

Annual- and
Sustainability
Report

2021



Sweden's largest forest owner

Sveaskog, a state-owned company, is the largest forest owner in Sweden. The company owns 14% of Sweden's forest land, which corresponds to about 10% of Sweden's area, operates in about 170 municipalities and has over 800 employees around the country.

Sveaskog's core business is to manage the forest and provide timber, pulpwood, wood chips, biofuel, seedlings and forest services. The long-term strategy means that the company harvests according to a long-term plan, with the goal that the timber supply will gradually increase. Sveaskog supplements the supply from its own forest with purchases from other forest owners, trading and imports. Sveaskog shall be an independent actor in the timber market. Our customers are primarily found within the Swedish forest industry and they export throughout the entire world. Sveaskog also conducts land deals and leases land for wind power, hunting, fishing and outdoor experiences.

The business at a glance
100%
owned by the state


Sweden's largest forest owner


825 employees

12
areas in the sustainable forestry programme


Owns 14% of forest land in Sweden

6,920
MSEK net sales

Sveaskog shall 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 Agenda 2030 and to national environmental and climate goals. Sveaskog manages the forest with the ambition of developing economic, ecological and social values. The company's forests are certified in accordance with both FSC® and PEFC standards, and we require FSC Controlled Wood for all timber that we buy from other forest owners. This enables Sveaskog to ensure that all our timber deliveries are responsibly produced. Sveaskog's new long-term focus continues to combine high-volume and reliable timber delivery with intense efforts to increase biodiversity. This will be done by taking measures to adapt the forest land to climate change in various ways and strengthen the forest's resilience to various attacks that may otherwise result in timber losses. Sveaskog wants to contribute in a meaningful way to achieving the Swedish environmental goals, the Paris Agreement and the EU's climate goals. A warmer climate entails an

increased risk of damage to forest land due to storms, droughts and fires, which in turn entails a risk of increased insect infestations. Several species of cloven-hoofed game that migrate further north are another example of the effects of a changing climate. To tackle climate change, Sveaskog is developing its forestry and strengthening biodiversity. Sveaskog's long-term direction means an increased focus on sustainable forestry. The company is working on specific measures to adapt the forest land to climate change, secure timber deliveries and increase biodiversity – in the short and long term. As a first phase, Sveaskog has launched a sustainable forestry programme that focuses on three main areas of the forest landscape: the managed forests, the water in the forest and the high conservation value forests. In this way, the forest land is future-proofed and Sveaskog can continue to supply raw materials while contributing to national environmental goals, Agenda 2030 and EU climate and biodiversity goals, all in accordance with the State Ownership Policy.

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. 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 forest assets, customer structure and trade flows.

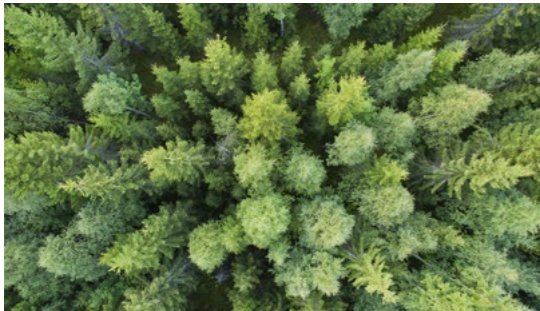
- Market area North comprises Norrbotten, Västerbotten and the northern parts of Jämtland and Västernorrland. The office for this market area is located in Piteå.
- Market area South covers the rest of the country. The office for this market area is located in Örebro.
- Svenska Skogsplantor produces 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.

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In the event of a difference between the English and Swedish versions of the annual report, the Swedish version applies.	
The annual report with the directors' report covers pages 3, 31-33, 45-51, 53, 64 and 66-106.	
The scope of the sustainability report can be seen from the GRI index on pages 116-119.	

Trends



Climate change

The forest plays an important role in climate change, and the forest's ability to retain carbon makes it an important carbon sink. In a circular bioeconomy, renewable resources are used instead of finite ones. In this context, wood raw material has an important place by contributing to sustainable and climate-smart solutions and a circular bio-based society. The European Commission's draft forest strategy, which was presented in summer 2021, also highlights the ability of forest land to retain carbon, and the European Commission wants to increase the number of natural carbon sinks, for example. Sveaskog's climate benefit consists of net storage of carbon dioxide, partly in the forest, partly in long-lived products such as wooden buildings made using timber from Sveaskog's land. Forests also contribute when wood-based products replace fossil energy or cement that has a poorer climate performance.

Biodiversity

During the year, the importance of protecting biodiversity has increased, both in Sweden and internationally. In June, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the Intergovernmental Panel on Climate Change (IPCC) published their first joint scientific report "Biodiversity and climate change". The report confirms that climate change and the loss of biodiversity are the two greatest threats to humanity. According to the report, neither of these crises can be solved without the other, and nature can offer solutions to both, which is also what Sveaskog highlights in the program for sustainable forestry. The European Commission's draft forest strategy also proposes more natural forestry with greater consideration of climate adaptation and biodiversity. The Swedish government's Forest Bill also raises the issue of increased biodiversity. In the business sector, there is also increased interest and commitment regarding the impact of different activities on biodiversity.



The pandemic

In 2021, the global Covid-19 pandemic continued. Sveaskog has continued to support businesses by not charging rent to companies that depend on tourism. Sveaskog has also used a special area on the contractor portal to provide information about the pandemic and its impact on contractors' work. Sveaskog has on the whole been able to conduct its own operations without major disruptions. Sveaskog has continuously updated the guidelines for remote working and reduced spread of infection in accordance with the recommendations of the Public Health Agency of Sweden.

Construction in wood gains ground

Construction techniques are developing rapidly, creating opportunities to build using wood. Wood is the only renewable construction material, and in recent decades many have realised the tremendous technical and environmental benefits of wood. This has resulted in more and more high-rise buildings, sports halls and road bridges being built with wooden frames, and according to the Swedish Wood Building Council, the wooden construction of multi-storey buildings now accounts for a market share of 10% and interest continues to increase. During the pandemic, the DIY market with wood building in the home has also been strong and sawmills have been operating at high capacity during the year.

The global economy

In 2021, the global economy continued to be dominated by the negative effects of the pandemic. But there has also been a more positive trend, with many countries having recovered from the dramatic falls in GDP during the first year of the pandemic. During the year, the Swedish economy returned to the same levels as before the pandemic, with industry and exports continuing to lead the recovery. There were global transport problems during the year, which, combined with increased energy demand in the recovery, resulted in price increases and consequently increased inflation. At the end of 2021, the Omicron variant of Covid created new uncertainty, resulting in partial lockdowns. The market situation remains good for Sveaskog's customers in the Swedish forest industry.

Digitalisation

Digital technologies are being developed in society and also in forestry. Among other things, experiments are being conducted with autonomous forest machines, and Sveaskog is supporting the development of new technology to thin forests using drones. There are, however, also a number of threats linked to increased digitalisation, and this places demands on increased cybersecurity.



Events



UN report on both climate and biodiversity

In June, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services and the Intergovernmental Panel on Climate Change published their first joint scientific report "Biodiversity and climate change". In August, the Intergovernmental Panel on Climate Change published the first of three sub-reports within the sixth assessment cycle, "Climate Change 2021: The Physical Science Basis", ahead of COP26, i.e. the 26th conference within the framework of the UN Climate Convention. The report shows, among other things, that some extreme weather can already be linked to human impact on the climate and is expected to increase, and that the risk of tipping points, when threshold effects take force, is increasing.

The COP26 climate conference was held in Glasgow at the end of the year. Based on the major importance of forests and forest land in reducing climate

impacts, commitments were made to conserve the world's forests and to reforest land. 100 countries, which between them account for 85% of the world's forest resources, as well as both public and private financial institutions, committed to the goal. During COP26, the world's countries negotiated the final parts of the Paris Agreement Rulebook, with rules on how to implement their commitments under the agreement, with the goal of limiting warming to a maximum of 1.5 degrees.

The UN Conference on Biological Diversity was postponed until spring 2022 due to the pandemic. The purpose of the conference is to set global goals for the protection of biodiversity and ecosystems within the framework of the Convention on Biological Diversity. For Sveaskog, the international work for measures on climate change and the impact on biodiversity very important.



The EU's Green Deal

In July, several collective legislative proposals and draft strategies were presented under the EU's Green Deal, under the heading "Fit for 55", which aims to reduce net emissions by 55% by 2030. At the same time, the European Commission's draft forest strategy was presented, which proposes more natural forestry with greater consideration of climate adaptation and biodiversity. The package also includes a new taxonomy as a tool for achieving the objectives of the EU's Green Deal.

During the year, the EU also continued to develop the regulation on the effects of land use on the climate, LULUCF, "Land Use, Land Use Change and Forestry", with the aim that all land use will contribute to climate neutrality by 2035. The EU's work has a major potential impact on Sveaskog and Swedish forestry. Sveaskog is therefore monitoring developments in order to be well prepared for however regulations and legislation develop. But it is too soon to say exactly how forest policy will change, given that these are complex issues that encompass many fields, and there are a large number of political considerations to be weighed up by EU decision-makers, and which must also harmonise across different parts of Europe with varying kinds of forestry.

Forest Bill presented

In November 2021, the Swedish government presented the Forest Bill, which included proposals that individual forest owners should be compensated via Sveaskog's land holdings, in connection with the protection of forests. The bill also proposes, like the Forest Inquiry, that parts of Sveaskog's ecoparks Böda and Hornsö in Kalmar County, Halle- and Hunneberg in Västra Götaland County and Hornslandet in Gävleborg County should be converted into national parks. The bill also proposes a national goal for increased sustainable growth in the forest through improved management. Also highlighted are climate adaptation of forests, increased biodiversity and the importance of alternative farming methods. The bill specifically mentions Sveaskog's new focus on strengthening sustainable forestry.



In June 2021, the Species Protection Inquiry was presented: Protection of species – our shared responsibility. In its referral response, Sveaskog emphasised that the company is positive about the inquiry's proposal on landscaping in order to achieve ecological functionality that supports a representative conservation of habitat types and species. Sveaskog has already been working on this for a long time.

The debate on forestry has increased during the year and several actors, including the Swedish Society for Nature Conservation, the World Wildlife Fund and the Swedish Forest Industries Federation, have published reports and made their positions clear.

Events at Sveaskog

NEW CEO: Sveaskog's CEO leaves his post. The background is disagreement with the Board of Directors regarding the company's long-term direction. Per Matses takes over as acting CEO.

PRIZE FOR MÖRRUM: In February, Mörrums Kronolaxfiske won the Region Blekinge Tourism Prize at the annual Guldeken Gala.

Jan

PRICE INCREASE: Demand for timber from Sveaskog was strong throughout the year. Sveaskog supplements raw materials from its own forest with purchases from private forest owners. To stimulate supply, Sveaskog increased the timber price lists in northern Sweden in May. Timber price lists in Central Sweden were also increased during the year.

GREEN BOND: At the beginning of the year, Sveaskog issued bonds to a value of SEK 1,100 million, with a five-year maturity, under the company's Green Bond framework. Sveaskog now has a total of SEK 4,900 million outstanding in Green Bonds under its framework.

NURSERY: Svenska Skogsplantor, a business area within Sveaskog, decided at the beginning of the year to invest SEK 12 million in the Kilåmon nursery near Sollefteå. The investments were mainly made in the seed and packing hall, where much of the equipment and machinery was replaced. This increases capacity to meet the increased demand for seedlings.

NEW LONG-TERM FOCUS: In April, Sveaskog launched the company's new long-term focus. The focus continues to combine high and safe timber deliveries with powerful initiatives to increase biodiversity.

LOCAL SPONSORSHIP: Sveaskog reports on the ten associations in Norrbotten and Västerbotten that have access to the "Tiotusingen" grant, a contribution of up to SEK 10,000 to hold events, strengthen the association or create targeted projects with a focus on the local community. Recipients include the Mårdsele local culture association, Överkalix riding club, Pajala Hockey Club, Korpilombolo shooting association, Jörns IF and the Vän i Umeå (Friends in Umeå) association, which creates natural meeting places and contacts for new Swedes and uses the money for an excursion to the forest on the theme "Friends in the forest".

PROTESTS: Various actors protested against planned felling on Sveaskog's land in northern Sweden in April.

CONSULTATION WITH THE REINDEER INDUSTRY IN MUONIO:

In August, in a campaign organised by Greenpeace, Sveaskog receives many questions about the consultations with Muonio. The purpose of Sveaskog's consultation with Muonio is to ensure that forestry takes into account the needs of the reindeer industry based on the knowledge and information provided by the Sami village.

EMPLOYEE DAYS: In autumn 2021, Sveaskog's employees come together at employee days to discuss, among other things, how the company can develop its work on the sustainable forestry programme. It was the first time after the pandemic that employees could meet in this way.

FINANCE COMPANY:

Sveaskog launched a new finance company to offer contractors leases for forest machines. Forest contractors need adapted financing solutions to be able to develop a capital-intensive industry, not least in sparsely populated areas.

COLLABORATION WITH ARCHAEOLOGISTS:

Preserving ancient and cultural relics in the forest is important to Sveaskog and is also a legal requirement. Relics are sometimes damaged in connection with forestry, often due to lack of documentation and information. Sveaskog therefore enlists the help of archaeologists in complicated cases, such as Svedåsen in Gävleborg, and looks forward to using more lessons learned to further develop this work.

THE FOREST BILL: In November 2021, the Swedish government presented the Forest Bill, having presented the major Forest Inquiry one year earlier. As Sweden's largest forest owner and a state-owned company, Sveaskog is very much affected by the bill. The proposal specifically mentions Sveaskog's new focus on strengthening sustainable forestry and mentions, among other things, selective-felling forestry, ecologically functional consideration for nature, wetlands and deciduous natural forests.

Dec

Forestry in figures

Sveaskog's forest assets

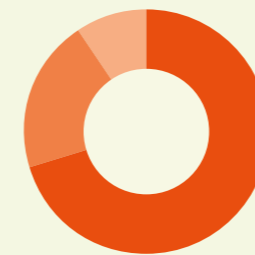
	2017	2018	2019	2020	2021
Total land area, million ha	4.0	3.95	3.90	3.90	3.90
Of which productive forest land, million ha	3.1	3.07	3.05	3.04	3.04
Book value in accordance with IFRS, MSEK	34,514	36,122	36,623	82,430	85,430
Taxable value, MSEK	58,461	58,309	58,294	66,344	66,344
All deliveries, thousand m ³ sub	10,817	10,995	10,648	10,629	10,682
Deliveries from own forest, thousand m ³ sub	6,463	6,177	6,127	6,248	6 290
Timber purchases, thousand m ³ sub	1,375	1,739	1,701	1,726	1,812
Central purchases and imports, thousand m ³ sub	2,979	3,079	2,819	2,675	2,394
Number of seedlings delivered, of which to own forest, million seedlings	120/45	120/45	137/46	133/50	149/62
Timber stocks, million cubic metres of forest ¹	239	239	239	277	278
Reforestation, hectares ²	30,377	26,068	24,307	28,26	32,208
Ground preparation, area hectares, including selective burns	21,667	19,330	21,538	26,876	22,670
Planting, hectares, including auxiliary planting	24,948	23,511	23,631	25,607	30,626
Cleaning, area hectares, incl. pre-thinning cleaning	51,301	53,463	56,635	52,733	49,280

1) The 2021 and 2020 values refer to productive land minus ecoparks minus experimental parks and minus nature reserves, while values from 2019 and earlier refer to managed land excluding high conservation value forests.

2) Planting, sowing, natural rejuvenation.

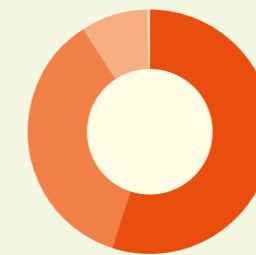
Breakdown of tree species on Sveaskog's land

Market area North



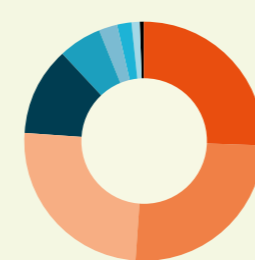
■ Pine 70.4%
■ Spruce 20.3%
■ Deciduous 9.3%

Market area South



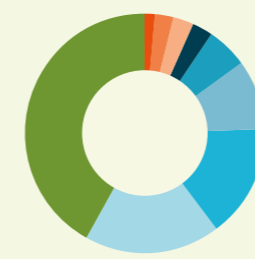
■ Pine 55.1%
■ Spruce 36.0%
■ Deciduous 8.9%

Age class distribution of Sveaskog's forest land



Managed area, %

0-19 26.2%
20-39 25.0%
40-59 25.2%
60-79 13.5%
80-99 5.2%
100-119 2.0%
120-139 1.6%
140-159 1.0%
160+ 0.3%

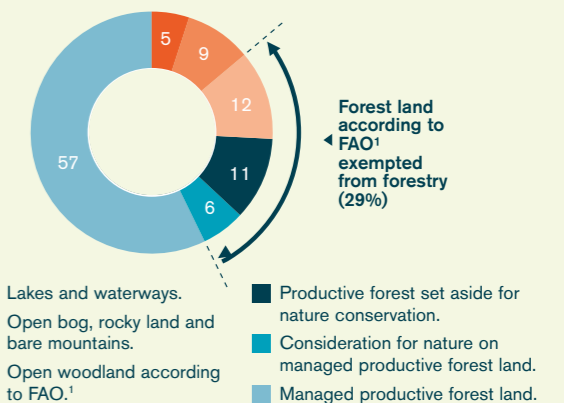


Unmanaged area, %

0-19 1.3%
20-39 2.5%
40-59 3.0%
60-79 2.8%
80-99 5.2%
100-119 9.3%
120-139 15.3%
140-159 18.6%
160+ 42.0%

Sveaskog's land

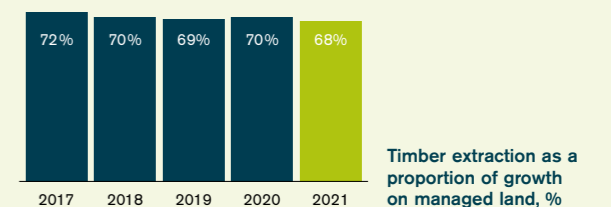
The following chart shows the proportion of different types of areas that are exempt from forestry on Sveaskog's entire holdings. In total, 29% of all areas are currently exempt from forestry. The goal of 20% nature conservation that related to productive forest land below the montane forest, which Sveaskog has been working on since 2003 and has now achieved, is an important part of this. The chart aims to show the totality of our land holdings, divided into the parts that are now reported nationally in Statistics Sweden's regular statistics.



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

Timber extraction

Sveaskog's timber extraction is based on a long-term calculation. In 2021, extraction corresponded to 68% of growth on managed land. 72% of timber extraction took the form of regeneration felling and 23% thinning. Pine is the dominant tree species in timber extraction (70%), followed by spruce (23%) and deciduous trees (5%).



Strategic goals for sustainable value creation

Sveaskog's operations and strategic goals for sustainable value creation contribute to the 17 global goals of the UN's 2030 Agenda for Sustainable Development in several ways. Sveaskog works actively to contribute to Agenda 2030 and has identified out the goals and targets where the company can contribute in the most relevant way. Reporting of Sveaskog's contribution to the global goals and Sweden's environmental quality goals* is integrated throughout the whole report.

To achieve the strategic goals for sustainable value creation - increased growth, increased timber harvesting and increased biodiversity - Sveaskog has identified six success factors. For each success factor, Sveaskog has developed indicators and goals to measure that the company is moving in the right direction. The sustainable forestry programme has been

organised within the success factors “investments in forests and forestry” and “increased ecological values of our land holdings”. Read more about the sustainable forestry programme on pages 14-25. Many of the goals are new and were adopted in 2021 in line with Sveaskog's adopted long-term focus. The following goals are based on Sveaskog's business plan for the years 2022-2026.

Sveaskog's financial goals





The financial owner goals are integrated into Sveaskog's strategic goals for sustainable value creation.

	2019	2020	2021	
Dividend yield, % (goal at least 4.5%)	4.9	2.4	2.9	The lower dividend yield and net debt/equity ratio are primarily due to a new accounting method for valuing forest assets. The goals are decided over time. Sveaskog's financial owner goal was adopted at the AGM in April 2014. See Note 1 and Note 14.
Net debt/equity ratio, multiple (goal 0.3–0.6)	0.30	0.13	0.12	
Dividend, MSEK (goal 65–90%)	1,100	850	1,300 ¹	

1) The Board's proposal to the Annual General Meeting.






Strong partnerships and collaborations

Indicator	Measurement	Outcome 2020	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
Satisfied customers	Customer satisfaction index sawmill customers	75	Not measured ²	Not measured ²	75	75
	Customer satisfaction index pulpwood customers	66	Not measured ²	Not measured ²	70	70
	Customer satisfaction index biofuel customers	76	Not measured ²	Not measured ²	70	70
Satisfied suppliers ²	Supplier satisfaction index	70	Not measured ²	Not measured ²	70	70
Satisfied contractors ²	Contractor satisfaction index	78	Not measured ²	Not measured ²	75	75

Agenda 2030	Sweden's environmental quality goals	
  	 A Good Built Environment	The right raw material shall be delivered to the right customer and waste shall be minimised throughout the process, from the forest to the end customer. We see great opportunities in digitalisation in this area. By maintaining a holistic view of the value chain together with our customers, we can acquire increasingly good base data for decisions on flow management and planning, in order to minimise value losses and strengthen our shared value chains





Investments in forests and forestry

Indicator	Measurement	Outcome 2020	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
Optimal plant choice ¹	Processing profit, planted seedlings %	New	12,4	12,9	12,8	14,4
Increase in new tree species, larch and birch	Planted area, hectares/year	95	240	231	345	1,205
More cleaning in reindeer husbandry area	Extended cleaning, hectares/year	New	700	1,010	2,925	6,025

Agenda 2030	Sweden's environmental quality goals	
  	  From the left: Reduced Climate Impact, Sustainable Forests	Planting shall take place with the best available cultivated seed material, as we make sure that we optimise the use of each seed.






Efficient and considerate delivery

Indicator	Measurement	Outcome 2020	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
Efficient delivery	Logistics index	45 %	90 %	86	90 %	95 %
Considerate delivery	Proportion of 68-tonne transport operations	31 %	33 %	38	39 %	59 %
Reduced CO2 emissions across the whole value chain ³	Emissions %, compared to 2020	New	4 %	5%	8 %	25 %

Agenda 2030	Sweden's environmental quality goals	
 	  From the left: Reduced Climate Impact, A Good Built Environment	Sustainable management and efficient use of natural resources. The right raw material shall be delivered to the right customer and waste shall be minimised throughout the process, from the forest to the end customer. We see great opportunities in digitalisation in this area. By maintaining a holistic view of the value chain together with our customers, we can acquire increasingly good base data for decisions on flow management and planning, in order to minimise value losses and strengthen our shared value chains



Increased ecological values of land holdings

Indicator	Measurement	Outcome 2020	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
Environmental values are achieved in forestry without major impact	Consideration index	97	99	98	99	99
100 new areas of wetland by 2026	New wetlands/year	New	10	11	10	20

Agenda 2030	Sweden's environmental quality goals	
 	   From the left: Flourishing Lakes and Streams, Thriving Wetlands, A Magnificent Mountain Landscape, A Rich Diversity of Plant and Animal Life	Sveaskog is now increasing its nature conservation measures on both consideration areas left and in connection with certain tree-bearing impediments. This enhances the natural value qualities of all forest land and benefits biodiversity. Sveaskog is also stepping up its efforts for other kinds of land than forest land, primarily wetlands. Wetland restoration measures bring major conservation benefits, while they can often also create increased climate benefit.


A strong corporate culture

Indicator	Measurement	Outcome 2020	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
That we have good leadership and engaged employees	Leadership Index ⁶		4.0	4.0	>4.0	4.2
Proportion of women	Engagement ⁶		4.0	3.8	>3.9	4.2
Proportion of employees with foreign background	Proportion of employees %	27	>28	27	>30	35
	Proportion of employees %	4.0	4.3	7.1	>4.5	7.0

Agenda 2030		
 		With increased gender equality, diversity and the right of all people to inclusion, the recruitment base and the skills supply of the future are being broadened. By actively contributing with their own knowledge, every single employee can influence Sveaskog's success and development.

Acceptance of and confidence in our forestry

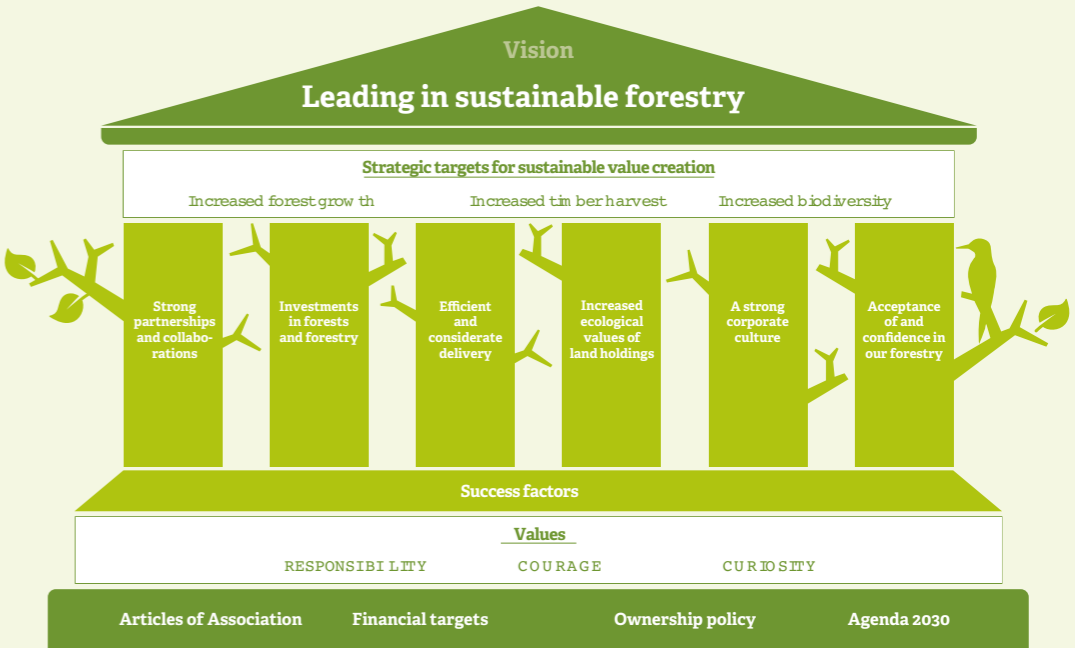
Indicator	Measurement	New	Goal 2021	Outcome 2021	Goal 2022	Goal 2026
Acceptance of our forestry	Brand Index ⁴	New	60	56	60	75
Acceptance of our forestry	Reputation Index ⁵	New	34	34	40	65

Agenda 2030		
		The measures within the other success factors resulted increased acceptance of and confidence in our forestry. Relevant target 17.14 For a more coherent sustainable development policy. Sveaskog will describe more clearly how the company operates a sustainable forestry business and contributes to both Agenda 2030 and national environmental and climate goals. Our communicative position shall be described from a national, European and global perspective.

Historical outcomes for the indicators for which there is historical data may be found in the sustainability notes

- 1) By selecting plants with specially developed properties, optimal for the location and adapted to current and future climates, we can increase growth and future timber extraction.
- 2) Measurement takes place every two years.
- 3) Science based target is under development, read more on pages 26-27.
- 4) Brand tracker, Whispr.
- 5) Kantar Sifo.
- 6) Based on the results of the annual employee engagement survey.

* Sweden's environmental quality goals are referred to in some contexts as Sweden's environmental objectives



Sveaskog has identified six important success factors for achieving the company's three strategic goals for sustainable value creation and, by extension, Sveaskog's vision "Leading in sustainable forestry".

CEO'S COMMENTS

Forestry is a balancing act

Many people are involved with the forest, all of whom have their own relationship to it. The forest is also a forum where many different stakeholders have different questions and perspectives, all of which are equally valid. These concern finances and exports, climate and biodiversity, experiences, recreation and rest, but also work and jobs. All in all, this means that the Swedish forest is a society hub.

The forest land and forestry are in a transitional phase, where constant change is the new normal and we need to quickly evaluate the old to understand the new. For example, how new technology and digitalisation affect forestry, or how the political processes for biodiversity are being further developed in Sweden, in the EU and within the UN's climate work. Sveaskog has signed the Global Compact, the UN's initiative for sustainable business, which means that we act on the basis of the ten principles.

Sveaskog is at the centre of this change. I want Sveaskog to be Leading in sustainable forestry. I'm sometimes asked what this means and how we measure it. Of course, this is not simple. For me, it means that we should be a little better than others in all these areas; this is particularly important in the work with climate, biodiversity and coexistence with reindeer husbandry.

I am well aware of the many different stakeholders that exist and coexist with us, and I really want to develop the dialogue with all the players on our land.

We have the competence and commitment and want to ensure long-term responsible management of the forest, and I look forward to the dialogue.

Sustainable forestry programme

Last year, we presented a new long-term focus. As a first step, we have adopted a programme that focuses on improvement measures in three overall areas of the forest landscape – the managed forests, the water in the forest and the high conservation value forests – with the aim of future-proofing the forest land.

This focus means that we must combine continued high timber deliveries with efforts to increase biodiversity. We will succeed in this by, in various ways, increasing the resistance of the forest land to different types of forest damage that occurs as a result of a changed climate, and which otherwise results in high timber losses. This investment in forest land will cost a little more in the short term but will mean that we make the forest more resilient and future-proof. The option

to continue as before or to do nothing at all does not exist. I would even go so far as to say that Sveaskog's profitability and ability to deliver raw materials in the short and long term depends on how we succeed in the task of strengthening the forest land.

The forest debate

2021 was, based on the forest debate, a year to remember. The role of the forest in climate change and Swedish forestry was frequently debated, and the forest was also discussed in the political arena. In November 2021, the Government presented its forest bill, in which the Government's policy and the way forward are clarified, and this affects Sveaskog both directly and indirectly. Among other things, it is proposed that the forests located on state land in areas close to mountains be given formal protection. I take a positive view of the fact that the 50,000 hectares owned by Sveaskog are being converted into nature reserves and that we have initiated talks with the Swedish Environmental Protection Agency and relevant county administrative boards to ensure the most efficient implementation possible. This means that the proportion of formally protected productive forest land in our land holding will increase from 7 per cent to 8.5 per cent. I also note that the bill presented emphasises the state's role as a pioneer in sustainable forestry and that Sveaskog's sustainable forestry programme is mentioned in positive terms.

Stable earnings

Sveaskog's operating profit in 2021 amounted to SEK 1,341 million (1,120). The main explanation for the improvement in earnings is the changed method for valuing forest assets. The operating profit for the year before changes in value of forest assets has increased by SEK 698 million, with the increase in profit from associate Setra Group, SEK 619 million, accounting for the largest part of this.

Higher prices for deliveries from Sveaskog's forests have been offset by increased costs for forestry and nature conservation as a result of, above all, forest damage and higher felling costs.



Our deliveries during the year amounted to 10.7 million m³sub, which is marginally more compared to the previous year.

A changing world

The world around us is constantly evolving and changing. At the time of writing, predicting market outlooks for 2022 is uncertain based on prevailing security policy and the situation in Ukraine. The situation currently unfolding in Ukraine is terrible for Ukraine and its citizens. It also affects many people in Sweden with a connection to Ukraine. Some of them are in the forestry industry and work for Sveaskog and Sveaskog's contractors. Sveaskog is following the developments with both sorrow and concern, and work is underway at various levels within the company on how Sveaskog can contribute to and support those affected by the situation that has arisen. It is, of course, far too early to assess the

impact on Sveaskog's business and the company's revenues and costs. But it will have an impact on the timber business and also, based the impact on energy and fuel costs, imports of input goods and a general impact on Sweden's exports. Sveaskog is following developments closely and is very much prepared for the consequences of the changed situation in the world.

Finally, I am very much looking forward to pursuing Sveaskog's journey of change and will initially focus on the implementation of the long-term focus while at the same time taking us into a more constructive dialogue on sustainable forestry.

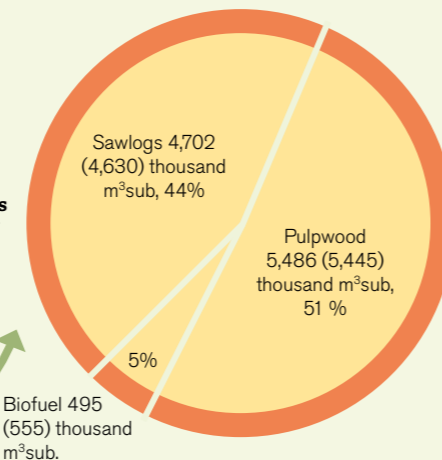
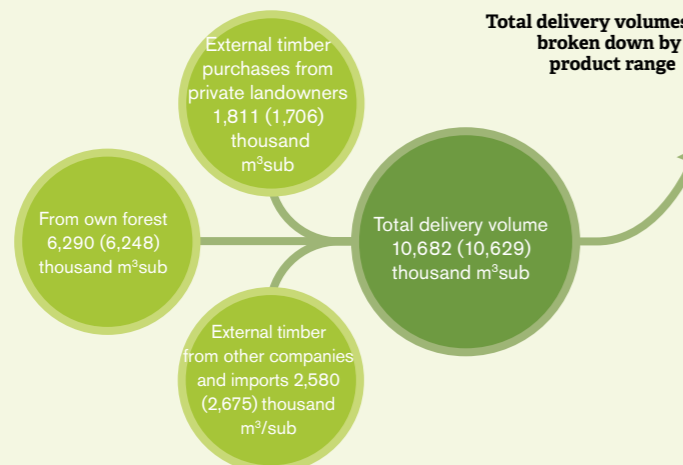
Stockholm, March 2022

Erik Brandsma
President and CEO

Sveaskog's business model

Sveaskog's core business is cultivating the forest, and selling timber and pulpwood, as well as biofuel. Sveaskog also conducts lease and land deals. Sveaskog develops the forest as a place for fishing, hunting and other outdoor experiences.

Sveaskog's total deliveries



Sveaskog creates benefits

- Forestry with ambitious conservation goals that maintain and create biodiversity in our forest landscape.
- The forest creates climate benefits partly by binding carbon, and partly by the fact that what is harvested can largely replace climate-impacting materials. Read more about the forest's climate benefits on pages 26–27.
- An independent supplier of renewable raw material to the forest industry and heating plants, where customers' products partially replace fossil materials.
- The forest creates jobs in rural areas while also being available for outdoor activities and recreation. As Sveaskog also buys timber from many individual actors, Sveaskog contributes to the local economy.
- 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.

Customers

Sawmills

Sveaskog supplies sawlogs to some 70 sawmill customers 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.

Paper and pulp mills

Sveaskog supplies pulpwood to some 20 paper and pulp mill customers that manufacture packaging paper and other paper products.

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

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

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.

Thinning

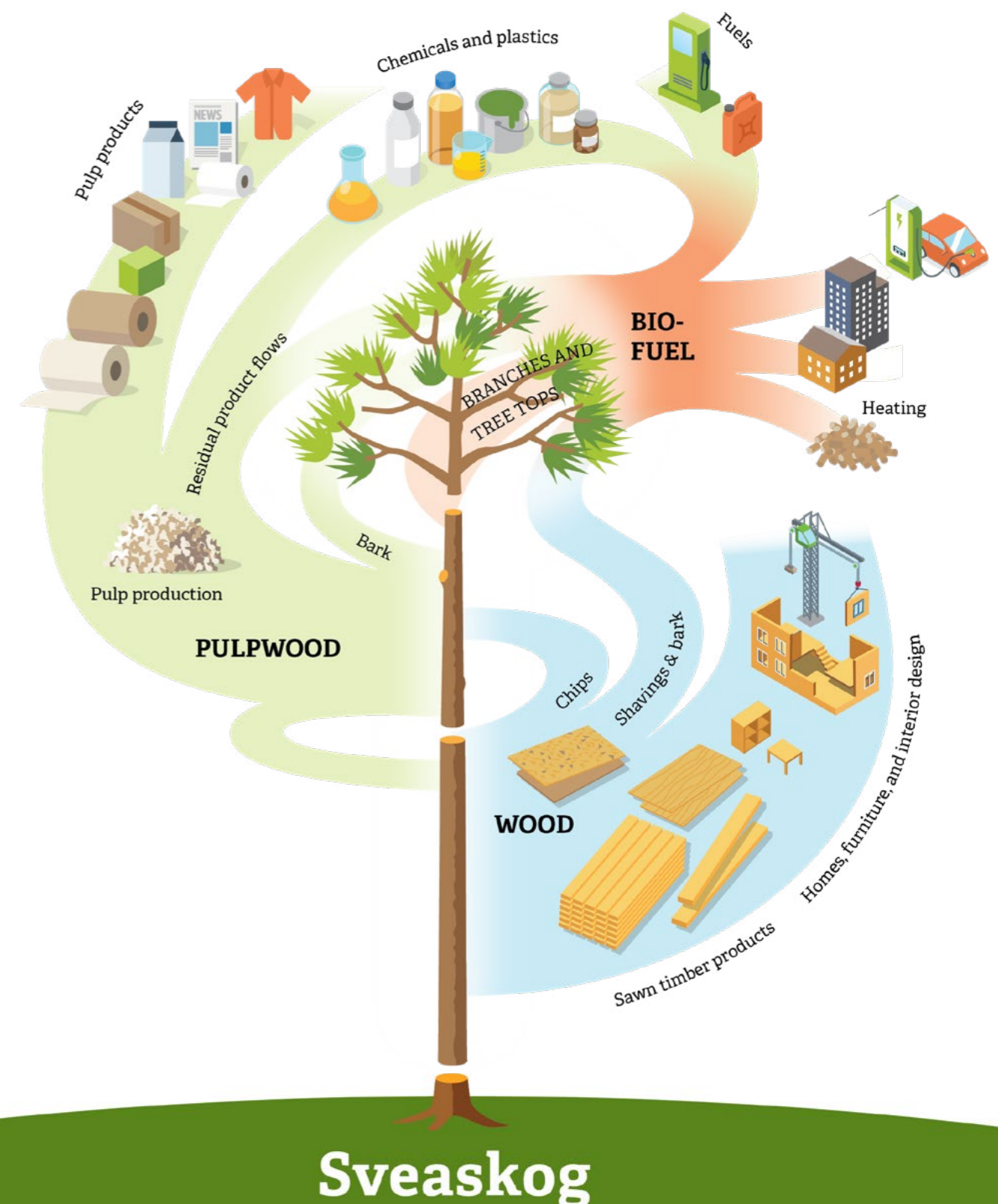
Thinning improves the quality of remaining trees. Thinning is done to optimise the timber share, i.e. the part of the timber that can later be used as sawn timber. Timber extracted from thinning is used primarily for pulpwood, but also for timber and bioenergy.

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.

The forest as raw material

The renewable raw material from the forest is processed by our customers. This comprises 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 made use of for various purposes. In the role of sustainable supplier of wood raw material, Sveaskog makes sure that the company meets the demands of our customers' customers – and contributes to a sustainable value chain.



Sveaskog

Agenda 2030



Sweden's environmental quality goals



Sveaskog is now stepping up its efforts to develop sustainable forestry and thus contributes to many of the global goals in Agenda 2030 and Sweden's environmental quality goals. The next section describes how Sveaskog's sustainable forestry programme contributes to these goals.

Sveaskog in a sustainable society

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Sustainable forestry programme

Sveaskog wants to be a leader in the field of sustainable forestry by matching its ambition to increase biodiversity with the ambition to increase growth and timber deliveries. Sveaskog aims to adapt forestry to climate change and to actively contribute to achieving the Swedish environmental quality goals, the Paris Agreement and the EU's climate goals. Sveaskog's new long-term focus continues to combine high-volume and reliable timber delivery with intense efforts to increase biodiversity. This long-term focus extends to 2050, and to implement this, Sveaskog has developed a sustainable forestry programme for the next five years.

A warmer climate entails an increased risk of damage to the forest due to storms, droughts and fires, which in turn entails a risk of increased insect infestations. Several species of cloven-hoofed game migrating further north is another example of the effects of a changing climate. To tackle climate change, Sveaskog is developing its forestry and strengthening biodiversity. Forests with a higher level of biodiversity are less sensitive to climate-related changes. This is why Sveaskog needs to have initiatives that meet both challenges – biodiversity and the climate.

Throughout northern Sweden, where Sveaskog's land coincides with reindeer husbandry, we will clean and thin more, to benefit the reindeer's main food, terrestrial lichens. These efforts must be adapted to the wishes of the Sami villages in order to have a good effect. In order to better coordinate planning for forestry and reindeer grazing, Sveaskog is

working to bring about a joint long-term, landscape-wide plan in dialogue with the reindeer industry.

Sveaskog's long-term focus means an increased focus on sustainable forestry, which means working on concrete measures to adapt forests to climate change, secure timber deliveries and increase biodiversity – in the short and long term. As a first phase, Sveaskog has launched a sustainable forestry programme that focuses on three main areas of the forest landscape: the managed forests, the water in the forest and the high conservation value forests. In this way, Sveaskog will safeguard deliveries of wood raw material while contributing to national environmental quality goals, Agenda 2030 and EU climate and biodiversity goals, all in accordance with the State Ownership Policy. Through this work, Sveaskog is future-proofing all the values of the forest.



The managed forests



The water in the forest



High conservation value forests

Future-proofing the forest

Swedish forests are affected by climate change. An increased average temperature produces various kinds of effects, with an increased risk of extreme weather.

Life in the forest and the forest land's ecosystem are already being affected by climate change. This is taking place through a gradual change in vegetation zones combined with extreme weather, with extensive drought, mild winters without frost or very heavy rainfall. The climate is changing rapidly, and more research is needed to be able to confirm with certainty which effects are due to climate change. Whatever the cause, it can be confirmed that pests such as spruce bark beetles have taken hold in southern Sweden after a number of dry summers. Root rot is thriving and spreading in a mild, humid climate, and resin-top disease, which kills young pines, has had a wide impact in forests in the north. More species of cloven-hoofed game such as roe deer, red deer and fallow deer are increasing in population and migrating further north. This in turn affects other species and is causing an increase in the level of grazing damage to planted young forest. These effects of climate change also reinforce each other, a tree damaged by grazing has lower resistance to insect and fungal infestations, and drought stresses trees, causing their resistance to infestation to decrease. Damaged forest is a major challenge for forest growth.

Damaged forest is a major challenge for forest growth.

Efforts to increase biodiversity are strengthening the forest's resilience to climate change. Sveaskog's sustainable forestry programme with initiatives in the managed forests, water in the forest and high conservation value forests forms the basis of work to adapt forests and forest land to give the forest greater resilience to the negative consequences of a changing climate. This is an example of how economic and ecological values can go hand in hand. Sveaskog is stepping up its work to adapt the company's rejuvenation measures, so that all new trees have the best conditions to become established and resilient. Sveaskog is increasingly planting deciduous trees and increasing the variety of tree species for a stable future forest ecosystem. In 2021, Sveaskog made plans for new seed plantations to provide plants with good quality and growth in a changing climate.

During the autumn, Sveaskog, worked together with the Swedish Meteorological and Hydrological Institute (SMHI) to put a great deal of work into assessing the robustness of the long-term focus against the risks posed by a changing climate. Sveaskog has also investigated how well the focus deals with the opportunities that a changing climate also brings, such as longer vegetation periods.



” In 2021, Sveaskog made plans for new seed plantations to provide seedlings that have been processed and tested to be able to stand firmly and grow with a full growth cycle in a changing climate.



Agenda 2030



Sweden's environmental quality goals



By future-proofing the forest, Sveaskog contributes to the global goals Climate Action (13), Life on Land (15). This work also contributes to Sweden's environmental quality goals Reduced Climate Impact and Sustainable Forests.



Agenda 2030

Sweden's environmental quality goals

By working for increased active nature conservation in the managed forests, Sveaskog is contributing to the global goals Clean Water and Sanitation (6), Responsible Consumption and Production (12), Climate Action (13) and Life on Land (15). The work also contributes to Sweden's environmental quality goals Reduced Climate Impact, Sustainable Forests, A Rich Diversity of Plant and Animal Life, Flourishing Lakes and Streams, Thriving Wetlands, and A Good Built Environment.

The managed forests

In the managed forest used, Sveaskog will work systematically and on a large scale for increased consideration and investigate how a limitation of the size of clearings can be done in order to best contribute to the establishment of a green infrastructure. This means that Sveaskog will work to link together different forest environments in order to increase biodiversity in a coherent mosaic. With active consideration for nature and efforts to accelerate the recovery of forest land's natural values, the living conditions for exposed and vulnerable species will be enhanced. At the same time, this also strengthens the forest's resistance to various attacks that may otherwise result in timber losses.



Optimal plant choice for a changing climate
When planting new seedlings, plants are selected with specially developed properties that are optimal for the location and well adapted to the climate of today and the future and that thus have greater resistance to various attacks. Sveaskog always plans for a 10% deciduous element in the coniferous forest, and is increases the planting of pure deciduous forests. At the same time, this is increasing the ecological values in the managed landscape as, for example, there will be more dead deciduous wood.

New programme for functional ecology considerations
Through different kinds of conservation measures, such as the felling of large pines or ecologically valuable deciduous trees, Sveaskog's forests can acquire increased ecological values. This helps to develop consideration areas with high ecological values.
Making these measures large-scale and systematic will generate high ecological values in the productive forests on a totally different scale than before, combined with the interconnection of different consideration areas via a green infrastructure to facilitate the spreading of species.



“Sveaskog aims to link together landscapes of forests of different ages in order to increase the biodiversity of plants and animals in a larger coherent mosaic of forest environments.”

Selective-felling forestry in the managed parts of the most visited ecoparks
Sveaskog will switch to selective-felling forestry methods, for example mosaic or hatch felling, on managed land in the five most public ecoparks, Omberg, Halle-Hunneberg, Böda, Råslången and Hornslandet. This supplements the four experimental areas that Sveaskog already has and can contribute to the ecoparks gaining increased experience values for outdoor activities and nature tourism, and also contributes to increasing knowledge about alternative forestry methods and how these can be applied on a larger scale.

Limitation of size and localisation of clearings based on their impact on the landscape
Sveaskog will investigate how a limitation of the size of clearings, in addition to the criteria that Sveaskog currently follows within the framework of the FSC certification, can be done to best contribute to the establishment of green infrastructure and increase the experience values in the landscape.

Activities during the year

Sveaskog conducted a review of the site adaptation to increase the variation in the forests, and during the year Sveaskog planted 131 hectares of Siberian larch and 100 hectares of birch. A new decision-making support function for the selection of rejuvenation tree species for area managers has also been developed, as well as a maintenance instructions for processed birch. During the year, Sveaskog reinforced the organisation with a forest management specialist who focuses on selective methods. During 2021, Sveaskog has during 2021 carried out selective felling measures on a total of 89 hectares in different ecoparks.

Examples of how Sveaskog works



Green infrastructure

Sveaskog's new long-term focus is based on an ambition among several actors to create green infrastructure, and Sveaskog is working to establish collaborations with Sweden's county administrative boards around this. The purpose is to create coherent networks of nature that contribute to functioning habitats for plants and animals, and to human well-being. In an effective green infrastructure, species have the opportunity to spread and use the landscape's environments unhindered, both on land and in water.

“As Sveaskog is Sweden's largest landowner, our lands and our conservation work can play a major role in the creation of an effective network of green infrastructure. This is particularly true in the counties where we own a large proportion of the county's total forest land,” says Peter Bergman, Head of Conservation at Sveaskog.

One example of this is Gåsberget's high-value area in Dalarna. The purpose of the project is for government agencies and landowners to adopt a common, holistic approach in the area, which has a history characterised by fire, and therefore has many interesting conservation species together with older pine and deciduous forests. The project has developed and compiled methods for preserving and recreating different types of natural capital that focus on both a biotope and a species perspective in productive forests.

“In a final felling, for example, we can create favourite substrates for the long-horn beetle by felling and leaving behind a number of pine trees, ideally in a southwestern position. A few years later, when it's time for cleaning, we can make sure that these continue to be sunlit by cleaning a little extra of the growing forest just around the coarse woody debris. This means we can apply small measures to make sure that the long-horned beetle continues to thrive in the forests of the future,” says Mimmi Persson, conservation specialist at Sveaskog.

In addition to Dalarna, Sveaskog is also collaborating with the County Administrative Boards of Örebro, Norrbotten, Kalmar and Södermanland. More county administrative boards will be contacted in the future.





Agenda 2030 Sweden's environmental quality goals



By striving for good collaboration with the reindeer industry, Sveaskog contributes to the global goal of Ecosystems and Biodiversity. The work also contributes to Sweden's environmental quality goals A Magnificent Mountain Landscape, Sustainable Forests and A Rich Diversity of Plant and Animal Life.

The reindeer industry

The reindeer industry is an integral element of Northern Sweden. The same is true for forestry. Sveaskog Strives to ensure that a viable reindeer industry and viable forestry can coexist and develop.



Sveaskog shares land with the reindeer industry representing as much as 70% of its holdings (see fact box). On the land that is used by both, the two industries have some different, but also some common, interests. The different interests concern the methods and scope of forestry. The common interests are that the industries face mutual challenges associated with, among other things, climate change. In 2021, the dialogue between Sveaskog and some individual Sami villages stalled, which resulted in quite a lot of attention and debate. As the land is managed by both the reindeer industry and forestry, Sveaskog considers it important that the two industries show an understanding of each other's activities, conditions and needs. Consultation, the sharing of knowledge about local land and nature conditions and looking to find joint solutions is therefore a priority. This is the basis for achieving coexistence between the two industries.

More cleaning and thinning in the reindeer husbandry area

Many Sami villages also state that forestry is important for the reindeer industry. Above all, they mention the cleaning and thinning that is carried out to facilitate reindeer husbandry. With close collaboration, both industries can be stronger for the future.

Sveaskog conducts consultations in accordance with the regulations developed by FSC, Forest Stewardship Council. In 2020, FSC adopted a revised standard, which was applied for the first time during the year. The standard was developed in collaboration with representatives of the Sami reindeer herding industry, and decisions on the process have been taken by consensus in accordance with FSC rules. The process also involved representatives of the environmental organisations WWF and Birdlife Sweden. The FSC standard specifies two kinds of consultation: with a Sami village, the joint planning process must be carried out, and with a concession Sami village, the process of collaboration must be carried out.

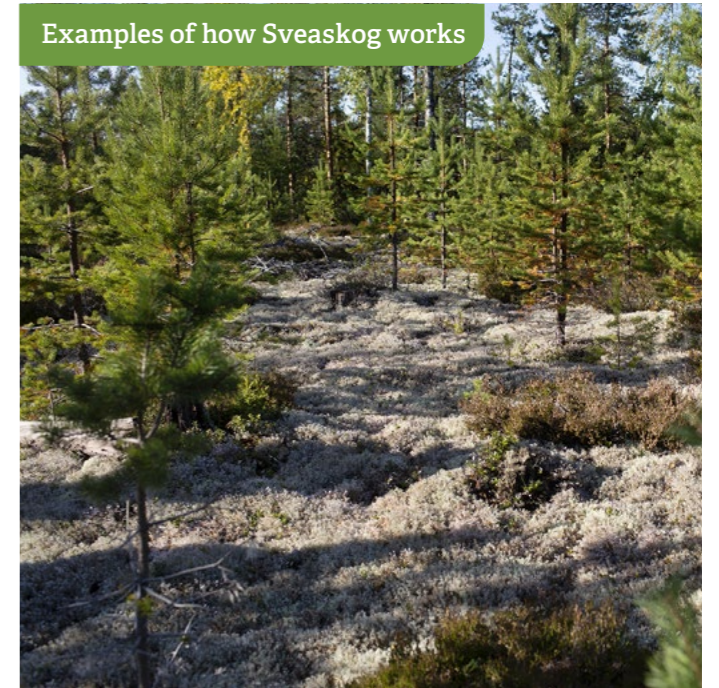
Initiatives for improved coexistence with the reindeer industry

The new joint planning process involves early and joint planning of measures, where the shared base data shows both the reindeer industry's use of the land and the forestry measures proposed. Collaboration with concession Sami villages aims to share information between Sveaskog and the concession Sami village. During the past year, issues of both forest and land and the reindeer industry respectively have been the subject of government inquiries and therefore a political discussion, which has also resulted in media attention.

Activities during the year

Sveaskog has worked actively on extended cleaning and thinning in reindeer husbandry areas. This facilitates not only forestry, but also the movement of reindeer and reindeer grazing. This work has taken place and continues to take place in collaboration/joint planning with the Sami villages. In total, an additional 1,010 hectares have been cleaned and 120 hectares have been thinned in reindeer husbandry areas, in addition to what has been done on an ongoing basis. Cleaning has taken place at locations including the winter pastures along Pite Älvdal in Norrbotten and in the municipalities of Lycksele and Vindeln in Västerbotten. Further thinning has taken place in the reindeer husbandry area in several places, including in Gällivare, Jörn and Åsele. During the year, a new digital tool was developed for the purpose of deepening the dialogue with the reindeer industry. Training has been carried out at Sveaskog and the tool has been introduced to the Sami villages.

Examples of how Sveaskog works



Aiming for a closer dialogue with the reindeer industry

Most of Sveaskog's forest land in northern Sweden is within the reindeer husbandry area. This means that Sveaskog's forestry and the Sami reindeer industry operate on the same land. To facilitate the joint planning processes, a new digital tool, samplanering.se, has been developed by Sveaskog and an external supplier. A tool that was further developed during the year in collaboration with the reindeer industry.

The goal is to facilitate the joint planning of the forest landscape by digitally illustrating how the forest land and reindeer grazing change over time in the landscape.

"Together with the Sami villages concerned, we want to use a closer dialogue to create better conditions for coexistence between the forest industry and reindeer husbandry," says Ulf Nilsson, Profit Area Manager for Sveaskog in Norrbotten, who is positive about the development of the joint planning process.

"As we know that both the reindeer industry and forestry benefit from management in our younger and middle-aged forests, we in Norrbotten have implemented a number of initiatives specifically for the reindeer husbandry," says Johan Wallin, Sveaskog's Planning Manager in Norrbotten.

"Cleaning and thinning increase accessibility in the forest landscape, which is good for reindeer husbandry, while it also benefits the conditions for soil lichen growth on those lands that naturally already have lichen on the ground.

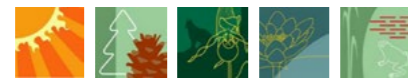
"The reindeer industry, just like forestry, is affected by a changing climate. We have a common interest here in working together to find solutions that benefit both of us," says Anette Waara, Market Area Manager for Sveaskog in Northern Sweden.



Agenda 2030



Sweden's environmental quality goals



By working with the water in the forest, Sveaskog contributes to the global goals Combat Climate Change (13), Life on Land (15). The work also contributes to Sweden's environmental quality goals Reduced Climate Impact, Sustainable Forests, A Rich Diversity of Plant and Animal Life, Flourishing Lakes and Streams and Thriving Wetlands.

In the coming years, Sveaskog will restore wetlands and restore continuous running watercourses.

The water in the forest

Water is a prerequisite for life. Access to water in the forest land has become increasingly critical with a changing climate. But many of the forest's running watercourses have been affected for a long time by other activities such as log driving, power extraction, road construction or other exploitation – interventions that have had a major negative impact on the forest land. In the coming years, Sveaskog will therefore restore wetlands and continuous running watercourses. This will have a major impact on species that need running water and contribute to strengthening the forest land's ecosystems, while helping to bind carbon into the ground and combat the effects of climate change. The measures also contribute to reducing the risks of prolonged drought, thereby reducing the risks of damage to standing timber.



Wetland programme with 100 new wetlands

Sveaskog will develop a programme for the restoration of wetlands for the next five years. Sveaskog collaborates on this with government agencies, associations and other landowners.

Restore ten running watercourses

A large proportion of all Swedish streams and rivers have been cleared for log driving or power extraction. This has had a major negative impact on the ecological values in these waters. In an ecologically

functional restoration programme, the result can be a very strong recovery, as has been seen in connection with measured already undertaken in the Mörrumsån river, corresponding to the kinds of measures that will now be taking place at more locations. In collaboration with county administrative boards and local associations, ten particularly valuable water systems will be selected, after which a restoration programme will begin with precise planning and care, also taking into account cultural values.

“In the coming years, Sveaskog will restore wetlands and restore continuous running watercourses.”

Activities during the year

During the year, Sveaskog restored a total of 11 wetlands, including Tuggenlidmyran and Svanamyran in Lycksele, Tjärnbergsheden in Burträsk, Skellefteå, Österfärnebo in Sandviken Municipality, in Krokfjot nature reserve in Älvdalen Municipality, near Misterhult in Oskarshamn Municipality, at Hjorted in Västervik Municipality and one in the Hornsö ecopark in Kalmar County. Sveaskog has also reinforced its organisation with two environmental and nature conservation specialists, who will be working on measures related to water. Sveaskog also worked during the year to restore three watercourses. As a rule, all these projects take place in collaboration with county administrative boards.

Examples of how Sveaskog works



Ecostreams for LIFE

Until the mid-20th century, the most efficient way to transport timber from the forests to the sawmills, which were often located on the coast, was to send it along watercourses, what was known as log driving. To facilitate log driving, the watercourses were straightened and cleared of stones and blocks. This resulted in a deterioration of the habitats of, among others, fish and mussels. When log driving was replaced by timber trucks and the forest road network started to be expanded, culverts were built over streams and rivers. Many of these older culverts make it difficult for fish to migrate along the watercourses. Within the sustainable forestry programme, Sveaskog will be working on a number of activities to restore watercourses. By returning stone, blocks and gravel as the spawning grounds for fish, Sveaskog will recreate and improve the habitats in different watercourses. At the same time, old culverts will be replaced by bigger culverts, arches or bridges that will allow the fish to migrate once more along more watercourses.

An example of such an initiative is the EU project Ecostreams for LIFE, which is being carried out together with the County Administrative Boards of Västerbotten, Västernorrland and Jämtland. Within this project, there are plans to restore the Öreälven river with its tributaries, as well as five other streams and rivers. Work with Ecostreams is one step on the road to the national environmental goal of Flourishing Lakes and Streams. These initiatives are also an important piece of the jigsaw puzzle in work to restore habitats in order to preserve endangered aquatic species in the watercourses concerned, such as the freshwater pearl mussel, salmon, trout and otters.

“It's inspiring to be part of such a large EU project and to know that our efforts will improve the habitats of aquatic animals. Promoting biodiversity by restoring the log driving routes is an important part of forestry today,” says Linda Burström, Head of Sustainability, Market Area North at Sveaskog.



High conservation value forests

In Sveaskog's high conservation value forests, there is to be a special focus on deciduous and valuable hardwood forests, of which there is a major shortage. Sveaskog is now more than doubling its efforts to restore good ecological structures and living conditions.



Harmonisation with national and EU goals

Sveaskog will contribute to national environmental goals and the EU's biodiversity strategy 30/10, where 30% of forest land is protected in a broad sense, and 10% of this is under strict protection. Regarding the 10% with strict protection, in Sveaskog's case it is about increasing the amount of formal set-asides that Sveaskog owns, i.e. more nature reserves or high conservation value forests with agreements in ecoparks. At present, the figure for formal set-asides calculated on the basis of all Sveaskog's forest land is about 7%. In total, 29% of Sveaskog's holdings are exempt from forestry (see chart on page 7).

Extended nature conservation programme

A large area of Sveaskog's high conservation value forests, totalling 100,000 hectares, needs continuous nature conservation for the ecological values to be maintained and developed. Measures referred to range from felling conifers to benefit deciduous trees in older forests, cleaning/thinning in younger forests,

flooding or burning forests, to selective measures such as creating more dead wood and sunlit edges. Sveaskog plans to increase the annual area of conservation management in the next few years from about 1,000 to 3,000 hectares.

Increased investment in deciduous forests

In the high conservation value forests, Sveaskog will focus on promoting deciduous and valuable hardwood forests, of which there is currently a great shortage and which many forest-dwelling species need. Sveaskog will double its efforts to restore good ecological structures and living conditions. Among other things, the thinning of conifers will increase in order to benefit deciduous trees, forests will be flooded or burned, and more dead wood will be created. Sveaskog is also trying selective forestry methods in the most-visited ecoparks Omberg by Lake Vättern, Halle-Hunneberg by Lake Vänern, Böda on Öland, Raslängen on the border between Skåne and Blekinge, and Hornslandet just outside Hudiksvall.

Continuity forests in northwest Sweden

In northwest Sweden, Sveaskog plans, by 2026, to protect all identified continuity forests over 140 years old, about 14,000 hectares, which are not already included in the company's high conservation value forests. These 14,000 hectares are additional set-asides, which means that current set-asides made by Sveaskog in northwest Sweden, 171,000 hectares, will increase to 185,000 hectares.

Activities during the year

During the quarter, Sveaskog took several conservation management measures throughout the country on a total land area of 810 hectares. These include many different types of initiatives, ranging from felling deciduous forests in the Forsmark ecopark to cleaning to improve the habitat for wild bees in Örebro County and Östergötland County. Outside Lycksele, Sveaskog has benefited deciduous trees and increased the amount of dead wood, by felling conifers and scraping the bark from trees. In Hornsö ecopark, Sveaskog taken various selective measures to replicate the positive effects that fire can have on biodiversity in the forest. In Götaland, manual measures have been taken using chainsaws, axes and LPG burners, with the aim of mimicking the impact that natural disruption would have produced on dead and dying wood. At the beginning of the summer, Sveaskog carried out two controlled burns in Ekopark Ejheden in Dalarna, covering a total of 106 hectares.

Examples of how Sveaskog works



Measures for the white-backed woodpecker in Ekopark Forsmark

In 2021, Sveaskog undertook major initiatives in Ekopark Forsmark to create suitable habitats for the white-backed woodpecker, which is an umbrella species, which means that the species indicates that the environment in which it can breed is also suitable for many other species. But with the closure of small farms and forestry in the mid-20th century, where the focus was on the production of conifers and timber stock, many of the white-backed woodpecker's natural habitats disappeared. This has resulted in the species having been increasingly displaced. Sveaskog is therefore taking major measures within several ecoparks to in order create a good environment for the white-backed woodpecker and the species that coexist with it. The ambition is to create flourishing environments, including in the ecoparks Hornsö in Småland, Färna in Västmanland and Forsmark in Uppland. The measures being implemented involve restoring coherent environments with deciduous forests, creating dead wood and felling spruce to create large areas where the white-backed woodpecker and many other species will thrive. During a visit to Forsmark at the end of the year, the measures undertaken far were shown to the County Administrative Board, the Swedish Forest Agency and the Swedish Society for Nature Conservation.

"We think that the results of the deciduous forest restorations so far look very good," said Linda Petersson and Kristoffer Stighäll from the Swedish Society for Nature Conservation, and Ellen Salomonsson from the Swedish Forest Agency agreed:

"These are really good measures that have been taken now. As a party to the Ecopark Agreement, we look forward to monitoring developments here and contributing to conservation management in even more parts of the park in the future."

Climate impact in the forest and the value chain

The forest plays an important role in the climate transition, as the forest absorbs carbon dioxide and binds carbon, which counteracts the human climate impact. Sveaskog's climate benefit consists of net storage of carbon dioxide, partly in the forest, and partly in the long-lived products made using timber from Sveaskog's land. In addition, wood-based products – both long-lived and short-lived – contribute to reducing the need for fossil energy and cement, which in turn reduces society's climate impact.

We work to increase climate benefit

Reporting climate benefit is important, because active forestry and forest products make a major, positive contribution to climate work. This means that the business can also be developed and steered towards a higher climate benefit as part of Sveaskog's overarching objectives.

The major climate benefit that arises when wood-based products replace fossil energy and cement (substitution) is outside Sveaskog's operations. The extent of this benefit depends on how efficiently the forest raw material is used in the value chain through wood products, fibre products and bioenergy, all of which contribute to reducing the use of fossil energy or cement. It is, however, important to note that Sveaskog's production of timber makes a major contribution to society's work towards fossil-free energy through our customers' business operations.

Sveaskog's climate impact

Through photosynthesis, carbon is bound in the standing timber, and the forest then acts as a net carbon sink. Some of the harvested wood then continues to be stored in long-lived products, the carbon storage in long-lived products is an indirect

climate benefit for Sveaskog that is shared with others in the value chain. The managed forest and the use of wood thus play an important role in combating climate change through increased carbon storage.

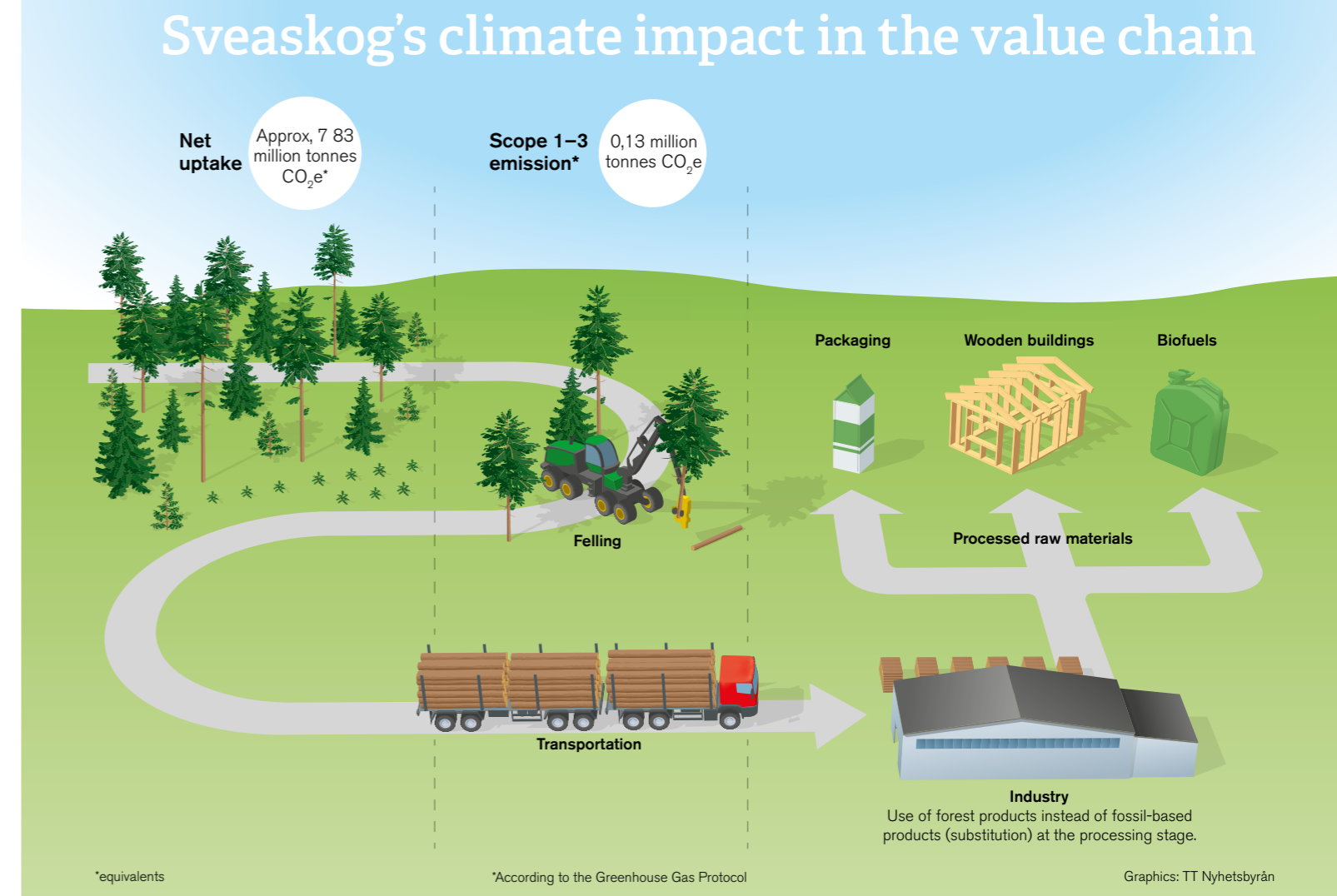
Sveaskog's carbon storage has been evaluated and calculated by Dr Peter Holmgren, FutureVistas, based on the same method as in the official national report to the UN Climate Convention under Land Use, Land Use Change and Forestry (LULUCF).

For 2021, Sveaskog has a carbon storage (net sink) in forests and products of:

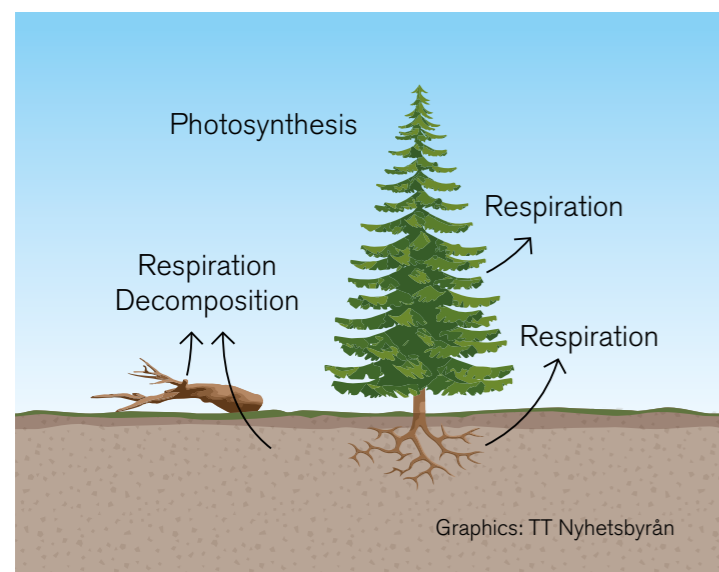
- Net sink in live biomass, dead wood and soil carbon on all forest land -7.25 million tonnes CO₂e.
- Net sink (increased stock) in wood-based products -0.58 million tonnes CO₂e. In reports to the Climate Convention, this carbon stock is referred to as Harvested Wood Products (HWP).

Total: -7.83 Mt CO₂e. For more information, see Note H2.

Sveaskog has chosen this year not to report as part of its own positive climate impact the reduction in emissions from fossil energy and cement production that the timber delivered gives rise to.



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 and in long-lived products is constantly increasing, corresponding to a net uptake of around 7.83 million tonnes of CO₂e. Annual emissions from Sveaskog's operations amount to 0.13 million tonnes of CO₂e, primarily from felling and transporting timber to customers. At the same time, an additional climate benefit arises when wood-based products also reduce the need for fossil energy or cement. This is an additional and very major climate benefit from the forest industry.



Uptake and emissions of carbon dioxide into the forest.

Agenda 2030



The forest absorbs carbon, and standing timber absorbs most of it. By working for sustainable forestry, Sveaskog is contributing to the global goal of Climate Impact. This work also contributes to Sweden's environmental quality goals Reduced Climate Impact.

Sweden's environmental quality goals



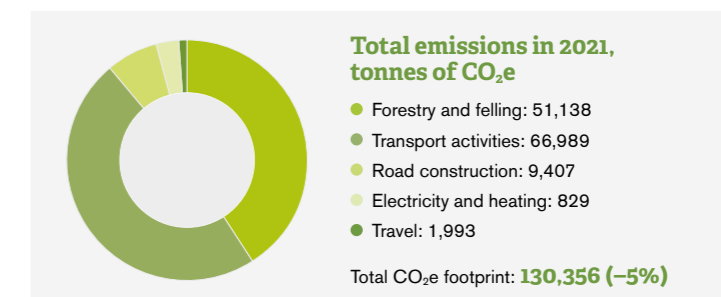
New climate goal - SBTi

One important factor in climate work is to phase out fossil fuels. In 2021, Sveaskog decided to develop a climate goal in accordance with SBTi (Science Based Targets initiative). As a first step in the development of a Science Based Target (SBT), Sveaskog analysed what measures could be taken to reduce emissions through the value chain.

Sveaskog's emissions

During 2021, Sveaskog's operations generated carbon dioxide emissions of 130,356 tonnes carbon dioxide equivalents, which means that the company reduced emissions by 5% compared to the previous year. The reduction in emissions is primarily due to the fact that internal transport activities used more HVO and an increased level in the mandatory reduction for diesel. Calculating emissions is a process that is continuously improving, with additions and changes being made regularly.

To make it possible to compare emissions year on year, the figures for 2020 have been recalculated. The most significant additions are the use of fertiliser in forests, which in total accounts for 8.1% of emissions in 2021, and the use of peat in the nursery, which accounts for 5.3% of Sveaskog's total emissions. For more information, see Note S5 page 113.



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.

Priority stakeholders

Sveaskog's priority stakeholders are those who are judged to be most affected by the company's operations and who can also affect the business. The stakeholders have different expectations among themselves about how the business should be conducted, and Sveaskog therefore often encounters widely differing views on how the forest should be utilised and managed. Sveaskog's Group Management team reviews the list of priority stakeholders every year to make sure that it is up to date.

The ongoing dialogue

Sveaskog maintains a continuous dialogue with the company's priority stakeholders, for example through consultation with local communities when planning our operational activities, but also in discussions about issues such as sustainability in business discussions with customers. The company also maintains a dialogue with environmental organisations about conservation work and forestry, as well as knowledge-enhancing discussions with the those working in research and academia. The ongoing dialogue is conducted at national, local and regional level by employees out in the business.

Results for the year

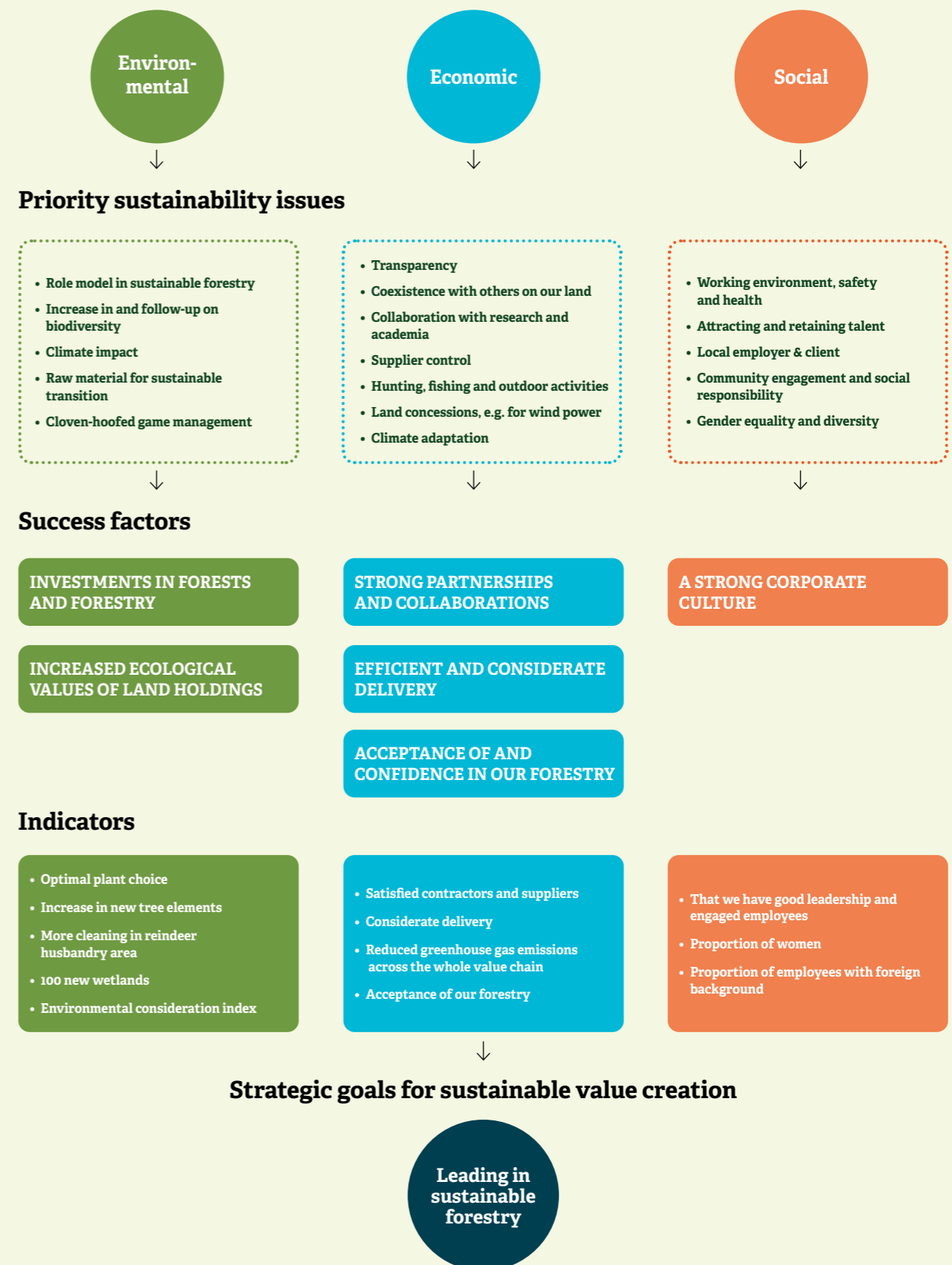
The result of the ongoing dialogue that has taken place during the year shows a clear shift compared with the previous year, as sustainable forestry, climate adaptation of forests and forest land and increased biodiversity have increased in importance among many stakeholder groups such as customers, government agencies, the reindeer industry, tourism entrepreneurs, hunters and conservation organisations. For the stakeholder group comprising contractors, the issues of active recruitment to forest professions and forms of collaboration that guarantee fair competition have increased in importance, while delivery reliability has become increasingly important for the company's customers. For Sveaskog's employees, health and safety is an area that has increased in importance during the year.

Materiality assessment

The materiality analysis aims to identify and prioritise the areas where Sveaskog has a significant impact on the environment, people and the economy. The prioritised sustainability issues also take into account what the stakeholders expect and consider it important for Sveaskog to work with. The results of this year's materiality assessment therefore reflect the shift that has taken place among Sveaskog's stakeholders, where sustainable forestry, climate adaptation of forests and forest land and increased biodiversity have increased in importance among many stakeholder groups. The materiality assessment forms the basis of Sveaskog's strategic sustainability work and sustainability reporting in accordance with the GRI standards 2016. Sveaskog's strategic goals for sustainable value creation and associated success factors are based on the materiality assessment, and aim to ensure that the company reduces its negative impact and increases its positive contribution as much as possible. Sveaskog's sustainability work contributes to Agenda 2030 and the Swedish and international environmental goals. Sustainable forestry forms the basis of everything Sveaskog does, and sustainability issues are therefore fully integrated into the company's strategic work and also into this annual report and sustainability report. The goals within Agenda 2030 and the Swedish environmental quality goals that Sveaskog's operations affect are therefore presented on an ongoing basis throughout this report.

Sveaskog' priority stakeholders

- Customers
- Owner
- Lending institutions, lenders
- Employees
- Contractors
- Timber suppliers
- Tourism companies, hunters, fishermen, etc.
- The reindeer industry
- Government agencies
- Nature conservation organisations



How Sveaskog creates value

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Sveaskog's operations

Sveaskog utilises the forest with an ambition to balance economic, environmental and social interests. The company's forests are certified in accordance with both FSC and PEFC standards, and we require FSC Controlled Wood for all timber that we buy from other forest owners. This means that Sveaskog's customers can be guaranteed a sustainable raw material.

Sveaskog's product range

Sawlogs

Sveaskog is an independent actor in the timber market and offers a wide range of timber to meet customers' wishes. These involve different volumes, tree species, qualities and dimensions. In order to meet customers' needs, Sveaskog supplements 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. This includes 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 all major sawmills in Sweden.

Pulpwood

Pulpwood is a product from those parts of the tree that are not used by the sawmills. Pulpwood is produced during both thinning and final felling. Sveaskog also makes purchases from other forest owners and imports, and also buys cellulose chips from

its own sawmill customers. Sveaskog has around 20 pulpwood customers who also buy wood chips from Sveaskog. The company's customers manufacture pulp for the production of various types of paper, paper that is mainly used in packaging and hygiene products. Sveaskog has extensive experience of collaborating with pulpwood and wood chip customers, and in recent years the focus has been on developing logistics together with them. Sveaskog can offer a wide range of fresh pulpwood and cellulose chips.

Svenska Skogsplantor

The Svenska Skogsplantor business area grows approximately 140 million forest plants every year and is Sweden's biggest producer of forest plants. In addition to seedlings, the business area also produces seeds and offers rejuvenation services to private forest owners such as ground preparation, planting, protective treatments and growth controls. A well-executed rejuvenation with high-quality planting material creates the conditions for healthy, productive forests. Forests that generate high vitality, good quality, high growth and thereby also contribute to the carbon capture that is so important for the climate. Forests that are valuable for biodiversity



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.

and that create value for future generations. Over the past year, SSP has invested in the business, including efforts to improve crop hygiene aimed at reducing the need for crop protection products. SSP is also investing in new seed plantations for highly processed seed material.



Biofuel

Sveaskog's biofuel is a by-product from felling and consists of branches and tree tops, which are otherwise left in the forest after felling. The natural decomposition process releases the same amount of CO₂ that is emitted by a controlled combustion with heat extraction in a heating plant.

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. Due to the high-volume nature of the material, the biofuels market is regional and local. Sveaskog has about 50 customers, mainly heating plants.

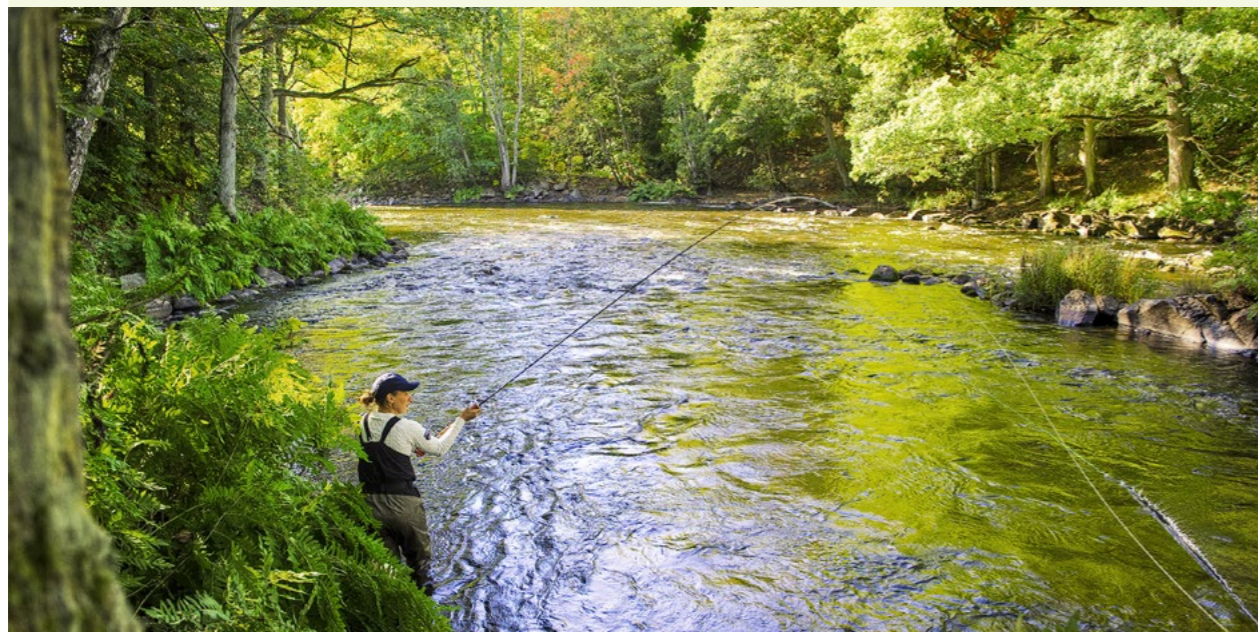
Hunting and fishing



Just over 25,000 hunters go hunting on Sveaskog's land every year. Sveaskog holds hunting rights on its land, which covers approximately 4.1 million hectares across the entire country, and leases some of these rights to hunting teams, clubs and game management areas. In total, Sveaskog draws up around 2,500 hunting agreements every year. This is an important tool in maintaining the balance in game populations.

Hunting in 2021

In 2021, the pandemic continued to affect society, but the majority of Sveaskog's hunters have, with some adaptations, still been able to hunt as planned. 2021 was also the first season with new hunting times. In May, the Swedish government decided to adopt new hunting times that can be described as simpler and more uniform, as well as an earlier start to hunting in the case of elk, which is the most popular kind of game. During the year, Sveaskog also modernised its hunting rights concessions and carried out a pilot project in which about 400 hunters had to obtain a personal hunting licence instead of their previous hunting team concessions. Through this, Sveaskog intends to create closer contact directly with the hunters, and also to streamline administrative work.



Fisheries management for sustainable fishing and preservation of biodiversity

Sveaskog promotes for the sustainable development of fisheries and for protecting the habitat of fish so that biodiversity is preserved. The goal is that all fishing on Sveaskog's land shall take 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 the concessions 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 groundbreaking research are carried out to preserve and develop the Mörrumsån river's ecological biodiversity. The number of incoming tourists in Mörrum was high during the summer season 2021. The fall in foreign visitors due to the Covid-19 pandemic has been offset by more Swedish visitors.

Innovation and digitalisation

Digitalisation in the forest industry creates 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.

Within Sveaskog, work on innovation and digitalisation can be divided into different categories: innovations, where Sveaskog itself and together with others works to develop forestry and forest management through new, more automated and more considerate machines, including autonomous logging machines and thinning with the aid of drones. This area also includes more modern, more automated planting machines. Another category is digitalisation and AI (Artificial Intelligence) for forestry, where the aim is to collect and analyse more forest data by means of stronger data processing power, which ultimately creates new opportunities and new tools for calculating and forecasting Sveaskog's forest holdings and making predictions about what can be produced from different time perspectives. An additional innovation category is fuel, where Sveaskog is providing support in various ways in the development of alternative fuels derived from wood raw material, which can be used both in its own machines and in other vehicles. Sveaskog continues to see great potential in the digitalisation of the forest industry, and aims to broaden the knowledge base in the field of IT, but also to develop security work to minimise the risks associated with digitalisation.



Wind power on Sveaskog's land

Sveaskog leases land to planners and energy companies for the creation of wind farms. 80 new wind turbines were taken into use during the year. This means that more than 530 wind turbines have been built with leasehold rights on Sveaskog's land. These wind turbines have a total installed output of approximately 1,660 MW and production of approximately five TWh of electricity/year. Approximately 14% of Sweden's total installed wind power is on Sveaskog's land and the corresponding amount of the electricity that comes from wind power in Sweden is thus produced on Sveaskog's land. Interest in running wind power projects and leasing land for wind power expansion remains high all over the country.

All the values of the forest in a sustainable

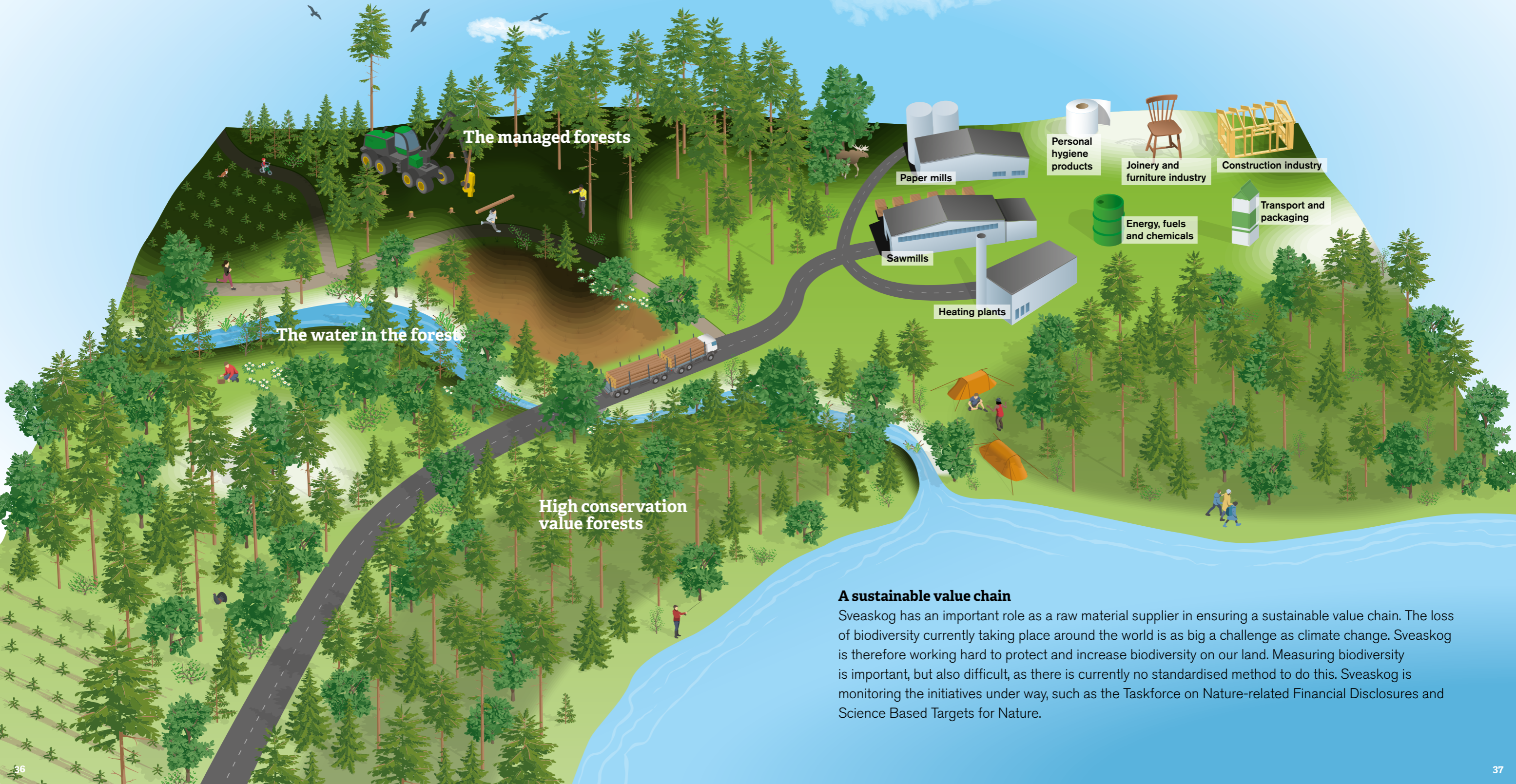
Hidden added value in the value chain

In a value chain from forest to customer, values are created in the company's own operations. In addition to the economic gain, many other values are created that are important to society, such as financial values to Sweden's GDP through taxes, interest and wages for employees. Social values are also created such as recreation, outdoor activities and berry picking.

value chain

The great hidden natural capital

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 groundwater and more even flows downstream. Sveaskog's standing timber also absorbs large amounts of carbon dioxide, and the products from the forest raw material can replace materials with a fossil origin. Forests are therefore an important element of climate change mitigation and the climate adaptation of our society.



A sustainable value chain

Sveaskog has an important role as a raw material supplier in ensuring a sustainable value chain. The loss of biodiversity currently taking place around the world is as big a challenge as climate change. Sveaskog is therefore working hard to protect and increase biodiversity on our land. Measuring biodiversity is important, but also difficult, as there is currently no standardised method to do this. Sveaskog is monitoring the initiatives under way, such as the Taskforce on Nature-related Financial Disclosures and Science Based Targets for Nature.

Improving customers' sustainability footprint

Sustainability is becoming an increasingly important element of Sveaskog's business. By building long-term collaborations and continuously sharing quality-assured data from the harvests in the forest, and collaborating on climate-smart transport activities, Sveaskog is strengthening its position in the market and at the same time contributing to sustainable social development.

In recent years, there has been an increased interest in sustainability issues, and this is also evident in the timber market. More and more people want to build in wood, and there is an obvious place for recyclable cartons in the expanding field of e-commerce. It is not only politicians and companies that are driving this development, but also aware consumers. One clear trend is that more and more of Sveaskog's customers – which include sawmills and pulp, board and paper mills – have sustainability high on their agenda.

"Over the past year, we've noticed that more customers are highlighting the sustainability aspects at an early stage of business discussions, sometimes even before we've started discussing volume and qualities," says Patrick Bäckström, Market Manager in Sveaskog's Market Area North.

With the launch of the sustainable forestry programme, Sveaskog is now advancing its positions further and locking arms with customers who have similar ambitions. One example is Metsä Group, which manufactures cardboard, pulp and kraftliner.

"Sustainability issues have become an obvious element of our joint business and something that

is important to them. Metsä Group can monitor our sustainable development and we theirs. Together, we're creating a transparent and sustainable value chain," says Patrick Bäckström.

This transparency means that our customer's customers are guaranteed that the product they buy comes from a sustainably managed forest.

"We'd really like to make it easier for our business partners to achieve their sustainability goals. It's becoming increasingly important for both our customers and our customers' customers that we are a sustainable supplier," says Roger Johansson, Market Manager in Sveaskog's Market Area South.

Focus on renewable raw materials

One characteristic of the forestry industry is that very little goes to waste. When felling, the whole tree is made use of. The timber is delivered to sawmills around Sweden and is used build houses and furniture, for example. The waste heat from the mills can heat buildings in the local area. Sawdust is made into pellets and sawmill chips are used in the manufacture of pulp. In other words, the raw material is utilised efficiently. The forest is also an important carbon sink in cases where the raw material is used in products with a long useful life. Wood is the only building material that is completely renewable, and this is one important reason why more and more people are choosing to build houses in wood. The fact that there is a desire for a more sustainable lifestyle is evident among younger homebuyers at Älvsbyhus. Sveaskog has long been supplying the company's sawmill in Älvsbyn with timber in a variety of dimensions. Älvsbyhus wants to have peace of mind about the origin of the raw material, and down the years Sveaskog has helped to educate the company's sales representatives in forestry-related issues. Now, for example, they can tell their customers "where their house grew up".

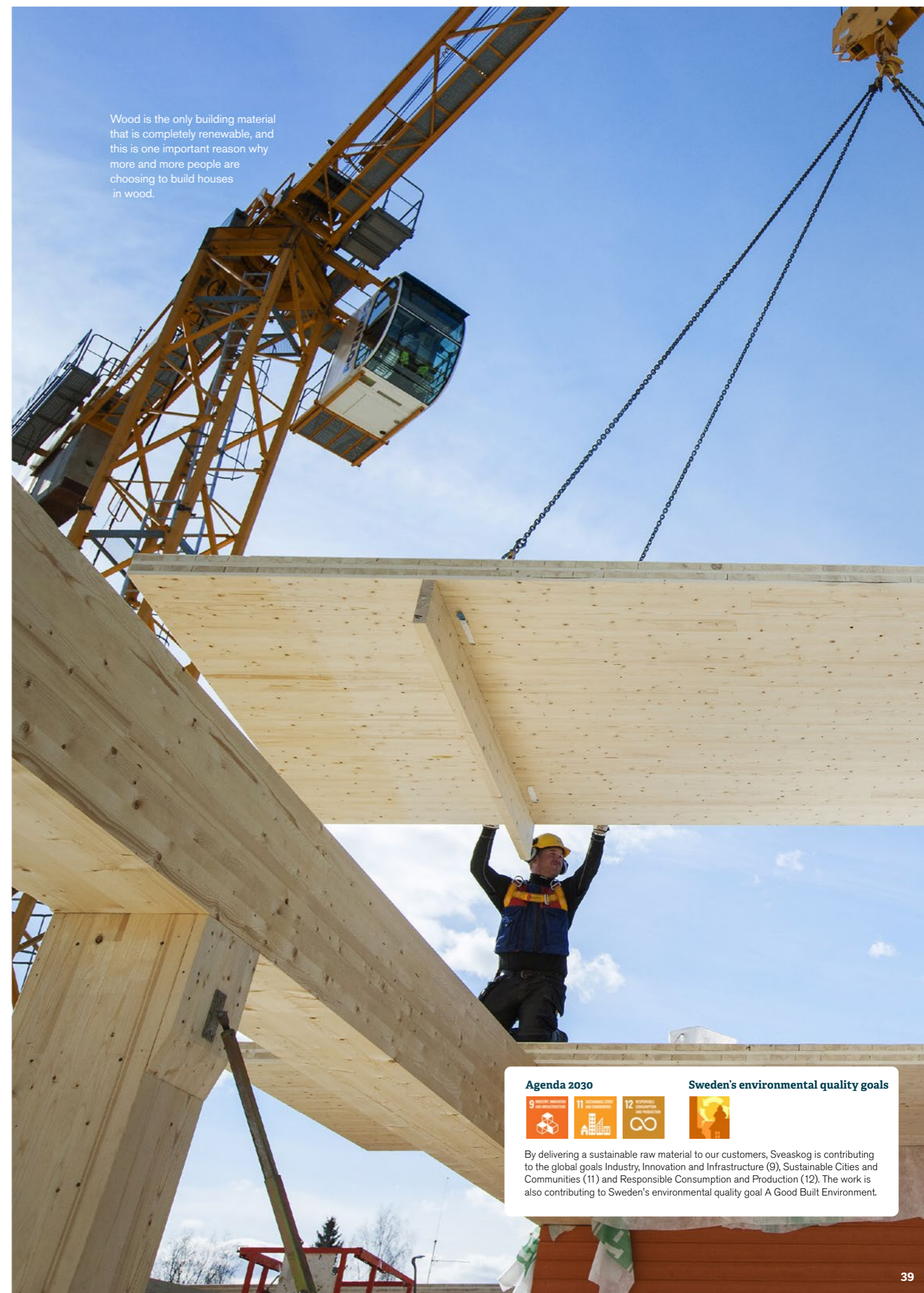
"The fact that our timber is FSC certified is seen as a matter of course nowadays. During the 1990s, Sveaskog pushed for the creation of a Swedish forestry standard in accordance with FSC, and the rest of the industry then followed suit. But now it's not enough to offer environmentally certified timber, you're expected to deliver more sustainability value than that," says Roger Johansson.



Over the past year, we have noticed that more customers are highlighting the sustainability aspects at an early stage of business discussions.



Patrick Bäckström, Head of Market in Sveaskog's Market Area North.



Wood is the only building material that is completely renewable, and this is one important reason why more and more people are choosing to build houses in wood.

Agenda 2030



Sweden's environmental quality goals



By delivering a sustainable raw material to our customers, Sveaskog is contributing to the global goals Industry, Innovation and Infrastructure (9), Sustainable Cities and Communities (11) and Responsible Consumption and Production (12). The work is also contributing to Sweden's environmental quality goal A Good Built Environment.



Sveaskog's new long-term focus continues to combine high-volume and reliable timber delivery with intense efforts to increase biodiversity.

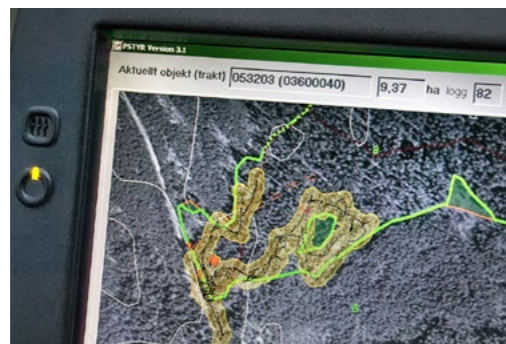
“With good knowledge, you can create environments in the forest that benefit certain plants and animals, for example by planting deciduous trees or creating dead wood. It's a job where we have high ambitions, which we'll now be scaling up,” says Patrick Bäckström.

“We expect to continue to be able to meet customers' needs for timber. At present, almost half of our deliveries to customers consist of timber that we've purchased from small and large forest owners, from other companies in the forest industry and from imports,” explains Roger Johansson.

Increased digitalisation

During the year, there has also been progress in the area of digitalisation. Sveaskog continuously shares quality-assured data from the harvests in the forest. For example, customers are given information about what the timber looks like and how great a volume is

During the year, there has also been progress in the area of digitalisation. Sveaskog continuously shares quality-assured data from the harvests in the forest. For example, customers are given information about what the timber looks like and how great a volume is being harvested.



being harvested. Receiving this kind of data makes it easier for the sawmills' delivery planners because they know what kind of timber that will be delivered and they can in turn inform their customers. Sveaskog also has better base data for decisions, which enables the company to develop as a supplier.

“Precision deliveries are becoming increasingly important and allow our customers to stay competitive. At the same time, we receive feedback from the sawmills 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.

One of Sveaskog's biggest customers is SCA, to which it has long been supplying timber and pulpwood. In a unique project, the companies are now sharing operational data with each other, which increases product and delivery reliability.

“There are of course many issues that need to be addressed before such digital integration can take place. It's about law, IT security and technology, but it also requires that both parties have strong faith in each other, which we have,” says Patrick Bäckström.

Climate-smart transport

It is not sufficient that the raw material comes from a sustainably managed forest, the entire chain needs to be sustainable – all the way to the customer. At present, transportation accounts for 54% of Sveaskog's greenhouse gas emissions, and work is under way to reduce emissions by such means as the increased use of renewable fuels such as HVO diesel. Compared with 2020, emissions from transportation decreased by 4%. In 2021, Sveaskog also decided to develop a



“It is not sufficient that the raw material comes from a sustainably managed forest, the entire chain needs to be sustainable – all the way to the customer.”

Roger Johansson, Market Manager in Sveaskog's Market Area South.

climate goal in accordance with SBTi (Science Based Targets initiative). As one part of this, Sveaskog is working to identify the most climate-smart transport solutions. One example concerns wood damaged by the spruce bark beetle that was retrieved during the year from Sveaskog's forests in Central Sweden and transported by boat via Lake Mälaren to northern Sweden, where there is a demand.

“We've found business models that means we can make use of the damaged wood. Among other things, we deliver wood damaged by the bark beetle to Domsjö Fabriker in Örnsköldsvik. The mill mainly manufactures special cellulose for textile fibre production, in a process that's less sensitive to this kind of quality deficiency,” says Roger Johansson.

Sveaskog has also expanded transport by train to the sawmills that are a long distance from the felling sites, as rail transport has significantly lower greenhouse gas emissions than those that go by truck. As there are not railways everywhere where Sveaskog needs to transport timber long distances, trials are now being made with so-called HCT vehicles (High Capacity Transport) that can take a bigger load, which reduces the environmental impact and transport costs, and increases road safety.



Trialling HCT vehicles in Piteå

In collaboration with Volvo and the BDX companies, a trial is under way to use HCT vehicles with a gross weight of just over 90 tonnes to drive imported deciduous pulpwood from the port of Haraholmen in Piteå to Smurfit Kappa's kraftliner mill, a distance of about 16 km. On an HCT vehicle, which is both longer and has more axles, it is possible to load significantly more wood than on a regular timber truck, with the effect that there will be 20% fewer vehicles on the roads. The goal is to combine reduced greenhouse gas emissions with increased road safety. If Sveaskog were to carry out all transport activities between Haraholmen and Smurfit Kappa using this kind of vehicle, it would mean 2,000 fewer trips per year through Piteå. The trial will run until the summer of 2024, and if all goes well, the aim is that all imported wood will be driven by HCT vehicles. In the long term, it may also be possible to use HCT vehicles to collect timber at the felling sites in the forest.



Sweden's highest wooden building

In September, Sara Kulturhus was inaugurated in Skellefteå, named after Sara Lidman. The 20-storey cultural centre houses six theatre stages, the city library, two art galleries, a conference centre and a hotel. The fact that the almost 80 meter high skyscraper is built of wood not only gives the house a special character but is also climate-smart as the wood continues to store the carbon that the trees have bound during their growing cycle. The building elements for the frame were manufactured in Holmen's sawmill in Bygdsiljum, which buys parts of its raw material from Sveaskog.



Creating conditions and placing demands on contractors

Collaboration with skilled contractors is a prerequisite for Sveaskog being able to manage the forest sustainably and fulfil its deliveries to customers. Most of the work with felling, forest management and transport is performed by about 350 contractors all over the country. To provide them better conditions to survive and develop, Sveaskog has recently created a finance company, which will enable contractors to lease or buy forest machines on a payment by instalment basis.

"Many of our contractors are small family businesses in the interior, and it's difficult for them to find attractive financing solutions when they want to buy a new forest machine. Through our finance company, it's now easier for contractors to invest in new, efficient and environment-friendlier technology. This benefits both us and them," says Mats Oja, Purchasing Manager at Sveaskog.

Sveaskog chooses contractors with care, and before a company is engaged, extensive checks are made to make sure that it has the conditions to be able to perform the assignment and lives up to the requirements that exist when it comes to, for example, work environment, responsibility and terms of employment. Many entrepreneurs bring in seasonal employees from other countries during the spring and autumn, when planting and cleaning take place.

"Even though we came into this year during a pandemic with closed borders and tremendous uncertainty, our contractors did an amazing job," says Mats Oja.

Sveaskog conducts regularly field visits to talk to the contractors' employees and asks questions about issues such as working hours, employment contracts, work environment and occupational healthcare.

"To enable contractors' employees to acquire knowledge of how the labour market works and what rights and obligations they have, we have included the module 'Being an employed', which is available in several languages, in the training that Sveaskog provides. Having completed the training programme, in the Skötskelskolan training initiative, is something we require of all employees before they can perform assignments for Sveaskog. Then we talk, for example, about the role of trade unions, laws and regulations in the Swedish labour market and how to contact the union. It's important that the contractors' employees have a good, safe work environment when they work for us in the forest," says Mats Oja.

Employees lead the way

It has been an eventful 2021 for Sveaskog's employees. The year was characterised by both the new long-term focus and the values, but also intrusions and threats from activists.

At the beginning of the year, Sveaskog's new long-term focus was presented to all employees together with the new values – responsibility, courage and curiosity, which have been developed to support the strategy. Sveaskog wants to build a corporate culture where everyone understands the big picture and assumes responsibility for their part and actively contributes with their knowledge. This results in the development of employees and the business. A positive and curious approach should pave the way to new opportunities. Through a climate that builds trust and reassurance and creates the courage to act, Sveaskog will take on challenges and opportunities ahead. The regional employee days during the autumn focused on topics such as creating an engagement with the new strategy and an understanding of how each employee can contribute. As one element of realising the strategy, Sveaskog has developed a programme for sustainable forestry and reinforced the organisation in terms of competence by recruiting more employees who work in areas such as nature conservation, increased growth in the forest and hunting and cloven-hoofed game issues.

Engagement and flexibility

The pandemic made its mark on the past year. Sveaskog has continuously updated the guidelines for working from home and reduced spread of infection in accordance with the recommendations of the Public Health Agency of Sweden. During the spring, a survey conducted among salaried employees showed that the majority can work remotely and that they want to combine work in the office with remote working. Sveaskog wants to be an attractive employer and offer its employees flexibility that contributes to both increased productivity and a work/life balance. Opportunities to work remotely are therefore provided, depending on the needs of the business and the nature of the tasks.

This year's employee engagement survey shows that there is a high level of engagement among employees and that they perceive their work as being meaningful. The relationship with the manager and colleagues is also rated highly. In some parts of the company, employees experience a high workload and stress, which is an issue that the relevant working groups will be working on in the year ahead.

Diversity and inclusion

Sveaskog works actively for greater inclusion, gender equality and diversity. During 2021 and the first quarter of 2022, all employees are completing the "Diversity Tool", a web-based programme of discussions and reflections linked to all causes of discrimination. Since 2019, Sveaskog has also been offering all its contractors training in gender equality, diversity and inclusion. So far, more than 550 people who are not

employed at Sveaskog have completed the course. Since 2013, the proportion of women employed in the market areas (forest positions) has more than doubled, and the proportion of women who believe that women and men are treated equally within Sveaskog has increased from 53% to 73%. In 2021, the partnership continued with the Mitt Liv (Chance of a Lifetime) mentorship programme, which serves as a bridge between the Swedish labour market and skilled workers with a foreign background.

Attracting and retaining talent

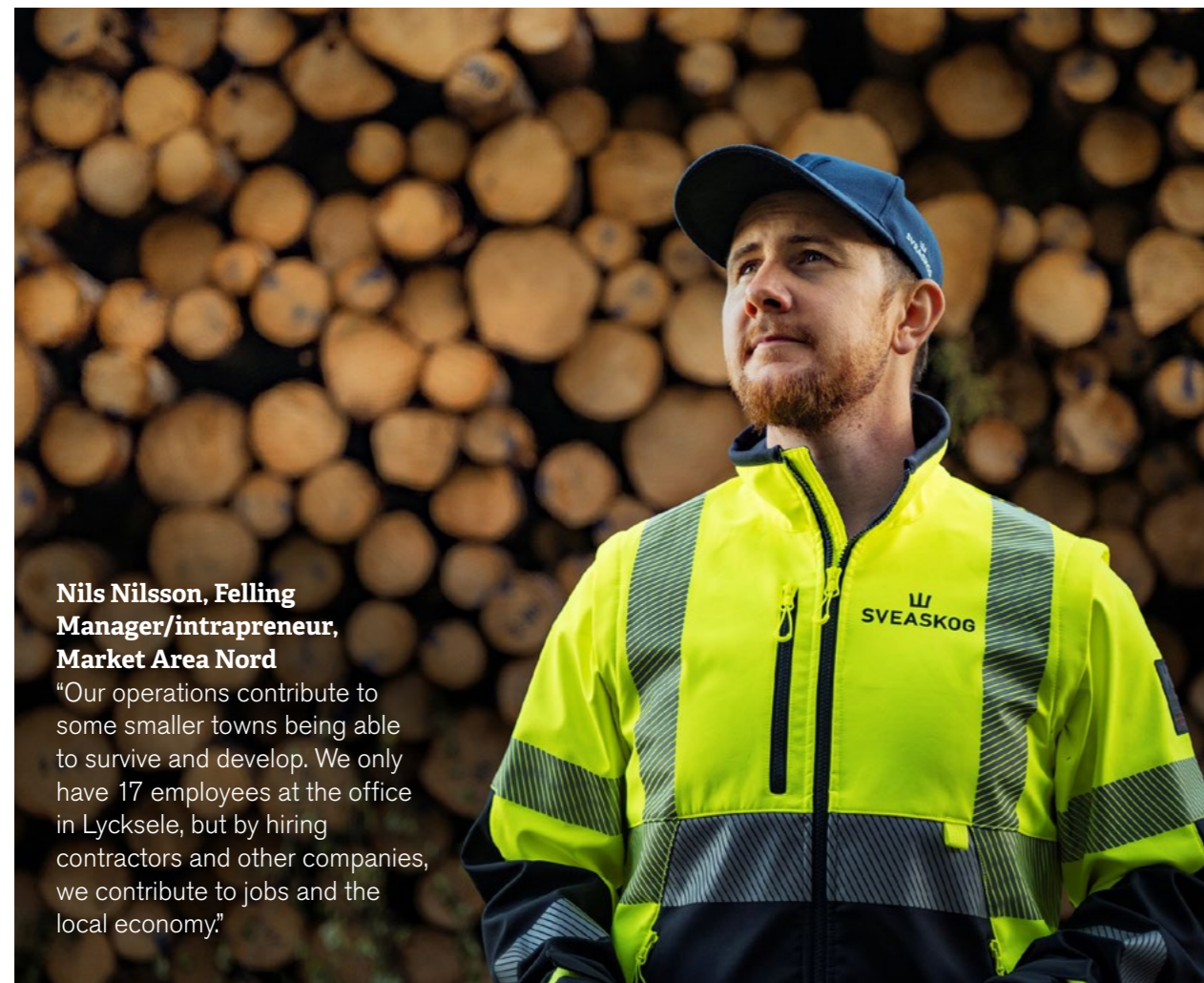
Sveaskog works continuously with internal initiatives to develop skills and boost engagement among employees. The company also works actively towards external target groups in order to attract new employees. Because of the pandemic, physical meetings such as labour market days with students have not been held. These have been partly replaced by digital meetings, which are not as effective when it comes to connecting with and attracting new employees. During the autumn, when restrictions were eased, Sveaskog was able to participate in higher education events once more and receive students from non-forest study programmes in order to broaden the skills base. As a pilot project, Sveaskog has worked together with other actors in the industry to develop a shorter, remote higher education course for those with no forestry education together with Linnaeus University in Växjö. Sveaskog will continue with this work to broaden its skills, but still have a basic orientation in forestry. The company also has, for example, a collaboration with the nationwide Tekniksprånget initiative, with the aim of attracting students with an interest in nature and technology to apply for a work placement at Sveaskog.

A safe and secure workplace

Safety and work environment issues are a high priority at Sveaskog. No one shall be injured or suffer ill health at work. During the year, there has been a dimension of risks in the work environment, as offices and working areas in the forest have been subjected to threats and intrusions by activists. Sveaskog has managed these new work environment risks by reviewing existing ones and developing new procedures regarding safety work. In addition to new procedures and guidelines, it is important to be prepared for what might happen out in the operations through external monitoring, training and continuous risk assessment. The measures taken are important elements of creating a safe workplace and a sense of security among employees, so that they know how to act in certain situations. In addition to the above, the company has reviewed safety at its offices and production units; they have also acquired equipment to monitor workplaces in the forest through personal cameras and made sure that there is the facility for CCTV monitoring of mechanical interventions taking place in the forest. In 2021, Sveaskog also hired a security company to enhance its competence, both operationally and strategically.

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.



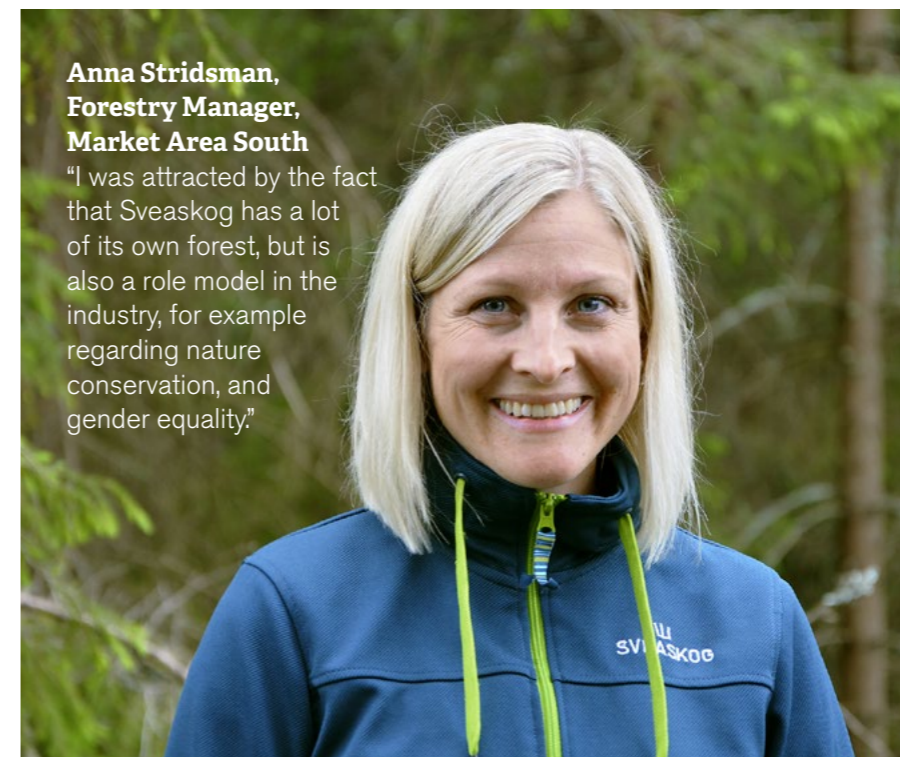
Nils Nilsson, Felling Manager/intrapreneur, Market Area Nord

"Our operations contribute to some smaller towns being able to survive and develop. We only have 17 employees at the office in Lycksele, but by hiring contractors and other companies, we contribute to jobs and the local economy."



"At Sveaskog, there's a strong focus on making employees feel comfortable and develop. And that's a key to success, because the more engaged employees are, the better the results we achieve."

Johanna Leijon, Site Manager, Vibytorp nursery.



Anna Stridsman, Forestry Manager, Market Area South

"I was attracted by the fact that Sveaskog has a lot of its own forest, but is also a role model in the industry, for example regarding nature conservation, and gender equality."

Agenda 2030

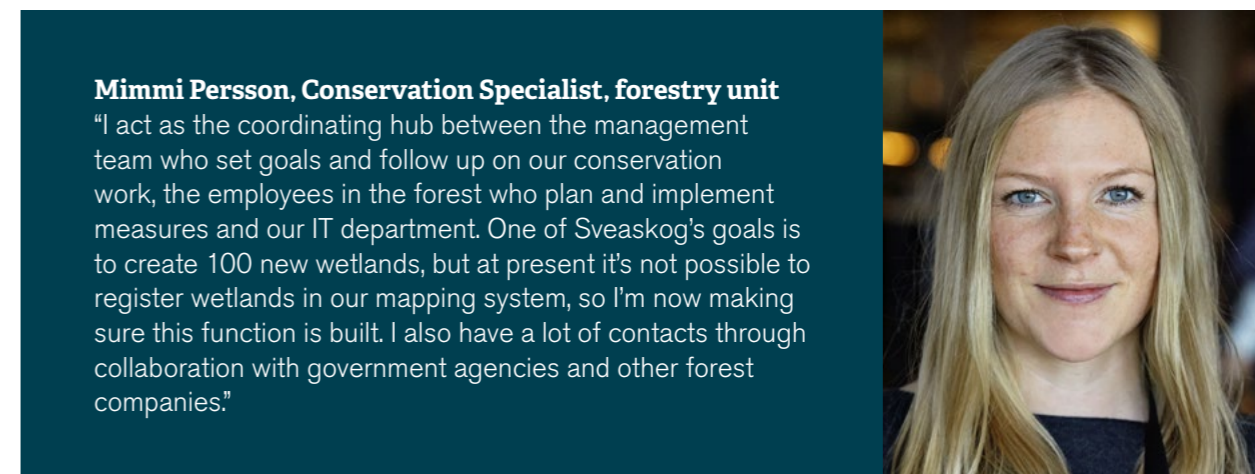


By working actively for increased inclusion, gender equality and diversity, Sveaskog is contributing to the global goals Gender Equality (5), Decent Work and Economic Growth (8) and Reduced Inequalities (10).



"I've probably had the fastest career in Sveaskog. I started a year ago as a timber buyer, shortly afterwards I was asked to lead one of the game management projects and now, one year on, I'm the Hunting and Cloven-Hoofed Game Manager. If you have ambition and engagement, there are incredible opportunities to develop within Sveaskog."

Rickard Sandström, Hunting and Cloven-Hoofed Game Manager, Market Area South



Mimmi Persson, Conservation Specialist, forestry unit

"I act as the coordinating hub between the management team who set goals and follow up on our conservation work, the employees in the forest who plan and implement measures and our IT department. One of Sveaskog's goals is to create 100 new wetlands, but at present it's not possible to register wetlands in our mapping system, so I'm now making sure this function is built. I also have a lot of contacts through collaboration with government agencies and other forest companies."



Corporate Governance and Risk Analysis

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Financial performance

Operating profit increased by 20% to MSEK 1,341 (1,120) and totalled MSEK 1,341 (1,120).

Net sales

Net sales increased by five per cent to MSEK 6,920 (6,597). The total delivery volumes increased marginally while the prices of wood raw materials increased by five per cent on average. The sales of wood raw materials amounted to 10,682 thousand cubic metres, (m³sub) (10,629).

Earnings

Operating profit increased by 20% to MSEK 1,341 (1,120) and amounted to MSEK 1,341 (1,120). Higher timber prices have been offset by higher costs for felling as well as forest management and nature conservation. The increased profit is primarily due to a new method for valuing forest assets. The method change means that costs of reforestation, MSEK 235, from this year are recognised in the item change in value of forest assets. Method change and increased provisions for forest management and bridges on our forest vehicle roads aside, the underlying result is MSEK 58 better than the previous year, despite increased nature conservation costs (see more on page 47).

Capital gains from property sales were MSEK 30 (163). Share of profits of associates amounted to MSEK 667 (57). The net change in the reported value of standing timber amounted to MSEK -196 (12,481)*. After the change in value of forest assets, the operating profit amounted to MSEK 1,842 (13,821)*. Net financial items during the year were MSEK -133 (-153). Profit before tax amounted to MSEK 1,709 (13,668)*. Tax amounted to MSEK

-215 (-2,801). Profit for the year decreased to MSEK 1,494 (10,867)*.

Comments on the balance sheet and cash flow

Cash flow from operating activities during the period was MSEK 1,033 (623). The increase is mainly attributable to reduced working capital. Investments in non-current assets, mainly forest properties and forest machines, amounted to MSEK 230 (264) while investments in shares and participations amounted to MSEK 6 (7). Sales of non-current assets, mainly forest properties, amounted to MSEK 185 (331). Dividends from associates have been received amounting to MSEK 24 (12) and sales of shares amounting to MSEK 7 (0). A dividend of MSEK 850 (1,100) was paid to the owner.

Sveaskog's net interest-bearing debt at 31 December was MSEK 7,438 (7,613). 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 amounted to MSEK 1,250 (1,400), which is refinanced on an ongoing basis. The outstanding volume under the MTN programme at 31 December was MSEK 6,040 (6,090), of which MSEK 4,900 (4,800) refers to green bonds. The lowest average net fixed interest period during the period was 28 months (31).

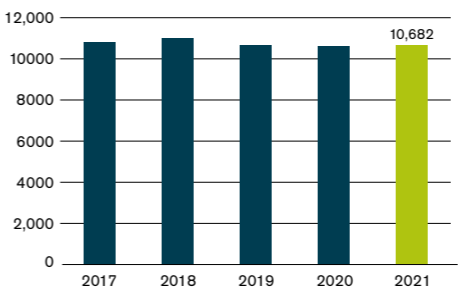
The net debt/equity ratio was 0.12 (0.13).

The interest coverage ratio was 15.1 (7.6) and the gross borrowing cost was 1.32 (1.57) per cent.

*) At the end of the previous 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. The positive effect on profit was SEK 9.9 billion net.

Total delivery volume

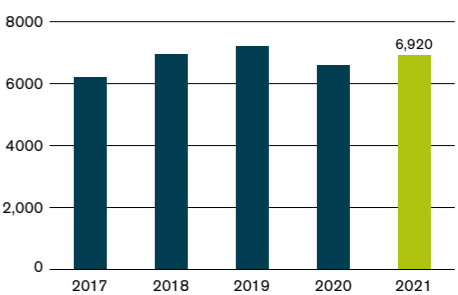
thousand m³sub



Production within the Swedish forestry industry has continued to perform well during the last quarter of the year, especially within the sawmill industry where sufficient 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, increased by 5% to MSEK 6,920 (6,597).

Parent Company

Sveaskog AB (Publ.), 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 53 (101), of which MSEK 13 (86) was accounted for by capital gains from sales of forest land. The loss after financial items amounted to MSEK 3,787 (7,767). The parent company's costs consist mainly of interest expenses. The company has no employees. Operating activities are carried out primarily in the subsidiary Sveaskog Förvaltnings AB.

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's profit/loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 5,841 (4,131). The operating profit amounted to MSEK 1,588 (117). The improvement is explained by high sales prices due to a strong market trend. Sveaskog's share of earnings in the company adjusted for intra-group profits increased by MSEK 576 to MSEK 619 (43). Sveaskog's share of Setra Group's other comprehensive income amounted to MSEK -11 (11).

SunPine AB

Sveaskog owns 25.1 per cent of the shares of the biorefinery SunPine AB. The share of the associate's profit/loss is recognised in the consolidated income statement. Net sales for the January–December period were MSEK 2,115 (1,377). The operating profit amounted to MSEK 239 (43). The profit improvement is primarily an effect of increased production through expanded capacity. Sveaskog's share of the company's profit or loss increased to MSEK 47 (7).

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 2021 reports the share of the associate's profit/loss for the period September 2020 up to and including November 2021, while the figures for the previous year cover the period from September 2019 – November 2020. Net sales for this period amounted to MSEK 298 (391) and the operating loss for the same period amounted to MSEK 7 (40). Sveaskog's share of the company's profit or loss amounted to MSEK 1.8 (7).

Condensed income statement

MSEK	2021	2020
Net sales	6,920	6,597
Operating profit from continuing operations	1,341	1,120
Capital gains on property disposals	30	163
Share of profit/loss of associates	667	57
Operating profit before change in value of forest assets	2,038	1,340
Change in value of forest assets	-196	12,481
Operating profit	1,842	13,821
Net financial income/expense	-133	-153
Profit before tax	1,709	13,668
Tax	-215	-2,801
Profit for the year	1,494	10,867

Condensed cash flow statement

MSEK	2021	2020
Cash flow from operating activities before changes in working capital	792	869
Cash flow from operating activities	1,033	623
Cash flow from investing activities	-21	72
Cash flow from financing activities	-1,072	-578
Cash flow for the year	-60	117

Change in operating profit from continuing operations

MSEK	
2020	1,120
Price, own wood raw materials	172
Volume and change in inventories, own wood raw materials	-58
Unit cost felling	-50
Forest management and nature conservation	-27
Svenska Skogsplanter	-7
Earnings from externally procured wood raw materials	9
Other property transactions ¹	-16
Provision for bridges and damaged forest	-72
Reclassification of reforestation costs	235
Other	35
2021	1,341

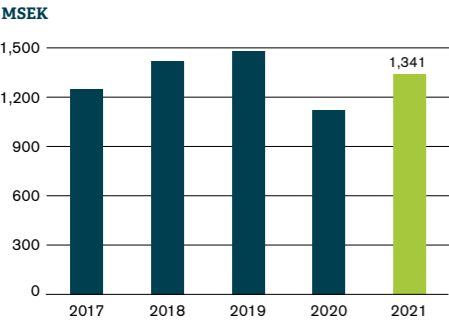
1) Other property transactions relate to a combination of:

All future concessions	-6
Sale of non-forest land	-10
Other property transactions	-16

Change in net sales

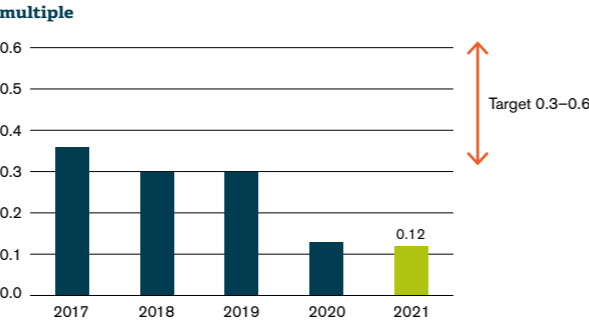
MSEK	
2020	6,597
Price, wood raw materials	270
Delivery volume, wood raw materials	50
Concessions, etc.	3
2021	6,920

Operating profit from continuing operations



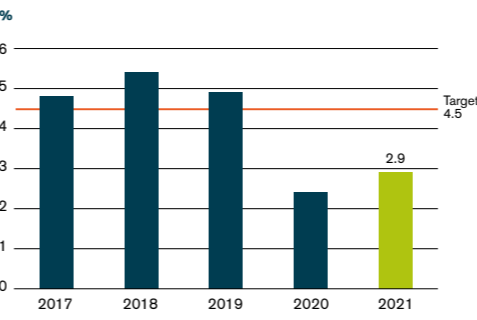
Operating profit increased by 20% to MSEK 1,341 (1,120) and amounted to MSEK 1,341 (1,120). The increased profit is primarily due to a new method for valuing forest assets.

Net debt/equity ratio



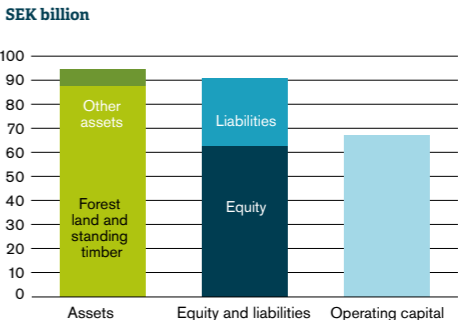
The target was established by the 2014 Annual General Meeting. The target is for the net debt/equity ratio to be in the range 0.3-0.6. This metric indicates the amount of net interest-bearing liabilities in the company in relation to equity.

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 according to 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, the purpose of which is to identify measures that can be taken to reduce risk exposure.

This analysis describes the negative impact on Sveaskog's ability to achieve its strategic goals. The assessment relates to the business planning period that extends until 2026. Climate-related risks and opportunities from a longer-term perspective are described in the TCFD analysis on page 52.

Sveaskog's deliveries from its own forest are high and stable, which means limited risks of a loss of income. Sveaskog conducts an annual inventory of other risks, which may be financial, legal, market-related, operational, public and social risks. Forests are exposed to biological risks, as well as risks linked to weather and climate change. 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 over time. Furthermore, the forests are insured against major additional costs. Sveaskog is contributing to the development of new products and businesses such as biofuels and ecosystem services. The company is also increasing income from the forest by granting concessions for hunting, fishing, nature tourism and wind power. These initiatives provide a broader

income base, but can also involve risks such as conflicts of interest.

The ongoing war in Ukraine is leading to sharply increased costs for, for example, fuel, energy and freight. A long-term conflict can lead to a shortage of inputs and foreign labor. Sveaskog does not import timber from Russia or Belarus, but the market is affected by a changed timber balance around the Baltic Sea area as EU countries restrict imports from these countries.

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

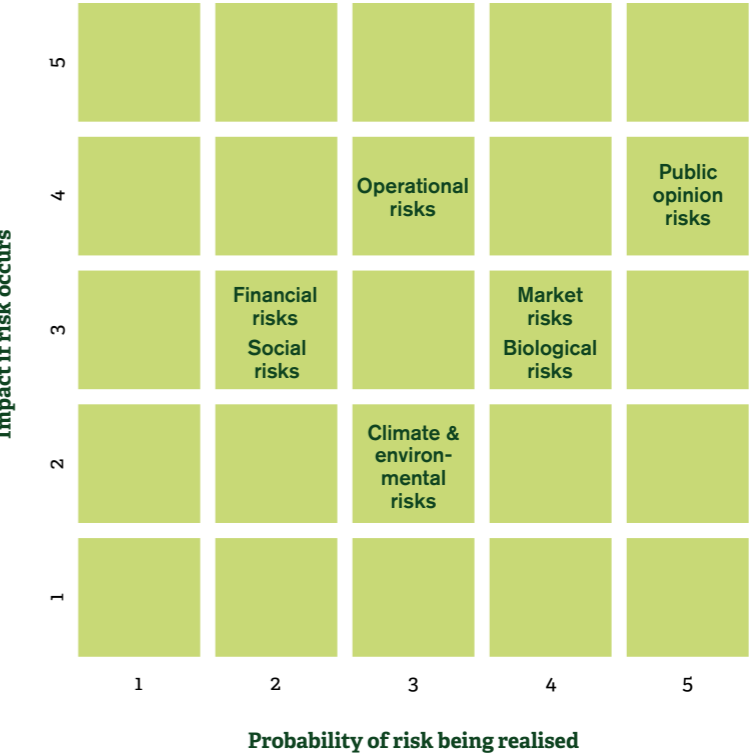
Risk management is an integral part of the company's annual business planning and includes both profit centres and support units. Reporting includes a description of the risk, the measures and who is responsible. Measurement of



risk is made 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.



Management of significant risks, cont.

Biological risks

A. Spruce bark beetle

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

Management:

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

B. Seed shortage

Spruce flowering has been relatively good in 2021 – but with regional variations. However, cherry spruce rust is causing major seed losses. A shortage of cultivated pine seed is a challenge throughout Götaland and in northern Sweden.

Management:

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

C. Root rot

The damage to a tree that is infested with root rot can cause the wood to decompose, which means that the wood cannot be used as timber but must instead be reclassified as pulpwood. Root rot can mean reduced growth of infested forests, which in turn can reduce the economic value of the forest holding.

Management:

- Prevent infestation by treating stumps against fungal spores during felling.
- Research and development, funding of doctoral students in the field of forest damage.

D. New pests take hold

Changes in the climate result in new pests taking hold, there are several destructive pests that have migrated south and east and are now in Sweden's immediate vicinity. If, 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:

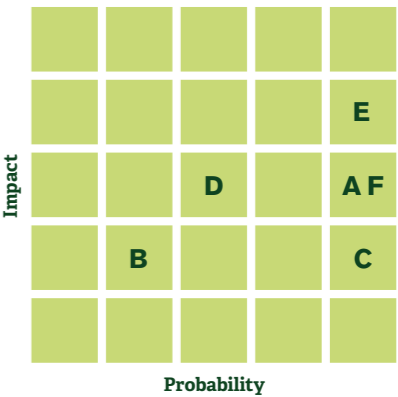
- Monitoring.
- Research and development, funding of doctoral students in the field of forest damage.

E. Game grazing damage

Game that 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:

- Increased hunting pressure on cloven-hoofed game through various stimulus packages.
- Measures to increase access to feed.
- Increased knowledge of game populations.



F. Resin top disease

Norrland is already suffering a significant outbreak of resin top disease, which kills younger pine forests. This is resulting in sparse forests with the wrong tree species and low growth.

Management:

- Advanced management methods.
- Inventory and restart of damaged forest.
- Research and development.

Management of significant risks

Climate and environmental risks

A. Climate risks

A changing climate has been shown to increase the likelihood of extreme weather such as droughts, storms and heavy rainfall. It also results in changes in precipitation, forest fires and ground conditions that make forestry more difficult.

Management:

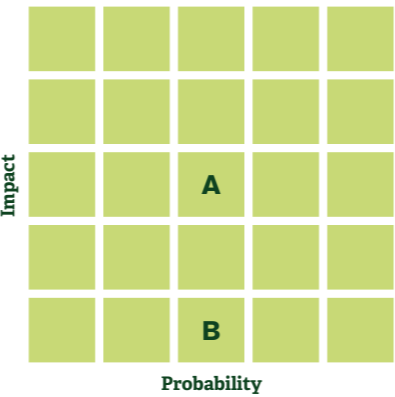
- Most measures under the sustainable forestry programme contribute to increased climate adaptation of Sveaskog's forest lands, e.g. work on increased biodiversity and more running watercourses.
- Cleaning and thinning adapted to location.
- Specially adapted forestry methods in case of fire risk and hazardous conditions.
- Work involving processed seed and plant material.
- Insurance.
- Silviculture measures that reduce the risks: increased proportion of deciduous 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 plan of action for management of ongoing operations and any subsequent treatment.





TCFD

In 2017, the market-driven Task Force on Climate-Related Financial Disclosures (TCFD) initiative was launched. TCFD contains recommendations for reporting climate-related financial risks and opportunities. TCFD's guidelines are based on the areas of governance, strategy, risk management, indicators and goals.

In 2021, Sveaskog carried out extensive work to start the production of the organisation's first report in accordance with TCFD's recommendations.

Governance

Sveaskog's Board of Directors and Group Management have participated actively in the production of the analysis by participating in two workshops to assess how Sveaskog may be affected in different future scenarios. The Board of Directors is responsible for Sveaskog's reporting in accordance with TCFD and has approved the report prepared by Group Management. Work on the company's climate risks and opportunities proceeds on an ongoing basis during the year and is reported annually in the annual report and sustainability report. The scenario analysis has been performed with a focus on analysing how long-term goals and strategies compare based on IPCC emission scenarios and socio-economic development scenarios (SSP1-2.6, SSP2-4.5 and SSP5-8.5) in the middle of the century and at the end of the century. SSP1-2.6 can be likened to a "low-emission scenario" that reflects climate policy objectives of a rapid culmination of emissions, followed by a definite and continuous reduction, SSP5-8.5 can be likened to a "high-emission scenario" and means continued high emissions.

Strategy

Initially, workshops were held with the line organisation with a cross-functional approach to identify potential physical risks, transition risks and opportunities. Sveaskog's Group Management and Board of Directors were then tasked with analysing whether the organisation's strategy and goals are resilient to the changes that risk becoming a reality due to climate change. It is fundamental to Sveaskog's sustainability as a company that we have vital, productive and resilient forests. A changing climate gives forestry the opportunity for

more choices of tree species, but requires that well-adapted seed material is available. Sveaskog has comparative advantages through its own nurseries, where the development of adapted seed is taking place to ensure resilient seedlings adapted to the current and future climate.

Risk management

In 2021, Sveaskog, with the support of Swedish Meteorological and Hydrological Institute (SMHI), identified risks and opportunities based on alternative future scenarios. The main physical risks relate to extreme weather with the potential to create disruption throughout the entire production chain, worsening production conditions and the risk of lost timber values due to an increased risk of storm damage and damage from insects and fungi. Some of the transition risks identified are new directives on the use of lands, changes in end-user demand and a change in the need for seed materials. The magnitude of these is largely determined by how well society manages to limit climate change, but also by Sveaskog's ability to adapt to climate change in the decades ahead. At the same time, a changing climate means opportunities for Sveaskog linked to, above all, possible choices of tree species and a longer vegetation period, resulting in higher growth. The climate effects that bring the greatest risk vary across the country, the analysis has therefore been performed with clear links to climate scenarios with regional climate data.

Indicators and goals

Sveaskog reports its greenhouse gas emissions in scopes 1,2 and 3 in accordance with the Greenhouse Gas Protocol. Scope 1 is direct emissions from the company's own operations, Scope 2 is indirect emissions from electricity, for example, and Scope 3 is indirect emissions that take place outside the boundaries of the business. In 2021, Sveaskog joined the Science Based Targets initiative (SBTi) and has started work to develop a scientifically defined climate goal, a so-called Science Based Target. The sustainable forestry programme has several measures aimed at adapting Sveaskog to a changing climate; read more about these measures on pages 14-25.

Appropriation of profits

The Board of Directors proposes to the Annual General Meeting that the dividend for 2021 be MSEK 1,300 (850), corresponding to SEK 10.98 (7.18) per share.

Proposed appropriation of profits, SEK

Profits available to the Annual General Meeting:

SEK	
Retained earnings	12,398,359,644
Profit for the year	4,044,413,587
Total	16,442,773,231

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

SEK	
Dividend to shareholder	1,300,000,000
Carried forward to the following year	15,142 773,231
Total	16,442,773,231

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 2021 be SEK 1,300,000,000, corresponding to SEK 10.98 per share. The dividend, which comprises 88% of the dividend base, is proposed to take the form of a cash dividend.

Provided that the Annual General Meeting 2022 resolves in accordance with the Board's proposal for appropriation of profits, SEK 15,142,773,231 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 0.12. Sveaskog's adopted target for the net debt/equity ratio is 0.3-0.6. The Group's financial position is therefore strong.

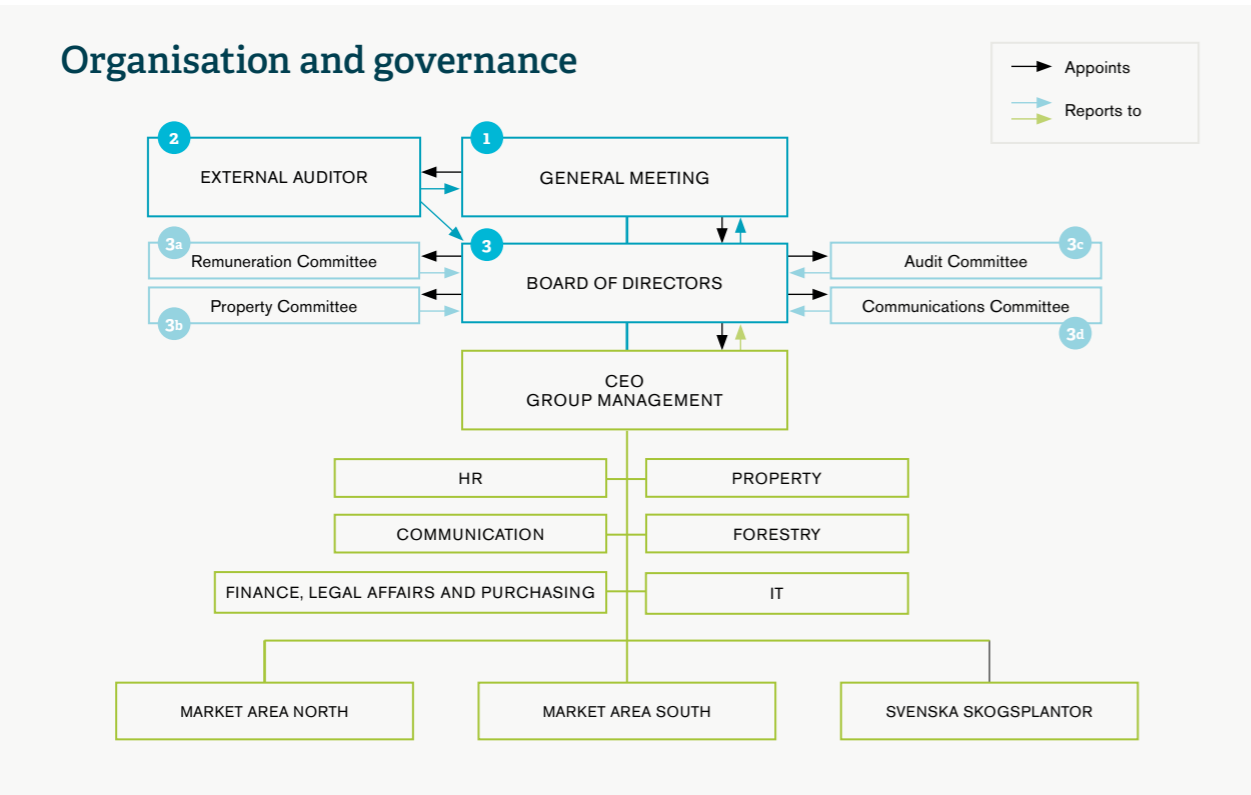
The proposed dividend does not compromise the company's ability to make any necessary investments. The company has financial resources to cope with unexpected events and temporary variations in payment flows to a reasonable extent. The company's financial position does not give rise to any assessment 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 2021.

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

This corporate governance report describes how Sveaskog, based on the company's vision of sustainable forestry, creates effective structures and principles for corporate governance of Sveaskog. Governance of Sveaskog is based on the Swedish Companies Act, the State Ownership Policy and principles for state-owned enterprises 2020, the Swedish Code of Corporate Governance, as well as other applicable Swedish and foreign laws and regulations.



Corporate governance within Sveaskog

Sveaskog AB is a Swedish public limited liability company that is 100% owned by the Swedish state and managed by the Ministry of Enterprise and Innovation. The owner's control of Sveaskog takes place through the General Meeting and the Board of Directors in accordance with the Swedish Companies Act. Sveaskog's corporate governance is based on applicable Swedish and foreign legislation, the State Ownership Policy and principles for state-owned enterprises 2020 and the Swedish Code of Corporate Governance (the Code).

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 principles for state-owned enterprises, Sveaskog has deviated from the Code in four 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.

- Sveaskog does not have an internal audit function independent of management in accordance with Code 7.3. Read more on page 58.

Sveaskog's mission

According to the State 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 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 the end of the year around 27,000 hectares remained available for sale. Operations shall be conducted on a commercial basis and generate a market return. The owner has a clear dividend policy and clear financial targets for Sveaskog regarding direct returns and net debt / equity ratio.

1. General Meeting

The General Meeting is Sveaskog's highest decision-making body. It is at the Annual General Meeting that the shareholder exercises its influence. It is the Annual General Meeting that appoints the Board of Directors and auditors and shall, in accordance with the State Ownership Policy, take place before 30 April each year. Notice of the Annual General Meeting shall be served no earlier than six weeks and no later than four weeks before the meeting through an announcement in Post- och Inrikes Tidningar and on the company's website.

The Board of Directors is responsible for convening a General Meeting. The Board of Directors proposes to the Annual General Meeting guidelines for remuneration to senior executives for a resolution, and reports whether previously adopted guidelines have been followed or not, and the reasons for any deviations. In accordance with the State Ownership Policy and principles for state-owned enterprises 2020 and the Articles of Association, Members of Parliament have the right to attend and ask questions at Sveaskog's general meetings. The meetings are also open to the public.

Annual General Meeting 2021

The Annual General Meeting of the Parent Company Sveaskog AB (publ) took place on 26 April 2021 in Stockholm. Due to the prevailing circumstances with Covid-19, the Annual General Meeting was held digitally, and Members of Parliament and the public were invited. The meeting was opened by Chairman Eva Färnstrand, who was also appointed to chair the meeting. The owner was represented by Christine Leandersson.

Resolutions at the Annual General Meeting 2021

The Annual General Meeting approved the income statement and balance sheet for the financial year 2020 and discharged the Board of Directors and the CEO from liability for the year. The meeting resolved to approve the Board's proposal for the distribution of profits, which entailed a dividend of SEK 850 million to the owner. Guidelines for remuneration to senior executives were confirmed. There was also a resolution on fees to the Chairman of the Board and Board members, as well as auditors. Minutes and other material relating to the Annual General Meeting can be found on Sveaskog's website sveaskog.se.

Annual General Meeting 2022

The 2022 Annual General Meeting will be held on 27 April. Documents for, and minutes from our meetings can be found on Sveaskog's website sveaskog.se

2. External auditor

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. At the Annual General Meeting 2021, it was resolved to elect Deloitte AB as auditors for a one-year period until the Annual General Meeting 2022, with Hans Warén as auditor in charge.

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 by the elected auditor, who confirms the report together with the sustainability auditor responsible. Furthermore, a limited assurance engagement of the Group's interim report as of Q3 is performed by elected auditors. 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 Group Management being present. The auditors have participated in eight of the Audit Committee's nine meetings (one of these meetings was a meeting held per capsulam, which the auditors did not attend). The practical work of procurement of auditors is handled by the Board's Audit Committee together with the company and owner. During the autumn of 2021, a procurement process took place for auditors prior to the 2022 Annual General Meeting.

Remuneration of auditors is described in Note 6.

3. Board of Directors

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs, and for ensuring that it is managed in an exemplary manner within the framework provided by the legislation, the company's Articles of Association, the State Ownership Policy and principles for state-owned enterprises 2020 and any additional owner instructions.

Nomination process

The State Ownership Policy and principles for state-owned enterprises 2020 sets out a different nomination process than that prescribed in the Code in respect of the Board of Directors and auditors. The nomination of the Board of Directors is coordinated by the unit for state-owned enterprises at the Ministry of Enterprise and Industry. They also submit a proposal for the Chairman of the Board and chairman of the general meetings. A uniform and structured work method ensures quality throughout the nomination process. A working party analyses competence needs based on the company's operations, situation and future challenges, as well as the composition of the Board of Directors. Any possible recruitment needs are then determined. The owner's expectation of diversity in the Board of Directors in accordance with the ownership policy is also taken into account. When the process has been completed, nominations made are published in accordance with the Code. The nominations of members are also presented in the notice of the Annual General Meeting and on Sveaskog's website sveaskog.se.

Composition of the Board of Directors

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.

At the Annual General Meeting 2021, Eva Färnstrand (re-election), Marie Berglund (re-election), Johan Kuylénstierna (re-election), Kerstin Lindberg Göransson (re-election), Christina Lindbäck (re-election), Leif Ljungqvist (re-election), Elisabet Salander Björklund (re-election) and Sven Wird (re-election) were elected, which means that after the Annual General Meeting the Board of Directors consists of five women and three men. The Board also includes two employee representatives with two deputies. Eva Färnstrand was also re-elected as chairman. Kerstin Lindberg Göransson was elected deputy chairman. The Annual General Meeting confirmed that the Board of Directors has the relevant competence and background for the company's governance and that the Board as a whole has experience in important areas for the company such as corporate governance,

the forestry industry, sustainability, company management, change and development work and financial competence.

Work of the Board of Directors

The work of the Board is governed by the Board's formal work plan. This stipulates how the work is to be distributed among the members of the Board of Directors, the number of ordinary Board meetings, matters to be dealt with at ordinary Board meetings and the responsibilities of the Chairman of the Board. The Chairman of the Board shall ensure that the work of the Board is conducted efficiently and that the Board fulfils its obligations. At each Board meeting during the year, the CEO reports on significant events in the company, and the chairman of each committee reports on the committee meetings that have been held between Board meetings. 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 of 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 ten meetings in 2021, and two Board meetings per capsulam. In addition to dealing with permanent items on the agenda, the Board of Directors dealt with issues regarding the company's strategic direction, the sustainable forestry programme, insect infestations and other damage to the forest, the relationship with the reindeer industry and other stakeholders and the governmental forest inquiry. The Board also made decisions on a number of acquisitions and sales of properties. In order to inform and update the members about the company's operations, certain Board meetings are usually held at different locations in the company's operations, and are combined with meetings with management and employees on site. During the year, the Board visited the ecopark in Färna.

Board committees

The Board of Directors has set up committees with the aim of specifically monitoring and preparing Board issues within the committees' respective focus areas. The members of the committee are elected at the Board meeting held immediately after the Annual General Meeting. Representatives from the business such as CEO, CFO, Head of HR, Head of Communications and Head of Property can participate as rapporteur at a committee meeting. Guidelines for the work of the committees can be found in the Board's formal work plan. There are also special instructions for the Property, Audit and Remuneration Committees. The issues dealt with by the committees are minuted and reported at the next Board meeting.

3a. Remuneration Committee

Prepares issues including those relating to remuneration and terms of employment of senior executives, and also works with issues such as attracting and retaining talent and succession planning. In 2021, issues were prepared in the area of work to guarantee employee safety at work, as the company's employees are exposed to threats and harassment when working in the forest work, mainly in the north. The Remuneration Committee consisted of Eva Färnstrand (Chairman), Marie Berglund, Leif Ljungqvist and Christina Lindbäck.

3b. Property Committee

Prepares issues relating to, among other things, property transactions and property management. In 2021, the committee worked on issues including property strategies, goals and ambitions for property acquisitions and the costing model for property acquisitions. The Property Committee consisted of Sven Wird (Chairman), Elisabet Salander Björklund, Johan Kuylenstierna and Sara Östh.

3c. Audit Committee

Prepares issues relating to, among other things, the Board's work on quality assurance of the company's financial reporting, the preparation of quarterly reports for decisions by the Board of Directors, monitoring the effectiveness of the company's internal control and risk management with regard to financial reporting, monitoring the company's work on capital structure and other financial issues, preparing policies for decisions by the Board of Directors and preparing the Board's proposal for the Annual General Meeting's resolution on the election of an auditor. The committee meets with the company's auditors on an ongoing basis to inform themselves about the direction, scope and results of the audit, and discusses coordination between the external auditors and the internal control activities and the view of the company's risks. The Audit Committee consisted of Kerstin Lindberg Göransson (Chairman), Leif Ljungqvist, Eva Färnstrand and Kenneth Andersson. In 2021, there was a special focus on internal governance and control, as well as information security.

3d. Communications Committee

The Communications Committee is a temporary committee that handles and prepares issues relating to the company's communication. In 2021, the focus was on the communication strategy and communication of the sustainable forestry programme. The Communications Committee consisted of Eva Färnstrand (Chairman), Marie Berglund, Christina Lindbäck and Leif Ljungqvist.

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 2021, remuneration of the Board of Directors totalled SEK 1,711,998. 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.

Evaluation of the work of the Board and the CEO

The Board of Directors conducts an annual evaluation of the work of the Board and the CEO. The evaluation takes place either internally or externally, with the aim of developing the Board's working methods and efficiency. The results of the evaluation are presented both to the Chairman of the Board and to the Board as a whole. The owner, in the form of the Government Offices of Sweden, is also informed of the results of the evaluation. The work of the Government Offices of Sweden on the nomination process for the Board also involves an ongoing evaluation of the Boards of state-owned enterprises.

Corporate structure

Sveaskog is organised in two geographical market areas and one business area, Svenska Skogsplanter. 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.

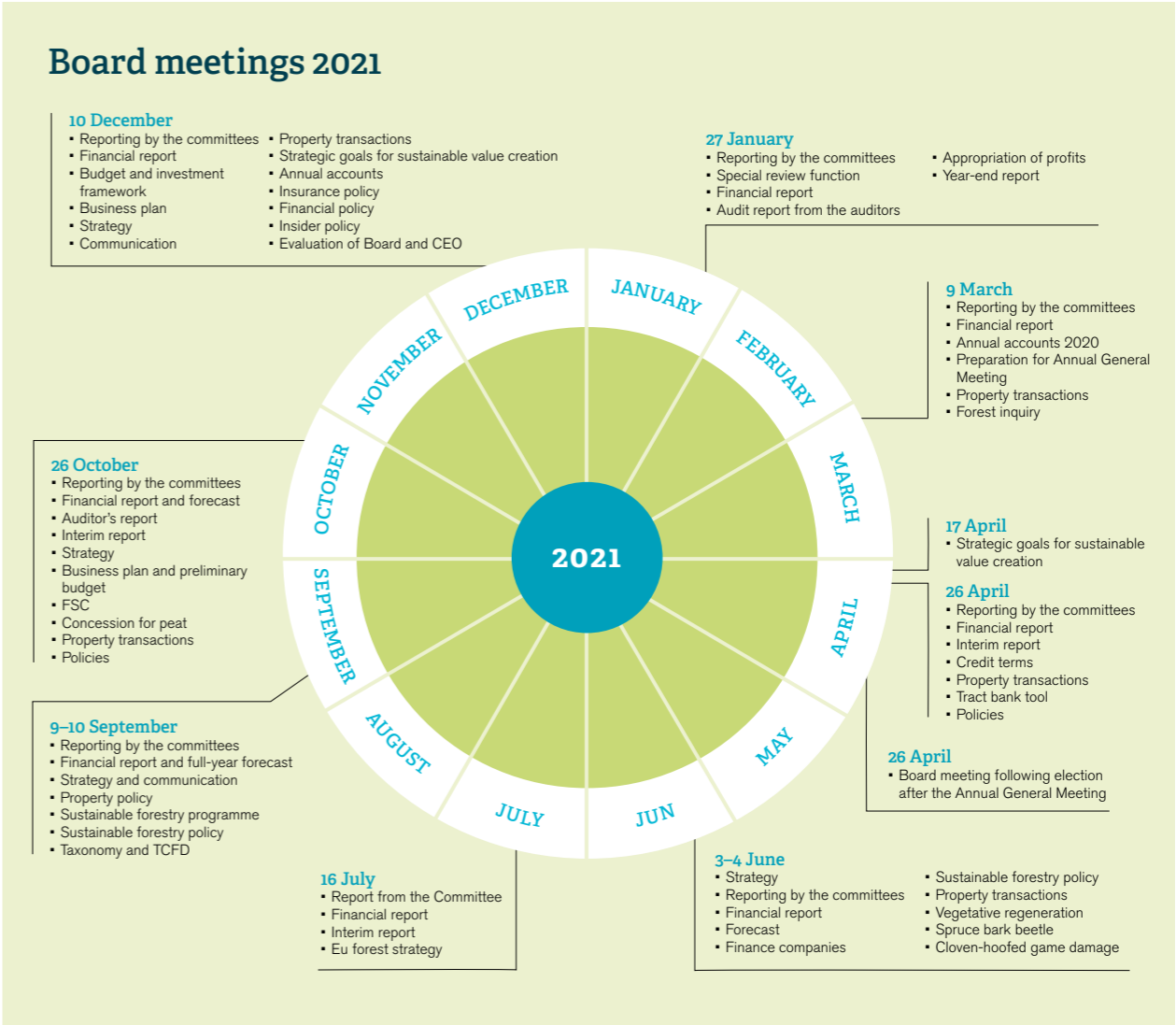
Sveaskog also owns shares in companies where there is no consolidation relationship. The holding in the wood products company Setra Group AB (publ) is the largest holding that is an associated company, followed by SunPine AB.

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 operational issues and leading the work of Group Management. During the first quarter, Hannele Arvonen left her position as CEO, at which point Per Matses was appointed acting CEO. The Board of Directors appointed Erik Brandsma as CEO of

Board attendance at Board and committee Meetings 2021

	Attendance Board Meetings	Attendance Remuneration Committee	Attendance Property Committee	Attendance Audit Committee	Attendance Communications Committee	Remuneration, SEK	
						Board	Committee
Board members							
Eva Färnstrand	14/14	6/6		9/9	6/6	480,000	31,332
Johan Kuylenstierna	14/14		10/10			193,000	40,000
Kerstin Lindberg Göransson	13/14			9/9	2/6	193,000	42,666
Leif Ljungqvist	13/14	6/6		9/9	6/6		
Marie Berglund	13/14	5/6			6/6	193,000	10,000
Sven Wird	14/14		10/10			193,000	40,000
Elisabet Salander Björklund	8/14		4/10			131,383	26,667
Christina Lindbäck	8/14	4/6			3/6	131,333	6,667
Employee representatives							
Kenneth Andersson	14/14			9/9			
Lars Djerf	14/14						
Sara Östh	14/14		10/10				
Thomas Esbjörnsson	14/14						



the company during the fourth quarter. Erik Brandsma took up his position in the company on 1 January 2022.

Group Management includes, in addition to the CEO, the CFO, Head of HR, Head of Market Area North, Head of Market Area

South, Head of Business Area Manager for Svenska Skogsplanter, Head of Forest Management, CDO, Head of Forest Policy and Head of Communications. There are ten members of Group Management in total, five women and five men.

Internal control and risk management regarding 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 interim reports, year-end 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 in the company 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 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, timber finance and legal affairs.

Sustainable business

Sveaskog takes an integrated approach to sustainability throughout the organisation. Sveaskog's strategic goals for sustainable value creation are broken down into strategies and business goals 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 takes 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 is carried out against the FSC®- standard and surveys are regularly carried out on customers, employees', contractors and suppliers, as well as on 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 quality goals 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 on Sveaskog's website and provides guaranteed anonymity. The function is external, which means that the information is processed and investigated by an external party. In 2021, two reports were received via the whistle-blower function.

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

To find out more:

State Ownership Policy

www.regeringen.se/regeringens-politik/bolag-med-statligt-agande/sa-styrs-bolagen/

Sveaskog's Articles of Association

www.sveaskog.se/om-sveaskog/bolagsstyrning/bolagsordning/

Sveaskog's Code of Conduct

www.sveaskog.se/om-sveaskog/uppforandekod/

The Swedish Companies Act

www.regeringen.se

The Swedish Corporate Governance Code

www.bolagsstyrning.se/

Nasdaq Stockholm's Issuer Rules

www.business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-stockholm/index.html

MESSAGE FROM THE CHAIRMAN

Climate adaptation provides biodiversity, value growth and increased timber extraction!



Eva Färnstrand,
Chairman of the
Board.

2021 was a transformative year for Sveaskog, with the presentation of a new strategy and a new CEO, Per Matses. The wide-ranging work undertaken throughout the company in 2020 resulted in spring 2021 in the development of a new business plan, and a new strategy and a sustainable forestry programme were presented to the public in April.

The new strategy is partly based on a broader external analysis and stakeholder dialogue, and partly on a broader internal involvement than before. The strategy refers to the revised ownership policy for state-owned enterprises, which gives all companies a responsibility to contribute to the achievement of national and international environmental and climate goals.

Through its new strategy, Sveaskog has fundamentally changed its approach, no longer seeing a conflict of objectives between the high level of timber extraction required for the Swedish forestry industry to deliver export value and a high ambition to strengthen biodiversity on the forest land. One major reason for our movement is the ongoing climate change, with both the temperature increases and the occurrence and intensity of extreme weather conditions.

In recent years, forestry has experienced drought, fire, insect and fungal infestations, storms, heavy rainfall and serious grazing damage. Although in some respects we have escaped more lightly than our colleagues in Central Europe, it has become increasingly clear that climate change is having a seriously negative impact on the forest and all its values. The question is, how do we deal with this new situation?

The solution for Sveaskog is climate adaptation of forestry, which goes hand in hand with enhanced work for increased biodiversity. Some examples of measures that we are implementing are the restoration of depleted wetlands, increased inclusion of deciduous trees in the managed forest, increased and more systematic consideration when felling to facilitate the migration of flora and fauna, setting aside really old, multi-layered forests and trials of so-called selective felling where appropriate. The idea is, of course, to use these measures to increase resilience to attacks in the forest and to strengthen the forest's immune system.

Sveaskog has long had a goal to set aside 20 per cent of productive forest, that with the highest conservation values. We have such set-asides in ecoparks, reserves, high conservation value forests and consideration in the managed forests. The European Commission, on the other hand, calculates the total forest land with a goal/ambition of setting aside a total of 30 per cent, of which 10 per cent is strictly protected. If Sveaskog reports in this way, the proportions at present are 7 per cent formally protected and a total of just over 28 per cent protected forest land including impediments. The goal for Sveaskog is 30 per cent total protected forest land, of which 10 per cent has formal protection.

If the set-asides for nature conservation increase and the coniferous forest is mixed with 10 per cent deciduous trees, how will timber extraction be affected? Sveaskog's fundamental mission is to supply timber and other wood-

based raw materials to Swedish industry, which is an important part of the backbone of Sweden's economy and welfare.

Of course, Sveaskog works intensively and sustainably for increased growth in the forest. Growth is required for the carbon sequestration in wood to provide a strong carbon sink, and to maintain and then increase timber extraction. New forests must be planned for a warmer climate. This requires climate-adapted plants with a high growth rate and good resistance to infestation. Optimal plant selection, followed by cleaning and thinning carried out in ways that increasingly promote growth.

New approaches can be difficult to implement. Sveaskog's new long-term focus on sustainable forestry has therefore been broken down into 12 points, with associated goals, a precise follow-up model and a separate cost budget, so that the constant efforts to ensure efficiency and productivity do not cause obstacles or create internal contradictions. Of course, implementation still brings many challenges, and many different competences have to collaborate for intentions to be realised.

There are other challenges, too. The increase in temperature has contributed to increased difficulties for reindeer husbandry, as it is becoming increasingly difficult for reindeer to find their main food, reindeer moss. Current legislation and certification rules are based on coexistence between the reindeer industry and forestry. The climate in discussions has been strained at times, but major efforts have been made on both sides to improve the dialogue. Of course, Sveaskog's sustainable forestry also includes relations with the reindeer industry and its representatives, and we are striving to achieve a good, insightful dialogue based on mutual understanding, knowledge and respect.

During the year, Sveaskog's Board of Directors has been working actively to both develop and launch the long-term focus and the sustainable forestry programme, and also to follow up on it. The Board's other focus areas during the year have been work on the taxonomy and TCFD, and how it will be implemented.

Finally, after thirteen years on Sveaskog's Board of Directors and five years as Chairman, I will be passing the baton at the Annual General Meeting in April. It feels like a good time for me, as Sveaskog has embarked on a path in which I have a lot of faith, and there is a very competent management team led by new CEO Erik Brandsma and an experienced Board of Directors in place. I am extremely grateful for everything I have learned during these years and for having had the chance to get to know so many extremely knowledgeable and experienced people in the company and on the Board. Discussions have always been constructive, even when opinions have diverged, and we have always been able to reach a consensus on what is best for Sveaskog. Thank you for this cooperation and good luck for the future!

Stockholm, March 2022

Eva Färnstrand, Chairman of the Board

Board of Directors



Eva Färnstrand

Chairman of the Board, Chairman of the Remuneration Committee, member of the Audit Committee and the Communications Committee

MSc in Engineering. Born in 1951. Elected in 2008 and Chairman since 2017.

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

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



Kerstin Lindberg Göransson

Director, Deputy Chairman, Chairman of the Audit Committee, member of the Communications Committee

MSc Business and Economics. Born in 1956. Elected in 2019.

Other assignments: Member of Hemnet Group AB, Alecta Fastigheter AB and Sophiahemmet ideell förening. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Formerly CEO of Akademiska Hus, Airport Director at 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, Strömma Sjöfarts och Turism AB, Grand Hotel AB, OEM AB and Swegon AB.



Kenneth Andersson

Director, member of the Audit Committee

Machine operator. Born in 1969. Elected in 2017. Employee representative.



Marie Berglund

Director, member of the Remuneration Committee and the Communications Committee

MSc in Biology. Born in 1958. Elected in 2019.

Other assignments: Raw Material Manager and Sustainability Coordinator at NCC Industry AB until August 2021, 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, Boliden AB, 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.



Lars Djärv

Substitute

Machine operator. Born in 1968. Elected in 2013. Employee representative.



Thomas Esbjörnsson

Deputy

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



Johan Kuylenstierna

Director, member of the Property Committee

Ph. Lic. Physical Geography. Born in 1965. Elected in 2019.

Other assignments: Adjunct professor, Adviser to the Vice-Chancellor for Sustainable Development and honorary doctorate at Stockholm University. 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, Mistra 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.



Christina Lindbäck

Director, member of the Communications Committee and the Remuneration Committee

LLM. Stockholm University. Born 1963. Elected in 2021.

Other assignments: CEO of own consulting company Hållbar rådgivning Lindbäck&CO AB, board assignments for Fasadgruppen AB, IQ Samhällsbyggnad, Skogsfond Baltics AB, Axfoundation and Stockholms Byggnadsförening, Resize Design AB.

Previous experience: Sustainability Manager NCC Group, Environment and Quality Manager Ragn Sells Group, Ministry Councilor Ministry of the Environment, Member of the Royal Swedish Academy of Engineering Sciences (IVA).



Leif Ljungqvist

Director, member of the Remuneration Committee, the Communications Committee and the Audit Committee

MSc Business and Economics. Born in 1971. Elected in 2016.

Other assignments: Company Managers and Deputy Directors of the Ministry of Enterprise and Innovation's unit for state-owned enterprises. Board member of Samhall AB and Teracom AB.

Previous experience: Board member of Apoteket 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.



Elisabet Salander Björklund

Director, member of the Property Committee

MSc Forestry. Born 1958, elected in 2021.

Other assignments: Board member at AB Karl Hedin, Arevo AB, Gasum Oy, Firefly AB and Marcus Wallenberg Prize Foundation. Member of the Royal Swedish Academy of Agriculture and Forestry (KSLA) and the Royal Swedish Academy of Engineering Sciences (IVA).

Previous experience: CEO of Bergvik Skog AB, senior positions at Stora Enso, and several positions with responsibility for areas including timber sales within Domänverket, later AssiDoma.



Sven Wird

Director, Chairman of the Property Committee

MSc in Engineering. Born in 1951. Elected in 2016.

Other assignments: Chairman of Nordiska Virkesbörsen AB. Board member of Rise Research Institutes of Sweden AB, Setra 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, member of the Property Committee

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

Auditor

The auditor is audit firm Deloitte AB with Hans Wärén, born 1964, as Auditor in charge. Deloitte AB's address is Rehnsgatan 11, 113 79, SE-113 79 Stockholm.

Management



Erik Brandsma
CEO

Forest engineer. Born in 1964. Employed since 2022. Assumed current position in 2022.

Previous experience: CEO of Jämtkraft AB, Director General at the Swedish Energy Agency, Head of Sustainability/CSR at Vattenfall AB, Chief Sustainability Officer at EON AG in Germany, Managing Partner at Sustain AB, Senior Advisor at Environmental Resources Management in London and Stockholm, Task Manager at the Commission for Sustainable Development in New York, Advisor Directors Office at Environment Directorate OECD in Paris, Administrator at Directorate in Strategic Planning Ministry for Environment and Spatial Planning, Netherlands.

Other assignments: Chairman of Scandem Market AB, Board member at Development Cluster Energi AB and Board member and CEO of Eldbrand 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). Board member of Karlstad University and Gävle University.

Other assignments: Board member of Skogshistoriska sällskapet.



Helene Bergström
Head of Svenska Skogsplantor

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.



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, CFO of Enaco AB, Business Controller at Coor Service Management AB, CFO of Skanska Guest Relocation AB.

Other assignments: Chairman of Sveaskog Försäkrings AB, Board member at Sveaskog Finans AB, Board member at Hjälmare Kanal AB.



Patrik Karlsson
Chief Digital Officer

CDP MSc Business and Economics and systems analyst. Born 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 Caggemini and Tre.

Other assignments: Board member of Biometria.



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 at Sveaskog Baltfor, Board member at ShoreLink and Chairman of the Forestry Professional Committee/SYN.



Anette Waara
Head of Market Area North

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

Previous experience: Head of Profit Area and Head of Production Västerbotten and Environmental Manager Sveaskog. Field assistant Holmen Skog.

Other assignments: Board member of the National Property Board of Sweden.



Niclas Brantingson
Head of Communications (acting)

Journalist. Born 1973. Employed since 2019. Assumed current position in 2020.

Previous experience: Press Officer at Sveaskog, Communications Manager/Press Officer at Preem, Communications Manager/Press Officer at Peab, Press Officer at Christian Democrats, journalist at publications including Katrineholms-Kuriren, Karlskoga Tidning and own business.



Olof Johansson
Head of Forest Policy

Biologist. Born 1958. Employed since 1988. Assumed current position in 2019.

Previous experience: Conservation Specialist at Domänverket och DomänSkog AB, Conservation Manager at AssiDomän AB, Head of Environment and Sustainability at Sveaskog, Head of Forest Management at Sveaskog.

Other assignments: Chairman of Sveaskog Timber AB, Board member of EUSTAFOR, Board member of Forest Trends, Chairman of SIS/TK 526 - Sustainability criteria for bioenergy.

Other persons who were involved in Sveaskog's Group Management during 2021:

Hannele Arvonen, President and CEO.
Per Matses, President and CEO.

Sustainability Report

Sveaskog publishes a Sustainability Report in accordance with the Swedish Annual Accounts Act 6:11 which is separate from the formal annual report but integrated in the annual and sustainability report document. 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 page 15, 26-27	Working environment and gender equality, page 41	Decent work, page 41, new contractor strategy, page 40	Human rights and anti-corruption, page 41, Corporate Governance Report, pages 54-55 and Code of Conduct, sveaskog.se	Human rights and anti-corruption page 41, Corporate Governance Report pages 54-55, Guidelines on bribery, gifts and entertainment and Code of Conduct, sveaskog.se
Policy outcomes	The Sustainability Report must describe the outcomes of the policy	This is described on pages 26-27	Working environment and gender equality, pages 9, 41, 114–115	Creating a sustainable value chain, page 40	Human rights and anti-corruption, page 41, Corporate Governance Report, pages 54-55 and Code of Conduct, sveaskog.se	Human rights and anti-corruption, page 41, Corporate Governance Report, pages 54-55 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 business, 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 48, 52	Risk and sensitivity analysis, operational and legal risks, page 50	Risk and sensitivity analysis, social risks, pages 50-51	Risk and sensitivity analysis, social risks, pages 50-51	Risk and sensitivity analysis, social risks, pages 50-51
Risk management	The Sustainability Report must describe how the Company manages the risks	Risk and sensitivity analysis, weather, climate and environmental risks, pages 48, 52	Risk and sensitivity analysis, operational and legal risks, page 50	Risk and sensitivity analysis, social risks, pages 50-51	Risk and sensitivity analysis, social risks, pages 50-51	Risk and sensitivity analysis, social risks, pages 50-51
Performance indicators ¹	The Sustainability Report must describe key performance indicators relevant to the business	Biodiversity and nature conservation, page 8	Sickness absence and occupational injuries, pages 114-115	Evaluation of contractors, pages 8-9, 40	Values and anti-discriminatory practice, page 115	There was one whistleblowing case raised in 2021 concerning corruption via sveaskog.se. An external investigation was conducted, with the result that there was nothing to indicate that there was or had been any corruption in the way alleged in the whistleblowing case.
Reporting in accordance with Article 8 of the Taxonomy Regulation	Assessment of compliance with the regulation and accounting principles can be found on page 65.					

EU taxonomy for sustainable finance

Assessment of compliance with the Regulation

Sveaskog has conducted a review of activities within sector 1. Forestry in accordance with the EU taxonomy on sustainable finance and has concluded that 1.3 Forest Management is the activity that is found within the company's operations. In autumn 2021, a mapping exercise was conducted of Sveaskog's operations against the technical examination criteria found in activity 1.3 Forest Management.

Only internal forestry operations are considered to be covered by 1.3 Forest Management. This means that external business operations such as purchases from private landowners, purchases from other forestry companies and imports are excluded.

Accounting principles

In assessing what should be included in Sveaskog's reporting for 2021, the starting point was what in the business operation may be considered to be associated with 1.3 Forest Management. The starting point is income and expenses in accordance with external reporting, which includes all business operations. From there, those parts have been excluded which, in our assessment, are not part of the taxonomy and are not included in those elements that form part of it. With regard to net sales, we have assumed the net sales of the income statement, which for the year 2021 is SEK 6,920 million and for costs we have assumed the total costs of the income statement, ie. a total of SEK 5,954 million. This has excluded the parts that in our opinion are not included in the taxonomy through minus external timber transactions, minus transport costs, minus expenses for nature tourism, minus marketing expenses, minus expenses for administration, logistics and market organization, minus expenses for support units other than support unit forestry minus stock changes and depreciation. Costs included in the taxonomy account are then a total of SEK 2,217 million. These costs consist of raw materials and supplies, chang-

es in inventories, other external costs, personnel costs and depreciation.

Historically, in forest management, most expenses incurred in the business operation have been recognised as operating expenses, although from an external perspective some of these expenses may be viewed as investments. Examples of this include new construction of roads and forest management measures in the form of ground preparation and seedlings, as well as planting. All expenses included in the accounts are considered by us to be operating expenses and are therefore recognised in full as expenses. No element of the expenses is considered by us to constitute capital expenditure.

The accounting of the taxonomy includes income and expenses associated with the part in which we carry out our own plant production operation. For our plant production of forest plants, the internal cost of production is excluded. Apart from this, all net sales and all operating expenses are included.

Net sales

Numerator: Total income (see page 66: Net sales) minus external timber procurement, minus income from timber transport, minus income from wind power, commercial gravel pits and peatlands.

_____ Divided by _____

Denominator; Total income (see page 66: Net sales)

Operating expenses

Numerator; Total operating expenses minus transport expenses, minus expenses for nature tourism, minus marketing expenses, expenses for the administrative, logistics and marketing organisation, minus changes in inventories and depreciation/amortisation.

_____ Divided by _____

Denominator: Total operating expenses

	Total (MSEK)	Percentage of financial activities covered by the taxonomy (%)	Percentage of financial activities not covered by the taxonomy (%)
Net sales	6,920	55%	45%
Operating expenses	5,954	37%	63%
Capital expenditure	0	n/a	n/a

Five year summary¹

	2021	2020	2019	2018	2017
Income statements, MSEK					
Net sales	6,920	6,597	7,209	6,971	6,206
Other operating income	140	101	109	160	205
Operating expenses	-5,572	-5,429	-5,690	-5,624	-5,082
Depreciation/amortisation and impairment	-147	-149	-145	-85	-81
Operating profit from continuing operations	1,341	1,120	1,483	1,422	1,248
Capital gains on property disposals	30	163	185	234	321
Share of profit/loss of associates	667	57	26	156	108
Operating profit before change in value of forest assets	2,038	1,340	1,694	1,812	1,677
Change in value of forest assets	-196	12,481	399	1,697	200
Operating profit	1,842	13,821	2,093	3,509	1,877
Net financial income/expense	-133	-153	-130	-143	-133
Profit before tax	1,709	13,668	1,963	3,366	1,744
Tax	-215	-2,801	-405	-195	-360
Profit for the year	1,494	10,867	1,558	3,171	1,384
Statement of comprehensive income for the year, MSEK					
Profit for the year	1,494	10,867	1,558	3,171	1,384
Total other comprehensive income after tax	2,379	26,152	-29	26	29
Total comprehensive income for the year	3,873	37,019	1,529	3,197	1,413
Balance sheets, MSEK					
Non-current assets, non-interest-bearing	87,751	84,149	38,164	37,498	35,704
Non-current receivables, interest-bearing	5	5	4	3	5
Inventories	690	708	576	570	540
Current receivables, non-interest-bearing	1,821	1,878	1,691	1,868	1,662
Cash and cash equivalents and interest-bearing receivables	1,171	1,231	1,114	847	1,681
Total assets	91,438	87,971	41,549	40,786	39,592
Equity	62,516	59,493	23,574	23,145	20,816
Non-interest-bearing liabilities	20,308	19,629	9,708	9,776	9,685
Interest-bearing liabilities	8,614	8,849	8,267	7,865	9,091
Total equity and liabilities	91,438	87,971	41,549	40,786	39,592
Operating capital	69,920	67,178	30,736	30,314	28,316
Cash flow					
Cash flow from operating activities	1,033	623	1,108	921	778
Cash flow from investing activities	-21	72	16	334	502
Cash flow from financing activities	-1,072	-578	-857	-2,089	-669
Cash flow for the year	-60	117	267	-834	611
Net interest-bearing debt	7,438	7,613	7,149	7,014	7,410
Performance measures					
Dividend yield, % ²	2.9	2.4	4.9	5.4	4.8
Net debt/equity ratio, multiple ²	0.12	0.13	0.30	0.30	0.36
Operating margin, %	27	209	29	50	30
Gross margin, %	19	211	31	49	30
Return on operating capital, %	2.7	28.2	6.8	12.0	6.6
Return on equity, %	2.4	26.2	6.7	14.4	6.7
Capital turnover rate, multiple	0.10	0.13	0.24	0.24	0.22
Interest coverage ratio, multiple	15.1	7.6	11.6	11.0	10.0
Equity ratio,%	68	68	57	57	53
Dividend					
Total approved dividend, MSEK ²	1,300 ³⁾	850	1,100	1,100	900
Investments, MSEK					
Business acquisitions and investments in shares	6	7	5	1	1
Other investments	230	264	445	237	219
Staff					
Number of employees	711	713	682	682	685
Average number of employees	825	827	807	840	846
Expensed salaries and other remuneration, MSEK	409	398	385	379	386

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 121-123.

2) The lower dividend yield and net debt/equity ratio are primarily due to a new accounting method for valuing forest assets. The goals are decided over time. Sveaskog's financial owner goal was adopted at the AGM in April 2014.

3) The figure for 2021 is the proposed dividend.

Consolidated income statement

MSEK	Note	2021	2020
Net sales	Notes 4, 7	6,920	6,597
Other operating income	Note 5	140	101
Raw materials and consumables		-2,130	-1,976
Change in inventories		101	128
Other external expenses	Notes 6, 7	-2,944	-2,990
Staff costs	Note 8	-599	-591
Depreciation/amortisation and impairment	Notes 7, 9	-147	-149
Operating profit from continuing operations		1,341	1,120
Capital gains on property disposals	Note 14	30	163
Share of profit/loss of associates	Note 16	667	57
Operating profit before change in value of forest assets		2,038	1,340
Change in value of forest assets	Note 14	-196	12,481
Operating profit		1,842	13,821
Financial income	Note 10	0	2
Financial expenses	Note 10	-133	-155
Net financial income/expense		-133	-153
Profit before tax		1,709	13,668
Tax	Note 11	-215	-2,801
Profit for the year		1,494	10,867
Earnings per share			
– undiluted, SEK		12.62	91.78
– diluted, SEK		12.62	91.78

Statement of comprehensive income

MSEK	2021	2020
Profit for the year	1,494	10,867
Other comprehensive income		
Components that will not be reversed in profit or loss		
Change in value in land assets	2,957	32,949
Tax on change in value in land assets	-600	-6,797
Actuarial gains/losses relating to pensions	7	-10
Tax on actuarial gains/losses	-1	2
Components that may be reversed in profit or loss		
Exchange differences	1	-2
Other comprehensive income from associates	-15	14
Tax on other comprehensive income from associates	4	-3
Cash flow hedges	33	-1
Tax attributable to cash flow hedges	-7	0
Total other comprehensive income for the year, net after tax	2,379	26,152
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,873	37,019

Consolidated balance sheet

MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	Note 13	165	164
Right-of-use assets	Note 7	153	163
Forest assets	Note 14	85,430	82,430
–of which land assets (Note 3)		38,708	35,709
–of which biological assets (Notes 2, 3)		46,722	46,721
Other property, plant and equipment	Note 15	588	597
Non-current financial assets			
–Interests in associates	Note 16	1,401	768
–Other securities held as non-current assets	Note 16	10	16
–Non-current receivables	Note 17	5	5
Deferred tax assets	Note 11	4	11
Total non-current assets		87,756	84,154
Current assets			
Stock	Note 18	690	708
Contract assets		20	14
Advance payments to suppliers		244	187
Tax assets		101	38
Trade receivables, loan receivables and other receivables	Note 19	1,456	1,639
Cash and cash equivalents	Note 21	1,171	1,231
Total current assets		3,682	3,817
TOTAL ASSETS		91,438	87,971
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 20	118	118
Reserves		28,498	–25,534
Retained earnings		33,900	–33,841
Total equity		62,516	59,493
Non-current liabilities			
Interest-bearing non-current liabilities	Notes 21, 26	5,534	5,849
Provisions for pensions	Note 22	305	353
Other provisions for pensions and similar obligations	Note 22	10	11
Non-current liabilities		6	6
Other provisions	Note 24	380	352
Deferred tax liabilities	Note 11	18,343	17,728
Total non-current liabilities		24,578	24,299
Current liabilities			
Current interesting-bearing liabilities and provisions			
Contract liabilities	Notes 21, 22, 26	2,765	2,636
Tax liabilities		0	1
Trade payables, other liabilities and provisions	Notes 23, 24	1,512	1,432
Total current liabilities		4,344	4,179
Total liabilities		28,922	28,478
TOTAL EQUITY AND LIABILITIES		91,438	87,971

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
Opening equity 1 January 2020						
	118	0	–32	–3	23,491	23,574
Comprehensive income						
Profit for the year	–	–	–	–	10,867	10,867
Other comprehensive income						
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
Total comprehensive income	0	26,152	12	–4	10,859	37,019
Dividend paid according to Annual General Meeting resolution 24 April 2020	–	–	–	–	–1,100	–1,100
CLOSING EQUITY 31 DECEMBER 2020	118	26,152	–20	–7	33,250	59,493
Opening equity 1 January 2021						
	118	26,152	–20	–7	33,250	59,493
Comprehensive income						
Profit for the year	–	–	–	–	1,494	1,494
Other comprehensive income						
Change in value in land assets	–	2,957	–	–	–	2,957
Tax on change in value in land assets	–	–600	–	–	–	–600
Actuarial gains/losses relating to pensions	–	–	–	–	7	7
Tax on actuarial gains/losses	–	–	–	–	–1	–1
Other comprehensive income from associates	–	–	–19	4	0	–15
Tax on other comprehensive income from associates	–	–	4	–	0	4
Cash flow hedges	–	–	33	–	–	33
Tax attributable to cash flow hedges	–	–	–7	–	–	–7
Translation differences relating to translation of foreign operations	–	–	–	1	–	1
Total comprehensive income	0	2,357	11	5	1,500	3,873
Dividend paid according to Annual General Meeting resolution 26 April 2021	–	–	–	–	–850	–850
CLOSING EQUITY 31 DECEMBER 2021	118	28,509	–9	–2	33,900	62,516

Consolidated cash flow statement

MSEK	Note	2021	2020
Operating activities			
Operating profit		1,842	13,821
Non-cash items	Note 12	-604	-12,653
Interest received, etc.		0	2
Interest paid		-140	-138
Tax paid		-306	-163
Cash flow from operating activities before changes in working capital		792	869
Change in working capital:			
– Operating receivables		120	–184
– Inventories		–8	–107
– Operating liabilities, etc.		129	45
Cash flow from operating activities		1,033	623
Investing activities			
Investments in non-current assets		-230	-264
Investments in shares		–6	-7
Dividends from associates		24	12
Sale of non-current assets		185	331
Sale of shares		7	–
Change in interest-bearing receivables		–1	0
Cash flow from investing activities		-21	72
Cash flow from investing activities			
Change in equity:			
– Dividend		-850	-1,100
Change in interest-bearing liabilities:			
– Borrowings		5,950	9,285
– Repayment of loans		-6,172	-8,763
Cash flow from financing activities		-1,072	–578
CASH FLOW FOR THE YEAR		–60	117
Cash and cash equivalents at the beginning of the year	Note 21	1,231	1,114
Cash and cash equivalents at the end of the year	Note 21	1,171	1,231

Parent Company’s income statement

MSEK	Note	2021	2020
Operating income			
Net sales	Notes 4, 7	40	15
Other operating income	Note 5	13	86
		53	101
Operating expenses			
Other external costs	Note 6, 7	0	0
Personnel costs	Note 8	–2	–2
Depreciation/amortisation according to plan	Note 9	–1	–1
Total expenses		–3	–3
Operating profit		50	98
Profit/loss from financial items	Note 10		
Other financial income		4,016	8,018
Other financial expenses		–279	–349
Net financial income/expense		3,737	7,669
Profit/loss before appropriations and tax		3,787	7,767
Group contributions received		380	400
Group contributions provided		–1	–1
Provisions to untaxed reserves		-75	-87
Profit before tax		4,091	8,079
Tax	Note 11	-46	-56
PROFIT FOR THE YEAR¹		4,045	8,023
Proposed dividend per share, SEK (2020 approved dividend per share)		10.98	7,18

¹Same as Total comprehensive income for the year.

Parent Company’s balance sheet

MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Tangible non-current assets	Note 15		
Forest properties		29	29
Buildings, other land and land improvements		9	11
Total property, plant and equipment		38	40
Non-current financial assets			
Shares and participations	Note 16	24,934	24,934
Receivables from Group companies, interest-bearing	Notes 3, 17	800	1,200
Total non-current financial assets		25,734	26,134
Total non-current assets		25,772	26,174
Current assets			
Current receivables			
Receivables from Group companies	Note 3, 19	4,382	8,403
Tax assets		45	37
Other receivables	Note 19	23	164
Receivables from Group companies, interest-bearing	Notes 3, 19	429	489
Cash and cash equivalents	Note 21	0	0
Total current assets		4,879	9,093
TOTAL ASSETS		30,651	35,267
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		118	118
Statutory reserve		24	24
Total restricted equity		142	142
Unrestricted equity			
Retained earnings		12,398	5,225
Profit for the year		4,045	8,023
Total unrestricted equity		16,443	13,248
Total equity		16,585	13,390
Untaxed reserves			
Tax allocation reserve		232	157
Total untaxed reserves		232	157
Non-current liabilities			
Interest-bearing non-current liabilities	Note 21	5,432	5,732
Total non-current liabilities		5,432	5,732
Current liabilities			
Liabilities to Group companies, interest-bearing	Notes 3, 21	5,653	13,287
Other liabilities, interest-bearing	Note 21	2,650	2,549
Liabilities to Group companies	Note 3, 23	1	1
Tax liabilities		60	101
Other liabilities	Note 23	38	50
Total current liabilities		8,402	15,988
TOTAL EQUITY AND LIABILITIES		30,651	35,267

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

Parent Company’s statement of changes in equity

MSEK	Share capital¹	Statutory reserve	Unrestricted equity	Total
Equity 1 January 2020	118	24	6,325	6,467
Dividend paid according to Annual General Meeting resolution 24 April 2020	–	–	–1,100	–1,100
Profit for the year	–	–	8,023	8,023
Equity 31 December 2020	118	24	13,248	13,390
Equity 1 January 2021	118	24	13,248	13,390
Dividend paid according to Annual General Meeting resolution 26 April 2021	–	–	–850	–850
Profit for the year	–	–	4,045	4,045
CLOSING EQUITY 31 DECEMBER 2021	118	24	16,443	16,585

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

Also see Note 20 Equity.

Cash flow statement, Parent Company

MSEK	Note	2021	2020
Operating activities			
Operating profit		50	98
Non-cash items	Note 12	-12	-85
Interest and dividends received		8,016	19
Interest paid		–286	–339
Tax paid		–96	–37
Cash flow from operating activities before changes in working capital		7,672	–344
Change in working capital			
–Operating receivables		602	–572
–Operating liabilities		–5	0
Cash flow from operating activities		8,269	–916
Investing activities			
Investments in non-current assets		0	0
Sale of non-current assets		15	91
Decrease in interest-bearing receivables		0	500
Cash flow from investing activities		15	591
Financing activities			
Dividend paid		–850	–1,100
Group contributions received		400	377
Group contributions provided		–1	–1
Borrowings		5,950	9,285
Repayment of loans		–13 783	–8,236
Cash flow from financing activities		–8,284	325
CASH FLOW FOR THE YEAR		0	0
Cash and cash equivalents at the beginning of the year	Note 21	0	0
Cash and cash equivalents at the end of the year	Note 21	0	0

Notes

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.

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.

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".

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.

The judgements and estimates that, according to management, are material to recognised amounts in the annual report and where there is a significant risk that future events and new information could alter these judgements and estimates include primarily climate-related risks and insurance compensation. Sveaskog takes climate risks into consideration when preparing financial reports. A changing climate increases the risk of extreme weather such as drought, storms and heavy rainfall. It also results in changes in precipitation, forest fires and increased prevalence of pest that cause harm to forestry. Risks could, for example, result in a raw material that should be used for sawlogs becoming pulpwood instead. Sveaskog's forest holdings are spread across the country, which evens out weather and biological risks over

time, and the company continuously takes these risks into consideration in its business plan and in connection with investment decisions, conducts ongoing impairment testing and also takes measures to reduce risk exposure. In an external inventory, the Swedish Forest Agency has highlighted the problem of damaged forest in northern Sweden, and in 2021 Sveaskog produced its own inventory confirming this. In this year-end report, the company has therefore made a provision of MSEK 47 for damaged forest. See also Note 24 Other provisions. Sveaskog is also broadening its income base and contributing to the development of new products in order to reduce exposure. Sveaskog has its forest holdings insured against damage caused by storm and fire.

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 2021

Amendment to IFRS 4 Insurance Contracts: postponement of IFRS 9
The application of IFRS 9 is being postponed until IFRS 17 Insurance Contracts comes into force until financial years that commence on or after 1 January 2023. This amendment has not had a material impact on Sveaskog.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, Phase 2
This amendment involves a continuation of interest rate benchmark reform in which commonly used benchmark rates (e.g. STIBOR) are replaced by 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 the hedging instrument. Sveaskog is exposed to STIBOR through issues of commercial papers, corporate bonds with STIBOR fixing and through bilateral bank loan agreements. At the turn of the year, outstanding volumes of commercial papers were MSEK 1,250, corporate bonds with STIBOR fixing MSEK 2,130 and bilateral bank loan agreements MSEK 0. Sveaskog monitors the development of alternative risk-free rate for STIBOR. The change has not had any impact on the financial statements.

Amendment to IFRS 16 Leases due to Covid-19: extension of the exemption
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 the extension of the exemption for rental discounts directly associated with Covid-19 and when total lease payments decrease or are materially unchanged, and no other material changes occur in the contract. The exemption has now been extended to apply up to and including 30 June 2022. 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 that the exemption rule applies. Neither the original exemption nor the extension to the exemption has resulted in any impact on the financial statements, as Sveaskog has not received any rental discounts.

New standards and interpretations not yet effective
Amendment to IFRS 3 Business Combinations: updating of reference to Conceptual Framework for Financial Reporting
Amendment to reference to the new framework on the performance framework that came into force on 1 January 2020. The amendment is valid from 1 January 2022 and has no material impact for Sveaskog.

IFRS 16 Leases

NOTE 1 Accounting policies, cont.

IAS 37 Provisions, contingent liabilities and contingent assets: clarification of which expenses are included in an onerous contract
The amendment represents a clarification that the expenses involved in completing a contract relate to expenses directly attributable to the contract and may refer to both additional expenses or an allocation of other expenses in order to fulfil the contract. The amendment takes effect from 1 January 2022.

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). For short-term insurance contracts, and for contracts that fulfil certain conditions, a simplified method may be applied. The standard is expected to have only a marginal, if any, impact on the Group's financial statements when it takes effect. The Swedish Financial Supervisory Authority has submitted a proposal for amendments to its regulations and financial reporting in insurance companies, which assumes that it will not be possible to apply the standard to a legal entity. (Sveaskog Försäkring AB.)

Amendments to IAS 12 — Deferred tax attributable to assets and liabilities arising in connection with an individual transaction
This amendment has the effect that a company shall not apply the exemption from recognising deferred tax attributable to a transaction in which equal amounts of deductible and taxable temporary differences arise, but shall recognise both deferred tax asset and tax liability. Such transactions also include right-of-use assets and lease liabilities recognised under IFRS 16, as well as provisions and assets recognised in connection with restoration obligations. The amendment takes effect from 1 January 2023.

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
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 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.

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.

In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

PARENT COMPANY

Parent Company's accounting policies

The Parent Company's accounting policies below have been applied consistently to all periods presented in the Parent Company's financial statements. The Parent Company applies IFRS 9 in full. The Company has no hedge accounting.

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.

New and amended standards applicable from 1 January 2021
Amendment in RFR 2 in respect of IFRS 16 Leases due to Covid-19: extension of rule on relief

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. This rule on relief rule has also been extended to apply until 30 June 2022. Sveaskog is applying this amendment.

Taxes

The Parent Company does not disclose the deferred tax liability attributable to the untaxed reserves in accordance with RFR 2. These are recognised in the form of the gross amount in the balance sheet and by the gross amount in the income statement.

Group contributions

In accordance with RFR 2 Accounting for Listed legal entities, a company may apply the main rule or the alternative rule for Group contributions. According to the main rule, Group contributions received from subsidiaries must be recognised as financial income, while Group contributions provided from parent companies to subsidiaries are recognised as an increase in participations in Group companies in the parent company. A company that applies the alternative rule recognises Group contributions both received and provided as appropriations.

The Parent Company applies the alternative rule and recognises Group contributions as a appropriations.

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 2021, the company was wholly owned by the Swedish state. The address of Sveaskog's head office is:

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 2021, property transactions with the Swedish Environmental Protection Agency amounted to MSEK 39 (23). The disposals took place at market prices. In addition, Sveaskog has received encroachment compensation in connection with the creation of nature reserves on the company's properties to the value of MSEK 28 (0).

No pledged assets or contingent liabilities have not been issued.

Sveaskog AB's transactions with subsidiaries

No internal property transactions took place in 2021 and 2020.

Sveaskog AB's invoicing to subsidiaries amounted to MSEK 40 (15) in 2021. 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

Sveaskog Förvaltnings AB owns 50% of the shares and votes in Setra Group AB. Sales to Setra Group account for 16% (14) 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 2021 or 2020, neither purchases nor sales. Loading, unloading and timber transport services were purchased from ShoreLink AB during the year to a value of MSEK 5 (6).

NOTE 3 Related-party transactions, cont.

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.

MSEK	Group		Parent company	
	2021	2020	2021	2020
Related party disposals, subsidiaries			40	15
Related party acquisitions, subsidiaries	–	–	–	–
Receivables from related parties, Group companies	–	–	5,611	10,092
Liabilities to related parties, Group companies	–	–	5,654	13,288
Related party disposals, associates	1,076	948	–	–
Related party acquisitions, associates	47	51	–	–
Receivables from related parties, associates	234	198	–	–
Liabilities to related parties, associates	1	5	–	–

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	
	2021	2020	2021	2020
Sawlogs	3,398	3,016	–	–
Pulpwood and woodchips	2,706	2,793	–	–
Biofuel	134	140	–	–
Seedlings	339	301	–	–
Other	170	170	–	–
Total income from contracts with customers	6,747	6,420	0	0
Of which IFRS 15 in net sales	6,743	6,415	–	–
Lease income	177	182	40	15
Total net sales	6,920	6,597	40	15
Of which IFRS 15 in other operating income	4	5	–	–
Capital gains etc.	136	96	13	86
Total other operating income	140	101	13	86
Date of revenue recognition				
Goods and services transferred to customers on a specific date	6,633	6,302	–	–
Services transferred to customers over time	114	118	–	–

Sveaskog has unsatisfied performance obligations for sales contracts with a contract period of more than 12 months of MSEK 9,297 (4,198), of which MSEK 3,016 (1,685) is expected to be earned next year, MSEK 6,172 (2,213) within 2-5 years and MSEK 109 (300) in the following years. 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 is somewhat uncertain since the contracts consist of several delivery contracts where the price is renegotiated each year. Of the unsatisfied performance obligations of MSEK 4,198 reported for last year, MSEK 1,685 was attributable to 2021. In the reporting period, MSEK 1,685 was recognised as revenue.

Net sales by geographic market

The Group's net sales are 98% (97) attributable to Sweden. The Parent Company's net sales are wholly attributable to Sweden.

MSEK	Group		Parent company	
	2021	2020	2021	2020
Revenue by geographic market				
<i>Net sales</i>				
Sweden	6,754	6,410	40	15
Finland	100	144	–	–
Norway	10	10	–	–
Latvia	4	1	–	–
Poland	32	0	–	–
Germany	16	29	–	–
Denmark	0	0		
France	0	0	–	–
Other countries	4	3	–	–
Total	6,920	6,597	40	15

NOTE 4 Revenue breakdown, cont.

Information about major customers

The Group has two (3) customers, each of which accounts for more than 10% of sales. Net sales to the three biggest customers amounted to MSEK 1,076 (948), MSEK 895 (909) and MSEK 583 (675) 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 29 (26) and nature conservation initiatives of MSEK 2 (2) 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. Ahead of applications for aid, a trade-off is performed between time required, the cost and the area of measure, and the area's (potential) natural and cultural values. Labour-intensive measures and larger areas, such as controlled burns and land used for grazing or pasture, are usually prioritised.

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 received MSEK 0 (1) in state support for sick pay costs during the coronavirus pandemic, as well as general coronavirus support for the export industry in the Baltic subsidiary of MSEK 5 (0).

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 2021, nor in 2020.

MSEK	Group		Parent company	
	2021	2020	2021	2020
Capital gains on sales of machinery, equipment and properties	40	38	13	86
Insurance compensation	0	0	–	–
Encroachment compensation	40	19	0	–
Subsidies	36	30	–	–
Licensing revenue and royalties	4	5	–	–
Other operating income	20	9	0	0
Total	140	101	13	86

NOTE 6 Other external expenses

Of other external expenses, 73% (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	
	2021	2020	2021	2020
Deloitte AB				
Audit assignment	2	2	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
Total				
Audit assignment	2	2	–	–
Audit activities other than the audit assignment	0	0	–	–
Tax advisory services	0	0	–	–
Other services	0	0	–	–
Total	2	2	–	–

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

NOTE 7 Leases, cont.

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 by the interest on the lease liability (using the effective interest method), and by reducing the carrying amount by 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 Accounting policies 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
Group				
Opening balance, 1 January 2020	7	75	47	129
New leases	0	73	16	89
Terminated leases	–	–5	–14	–19
Remeasurements	0	17	4	21
Depreciation for the year	–1	–42	–14	–57
Closing balance, 31 December 2020	6	118	39	163
New leases	4	16	12	32
Terminated leases	–	–	–7	–7
Remeasurements	0	3	7	10
Depreciation for the year	–1	–35	–9	–45
Closing balance, 31 December 2021	9	102	42	153

Lease liability

MSEK	2021	2020
Group		
Opening balance, 1 January 2021	164	124
New leases	31	89
Repayments and terminations	–52	–63
Remeasurements	10	12
Interest payable on maturity	2	2
Closing balance, 31 December 2021	155	164
of which current	53	47
of which non-current	102	117

Maturity analysis for other financial liabilities, see Note 26. Reconciliation of financial liabilities to cash flow, see not 21.

IFRS 16 impact on income statement

MSEK	2021	2020
Group		
Depreciation of right-of-use assets	–45	–57
Interest expenses for lease liabilities	–2	–2
Deferred tax	0	0
Impact on net profit/loss	–47	–59

MSEK	2021	2020
Lease payments paid for contracts that form part of the lease liability	47	53
Variable lease payments relating to the above leases, but not included above	4	3
Short-term leases, lease expense	10	8
Leases of low value assets, lease expense	1	3
Total cash flow of leases	62	67

NOTE 7 Leases, cont.

Type of lease

	Maturity	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 0.65% (0.49%). The Parent Company does not have any leases.

The biggest lease is a 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

	Group		Parent company	
MSEK	2021	2020	2021	2020
Group				
Income from leases for the year	177	182	40	15
Maturity of existing leases				
Within one year	195	171	40	15
Between one and five years	288	232	–	–
Longer than five years	884	854	–	–
Total	1,367	1,257	40	15

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 income 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

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

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).

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 12 (15). 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 provisional capital adequacy amounted to 172% (148), compared with obligations as of 31 December 2020. Sveaskog's share of the total number of active members in the plan was 0.07% (0.07), corresponding to 277 (294) 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

	Group		Parent company	
MSEK	2021	2020	2021	2020
Salaries and other remuneration	409	398	2	2
Contractual pensions for CEO	1	2	–	–
Contractual pensions, others ¹	43	50	–	–
Other social security costs	146	141	–	–
Total	599	591	2	2
Capitalised pension obligations to the CEO and Deputy CEO	–	–	–	–

1) Also see Note 22, Provisions for pensions.

Of the costs of contractual pensions, MSEK 14 (21) refers to defined benefit plans and MSEK 30 (31) to defined contribution plans.

Salaries and other remuneration by country

	2021		2020	
	Board, CEO, Deputy CEO	Other employees	Board, CEO, Deputy CEO	Other employees
MSEK				
Parent company				
Sweden	2	–	2	–
Subsidiaries				
Sweden	4	393	6	379
– of which bonus	–	–	–	–
Latvia	1	9	1	9
Finland	–	0	–	1
Lithuania	–	–	–	–
Total, subsidiaries	5	402	7	389
TOTAL	7	402	9	389

Average number of employees by country

	2021		2021	2020
	Women	Men	Total	Total
Parent company	–	–	–	–
Subsidiaries				
Sweden	210	581	791	792
Latvia	5	28	33	33
Finland	–	1	1	2
Total, subsidiaries	215	610	825	827
TOTAL	215	610	825	827

Gender breakdown in Board and Group Management

Group

	2021		2020	
	Women	Men	Women	Men
Board members				
– Elected by the Annual General Meeting	5	3	3	3
– Employee representatives	1	1	1	1
– Employee representatives, deputies	–	2	–	2
CEO	–	1	1	–
Other Group Management	5	4	5	3
Total	11	11	10	9

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

Parent Company

	2021		2020	
	Women	Men	Women	Men
Board members				
– Elected by the Annual General Meeting ¹	5	3	3	3
– Employee representatives	1	1	1	1
– Employee representatives, deputies	–	2	–	2
CEO	–	1	1	–
Total	6	7	5	6

1) At the Annual General Meeting in 2020, 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)

	2021		2020	
	Women	Men	Women	Men
Board members				
– Elected by the Annual General Meeting	8	8	5	9
– Employee representatives	1	1	1	1
– Employee representatives, deputies	–	2	–	2
CEO	–	1	1	–
Total	9	12	7	12

Information on employee absence due to sickness, Group

	2021	2020
Total sickness absence as a percentage of employees' total normal working hours		
Men	3.2	3.2
Women	5.8	3.9
Total	3.9	3.3
Days of sickness absence as a percentage of total sickness absence		
Continuous period of 60 days or more	56	45
< 60 days	44	55
Total	100	100
Breakdown by age of employees absent due to sickness, as a percentage		
29 years and under	2.7	2.3
30–49 years	4.1	3.3
50 years and over	3.9	3,6
TOTAL	3.9	3.3
Number of long-term healthy people as a percentage of average number of permanent employees ^{1,2}	31.6	30.6

1) Excluding SIA Sveaskog Baltfor.

2) 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, Leif Ljungqvist and Christina Lindbäck.

Remuneration and other benefits during the year, Board of Directors

2021, SEK	Board fees	Committee fees	Total
Eva Färnstrand, Chairman of the Board	480,000	31,332	511,332
Sven Wird	193,000	40,000	233,000
Leif Ljungqvist	0	0	0
Marie Berglund	193,000	10,000	203,000
Johan Kuylenstierna	193,000	40,000	233,000
Kerstin Lindberg Göransson	193,000	42,666	235,666
Christina Lindbäck (as of 26 April 2021)	131,333	6,667	138,000
Elisabet Salander Björklund (as of 26 April 2021)	131,333	26,667	158,000
Total	1,514,666	197,332	1,711,998
2020, SEK	Board fees	Committee 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
Total	1,395,000	200,000	1,595,000

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

2021, SEK	Salaries and remuneration	Taxable benefits	Pension expense ¹	Total
Group Management				
Hannele Arvonen, CEO (until 14 January 2021)	161,858	2,694	40,907	205,459
Per Matses, CEO (18 January 2021 – 31 December 2021)	3,828,298	24,471	1,038,554	4,891,323
Fredrik Klang, Head of Staff, Forestry	1,661,565	50,832	573,746	2,286,143
Anette Waara, Head of Market Area North	1,720,072	57,852	698,939	2,476,863
Eva Karlsson Berg, Head of Market Area South	1,768,944	6,768	764,017	2,539,729
Marie Stålnacke, Head of HR	1,434,102	79,396	717,530	2,231,028
Patrik Karlsson, CDO	1,631,123	63,456	767,956	2,462,535
Kristina Ferenius, CFO	1,888,928	27,048	784,398	2,700374
Helene Bergström, Business Area Manager, Svenska Skogsplantor	1,311,729	6,768	691,532	2,010,029
Other senior executives				
Guntars Zvejсалnieks, CEO SIA Sveaskog Baltfor (EUR) ²	89,161			89,161
SEK	917,823			917,823
TOTAL (SEK)	16,324,442	319,285	6,077,579	22,721,306
2020, SEK	Salaries and remuneration	Taxable benefits	Pension expense ¹	Total
Group Management				
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, Head of HR	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
Other senior executives				
Guntars Zvejсалnieks, CEO SIA Sveaskog Baltfor (EUR) ²	79,527			79,527
SEK	795,509			795,509
TOTAL (SEK)	18,419,963	381,497	5,917,013	24,718,473

¹Pension premiums paid during the year or during the specified period.

²EUR, exchange rate as of 31 December 2021 EUR/SEK 10.294 (10.003).

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
Per Matses was CEO during the period 18 January-31 December 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 according to the ITP 1 occupational pension plan in force at any given time.

Termination and severance pay
Per Matses' employment was terminated by agreement as of 31 December 2021, with no period of notice and no severance 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 according to Latvian law apply.

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

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

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. For this person, no settlement applies.

NOTE 9 Depreciation/amortisation according to plan and impairment

MSEK	Group		Parent company	
	2021	2020	2021	2020
Depreciation/amortisation according to plan				
Intangible assets				
Capitalised expenditure on systems development, etc. (see Note 13)	18	16	–	–
Right of use assets				
Right-of-use assets (see Note 7)	45	57	–	–
Tangible non-current assets				
Buildings (see Note 15)	3	3	1	1
Land improvements (see Note 15)	0	0	–	–
Machinery and equipment (see Note 15)	81	73	–	–
Total depreciation/amortisation	147	149	1	1

MSEK	Group		Parent company	
	2021	2020	2021	2020
Impairment				
Property, plant and equipment				
Machinery and equipment	0	0	–	–
Total depreciation/amortisation	0	0	–	–
Total depreciation/amortisation according to plan and impairment	147	149	1	1

NOTE 10 Financial income and expenses

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	2021	2020
Financial income		
Interest income	0	2
Total	0	2
Financial expenses		
Interest expenses, pensions	–1	–3
Interest expenses, other	–115	–128
Impairment loss	–	–7
Capital loss, shares	–5	–
Other financial expenses	–12	–15
Exchange rate differences	0	–2
Total	–133	–155
TOTAL	–133	–153

The financial part of the expenses for own pension liabilities has been calculated using an interest rate of 1.126% (0.376).

Parent Company, MSEK	2021	2020
Other financial income		
Dividend from subsidiaries	4,000	8,000
Interest income, other Group companies	16	18
Total	4,016	8,018
Other financial expenses		
Interest expenses, other Group companies	–173	–228
Interest expenses, other	–94	–107
Other financial expenses	–12	–14
Total	–279	–349
TOTAL	3,737	7,669

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 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.

NOTE 11 Taxes, cont.

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	2021	2020
Sweden	1,696	13,662
Other countries	13	6
TOTAL	1,709	13,668

Tax expense (-)/tax income (+)

MSEK	Group		Parent company	
	2021	2020	2021	2020
Current tax				
Tax expense (-)/tax income (+) for the period	–201	–222	–46	–56
Adjustment of tax expense attributable to previous years	0	0	–	–
Total	–201	–222	–46	–56
Deferred tax				
Deferred tax income (+)/tax expense (-) in respect of temporary differences	–14	–2,579	–	–
Total	–14	–2,579	–	–
TOTAL	–215	–2,801	–46	–56

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

MSEK	Group		Parent company	
	2021	2020	2021	2020
Sweden	–201	–222	–46	–56
Other countries	0	0	–	–
Total	–201	–222	–46	–56

Difference between nominal and effective tax rate

Group, MSEK	Group		Parent company	
	2021	2020	2021	2020
Swedish income tax rate	–20.6	–21.4	–20.6	–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	8.0	0.1	–	–
Tax effect due to non-deductible expenses and non-taxable income	0.0	0.7	19.5	20.7
Effect of tax rate change ¹	0	0.1	–	–
Effective tax rate according to income statement	–12.6	–20.5	–1.1	–0.7

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 had a positive impact on Sveaskog's profit of SEK 10 million in 2020.

Tax items recognised in other comprehensive income

MSEK	Group		Parent company	
	2021	2020	2021	2020
Tax attributable to items recognised in other comprehensive income	608	6,795	–	–
TOTAL	608	6,795	–	–

Deferred tax liabilities and tax assets¹

Group, MSEK	2021	2020
Deferred tax liability		
Forest assets		
– of which land assets (1)	7,409	6,797
– of which biological assets	10,123	10,120
Other non-current assets	29	25
Inventories	23	28
Provision for employee benefits	3	1
Tax allocation reserve	451	437
Replacement reserve for land	55	70
Other untaxed reserves	253	253
TOTAL	18 346	17,731
Deferred tax asset		
Financial instruments	4	10
Reserves	0	0
Provisions	3	4
TOTAL	7	14
Total net deferred tax liability (+)/ deferred tax asset (-)	18,339	17,717
Recognised as		
– Deferred tax asset	4	11
– Deferred tax liability ¹	18,343	17,728
Net deferred tax liability	18,339	17,717

¹) All changes in deferred tax have been recognised in comprehensive income, of which MSEK 608 (6,795) in other comprehensive income.

Breakdown of deferred tax liabilities and tax assets:

Group, MSEK	2021	2020
Deferred tax assets		
Deferred tax assets to be utilised after more than 12 months	4	11
Deferred tax assets to be utilised within 12 months	–	–
Deferred tax liability		
Deferred tax liabilities to be paid after more than 12 months	18,343	17,728
Deferred tax liabilities to be paid within 12 months	–	–
Deferred tax liabilities (net)	–18,339	–17,717

NOTE 12 Non-cash items

MSEK	Group		Parent company	
	2021	2020	2021	2020
Depreciation/amortisation	147	149	1	1
Capital gains/losses¹	–39	–37	–13	–86
Capital gains on property disposals	–30	–163	–	–
Share of profit/loss of associates	–667	–57	–	–
Change in value of forest assets	196	–12,481	–	–
Other	–211	–64	–	–
TOTAL	–604	–12,653	–12	–85

1) Capital gains MSEK 40 (38), capital losses MSEK –1 (–1).

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
Acquired and internally generated		
Capitalised expenditure on systems development, etc.	5-10 years	10-20%

Capitalised expenditure on systems development, etc.	
MSEK	
Cost	
Opening balance, 1 January 2020	199
Investments	44
Decommissioning	–4
Closing balance, 31 December 2020	239
Accumulated revaluations	
Opening balance, 1 January 2020	4
Closing balance, 31 December 2020	4
Accumulated amortisation according to plan	
Opening balance, 1 January 2020	–36
Decommissioning	4
Depreciation for the year	–16
Closing balance, 31 December 2020	–48
Accumulated impairment	
Opening balance, 1 January 2020	–31
Closing balance, 31 December 2020	–31
Closing residual values according to plan 31 December 2020	164

Capitalised expenditure on systems development, etc.	
MSEK	
Cost	
Opening balance, 1 January 2021	239
Investments	19
Decommissioning	–1
Closing balance, 31 December 2021	257
Accumulated revaluations	
Opening balance, 1 January 2021	4
Closing balance, 31 December 2021	4
Accumulated amortisation according to plan	
Opening balance, 1 January 2021	–48
Decommissioning	1
Depreciation for the year	–18
Closing balance, 31 December 2021	–65
Accumulated impairment	
Opening balance, 1 January 2021	–31
Closing balance, 31 December 2021	–31
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2021	165

NOTE 14 Forest assets

Biological assets, standing timber and forest land

ACCOUNTING POLICIES

Forest assets

In the 2020 annual accounts, Sveaskog conducted 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 had the effect that the land assets that are attributable to forest assets are also recognised at fair value, with a change in the accounting principle as a result. The land assets were previously recognised at cost. The land assets are now recognised at fair value in accordance with the so-called revaluation method, IAS 16 p.31.

Land assets

The value of the land assets amounts to the residual between the total value of the forest assets on 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 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 relates to a reversal of 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 p30, and are therefore recognised in Note 15 Other property, plant and equipment.

Biological assets – standing timber

According to IFRS, standing timber is reporting according to 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 Sveaskog performs a valuation on

NOTE 14 Forest assets, cont.

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 December 2021 has been calculated at MSEK 85,430 (82,430), of which MSEK 46,722 (46,721) refers to the fair value of the standing timber and MSEK 38,708 (35,709) refers to the fair value of the land. The change in the balance sheet since the previous year is MSEK 3,000 (45,807). 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. Forest assets are divided into standing timber (biological assets) 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 according to 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 association 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 developed among other Swedish forest-owning companies that report results in accordance with IFRS. As practices are adapted according to prevailing market conditions, Sveaskog, has starting from 2020, adapted the method for reporting and valuation of 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 metres of forest generally lie at the same level as for smaller or medium 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 at 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 since 2020 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). The 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 26 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 policy 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 been recognised since 31 December 2020 in their own line in the balance sheet under forest assets. In the balance sheet, the change of accounting policy to the revaluation method has meant that the value of the land assets has increased by MSEK 32,986 as of 31 December 2020, and that a deferred tax liability of MSEK 6,797 on the difference between the assets' tax cost and carrying amount has been recognised. 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 28,509 (26 152) as of 31 December 2021.

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 shows that the value of larger forest assets per hectare or per cubic metres of forest generally lie at the same level as for smaller or medium forest assets. In order to value the forest assets at fair value, the valuation is based on the sales transactions in the areas that 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 Sveaskog estimates 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 (2012–2021). 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% (4.5), 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. Sveaskog's Board

NOTE 14 Forest assets, cont.

of Directors assesses that this interest rate corresponds to the long-term cost of capital for an investment in forest assets and that is not affected by short-term fluctuations in market rates. In total, Sveaskog owns a volume of standing timber amounting to 278 1) million cubic metres of forest (277 1)), which forms the basis of 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 m³sub per year. This level is estimated to remain relatively unchanged until 2033, after which it can be gradually increased by approximately 6.8 million m³sub by 2063. The level is then expected to be increased further to 7.2–7.9 million m³sub. In 2021, approximately 54 per cent (54) of Sveaskog's own forest volume was sold as sawlogs to sawmills and 42 per cent (41) comprised pulpwood which was 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 (2016–2020). Timber stocks per million cubic metres of forest are based on Sveaskog's forest registers and refer to the most recent (October 2021) calculation.

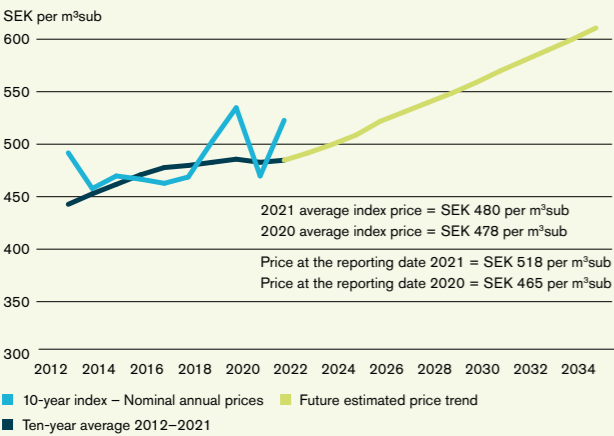
1) The value for the year (278 million cubic metres of forest) refers to productive land minus ecoparks minus experimental parks and minus nature reserves.

Biological assets

Income (timber prices) is based on prices from a ten-year average (2012-2021) and then an estimated development during the valuation period with a nominal price increase of 1.75% (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 m³sub



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 ¹⁾

MSEK	2021	2020
Valuation price per cubic metre of forest in SEK	5-year average	5-year average
Timber stocks per million cubic metres of forest	Forest registers as of October 2021	Forest registers as of October 2020
Discount rate	4.50%	4.50%
Revenues	10 year average	10 year average
Nominal price increase	1.75% per year	1.75% per year
Costs	Normal cost ¹⁾	Normal cost ¹⁾
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 2020	36,623
Change during the year	45,807
Closing value, 31 December 2020	82,430
Deferred tax attributable to forest assets	16,917

Fair values

Opening value, 1 January 2021	82,430
Change during the year	3,000
Closing value, 31 December 2021	85,430
Deferred tax attributable to forest assets	17,532

Biological assets

MSEK

Fair values

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
Closing balance, 31 December 2020	46,721

MSEK

Opening balance, 1 January 2021	46,721
Acquisition of standing timber	23
Sales of standing timber	–46
Changes due to felling	–1,419
Changes in fair value	1,443
Closing balance, 31 December 2021	46,722

Forest land

MSEK

Fair values

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

MSEK

Opening balance, 1 January 2021	35,709
Acquisition of forest land	92
Sale of forest land	–50
Change in fair value	2,957
Closing value, 31 December 2021	38,708

NOTE 14 Forest assets, cont.

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 (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 (1,300).

Timber stocks per million cubic metres of forest

A reduction in timber stocks of 5 million cubic metres of forest lowers the value of forest assets by approximately MSEK 1,600 (1,500). An increase in timber stocks of 5 million cubic metres of forest raises the value of forest assets by approximately MSEK 1,600 (1,500).

Discount rate

A decrease in the discount rate by 0.5 percentage points will increase the value of standing timber by MSEK 7,400 (7,500). An increase in the discount rate by 0.5 percentage points will reduce the value of standing timber by MSEK 5,900 (6,000).

Income (wood prices)

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

Expenses (felling, silviculture, road and joint expenses)

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

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, cont.

Other property, plant and equipment

Group, MSEK	Buildings, other land and land improvements	Machinery and equip- ment	Construction in progress and prepayments	Total other property, plant and equipment
Cost				
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
Closing balance, 31 December 2020	509	770	129	1,408
Accumulated depreciation according to plan				
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
Closing balance, 31 December 2020	–334	–471	–	–805
Accumulated impairment				
Opening balance, 1 January 2020	–3	–3	–	–6
Impairment losses for the year	–	–	–	–
Closing balance, 31 December 2020	–3	–3	–	–6
Closing residual values according to plan 31 December 2020	172	296	129	597
Cost				
Opening balance, 1 January 2021	509	770	129	1,408
Investments	5	39	51	95
From construction in progress and prepayments, etc.	19	122	–141	–
Reheading	–2	2	–	–
Sales and disposals	–8	–50	–	–58
Translation differences, etc.	0	0	0	0
Closing balance, 31 December 2021	523	883	39	1445
Accumulated depreciation according to plan				
Opening balance, 1 January 2021	–334	–471	–	–805
Reheading	0	0	–	0
Sales and disposals	2	36	–	38
Depreciation for the year	–3	–81	–	–84
Translation differences, etc.	0	0	–	0
Closing balance, 31 December 2021	–335	–516	–	–851
Accumulated impairment				
Opening balance, 1 January 2021	–3	–3	–	–6
Impairment losses for the year	–	–	–	–
Closing balance, 31 December 2021	–3	–3	–	–6
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2021	185	364	39	588

NOTE 15 Other property, plant and equipment, cont.

Parent Company, MSEK	Forest properties	Buildings, other land and land improve- ments
Cost		
Opening balance, 1 January 2020	34	16
Sales and disposals	–5	–1
Closing balance, 31 December 2020	29	15
Accumulated depreciation according to plan		
Opening balance, 1 January 2020	–	–4
Closing balance, 31 December 2020	–	–4
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2020	29	11
Cost		
Opening balance, 1 January 2021	29	15
Investments	0	–
Sales and disposals	0	–2
Closing balance, 31 December 2021	29	13
Accumulated depreciation according to plan		
Opening balance, 1 January 2021	–	–4
Sales and disposals	–	1
Depreciation for the year	–	–1
Closing balance, 31 December 2021	–	–4
CLOSING RESIDUAL VALUES ACCORDING TO PLAN 31 DECEMBER 2021	29	9

Tax assessment values for Swedish properties

MSEK	Group		Parent company	
	2021	2020	2021	2020
Biological asset	65,575	65,571	809	809
Other land	664	614	38	33
Buildings	105	110	7	13
Total	66,344	66,295	854	855
Recognised in the balance sheet:				
Forest land	38,708	35,709	29	29
Standing timber	46,722	46,721	–	–
Total	85,430	82,430	29	29

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 "Participation in 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 ¹	Other securi- ties held as non-current assets
Opening balance, 1 January 2020	712	16
Investments	–	7
Impairment	–	–7
Dividend	–12	–
Share in profit/loss of associates ²⁾	57	–
Share of other comprehensive income of associates	11	–
Closing balance, 31 December 2020	768	16
Opening balance, 1 January 2021	768	16
Investments	–	6
Sales and liquidation	–	–12
Dividend	–23	–
Participation in profit/loss of associates ²⁾	667	–
Participation in other comprehensive income of associates	–11	–
Closing balance, 31 December 2021	1,401	10

- 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) Participation in profit/loss after tax of associates for 2021 (2020) and change in the internal revenue reserve in respect of Setra.

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

MSEK	2021	2020
<i>Setra Group</i>		
According to the company's accounts:		
Net sales	5,841	4,131
Profit/loss after tax	1,258	71
Profit/loss from continuing operations	1,258	71
Other comprehensive income	–24	23
Comprehensive income for the period	1,234	94
Non-current assets	1,796	1,654
Current assets	3,109	1,486
Equity	2,766	1,553
Non-current liabilities	959	830
Current liabilities	1,180	757

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

MSEK	2021	2020
<i>SunPine</i>		
According to the company's accounts:		
Net sales	2,115	1,377
Profit/loss after tax	186	28
Profit/loss from continuing operations	186	28
Comprehensive income for the period	186	28
Non-current assets	660	688
Current assets	776	438
Equity	688	519
Untaxed reserves	216	203
Non-current provisions	34	112
Current liabilities	498	292

Breakdown of income, profit/loss, assets and liabilities of associate ShoreLink¹

MSEK	2021	2020
<i>ShoreLink</i>		
According to the company's accounts:		
Net sales	298	391
Profit/loss after tax	6	31
Profit/loss from continuing operations	6	31
Comprehensive income for the period	6	31
Non-current assets	134	121
Current assets	98	142
Equity	178	198
Non-current provisions	12	12
Current liabilities	42	53

- 1) The 2021 income statement items refer to the period 12/20-11/21 (09/19-11/20), while the balance sheet items refer to 08/2021 (08/2020), which is the latest data we have received.

Parent Company

MSEK	2021	2020
Cost		
Opening cost	24,934	24,934
Closing cost	24,934	24,934

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 % ¹		Equity MSEK, 31 Dec 2021	Profit/loss for the year, MSEK	Carrying amount MSEK, 31 Dec		
				2021	2020			2021	2020	
Sveaskog AB	556558–0031									
<i>Direct holdings in Group companies</i>										
Hjälmare Kanal AB	556002–4472	Stockholm	5,936	100	100	2	0	3	3	
Sveaskog Förvaltnings AB	556016–9020	Stockholm	95,157,179	100	100	16,505	846	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	42	13	–	–	
Sveaskog Försäkringsaktiebolag	516401–8466	Stockholm	500,000	100	100	51	0	–	–	
Sveaskog Timber AB	556000–1074	Stockholm	90,000	100	100	261	0	–	–	
Sveaskog Finans AB	559299–6861	Stockholm	25,000	100	0	50	0	–	–	
Group's holdings in associates										
<i>Parent Company's indirect holdings</i>										
Setra Group AB	556034–8483	Stockholm	25,761,671	50	50	2,766	1,258	1,078	489	
ShoreLink AB	556053–7168	Piteå	18,775	24.07	24.07	178	6	45	48	
SunPine AB	556682–9122	Piteå	16,685	25.14	25.14	688	186	278	231	
Total associates								1,401	768	
Group's other securities held as non-current assets										
<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	1.10	1.08	–	–	2	2	
EkoNord Invest AB 2)	556769–8625	Krokomb	7,143	14.29	14.29	–	–	–	9	
Swe Tree Technologies AB	556573–9587	Umeå	430,987	13.97	13.97	–	–	3	1	
Torsta AB	556892–2420	Krokomb	200	5.0	5.0	–	–	0	0	
SunCarbon AB 3)	556972–7315	Lomma	–	–	33.3	–	–	–	3	
Svensk Skogskommunikation AB	559031–9231	Stockholm	33,334	33.33	33.33	–	–	0	0	
Other holdings								5	1	
Total of Group's other securities held as non-current assets								10	16	
TOTAL OF GROUP'S INVESTMENTS IN ASSOCIATES AND OTHER SECURITIES HELD AS NON-CURRENT ASSETS								1,411	784	

- 1) The voting interest corresponds to the equity interest in respect of all participations. 2) Ekonord Invest AB is in the process of liquidation. 3) SunCarbon AB was divested in 2021.

NOTE 17 Non-current receivables

MSEK	Group		Parent Company ¹	
	2021	2020	2021	2020
Interest-bearing non-current receivables				
Receivables from Group companies	–	–	800	1,200
Other non-current receivables	5	5	–	–
Total	5	5	800	1,200
Non-interest-bearing non-current receivables				
Other non-current receivables	–	–	–	–
Total	–	–	–	–
TOTAL	5	5	800	1,200

- 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 the ordinary course of business, less estimated costs of completion and costs associated with the 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	2021	2020
Felling rights	2	6
Accrued felling costs for felling rights	129	111
Consumables	1	22
Work in progress ¹	150	142
Finished goods ¹	408	427
TOTAL	690	708
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	
	2021	2020	2021	2020
Trade receivables and loan receivables				
Trade receivables	1,061	1,063	–	–
Reserve for expected credit losses	0	0	–	–
Receivables from associates	234	198	–	–
Receivables from Group companies, interest-bearing	–	–	429	489
Receivables from other Group companies	–	–	4,382	8,403
Total	1,295	1,261	4,811	8,892
Other receivables				
Prepaid expenses	41	47	7	6
Accrued income	13	13	–	–
Other current receivables	107	318	16	158
Total	161	378	23	164
TOTAL TRADE RECEIVABLES, LOAN RECEIVABLES AND OTHER RECEIVABLES				
	1,456	1,639	4,834	9,056
Of which financial	1,375	1,519	4,813	9,006

See Note 26 for age analysis and information about reserve for expected credit losses.

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	12,398,359,644
Profit for the year	4,044,413,587
Total	16,442,773,231
The Board of Directors proposes that the profit be distributed as follows:	
SEK	
Dividend to shareholder	1,300,000,000
Carried forward to the following year	15,142 773,231
Total	16,442,773,231

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.

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

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 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. 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 2021 .

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.

Consequence of offsetting right in hedging strategies

Amounts recognised in the balance sheet	2021	2020
Assets		
Derivative instruments	5	1
Liabilities		
Derivative instruments	40	73
Offset amount	5	1
TOTAL AFTER OFFSET	35	72

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Interest-bearing assets and liabilities																
Interest-bearing non-current assets																
Interest rate derivatives (nom. amount MSEK 300)	–	–	–	–	–	–	–	–	5	1	–	–	5	1	1	1
Interest-bearing other non-current receivables	–	–	–	–	5	5	–	–	–	–	–	–	5	5	5	5
Total	–	–	–	–	5	5	–	–	5	1	–	–	10	6	6	6
Cash and cash equivalents																
Cash at bank and in hand	621	1,231	–	–	–	–	–	–	–	–	–	–	621	1,231	621	1,231
Short-term investments	550	–	–	–	–	–	–	–	–	–	–	–	550	–	550	–
Total	1,171	1,231	–	–	–	–	–	–	–	–	–	–	1,171	1,231	1,171	1,231
Total interest-bearing assets	1,171	1,231	–	–	5	5	–	–	5	1	–	–	1 181	1,237	1,177	1,237
Interest-bearing non-current liabilities																
MTN (Ceiling MSEK 8,000)	–	–	–	–	–	–	5,032	4,932	–	–	–	–	5,032	4,932	5 211	5,169
Bank facilities (Ceiling 4,300)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	400	800	–	–	–	–	400	800	400	801
Interest rate derivatives (nom. amount MSEK 800)	–	–	–	–	–	–	–	–	–	–	25	73	25	73	25	73
Lease liability, non-current element (see Note 7)	–	–	–	–	–	–	102	117	–	–	–	–	102	117	102	117
Total	–	–	–	–	–	–	5,534	5,849	–	–	25	73	5,559	5,922	5,738	6,160
Interest-bearing current liabilities																
Commercial paper programme (Ceiling MSEK 5,000)	–	–	–	–	–	–	1,250	1,399	–	–	–	–	1,250	1,399	1,250	1,400
MTN (Ceiling MSEK 8,000)	–	–	–	–	–	–	1,000	1,150	–	–	–	–	1,000	1,150	1,005	1,166
Bank facilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	400	–	–	–	–	–	400	–	400	–
Interest rate derivatives (nom. amount MSEK 400)	–	–	–	–	–	–	–	–	–	–	15	–	15	–	15	–
Utilised bank overdraft facility and overnight deposits	–	–	–	–	–	–	–	–	–	–	22	–	22	–	22	–
Lease liability, current element (see Note 7)	–	–	–	–	–	–	53	47	–	–	–	–	53	47	53	47
Total	–	–	–	–	–	–	2,703	2,596	–	–	37	–	2,740	2,596	2,740	2,613
Total interest-bearing liabilities	–	–	–	–	–	–	8,237	8,445	–	–	62	73	8,299	8,518	8,483	8,773
Non-interest-bearing financial instruments																
Non-current non-interest-bearing assets																
Other securities held as non-current assets (spec. Note 16 Shares and Participations)	–	–	–	–	10	16	–	–	–	–	–	–	10	16	10	16
Total	–	–	–	–	10	16	–	–	–	–	–	–	10	16	10	16
Current non-interest-bearing assets																
Trade receivables and other receivables	1,375	1,519	–	–	–	–	–	–	–	–	–	–	1,375	1,519	1,375	1,519
Total	1,375	1,519	–	–	–	–	–	–	–	–	–	–	1,375	1,519	1,375	1,519
Total non-interest-bearing assets	1,375	1,519	–	–	10	16	–	–	–	–	–	–	1,385	1,535	1,385	1,535
Non-current non-interest-bearing liabilities																
Non-current non-interest-bearing liabilities	–	–	–	–	–	–	6	6	–	–	–	–	6	6	6	6
Total	–	–	–	–	–	–	6	6	–	–	–	–	6	6	6	6

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Current non-interest-bearing liabilities																
Trade payables	–	–	–	–	–	–	705	868	–	–	–	–	705	868	619	868
Other current liabilities excl. derivatives	–	–	–	–	–	–	–	117	–	–	–	–	–	117	422	117
Total	–	–	–	–	–	–	705	985	–	–	–	–	705	985	1,041	985
Total non-interest-bearing liabilities	–	–	–	–	–	–	711	991	–	–	–	–	711	991	1,047	991
TOTAL FINANCIAL INSTRUMENTS	2,546	2,750	–	–	15	21	–8,948	–9,436	5	1	–62	–73	–6,444	–6,737	–6,968	–6,992

Profit/loss from financial instruments by category recognised in operating profit/loss, Group, MSEK	2021	2020
Exchange rate gains/losses on assets/liabilities measured at amortised cost	–1	2

Profit/loss from financial instruments by category recognised in net financial income/expense, Group, MSEK	2021	2020
Financial income from assets measured at amortised cost	0	2
Total financial income	0	2
Financial expenses for liabilities measured at amortised cost	–109	–125
Financial expenses for assets measured at fair value in the income statement	–5	–7
Financial expenses for derivatives measured at fair value via other comprehensive income	–19	–17
Financial expenses for derivatives measured at fair value in the income statement	1	–3
Total financial expenses	–132	–152
TOTAL	–132	–150

Reconciliation of liabilities attributable to financing activities, Group

MSEK	2019	Cash flow	Non-cash flow events			Non-cash flow change in lease liabilities	2020
			Acquisitions	Exchange rate fluctuations	Changes in fair value		
Financial liabilities							
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
Total liabilities attributable to financing activities	7,831	522	0	0	0	92	8,445

MSEK	2020	Cash flow	Non-cash flow events			Non-cash flow change in lease liabilities	2021
			Acquisitions	Exchange rate fluctuations	Changes in fair value		
Financial liabilities							
Interest-bearing non-current liabilities	5,849	–351	–	–	–	36	5,534
of which lease liabilities	117	–51	–	–	–	36	102
Interest-bearing current liabilities	2,596	129	–	–	–	–	2,725
of which lease liabilities	47	6	–	–	–	–	53
Total liabilities attributable to financing activities	8,445	–222	0	0	0	36	8,259

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

Interest rate terms, Group as of 31 December 2021

Nominal values MSEK	Currency	Excluding interest rate derivatives		Including interest rate derivatives	
		Nominal amount	Interest rate %	Nominal amount	Interest rate %
Interest-bearing assets					
Short-term investments	SEK	550	0.02		
Cash at bank and in hand	SEK	621	0		
Interest-bearing liabilities					
0–1 years	SEK	4,630	0.66	3,530	0.93
1–2 years	SEK	720	1.28	1,020	1.33
2–3 years	SEK	1,240	1.39	1,340	1.5
3–4 years	SEK	600	1.38	600	1.37
4–5 years	SEK	500	0.71	600	0.66
5 years –	SEK	400	4.25	1,000	2.84

Financial instruments, Parent Company

Parent Company, MSEK	Financial assets at amortised cost		Financial liabilities at amortised cost		Carrying amount	
	2021	2020	2021	2020	2021	2020
<i>Interest-bearing assets and liabilities</i>						
<i>Non-current interest-bearing assets</i>						
Receivables from Group companies	800	1,200	–	–	800	1,200
Total	800	1,200	–	–	800	1,200
<i>Current interest-bearing assets</i>						
Receivables from Group companies	429	489	–	–	429	489
Total	429	489	–	–	429	489
Total interest-bearing assets	1,229	1,689	–	–	1,229	1,689
<i>Non-current interest-bearing liabilities</i>						
MTN	–	–	5,032	4,932	5,032	4,932
Bank facilities	–	–	–	–	–	–
Bonds	–	–	400	800	400	800
Total	–	–	5,432	5,732	5,432	5,732
<i>Current interest-bearing liabilities</i>						
Commercial paper programme	–	–	1,250	1,399	1,250	1,399
MTN	–	–	1,000	1,150	1,000	1,150
Bank facilities	–	–	–	–	–	–
Bonds	–	–	400	–	400	–
Liabilities to Group companies	–	–	5,653	13,287	5,653	13,287
Total	–	–	8,303	15,836	8,303	15,836
Total interest-bearing liabilities	–	–	13,735	21,568	13,735	21,568
<i>Non-interest-bearing financial instruments</i>						
<i>Current non-interest-bearing assets</i>						
Receivables from other Group companies	4,382	8,403	–	–	4,382	8,403
Other receivables	2	114	–	–	2	114
Total non-interest-bearing assets	4,384	8,517	–	–	4,384	8,517
<i>Current non-interest-bearing liabilities</i>						
Liabilities to Group companies	–	–	–	–	–	–
Other current liabilities	–	–	1	–	1	–
Total non-interest-bearing liabilities	–	–	1	–	1	–
Total financial instruments	5 613	10,206	–13,735	–21,568	–8,123	–11,362

Profit/loss from financial instruments by category recognised in net financial income/expense, Parent Company, MSEK	2021	2020
Financial income from assets measured at amortised cost	4,016	8,018
Total financial income	4,016	8,018
Financial expenses for liabilities measured at amortised cost	–279	–349
Total financial expenses	–279	–349
TOTAL	3,737	7,669

NOTE 21 Cash and cash equivalents, interest-bearing liabilities and other financial instruments, cont.

Reconciliation of liabilities attributable to financing activities, Parent Company

Reconciliation of liabilities attributable to financing activities, Bank Company						
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

MSEK	2020	Cash flow	Non-cash flow events			2021
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
Financial liabilities						
Interest-bearing non-current liabilities	5,732	–300	–	–	–	5,432
Interest-bearing current liabilities	15,836	–7,533	–	–	–	8,303
Total liabilities attributable to financing activities	21,568	–7,833	0	0	0	13,735

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 Skogsplantor 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 1992and 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.

For financial risks, see Note 26.

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 2021 amounted to MSEK 19 (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.

NOTE 22 Provisions for pensions and other provisions for pensions and similar obligations, cont.

Provisions for pensions

Group, MSEK	2021	2020
<i>Carrying amount of defined benefit pension plans</i>		
Present value of obligations	350	398
Recognised provisions for pensions and other provisions for pensions and similar obligations	350	398
<i>Changes in recognised pension provisions in 2021 and 2020 respectively</i>		
Provisions 1 Jan 2021 and 1 Jan 2020 respectively	398	431
Actuarial gains/losses due to changed financial assumptions	–20	13
Actuarial gains/losses due to experiential amendments	13	–3
Benefits paid	–43	–45
Other changes	2	2
Recognised provisions for pensions and other provisions for pensions and similar obligations	350	398
<i>Net cost of benefits from defined benefit pension plans</i>		
Operating expense	–7	7
Interest components in increase for the year of present value of pension obligations	1	3
Actuarial gains/losses due to changed financial assumptions	–20	13
Actuarial gains/losses due to experiential amendments	13	–3
Recognised pension expense	–13	20
<i>Expected maturities of pension provisions</i>		
Within one year (included in Interest-bearing current liabilities and provisions)	40	39
Beyond one year (included in Provisions for pensions and Other provisions for pensions and similar obligations)	310	359
Total	350	398
%	31 Dec 2021	31 Dec 2020
Discount factor	1,126	0.376
Inflation index for consumer prices	2.0	2.0
Increase in income base amount	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 24 (31).

A 1.0% decrease in the discount rate means an increase in the liability of MSEK 28 (41).

Sensitivity analysis, inflation

A 0.5% increase in inflation means an increase in the liability of MSEK 13 (18).

A 0.5% decrease in inflation means a decrease in the liability of MSEK 12 (16).

Sensitivity analysis, increase in income base amount

A 1.0% increase in the income base amount means am increase in the liability of MSEK 0 (0).

A 1.0% decrease in the income base amount means a decrease in the liability of MSEK 0 (0).

Sensitivity analysis, mortality/life expectancy

An increase in life expectancy of one year means an increase in the liability of MSEK 22 (29).

A decrease in life expectancy of one year means a decrease in the liability of MSEK 21 (25).

The expected average duration of the present value of obligations as of 31 December 2021 was 7.37 years (8.14).

The discount rate is determined on the basis of the market rate of mortgage bonds.

The item Other provisions for pensions and similar obligations also includes endowment insurance worth MSEK 5 (5).

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	
	2021	2020	2021	2020
<i>Current liabilities</i>				
Trade payables¹	954	863	–	–
Liabilities to associates	1	5	–	–
Liabilities to Group companies	–	–	1	0
Total	955	868	1	0

Other liabilities

MSEK	Group		Parent company	
	2021	2020	2021	2020
Derivative liabilities	35	72	–	–
Deferred income	25	23	–	–
Accrued expenses, etc.	146	136	36	44
Other current liabilities	86	86	1	6
Total	292	317	37	50
Total trade payables and other liabilities	1,247	1,185	38	50
Of which financial (excl. derivatives)¹	705	985	1	0

¹) Trade payables includes a non-financial account with advances for future forest management measures that are only paid out in the event that the measures are cancelled.

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.

NOTE 24 Other provisions, cont.

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 method used before 2020 included outflows for reforestation, the reforestation obligation was included indirectly in the forest value. According to the new method of calculating fair value of the forest, there is no outflow for reforestation, which is why a large provision of MSEK 426 was made in the 2020 financial statements. See Note 14 for a description of the forest valuation.

Other provisions

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>							
Provisions for resource adaptation	6	–3	17	–7	13	11	2
Silvicultural liability	–	–	426	–	426	225	201
Provision for archive costs, historical impediments and dams 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
Total	172	–3	457	–27	599	247	352

MSEK	Opening balance 1 Jan 2021	Reversed provisions	New provisions	Utilisation	Closing balance 31 Dec 2021	Of which current	Of which non-current
<i>Group</i>							
Provisions for resource adaptation	13	–19	20	–8	6	6	0
Silvicultural liability	426	–	–15	–	411	231	180
Provision for archive costs, historical impediments and dams and bridges	133	–	29	–7	155	7	148
Environmental provisions	25	–	1	–3	23	2	21
Onerous contracts, damaged forest and other provisions	2	–1	50	–1	50	19	31
Total	599	–20	85	–19	645	265	380

Provisions for resource adaptation

Provisions to the reserve for resource adaptation in Sveaskog Förvaltnings AB refer to reorganisations in 2020 and 2021.

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 dams and bridges

The provision refers to a legal obligation to maintain substandard dams and bridges. An inventory of the number of known bridges on Sveaskog's land in 2018 showed that there were approximately 600 in total. A continuing inventory exercise has concluded that the number

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.

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.

of known bridges now stands at approximately 1,000, which is why the provision has increased by MSEK 29. Replacing or increasing the load-bearing capacity of a bridge is complicated, which is why there are long lead times before a bridge can be repaired.

Damaged forest

This provision refers to a legal obligation to secure an approved regeneration of a damaged forest area. In an external inventory, the Swedish Forest Agency revealed the problem of damaged forest in northern Sweden. During 2021, Sveaskog produced an inventory of its own that confirmed this. Sveaskog's damaged forest is estimated at 100,000 hectares, of which 25,000 hectares are so damaged that a restart is required. Of these, Sveaskog has identified that 5,000 hectares need a restart in the next three years.

NOTE 24 Other provisions, cont.

Reconciliation of certain balance sheet items in the balance sheet, Group

MSEK		Group	
		2021	2020
MTN, non-current element	Note 21	5,032	4,932
Bonds, non-current element	Note 21	400	800
Lease liabilities, non-current element	Notes 7 and 21	102	117
Interest-bearing non-current liabilities		5,534	5,849
Non-current element of other provisions	Note 24 above	305	353
Other provisions (non-current)		305	353
Commercial paper	Note 21	1,250	1,399
MTN, current element	Note 21	1,000	1,150
Bonds, current element	Note 21	400	–
Utilised bank overdraft facility and overnight deposits	Note 21	22	0
Lease liabilities, current element	Notes 7 and 21	53	47
Current element of provisions for pensions	Note 22	40	40
Current interesting-bearing liabilities and provisions		2,765	2,636
Current element of other provisions	Note 24 above	265	247
Trade payables and other liabilities	Note 23	1,247	1,185
Trade payables, other liabilities and provisions (current)		1,512	1,432

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	
	2021	2020	2021	2020
Pledged assets				
Bank balances	–	0	–	–
Total	–	0	–	–
Contingent liabilities				
Guarantees for Biometria	20	20	–	–
Guarantees, other	4	3	–	–
Guarantees for Group companies	–	–	361	396
Total	24	23	361	396

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 Deputy CEO/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% (9) 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 a 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 21 years. Bilateral bank loan agreements have an average remaining maturity of 2.5 years (2.5).

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 the total loan stock excluding commercial paper; if the maturities exceed 20%, they must be neutralised by early borrowing or increased liquidity reserve. Above one year, maturities must be spread as evenly as possible. At the year-end, 20% (17) of total loans excluding commercial paper had maturities within the next 12 months.

The loan volume under the Swedish commercial paper programme was MSEK 1,250 (1,400), which is refinanced on an ongoing basis. Borrowing under the MTN programme as of 31 December amounted to MSEK 6,040 (6,090).

NOTE 26 Financial risks, cont.

Sveaskog's net financial liabilities at year-end amounted to MSEK 7,438 (7,613) 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 states 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 2021 was 29.9 months (31.4) and the gross borrowing cost was 1.32% (1.57).

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 2021, Sveaskog had interest rate swaps with a notional value of MSEK 1,500 (1,425), of which MSEK 1,200 (1,200) 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, 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 2021 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.

Sensitivity analysis

To manage the interest rate risk, the Group issues bonds with longer maturities 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 2021, 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 81 (85) 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 69 (73). A general increase in interest rates of one percentage point would have an adverse effect on equity of SEK 64 million (67).

Impact of hedge accounting on results and balance sheet

Maturity	Secured debt	Notional value	Fixed interest component, %	Total change in value	Change in value for the year
TOTAL MSEK	1,200	1,200	1,576	18	33
0–1 years	400	400	2.50	–	–
1–2 years	300	300	0.62	–	–
2–3 years	100	100	1.97	–	–
3–4 years	–	–	–	–	–
4–5 years	–	–	–	–	–
5 years -	400	400	1.27	–	–

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 for issuers. Swedish counterparty risks must have a rating corresponding to at least A- or A3 according to Standard & Poor's, Nordic Credit Rating, Fitch, Scope and Moody's respectively. With two exceptions, Sveaskog only has credit risks involving Swedish counterparties. No credit losses were incurred on financial transactions in 2021.

Another type of credit risk is receivables from commercial customers. The Group's two largest customers each account for more than 10% of sales and together account for 29% (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 2021, outstanding receivables in respect of the two largest customers corresponded to 42% (42) of the Group's total trade receivables at that date.

The company recognised a loss reserve for expected credit losses on financial instruments under the three-step model in IFRS 9. The recognition of impairment losses is governed by changes in 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 p5.15 and measures the loss reserve at the amount corresponding to the expected credit losses for the remaining maturity.

As of 31 December 2021, satisfactory trade receivables amounted to MSEK 1,140 (1 173).

As of 31 December 2021, trade receivables amounting to MSEK 140 (88) were past due. As of mid-January 2022, only MSEK 4 (11) was still outstanding. The company's model expects the credit risk in customer stock to decrease in future. The most important parameters are growth in GDP and the credit portfolio of the last three years. As the economic situation is very good for the industry, it is believed that the risk of bankruptcy is substantially reduced.

As of 31 December 2021, trade receivables covered by credit insurance or bank guarantees amounted to MSEK 556 (498) out of a total of MSEK 1,295 (1,261). 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.

NOTE 26 Financial risks, cont.

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 2021 and 2020 was as follows:

MSEK	Group	
	2021	2020
Total borrowings (Note 21, 22)	8,614	8,849
Less: Non-current interest-bearing receivable (Note 21)	–5	–5
Cash and cash equivalents (Note 21)	–1,171	–1,231
Net liabilities	7,438	7,613
Total equity	62,516	59,493
Total capital	69,954	67,106
Net debt/equity ratio	12%	13%

Age analysis past due trade receivables, gross

MSEK	Group	
	2021	2020
Less than 1 month	140	84
1 to 3 months	–1	3
3 months or longer	1	1
	140	88

Loss reserve for expected credit losses on trade receivables, change during the year

MSEK	Group	
	2021	2020
OB, loss reserve for expected credit losses	0	0
Added during the year	0	–1
Settled/received during the year	0	1
CB Reserve for doubtful trade receivables	0	0

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.

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 2021 and 2020:

MSEK	Level 1		Level 2		Level 3	
	2021	2020	2021	2020	2021	2020
Financial assets at fair value through profit or loss						
Forest assets						
Biological assets	–	–	–	–	46,722	46,721
Forest land	–	–	–	–	38,708	35,709
Derivative instruments	-	–	5	1	–	
Total assets	0	0	5	1	85,430	82,430
Liabilities						
Non-current liabilities	-	–	5,611	5,970	-	-
Current liabilities	-	–	2,655	2,566	-	-
Derivative instruments	0	0	40	73	0	0
Total liabilities	0	0	8,306	8,609	0	0

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 300 (225) and a fair value of MSEK 5 (1) as of 31 December 2021.

NOTE 26 Financial risks, cont.

Measurement techniques used to calculate fair values in Level 2

Current liabilities are measured at book value including accrued interest which is assessed 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 2020, no transfers took place between the different levels in the

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Borrowings (excluding liabilities relating to financial leases)	1,673	2,430	1,060	218	1,678	1,476	3,183	3,687	960	982
Derivative instruments	26	25	0	–6	5	24	1	17	5	12
Lease liabilities according to IFRS 16	11	14	42	33	38	42	43	46	21	29
Trade payables and other liabilities	664	912	12	43	14	14	13	13	2	3
Financial guarantee contracts	–	–	24	77	–	–	–	–	–	–

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 amounted to MSEK 4,300 (3,500) as of 31 December 2021. 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.

hierarchy and no significant changes were made to the measurement method, the inputs used or assumptions.

Measurement techniques used to calculate fair values in Level 3

The valuation technique is described in Note 14.

Issues

During the year, Sveaskog issued MSEK 4,850 (7,105) under the commercial paper programme and MSEK 1,100 (1 700) under the MTN programme.

NOTE 27 Significant events after the end of 2021

Erik Brandsma took up the position of CEO on 1 January 2022. No other significant events have occurred after the end of the year that have not been included in the annual report.

The situation now unfolding in Ukraine is terrible for Ukraine and its citizens. It also affects many people even in Sweden with connection to Ukraine. Some of them are in the forestry industry, at Sveaskog and at Sveaskog's contractors. Sveaskog follows the development with both grief as well as anxiety and works ongoing at different levels within the company on how Sveaskog can contribute, and support affected fellow human beings in the situation that has arisen. Of course, it is far too early to assess the impact on Sveaskog's business and the company's revenues and expenses, based on energy and fuel costs, imports of inputs and impact on exports. Sveaskog follows the development closely and has a high preparedness for the consequences of the changed external situation.

- 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

This document also contains 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. 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 2021 - 31 December 2021 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 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.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit carried out in accordance with good audit practice in Sweden will always detect actions or negligence that may result in liability for compensation against the company, or that a proposal for appropriations of the company's profits or loss is not compatible 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. This description is part of the Auditor's report.

Deloitte AB was appointed auditor of Sveaskog AB (publ) by the Annual General Meeting on 26 April 2021 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 54-58 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 RevR 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 Act 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 2022
Deloitte AB

Hans Warén
Authorised Public Accountant

Notes to the Sustainability Report

NOTE S1 Principles for sustainability reporting

About the Sustainability Report

Sveaskog's Sustainability Report is integrated with the annual report and is produced annually. All disclosures contained in this Sustainability Report relate to the financial year 1 January 2021 to 31 December 2021.

Sveaskog prepares a sustainability report in accordance with the Global Reporting Initiatives guidelines GRI Standards, application level Core. The table of contents for the sustainability report in accordance with the GRI Standards is set out in the GRI index on pages 116-119. Sustainability work is an integral part of Sveaskog's operations. To reflect this, the sustainability report is integrated into the annual report. A table of contents for the statutory sustainability report may be found on pages 64-65. The sustainability report has been examined by the auditing firm Deloitte AB. The signing of the Annual Report 2021 by the Board of Directors and the Auditor's report are presented on page 106 and page 120 respectively.

Sveaskog is a member of the United Nations Global Compact and this report is also the Communication on Progress (COP) that members produce in order to describe out how the implementation of the ten principles of the Global Compact is proceeding.

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.

Calculation methods

Sveaskog's objective is that the reporting of sustainability shall be as transparent as possible. Below is a presentation of the calculation methods used to calculate performance measures in the sustainability report.

Personnel figures

The number of employees is stated as of 31 December of the financial year in question and reported in accordance with the GRI Standards broken down by gender, form of employment (permanent/temporary) and employment rate (full time/part time) and age (under 30, between 30 and 50, over 50). The personnel information is based on data from salaries paid in December of the year in question.

- Permanent employees are employees who do not have an agreed end date, but notice to terminate must be served by the employee or the employer. This also includes probationary employees.
- Temporary employees are employees who have an agreed end date.
- Full-time employees are employees who have an employment rate of 100%.
- Part-time employees are employees who have an employment rate of less than 100%.

The personnel information in the GRI report is reported without discounting employees absent through sickness. This may result in a role/position being counted twice if an absence has been covered by a temporary replacement. Information about employees who have been hired or have left the company during the year only includes permanent employees.

Climate impact

Sveaskog calculates climate impact based on the GHG Protocol's Corporate Standard. For delimitation and allocation between the various "Scopes", Sveaskog applies operational control. Scope and delimitation are described below:

Direct emissions (Scope 1) consist of all emissions over which Sveaskog has direct control, such as emissions generated in its own properties and from its own vehicles.

Indirect emissions from Scope 2 consist of emissions that occur in connection with the production of electricity and district heating purchased by Sveaskog.

Scope 3 includes all other emissions that occur as a consequence of Sveaskog's operations, such as different kinds of energy and fuel-related activities outside the business, purchased inputs, freight transport, forest management, waste management and air and train travel purchased by Sveaskog.

The emission sources included in the calculations are: Electricity and heating, logging by Sveaskog's own teams and contractors, vehicles, transport operations, forest management including forest fertilisation, road contract works, business travel and Svenska Skogsplantor.

Further information on Sveaskog's climate impact is presented on pages 26-27 and 113 (S5).

NOTE S2 References for calculation of Sveaskog's climate benefit

Statistics Sweden, 2022. Emissions and uptake of greenhouse gases from land use, changed land use and forestry by greenhouse gas and sub-sector. Year 1990 – 2020 (WWW Document).

URL https://www.statistikdatabasen.scb.se/pxweb/sv/ssd/START__MI__MI0107/MI0107MarkanvN/

SLU, 2021. Forest Data 2021 (WWW Document).

URL https://www.slu.se/globalassets/ew/org/centrb/rt/dokument/skogsdata/skogsdata_2021_webb.pdf

Swedish Environmental Protection Agency, 2021. National Inventory Report Sweden 2021 (WWW Document).

URL <https://unfccc.int/documents/271847> (accessed 7.28.21).

NOTE S3 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 the opportunities for dialogue in 2021.

	Key issues for the stakeholder group	What action is Sveaskog taking?	Opportunities for dialogue
Customers	Delivery reliability in volume and precision, product quality, professionalism, professional treatment, prices, logistics, technological development, FSC® and traceability, sustainability, reliability, long-term relationships.	Ensuring delivery volumes by supplementing deliveries from own forest with external purchases, measuring delivery precision, FSC® certification, market prices, code of conduct, being involved in the development of new fossil-free fuels, traceability of timber.	Business discussions, Customer Satisfaction Index, forest days, collaboration on sustainability reporting, round table discussions.
Owner	Achievement of financial goals, special assignments, sustainable enterprise, work on sustainable forestry, national and international environmental and climate goals, stakeholder dialogues and confidence in Sveaskog's forestry.	Measures to meet the financial goals, goals and strategies for sustainable enterprise, clearer reporting of and processes for work on sustainable forestry work, and to achieve adopted environmental and climate goals.	Annual General Meeting, Board meetings, dialogues between the Chairman of the Board, the CEO and the Government Offices of Sweden. Networking meetings with state-owned companies organised by the Government Offices of Sweden. Also meetings with committees of the Swedish Parliament.
Lending institutions, lenders	Financial development, financial enterprise, financial stability, new business opportunities.	Financial goals, follow-up on sustainability goals, financial policy, prioritising long-term business relationships and customers with profitability potential, green bond issues.	Dialogue meetings.
Employees	Meaningfulness, good work on sustainability, skills development and supply, employeeeship and leadership, health and safety.	Internal training courses, internal mobility, active recruitment, development of guideline and training in safety.	Employee development appraisals, managers' days, trade union collaboration, monthly information meetings, regional employee days, workplace meetings, revised principles of employeeeship and leadership "We want to do right by each other".
Contractors	Active recruitment for forestry occupations, good planning, foresight, clear rules of play, fair competition, efficiency, profitability, good and close dialogue, sustainable forestry.	Active recruitment work, long-term collaboration, dialogue and follow-up, code of conduct, service declaration, requirements for contractors to comply with labour market rules in Sweden with regard to employed staff and requirements for PEFC certification. Guaranteeing fair competition through supplier assessments and checks. Developed financial company Sveaskog Finans AB for attractive financing solutions. Developing the contractor portal Entrén with features including training, communication and preferential purchases.	Business discussions, follow-ups, checks in the field. Digital follow-up of the contractor portal Entrén.
Timber suppliers	Ability to pay, long-term partnerships, market prices, quality of felling assignments, skills supply, sustainable forestry, information about Sveaskog's operations, technology development.	Market prices, FSC® planning in logging assignments, information activities.	FSC® collaboration, business discussions.
Tourism companies, hunters, fishermen, etc.	Numbers and quality of elk population, granting land concessions, forest and land for outdoor activities, impact of forestry on outdoor activities, grazing damage, lease prices.	Investments in outdoor recreation areas and ecoparks, roads and signs, maps and information on the website.	Elk management meetings, collaborative meetings, hunt leader meetings, business discussions, continued development of short-term hunting.
Reindeer industry	Climate adaptation of forest land, considerate forestry measures, concessions such as new wind farms that may affect reindeer husbandry, measures for lichen growth such as increased cleaning and thinning.	Formalised consultations in accordance with FSC®. Training and further development of web-based map data, (samplaner-ing.se). Cleaning and thinning as a measure for lichen growth in neglected and dense stands. Carrying out projects within the EU's Heureka platform with the Sami village of Gran on grazing access and climate adaptation of the forest land.	Consultation with the Sami villages, joint planning and collaboration within FSC® in Sweden. Continuous dialogue with individual Sami villages.
Government agencies	National environmental goals, Sveaskog's long-term direction and action plan for sustainable forestry, climate adaptation, biodiversity, co-management of forest and cloven-hoofed game linked to grazing damage.	Sustainable forestry programmes, annual audits, business management system, follow-up on goals and performance measures.	Dialogue in collaborative meetings and information meetings on action programme for sustainable forestry, continuous status checks at regional and national level.
Nature conservation organisations	Biodiversity, nature conservation, forestry that strives to achieve climate adaptation of the forest land.	Long-term focus with action programme for sustainable forestry, environmental goals, FSC® membership.	Dialogue meetings, exchanging letters, excursions, and consultations and dialogue meetings in local communities.

NOTE S4 Environment and nature conservation

Sveaskog's nature conservation set-asides may take the form of formally protected areas or voluntary set-asides. Sveaskog's ambition is for 20% of the productive forest land to be managed as conservation area. This refers to the forest 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, 59,000 hectares have so far been left untouched as consideration for nature areas in connection with felling. The remaining 161,000 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 2021	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 www.sveaskog.se 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 – Of which Consideration for nature in felling – Of which Consideration for nature in future planning for felling	Control monitoring of environmental considerations (99% goal)	220,000 hectares – 59,000 hectares – 161,000 hectares	Swedish Forest Agency monitoring, FSC® audit	Methodology development with Swedish Forest Agency
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 2021	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, The 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 S5 Environmental data — GRI 305¹

	2017	2018	2019	2020	2020⁴	2021⁴
Energy consumption						
Non-renewable fuels, TJ	1,535	1,611	1,334	1,189	1,235	1,245
Renewable fuels, TJ	209	199	380	527	524	567
Indirect energy consumption, MWh	8,191	8,335	8,091	8,872	9,663	11,599
Emissions to air²						
Fossil CO₂, thousand tonnes	112	115	122	122.8	137.2	130.4
Of which direct emissions, thousand tonnes	9	10	11	2.5	9.2	11.2
Of which indirect emissions, Scope 2, thousand tonnes	0.042	0.042	0.085	0.0037	0.021	0.020
Of which indirect emissions, Scope 3, thousand tonnes³	105	105	111	120.3	128.0	119.1

- 1) Sveaskog has made three omissions from the reporting requirements under GRI 305. The first omission relates to emission factors, as specific emission factors are used for different kinds of emissions. The second omission relates to disaggregated data for different gases; these are reported as carbon dioxide equivalents, because aggregated emission factors would give an incomplete picture of the distribution. The most significant occurrence of greenhouse gases other than carbon dioxide is nitrous oxide, which is emitted in connection with the spreading nitrogenous fertiliser. This represents 5,900 tonnes of CO2 equivalents of the direct emissions. The third omission relates to assumptions and methods, as different assumptions and methods are used depending on the source of emission.
- 2) Sveaskog reports all greenhouse gases in accordance with the GHG Protocol (Greenhouse Gas Protocol) guidelines. The calculations are based on an "operational control approach" with a "market-based method", as well as GWP 100 in accordance with IPCC AR5.
- 3) Scope 3 includes felling, transport by road, sea and rail, road construction, silviculture, Svenska Skogsplantor and business travel. As of the figures for 2020, the production of nitrogen fertiliser as well as emissions from peat in seedlings sold are also included.
- 4) Climate calculations for 2021 feature more activities included in the climate accounts, with a corresponding figures having been produced for 2020. The most significant additions are the use of peat in the nursery as well as fertilising of forest and the use of fertiliser in the nursery. In total, these represent 13.4% of total emissions in 2021. These activities produce large direct emissions and account for just over 73% of direct emissions.

Employee data

Refers to the entire Sveaskog Group unless otherwise stated. All employees accounted for have employment contracts with the Group. The number of hired contractors and consultants is not included.

NOTE S6 Number of employees – GRI 102-8¹

	2017	2018	2019	2020
Total number of permanent employees				
	685	682	682	713
Number of blue-collar workers	234	229	216	217
Number of salaried employees	451	453	467	496
Proportion of part-time employees	3.4%	2.1%	1.9%	1.1%
Proportion of full-time employees	96.6 %	97.9%	98.1%	98.9%
Employees in different age groups				
-29	101	90	51	55
30-49	344	347	352	319
50 +	398	398	313	318

- 1) The number of employees broken down by permanent and temporary employees is reported at a more detailed level as of 2021.

Number of employees, cont.²

	2021		
Appointments	Full time	Part time	Temporary
Group	702	9	314
Female employees	187	5	100
Male employees	515	4	214

- 2) The total number of permanent employees is 192 women and 519 men. 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 S7 Number of employees by market area – GRI 102-8

	2017	2018	2019	2020	2021
North¹					
	221	244	243	254	392
Permanent employees	221	244	243	254	253
Temporary employees	–	–	–	–	139
South²					
	375	339	339	362	538
Permanent employees	375	339	339	362	368
Temporary employees	–	–	–	–	170
Stockholm³					
	57	59	59	58	56
Permanent employees	57	59	59	58	51
Temporary employees	–	–	–	–	5
Baltfor (Latvia/Lithuania)					
	31	39	41	37	39
Permanent employees	31	39	41	37	39
Temporary employees	–	–	–	–	0
Finland					
	1	1	1	2	0
Permanent employees	1	1	1	2	0
Temporary employees	–	–	–	–	0

- 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. Data for 2017 is a summary of market areas South and Central.
- 3) Stationed at the head office in Stockholm.

NOTE S8 Employee breakdown – GRI 405

	2017	2018	2019	2020	2021
Total					
Proportion of women	24.0%	24.3%	24.3%	25.3%	28.42%
Proportion of men	76.0%	75.7%	73.9%	74.7%	71.58%
Proportion on the Board under the age of 30	–	–	–	–	0.00%
Proportion on the Board aged 30-50	–	–	–	–	12.50%
Proportion on the Board over the age of 50	–	–	–	–	87.50%
Group management					
Proportion of women	40%	44%	64%	75%	62.5%
Proportion of men	60%	56%	36%	25%	37.5%
Proportion in Group Management under the age of 30	–	–	–	–	0.00%
Proportion in Group Management aged 30-50	–	–	–	–	12.50%
Proportion in Group Management over the age of 50	–	–	–	–	87.50%
Managerial positions					
Proportion of women	27%	31%	30%	29%	26.0%
Proportion of men	73%	69%	70%	71%	74.0%
Salaried employees					
Proportion of women	31.4%	33.8%	33.6%	33.4%	35.2%
Proportion of men	28.6%	66.2%	66.4%	55.6%	64.8%
Proportion of salaried employees under the age of 30	–	–	–	–	6.62%
Proportion of salaried employees aged 30-50	–	–	–	–	56.90%
Proportion of salaried employees over the age of 50	–	–	–	–	36.48%
Blue-collar workers					
Proportion of women	9.3%	9.7%	10.5%	12.8%	21.37%
Proportion of men	90.7%	90.3%	89.5%	87.2%	78.63%
Proportion of blue-collar workers under the age of 30	–	–	–	–	23.79%
Proportion of blue-collar workers aged 30-50	–	–	–	–	34.68%
Proportion of blue-collar workers over the age of 50	–	–	–	–	41.33%
Breakdown of wages²					
Women's median pay in relation to men's, salaried employees	96%	95%	99%	98%	93.0%
Women's median pay in relation to men's, blue-collar workers	85%	85%	86%	84%	89.0%
Proportion of employees with foreign background, %³					
	2.9	3.1	3.9	4.0	7.1

- 1) Elected by the Annual General Meeting.
- 2) 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) for the years 2017-2020. Salary information and the number of employees refer to permanent and temporary employees in Sweden (excluding foreign subsidiaries) for the year 2021.
- 3) Born abroad or born in Sweden with two parents born abroad.

NOTE S9 Employee turnover – GRI 401¹

	Joined	Left
Total		
Proportion of women	17	18
Proportion of men	44	44
Total by age group		
- 30	7	6
30-50	44	27
50 +	10	29
Total by market area		
North	20	17
South	34	31
Stockholm	3	10
Baltfor (Latvia/Lithuania)	4	2
Finland	0	2

Employee turnover over time

	2017	2018	2019	2020	2021
Total	7.7	10.6	11.7	7.4	9.08%

- 1) The number of employees broken down by permanent and temporary employees is reported at a more detailed level as of 2021.

NOTE S10 Proportion of employees who received an appraisal of their performance and career development — GRI 404

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. At Sveaskog, all permanent employees shall have at least one performance appraisal in a 12-month period and that appraisal shall be of high quality. Supporting documents and checklists are available to assist in conducting appraisals. According to the most recent employee engagement survey for 2021, performance appraisals had been conducted with 87% of women and 84% of men in the preceding 12 months. The figure is 89% for salaried employees and 75% for blue-collar workers. The employee engagement survey is conducted annually as of 2021. In 2019, performance appraisals had been conducted with 90% of all permanent employees in the preceding 12 months. The result for 2021 is slightly lower than for 2019, due to temporary employees also being included in the result for 2021.

NOTE S11 Sickness absence – GRI 403¹

	2017	2018	2019	2020	2021
Total	3.1	3	3	3.1	
Proportion of women	4.2	2.7	5.1	3.8	5.8%
Proportion of men	2.7	2.5	2.3	2.9	3.2%
Total by category					
Long-term sickness absence in relation to total sickness absence	50.0 %	47.5%	47.4%	41.8%	56.0%
Days absent due to occupational injury	116	245	98	210	198
Number of reported occupational injuries	–	–	–	–	11.0

NOTE S11 Sickness absence — GRI 403¹,cont.

	2017	2018	2019	2020	2021
Reported occupational injuries/1,000 FTEs ²	8.3	13.1	9.1	20.2	13.89
Sickness absence due to occupational injury, %	0.07	0.15	0.06	0.13	0.12
Long-term healthy ³	33.0%	32.9%	32.6%	30.6%	31.6%

- 1) For 2021, the most common reasons for sickness absence due to occupational injury were "minor physical injuries", e.g. broken finger/arm, cutting and trapping injuries. Regarding other sickness absence, long-term sickness absence is usually due to exhaustion/burnout and shorter (7-20 days) due to reasons such as Covid/cold symptoms.
- 2) 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. 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 Försäkring. 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.
- 3) 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.

NOTE S12 Training hours — GRI 404-1

	2017	2018	2019	2020	2021
Total average hours per employee					
Average hours per salaried employee	39	29	41	34	24
Average hours per blue-collar worker	43	39	57	41	36
Average hours per man	–	–	–	–	30
Average hours per woman	–	–	–	–	25

NOTE S13 Proportion of workforce covered by collective agreements – GRI 102-41

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 96%.

NOTE S14 Occurrence of victimisation and discrimination — GRI 406

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 or discrimination means 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 Head of HR, 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. Three cases of abusive/negative victimisation were reported in 2021. An investigation has been conducted into the incidents. The employee engagement survey 2021 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 8% to 10% since 2019. This is followed up annually in the employee engagement survey. To prevent discrimination, all employees are undergoing the Mångfaldsverktyget

NOTE S14 Occurrence of victimisation and discrimination — GRI 406, cont.

(Diversity Tool) training programme in 2021 and 2022. This is a web-based programme of discussions and reflections linked to all causes of discrimination. The 2021 employee engagement survey revealed that the proportion of employees who feel that they have been subjected to discrimination by the employer is 9%.

NOTE S15 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 S16 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 marked for wood raw material may also be customers of Sveaskog when purchasing pulp-wood or seedlings. The same companies can also be suppliers when Sveaskog purchases wood raw material to meet customer demand.

NOTE S17 Post-issuance report under the green bond framework

For more information, see Sveaskog's separate Green Bonds Post-Issuance Report at www.sveaskog.se
In 2017, Sveaskog established its framework for green financing, and issued green bonds to a value of MSEK 1,100 in 2021. Bonds to a value of MSEK 1,700 were issued in 2020.

Total costs incurred allocated to the green bond, the whole Sveaskog group (SEK thousand)					
	2021	2020	2019	2018	2017
Project category according to framework					
Sustainable forestry	1,009,000	1,250,000	924,950	0	875,987
Research and development	11,000	10,000	8,000	0	5,735
Acquisition of property	80,000	440,000	167,050	0	118 278
Total	1,100,000	1,700,000	1,100,000	0	1,000,000
Total green bond issue	1,100,000	1,700,000	1,100,000	0	1,000,000

GRI index

Unless otherwise stated, the whole index refers to GRI Standard 2016.

GRI Standard	Indicator	Page reference	Comment/omission
General Disclosures			
GRI 102: General Disclosures	Organisational profile		
	Name of the organisation	Cover	
	102-2 Brands, products and services	3, 12	
	102-3 Location of headquarters	76	
	102-4 Countries where the organisation operates	81	
	102-5 Ownership structure and legal form	3, 54-58	
	102-6 Markets in which the organisation operates	77	
	102-7 Scale of the organisation	3	
	102-8 Information about employees	81-82, 113	
	102-9 The organisation's supply chain	34-35, 40	
	102-10 Significant changes in the organisation or supply chain during the reporting period	54-58	
	102-11 The Precautionary Principle	74	
	102-12 External initiatives	110-112	The Haga Initiative, Fossil Free Sweden Initiative, Global Compact
	102-13 Membership of organisations		FSC®, SLA, Eustafor, Bioinnovation
	Strategy		
	102-14 Statement from the CEO	10-11	
	Ethics and integrity		
	102-16 Values, principles, standards and norms of behaviour	41, 54-58	
	Corporate governance		
	102-18 Corporate governance	54-58	
	Stakeholder relations		
	102-40 Stakeholder groups	28, 111-112	
	102-41 Collective bargaining agreements	115	
	102-42 Identification and selection of stakeholders	28	
	102-43 Dialogue and activities with stakeholders	28, 111-112	
	102-44 Key topics that have been raised through dialogue with stakeholders and how the organisation has responded to these topics and concerns	28, 111-112	
	About the report		
	102-45 Entities included in the consolidated financial statements	81, 93, 110	
	102-46 Process for defining the content and boundaries of the report for the aspects	110	
	102-47 Material aspects identified	28-29	
	102-48 Effect of and reason for any restatements of information provided in previous reports	26-27, 113	
	102-49 Significant changes from previous reporting periods in terms of scope and boundaries of aspects	110	
	102-50 Reporting period	110	
	102-51 Date of publication of most recent report	GRI Index	2022-03-14
	102-52 Reporting cycle	110	
	102-53 Contact person for the report	GRI Index	Cecilia Östlund, cecilia.ostlund@sveaskog.se
	102-54 Claim for reporting in accordance with GRI Standards	110	
	102-55 GRI index	GRI Index	www.sveaskog.se
	External assurance	120	

NOTE S18 GRI index, cont.

Significant sustainability areas

GRI Standard	Indicator	Page reference	Comment/omission
Investments in forests and forestry			
ECONOMIC PERFORMANCE			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	54-58	
	103-2 Governance	54-58	
	103-3 Follow-up	54-58	
GRI 201: Economic performance	201-1 Economic value created and delivered	45-47	
COMPANY-SPECIFIC AREA			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	8, 15	
	103-2 Governance	28	
	103-3 Follow-up	18-21	
Own indicators	Optimal plant choice	8	
	Increase in new tree species, larch and birch	8	
	More cleaning in reindeer husbandry area	8	
Increased ecological values of land holdings			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	24-25	
	103-2 Governance	28	
	103-3 Follow-up	22-25	
304 Biodiversity	304-3 Habitats protected or restored	112	
COMPANY-SPECIFIC AREA			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	15	
	103-2 Governance	28	
	103-3 Follow-up	22-25	
Own indicators	"Environmental values are achieved in forestry without major impact"	8	
	100 new areas of wetland by 2026	8, 22-23	
Increased ecological values of land holdings			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	24-25	
	103-2 Governance	28	
	103-3 Follow-up	22-25	
304 Biodiversity	304-3 Habitats protected or restored	112	
COMPANY-SPECIFIC AREA			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	15	
	103-2 Governance	28	
	103-3 Follow-up	22-25	
Own indicators	"Environmental values are achieved in forestry without major impact"	8	
	100 new areas of wetland by 2026	8, 22-23	
Strong partnerships and collaborations			
COMPANY-SPECIFIC AREA			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	36-40	
	103-2 Governance	28	
	103-3 Follow-up and evaluation	8	
Own indicators	Satisfied customers	8	
	Satisfied suppliers	8	
	Satisfied contractors	8	

NOTE S18 GRI Index, cont.

Significant sustainability areas

GRI Standard	Indicator	Page reference	Comment/omission	
Efficient and considerate delivery				
COMPANY-SPECIFIC AREA				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	31	Omission for GRI 305 may be found on page 113 in Note S5	
	103-2 Governance	28		
	103-3 Follow-up and evaluation	9		
Own indicators	Efficient delivery	9		
	Considerate delivery	9		
REDUCED CO2 EMISSIONS ACROSS THE WHOLE VALUE CHAIN				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	26-27		
	103-2 Governance	28		
	103-3 Follow-up and evaluation	26-27, 113		
305 Emissions	305-1 Direct emissions, Scope 1	113		
	305-2 Indirect energy consumption, Scope 2	113		
	305-3 Other indirect emissions	113		
	305-5 Reduction of GHG emissions	26-27		
Acceptance of and confidence in our forestry				
COMPANY-SPECIFIC AREA				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	10-11		
	103-2 Governance	28		
	103-3 Follow-up and evaluation	9		
Own indicators	Brand index	9		
	Reputation index	9		
A strong corporate culture				
EMPLOYEES				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	41		
	103-2 Governance	28		
	103-3 Follow-up and evaluation	114		
401: Employees	401-1 New employee hires and employee turnover	114		
DIVERSITY AND EQUAL OPPORTUNITY				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	41		
	103-2 Governance	28		
	103-3 Follow-up and evaluation	114		
GRI 405: Diversity and equal opportunity	405-1 Diversity in governance bodies and among employees	114		
	405-2 Ratio of basic salary and remuneration of women to men per employee category	114		
NON-DISCRIMINATION				
GRI 103: Governance	103-1 Description of the material topic and its boundaries	41		
	103-2 Governance	28		
	103-3 Follow-up and evaluation	115		
406 Non-discrimination	406-1 Number of incidents of discrimination and victimisation	115		
Own indicator	Number of employees who feel that they have been subjected to discrimination or victimisation	115		

NOTE S18 GRI index, cont.

Significant sustainability areas

GRI Standard	Indicator	Page reference	Comment/omission
WORKING ENVIRONMENT, SAFETY AND HEALTH			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	41	
	103-2 Governance	28	
	103-3 Follow-up and evaluation	115	
403 Health and safety	403-9 Work-related injuries	115	
	403-10 Work-related sickness absence	115	
SKILLS DEVELOPMENT			
GRI 103: Governance	103-1 Description of the material topic and its boundaries	41	
	103-2 Governance	28	
	103-3 Follow-up and evaluation	114	
404: Skills development	404-1 Average hours of training per year per employee by gender and employee category	115	
	404-3 Proportion of employees who received an appraisal of their performance and career development	114	

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

Introduction

We have been engaged by the Board of Directors of Sveaskog AB (publ) to undertake a limited assurance engagement of Sveaskog AB (publ)'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 64.

Board of Directors’ and management’s responsibility for the Sustainability Report

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 110in 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 (publ) 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 opinions below

Opinion

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.

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 the ratio 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 2021	Full year 2020
Equity OB	59,493	23,574
Equity CB	62,516	59,493
Average equity (OB + CB)/2	61,005	41,534
Profit for the year	1,494	10,867
Divided by average equity	61,005	41,534
= Return on equity, %	2.4%	26.2%

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 2021	Full year 2020
Operating profit	1,842	13,821
Divided by average operating capital	68,549	48,957
= Return on operating capital, %	2.7%	28.2%

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 2021	Full year 2020
Operating profit before change in value of forest assets	2,038	1,340
Less capital gains on property disposals	-30	-163
Subtotal	2,008	1,177
Operating capital OB	67,178	30,736
Operating capital CB	69,920	67,178
Average operating capital (OB + CB)/2	68,549	48,957
Subtotal as above	2,008	1,177
Divided by average operating capital	68,549	48,957
= Dividend yield, %¹	2.9%	2.4%

1) The lower dividend yield and net debt/equity ratio are primarily due to a new accounting method for valuing forest assets.

Alternative performance measures, cont.

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 2021	Full year 2020
Net interest-bearing debt	7,438	7,613
Divided by equity	62,516	59,493
= Net debt/equity ratio, multiple	0.12	0.13

Operating capital

Definition: 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. The Group's definition has not been changed since previous periods.
Comment: Sveaskog calculates operating capital for the key ratios return on operating capital and average operating capital.

	Full year 2021	Full year 2020
Current receivables etc., non-interest bearing	1,801	1,864
– of which advances to suppliers	244	187
– of which tax assets	101	38
– of which trade receivables, loans and other receivables	1,456	1,639
Current: other liabilities	1,579	1,542
– of which tax liabilities	67	110
– of which trade and other payables	1,512	1,432
Total assets	91,438	87,971
Less interest-bearing assets (cash and cash equivalents)	-1,171	-1,231
Less interest-bearing receivables (non-current)	-5	-5
Less tax assets	-101	-38
Less other liabilities and provisions (non-current)	-18,729	-18,086
Less contract liabilities	0	-1
Less trade and other payables	-1,512	-1,432
= Operating capital, MSEK	69,920	67,178

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 2021	Full year 2020
Interest-bearing assets (cash and cash equivalents and non-current receivable)	1,176	1,236
Interest-bearing liabilities and provisions (non-current)	-5,849	-6,213
Interest-bearing liabilities (current)	-2,765	-2,636
= Net interest-bearing debt, MSEK	-7,438	-7,613

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 2021	Full year 2020
Financial items in the income statement	-133	-153
– of which financial income	0	2
– of which financial expenses	-133	-155
Operating profit before change in value of forest assets	2,038	1,340
Less capital gains on property disposals	-30	-163
Plus financial income	0	2
Subtotal	2,008	1,179
Divided by financial expenses	133	155
= Interest coverage ratio, multiple	15.1	7.6

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 2021	Full year 2020
Equity	62,516	59,493
Divided by total assets	91,438	87,971
= Equity ratio, %	68%	68%

Glossary

AEO
Acronym of Authorised Economic Operator. AEO is an EU-wide quality assurance of a company's customs procedures.

Agenda 2030
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.

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.

Biotopes requiring consideration
An assessment of what is a biotope requiring consideration is made by weighing up the conservation values of the area.

CO₂e
CO₂e (Carbon dioxide equivalents)
Climate emissions and greenhouse gases are used as terms to talk about the gases that affect our climate. Carbon dioxide, methane, nitrous oxide and a few other gases are included in this group. These gases occur naturally, but human activities have significantly increased greenhouse gas emissions. By expressing greenhouse gas emissions in carbon dioxide equivalents, the contribution of the individual gases to the greenhouse effect can be compared.

CFO
Acronym of Chief Financial Officer. Finance Director (in Sweden).

Cleaning
Caring for a stand by thinning out the forest and leaving the removed trunks.

Commercial paper programme
A borrowing commitment used by companies for financing purposes.

Compensation land
Land which is surrendered to a private individual or to the state for nature conservation purposes.

Contractor
A person or company that performs work on a contract basis, such as a construction company.

COP21
Between 30 November and 11 December 2015, 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 the 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.

Edge zones
A line of forest which is left mainly along waterways and lake shores to benefit aquatic insects and fish.

FSC®
Acronym of Forest Stewardship Council. An international organisation which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

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 m². One km² corresponds to 100 hectares.

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.

HVO diesel
HVO stands for Hydrogenated Vegetable Oil. It is a renewable fuel component that can be mixed with or replace diesel.

ISO
Acronym of International Organization for Standardization. An international standards body that promotes industrial and commercial standardisation.

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.

M³sub
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.

Marking (for cross-cutting)
Preparing timber, cutting a stem into logs.

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.

PEFC
Acronym of Programme for the Endorsement of Forest Certification Schemes. An international organisation which promotes certification of forests and recognition of various certification programs.

Productive forest land
Forest land that produces at least 1 m³ fo/ha/year on average.

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.

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.

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.



Definitions

Capital turnover rate
Net sales divided by average operating capital.

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.

Earnings per share (defined in accordance with IFRS)
Profit for the year after tax divided by average number of shares during the year.

Equity ratio
Equity divided by total assets, all calculated at the end of the year.

Gross margin
Operating profit before depreciation and share of profits of associate companies expressed as a percentage of net sales.

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.

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.

Seed plantation
A seed plantation produces seeds with known hardness, high growth and other properties desirable for forest cultivation.

Seed processing unit
Svenska Skogsplantor 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.

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.



Net debt/equity ratio
Net interest-bearing debt divided by equity.

Net earnings per share
Profit for the year after tax divided by average number of shares during the year.

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 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.

Stand
An area that has a consistent habitat for plants.

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.

Thinning
Caring for a stand by thinning out the forest and making use of the removed trunks as pulpwood and possibly sawlogs.

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.

Whistle-blower function
The possibility for a person to anonymously report irregularities or misconduct within the organisation.



Operating margin
Operating profit expressed as a percentage of net sales.

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.

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.

Financial calendar 2022

Publication of Annual Report and Sustainability Report	14 March 2022
Annual General Meeting	27 April 2022
Interim report January – March 2022	27 April 2022
Interim report January – June 2022	15 July 2022
Interim report January – September 2022	28 October 2022

Financial reports

Sveaskog's annual report and interim reports are available at www.sveaskog.se
Printed information can be ordered from:

- www.sveaskog.se
- Email info@sveaskog.se
- Tel. +46 771 787 000
- Letter to Sveaskog, HR and Communications, Torsgatan 4, SE-105 22 Stockholm

Questions

If you any have questions about Sveaskog and our operations, please contact our communications department by email at info@sveaskog.se or call +46 771 787 000.

If you have any questions about our financial statements, please feel free to contact our Head of Finance Anders Jakobsson by email at anders.jakobsson@sveaskog.se or call +46 771 655 91 94.

Annual General Meeting 2022

Sveaskog's Annual General Meeting will take place on Wednesday, April 27, 2022 at 13.00, Bonnierhuset, Torsgatan 21, Stockholm. Members of Parliament have a special right to, after notification to the company, attend the meeting and in connection with this ask questions to the company. The meeting is open to the public. It will also be possible to attend the meeting digitally. Members of Parliament and the general public who wish to attend the Annual General Meeting can announce this by:

- www.sveaskog.se/arsstamman
- Email: kundcenter@sveaskog.se
- Tel. +46 771 787 100

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 Edisen.

Photos and illustrations:
Hans Berggren (Front page), Johan Ekenstedt (page 4), Hans Berggren (page 4), Bengt Alm (page 11), Anna Johansson (page 14), Anders Westergren (page 16-17), Hans Berggren (page 18), Leif Öster (page 19), Lisa Lind (page 19), Istock (page 20), David Berglund (page 21), Anders Westergren (page 22), Ben GT Nyberg (page 23), Niklas Kämpargård (page 24), TT/Anders Humlebo (page 26-27), Hans Berggren (page 30-31), Mats Samuelsson (page 31), Karl Johan Larsson (page 32), Ben GT Nyberg (page 32), Carl-Robert Jonzon (page 33), Bo-Göran Karlsson (page 33), TT/Rickard Söderström och Anders Humlebo (page 34-35), Ingela Lekfalk (page 36), Patrick Degerman (page 37), Pernilla Widén (page 38), Magnus Glans (page 38), Anna Frejd (page 39), Anders Westergren (page 39), Anders Westergren (page 40), Hans Berggren (page 42), Tom Jägestedt (page 42), Anna Frejd (page 43), Bengt Alm (page 43), Bengt Alm (page 43), Leif Öster (page 44), Anders Westergren (page 52), Fredrik Persson (page 59), Bengt Alm (page 60-63).

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Sveaskog AB

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