

## Independent auditor's report

To: the shareholder and the board of directors of Essity Capital B.V.

### Report on the audit of the financial statements 2021 included in the annual report

#### Our opinion

We have audited the financial statements 2021 of Essity Capital B.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Essity Capital B.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The statement of financial position as at 31 December 2021
- ▶ The following statements for 2021: the statements of profit and loss, other comprehensive income, changes in equity and the cash flow statement
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Essity Capital B.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### Our understanding of the business

Essity Capital B.V. was founded on 24 April 2021 by its sole shareholder Essity Aktiebolag (publ), based in Stockholm, Sweden. Essity Aktiebolag (publ) is the ultimate parent company of the Essity Group. Essity Capital B.V.'s sole purpose is to act as a finance company for the Essity Group by being an issuer of debt instruments (notes) and on-lending the proceeds to one or more related companies within the Essity Group. Essity Aktiebolag (publ) has guaranteed the due and punctual payment of all sums from time to time payable by the company in respect of the notes issued. Essity is a global hygiene and health company that develops, produces and sells products and solutions within the following business areas; Personal Care, Consumer Tissue and Professional Hygiene. The main income of Essity Capital B.V. is the interest income on loans to related companies. The company's ability to pay interest and repay principal in respect of its borrowings, including the notes, depends upon the financial condition and liquidity of the Essity Group. Interest risk and foreign exchange risks related to notes issued are offset by the loans to related companies in the same currency and having similar terms and conditions, except for an additional margin, covering the administrative expenses of the company in full.

We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### Materiality

Materiality	€4.5 million
Benchmark applied	0.75% of total assets
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and the company's ability to pay interest and repay principal in respect of its borrowings, including the notes.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €225,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed finance company. We included a specialist in the area of income taxes (including transfer pricing).

## Our focus on fraud and non-compliance with laws and regulations

### Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

### Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes. We refer to section Risk Management of the board of director's report for the board of directors' (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. We have performed substantive audit procedures to identify and address high-risk journal entries. We evaluated the business rationale of transactions with related parties and whether these were accounted for at-arm's length and in accordance with transfer pricing documentation. We have also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 under Estimates in the financial statements.

We considered available information and made enquiries of relevant members of the board of directors as well as the group auditor of Essity Group.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and assessment of other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

### Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected correspondence with regulatory authorities, enquired with the group auditor of Essity Group and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### Our audit response related to going concern

As disclosed in Note 2 under Going concern, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial condition and liquidity of the Essity Group in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next twelve months.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

#### Our key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

### Valuation of loans to related companies

Risk	<p>Essity Capital B.V. is exposed to the risk that the related companies of the Essity Group default on meeting their obligations. As loans to related companies represent the most significant portion of the company's assets, any impairment may have a material impact on the financial position and the result of the company. As such we identified valuation of loans to related companies as key audit matter.</p> <p>We refer to note 2 under Estimates and under Impairment of financial assets, note 3 under Credit risk, note 8 on Financial instruments, related companies and note 13 on Transactions with related parties.</p>
Our audit approach	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with of IFRS 9 "Financial Instruments", and the low credit risk simplification of paragraph 5.5.10 in particular. We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of internal controls of the processes underlying the estimation process as relevant to our audit of the financial statements.</p>

## Valuation of loans to related companies

	<p>Furthermore, we verified that the board of directors appropriately measured the loss allowance at an amount equal to twelve-month expected credit losses, instead of the lifetime expected credit losses, taking into consideration the external credit rating of Essity Aktiebolag (publ) and events subsequent to 31 December 2021. We tested mathematical accuracy of the expected credit losses provision calculations and we challenged key assumptions in the model, i.e. the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions.</p> <p>Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 7 "Financial instruments: disclosures".</p>
<p>Key observations</p>	<p>We concur with the board of directors' valuation of loans to related companies and the related disclosures in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code as included in the notes to the financial statements.</p>

## Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the board of directors as auditor of Essity Capital B.V. on 19 October 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## **Description of responsibilities regarding the financial statements**

### **Responsibilities of the board of directors for the financial statements**

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as the board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of Essity Aktiebolag (publ) in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of Essity Aktiebolag (publ) and the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Zwolle, 28 April 2022

Ernst & Young Accountants LLP

signed by D.L. Groot Zwaaftink