	800	800	800
<b>Total</b>	<b>–</b>	<b>–</b>	<b>5,732</b>	<b>5,183</b>	<b>5,732</b>	<b>5,183</b>
<i>Current interest-bearing liabilities</i>						
Commercial paper programme	–	–	1,399	1,925	1,399	1,925
MTN	–	–	1,150	600	1,150	600
Bank facilities	–	–	–	–	–	–
Bonds	–	–	–	–	–	–
Liabilities to Group companies	–	–	13,287	12,811	13,287	12,811
<b>Total</b>	<b>–</b>	<b>–</b>	<b>15,836</b>	<b>15,336</b>	<b>15,836</b>	<b>15,336</b>
<b>Total interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>21 568</b>	<b>20,519</b>	<b>21 568</b>	<b>20,519</b>
<b>Non-interest-bearing financial instruments</b>						
<i>Current non-interest-bearing assets</i>						
Receivables from other Group companies	8,403	389	–	–	8,403	389
Other receivables	114	64	–	–	114	64
<b>Total non-interest-bearing assets</b>	<b>8,517</b>	<b>453</b>	<b>–</b>	<b>–</b>	<b>8,517</b>	<b>453</b>
<i>Current non-interest-bearing liabilities</i>						
Liabilities to Group companies	–	–	–	–	–	–
Other current liabilities	–	–	–	–	–	–
<b>Total non-interest-bearing liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial instruments</b>	<b>10,206</b>	<b>2,153</b>	<b>–21,568</b>	<b>–20,519</b>	<b>–11,362</b>	<b>–18,366</b>

**NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.****Reconciliation of liabilities attributable to financing activities, Parent Company**

MSEK	2018	Cash flow	Non-cash flow events			2019
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
Financial liabilities						
Interest-bearing non-current liabilities	4,687	496	–	–	–	5,183
Interest-bearing current liabilities	14,669	667	–	–	–	15,336
Total liabilities attributable to financing activities	19,356	1,163	0	0	0	20,519

MSEK	2019	Cash flow	Non-cash flow events			2020
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
Financial liabilities						
Interest-bearing non-current liabilities	5,183	549	–	–	–	5,732
Interest-bearing current liabilities	15,336	500	–	–	–	15,836
Total liabilities attributable to financing activities	20,519	1 049	0	0	0	21,568

**NOTE 22 Provisions for pensions and other provisions for pensions and similar obligations****Defined contribution plans**

Obligations primarily relate to obligations to employees linked to the SAF-LO Collective Pension but also obligations to employees linked to the ITP 1 occupational pension plan. Obligations relating to payments to defined contribution plans are recognised as an expense in the income statement when they arise.

**Defined benefit plans**

The obligations mainly relate to obligations to employees linked to the ITP 2 occupational pension plan and obligations relating to pensions and annuities taken over from the state in connection with the so-called incorporation agreement under which Sveaskog Förvaltnings AB took over Domänverket's (Swedish Forest Administration) operations and assets with effect from 1 July 1992, and corresponding obligations taken over from the state in connection with Svenska Skogsplanter AB' takeover of the operations and assets of the Swedish Forest Agency on 1 July 1994. The latter obligations are now also included in Sveaskog Förvaltnings AB. In addition, there are some temporary obligations incurred in connection with rationalisation and restructuring of the business operations.

The Group's recognised provisions for pensions correspond to the present value of these pension obligations, except ITP 2.

The obligations in the balance sheet essentially relate to obligations taken over from the state in connection with the takeover of operations and associated matters after the takeover dates. The obligations also include non-vested obligations in respect of some employees who transferred in connection with the takeover in 1992 and certain additional pension obligations that are not yet tax deductible. The recognised amount includes a provision to cover some deficits in obligations taken over from the state. The risks associated with the defined benefit pension plans are:

- Interest rate risk: lower interest rates and thus reduced discount rate increase the liability.
- Inflation risk: higher inflation increases the liability.
- Life expectancy: the longer the persons covered by the plan live, the larger the obligation.
- Wage increase risk means that liabilities increase in line with wage increases, but Sveaskog has no new vesting in defined benefit plans that are not ITP2.

The pension liability is measured according to IAS 19. Actuarial gains and losses as a result of experiential adjustments and amendments in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

The defined benefit pension obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using the interest rate of mortgage bonds with the same maturity as the pension liability.

Collectively agreed vested pension rights relating to defined benefit pension plans that are currently being earned are financed through premium payments to Alecta. Alecta is capitalised on a collective basis, which provides a buffer for insurance obligations against fluctuations in return on capital and insurance risks. For employees with defined-benefit pension plans administered by Alecta (ITP plan) and who are not included in the high earners solution, the premiums for 2020 amounted to MSEK 16 (16). See also Note 8 personnel costs, average number of employees and sickness absence regarding reporting of Alecta.

Provisions for non-vested pension obligations are calculated as if vesting occurs continuously even if the obligation to the creditor will arise only when the pension becomes payable.

The following tables provide an overview of items linked to the pension liabilities that are treated as defined-benefit and vested obligations and which are included in the net cost of the benefits recognised in the consolidated income statement.

For financial risks, see Note 26.

**NOTE 22 Provisions for pensions and other provisions for pensions and similar obligations, cont.****Provisions for pensions**

Group, MSEK	2020	2019
<i>Carrying amount of defined benefit pension plans</i>		
Present value of obligations	398	431
<b>Recognised provisions for pensions and other provisions for pensions and similar obligations</b>	<b>398</b>	<b>431</b>
<i>Changes in recognised pension provisions in 2020 and 2019 respectively</i>		
Provisions 1 Jan 2020 and 1 Jan 2019 respectively	431	450
Actuarial gains/losses due to changed financial assumptions	13	18
Actuarial gains/losses due to experiential amendments	-3	8
Benefits paid	-45	-49
Other changes	2	4
<b>Recognised provisions for pensions and other provisions for pensions and similar obligations</b>	<b>398</b>	<b>431</b>
<i>Net cost of benefits from defined benefit pension plans</i>		
Operating expense	7	10
Interest components in increase for the year of present value of pension obligations	3	5
Actuarial gains/losses due to changed financial assumptions	13	18
Actuarial gains/losses due to experiential amendments	-3	8
<b>Recognised pension expense</b>	<b>20</b>	<b>41</b>
<i>Expected maturities of pension provisions</i>		
Within one year (included in Interest-bearing current liabilities and provisions)	39	47
Beyond one year (included in Provisions for pensions and Other provisions for pensions and similar obligations)	359	384
<b>Total</b>	<b>398</b>	<b>431</b>
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
<b>%</b>		
Discount factor	0.376	0.77
Inflation index for consumer prices	2.0	2.0
Income inflation and future salary increases	3.0	3.0
Mortality assumption	DUS14	DUS14

**Sensitivity analysis discount rate**

A 1.0% increase in the discount rate means a decrease in the liability of MSEK 31 (32).

A 1.0% decrease in the discount rate means an increase in the liability of MSEK 41 (46).

**Sensitivity analysis inflation**

A 0.5% increase in inflation means an increase in the liability of MSEK 18 (22).

A 0.5% decrease in inflation means a decrease in the liability of MSEK 16 (17).

**Sensitivity analysis mortality/life expectancy**

An increase in life expectancy of one year means an increase in the liability of MSEK 29 (33).

Reduced life expectancy of one year means a decrease in the liability of MSEK 25 (26).

The expected average duration of the present value of obligations as of 31 December 2020 was 8.14 years (7.96).

The discount rate is determined based on the market rate for mortgage bonds.

The item Other provisions for pensions and similar obligations also includes endowment insurance worth MSEK 5 (4).

**NOTE 23 Non-interest-bearing liabilities****ACCOUNTING POLICIES**

Trade payables are classified in the category financial liabilities at amortised cost. Trade liabilities are initially valued at fair value and subsequently at amortised cost using the effective interest method. However, the expected maturity of trade liabilities is short and therefore recognition is at the nominal amount without discounting.

**Trade payables, etc.**

MSEK	Group		Parent company	
	2020	2019	2020	2019
<i>Current liabilities</i>				
Trade payables	863	845	-	-
Liabilities to associates	5	8	-	-
Liabilities to Group companies	-	-	0	0
<b>Total</b>	<b>868</b>	<b>853</b>	<b>0</b>	<b>0</b>

**Other liabilities**

MSEK	Group		Parent company	
	2020	2019	2020	2019
Derivative liabilities	72	72	-	-
Deferred income	23	26	-	-
Accrued expenses, etc.	136	115	44	34
Other current liabilities	86	61	6	6
<b>Total</b>	<b>317</b>	<b>274</b>	<b>50</b>	<b>40</b>
<b>Total trade payables and other liabilities</b>	<b>1,185</b>	<b>1,127</b>	<b>50</b>	<b>40</b>
Of which financial (excl. derivatives)	985	931	0	0

**NOTE 24 Other provisions****ACCOUNTING POLICIES**

A provision is recognised in the balance sheet when an existing legal or constructive obligation exists as a result of a past event, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

**Provision for resource adaptation**

A provision for restructuring is recognised when a detailed and formal restructuring plan is established and the restructuring has either begun or been publicly announced. No provision is made for future operating expenses.

**Silvicultural liability**

The silvicultural liability relates to a reserve for estimated future costs for certain needs for reforestation measures that have arisen after felling. The liability relates to future costs of ground preparation and planting measures for the areas where felling has taken place. According to the Swedish Forestry Act, forest land must normally be reforested within five years of felling. Since the calculation of fair value of the forest according to the previous method included outflows for reforestation, the reforestation obligation was indirectly included in the



**NOTE 24 Other provisions, cont.**

forest value. According to the new method for calculating the fair value of the forest, no outflow for reforestation is included. See Note 14 for a description of the forest valuation.

**Environmental provisions**

An environmental provision is recognised in the balance sheet when an existing legal or constructive obligation exists as a result of a past event that leads to an outflow of financial resources.

**Other provisions**

MSEK	Opening balance 1 Jan 2019	Reversed provisions	New provisions	Utilisation	Closing balance 31 Dec 2019	Of which current	Of which non-current
<i>Group</i>							
Provisions for resource adaptation	15	-2	6	-13	6	6	0
Provision for archive costs, historical impediments and roads and bridges	145	-	1	-8	138	9	129
Environmental provisions	24	-	5	-3	26	2	24
Onerous contracts and other provisions	5	-	16	-19	2	2	0
<b>Total</b>	<b>189</b>	<b>-2</b>	<b>28</b>	<b>-43</b>	<b>172</b>	<b>19</b>	<b>153</b>

MSEK	Opening balance 1 Jan 2020	Reversed provisions	New provisions	Utilisation	Closing balance 31 Dec 2020	Of which current	Of which non-current
<i>Group</i>	6	-3	17	-7	13	11	2
Provisions for resource adaptation	-	-	426	-	426	225	201
Provision for archive costs, historical impediments and roads and bridges	138	-	2	-7	133	8	125
Environmental provisions	26	-	2	-3	25	2	23
Onerous contracts and other provisions	2	-	10	-10	2	1	1
<b>Total</b>	<b>172</b>	<b>-3</b>	<b>457</b>	<b>-27</b>	<b>599</b>	<b>247</b>	<b>352</b>

**Provisions for resource adaptation**

Provisions to reserve for resource adaptation in Sveaskog Förvaltnings AB refer to reorganisations in 2019 and 2020.

**Provision for archive costs**

In accordance with the incorporation agreement from 1992 between the state and Domän AB (now Sveaskog Förvaltnings AB, SFAB), SFAB shall be responsible for archive costs, so-called safe storage fees, relating to Domänverket's (Swedish Forest Administration) documents. The documents are archived at the National Archives of Sweden. The undertaking is in perpetuity.

**Provision for historical impediments**

The provision for historical impediments refers to the costs of resolving unapproved reforestation.

**Provision for roads and bridges**

The provision refers to a legal obligation to maintain substandard roads, bridges and dams.

**Onerous contract**

A provision for an onerous contract is recognised when the expected benefits from a contract are lower than the unavoidable costs of fulfilling the obligations under the contract.

**Significant judgements and estimates****Environment**

Ongoing investigations and evaluations are carried out of suspected and existing environmental pollution on Sveaskog's land.

**Reconciliation of certain balance sheet items in the balance sheet, Group**

MSEK		Group	
		2020	2019
MTN, non-current element	Note 21	4,932	4,382
Bonds, non-current element	Note 21	800	800
Lease liabilities, non-current element	Notes 7 and 21	117	71
<b>Interest-bearing non-current liabilities</b>		<b>5,849</b>	<b>5,253</b>
Non-current element of other provisions	Note 24 above	353	153
<b>Other provisions (non-current)</b>		<b>353</b>	<b>153</b>
Commercial paper	Note 21	1,399	1,925
MTN, current element	Note 21	1,150	600
Bonds, current element	Note 21	-	-
Utilised bank overdraft facility and overnight deposits	Note 21	0	0
Lease liabilities, current element	Notes 7 and 21	47	53
Current element of provisions for pensions	Note 22	40	47
<b>Current interest-bearing liabilities and provisions</b>		<b>2,636</b>	<b>2,625</b>
Current element of other provisions	Note 24 above	247	19
Trade payables and other liabilities	Note 23	1,185	1,127
<b>Trade payables, other liabilities and provisions (current)</b>		<b>1,432</b>	<b>1,146</b>

**NOTE 25 Pledged assets and contingent liabilities****ACCOUNTING POLICIES**

A contingent liability refers to a possible obligation as a result of past events whose existence will be confirmed only by one or more uncertain future events which are not wholly within the control of the company, or an obligation arising from past events but not recognised as a liability or provision because the possibility of an outflow of resources to settle the obligation is considered unlikely, or the amount of the obligation cannot be estimated sufficiently reliably.

MSEK	Group		Parent company	
	2020	2019	2020	2019
<i>Pledged assets</i>				
Bank balances	0	0	–	–
<b>Total</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>
<i>Contingent liabilities</i>				
Guarantees for Biometria	20	20	–	–
Guarantees, other	3	1	–	–
Guarantees for Group companies	–	–	396	418
<b>Total</b>	<b>23</b>	<b>21</b>	<b>396</b>	<b>418</b>

**Capital call**

In 2008, the Board of Directors of Sveaskog decided to participate in the formation of EkoNord Invest AB and to contribute a total amount of MSEK 20. This amount was to be provided in stages in the form of drawdown from a capital call facility by EkoNord Invest AB. As of the balance sheet date, MSEK 16 (16) had been paid to EkoNord Invest AB.

**NOTE 26 Financial risks****ACCOUNTING POLICIES****Financial policy**

The Board of Directors of Sveaskog has adopted a financial policy that governs how the financial risks to which the Group is exposed are to be managed. This policy is evaluated and revised once a year. Operational responsibility is delegated via the CEO to the CFO and on to the Head of Finance, who, in addition to operational responsibility, is responsible for ensuring that the finance function reports to management and the Board of Directors on a monthly basis.

Financial risks refer to changes in the Group's results and cash flow as result of changes in exchange rates, interest rates, refinancing requirements and credit risks. Responsibility for reducing financial risks and carrying out current financial transactions is centralised in a Group-wide finance function. The overall aim of the finance function is to ensure cost-effective financing and to minimise negative effects on the Group's results that may arise from price changes in interest rate and foreign exchange markets.

Of the various financial risks to which an entity may be exposed – financial risk, interest rate risk, credit risk/counterparty risk and currency risk – financial risk, interest rate risk and credit risk are clearly the dominant risks for Sveaskog. The currency risk is relatively small.

Sveaskog, which is a forest owner and forest management company, finances around 9% (19) of its assets through external loans. For this reason, it is considered very important to minimise both the financial risk and interest rate risk in this borrowing. In addition, the Group strives not to be dependent on individual sources of financing and to be restrictive in its assessment of counterparties in its investments of surplus liquidity.

In order to achieve efficient management of the Group's liquidity, Sveaskog uses so-called cash pools, with Sveaskog Förvaltnings AB as the main account holder.

**Financial risk**

Financial risk is the risk of a major borrowing requirement arising in a strained credit market situation.

In order to ensure that the Group has access to external financing at all times, the finance department must ensure that confirmed bank credit lines are available. In terms of volume, these must in the first instance cover outstanding commercial paper in order to eliminate the risk that these cannot be refinanced in a situation where the commercial paper market is not functioning.

Lenders must comprise different sources of financing to avoid too great a dependence on an individual loan market. The Sveaskog Group's external borrowing facilities consist of a mix of bank loans and market loans – commercial paper and bonds. This means the Group is not dependent on one single source of financing. Sveaskog has not pledged any collateral for these loans. Instead, the loan agreements include a so-called negative pledge clause, which means that no company within the Group may or is able to pledge collateral for loans or other business transactions.

The current loan portfolio consists of commercial paper and bonds. Commercial paper is short-term in nature, with maturities of a maximum of 12 months, while the long-term outstanding bonds have maturities of between one and 22 years. Bilateral bank loan agreements have an average remaining maturity of 2.5 years (2.2).

According to the current financial policy, loan maturities must be spread over a period of at least five years, but can be spread over a longer period. Maturities within the next 12 months must not exceed 20% of total loans excluding commercial paper. Above one year, maturities must be spread as evenly as possible. At the year-end, 17% (10) of total loans excluding commercial paper had maturities within the next 12 months.

The loan volume under the Swedish commercial paper programme was MSEK 1,400 (1,925), which is refinanced on an ongoing basis. Borrowing under the MTN programme as of 31 December amounted to MSEK 6,090 (4,990).

Sveaskog's net financial liabilities at year-end amounted to MSEK 7,613 (7,149) and their maturity structure is shown in the table Liquidity risk, maturity for financial liabilities Group.

**Interest rate risk**

For the Group, interest rate risk is the risk that cash flows due to financial instruments vary as a result of changes in market rates. The Group is exposed to interest rate risk; the speed with which a trend-related change in interest rates impacts results depends on the fixed-rate period of loans and investments. How interest rate exposure is to be managed is set out in the Group's financial policy and the finance function is responsible for compliance with the policy.

The finance policy stipulates that the Group's loan portfolio shall have an average fixed-rate period of not less than 12 months but not exceeding 48 months. The average fixed interest rate on net liabilities as of 31 December 2020 was 31.4 months (36.2) and the gross borrowing cost was 1.57% (1.39).

Interest rate risk is managed through a balanced mix of variable and fixed interest rates on financing and, where necessary, interest rate swaps. The main purpose of interest rate swaps is to try to achieve an optimal level of fixed interest rates at any given time for the Sveaskog Group, taking into account the economic climate, interest rates, the Group's own income statement and balance sheet and the size of the loan portfolio. The risk must be continuously monitored and measures taken as necessary.

Long-term loans with variable rates use Stibor 3 months as the reference rate; it is changes in this interest rate component that are hedged using the interest rate swaps entered into by the Group. As of 31 December 2020, Sveaskog had interest rate swaps with a notional value of MSEK 1,425 (1,800), of which MSEK 1,200 (1,700) was hedged. All swap contracts mean that the Group receives variable interest rates while paying a fixed interest rate over the life of the swap.

The swaps may be used for hedge accounting if they are effective in managing the risk they are intended to manage. To measure how effective these interest rate swaps are in hedging exposure,

**NOTE 26 Financial risks, cont.**

the change in the value of the swap is measured against the value of the loan since the contract date. This is done by discounting the assessed cash flows. This measurement does not include the effect of a change in the credit rating of any of the parties to the contract.

The interest rate swaps used in hedge accounting are entered into at the same reference rate and maturities as the loans and have a hedge ratio of 100%. The whole change in value of these swaps is therefore recognised in other comprehensive income in accordance with the accounting policies. If hedge accounting had not been applied, the entire annual change in other comprehensive income would have affected the Group's results for 2020 through net financial income/expense.

The table below shows the fixed interest rate of these swaps, their maturity and how hedge accounting has affected the results and balance sheet through recognition in other comprehensive income instead of profit and loss and net financial income/expense.

**Impact of hedge accounting on results and balance sheet**

Maturity	Notional value	Fixed interest component, %	Total change in value	Change in value for the year
<b>TOTAL MSEK</b>	<b>1,200</b>	<b>1,553</b>	<b>-51</b>	<b>1</b>
0 - 1 years	-	-		
1 - 2 years	400	2.50		
2 - 3 years	300	0.62		
3 - 4 years	100	1.97		
4 - 5 years	-	-		
5 years -	400	1.20		

**Credit risk/counterparty risk**

Credit risk is the risk that a counterparty in a financial transaction is unable to meet its obligations. Financial risk management involves exposure to credit risks. For Sveaskog, these arise partly in connection with investments of cash and cash equivalents, but above all in connection with counterparty risks in relation to banks when purchasing derivative instruments. In order to be able to enter into derivative transactions with banks, Sveaskog Förvaltnings AB has concluded so-called ISDA agreements with interested parties. The financial policy contains a special counterparty regulation setting out maximum credit exposure to different counterparties. This regulation is strict and specifies the minimum credit ratings that must apply to selected counterparties according to Standard & Poor's and Moody's rating scales. The credit rating applied to Swedish counterparty risks of up to one year is Sweden's Nordic Credit Rating's highest rating, K1, while for risks in excess of one year, counterparties shall have a long rating equivalent to at least A- or A3 according to Standard & Poor's and Moody's rating scales respectively. With two exceptions, Sveaskog only has credit risks involving Swedish counterparties. No credit losses were incurred on financial transactions in 2020.

Another type of credit risk is receivables from commercial customers. The Group's two largest customers each account for more than 10% percent of sales and together account for 28% (28) of total sales. Credit insurance is managed according to the Group's insurance policy, but is not applied to larger customers. Instead, an internal credit analysis is carried out, which is followed up on an ongoing basis. As of 31 December 2020, outstanding receivables in respect of the two largest customers corresponded to 42% (42) of the Group's total trade receivables at that date. According to IFRS 9, the entity must recognise a loss reserve for expected credit losses on financial instruments. The model is based on a three-stage model, where the recognition of impairment losses is governed by changes in the credit risk in financial assets. In stage one, expected credit losses are recognised within 12 months. Stage two identifies whether the credit risk in the financial instrument has increased significantly. In stage three, expected credit losses are measured throughout the maturity.

For trade receivables, Sveaskog uses the simplified method in IFRS

9 p5.5.15 and measures the loss reserve at the amount corresponding to the expected credit losses for the remaining maturity.

As of 31 December 2020, satisfactory trade receivables amounted to MSEK 1,173 (995).

As of 31 December 2020, trade receivables amounting to MSEK 88 (117) were past due, but not considered to be significantly impaired. The past due receivables related to a number of customers who had no previous history of payment difficulties. As of mid-January 2021, MSEK 11 (10) was still outstanding.

As of 31 December 2020, trade receivables covered by credit insurance or bank guarantees amounted to MSEK 498 (446) out of a total of MSEK 1,063 (1,024). Total exposure to counterparty risks corresponds to the value of the corresponding assets in the balance sheet.

**Capital management**

The Group's objective regarding its capital structure is to safeguard the Group's ability to continue operations so that it is able to continue to generate returns for its shareholder and benefit for other stakeholders and to maintain an optimal capital structure to keep down the costs of capital.

In order to maintain or adjust the capital structure, the Group may change the dividend paid to the shareholder, repay capital to the owner, issue new shares or sell assets to reduce liabilities.

The 2014 Annual General Meeting decided on new financial targets for the Sveaskog Group, which means, among other things, that the Group must maintain a net debt/equity ratio of between 30% and 60%. This financial target is calculated as net interest-bearing liabilities divided by equity, calculated at the end of the year.

Net interest-bearing liabilities is calculated as total borrowings (comprising the items interest-bearing current liabilities, interest-bearing non-current liabilities and pension liabilities in the Group's balance sheet) less cash and cash equivalents. Total capital is calculated as equity in the Group's balance sheet plus net liabilities. The debt/equity ratio as of 31 December in 2020 and 2019 was as follows:

MSEK	Group	
	2020	2019
Total borrowings (Note 21, 22)	8,849	8,267
Less: Non-current interest-bearing receivable (Note 21)	-5	-4
Cash and cash equivalents (Note 21)	-1,231	-1,114
Net liabilities	7,613	7,149
Total equity	59,493	23,574
<b>Total capital</b>	<b>67,106</b>	<b>30,723</b>
Net debt/equity ratio	13%	30%

**Age analysis past due trade receivables, gross**

MSEK	Group	
	2020	2019
Less than 1 month	84	116
1 to 3 months	3	0
3 months and longer	1	1
	88	117

**Loss reserve for expected credit losses on trade receivables, change during the year**

MSEK	Group	
	2020	2019
OB, loss reserve for expected credit losses	0	-1
Added during the year	-1	-1
Settled/received during the year	1	2
CB, loss reserve for expected credit losses	0	0



**NOTE 26 Financial risks, cont.****Currency risk**

Sveaskog has limited currency exposure. All assets are located in Sweden and only a small proportion of costs are in foreign currency. Currency hedging is not currently applied to commercial flows.

**Sensitivity analysis**

In order to manage interest rate risk, the Group has in recent years issued bonds with longer maturities than before in order to reduce the impact of short-term interest rate fluctuations on the Group's earnings. However, in the long term, lasting changes in interest rates will have an impact on the consolidated results.

As of 31 December 2020, it is estimated that a general increase in interest rates by one percentage point would reduce the Group's profit before tax by approximately MSEK 85 (79) without taking into account cash flow hedging. Taking cash flow hedging into account, which as a result of hedge accounting does not affect the income statement, profit before tax is reduced by around MSEK 73 (62). A general increase in interest rates of one percentage point would have an adverse effect on equity of SEK 67 million (62).

**Fair value measurement****Securities**

Fair value is based on quoted market prices at the balance sheet date.

**Derivative instruments**

The discounted cash flow valuation method is used to determine rates for interest rate swaps. The interest rate used is the market-based interest rate for interest rate swaps at the balance sheet date which is used to plot a yield curve and then converted into a zero coupon curve.

Quoted prices (unadjusted) on active markets for identical assets or liabilities available to the entity at the measurement date.

Level 1	For financial instruments for which quoted market prices are available, current prices are used for fair value measurement.
Level 2	Observable data for assets or liabilities other than quoted prices included in level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices). Derivatives in level 2 consist of interest rate swaps and are used for both trading and hedging purposes. Measurement of the fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for measurement.
Level 3	Inputs for the asset or liability that are not based on observable market data (i.e. unobservable data). See Note 14 for information about fair value measurement.

The following table shows the Group's assets and liabilities measured at fair value as of 31 December 2020 and 2019:

MSEK	Level 1		Level 2		Level 3	
	2020	2019	2020	2019	2020	2019
<b>Financial assets at fair value through profit or loss</b>						
Forest assets						
Biological assets					46,721	33,900
Forest land					35,709	2,723
Derivative instruments			1	3		
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>82,430</b>	<b>36,623</b>
<b>Liabilities</b>						
Non-current liabilities			5,970	5,334		
Current liabilities			2,566	2,528		
Derivative instruments	0	0	73	75	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>8,609</b>	<b>7,937</b>	<b>0</b>	<b>0</b>

The table above shows the fair value of swap contracts recognised as liabilities under hedge accounting. The Group also has swap contracts that are not hedged and where the change in value is recognised in the income statement and under assets in the above table. These swaps have a notional value of MSEK 225 (100) and as of 31 December 2020 a fair value of MSEK 1 (3).

**Valuation techniques used to calculate fair values in Level 2**

Current liabilities are measured at book value including accrued interest which is judged to provide a good approximation of the fair value. The fair value of non-current debt instruments is determined using measurement models such as discounted future cash flows at listed market rates for the respective maturities. Derivatives in Level 2 consist of interest rate swaps and are recognised at market value or as hedge accounting. Measurement at fair value of interest rate swaps is based on swap rates obtained from a financial information system and converted to a zero coupon curve for the measurement. Compared with 2019, no transfers took place between the different levels in the hierarchy and no significant changes were made to the measurement method, the inputs used or assumptions.

**Valuation techniques used to calculate fair values in Level 3**

The valuation technique is described in Note 14.

**Issues**

During the year, Sveaskog issued MSEK 7,105 (7,350) under the commercial paper programme and MSEK 1,700 (1 100) under the MTN programme.

**NOTE 26 Financial risks, cont.****Liquidity risk****Maturity for financial liabilities Group (including future interest flows)**

MSEK	Between 0-3 months		Between 4-12 months		Between 12-24 months		Between 24-60 months		More than 60 months	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Borrowings (excluding liabilities relating to financial leases)	2,430	2,559	218	56	1,476	1,235	3,687	3,396	982	1,013
Derivative instruments	25	28	-6	-8	24	15	17	29	12	9
Lease liabilities according to IFRS 16	14	14	33	39	42	30	46	36	29	5
Trade payables and other liabilities	912	895	43	7	14	15	15	13	3	1
Financial guarantee contracts	-	-	77	77	-	-	-	-	-	-

**Managing liquidity risk**

In order to secure the extension of Sveaskog's short-term liabilities in the event of increased capital shortage, Sveaskog has contracted credit facilities. These credit facilities amount to SEK 3,500 million (4,200) as of 31 December 2020 and are renegotiated no later than one year before maturity. The financial policy also specifies the proportion of the loan portfolio that may mature within 12 months. At present, a maximum of 20% may mature within 12 months. The finance function reports to management and the Board of Directors on a monthly basis.

**Insurance policy**

The Board of Directors of Sveaskog has adopted an insurance policy that set outs how the Group's risk management should be designed and conducted. This policy is evaluated once a year. The CEO has delegated responsibility for implementation of the policy directives to the Head of Finance via the CFO.

The biological asset, standing timber, is Sveaskog's largest asset, but also the asset that is judged to be exposed to the single largest static risk. In the event of damage, it may temporarily cause significant costs for the Group, which could have a major impact on the Group's financial position. Considerable attention has therefore been paid to ensuring that the Group has forest insurance that covers the additional costs that may arise in connection with major damage to standing timber in the form of, for example, storm or fire. To help design appropriate protection and risk coverage, the Sveaskog Group owns a so-called captive, Sveaskog Försäkrings AB. Through this captive, the Group transfers the risk of damage on to the direct insurance and reinsurance markets. The Group currently has coverage for standing timber covering cost increases of up to MSEK 2,000. This amount is partly based on experience from the storms in recent years and partly on simulations carried out together with external insurance experts.

**NOTE 27 Significant events after the end of 2020**

On 18 January, Hannele Arvonen stepped down as CEO of Sveaskog. Per Matses, previously Deputy CEO and CFO, has been appointed acting President and CEO during the recruitment process for a new CEO. No other significant events have occurred after the end of the year that have not been included in the annual report.

# Assurance and signing of the financial statements

The undersigned certify that the consolidated financial statements and annual accounts have been prepared in accordance with International Financial Reporting Standards IFRS, as adopted by the EU, and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and Company, and that the Group's and Company's Directors' Report provides a true and fair view of the development of the Group's and Company's operations, financial position and results and describe the principal risks and uncertainties faced by

the companies in the Group. The undersigned also submit Sveaskog's Sustainability Report for 2020. The Sustainability Report describes Sveaskog's sustainability work and has been prepared in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative.

Sveaskog AB (publ) (556558-0031)  
Stockholm, 9 March 2021

Eva Färnstrand  
*Chairman of the Board*

Marie Berglund  
*Director*

Johan Kuylenstierna  
*Director*

Kerstin Lindberg Göransson  
*Director*

Leif Ljungqvist  
*Director*

Sven Wird  
*Director*

Kenneth Andersson  
*Employee representative*

Sara Östh  
*Employee representative*

Per Matses  
*President and CEO*

Our Auditor's report regarding the Company's annual accounts and consolidated financial statements were submitted on 9 March 2021.

Deloitte AB

Hans Warén  
*Authorised Public Accountant*



# Auditor's report

To the Annual General Meeting of Sveaskog AB (publ) Corporate Identity Number 556558-0031

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the annual accounts and consolidated financial statements of Sveaskog AB (publ) for the financial year 1 January 2020 - 31 December 2020. The Company's annual accounts and consolidated financial statements are included on pages 12-13, 18-21 and 30-97 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the Parent Company's financial position as at 31 December 2020 and its financial performance and cash flows for the year then ended according to the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the content of the additional report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Audit Regulation (537/2014/EU).

### Basis for opinion

We performed our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are described in more detail in the section Auditor's responsibilities. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1. have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

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

### 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 financial statements for the current period. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

#### Valuation of forest assets

Forest assets account for 93% of the Group's assets and are therefore the most significant asset in terms of quantity. The Group's balance sheet recognised forest assets amounting to SEK 82,430 million as of 31 December 2020. The Group's forest assets are divided into biological assets that are recognised in accordance with IAS 41 Agricultural and Forestry and land assets that are recognised in accordance with IAS 16

Property, Plant and Equipment. In order to reflect the market value of the Group's forest assets more favourably, Sveaskog has, as of 31 December 2020, chosen to go over to recognising the Group's forest assets at market value calculated on the basis of transactions with external parties in the areas where Sveaskog has forest land. This change means, on the one hand, that the accounting policy for forest land has been changed to the revaluation method, meaning that the forest land is recognised at fair value where changes in value are recognised in other comprehensive income, and on the other hand that assumptions have changed for the measurement of standing timber. As of 31 December 2020, the biological asset has been recognised at MSEK 46,721 (33,900) and land assets at MSEK 35,709 (2,723). Note 14 contains a description of the measurement of forest assets and important assumptions.

The measurement of forest assets is complex and places high demands on Sveaskog's measurement process and measurement models, given that it is based on a number of critical assumptions and assessments both in terms of market statistics and the breakdown of the total value of land and biological assets. Significant areas of judgement include the scope and completeness of market statistics, local prices, discount rates and average felling cycle, long-term price trend and long-term cost levels. Because yield models are based on very long periods of time, small changes can have a major impact on measurement. The measurement is classified as a Level 3 measurement in accordance with IFRS 13.

See Note 14 for a more detailed description of how the company applies IAS 41 and the judgements made.

Our audit included, but was not limited to, the following audit procedures:

- Mapping of the measurement process at an overall level and the allocation of value between biological assets and land assets, and evaluation and verification of the appropriateness of implemented key controls in relation to documented guidelines
- Evaluation of the reasonableness of the assumptions underlying the company's measurement by comparing external data sources and previous years' assumptions with actual outcomes
- Verification of the functionality of the calculation model in terms of mathematical accuracy and the company's process for producing inputs
- Verification of inputs in the measurement model through random sampling
- Examination of relevant notes to the financial statements and assessment that the change in accounting policy and methodology results in financial statements that contain reliable and more relevant information
- Our valuation specialists have examined the company's documentation regarding the long-term average weighted cost of capital, with a special focus on the sensitivity in the calculations. We have also evaluated the experience and competence of the specialist

#### Completeness of revenue recognition

Sales of sawlogs, pulpwood and biofuel are transaction-intensive, which places high demands on accounting, follow-up and internal control. Every day, a large number of felling assignments are carried out on own account and for other forest owners, and deliveries are made continuously to end customers. Strict requirements therefore apply to support systems to ensure correct handling in terms of measurement of volumes, reconciliation of delivery data and pricing based on contracted prices.

See Note 4 for a description of the principles of revenue recognition.

Our audit included, but was not limited to, the following audit procedures:

- Mapping of significant transaction flows for revenue and critical business systems and evaluation of whether the company's key controls to manage the risk of errors in financial reporting are appropriately designed and implemented

- Our IT auditors have specifically examined general IT controls regarding permissions and management of changes in the system environment
- Examination of the company's revenue recognition procedure with focus on (1) inputs in timber administration systems, (2) completeness of transmission between or data extraction from systems and (3) examination of accounting documents and reconciliation with actual invoicing
- Random sampling of revenue transactions for verification that these were priced according to current customer agreements and that revenue was recognised in the period in which Sveaskog discharged its obligations
- Implementation of register analysis for examination of the completeness of the flow from the timber administration system and recognition in the financial statements
- Analytical review of reported revenue on a monthly basis and development of revenue and margins at segment level to identify significant fluctuations for further investigation.

### Information other than the annual report and consolidated financial statements

The other information consists of the remuneration report and information other than the annual accounts and consolidated financial statements and is contained on the pages that do not include the annual accounts, the sustainability report or the corporate governance report. The Board of Directors and the CEO are responsible for this other information. Our opinion on the annual accounts and consolidated financial statements 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 financial statements, our responsibility is to read the information identified above and to consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we 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 CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated financial statements and that they give a fair presentation in accordance with the Swedish Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable to the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements, the Board of Directors and the CEO 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 that may affect the ability to continue as a going concern and use the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report that includes our opinion. 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the Auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinion

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and CEO of Sveaskog AB (publ) for the financial year 1 January 2020 - 31 December 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

#### Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under these standards are described in more detail in the section Auditor's responsibilities. We are independent of the Parent Company 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 audit opinion.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profits or loss. When proposing a dividend, this includes assessment of whether the dividend is justified considering the requirements that the company's and the Group's nature of business, scope and risks place on the size of the Parent Company's and the Group's equity; consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that accounting, asset management and the company's financial affairs are otherwise controlled in a reassuring manner. The CEO shall manage the ongoing administration in accordance with the Board of Directors' guidelines and instructions and among other things take any measures necessary to ensure that the company's accounting is carried out in accordance with legislation and asset management is managed in a reassuring manner.

### Auditor's Responsibilities

Our objective concerning the audit of the administration, and therefore our opinion on discharge from liability, is to obtain audit evidence in order to achieve reasonable assurance as to whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which may result in the company incurring liability for damages, or
- in any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposal for appropriations of the company's profit or loss, and therefore our opinion on this, is to achieve reasonable assurance as to whether the proposal is consistent with the Swedish Companies Act.

A further description of our responsibility for the audit of the administration can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the Auditor's report.

Deloitte AB was appointed auditor of Sveaskog AB (publ) by the Annual General Meeting on 24 April 2020 and has been the company's auditor since 23 April 2015.

## **THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT**

The Board of Directors is responsible for the Corporate Governance Report on pages 49-53 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act. Our examination was conducted according to FAR's auditing standard RevU 16 The auditor's examination of the Corporate Governance Report. This means that our examination of the Corporate Governance Report is different and substantially 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.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6 Section 6 second Paragraph point 2-6 of the Swedish Annual Accounts Act and Chapter 7 Section 31 second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated financial statements and are in accordance with the Swedish Annual Accounts Act.

Stockholm, 9 March 2021  
Deloitte AB

Hans Warén  
Authorised Public Accountant



# Notes to the Sustainability Report

## NOTE S1 About the Sustainability Report

Sveaskog has prepared a Sustainability Report for the period 1 January - 31 December in accordance with Global Reporting Initiative (GRI) Standards for sustainability reporting. The Sustainability Report comprises pages 14-19, 24-27, 32-35, 101-107 and has been reviewed by the auditing firm Deloitte AB.

The signing of the Annual Report and Sustainability Report 2020 by the Board of Directors and the Auditor's report are presented on page 97 and page 108 respectively.

Sveaskog reports on value added generated annually in the company from a multidimensional sustainability perspective in monetary terms. The model and method used are called <Integrated Profit and Loss><sup>TM</sup> and are described in more detail in Note S2.

### Application of GRI Standards

GRI is a collaborating body of the United Nations Environment Programme. The organisation has produced global guidelines for how companies should report issues that fall under the concept sustainable development. See [www.globalreporting.org](http://www.globalreporting.org) for a complete presentation of GRI Standards.

Sveaskog applies GRI Standards application level Core in its reporting. A transition from the fourth version (GRI G4) took place in 2017. Sveaskog recognises achieved results for the reporting period in the context of commitments, strategies and sustainability management. The aim is to present, measure and take responsibility towards stakeholders, both within and outside the company, for what has been achieved in the work on sustainable business practice.

GRI Standards is implemented in the internal work on sustainability issues and the information in the disclosures meets GRI criteria for Universal Standards. All disclosures in accordance with GRI Universal Standards are published in a GRI index on our website [www.sveaskog.se](http://www.sveaskog.se).

### Process for GRI Standards

Sveaskog's aim is to provide a comprehensive account of sustainability work which clearly identifies both negative and positive business impacts. Our commitments through certification and various memberships, including FSC® and Global Compact, are of great importance for our sustainability work.

To help us identify the issues where Sveaskog as a company has the largest impact, and which are most important to the company's external and internal stakeholders, the work is based on a materiality assessment processed in Group Management and the Audit Committee. Prior to this, all GRI Standards have been assessed for their significance to the sustainability aspects that Sveaskog has identified as material and where the impact is greatest, within or outside the company. Based on the aspects identified, the different aspects have been assessed for inclusion in reporting.

### Boundaries

The information comprises the entire Sveaskog Group, unless otherwise stated. The Group includes the wholly owned subsidiary Sveaskog Baltfor SIA. The sawmill group Setra Group AB is 50% owned by Sveaskog AB and is not included in the Sustainability Report other than the share of the financial results of Setra Group AB that impacts Sveaskog Förvaltnings AB's results. Sveaskog has two members on Setra Group AB's Board of Directors and thus has an impact on Setra's sustainability work.

### Global Compact

Sveaskog has supported the UN Global Compact initiative since 2005, and thereby takes a clear stance on issues relating to human rights, labour, environmental responsibility, the right to form trade unions and anti-corruption. The Global Compact is derived from the Universal Declaration of Human Rights, the Precautionary Principle of the Rio Declaration on Environment and Development, which means that Sveaskog commits to working proactively to minimise environmental risks throughout the company, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD's principles and guidelines for the responsible business conduct of multinational companies. For more information about Global Compact, see [www.globalcompact.org](http://www.globalcompact.org). Sveaskog is taking measures to ensure these principles are reflected in the business in practice. A "Communication on Progress" report is submitted annually to the Global Compact, together with a presentation of GRI indicators that link to the principles.

## NOTE S2 Multidimensional value creation – Integrated Profit and Loss

The <IP&L><sup>TM</sup> evaluation model involves holistic and integrated evaluation in monetary terms of the company's impact and value creation through four different types of capital. The model was developed by the internationally renowned sustainability economist Pavan Sukhdev and his team GIST Advisory. The four types of capital are Financial, Social, Human and Natural Capital, and the result is an illustration of the company's overall positive and negative impact. The values are based on data from 2016, aside from financial capital, which has been updated with data from 2020.

We have chosen to work using this model, which has high scientific relevance; other models may exist that do not produce an identical outcome. All the data produced is associated with some uncertainty. This is due to scientific uncertainty concerning measurement methods, but also to the uncertainty of the data to which the measurement methods are applied. In particular, this concerns measurement of indirect environmental and social impacts where Sveaskog relies on available

business data, data provided by external parties and information, assumptions and qualified estimates produced by GIST Advisory in connection with the establishment of Sveaskog's IP&L. There is also uncertainty about Sveaskog's share of the effects presented, which are based on assumptions from Sveaskog.

It should be noted that this is a first step towards reporting according to this model with the boundaries and assumptions required for implementation. The model can and should be refined over time.

The methodology, IP&L<sup>TM</sup>, highlights the company's value added in terms of ecosystem services and public benefit, in addition to the economic value of timber production. It comprises the company's various types of impact and contributions in areas related to climate and water as well as land use and social values. The calculation also includes negative impacts such as the business's greenhouse gas emissions.

An illustration of the evaluation model is shown on pages 26-27.

**NOTE S2 Multidimensional value creation – Integrated Profit and Loss, cont.**

Capital	Examples included		Examples not included	Sample reference
	Positive impact	Negative impact		
<b>Financial Capital</b>	Taxes Interest Depreciation		Contribution to GDP at contractor level	
<b>Social capital</b>	Recreation		Working environment at contractor level	(Fredman 2013, Friluftsliv i förändring)
	Hunting, fishing, berry picking			Engelman, Marc, Carl-Johan Lagerkvist, and Ing-Marie Gren. 2016. <i>Hunting value of wild boar in Sweden: A choice experiment</i> .
	Road construction accessibility	Environmental impact of road construction		Carfax. 2017. Total length of the road network in Sweden in 2015, <a href="https://www.statista.com/statistics/449993/sweden-length-of-road-network-by-road-type">https://www.statista.com/statistics/449993/sweden-length-of-road-network-by-road-type</a>
<b>Human capital</b>	Training Wage trend Pensions	Health impact of air pollution	Health and safety of contractors	
<b>Natural capital</b>	Carbon dioxide sequestration	Greenhouse gas emissions	Impact on biodiversity	Carbon dioxide capture and storage UN climate panel, (IPCC 2006); Interagency Working Group on Social Cost of Greenhouse Gases, United States Government. 2016.
		Water regulation	Ground impact of felling	(Zhang Biao 2010, Water conservation in forest ecosystems); EEA. 2015. <i>Values from water retention potential of forests</i> .

A brief report of the analysis is published on Sveaskog's website

<https://www.sveaskog.se/globalassets/hallbarhet/public-session---integrated-profit-loss-ipl.pdf>

The full list of references can be found at [sveaskog.se](https://www.sveaskog.se)

**NOTE S3 GRI disclosures, where impact occurs and examples of initiatives in 2020 that increased or reduced impact**

Examples of initiatives that have increased or reduced impact for the most significant aspects of sustainability are given below, together with information on where the impact mainly occurs. The complete GRI Index can be found at [www.sveaskog.se](https://www.sveaskog.se).

	Examples of initiatives in 2020 that increased or reduced impact	Sustainability aspect	Where impact mainly occurs
<b>Confidence</b>	Networking meetings with state-owned companies, dialogues with nature conservation organisations, consultations with Sami villages and meetings in local communities. Conservation value assessment in connection with logging notification posted online. Round table discussions with stakeholders, brand survey for contractors and suppliers. Support package for contractors in connection with the coronavirus pandemic.	Supplier assessments with regard to the environment, employee rights, human rights and social impact.	Within and outside the company
<b>Financial performance</b>	Higher prices, improved results in the Svenska Skogsplanter business area	Financial performance.	Within and outside the company
<b>Climate impact</b>	Participation in a broad scientific partnership on process development for the production of biofuels from lignin in black liquor, fuel procurement that provides extra proportion of green fuel.	Energy, Emissions, Financial performance.	Outside the company
<b>Customer satisfaction</b>	Flexible business solutions after the major spruce bark beetle infestations, customer satisfaction survey.	Labelling of products and services.	Within and outside the company
<b>Biodiversity</b>	A number of wetland restoration project, including those in Åtvidaberg and Ydre, collaboration with Järvzoo for the conservation of the white-backed woodpecker, project Impact 20 together with researchers at SLU to follow up on conservation efforts.	Biodiversity Transparency	Within and outside the company
<b>Gender equality, diversity and skills supply</b>	Educational support for contractors in the areas of gender equality, diversity and inclusion, collaboration with the Mitt Liv (Chance of a Lifetime) mentoring programme for people with a foreign background and an academic degree.	Employment, Occupational Health and Safety, Skills Development, Diversity and Gender Equality.	Within and outside the company

**NOTE S4 Stakeholder dialogues**

Sveaskog conducts structured and documented dialogues with stakeholders. This overview shows the most important issues for the ten key stakeholders, the action taken by Sveaskog in these areas and dialogue opportunities.

	Issues 2020	What action is Sveaskog taking?	Dialogue opportunities in 2020
Customers	Product quality, prices, efficient logistics, renewable vehicle fuels, technology development, FSC® and traceability, sustainability, reliability, long-term relationships.	FSC® certification, market prices, Code of Conduct, measuring delivery precision, participating in the development of new fossil-free fuels, traceability of wood.	Customer Satisfaction Index survey, business discussions, forest days, collaboration on sustainability reporting, round table discussions.
Owner	Meeting financial targets, sustainable business, work with human rights, stakeholder dialogues and confidence in Sveaskog, the 2030 Agenda.	Initiatives to meet financial targets, goals and strategies for sustainable business, clearer reporting of and processes around the work on the 2030 Agenda.	Annual General Meeting, Board meetings, dialogue with the Chairman of the Board, the Government Offices of Sweden and Members of Parliament, networking meetings with state-owned companies.
Lending institutions, lenders	Economic development, financial stability, sustainable business, new business opportunities.	Financial targets, financial policy, prioritising long-term business relationships and customers with profitability potential, green bond issues.	
Employees	Skills development and livelihood, confidence, gender equality, employee ship and leadership, working environment and health and organisation.	Internal training, internal mobility, active recruitment, working environment efforts, and development of the organisation.	Employee development appraisals, leadership days and programmes, trade union collaboration, workplace meetings, principles of employee ship and leadership - "We want to do right by each other".
Contractors	Well-developed and long-term partnerships, renewable energy, sustainable forestry, contractual and remuneration issues, training and working environment, the attractiveness of the forest industry, traceability and certification.	Long-term partnerships, partner contractor, cooperation projects, information and evaluations, Code of Conduct, service statement, requirement for framework suppliers to comply with the UN Global Compact, PEFC certification requirements, daily inspections of transport licences, etc, Swedish Tax Agency checks, support package in connection with the coronavirus pandemic.	Supplier Satisfaction Index survey, business discussions, follow-up, field inspections, in-depth checks of around ten contractors.
Timber suppliers	Ability to pay, long-term partnerships, market prices, renewable energy, quality of felling assignments, skills supply, sustainable forestry, information about Sveaskog's operations, technology development.	Good liquidity, market prices, FSC® planning for felling assignments, involvement in the development of new, fossil-free fuels, information activities.	The Satisfied Supplier Index survey, FSC® collaboration, forest days, business discussions.
Tourism companies, hunters, fishermen, etc.	Granting land concessions, lease prices, forest and land for outdoor activities, impact of forestry on outdoor activities, grazing damage.	Leases, investments in outdoor recreation areas and ecoparks, roads and signs, maps and information on the website, extra support measures in connection with the coronavirus pandemic.	Elk management meetings, hunt leaders meetings, consultations, business discussions, continued development of short-term hunting and increased number of destinations, round table discussions.
Reindeer industry	Considerate forestry measures and concessions that do not affect winter grazing of reindeer – coexistence.	Formalised consultations, better information for maps, land use development projects.	Consultations on forestry measures in Sami villages, collaboration within FSC® in Sweden, in-depth interview.
Authorities	Swedish Forestry Act, national environmental objectives, inventory of key biotopes.	Annual audits, business management systems, follow-up on targets and performance measures.	Consultation on ecoparks, round table discussions.
Nature conservation organisations	Biodiversity, nature conservation.	Targets for sustainable business, environmental goals, FSC® membership, nature conservation strategy, development of method to follow up on biodiversity, cooperation with Järvzoo.	Excursions, correspondence, dialogue meetings in Almedalen, consultations and dialogue meetings in local communities, round table discussions.



**NOTE S5 Environment and nature conservation**

Sveaskog's nature conservation set-asides may take the form of formally protected areas or voluntary set-asides. Sveaskog has chosen to manage 20% of its productive forest land as nature conservation areas. The target of 20% applies to forests below the montane forest region. This is achieved in three different ways: ecoparks, high conservation value forests and so-called areas of consideration for nature which are left untouched in productive forests. The ecoparks comprise a total of 140,000 hectares of productive woodland below the montane forest region, of which 80,000 hectares are set aside as high conservation value forests. The montane forest

region includes an additional 34,000 hectares of ecoparks, all of which are set aside as nature conservation areas.

With the present approach, consideration for nature areas in productive forests will in the long term amount to 220,000 hectares. Of this area, 55,000 hectares have so far been left untouched as consideration for nature areas in connection with felling. The remaining 165,000 hectares will be added in future planning for felling.

In the montane forests, Sveaskog has set aside around 80,000 hectares for nature conservation, of which 30,000 hectares are located in ecoparks.

**Nature conservation areas below the montane forest region:**

Definition	Status 31 December 2020	Size	Third party measurement	Cooperation
Ecoparks	37 ecoparks have been created. Ecopark agreements with the Swedish Forest Agency are in place for all of these ecoparks.	80,000 hectares	Swedish Forest Agency, County Administrative Boards	50-year agreements with the Swedish Forest Agency and annual management meetings
High conservation value forests	Reported on <a href="http://www.sveaskog.se">www.sveaskog.se</a> All are continuously quality assured in the field.	300,000 hectares	Swedish Forest Agency, County Administrative Boards	Swedish Forest Agency, County Administrative Boards
Consideration for nature in productive forests	Control monitoring of Environmental considerations (99% target)	220,000 hectares	Swedish Forest Agency monitoring, FSC® audit	Methodology development with Swedish Forest Agency
- Of which Consideration for nature in felling		- 55,000 hectares		
- Of which Consideration for nature in future planning for felling		- 165,000 hectares		
Sveaskog's total nature conservation area below the montane forest region		600,000 hectares		

**Nature conservation in the montane forest region:**

Definition	Status 31 December 2020	Size	Third party measurement	Cooperation
Sveaskog's montane forest region boundary is based on the Swedish Forestry Act and FSC®	Nature reserves and ecoparks have been created and quality assurance of high conservation value forests is underway	80,000 hectares	Swedish Forest Agency, County Administrative Boards, FSC® audit	Dialogue with the Swedish Forest Agency
Sveaskog's total nature conservation area including the montane forest region		680,000 hectares		

**NOTE S6 Environmental data**

	2016	2017	2018	2019	2020
<b>Production</b>					
All deliveries, thousand m <sup>3</sup> sub	10,684	10,817	10,995	10,648	10,629
Deliveries from own forest, thousand m <sup>3</sup> sub	6,459	6,463	6,177	6,128	6,248
Supplies of biofuel, thousand m <sup>3</sup> sub	780	599	527	571	555
<b>Energy consumption</b>					
Non-renewable fuels, TJ	1,374	1,535	1,611	1,334	1,192
Renewable fuels, TJ	243	209	199	380	528
Indirect energy consumption, MWh	8,528	8,191	8,335	8,091	8,872
<b>Emissions to air<sup>1</sup></b>					
Fossil CO <sub>2</sub> , thousand tonnes <sup>2</sup>	126	112 <sup>2</sup>	115	122 <sup>3</sup>	123
Of which direct emissions, Scope 1, thousand tonnes <sup>4</sup>	13	9 <sup>2</sup>	10	11	3
Of which indirect emissions, Scope 2, thousand tonnes	0.049	0.042	0.042	0.085	0.004 <sup>5</sup>
Of which indirect emissions, Scope 3, thousand tonnes <sup>6</sup>	113	105	105	111	120
<b>Land</b>					
Total land area, million ha	4	4	4	3.9	3.9
Of which productive forest land, million ha	3.1	3.1	3.1	3.0	3.0
Proportion of total growth that is unfelled, % <sup>7</sup>	36	34	37	38	37

1) Sveaskog reports the greenhouse gas carbon dioxide and complies with the GHG Protocol guidelines (Greenhouse Gas Protocol).

2) Values for 2017 and thereafter have been corrected due to refined measurement methods. A corresponding adjustment was not made for 2016.

3) From 2019, plant transports of approximately 300 tonnes of CO<sub>2</sub>e are included.

4) When it comes to emissions from our own cars, we have chosen to include the total number of litres of fuel supplied by our leasing supplier in Scope 1.

5) No emissions in Scope 2 according to market-based method, as all electricity purchased is green, but fewer emissions from district heating.

6) Scope 3 includes felling, transport by road, sea and rail, road construction, silviculture and business travel.

7) Including unmanaged forests.

New measurement methods were used for 2020.

**Employee data**

Refers to the entire Sveaskog Group unless otherwise stated.

All employees accounted for have employment contracts with the Group. Because the number of contractors hired varies during the year, these are not included in the audit.

**NOTE S7 Number of employees**

	2016	2017	2018	2019	2020
Permanent employees	674	685	682	682	713
Average number of employees, including temporary employees <sup>1</sup>	844	846	840	807	827
Number of permanent blue-collar workers	240	234	229	216	217
Number of permanent salaried employees	434	451	453	467	496
Proportion of part-time/permanent employees, %	1.5	3.4	2.1	1.9	1.1
Proportion of full-time/permanent employees, %	98.5	96.6	97.9	98.1	98.9
Number of managers with reporting staff	95	92	77	79	83
Average age, years	47	47	47	47 <sup>2</sup>	47
Employees in different age groups					
–29	95	101	90	51	55
30–49	344	347	352	319	340
50–	407	398	398	313	318
Proportion recruited internally, %	70	68	72	51	38
Proportion of employees with non-Swedish background, % <sup>3</sup>	3.3	2.9	3.1	3.9	4.0

1) Total number of hours worked/1,650.

2) Corrected figure for 2019.

3) As defined by Statistics Sweden.

The number of full-time and part-time employees is not reported for temporary employees. The majority of temporary employees work full-time. A proportion of temporary employees are employed on zero-hours contracts, which means that they work a number of hours as needed. At times the hours worked correspond to full time working and at other times they work less.

**NOTE S8 Number of permanent employees by market area**

	2016	2017	2018	2019	2020
North <sup>1</sup>	180	221	244	243	254
Central <sup>1/2</sup>	250	241	–	–	–
South <sup>1/2</sup>	158	134	339	339	362
Stockholm <sup>3</sup>	56	57	59	59	58
Latvia/Lithuania	29	31	39	41	37
Finland	1	1	1	1	2

1) Including employees in staff functions stationed in the respective market areas.

2) The Market areas South and Central merged in 2018 to form the new Market area South.

3) Stationed at the head office in Stockholm.

**NOTE S9 Employee breakdown**

	2016	2017	2018	2019	2020
Women, % <sup>1</sup>	21.6	24	24.3	24.3	25.3
Men, % <sup>1</sup>	78.4	76	75.7	73.9	74.7
Women/men on the Board, % <sup>2</sup>	57 /43	50 /50	60 /40	57 /43	50/50
Women/men in Group management, %	40 /60	40 /60	44 /56	64 /36	75/25
Female managers, %	24	27	31 <sup>3</sup>	30	29

1) Average number of employees.

2) Elected by the Annual General Meeting.

3) Refers to Sweden

The years of birth of members of the Board and members of Group management are shown in the presentations on pages 52-56.

**NOTE S10 Relationship between men's and women's salaries**

	2016	2017	2018	2019	2020
Blue-collar workers	19	20	20	20	
Women/men, number	/203	/196	/187	/171	25/170
Women's median salary in relation to men's, %	85	85	85	86	84
Salaried employees	128	137	147	151	
Women/men, number	/294	/300	/288	/299	160/319
Women's median salary in relation to men's, %	97	96	95	99	98

The comparison above does not take into account the fact that different requirements apply to different positions, and only provides an overview of the salary structure by contract area. Salary information and the number of employees refer to permanent employees in Sweden (excluding foreign subsidiaries).

**NOTE S11 Employee turnover**

		2016	2017	2018	2019	2020	
Total, %		7.0	7.7	10.6	11.7	7.4	
Women/men		By age group		By market area			
Joined	Left	Joined	Left		Joined	Left	
25/49	13/40	–30	21	3	North	26	21
		30–50	40	20	South <sup>1</sup>	41	24
		50–	17	30	Stockholm	6	5
					Baltfor	0	3
					Finland	1	0

1) The Market areas South and Central merged in 2018 to form the new Market area South.

**NOTE S12 Proportion of employees receiving regular performance and career development appraisals**

The employee performance appraisal is a strong and effective tool in terms of adherence to Sveaskog's vision and goals, because it provides an opportunity to communicate goals, plans and goal attainment. Well-conducted performance appraisals are also often a prerequisite for a manager to be able to capture the employee's training needs in his or her position, as well as any requests for continued development.

Sveaskog's goal is that all permanent employees should have at least one performance appraisal in a 12-month period and that the appraisal should be of high quality. Supporting documents and checklists are available to assist in conducting appraisals.

According to the most recent employee engagement survey, VIS 2019, performance appraisals had been conducted with a total of 90% (83% in 2017) of all permanent employees in the preceding 12 months.

Setting aside those who have been employed for less than 12 months, been absent for a consecutive period of at least three months or changed managers in the last 12 months, we can ascertain that 97% (94% in 2017) of all permanent employees had performance appraisals in the last 12-month period.

**NOTE S13 Sickness absence**

	2016	2017	2018	2019	2020
Sickness absence, total, %	2.7	3.1	3.0	3.0	3.1
Sickness absence women, %	3.2	4.2	4.7	5.1	3.8
Sickness absence men, %	2.6	2.7	2.5	2.3	2.9
Long-term sickness absence, % of total sickness absence	45.6	50	47.5	47.4	41.8
Long-term healthy, % <sup>1/2</sup>	35.2	33	32.9	32.6	30.6
Reported occupational injuries <sup>3</sup> /1,000 man-years	5.9	8.3	13.1	9.1	20.2
Total days absent (working days) due to occupational injuries <sup>4</sup>	41	116	245	98	210
Sickness absence due to occupational injuries, %	0.02	0.07	0.15	0.06	0.13

1)2) Proportion of employees employed for at least three years with no sickness absence in the last two years. Employees of SIA Sveaskog Baltfor are not included.

3) Occupational injuries: accidents, travel accidents, occupational diseases which at the time of reporting are expected to lead to absence. Minor injuries at first aid level are also included. Contractors' occupational injuries are not included in these figures. Occupational injuries are recorded in the SKIA tool. SKIA is the forest industry's information system on working environment provided to the industry by AFA insurance. Any occupational injuries in Baltfor are not recorded in SKIA and are therefore not included in the calculation. Accidents by region are not reported, but follow-up takes place in the local health and safety committees in each market area. There were no fatal accidents during the year.

4) All days of absence on planned working days commencing two days after accident. Employees of Baltfor are not included.



#### NOTE S14 Average number of hours of training per employee and year by employee category<sup>1</sup>

	2016	2017	2018	2019	2020
Number of training hours, blue-collar workers, average	48	43	39	57	41
Number of training hours, salaried employees, average	31	39	29	41	34
Key ratio training hours/employees, days	4.9	5.1	4.2	6.0	4.6
Key ratio training hours/employees, hours	39	41	33	48	37

1) Average number of employees.

#### NOTE S15 Proportion of workforce covered by collective agreements

In Sweden, 100% of employees are covered by collective agreements. Employees of the subsidiary SIA Sveaskog Baltfor, whose registered office is in Riga, Latvia, are not covered by collective agreements. The proportion of the Group's employees covered by collective agreements is 95%.

#### NOTE S16 Incidence of victimisation

Our Code of Conduct and Employee Policy clarify our position on discrimination. We must show each other respect and there is no place for discrimination in our workplaces. Sveaskog does not tolerate any form of victimisation. Victimisation is action directed at one or more employees in an offensive manner and which may lead to ill health or the victim being excluded from the community of the workplace.

Employees are required to comply with the Code of Conduct and managers are responsible for compliance with the Code in daily activities. Employees or stakeholders who believe that Sveaskog is in violation of the Code of Conduct can report this. These breaches can be reported to the Chief Legal Adviser or the HR Manager as well as via a whistle-blower function on Sveaskog's website.

We must intervene in cases of victimisation, taking strong action according to legislation and Sveaskog's internal guidelines. To prevent discrimination, we have specific measures in place, for instance guidelines for recruitment and guidelines against victimisation.

Two cases of victimisation were reported in 2020. An investigation has been conducted into the incidents.

The employee engagement survey 2019 showed that the proportion of employees who felt that they have been subjected to some form of victimisation by an internal colleague/manager had increased from 6% to 8% since 2017. This is something that is followed up in the employee engagement survey, which is conducted every two years.

#### NOTE S17 Certification

Sveaskog has been awarded the following certifications:

FSC® forest management certification for own forests and Group  
FSC® Chain of Custody certification  
PEFC® Chain of Custody certification  
PEFC direct certification of forests and contractors  
ISO 14001  
AEO certification for customs simplifications/security and safety  
Sveaskog's FSC licence number is FSC-C008344

#### NOTE S18 Competitors

Sveaskog's competitors in the market for wood raw material include: Bergvik Skog, Holmen, SCA, the Swedish Forest Society Foundation, forest owner associations, the Church of Sweden and Sydved.

Some of the companies that are competitors in the market for wood raw material may also be customers of Sveaskog when purchasing pulpwood or seedlings. The same companies can also be suppliers when Sveaskog purchases wood raw material to meet customer demand.

#### NOTE S19 Post-issuance report under the green bond framework

For more information, see Sveaskog's separate Green Bonds Post-Issuance Report at [www.sveaskog.se](http://www.sveaskog.se)

In 2017, Sveaskog established its framework for green financing, and issued green bonds to a value of MSEK 1,100 in 2019. There was no issue in 2018.

#### Total costs incurred allocated to the green bond, all of Sveaskog

(SEK thousand)	2020	2019
<b>Project category according to framework</b>		
Sustainable forestry	1,250,000	924,950
Research and development	10,000	8,000
Acquisition of property	440,000	167,050
Total green bond issue	1,700,000	1,100,000

#### NOTE S20 Base data for calculating total climate benefits

- Annual storage in wood biomass approximately 8 million tonnes, including increased carbon stocks in the ground.
- Emissions in operations approximately 0.1 million tonnes, see chart on page 16.
- Annual substitution approximately 3-7 million tonnes.
- Sveaskog's climate benefits are estimated to total approximately 11-15 million tonnes of CO<sub>2</sub>-equivalents.

#### Data and key figures for calculation

- Total area 3.1 million hectares.
- Annual growth almost 13 million m<sup>3</sup>fo.
- Annual stock increase just over 5 million m<sup>3</sup>fo.<sup>1</sup>

1) Based on growth data from the Swedish National Forest Inventory and harvesting data from Sveaskog.

#### References:

T. Nilsson, J. Stendahl, O. Löfgren, *Soil conditions in Swedish forest soils – data from the Swedish Forest Soil Inventory 1993-2002*, (SLU, Department of Soil and Environment, Uppsala, Sweden, 2015).

#### Definitions of the substitution factor

There are different definitions of the substitution factor (Leskinen et al, 2018; Sathre & O'Connor, 2010). In this study, the substitution factor was defined as the volume of fossil greenhouse gas emissions that a wood-based product replaces. But it is difficult to determine exactly how large the effect is per cubic metre of forest raw material harvested. In a meta-analysis of over fifty studies from different countries, with an emphasis on the Nordic region, Leskinen et al (2018) found that the substitution factor was on average 880 kg of carbon dioxide avoided per forest cubic metre harvested. Lundmark et al (2014) presented a slightly lower figure for Sweden, which ranged from 470-750 kg in emissions avoided per forest cubic metre harvested, depending on assumptions about the volume of biofuels used from the forest. Holmgren & Kolar (2019) found a similar substitution factor for Sweden, 500 kg in emissions avoided per forest cubic metre harvested. Sveaskog therefore chooses to present calculations for the range of 470-880 kg in emissions avoided per forest cubic metre harvested.

# Auditor's Limited Assurance Report on Sveaskog AB (publ)'s Sustainability Report and Statement on the Statutory Sustainability Report

To Sveaskog AB (publ), Corporate Identity Number 556558-0031

## Introduction

We have been engaged by the Board of Directors of Sveaskog AB (publ) to undertake a limited assurance engagement of Sveaskog AB's Sustainability Report for 2021. The company has defined the scope of the Sustainability Report on page 2 of this document, and the Statutory Sustainability Report is defined on page 56.

## Responsibilities of the Board of Directors and management

The Board of Directors and management are responsible for the preparation of the Sustainability Report, including the Statutory Sustainability Report, in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The criteria are defined on page 107 in the Sustainability Report, and consist of the parts of the Sustainability Reporting Standards published by Global Reporting Initiative (GRI) that are applicable to the Sustainability Report, as well as the company's own established accounting and measurement principles. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free material misstatements, whether due to fraud or error.

## Auditor's Responsibilities

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the Statutory Sustainability Report. Our engagement is limited to reported historical information and does not include forward-looking information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making enquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We conducted our review of

the Statutory Sustainability Report in accordance with FAR's recommendation RevR 12 Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and review according to RevR have a different focus and are substantially less in scope than an audit conducted 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 of Sveaskog AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified had a reasonable assurance engagement been performed. The stated conclusion based on a limited assurance engagement and review in accordance with RevR 12 therefore does not have the same level of assurance as a stated conclusion based on a reasonable assurance engagement.

Our procedures are based on the criteria defined by the Board of Directors and management as described above. We consider these criteria to be 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 in all material respects, the Sustainability Report has not been prepared in accordance with the criteria defined above by the Board of Directors and management.

A Statutory Sustainability Report has been prepared.

Stockholm, 9 March 2021  
Deloitte AB

Hans Warén  
Authorised Public Accountant

Lennart Nordqvist  
Specialist member of FAR

# Alternative performance measures

The company presents certain financial performance measures in the Annual Report which are not defined according to IFRS. The company believes that these measures provide valuable additional information to investors and management, as they enable an evaluation of the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with the metrics used by other companies. These financial measures should therefore not be seen as a substitute for measures defined in accordance with IFRS. The following table presents measures that are not defined in accordance with IFRS, unless otherwise stated.

## Operating capital

*Definition:* Total assets excluding interest-bearing assets, tax assets and assets held for sale less non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog calculates operating capital for the performance measures return on operating capital and average operating capital.

	Full year 2020	Full year 2019
Current receivables etc., non-interest bearing	1,864	1,677
- of which advance payments to suppliers	187	165
- of which tax assets	38	34
- of which trade receivables, loans and other receivables	1,639	1,478
Current: other liabilities	1,542	1,193
- of which tax liabilities	110	47
- of which trade payables and other liabilities	1,432	1,146
Total assets	87,971	41,549
Less interest-bearing assets (cash and cash equivalents)	-1,231	-1,114
Less interest-bearing receivables (non-current)	-5	-4
Less tax assets	-38	-34
Less other liabilities and provisions (non-current)	-18,086	-8,513
Less contract liabilities	-1	-2
Less trade and other payables	-1,432	-1,146
<b>= Operating capital, MSEK</b>	<b>67,178</b>	<b>30,736</b>

## Dividend yield

*Definition:* Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax. The Group's definition has not been changed since previous periods.

*Comment:* Dividend yield is one of Sveaskog's financial targets. The target is an average dividend yield of at least 4.5 per cent.

The target reflects the return on Sveaskog's operating activities excluding the impact of forest valuations and temporary property sales.

	Full year 2020	Full year 2019
Operating profit before change in value of forest assets	1,340	1,694
Less capital gains on property disposals	-163	-185
Subtotal	1,177	1,509
Operating capital OB	30,736	30,440
Operating capital CB	67,178	30,736
Average operating capital (OB + CB)/2	48,957	30,588
Subtotal as above	1,177	1,509
Divided by average operating capital	48,957	30,588
<b>= Dividend yield, %</b>	<b>2.4%</b>	<b>4.9%</b>

## Alternative performance measures, cont.

### Net interest-bearing debt

*Definition:* Interest-bearing liabilities less interest-bearing assets, all calculated at the end of the year. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog calculates net interest-bearing debt for the performance measure net debt/equity ratio.

	Full year 2020	Full year 2019
Interest-bearing assets (cash and cash equivalents and non-current receivable)	1,236	1,118
Interest-bearing liabilities and provisions (non-current)	-6,213	-5,642
Interest-bearing liabilities (current)	-2,636	-2,625
<b>= Net interest-bearing debt, MSEK</b>	<b>-7,613</b>	<b>-7,149</b>

### Net debt/equity ratio

*Definition:* Net interest-bearing debt divided by equity, calculated at the end of the year. The Group's definition has not been changed since previous periods.

*Comment:* Net debt/equity ratio is one of the ratios for which Sveaskog defines financial targets. The target is a ratio in the range of 0.3–0.6.

Sveaskog considers that the ratio reflects the scope for dividends and strategic investments as well as enabling assessments of the Group's ability to fulfil its financial obligations.

	Full year 2020	Full year 2019
Net interest-bearing debt	7,613	7,149
Divided by equity	59,493	23,574
<b>= Net debt/equity ratio, multiple</b>	<b>0.13</b>	<b>0.30</b>

### Return on operating capital

*Definition:* Operating profit divided by average operating capital, excluding deferred tax. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog believes the ratio gives a true and fair picture of the company's return excluding financial assets and financing choices.

	Full year 2020	Full year 2019
Operating profit	13,821	2,093
Divided by average operating capital	48,957	30,588
<b>= Return on operating capital, %</b>	<b>28.2%</b>	<b>6.8%</b>

### Return on equity

*Definition:* Reported profit after tax expressed as a percentage of average equity. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog considers that this performance measure measures the company's annual return on the capital invested in the business by the owner and thus shows how profitable the company is for its shareholders.

	Full year 2020	Full year 2019
Equity OB	23,574	23,145
Equity CB	59,493	23,574
Average equity (OB + CB)/2	41,534	23,360
Profit for the year	10,867	1,558
Divided by average equity	41,534	23,360
<b>= Return on equity, %</b>	<b>26.2%</b>	<b>6.7%</b>



## Alternative performance measures, cont.

### Interest coverage ratio

*Definition:* Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog considers that the ratio shows the company's ability to cover its financial expenses (interest, etc.)

	Full year 2020	Full year 2019
Financial items in the income statement	-153	-130
- of which financial income	2	0
- of which financial expenses	-155	-130
Operating profit before change in value of forest assets	1,340	1,694
Less capital gains on property disposals	-163	-185
Plus financial income	2	0
Subtotal	1,179	1,509
Divided by financial expenses	155	130
<b>= Interest coverage ratio, multiple</b>	<b>7.6</b>	<b>11.6</b>

### Equity ratio

*Definition:* Equity divided by total assets, all calculated at the end of the year. The Group's definition has not been changed since previous periods.

*Comment:* Sveaskog considers that this performance measure shows how large a share of the company's assets is financed with equity and indicates the company's sensitivity to interest rate fluctuations.

	Full year 2020	Full year 2019
Equity	59,493	23,574
Divided by total assets	87,971	41,549
<b>= Equity ratio, %</b>	<b>68%</b>	<b>57%</b>

# Glossary

## AEO

Acronym of Authorised Economic Operator. AEO is an EU-wide quality assurance of a company's customs procedures.

## 2030 Agenda

On 25 September 2015, the UN General Assembly adopted the resolution 2030 Agenda for Sustainable Development. This agenda means that all 193 member states have committed to working to achieve a socially, environmentally and economically sustainable world by the year 2030. The agenda contains 17 goals and 169 targets.

## Marking (for cross-cutting)

Preparing timber, cutting a stem into logs.

## Biodiversity

Variety of all living things in all environments and ecological processes of which they are part. This includes diversity in and between species and in ecosystems.

## Biotope

A region of relatively uniform environmental conditions, occupied by a given plant community and its associated animal community.

## Commercial paper programme

A borrowing commitment used by companies for financing purposes.

## CFO

Acronym of Chief Financial Officer. Finansdirektör in Swedish.

## COP21

Between 30 November and 11 December, the countries of the world met in Paris for COP21, the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. At this meeting, the countries agreed on a new global climate agreement to take effect from 2020.

## COSO

Acronym of Committee of Sponsoring Organizations of the Treadway Commission. COSO is a framework for evaluating a company's internal control over financial reporting.

## Dead wood

Wood which is left in clearings as environmental consideration.

## Ecological compensation

Compensation for lost or damaged conservation values by, for example, recreating or restoring conservation values in other areas.

## Ecopark

A large, contiguous forest landscape with high conservation values and nature conservation ambitions. Sveaskog has established 37 ecoparks.

## Ecosystem services

Services provided by nature on which humans are directly dependent, such as pollination by bees and water purification in wetlands.

## Contractor

A person or company that performs work on a contract basis, such as a construction company.

## UN Global Compact

A UN initiative to encourage companies to adopt sustainable business practices. The Global Compact has ten principles in the areas human rights, labour, environment and corruption.

## Seed plantation

A seed plantation produces seeds with known hardiness, high growth and other properties desirable for forest cultivation.

## Seed processing unit

Svenska Skogsplanter has a seed processing unit in Lagan which produces forest seed for all parts of Sweden. The raw material, the cones, comes from seed plantations comprising 1,000 ha.

## FSC®

Acronym of Forest Stewardship Council. An international organisation which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

## Thinning

Caring for a stand by thinning out the forest and making use of the removed trunks as pulpwood and possibly sawlogs.

## Global Reporting Initiative (GRI)

GRI is an independent foundation within the United Nations. GRI publishes standardised international guidelines for sustainability reporting. The aim is to create consistency and comparability between sustainability reports in order to make it easier to assess and compare companies from a social, environmental and financial perspective.

## Hectare, ha

One hectare is 10,000 m<sup>2</sup>. One km<sup>2</sup> corresponds to 100 hectares.

## HVO diesel

HVO stands for Hydrogenated Vegetable Oil. It is a renewable fuel component that can be mixed with or replace diesel.

## Selective felling

A collective name for management systems, methods and measures whereby the forest is managed so that the land never becomes as bare as in clear felling.

## Sustainability/sustainable development

Sustainable development is about maintaining the productive capacity of ecosystems in the long term and reducing the negative impact on nature and human health. Sustainability has three dimensions: social, ecological and economic.

## Biotopes requiring consideration

An assessment of what is a biotope requiring consideration is made by weighing up the conservation values of the area.

## ISO

Acronym of International Organization for Standardization. An international standards body that promotes industrial and commercial standardisation.

## Edge zones

A line of forest which is left mainly along waterways and lake shores to benefit aquatic insects and fish.

## Compensation land

Land which is surrendered to a private individual or to the state for nature conservation purposes.

## M<sup>3</sup>sub

Volume unit for timber. Refers to solid cubic metres under bark. Measures the actual volume of wood without bark in cubic metres. Common measurement unit for pulpwood.

## Mosaic felling

Felling with heightened consideration that is spread over an area.

## MTN programme

MTN is an acronym of Medium Term Note. It is a bond offered on a continuous basis that normally matures within five to ten years of issue. MTN bonds are often issued within the framework of an MTN programme whose purpose is to provide the issuer with a continuous source of finance without the need to draw up comprehensive legal documentation from scratch.

## Nanocellulose

Nanocellulose is extracted from wood fibres. It is an exceptionally strong and renewable material.

**High conservation value forests**

Forests that have been set aside within the framework of Sveaskog's target of a nature conservation area of 20%. High conservation value forests have high conservation values (key biotopes or forests with potential to become high conservation value forests) or have good potential to develop such conservation values.

**High conservation value trees**

Trees which are left to develop naturally. Often thick or old.

**Key biotope**

Area of forest with high conservation values where red-listed species (biotope-dependent) are expected to be present. These forests are often old and have the character of natural forests.

**Re-zoning**

Re-zoning means that the entire property structure is divided into larger contiguous areas. The aim is to create more practical forest and agricultural parcels by exchanging land between properties.

**PEFC**

Acronym of Programme for the Endorsement of Forest Certification Schemes. An international organisation which promotes the certification of forests and recognition of various certification programmes.

**Productive forest land**

Forest land that produces at least 1 m<sup>3</sup> fo/ha/year on average.

**Raw pine oil**

A by-product from the production of paper pulp. Called raw pine oil regardless of which tree species the raw material consists of.

**Red-listed species**

Species whose long-term survival is uncertain due to forestry, for example. Classified according to international threatened species categories in a so-called red list.

**Cleaning**

Caring for a stand by thinning out the forest and leaving the removed trunks.

**SE seedlings**

Propagation method called somatic embryogenesis. A technology based on seeds. From a single seed it is possible to raise many identical copies of a tree with desirable properties, in the same way as with cuttings.

**Protective zone**

Strip at the edge of a field that is not managed. The aim is to prevent run-off of nutrients and weed killers to watercourses or depressions in the ground.

**Stand**

An area that has a consistent habitat for plants.

**Whistle-blower function**

Opportunity for a person to anonymously report irregularities or misconduct within the organisation.

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## Definitions

**Return on equity**

Reported profit after tax expressed as a percentage of average equity.

**Return on operating capital**

Operating profit divided by average operating capital, excluding deferred tax.

**Gross margin**

Operating profit before depreciation and share of profits of associate companies expressed as a percentage of net sales.

**Dividend yield**

Operating profit before change in value of forest assets, excl. capital gains on property sales, divided by average operating capital, excl. deferred tax.

**Capital turnover rate**

Net sales divided by average operating capital.

**Net earnings per share**

Profit for the year after tax divided by average number of shares during the year.

**Net debt/equity ratio**

Net interest-bearing debt divided by equity.

**Operating capital**

Total assets excluding interest-bearing assets, tax assets and assets held for sale minus non-interest bearing liabilities and deferred tax liabilities, all calculated at the end of the year.

**Operating profit from continuing operations**

Operating profit before change in value of forest assets, profit/loss of associate companies and capital gains from property sales.

**Net interest-bearing debt**

Interest-bearing liabilities minus interest-bearing assets, all calculated at the end of the year.

**Interest coverage ratio**

Operating profit before change in value of forest assets excl. capital gains on property sales plus financial income divided by financial expenses.

**Operating margin**

Operating profit expressed as a percentage of net sales.

**Equity ratio**

Equity divided by total assets, all calculated at the end of the year.

# Financial calendar 2021

Publication of annual report	16 April 2021
Annual General Meeting	26 April 2021
Interim report January – March 2021	26 April 2021
Interim report January – June 2021	16 July 2021
Interim report January – September 2021	26 October 2021

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## Financial reports

Sveaskog's annual report and interim reports are available at [www.sveaskog.se](http://www.sveaskog.se)  
Printed information can be ordered from:

- [www.sveaskog.se](http://www.sveaskog.se)
  - Email [info@sveaskog.se](mailto:info@sveaskog.se)
  - Telephone +46 (0)771 787 000
  - Letter to Sveaskog, HR and Communications, Torsgatan 4, SE-105 22 Stockholm
- 

## Questions

If you have any questions about Sveaskog and our operations, please contact our communications department by email [info@sveaskog.se](mailto:info@sveaskog.se) or call +46 771 787 000.

If you have any questions about our sustainability work, please contact Lena Sammeli-Johansson, by email [lena.sammeli@sveaskog.se](mailto:lena.sammeli@sveaskog.se) or call +46 70 53 04 653.

If you have any questions about our financial reports, please contact our Head of Finance, Anders Jakobsson, by email [anders.jakobsson@sveaskog.se](mailto:anders.jakobsson@sveaskog.se) or call +46 8 655 91 94.

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## Annual General Meeting 2021

Sveaskog's Annual General Meeting will take place on Monday, 26 April 2021 at 11:00. The meeting will be held digitally. The Annual General Meeting is open to the public. Members of Parliament have a special right to attend and ask questions. Members of Parliament and members of the public who wish to attend the Annual General Meeting may confirm attendance to:

- [www.sveaskog.se/arsstamman](http://www.sveaskog.se/arsstamman)
- Email: [kundcenter@sveaskog.se](mailto:kundcenter@sveaskog.se)
- Telephone 0771-787 100

The notification should be received by Sveaskog not later than one week prior to the Annual General Meeting.





Sveaskog Communications and Finance has produced the Annual Report and Sustainability Report in collaboration with Chimney.

**Photos and illustrations:**

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