Questions from shareholders and answers from the CEO and the board

Question:

I have read a very well written annual report and have a question regarding page 22 Targets and outcomes.

There is a target on organic sales growth > 3%, which is good, and on adjusted return on capital employed > 17%, which has been increased. I assume that the reason behind the increase is that the book values has not reached the market values and therefore need to be increased. That said, the term “adjusted” is a flexible word, which is not easily defined. However, I fear that large investments in fixed assets, markets, new product categories, acquisitions of new growth idea businesses, which does not generate immediate return but a high future growth in returns, may slow down due to the high target on return on capital.

I would appreciate the board’s view on the above, and in particular in respect of long term returns.

Answer:

In 2020, Essity achieved the target for adjusted return on capital employed and, accordingly, the target was raised to above 17% by 2025. This target will be achieved through continued focus on profitable growth, accelerated digital transformation and further efficiency improvement of sourcing, production, logistics and distribution. “Adjusted” means that we exclude items affecting comparability. Essity will continue to invest in innovation, our strong brands, digital transformation and e-commerce and our production facilities and also see opportunities for further acquisitions which combined support our strategy for profitable growth and long-term value creation.