

# Corporate governance

The task of corporate governance is to ensure the Group's commitments to all of its stakeholders: shareholders, customers, suppliers, creditors, society and employees. It must be structured in a way that supports the company's long-term strategy, market presence and competitiveness. Corporate governance shall be reliable, clear, simple and business-oriented. This Corporate Governance Report forms part of the Board of Directors' Report for Essity's 2017 Annual Report. The report has been reviewed by the company's auditors.

## Corporate governance, including remuneration, pages 84–93.

This section describes applicable regulatory rules and regulations for the Group's corporate governance and the company's management structure and organization. It also details the Board of Directors' responsibilities and its work during the year. Information regarding remuneration and remuneration issues and Essity's internal control are also included here. Essity

applies the Swedish Code of Corporate Governance without any deviations ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)).

## Risk management, page 89

Essity's processes to identify and manage risks are part of the Group's strategy work and are pursued at a local and Group-wide level. The section dealing with risk management describes the most significant risks, and the internal

rules and procedures used to eliminate or limit these risks.

## Sustainability

Essity's sustainability work is an integral part of the company's business model. The company's sustainability report forms part of the Board of Directors' Report. The sustainability work helps reduce risk and costs, strengthen competitiveness and attract new employees and investors.

## Governance at Essity

### ■ General shareholder meeting

The general shareholder meeting is Essity's highest decision-making body, which all shareholders are entitled to attend, to have a matter considered and to vote for shares held by the shareholder. The company's Board of Directors and auditor are elected at the Annual General Meeting (AGM). The AGM also resolves on the remuneration of the Board members and determines guidelines for the remuneration of senior executives. Essity has two listed classes of shares: Class A and Class B shares. Every Class A share represents ten votes while every Class B share represents one vote. There are no other restrictions on voting rights in respect of shares used by shareholders at the general shareholders meeting.

### □ Nomination Committee

Shareholders appoint members of the Nomination Committee at the AGM, or stipulate how the members shall be appointed. The Nomination Committee represents the company's shareholders. Most members shall be independent of the company and corporate management. The CEO and other member of corporate management may not be a member of the Nomination Committee. The main duty of the Nomination Committee is to prepare and present proposals for the AGM's resolutions with respect to election and remuneration matters.

### ■ Board of Directors

The Board of Directors has overall responsibility for the Company's organization and administration. This responsibility is

fulfilled, inter alia, through regular monitoring of the business and by ensuring the appropriateness of the organization, management team, guidelines and internal control. The Board approves strategies and targets, and decides on major investments, acquisitions and divestments of operations, among other matters.

The Board of Directors comprises ten members elected by the shareholders at the 2017 AGM. According to the Articles of Association, the Board of Directors is to consist of not less than three and not more than twelve members elected by the AGM. The Board of Directors also includes three employee representatives with deputies, who are appointed by the respective employee organizations under Swedish law.

Essity's Articles of Association contain no provisions regarding appointment or dismissal of Board members or amendments to the Articles. The general shareholder meeting has not delegated to the board to resolve to issue new share or to repurchase new shares.

### Chairman of the Board

The Chairman of the Board leads the work of the Board and is responsible for ensuring that it is effectively organized and that work is efficiently conducted. This includes continuously monitoring the company's operations in close dialog with the President and CEO and ensuring that other Board members receive information and decision data that will enable high-quality discussion and decisions by the Board. The Chairman leads the assess-

ment of the Board's and the President's work. The Chairman also represents the company in ownership matters.

### Audit Committee

The role of the Audit Committee, without prejudice to the Board of Director's responsibility and other duties, is to monitor the company's financial reporting and provide recommendations and proposals to ensure the reliability of reporting. With regard to the financial reporting, the Committee oversees the effectiveness of the company's internal control, internal audit and risk management. The Audit Committee keeps itself continuously informed about the audit of the annual accounts and consolidated accounts and where applicable about the conclusions of the quality control by the Swedish Inspectorate of Auditors concerning the company's external auditor. The Committee receives and addresses the supplementary report concerning the conducted audit that the auditor submits in accordance with the EU Audit Regulation and Directive. The Audit Committee informs the Board of its observations and the results of the audit. The Audit Committee also examines and monitors the impartiality and independence of the auditor. In respect to this, particular attention is paid to whether the auditor is providing the company with services other than auditing services. The Committee also assesses the work of the auditor and provides proposals to the company's Nomination Committee concerning the appointment of auditor for the following mandate period.

Members of the Audit Committee may not be employed by the company and at least one member must have accounting or auditing expertise.

**Remuneration Committee**

The Remuneration Committee drafts the Board’s motions on issues relating to remuneration principles, remuneration and other terms and conditions of employment for the President and CEO and is authorized to make decisions in these matters for the company’s senior executives. The Committee monitors and assesses programs for variable remuneration, the application of the AGM’s resolution on guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the Group.

**Internal audit**

The internal audit assess and improves the effectiveness of Essity’s internal governance and control as well as risk management. This function reports to the Audit Committee and the Board in relation to internal audit issues. The internal auditors are geographically located throughout the world where Essity conducts operations. The function examines, among other aspects, Essity’s internal processes for sales, financial reporting, IT systems, HR issues, various types of projects and compliance with Essity’s policies, including the company’s Code of Conduct. The function also offers internal consultancy services in connection with internal control matters and risk management.

**President and CEO**

Essity’s President and CEO is responsible for and manages the day-to-day administration of the Group and follows the Board’s guidelines and instructions. The President and CEO is supported by the Executive Management Team, see pages 92–93, the work of which is led by the CEO. The Executive Management Team comprises the CEO, CFO, four Business Unit Presidents, the Presidents of three global units, and Senior Vice Presidents of five Group functions. The working procedures for the Board of Directors and terms of reference issued by the Board of Directors to the President detail, for

example, the division of work between the Board and President. In consultation with the Chairman and Secretary of the Board, the President prepares documentation and decision data for the Board’s work.

**Business units and global units:**

- Health and Medical Solutions, offers incontinence products in Europe and North America and medical solutions in Asia, Europe and North America.
- Consumer Goods, offers consumer tissue, baby care and feminine care in Europe, the Middle East and Africa.
- Latin America, offers consumer tissue, baby care, incontinence products, medical solutions, feminine care and professional hygiene in Latin America.
- Professional Hygiene, offers professional hygiene in Europe and North America.

In addition to the business units, Essity has established three global units:

- Global Hygiene Category (GHC), with global responsibility for customer and consumer brands and innovation.
- Global Hygiene Supply Tissue (GHS-T), with global responsibility for sourcing, production, logistics and technology in Consumer Tissue and Professional Hygiene.
- Global Hygiene Supply Personal Care (GHS-PC), with global responsibility for sourcing, production, logistics and technology in Personal Care.

Essity’s business units adhere to the principle of distinct decentralization of responsibility and authority. The business units are fully responsible for managing and developing their respective operations through established objectives and strategies, a process that is also centrally coordinated. The business units are responsible for their operating results, capital and cash flow. The business and earnings position is followed up by the entire Executive Management Team on a monthly basis. Each quarter, business review meetings are conducted during which the management of each business unit personally meets with the President, the CFO and others. These meetings function as a complement to the daily monitoring of operations. Through work-

ing procedures and terms of reference, a number of issues of material significance are placed under the control of the CEO and the Parent Company’s Board of Directors. Essity divides and reports its operations according to three business areas – Personal Care, Consumer Tissue and Professional Hygiene.

**External auditors**

The Company’s auditor, elected at the Annual General Meeting, examines Essity’s annual report and consolidated financial statements and the Board’s and President’s administration, and submits an audit report.

The audit is performed in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing principles in Sweden.

**Rules and regulations**

*Certain internal rules and regulations*

- Articles of Association
- Working procedures of the Board of Directors, including instructions for the Audit Committee and the Remuneration Committee
- Terms of reference issued by the Board to the President
- Code of Conduct
- Policy documents (such as financial, communications, risk management, pension, HR and diversity) and instructions

*Certain external rules and regulations*

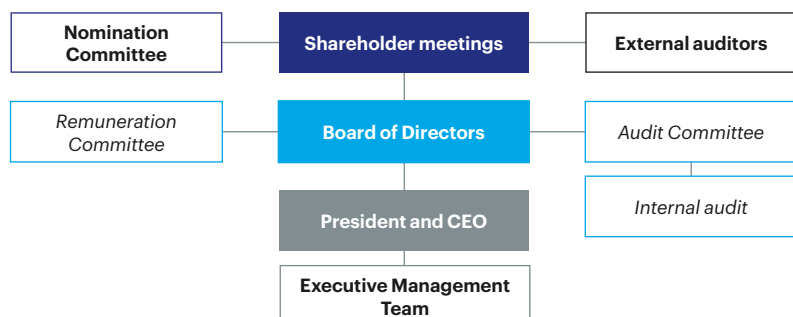
- The Swedish Companies Act
- The Swedish Annual Accounts Act
- International Financial Reporting Standards (IFRS)
- EU Market Abuse Regulation (MAR)
- Nasdaq Stockholm’s rules for issuers
- Swedish Code of Corporate Governance

**Compliance with stock market regulations**

Essity was not sanctioned by Finansinspektionen, the stock exchange’s disciplinary board or any other authority or self-regulating body for violations of the rules concerning the stock market.

**More detailed information about Essity’s corporate governance is available on [www.essity.com](http://www.essity.com)**

- Articles of Association
- Swedish Code of Corporate Governance
- Information from the Nomination Committee ahead of the 2018 Annual General Meeting (composition, proposals and work)
- Other information ahead of the 2018 Annual General Meeting (notice, Board proposal for principles for remuneration of senior executives, information routines for notifying attendance at the Meeting, etc.)



# Activities during the year

## Annual General Meeting

Essity shares were admitted for trading on Nasdaq Stockholm on June 15, 2017. Ahead of the listing, the company held an AGM on Wednesday, April 5, 2017.

The 2017 AGM elected the following persons to the company's Board of Directors: Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Magnus Groth, Johan Malmquist, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson. Pär Boman was elected as the Chairman of the Board. Moreover, guidelines for determining the salary and other remuneration of the President and other senior executives were adopted, see page 88 and Note C3 on pages 117–119.

## Nomination Committee

Under the Swedish Corporate Governance Code, a company listed on Nasdaq Stockholm shall have a nomination committee, the purpose of which is to make proposals to the Annual General Meeting in respect of the election of the Chairman at General Meetings, Board of Directors, Chairman of the Board and auditor, remuneration of each Board Member (divided between the Chairman of the Board and other Board Members), remuneration of the auditor, and where applicable, proposals for amendments to the instruction for the Nomination Committee. At the 2017 AGM, the following instructions to the Nomination Committee were adopted to apply until further notice:

"The Nomination Committee is to comprise representatives of the four largest shareholders in terms of voting rights as per the shareholders' register maintained by the company on the final banking day of August, as well as the Chairman of the Board, who also convenes the first meeting of the Nomination Committee. The member representing

the largest shareholder in terms of votes is to be appointed as Chairman of the Nomination Committee. The Chairman of the Board shall not be Chairman of the Nomination Committee. If necessary, due to subsequent ownership changes, the Nomination Committee is entitled to call on one or two additional members from among the next largest shareholders in terms of voting rights. The total number of members shall be not more than seven. In the event that a member steps down from the Nomination Committee before the task is completed and the Nomination Committee decides it would be beneficial for a replacement to be appointed, such a replacement is to be appointed by the same shareholder or, if this shareholder is no longer among the largest shareholders in terms of voting rights, by the next largest shareholder in terms of voting rights. Changes to the composition of the Nomination Committee are to be disclosed immediately.

The composition of the Nomination Committee is to be announced by Essity not later than by six months prior to the Annual General Meeting. No remuneration is to be paid to the members of the Nomination Committee. Any expenses incurred during the work of the Nomination Committee are to be paid by Essity. The mandate period of the Nomination Committee extends until the composition of the next Nomination Committee is disclosed. The Nomination Committee is to submit proposals relating to the Chairman of the Meeting, the Board of Directors, the Chairman of the Board, Board fees for the Chairman of the Board and each of the other Board members, including remuneration for committee work, the company's auditor and auditor's fees, and to the extent deemed necessary, proposals for amendments to this instruction."

In its work, the Nomination Committee is to consider the rules that apply to the independence of Board members, as well as the requirement of diversity and breadth with the endeavor to achieve an even gender distribution and that the selection shall be based on expertise and experience relevant to Essity.

## Composition of the Nomination Committee for the 2018 AGM

The composition of the Nomination Committee for the 2018 AGM is as follows:

- Helena Stjernholm, AB Industrivärden, Chairman of the Nomination Committee
- Petter Johnsen, Norges Bank Investment Management
- Stefan Nilsson, Handelsbanken Pension Funds and others
- Javiera Ragnartz, AMF and AMF Fonder
- Pär Boman, Chairman of the Board, Essity

All shareholders have had an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposal for the 2018 AGM is presented in the notice convening the AGM available on Essity's website [www.essity.com](http://www.essity.com). The 2018 AGM will be held on April 12; see page 40.

The Nomination Committee was convened on three occasions prior to the 2018 AGM. The Chairman of the Board presented the Board evaluation and provided the Nomination Committee with information regarding Board and committee work during the year. When preparing proposals for the Board for the 2018 AGM, particular attention has been paid to the issues of diversity and an even gender distribution, and the Nomination Committee thus applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy. The aim was to retain an appropriate gender distribution on both the Board and the

## Board of Directors and committees

| Board of Directors         | Elected | Depend-<br>ence | Committees |                   | Attendance <sup>1)</sup>      |                           |                               |
|----------------------------|---------|-----------------|------------|-------------------|-------------------------------|---------------------------|-------------------------------|
|                            |         |                 | Audit      | Remuner-<br>ation | Board of<br>Directors<br>(11) | Audit<br>Committee<br>(5) | Remuneration<br>Committee (7) |
| Ewa Björling               | 2016    |                 |            |                   | 11/11                         |                           |                               |
| Pär Boman                  | 2016    | ■               | x          | Chairman          | 11/11                         | 5/5                       | 7/7                           |
| Maija-Liisa Friman         | 2016    |                 |            |                   | 11/11                         |                           |                               |
| Annemarie Gardshol         | 2016    |                 |            |                   | 11/11                         |                           |                               |
| Magnus Groth               | 2016    | ■               |            |                   | 11/11                         |                           |                               |
| Johan Malmquist            | 2016    |                 |            |                   | 11/11                         |                           |                               |
| Bert Nordberg              | 2016    |                 | x          | x                 | 11/11                         | 5/5                       | 7/7                           |
| Louise Svanberg            | 2016    |                 |            | x                 | 11/11                         |                           | 7/7                           |
| Lars Rebien Sørensen       | 2017    |                 |            |                   | 8/8                           |                           |                               |
| Barbara Milian Thoralfsson | 2016    |                 |            | Chairman          | 11/11                         | 5/5                       |                               |

<sup>1)</sup> Board meetings January 1–December 31, 2017.

■ = Dependent in relation to the company's major shareholder, AB Industrivärden.

■ = President of Essity, dependent in relation to the company and the Executive Management Team.

## Composition of the largest shareholders, Nomination Committee at August 31, 2017 (share of votes)

|                                   | %    |
|-----------------------------------|------|
| AB Industrivärden                 | 29.8 |
| Norges Bank Investment Management | 8.3  |
| Handelsbanken's foundations, etc. | 3.5  |
| MFS Investment Management         | 2.7  |
| AMF and AMF Fonder                | 2.2  |

Board's committees. When preparing its proposal for the election of auditors, the Nomination Committee also gave consideration to the recommendation of the Audit Committee.

### Board of Directors

Essity's Board of Directors comprises ten members elected by the AGM.

Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Magnus Groth, Johan Malmquist, Bert Nordberg, Louise Svanberg, Lars Rebién Sørensen and Barbara Milian Thoralfsson were elected to the Board in 2017. Pär Boman was elected as the Chairman of the Board.

The independence of Board members is presented in the table on page 86. Essity complies with the requirements of the Swedish Corporate Governance Code that stipulate that not more than one member elected by the AGM shall be a member of company management, that the majority of the members elected by the AGM shall be independent of the company and company management, and that not fewer than two of these shall also be independent of the company's major shareholders. All of the AGM-elected Board members have experience of the requirements incumbent upon a listed company. Five of the Board members are women, corresponding to 50% of the total number of AGM-elected Board members. The employees have appointed Tina Elvingsson, Örjan Svensson and Niclas Thulin as representatives to the Board for the period until the 2018 AGM, and their deputies Niklas Engdahl, Martin Ericsson and Paulina Halleröd.

### Board activities

In 2017, the Board was convened 11 times. The Board has fixed working procedures that describe in detail which ordinary agenda items are to be addressed at the various Board meetings of the year. Recurring agenda items are finances, the market situation, investments and adoption of the financial statements. The Board also establishes and evaluates the company's overall objectives and strategy and decides on significant internal rules. Another key task is to continuously monitor the internal control of the compliance of the company and its employees with relevant internal and external rules, and that the company has well-functioning procedures for market disclosures. On a regular basis throughout the year, the Board has also dealt with reports from the Audit and Remuneration Committees and reports on strategy, market, internal audit, internal control and financial operations. The company's auditors regularly present a report on their audit work and these issues are

discussed by the Board. The Business Unit Presidents present reports on their respective operations and current issues affecting them.

To gain more insight into Essity's North American operations, the Board completed a visit to the US during the year. In 2017, one focus area for the Board, in addition to standard Board duties, was also preparations for the distribution of shares in Essity to SCA's shareholders and the following listing on Nasdaq Stockholm that took place on June 15, 2017. Another focus area was the acquisition of BSN medical, which was complete on April 3, 2017, and follow-up work in integrating BSN medical into the company's organization.

### Evaluation of the Board's work

The work of the Board, like that of the President and the Chairman, is evaluated annually using a systematic and structured process, the purpose of which is to obtain a sound basis for the Board's own development work and to provide the Nomination Committee with decision data for its nomination work. External expertise was used. The evaluation took the form of an anonymous questionnaire and interviews as well as group and individual discussions. The evaluation covers such areas as the Board's methods of work, effectiveness, expertise and the year's work. The Board was provided with feedback after the results were compiled. The Nomination Committee was also informed of the results of the evaluation.

### Audit Committee

The Audit Committee comprises Chairman Barbara Milian Thoralfsson, Pär Boman and Bert Nordberg. The Audit Committee held five meetings during the year. In addition, members have also held internal meetings with internal audit, the auditors and the CFO, and held meetings with the auditors and CFOs of large partly-owned companies. In its monitoring of the financial reporting, the Committee dealt with relevant accounting issues, internal auditors' reviews, auditing work and a review of various measurement issues, such as testing of impairment requirements for goodwill, and the pre-conditions for the year's pension liability calculations. The Audit Committee also prepared a recommendation to be used by the Nomination Committee when deciding on its proposal to the AGM regarding the election of auditors.

### Remuneration Committee

The Remuneration Committee comprises Chairman Pär Boman, Bert Nordberg and Louise Svanberg. The Remuneration Committee held seven meetings in 2017.

Activities mainly concerned remuneration and other employment terms and conditions for senior executives, and current remuneration structures and remuneration levels in the Group.

### Internal audit

The basis of the work of the internal audit is a risk analysis conducted in cooperation with Essity's management team. The risk analysis concludes in an audit plan, which is presented to the Audit Committee. In 2017, 115 audit projects were performed and reported at meetings with the Audit Committee.

Work in 2017 involved follow-up of the units' progress with process-based control, follow-up of the efficiency in internal governance and control, and follow-up of compliance with Essity's policies. The audit plan was reworked during the year due to the split from SCA and the acquisition of BSN medical.

### External auditors

The 2017 Annual General Meeting appointed the accounting firm of Ernst & Young AB as the company's auditor for a mandate period of one year. The accounting firm notified the company that Hamish Mabon, Authorized Public Accountant, would be the auditor in charge. Hamish Mabon is also the auditor for Svenska Cellulosa Aktiebolaget SCA, Skanska AB, AB Tetra Pak and Husqvarna AB. The auditor owns no shares in the company.

In accordance with its formal work plan, the Board met with the auditors at two scheduled Board meetings in 2017. The auditors also attended each meeting of the Audit Committee. At these meetings, the auditors presented and received opinions on the focus and scope of the planned audit and delivered verbal audit and review reports. Furthermore, at the Board's third scheduled autumn meeting, the auditors delivered an in-depth verbal report on the audit for the year. The working procedures specify a number of mandatory issues that must be covered. These include matters of importance that have been a cause for concern or discussion during the audit, business routines and transactions where differences of opinion may exist regarding the choice of accounting procedures. The auditor shall also disclose consultancy work conducted for Essity as well as other dependencies in relation to the company and its management. On each occasion, Board members have had an opportunity to ask the auditors questions. Certain parts of the detailed discussion on the accounts take place without representatives of company management being present.

# Remuneration, Management and Board of Directors

## Guidelines

The 2017 Annual General Meeting adopted guidelines for remuneration of senior executives that are based on a total remuneration package comprising a fixed salary, variable salary and other benefits, and a pension; see Note C3 on page 117. Corresponding guidelines have been proposed to the 2018 AGM, see page 62.

## Remuneration of the President and other senior executives

Remuneration of the President and other senior executives is presented in Note C3 on pages 117–119. Variable remuneration for the CEO, CFO and Business Unit Presidents was maximized to a total of 100% of the fixed salary for 2017. For two Business Unit Presidents, stationed in Latin America and the US, the maximum outcome is 110–130%, while the corresponding limit for other senior executives is 90%.

## Variable remuneration and strategic targets

Programs for variable remuneration are formulated to support the Group's strategic targets. The short-term program is individually adapted and based mainly on cash flow, operating margin and organic sales growth. The long-term program is based on the Essity share's long-term total shareholder return.

## Remuneration of the Board

The total remuneration of the AGM-elected Board members amounts to SEK 8,875,000 in accordance with the AGM's resolution. See Note C4 on page 119 for further information.

# Internal control and financial reporting

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting. The Board bears the overall responsibility for financial reporting and its working procedures regulate the internal division of work between the Board and its committees.

The Audit Committee has the important task of preparing the Board's work to assure the quality of financial reporting. This preparation work includes issues relating to internal control and regulation compliance, control of recognized values, estimations, assessments and other activities that may impact the quality of the financial statements. The Committee has charged the company's auditors with the task of specifically examining the degree of compliance in the company with the rules for internal control, both general and detailed.

## Financial reporting to the Board

The Board's working procedures stipulate which reports and information of a financial nature are to be submitted to the Board at each scheduled meeting. The President ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

## External financial reporting

The quality of external financial reporting is guaranteed via a number of actions and procedures. The President is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting

their observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the six-month report and of the company's administration and internal control is carried out.

## Risk management

With regard to financial reporting, the risk that material errors may be made when reporting the company's financial position and results is considered the primary risk. To minimize this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts. There is also a joint system for reporting annual accounts. Essity's Board of Directors and management assess the financial reporting from a risk perspective on an ongoing basis. To provide support for this assessment, the company's income statement and balance sheet items are compared with earlier reports, budgets and other planned figures. Control activities that are significant to financial reporting are carried out using the company's IT system. For further information, see Risk and risk management on pages 66–71.

## Control activities and follow-up

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Function Finance and are easily accessible on the Group's intranet. The Group Function Finance is responsible for ensuring compliance with instructions and guidelines. Process managers at various levels within Essity are responsible for carrying out the necessary control measures with respect to financial reporting. An important role is played by the business unit's controller organizations, which are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. In addition, each business unit has a Finance Manager with responsibility for the individual business unit's financial statements. The company's control activities are supported by the budgets prepared by each business

unit and updated during the year through continuous forecasts.

Essity has a standardized system of control measures involving processes that are significant to the company's financial reporting. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question. Control of these processes is assessed through self-evaluation followed up by an internal audit. In some cases, Essity has enlisted external help to validate these control measures.

Financial results are reported and examined regularly within the management teams of the operating units and communicated to Essity's management at monthly and quarterly meetings. Before reports are issued, results are analyzed to identify and eliminate any mistakes in the process until the year-end closing. For additional information, see Internal audit on page 87.

The Board follows up to ensure that the internal control and reporting to the Board functions through continuous reporting from the CEO and CFO and through reporting from the internal audit unit in the scope of the audit plan set annually. Internal audit also continuously reports its observations in this respect to the Audit Committee. Internal audit's tasks include following up compliance with the company's policies, and the results of this follow-up are reported to the Board through the Audit Committee.

## Activities in 2017

For a number of years now, Essity has used a shared reporting system for financial statements. An increasing number of units within Essity are also introducing the same accounting system based on a common IT platform.

Accounting and reporting of several units are to a certain extent co-located, in shared service centers, which made reporting more efficient and uniform.

# Board of Directors and Auditors

## Elected by the Annual General Meeting



**Pär Boman** (1961)  
*Engineer, Economist, Hon PhD Econ*  
 Chairman of the Board since 2016 (Chairman of SCA since 2015). Chairman of the Board of Svenska Handelsbanken AB and Svenska Cellulosa Aktiebolaget SCA, Deputy Chairman of the Board of AB Industrivärden and member of the Board of Skanska AB. Former President and CEO of Handelsbanken and prior to this Vice President of Handelsbanken. Other senior positions at Handelsbanken 1998–2002. Elected: 2016 (elected in SCA 2010)  
 Class B shares: 3,000  
 Independent of the company and corporate management.



**Ewa Björling** (1961)  
*Med. Dr. Sci. and Associate Professor from Karolinska Institutet.*  
 Member of the boards of Biogaia AB and Mobilis AB, and former member of the Boards of the Swedish National Insurance Office and the Swedish International Development Cooperation Agency (SIDA). Minister for Trade 2007–2014, and Minister for Nordic Cooperation 2010–2014. Previously Karolinska Institutet. Elected: 2016 (elected in SCA 2016)  
 Independent of the company, corporate management and Essity's major shareholders.



**Maija-Liisa Friman** (1952)  
*MSc Eng.*  
 Member of the Boards of Finnair, the Securities Market Association and Boardman Oy. Former Chairman of Helsinki Deaconess Institute, Vice Chairman of Neste Corporation, member of the Boards of TeliaSonera, Rautaruukki, Metso, Ekokem and Talvivaara Mining Company Plc. Former CEO of Aspocomp Group Plc 2004–2007 and prior to this served as the President of Vattenfall Oy and Gyproc Oy. Elected: 2016 (elected in SCA 2016)  
 Independent of the company, corporate management and Essity's major shareholders.



**Annemarie Gardshol** (1967)  
*MSc Eng.*  
 Member of the Board of Svenska Cellulosa Aktiebolaget SCA. President of PostNord Sverige AB, member of PostNord's corporate management team since 2012. Former member of the Boards of Etac AB, Bygghemma AB, Ortivus and Semcon. Former President of PostNord Strålfors Group AB and various management positions in Gambro AB and McKinsey & Company. Elected: 2016 (elected in SCA 2015)  
 Class B shares: 1,100  
 Independent of the company, corporate management and Essity's major shareholders.



**Johan Malmquist** (1961)  
*MSc Econ.*  
 Chairman of the board of Arjo AB and Tingstad Papper AB. Member of the Board of Elekta AB, Getinge AB, Stena Adductum, Trelleborg AB, Mölnlycke Health Care AB, Dunkerintressen and the Chalmers University of Technology Foundation. Former President and CEO of Getinge AB 1997–2015. Former member of the Board of Capio AB. Elected: 2016 (elected in SCA 2016)  
 Class B shares: 4,000  
 Independent of the company, corporate management and Essity's major shareholders.



**Bert Nordberg** (1956)  
*Engineer*  
 Chairman of the Board of Vestas Wind Systems A/S. Member of the Boards of AB Electrolux, Svenska Cellulosa Aktiebolaget SCA and SAAB. Previously held various management positions in Digital Equipment Corp. and Ericsson, President of Sony Mobile Communications AB 2009–2012. Former Chairman of the Board of Sony Mobile Communications and member of the Boards of BlackBerry Ltd, Skistar AB and Axis AB. Elected: 2016 (elected in SCA 2012)  
 Class B shares: 16,800  
 Independent of the company and corporate management.  
 and Essity's major shareholders.



**Louise Svanberg** (1958)  
*MSc Econ.*  
 Member of the Board of CERAS Health, New York and member of the Advisory Board for Cue Ball Capital, Boston. Previously held various management positions in EF, including President 2002–2008 and Chairman of the Board 2008–2010. Former member of the Board of Careers Australia Group Ltd. Elected: 2016 (elected in SCA 2012)  
 Class B shares: 15,000  
 Independent of the company, corporate management and Essity's major shareholders.



**Lars Rebién Sørensen** (1954)  
*BSc Forestry and MSc Econ.*  
 Deputy Chairman of the Board of Carlsberg A/S. Member of the Boards of Jungbunzlauer, Novo Holding A/S, Novo Nordisk Foundation and Thermo Fisher Scientific Inc. Former President and CEO of Novo Nordisk 2000–2017. Elected: 2017  
 Independent of the company, corporate management and Essity's major shareholders.



**Barbara Milian Thoralfsson** (1959)  
**MBA, BA**  
 Chairman of the Board of ColArt Group Holdings Ltd. Member of the Board of Hilti AG, G4S Plc and Svenska Cellulosa Aktiebolaget SCA. Former President of NetCom ASA 2001-2005 and President of Midelfart & Co AS 1995-2000. Former member of the Boards of Cable & Wireless Plc, AB Electrolux, Orkla ASA, Tandberg ASA and Telenor ASA.  
 Elected: 2016 (elected in SCA 2006)  
 Independent of the company, corporate management and Essity's major shareholders.



**Magnus Groth** (1963)  
**MBA and MSc ME**  
 President and CEO of Essity. Member of the Board of Acando AB. Former President of SCA Consumer Goods Europe. 2011-2015. Former President of Studsvik AB (publ) 2006-2011 and SVP of Vattenfall 2001-2005.  
 Elected: 2016 (elected in SCA 2015)  
 Class B shares: 34,000  
 Independent of Essity's major shareholders.

**Appointed by the employees**



**Tina Elvingsson Engfors** (1967)  
 Operator at Essity Hygiene and Health AB, Falkenberg  
 Member of the Swedish Trade Union Confederation (LO).  
 Appointed: 2017  
 Class B shares: 225



**Örjan Svensson** (1963)  
 Senior Industrial Safety Representative at Essity Hygiene and Health AB, Lilla Edet.  
 Member of the Swedish Trade Union Confederation (LO).  
 Appointed: 2017 (appointed in SCA 2005)  
 Class B shares: 75



**Niclas Thulin** (1976)  
 Team Leader Collaboration & Workplace at Essity Hygiene & Health AB, Gothenburg  
 Other current assignments: Limited partner of TH Tryck & Reklam Kommanditbolag.  
 Member of the Council for Negotiation and Cooperation (PTK).  
 Appointed: 2017

**Deputies**

**Niklas Engdahl** (1980)  
 Employed at Essity Hygiene and Health AB, Lilla Edet.  
 Member of the Council for Negotiation and Cooperation (PTK).  
 Appointed: 2017

**Martin Ericsson** (1968)  
 Employed at Essity Hygiene and Health AB, Falkenberg  
 Member of the Council for Negotiation and Cooperation (PTK).  
 Appointed: 2017  
 Class A shares: 200  
 Class B shares: 200

**Paulina Halleröd** (1967)  
 Employed at Essity Hygiene and Health AB, Falkenberg  
 Member of the Council for Negotiation and Cooperation (PTK).  
 Appointed: 2017 (appointed in SCA 2013)  
 Class B shares: 370

**Auditors**

**Ernst & Young AB**  
*Senior Auditor:* Hamish Mabon  
 Authorized Public Accountant

**Secretary to the Board**

**Mikael Schmidt** (1960)  
 Master of Laws  
 Senior Vice President, Group Function Legal Affairs, General Counsel  
 Employed since: 1992  
 Class B shares: 19,000



# Executive Management Team



**Magnus Groth** (1963)  
President and CEO  
*MBA and MSc ME*  
Employed since: 2011  
Class B shares: 34,000



**Fredrik Rystedt** (1963)  
CFO and Executive Vice President  
Head of Group Function Finance  
*MSc Econ.*  
Employed since: 2014  
Class B shares: 13,200



**Joséphine Edwall Björklund** (1964)  
Senior Vice President, Group Function  
Communications  
*BSc in Communications*  
Employed since: 2012  
Class B shares: 6,400



**Pablo Fuentes** (1973)  
President, Latin America  
*MSc Econ, MBA*  
Employed since: 2006  
Essity ADR: 2,707  
Class B shares: 9,448



**Donato Giorgio** (1973)  
President, Global Hygiene Supply Tissue  
*MSc Eng.*  
Employed since: 2009  
Class B shares: 3,672



**Ulrika Kolsrud** (1970)  
President, Global Hygiene Supply  
Personal Care  
*MSc Eng.*  
Employed since: 1995  
Class B shares: 3,653



**Margareta Lehmann** (1958)  
President, Health and Medical Solutions  
*MSc Econ.*  
Employed since: 1983  
Class B shares: 12,414



**Don Lewis** (1961)  
President, Professional Hygiene  
*MSc Econ.*  
Employed since: 2002  
Essity ADR: 18,746



**Mikael Schmidt** (1960)  
Senior Vice President, Group Function  
Legal Affairs, General Counsel and  
Secretary of the Board  
*Master of Laws*  
Employed since: 1992  
Class B shares: 19,000



**Georg Schmundt-Thomas** (1962)  
President, Global Hygiene Category  
*PhD, MA*  
Employed since: 2016  
Class B shares: 1,300



**Robert Sjöström** (1964)  
Senior Vice President, Group Function  
Strategy and Business Development,  
Global Business Services and IT  
*MSc Econ, MBA*  
Employed since: 2009  
Class B shares: 16,000



**Kersti Strandqvist** (1963)  
Senior Vice President, Group Function  
Sustainability and Public Affairs  
*MSc Chem., Tech Lic.*  
Employed since: 1997  
Class B shares: 14,147



**Anna Sävinger Åslund** (1969)  
Senior Vice President, Group Function  
Human Resources  
*HR Management Degree*  
Employed since: 2001  
Class B shares: 3,275



**Volker Zöller** (1967)  
President, Consumer Goods  
*BSc BA*  
Employed since: 1994  
Class B shares: 5,650

Information regarding individuals' own and related parties' shareholdings pertains to the situation on December 31, 2017.