



Annual report 2022

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Mölnlycke's 2022 Integrated Annual Report covers the year ended 31 December 2022. The Mölnlycke Sustainability report is prepared, on a voluntary basis, in accordance with the Swedish Annual Accounts Act, chapter 6, section 10 and 11 (in line with the EU Directive on non-financial reporting). This report has been prepared in accordance with Global Reporting Initiative (GRI), in addition to the Taskforce on Climate related Financial Disclosures (TCFD) framework.

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2022 has been all about profitable organic business growth alongside with implementation of our new customer-centric strategy with sustainability and digitalisation at core. Together, we make it happen.

Zlatko Rihter, CEO

This is Mölnlycke®

Mölnlycke is a world leading medical solutions company, with the purpose to advance performance in healthcare across the world.

The company is organised in four Business Areas – Wound Care, Operating Room Solutions, Gloves and Antiseptics – where customer centricity, sustainability and digitalisation are the strategic priorities.

The headquarters are in Gothenburg, Sweden, and the company operates in some 100 countries worldwide. Mölnlycke is owned by Patricia Industries AB, a part of Investor AB, listed on NASDAQ OMX Stockholm.

Business Area missions



Wound Care

Deliver innovative and intuitive solutions for prevention, faster healing and better quality of life



Operating Room Solutions

Create an ecosystem of solutions and services that assure a frictionless flow of items in the operating room



Gloves

Deliver innovative and sustainable solutions to enable hands to perform at their best



Antiseptics

Prevent infections across the patient's journey



Key facts and figures 2022

8,775
employees

10%
less greenhouse gas emissions
across the entire value chain
compared to 2021

51%
fossil-free electricity

14
manufacturing sites
in eight countries

39
commercial
entities

100
countries where
Mölnlycke is present

1,828
annual sales 2022,
million EUR

80%
in Engagement
Index Score

1849
the year when Mölnlycke
was founded



Performance – non-financial

Green mindset

Minimising impacts across the value chain, measured as absolute greenhouse gas (GHG) reduction.

Net Zero across the full value chain by latest 2050

Target 2030:

Scope 1 and 2

-50%

(compared to 2016)

Scope 3

Mölnlycke committed to the Science Based Targets initiative on 15 December 2022. In 2023, the company will define its science-based targets for emissions reduction, taking 2021 as the baseline.

Outcome 2022:

Scope 1 and 2

-11%

(compared to 2016)

Scope 3

-7%

(compared to 2021)

Total cradle to grave GHG emissions (Scope 1, 2 and 3 upstream and downstream) is calculated compared to baseline year of 2016 (Scope 1 and 2) and 2021 (Scope 3).

The complete list of GHG Categories included can be found in Sustainability note 2.



Responsible relationships

An engaged, diverse and inclusive company where all employees can perform at their best and support others in their success.

Employee Engagement Index Score by 2025

Target 2025:

>80%

Outcome 2022:

80%

Gender parity at Director level and above by 2025

Target 2025:

50%

Outcome 2022:

44%

female leaders

Employee engagement is measured through Mölnlycke's annual culture survey.

Gender distribution is measured at all levels. The target for Director level and above is reported at an aggregated outcome level.



Performance – financial

Mölnlycke delivered strong sales in 2022, where net sales reached EUR 1,828 million. This corresponds to an organic sales growth of 8.4% excluding personal protective equipment (PPE), compared to 2021.

An underlying growth across most markets and gain of market share has contributed to the company's sales as well as currency development being favourable all through the year.

1,828

annual sales 2022, million EUR

476

EBITDA, million EUR

8.4%

organic sales growth

26.1%

EBITDA margin

Ethical business

Strong integrity mindset where employees are protected from retaliation, supported by ethical leadership.

Integrity mindset

Target 2025:

100%

Outcome 2022:

98%

of white collar employees trained in Mölnlycke's Code of Conduct including human rights policies and procedures.

Integrity mindset is measured by the share of employees who received annual training in Ethics and Compliance and share of employees answering positively to questions about raising concerns without fear of retaliation in Mölnlycke's annual culture survey.



2022 in brief

New company strategy implemented

Based on an extensive ethnographic study, conducted to understand its customers' in depth needs, Mölnlycke has defined and implemented a new strategy for the coming years.

Wound Care sales passed a milestone

Business Area Wound Care reached a major milestone when its annual sales exceeded EUR 1 billion. Driven by strong growth globally, Wound Care's sales increased organically by 10% in constant currencies to EUR 1,061 million.



Avance® Solo launched in the US

A key delivery was the launch of Mölnlycke's new negative pressure wound therapy solution Avance Solo in the US market. Avance Solo is a breakthrough, giving patients more mobility and freedom while managing exudate effectively and supporting healing.

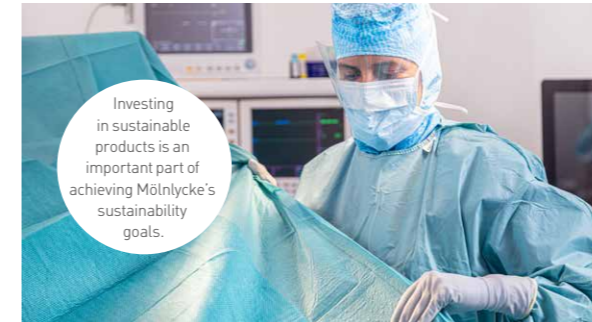
Measures introduced to mitigate macroeconomic challenges

Increased costs, supply disruptions and other macroeconomic challenges have had a major impact on business and global trade over the year. To mitigate these challenges, Mölnlycke made significant efforts to secure supply to its customers and took countermeasures to increase productivity and manage its cost base, alongside with proactive account management.



New gloves plant taken into production

In September, Mölnlycke inaugurated its fourth surgical gloves factory in Kulim, Malaysia, to meet future demand for supply and more sustainable production. The EUR 50 million investment has an annual capacity of 100 million pairs of high-quality Biogel® surgical gloves.



Investing in sustainable products is an important part of achieving Mölnlycke's sustainability goals.

SBTi commitment to net zero by 2050 at the latest

In December, Mölnlycke formalised its commitment to become a net zero company by 2050 at the latest to the Science Based Targets initiative (SBTi) organisation. The company transition towards 100% fossil-free electricity by end of 2024 is progressing well, reaching a 51% share of all electricity consumption being from renewable sources in 2022. Mölnlycke also saw a 6% reduction of its energy intensity consumption compared to previous year. During 2022, the company measured its Scope 3 upstream and downstream emissions, according to the Greenhouse Gas Protocol. This will form the basis of Mölnlycke's Scope 3 targets and improvement roadmap, prioritising programs and resources to create the biggest impact in line with the 1.5°C pathway.



Shaping the future of cleft care with Operation Smile

Mölnlycke has committed to establishing a cleft care centre in Cebu, Philippines, together with the non-governmental organisation Operation Smile. The centre is expected to help 10,000 children and young patients in the first three years. In December, a ground breaking ceremony took place and the centre will start operating at full capacity in 2023.



HQ relocation plans finalised

Mölnlycke has made the strategic decision to move its headquarters to GoCo Health Innovation City, West Sweden's new health and life science park uniting companies, researchers, entrepreneurs and talent from around the world. Move is planned for later part of 2024.

CEO statement

Strategy execution and organic sales growth

Mölnlycke's determination to always put customers and patients first made 2022 another successful year, where we delivered organic sales growth of 8.4% (excluding personal protective equipment, PPE). Despite a tough macroeconomic environment, we have finalised our new customer-centric strategy and started to implement it. We managed to stay close to our customers and to further grow and gain market share in three out of four Business Areas. We also made great progress in implementing an ambitious sustainability roadmap, which is also reflected in this report, now in accordance to GRI reporting standards.

My sincere thanks to all employees, healthcare professionals, patients, partners and customers for your dedication and support during the year. Together, we have navigated through the challenges, determined to find ways to provide our products, solutions and services to healthcare professionals and patients across the globe.

Overall it's been a successful but, from a macroeconomic point of view, very challenging year. We have seen supply chain costs including transportation reach all-time high, dramatic raw material cost increases, longer lead times, dramatically increased logistic costs and high inflation. At the same time, the pandemic was still impacting different parts of the world throughout the year and the war in Ukraine is further increasing macroeconomic uncertainties, most critically energy supply and prices.

Mölnlycke's focus area for 2022 has been organic business growth, alongside implementation of our new customer-centric strategy with sustainability and digitalisation at its core. By organising ourselves into four dedicated Business Areas with end-to-end responsibilities, supported by Corporate Functions, we were able to increase customer focus across the full value chain. Our dedication to be a leader in our market within sustainability

also helps giving us competitive advantage. More and more customers appreciate, and even demand, solid sustainability commitments from their providers.

Strong sales growth with challenging profit development

Mölnlycke delivered strong sales in 2022, with net sales reaching EUR 1,828 million. This corresponds to organic sales growth of 8.4% excluding PPE, compared to 2021. Our strong performance came from underlying growth across most markets alongside with gain of market share in three out of four Business Areas.

- Wound Care surpassed EUR 1 billion in sales for the first time, thanks to organic growth of 10%
- ORS grew its revenues by 5%, mainly as a consequence of proactive price and mix management installed to mitigate the significantly increased material handling and sourcing costs
- Gloves grew 11% after recovering from supply chain difficulties directly related to COVID-19 lock-downs in our Malaysian manufacturing facilities
- Antiseptics, having struggled throughout most of the year because of its supply chain, saw sales contract by 5%.

Overall, it is clear that 2022 was a challenging year. EBITDA (earnings before interest, taxes, depreciation and amortisation) for 2022 amounted to EUR 476 million, which was in line with our results in 2021. While sales grew well and price management activities installed had a positive impact on the results, the cost of doing business increased in a similar manner, especially cost increases for raw materials and logistics. As part of our commercial strategy, we have invested to further strengthen the sales force to enable continued strong growth and expanded our efforts within prioritised emerging markets. We have also driven a very active strategic agenda and invested into our prioritised areas. Key focus is to ensure being customer-centric in everything we do and this being supported by an industry leading agenda within sustainability and digitalisation. As a result of our ethnographic¹ studies we have also deployed a new innovation pipeline to ensure we are futureproofed and relevant in the long-term.

Taking the leap to become a leading provider of sustainable healthcare

In 2022 we stepped up our ambitious journey to become a global leader in sustainable healthcare. Our sustainability roadmap – WeCare – has been at the heart of the Mölnlycke business strategy since 2021 and our integrated program has now gained unstoppable momentum. This year we defined our short- and long-term sustainability goals for each Business Area and Corporate Function, and we integrated the related actions in their plans.

The WeCare roadmap defines how we embed sustainability in our daily work, making sure every product and service provides innovative benefits for patients and health professionals by delivering social, environmental and economic value. During 2022, Mölnlycke also committed to the Science Based Targets initiative (SBTi), including action to tackle climate change. As a result, we confidently expect to create exciting product and service innovations as well as resource efficiency improvements in partnership with customers and suppliers.

Our decarbonisation journey – committing Mölnlycke to net zero by no later than 2050 – has started in earnest. We exceeded our targets for the improved use of resources and were able to reduce our Scope 1 and 2 emissions by 11% compared to the base year 2016, in spite of the volatile environment. These significant improvements came thanks to energy efficiency improvements, a 51% share of renewable electricity, with nine sites fully powered by renewable electricity, as well as the installation of solar panels at our facilities in Malaysia.

We have also defined the baseline for our Scope 3 emissions and provided responses to the CDP climate questionnaire resulting in a first-time score of B for climate change.

We're looking to achieve continuous improvement in our people management practices. A key initiative this year was the extension

of the company's internal capability building. This includes training in the use of the Ethics Hotline, Mölnlycke's key tool for raising concerns, and Code of Conduct training with attendance of over 98% from white-collar employees. The company strives for a positive and productive employee experience and our engagement score improved again in 2022 – we were ranked in the top quartile globally. We continued to build an inclusive and diverse workforce at many levels of the company, including 44% female representation at Director level and above and five different nationalities in the Executive Leadership Team.

We have also strengthened our occupational health and safety programs. We are not satisfied with a safety performance which, albeit in line with our peers, has resulted in too many of our colleagues returning home with an injury, because we know that every injury is avoidable. Our ambition of zero injuries and harm will be achieved over time by implementing best-in-class Environment Health and Safety (EHS) processes and building internal capability to sustain them.

Our WeCare goals are ambitious and achievable, enabling us to structure and deliver an important contribution to the sustainability challenges faced by our customers and other stakeholders. Our track record has earned us a Silver Rating from EcoVadis, placing Mölnlycke in the top 11% of companies when assessed by the global sustainability ratings provider.

Our focus area for 2022 has been organic business growth, alongside the implementation of our new customer-centric strategy with sustainability and digitalisation at its core.

Ready to take on yet another year of disruptions

We recognise that the volatile business conditions from the last few years will continue. In response, we will continue to have an agile mindset, and keep a very close eye on how, where and when there is an opportunity to build robustness in our business, given the expectation of uncertainties.

Making a difference to customers and patients will always be our key focus. I am fully confident that our customer-centric strategy underpinned by sustainability and digitalisation, gives us a robust platform to advance and further develop our business.

We are on the journey to develop solutions that will help release some of the burdens that the very stretched healthcare systems around the world currently experience. Our ambitions are to free patients, caregivers and healthcare systems from the burden of wounds, to ensure frictionless flow in the operating room, to recognise the importance of hand performance for staff in the operating room and to minimise hospital-acquired infections. Together, we will make it happen.



Zlatko Rihter
CEO

1. The company's customer-centric strategy is underpinned by extensive studies carried out in the everyday environment of healthcare professionals using an ethnographical approach

Strategy

This section gives an overview of Mölnlycke's overall strategy, including the company's business model, the external environment the company acts in as well as trends impacting its customer's and business. It also explains the core of the strategy – customer centricity, digitalisation and sustainability.

External environments and trends

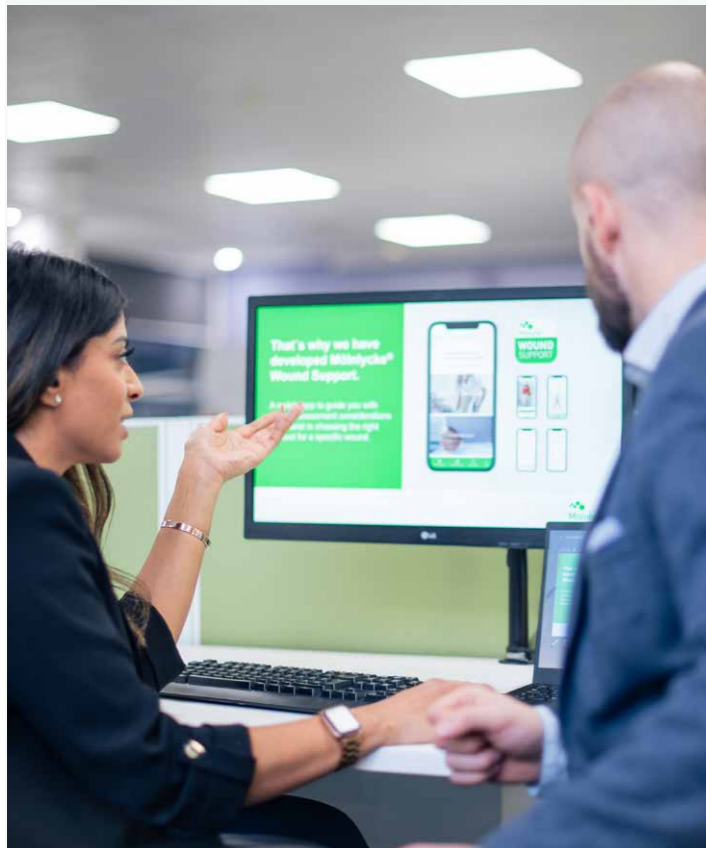
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Business model

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Mölnlycke's strategy

page 18



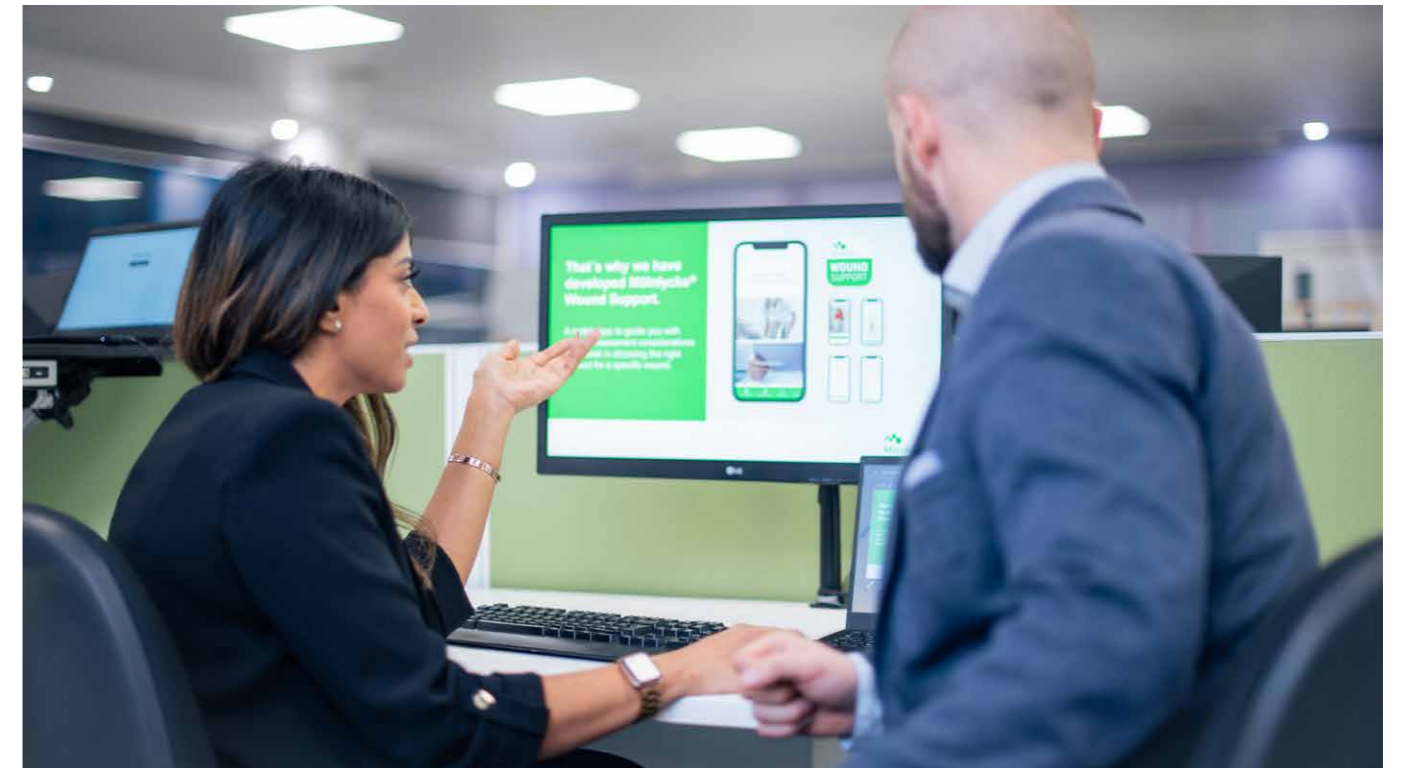
■ Mölnlycke applies a customer-centric approach as base for its strategy, which ensures the company provides relevant solutions for the future and continues to make a difference for customers and patients.

Zlatko Rihter, CEO

External environment and trends

Analysis of the external environment is a central part of Mölnlycke's strategy work to identify trends, opportunities and risks. By actively monitoring external factors, the company can support its customers and create growth for Mölnlycke's business in an agile way.

Trends	Mölnlycke's response
<p>The healthcare system Healthcare professionals are struggling to cope with the immense pressure on the healthcare system. The trend to deliver more with less has been increasing for several years. This will most likely result in tasks being performed by less qualified and experienced people, and more care given closer to the patient. In consequence, Mölnlycke will see an increased need for intuitive products and solutions as well as greater investments in digital and connected health.</p>	<p>Through an ethnographic study, Mölnlycke has observed its customers and patients in their everyday work environment to truly understand their met and unmet needs. Based on these insights, the company directs its innovation to support its customers in their challenges, which creates growth opportunities for Mölnlycke.</p>
<p>Digitalisation The pace of digitalisation is high and the global digital health market, defined as the interaction between healthcare systems and technology, is expected to grow significantly in the coming years, as software, hardware and services are incorporated into healthcare. Digitalisation in healthcare took a leap forward with COVID-19. In the future, further expansion in the use of digital health technology is expected. This will be driven by an increase in chronic diseases, coupled with government programs which aim to offer accessible and affordable health care.</p>	<p>Mölnlycke sees digitalisation as a strategic focus area for investment. Mölnlycke aims to be the industry benchmark, creating sustainable, competitive and differentiated value by delivering customer-centric digital solutions. This includes a focus on digital ecosystems, new business models and data-driven healthcare using artificial intelligence, Big Data and analytics. The company will also ensure it has a robust and future proof digital backbone to enable efficient ways of working.</p>



Trends	Mölnlycke's response
<p>Sustainability As for many other sectors, sustainability is increasingly shaping the future of the healthcare sector. In all tender-based markets, healthcare providers are increasing their sustainability investments and at the same time placing higher demands on their suppliers. This is reflected in areas such as increased focus on net zero, waste and plastic reduction, alternative to fossil and virgin materials, human rights and inclusiveness.</p>	<p>Mölnlycke's holistic and proactive approach ensures that the company continues to make progress and realises its ambition to become a sustainability leader in the healthcare sector. Mölnlycke's innovative and sustainable solutions are supported by fact-based benefits for its customers and patients. As collaboration is also essential to achieve the company's sustainability ambition, Mölnlycke is engaging with all its stakeholders across the entire value chain to identify opportunities and create shared value.</p>
<p>Demographics The global population is increasing at the same time as average life expectancy. A growing middle-class and sedentary lifestyles will further impact Mölnlycke's market.</p>	<p>This means an increased demand for health care products and solutions, which offer growth opportunities for Mölnlycke. The company continuously evaluates its production capacity and product range in order to meet market demand.</p>
<p>Supply chain A volatile environment has put global trade under pressure and demonstrated the vulnerability of today's global logistics flows. Supply chain disruptions and longer than normal lead times are recurring effects. The war in Ukraine creates further uncertainty and energy supply is a crucial issue.</p>	<p>Mölnlycke is continuously reviewing its supply chain and base of suppliers to make itself less vulnerable to macroeconomic effects such as supply chain disruptions and price fluctuations. This includes implementing a well-balanced global manufacturing footprint and developing long-term partnerships with logistics service providers.</p>

Business model

The business model describes how Mölnlycke creates value for all stakeholders, by executing its customer-centric strategy. The strategy is based on the underlying market drivers identified by the company.

Market drivers

There are a number of underlying market drivers in health care that support Mölnlycke's opportunities for long-term growth. These shape the company's strategy to drive value and business opportunities.

Wound Care

- Wound Care patients are often treated by inexperienced generalists
- Solutions are not always accessible, intuitive, fast or easy-to-use
- Patients' quality of life is impacted by inadequate prevention, slow healing and reoccurring wounds

Operating Room Solutions

- Surgeons and operating room staff are under pressure to conduct more procedures with fewer resources
- Healthcare professionals work under pressure and lose their professional motivation – leading to a high staff turnover
- Operating room staff spend substantial time on non-value adding tasks
- Staff shortages in healthcare

Gloves

- Hand performance is critical for nurses and surgeons to perform and excel in their work
- The performance of caregivers' hands depends on a number of various distinct needs – protection, good fit, high tactility grip and hand health

Antiseptics

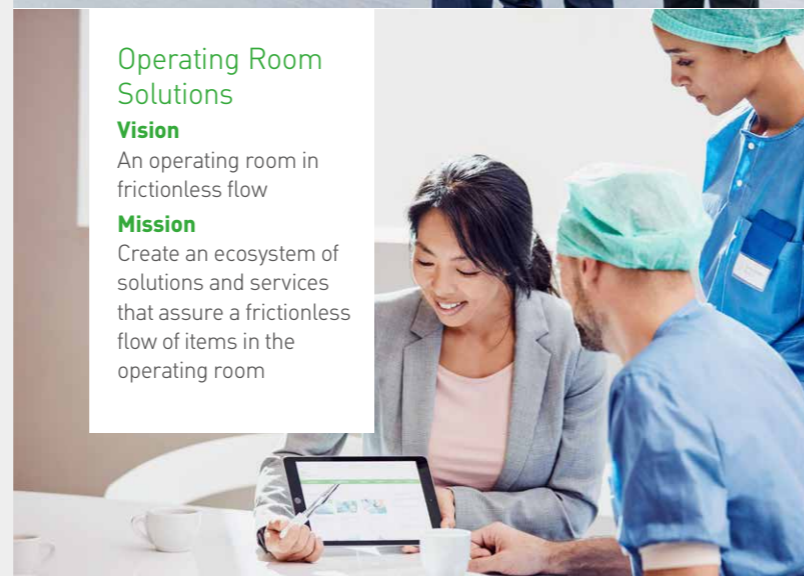
- Infection prevention has become the task of experts, who must comply using products that might be effective but are often not practical
- The multi-faceted, cross-functional nature of infection prevention is taking up time and effort
- Infection prevention behaviours rely on experienced staff and a strong culture, which is difficult to maintain with high staff turnover and shortage of time

Customer-centric strategy

Mölnlycke is organised around four Business Areas, each with end-to-end responsibility for their businesses. Following extensive customer studies, each Business Area



Wound Care
Vision
 Free patients, caregivers and healthcare systems from the burden of wounds
Mission
 Deliver innovative and intuitive solutions for prevention, faster healing and better quality of life

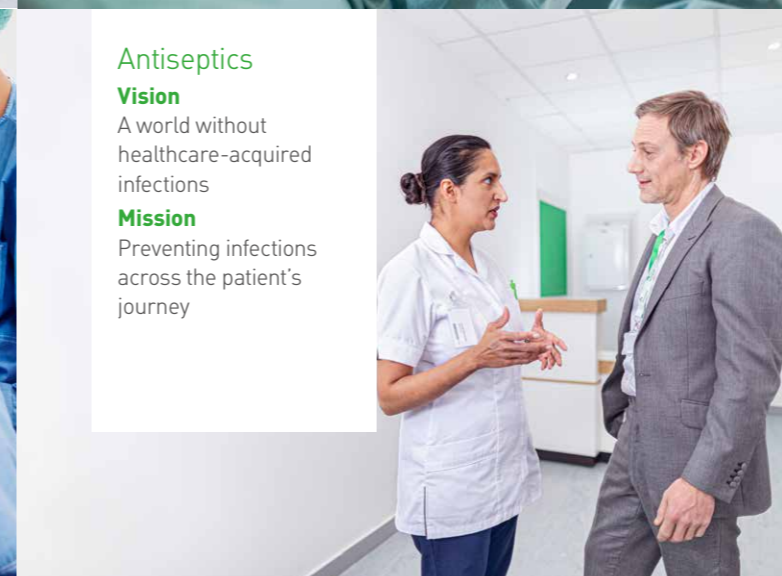


Operating Room Solutions
Vision
 An operating room in frictionless flow
Mission
 Create an ecosystem of solutions and services that assure a frictionless flow of items in the operating room

has identified its business opportunities. Based on that, priorities are established to drive growth and profitability.



Gloves
Vision
 Hands deserve better
Mission
 To deliver innovative and sustainable solutions to enable hands to perform at their best



Antiseptics
Vision
 A world without healthcare-acquired infections
Mission
 Preventing infections across the patient's journey

Value creation

Customers

Mölnlycke's annual sales represent the market value of the company's delivery to its customers.
EUR 1,828 million. See Financial note 6.

Employees

Mölnlycke invests in employees' careers to enable them to grow and succeed with the company, while their efforts bring value to Mölnlycke and its customers. Agreements between Mölnlycke and its employees generate remuneration and social security charges.
EUR 456 million. See Financial note 7.

Suppliers

Mölnlycke builds strategic partnerships with suppliers to support its business. Through the purchase of raw materials, components, services, transports etc, the company creates value beyond its own business.
EUR 895 million. See Financial note 7.

Owners

Mölnlycke's owners benefit from the company's success through profit distribution.
EUR 300 million. See Financial note 16.

Creditors

Mölnlycke has outstanding bonds to a total value of
EUR 1,900 million. See Financial note 23.

Society

Mölnlycke is committed to contributing to a better society by running an ethical and sustainable business, with the purpose of advancing performance in healthcare. The company's contribution can be measured in income taxes. Mölnlycke also adds value to society by continuing to innovate in order to supply more sustainable products and solutions for its customers.
EUR 80 million. See Financial note 9.

Mölnlycke's strategy

Mölnlycke applies a customer-centric approach to ensure the company provides relevant solutions for the future and continues to make a difference for customers and patients.

Building on a strong heritage and global presence, Mölnlycke's ambition is to be the global market leader in all product segments and all territories where the company operates.

Mölnlycke drives sustainable growth by making a difference to its customers. This involves innovation and development of existing products, expansion into new product areas and markets, application of new technologies and offering new solutions.

The company places a strong focus on sustainability and digital innovation, demonstrating positive clinical and health economic outcomes and continuous investment in sales and marketing capabilities to meet the changing needs of its customers.

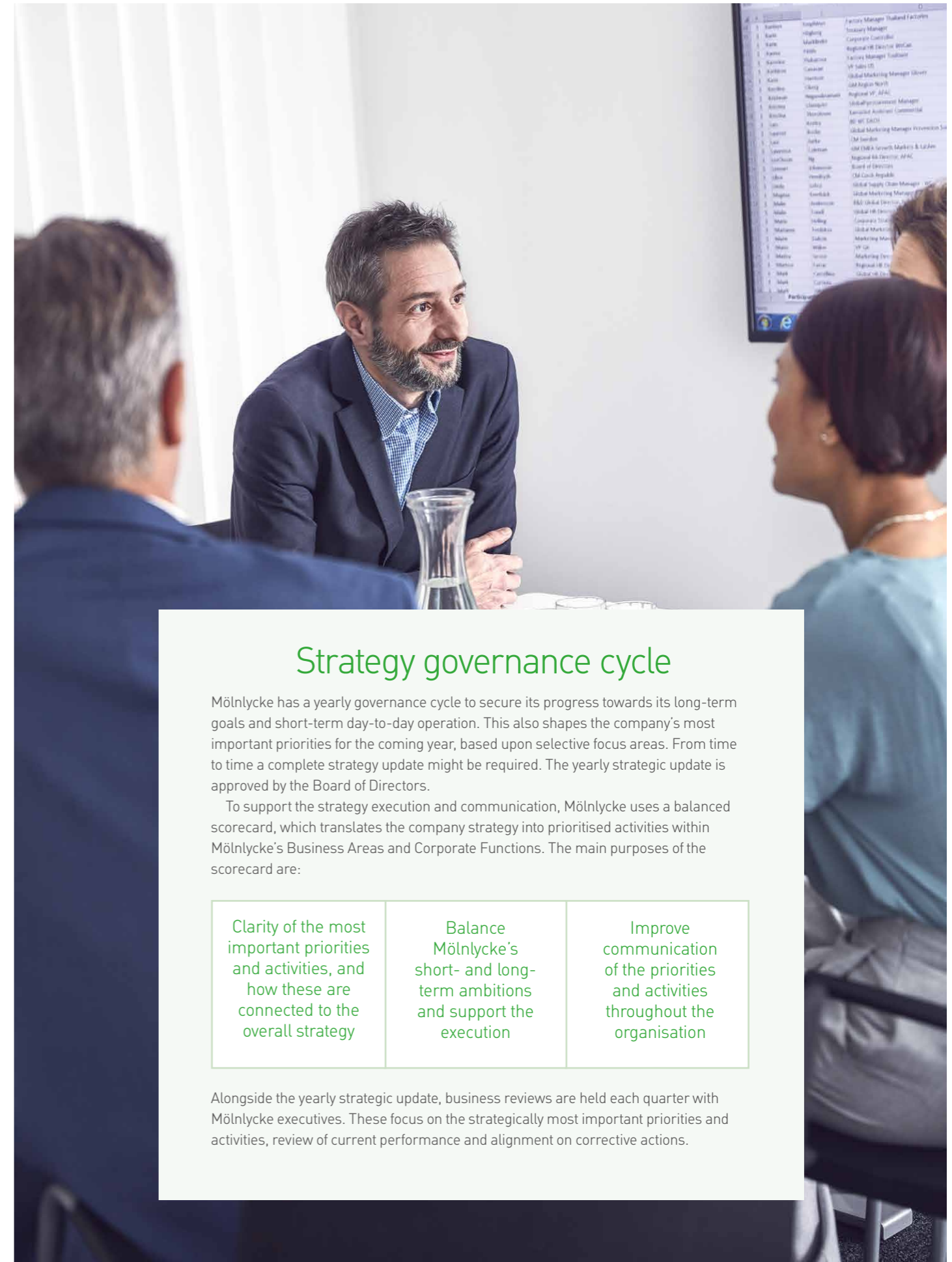
Mölnlycke has transformed its business, moving from a traditional functional organisation into an organisation based around four Business Areas focused on meeting customer needs. Wound Care, Operating Room Solutions, Gloves and Antiseptics

now have end-to-end responsibilities for their businesses. This model gives each Business Area a clear view on their challenges and opportunities, enabling them to develop and drive their strategies into success, while creating value for their customers world-wide.

Customer centricity, Sustainability and Digitalisation are the three strategic priorities and cut across Mölnlycke's four Business Areas and Corporate Functions. This forms the foundation of Mölnlycke's new customer-centric strategy, which sets out the company's direction going forward.

The company strategy is underpinned by extensive ethnographic studies, carried out in the everyday environment of healthcare professionals. Based on analysis of these studies, there are strategies for each Business Area (page 24-41).

Mölnlycke's customer-centric strategy



Strategy governance cycle

Mölnlycke has a yearly governance cycle to secure its progress towards its long-term goals and short-term day-to-day operation. This also shapes the company's most important priorities for the coming year, based upon selective focus areas. From time to time a complete strategy update might be required. The yearly strategic update is approved by the Board of Directors.

To support the strategy execution and communication, Mölnlycke uses a balanced scorecard, which translates the company strategy into prioritised activities within Mölnlycke's Business Areas and Corporate Functions. The main purposes of the scorecard are:

- Clarity of the most important priorities and activities, and how these are connected to the overall strategy
- Balance Mölnlycke's short- and long-term ambitions and support the execution
- Improve communication of the priorities and activities throughout the organisation

Alongside the yearly strategic update, business reviews are held each quarter with Mölnlycke executives. These focus on the strategically most important priorities and activities, review of current performance and alignment on corrective actions.

Customer centricity

By engaging with customers, Mölnlycke strives to optimise and customise solutions to deliver the best possible clinical outcomes, improve patient quality of life, and reduce the total cost of care.

To ensure Mölnlycke is fit for the future and can respond to customers' needs in an even more agile and sustainable way, the company has taken its customer centricity approach to a new level.

For Mölnlycke, Customer centricity means using the company's expertise and experience to focus on the patients and caregivers every day, to:

- Truly understand the customer's met and unmet needs
- Share goals with customers and align priorities to do the utmost when delivering accessible solutions where they matter most and create largest value.

Mölnlycke builds its strategy on customer insights, derived from extensive ethnographic studies, where the company have studied healthcare professionals in their everyday work environment.

The purpose of this approach, which moves away from Mölnlycke's historical strategy processes, is to identify new strategic opportunities that are not seized today – neither by Mölnlycke nor its competitors.

The success factor is about being explorative, to understand the unmet needs of the customers – today and tomorrow. For Mölnlycke, this means going beyond those who have traditionally purchased the company's solutions to really understand the end user's daily challenges and needs. By this, the company is aiming for the bigger picture.

Digitalisation

Mölnlycke's aspiration is to be a digital solutions leader to empower patients and caregivers in shaping tomorrow's healthcare. The company is developing various solutions with digital components to help improve healthcare. An internal digital focus is also required, to continuously improve the company's way of working.

The global digital health market is expected to grow significantly in the coming years, driven by an expansion in the use of digital health technology following the pandemic. With the increase in chronic diseases, governments and care givers are further driven to find new ways to offer accessible and affordable healthcare.

For Mölnlycke, digitalisation is a strategic focus area for investment. In a rapidly changing digital world, the company has identified opportunities in ecosystems, digital solutions and advanced technology capabilities. This includes:

- Data-driven intelligent healthcare using artificial intelligence, Big Data and analytics

- Modern ways of working with a focus on new business models
- Development of software and platforms that position Mölnlycke in ecosystems.

To chase these future digital potentials together with customers and the entire digital ecosystem, it is essential that Mölnlycke future proofs also the internal digital capabilities and embeds a strong digital culture.

Mölnlycke aims to be the industry benchmark, creating sustainable, competitive and differentiated value by delivering customer-centric digital solutions.

From ethnographical study to customer-centric strategy

1 Framing	The first step was to understand the market situation and its opportunities. The research team then identified who to interview, which countries to go to and which different areas to be explored during research.
2 Research	The extensive research went on for a year, resulting in many insights. Mölnlycke has listened to doctors, talked to nurses, interviewed patients, visited hospitals and clinics and received survey responses – in nine countries across four continents. To truly understand the unspoken needs and assumptions, Mölnlycke used a range of methods to go beyond what people say. This is the solid foundation on which the company's strategic direction is built.
3 Insights	Based on all data from the research, a rigorous analysis was conducted to determine the path forward. This identified where Mölnlycke should prioritise to create the greatest impact. An insight development followed, supported by root cause analysis, revised market analysis and fact-based ideation.
4 Strategy	Finally, each Business Area turned the acquired insights into conclusions and opportunities. These are the cornerstones for robust strategies, which each consist of: <ul style="list-style-type: none"> • Foundational insights – value drivers, decision-making processes, key needs and challenges to deliver on • Value proposition – an ambitious direction and clearly-defined role for Mölnlycke, connecting its DNA and capabilities with a clear opportunity in the market • Initiatives roadmap – high-level definition of actions and initiatives which deliver the value proposition, including product, marketing, brand, communications, etc • Innovation briefs – detailed innovation briefs to guide the development of the initiatives to enhance Mölnlycke's offerings.

Mölnlycke's aspiration is built around four pillars:

IT uplift	Digitalising internal operations	Digital customer engagement	New ventures
Mölnlycke will modernise its existing IT landscape building on flexible platforms and tools to continuously reduce cost, while increasing capabilities, employee efficiency and satisfaction. This includes further development of the company's digital workplace, supporting employees to work on site as well as remotely. To protect business information and operations, the company will continue to focus on cyber security and developing a robust digital backbone.	Mölnlycke will optimise existing business operations and processes to further streamline the ways of working and to achieve savings in time, people and money. This includes a continued effort to drive the utilisation of technology platforms that the company has invested in. Further improvements of the supply chain planning is a priority going forward.	The company will increase the use of digital tools for marketing, e-commerce and customer interactions. By establishing the right skills and capabilities, Mölnlycke will enable exceptional customer experience and effectively keep customers engaged with the Mölnlycke brand.	Mölnlycke will leverage its premium position in product and brand to establish and be part of digital ecosystems with new digital solutions and business models. These will help drive innovations that will position Mölnlycke as the industry benchmark in digital solutions. Each Business Area has its specific needs and roadmap.

Sustainability

Sustainability is embedded in the culture and in everything Mölnlycke does. It is a driver for growth, innovation and productivity and an essential part of the employee value proposition.

Being a sustainable business is about creating long-term shared value for all the company's stakeholders and identifying opportunities to benefit society at large. Through a holistic, proactive and fact-based approach, based on continuous stakeholders' feedback, Mölnlycke aims to become a leader in sustainable healthcare.

To achieve this, the company has created the WeCare sustainability roadmap for 2030. Based on a materiality analysis of the business, WeCare builds on three key pillars integral to Mölnlycke's business approach: Green mindset, Responsible relationships and Ethical business. These pillars are the foundation of the company's sustainability framework covering the entire value chain. They influence the company's business models, relationships with partners, resource management and innovation, and state how Mölnlycke strives to create a work environment where everyone can grow and excel.

By partnering with customers, suppliers, academia and other stakeholders, Mölnlycke is addressing key global issues and delivers innovative and safe solutions, while reducing the environmental impact. The company's responsible business management and financial control, geared toward sustained value creation, builds trust with business partners, end users, employees, owners and the general public.

To deliver on the company's vision of becoming a global leader in sustainable health care, Mölnlycke is committed to helping employees to develop and grow and empowering them to maximise long-term value for society through the WeCare roadmap in line with the UN Sustainable Development Goals. In 2022, Mölnlycke has also committed to set science-based targets through the Science Based Targets initiative.



Memberships and Partnerships

Mölnlycke is a member and signatory of the United Nations Global Compact, the world's largest corporate sustainability initiative. An international program, it brings together companies, UN agencies, and labour and civil society organisations to support universal principles on human rights, labour, environment and anti-corruption. On a global level, Mölnlycke is a member of MedTech Europe and EDANA, Value-Based Procurement Community of Practice, several National Trade Associations as well as partner with Operation Smile.



Ratings

Mölnlycke's environmental, social and governance (ESG) performance is assessed by independent ratings agencies. The company is proud of the recognition received from them. In 2022, Mölnlycke was awarded a silver rating by EcoVadis, placing the company in the top 11% of companies evaluated by them. EcoVadis is a global provider of business sustainability ratings and is used by Mölnlycke as well as by many of its customers to track performance in supply chains. The rating covers environment, labour and human rights, ethics and sustainable procurement. The company provides an annual submission to EcoVadis that includes an extensive questionnaire and evidence of Mölnlycke's policies, procedures, actions and results.

During 2022, Mölnlycke voluntarily provided responses to CDP resulting in first-time score of B for climate change.

Mölnlycke's long-term key action areas

- Sustainable solutions
- Resource efficiency and circularity
- 100% fossil-free production
- Low carbon and renewable materials
- Green logistics
- Occupational Health and Safety excellence program
- Diversity equity and inclusion framework
- Societal impact framework
- Compliance framework

Materiality analysis

Mölnlycke performs a materiality analysis every second year to identify which issues to prioritise, manage and monitor to create shared value for society, the environment and the economy, as well as future challenges and opportunities for the company.

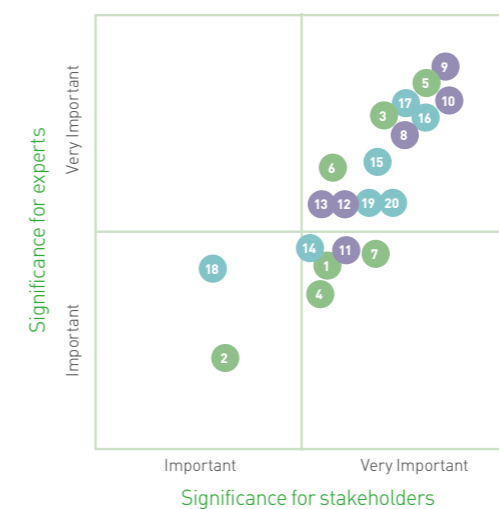
The latest materiality analysis was carried out in 2022. As a first step, the company launched a taskforce to engage internal and external stakeholders and experts in the field of sustainability, to get an understanding of their expectations, risks and opportunities. It reached out to 60 stakeholders and experts with a total response rate of 85%.

The response from Mölnlycke's employees, customers, distributors, suppliers, national sector organisations and students helped to identify 20 material aspects that were of primary importance, and prepared the ground for the company's WeCare roadmap. Next, a panel of external and internal experts assessed the material impact of Mölnlycke's activities on the economy, people and the environment, considering topics in higher granularity. Both

perspectives were then aggregated and visualised in the materiality matrix of 2022, showing the most strategically important topics for Mölnlycke.

The results showed that topics such as decent safe employment, diversity equity and inclusion, waste and circularity, sustainable innovation and development, and community support gained importance compared to the last materiality analysis in 2020. Decent safe employment, diversity equity and inclusion, and waste and circularity were the three highest ranked topics.

Other material aspects, such as biodiversity and responsible taxation approach, were found to have a lower significance. However, the company recognises their importance for society. Therefore, Mölnlycke continues to disclose metrics related to biodiversity, such as greenhouse gas emissions, and to minimise the risk of leakage from products at end of life. The company also investigates the material impact of land use on biodiversity, especially in the gloves business.



Material aspects:

- Environment**
 1. Environmental governance
 2. Biodiversity
 3. Energy and greenhouse gas emissions
 4. Water consumption
 5. Waste and circularity
 6. Raw material use
 7. Pollution prevention
- People**
 8. Relationship with customers
 9. Decent, safe employment
 10. Diversity, equity and inclusion
 11. Supporting communities
 12. Data and intellectual property rights
 13. Ethical clinical research
- Economy**
 14. Strategic and fiscal governance
 15. Ethical, compliant business
 16. Advancing healthcare performance
 17. Sustainable innovation and development
 18. Responsible taxation approach
 19. Sustainable investments
 20. Sustainable partnerships

Alignment with the SDGs

Mölnlycke supports all UN Sustainable Development Goals (SDGs) and develops business opportunities that align with the SDGs to create a positive impact.

	Good health and wellbeing – Mölnlycke's vision is to free patients, caregivers and healthcare systems from the burden of wounds and hospital-acquired infections with its innovative medical solutions.		Responsible consumption and production – Mölnlycke supports the principle of sustainable practices in production and consumption. These practices include resource efficiency, waste reduction and management, and eliminating hazardous materials.
	Gender equality – Mölnlycke recognises that diversity, equality and fair treatment of all its stakeholders is both a fundamental human right, as well as a source of competitive advantage.		Climate action – Mölnlycke addresses climate challenges as part of its overall growth strategy and approach to new markets. The company has committed to the Science Based Target initiative to achieve the long-term goal of becoming a net zero company by 2050 at the latest.
	Affordable and clean energy – Mölnlycke strives to increase the total share of renewable energy throughout its value chains and has committed to a target of 100% fossil-free electricity by end of 2024.		Peace, justice and strong institutions – Mölnlycke is committed to contribute to substantial reduction of corruption and bribery in all their forms throughout its value chains, including third-party management. This is implemented by making ethics and compliance a priority.
	Decent work and economic growth – Mölnlycke acts as a responsible employer with a vision of healthy, safe and engaged workforce which embraces diversity, equity and inclusion.		Partnership for the goals – Mölnlycke actively seeks external partnerships with stakeholders, including customers, suppliers and NGO's to exchange knowledge and expertise, build synergies and harness the power of collective competences to contribute to the other SDG's.
	Reduced inequalities – Mölnlycke is committed to empowerment and promoting the social, economic and political inclusion of all, irrespective of age, sex, disability, race, language, ethnicity, origin, religion, education or economic or other status.		

Business Areas

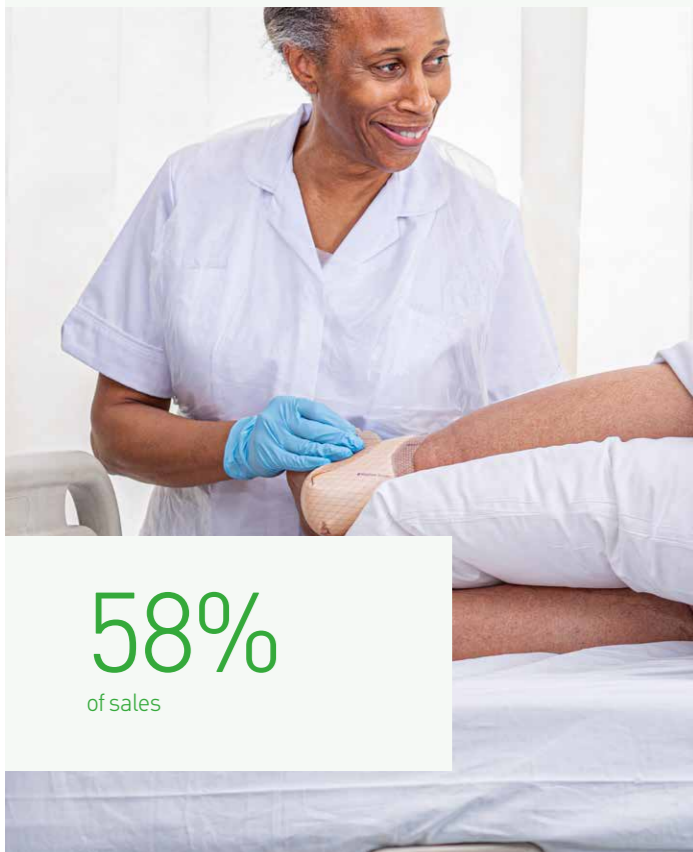
Mölnlycke's ambition is to be the global market leader in all segments and territories where the company operates.

Each Business Area has end-to-end responsibility for every area of its business, to drive growth and profitability, and to add value to its customers.

Wound Care

Provides intuitive solutions for prevention and faster healing of wounds including therapy-based solutions for chronic and acute wounds used in hospitals, post-acute settings and home care.

page 26



58%
of sales

Operating Room Solutions

Provides a range of drapes, staff clothing and surgical instruments for the operating room, efficiently supplied in tailored procedure trays or single-packed as requested.

page 30



25%
of sales

Gloves

Provides Biogel® surgical gloves with fit and comfort to enable staff to perform at their best, while ensuring safety and protection.

page 34

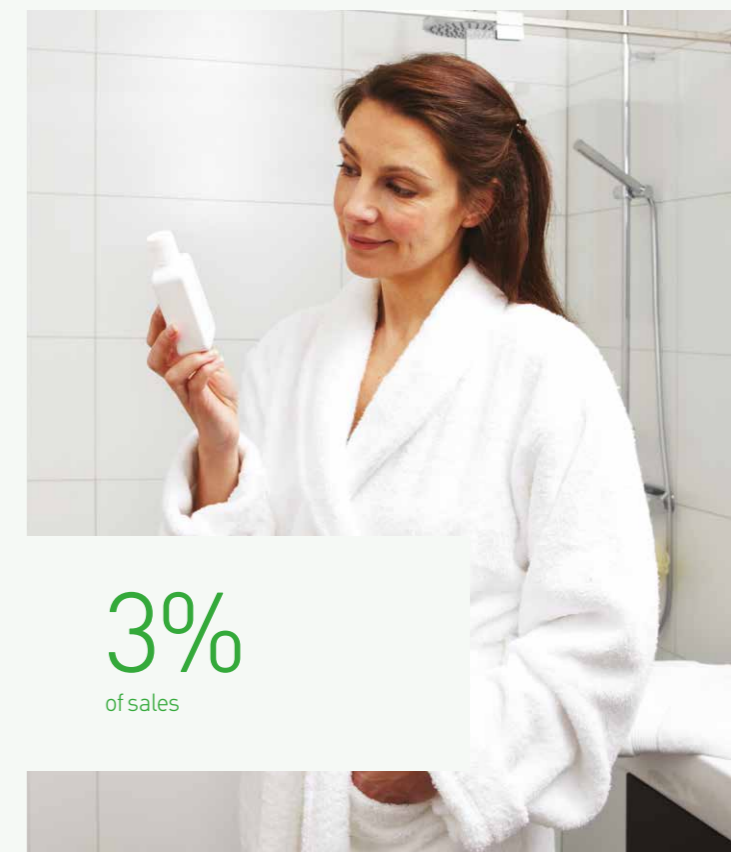


14%
of sales

Antiseptics

Provides products and solutions to increase antibacterial protection for the skin, especially when used in pre- and post-operative washing.

page 38



3%
of sales

Wound Care

Every day, patients around the world suffer physically and emotionally from acute and chronic wounds. These wounds can be persistent, difficult to treat and costly to manage. Mölnlycke works with patients, caregivers and healthcare systems to reduce the burden of these wounds through innovative solutions for prevention, faster healing and better quality of life.

Offering

Mölnlycke is a leading global provider of wound care products and therapy-based solutions for chronic and acute wounds used in hospitals, post-acute settings and home care. The company's wound care solutions help prevent wounds from developing, reduce patient pain and discomfort, stop wounds from becoming infected and promote faster, more effective, healing.

Mölnlycke focuses on several indications to free patients from the burden of wounds: pressure ulcers, diabetic foot ulcers, venous leg ulcers, surgical incisions and burns are the core indications. The company's offering includes digital tools to support wound assessment and to simplify the selection of the most appropriate solution.

Strategy

Mölnlycke's Wound Care vision is to free patients, caregivers, and healthcare systems from the burden of wounds. An extensive ethnographic study underscored the challenge to accomplishing this vision as the result of the trend that clinicians need more help with intuitive and effective diagnosis and treatment solutions. To make a real impact, the business area will focus on:

- Improving patients' quality of life by offering intuitive solutions for prevention and faster healing
- Expanding the portfolio offering across the patient journey for Wound Care's focus indications

- Expanding into underpenetrated global regions, while enhancing a go-to-market approach across the globe
- Providing best-in-class supply and service to the customers.

For Mölnlycke's Wound Care business, freeing patients from the burden of wounds is more than just managing wounds. It's about restoring patients' quality of life. This ambition influences everything the business are doing, from expanding its product portfolio and global presence to achieving operational excellence.

Vision

Free patients, caregivers and healthcare systems from the burden of wounds

Mission

Deliver innovative and intuitive solutions for prevention, faster healing and better quality of life

Facts

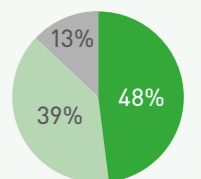
2,339
employees

1,061
annual global sales, million EUR

10%
organic sales growth

Sales per region

- Europe/Middle East /Africa
- Americas
- Asia Pacific



Major product brands

Mepilex®, Mepitel®, Exufiber®, Avance® Solo, Epaderm®, Granulox®, Mepore® and Mepiform®.

Production

The vast majority of products are manufactured in the company's own factories in the US, UK, Finland and Denmark.

Core markets

Mölnlycke's Wound Care business has a global footprint with major markets in the US, France, Germany, the UK and the Nordic countries.

Products and solutions



Mepilex® Border Flex



Exufiber® and Exufiber® Ag+



Avance® Solo



Mepilex® and Mepilex® Ag



Oxygen therapy



Pressure ulcer prevention solutions



2022 was a historic year for our global Wound Care business, during which we surpassed the 1 billion euro milestone in revenue and launched an exciting customer-centric strategy that will help free patients, caregivers and healthcare systems from the burden of wounds.

Rob Claypoole, EVP Wound Care



2022 highlights

In 2022, Wound Care launched its new customer-centric strategy with a clear focus to free patients, caregivers and healthcare systems from the burden of wounds. With organic sales growth of 10%, the Business Area reached a milestone as annual sales exceeded EUR 1 billion for the first time.

The strong performance was mainly driven by:

- A portfolio expansion, including the launch of the new negative pressure wound therapy solution Avance® Solo in the US market
- Winning new customer accounts in every major region
- Increased focus and investments in underpenetrated markets
- Enhanced customer service, including training of more than 100,000 clinicians, and increased customer supply despite the challenges in the external environment.

Business environment

The global wound care market has recovered in many respects from the impact of the pandemic and is still growing slightly faster than pre-pandemic rates. However, COVID-19 resulted in delays to the care of wounds, and led to many wounds worsening.

The pandemic also led to greater focus on reliable supply and quality. There's a trend that customers are placing greater value on quality wound care products and Mölnlycke sees this

as an opportunity to continue focusing on premium product offerings. Over the past year Mölnlycke's Wound Care business has outperformed its main competitors and its growth has led to increased market share in the advanced wound care segments.

Customers increasingly expect sustainability to be factored into product development and include it as a general requirement in tenders and contract documents.

Sustainability

Mölnlycke continues to work towards reducing the environmental impact of its factories. Within the Wound Care business, accelerating climate action through the optimisation of energy use and reduction of GHG emissions is a strategic priority.

Throughout 2022 a range of measures contributed to the significant reduction of Scope 1 and 2 absolute greenhouse gas (GHG) emissions by 52% compared to the 2016 baseline and 32% compared to 2021. Wound Care energy consumption intensity continued to decrease by 9.6% compared to 2021 thanks to the energy efficiency improvements in the Mikkeli and Brunswick plants where a heat recovery system has been implemented to build a closed energy loop.

In Mikkeli, the new system will cut the use of externally purchased heat by 70% annually. Additionally, the Oldham (U.K.) and Brunswick (US) sites realised a full year impact from

renewable electricity. In Oldham, improvements have been made to reduce water consumption. A new closed loop water cooling system for the Epaderm® mixing process is expected to save approximately 7.3 million litres of fresh water per year at the current production rate, a reduction of 98% compared to 2022.

As part of ending its dependency on virgin fossil materials and fuels, the Wound Care business will continue to implement energy efficiency and conservation programs at all its locations across the globe. It is also looking at opportunities to increase use of solar energy, further replace steam in its manufacturing processes with less energy intensive alternatives, and replace light fuel oils used in steam generation in Mikkeli.

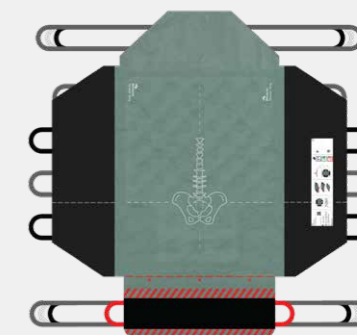
During 2023 Wound Care will further strengthen partnerships with its raw materials and transportation suppliers to jointly reduce its GHG Scope 3 emissions.

52%

absolute Scope 1 and 2 reduction compared to the 2016 baseline

Case Study

Tortoise® Sling – an all-in-one system that puts people first



Mölnlycke's new Tortoise Sling is an all-in-one people-focused solution that brings uncompromised care for all. Healthcare professionals can treat patients and be confident they are also caring for themselves.

'By listening to its customers, Mölnlycke has developed this product, addressing real customer needs and concerns. So this is all about customer centricity', Magnus Persson emphasises. He also explains that an additional benefit of this all-in-one solution is the possibility to reduce the number of products needed in a facility.

In 2022, the Tortoise Sling was launched in the US market. Going forward, the ambition is to introduce the product to more markets in order to help healthcare professionals and patients around the world.

Repositioning a patient effectively is one of the cornerstones of pressure injury prevention. But repositioning a patient can prove challenging – they can be heavy, frail, or both. Safety is critical to protect both the patient and the caregiver.

For several years, Mölnlycke's Tortoise Turning and Positioning System has enabled safe patient handling and pressure injury management, while supporting caregivers to carry out their tasks with a reduced risk of musculoskeletal injuries.

'Despite the quality of the product, we identified a need to take the Tortoise system to the next level, to further increase patient safety and reduce the risk of work-related back injuries for the caregiver', says Magnus Persson, Global Marketing Manager Tissue and B2C, Wound Care.

The innovation project, which started in 2018, has now resulted in Tortoise Sling, the newest offering in the Mölnlycke Tortoise portfolio. This is an all-in-one system that incorporates the ability to use the Sling with a ceiling lift when repositioning or transferring patients. This innovation puts people first by promoting safe patient handling and facilitating pressure injury prevention. It also addresses the concerns of hospital nursing teams who worry about jeopardising their pressure injury management bundle when transferring patients, as well as the potential for back injuries among staff.

Tortoise Sling

A versatile system – offering the benefit of several different product solutions for simplicity and reduced stock management and storage.

Turning and positioning system – allows hospital staff to turn, boost and transfer patients.

Compatibility with ceiling lift – enables the caregiver to utilise the lift when repositioning or transferring patients. Also works manually when no lift is available.

Support surface – improves pressure redistribution (in both bed and chair) replacing the need for mattress overlays and seat cushions.

Added Z-Flo® Fluidised positioner device – helps maintain the intended degree of turn and protects bony prominences.



Operating Room Solutions

In the operating room, healthcare professionals need innovative solutions that are tailored for efficiency yet personalised to their needs, while at the same time designed for safety. Mölnlycke is their trusted partner in optimising efficiency before, during and after surgical care, helping them achieve better health economic and healthcare outcomes.

Offering

Mölnlycke provides a range of drapes, staff clothing and surgical instruments for the operating room. The products can be included in ProcedurePak® trays to increase efficiency or supplied single-packed.

Digital services, such as the Mölnlycke Portal, help customers to maximise value by making it easy to assemble the most efficient ProcedurePak trays with the right components.

To achieve improved patient outcomes, Operating Room Solutions (ORS) works in close collaboration with its customers. The business supports them to identify and implement new ways of boosting operating room capacity and efficiency while maintaining patient and operating room staff safety.

Strategy

Efficiency is a key driver in the operating room. The trend to deliver more with less has been established over several years. Business Area ORS carried out an extensive customer insight study in several markets. The study confirmed the key challenges faced by its customers. These include:

- Healthcare professionals feel insufficient, work under pressure and lose their professional motivation – leading to a high staff turnover
- Surgeons and operating room staff are forced to conduct more procedures with less resources
- Operating room staff spend substantial time on tasks that don't add value
- Staff shortages in healthcare.

The ORS portfolio of products and solutions has always been focused on enabling its customers to meet their challenges. Going forward, ORS' response is to deepen its impact in the operating room by establishing an ecosystem of products and solutions that are not limited to pre-operation, but add value throughout the procedure.

The new strategy focuses on creating a frictionless flow in the operating room – where patient outcomes are at the centre, where more surgeries can take place and where healthcare professionals can thrive in their roles.

Vision

An operating room in frictionless flow

Mission

Create an ecosystem of solutions and services that assures a frictionless flow of items in the operating room

Facts

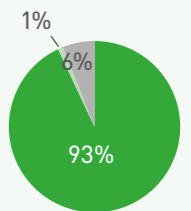
2,344
employees

458
annual global sales, million EUR

+5%
organic sales growth
excl. PPE

Sales per region

- Europe/Middle East /Africa
- Americas
- Asia Pacific



Major product brands

BARRIER® and ProcedurePak®.

Production

Most of ORS' staff clothing and protection products are manufactured in Mölnlycke's factories in Thailand and Belgium, supplemented by contract manufacturing. Procedure trays are assembled and sterilised in the company's factories in the Czech Republic.

Core markets

EMEA (Europe, Middle East and Africa) is the main market for the ORS business. Asia-Pacific is also a strategically important market, having experienced extensive growth in recent years.

Products and solutions



**ProcedurePak®
customised trays**



**Digital
services**



**BARRIER® Drapes
and Staff clothing**



**Surgical
instruments**

2022 has been an exciting year for us. We have navigated through the macroeconomic challenges, striving to supply products on time to our customers, at the same time as defining our new customer-centric strategy.

Anders Andersson, EVP Operating Room Solutions



2022 highlights

In 2022, ORS implemented its new customer-centric strategy with a clear focus on achieving a frictionless flow in the operating room. In a competitive market, ORS also had a strong focus on improving its margins through price increases to compensate for the significant cost increases in sourcing and material handling, alongside with cost management.

In line with its strategic objectives and sustainability ambitions, the business area has launched new products such

as ISCC-certified drapes, primary gowns and plume evacuation instruments. ORS has seen an increased demand for its ISCC drapes made up of renewable, bio-based, materials.

From a market perspective, Asia-Pacific and the Middle East have been the main targets for ORS' market expansion in 2022.

Business environment

The pandemic has left the healthcare system with a backlog in elective surgeries, and the continuing spread of COVID-19 cases at the beginning of 2022 further delayed recovery. During the year, healthcare settings have focused on reducing their elective surgery backlogs, and restoring operating room performance.

Outside the operating room, a turbulent environment has been characterised by increased cost for raw materials, components, transport and energy, as well as rising inflation. In addition, COVID-19 has continued to cause supply disruptions.

ORS has worked proactively to mitigate these challenges. As always, the priority has been to protect its customers and secure supply. ORS has successfully emptied its personal protective

equipment inventories and at the same time compensated for longer lead times for drapes and tray components. This meant ORS was able to reduce backorders and its operational inventory.

To further mitigate risks, ORS actively sought new suppliers in new geographies. The business area also continuously evaluates alternative materials and components that may be more sustainable, to respond to the increased demand for sustainable solutions.

Digitalisation is increasingly becoming part of the solution to achieve better patient outcomes and improved efficiency. Responding to customer demand, ORS will accelerate efforts to provide digital solutions that further improve the value proposition.

Sustainability

The ORS Business Area is progressing at speed to meet Mölnlycke's sustainability targets. Actions include introducing renewable, bio-based, raw materials in some of its products, and in 2022 the range of ISCC-accredited universal drapes was expanded. There are more product categories in the pipeline to be ISCC-accredited.

A Sustainability Product Portfolio Assessment (SPPA) was carried out on selected ORS product categories during 2022. The SPPA promotes the use of safer and more sustainable products and supports Mölnlycke in managing harmful substances in advance of legislation, future-proofing its products against changes in regulations. By innovating to develop sustainable



solutions, Mölnlycke enhances its value proposition and gives customers choice and competitive advantage. It also promotes growth by creating solutions that meet environmental and social needs, as outlined by the SDGs. All ORS packaging has been reviewed and a baseline set in order to support the design of more circular packaging solutions going forward. At the manufacturing sites, ORS is making good progress in waste management with approximately 98% of waste recycled. To further reduce Mölnlycke's greenhouse gas emissions, ORS is switching to 100% fossil-free electricity at its manufacturing sites in Thailand, Belgium and the Czech Republic.

Case Study

New CO₂ calculator guides customers towards sustainability



ORS has developed a digital solution to help customers make sustainable decisions. The new CO₂ calculator tool provides knowledge of the impact each product has on the environment.

Mölnlycke is continuously innovating to offer customers the most sustainable solutions, without compromising on the safety and quality of its products. By applying life cycle thinking to existing products, the company is proactively steering its product portfolios towards improved sustainability outcomes.

The last few years, ORS has introduced a number of ISCC (International Sustainability and Carbon Certification) accredited sets of universal drapes that use renewable, bio-based raw materials. One of the three layers that make up the drapes is made of ISCC-certified mass-balanced plastic based on pine oil, a by-product from the forestry industry.

As a result, an externally reviewed Life Cycle Assessment² showed these drapes to generate on average 20% less greenhouse gas emissions than traditional products. To guide customers in their conversion to more sustainable solutions, ORS has now developed a CO₂ digital tool which straightforwardly calculates the environmental benefits of choosing an ISCC drape over a traditional product.

'The impact is reported both as a percentage reduction and as the actual reduction in kg CO₂eq.', explains Mikael Olsson, Global Marketing Communication & Brand Manager, ORS.

'The calculator serves as an eye opener for customers. We have actually seen customers making a complete turnaround and choosing Mölnlycke's ISCC-accredited products after using the calculator.'

Mölnlycke currently offers approximately 20 ISCC-certified drapes, consisting of up to 30% bio-based material. Going

The CO₂ calculator serves as an eye opener for customers

forward, the plan is to gradually implement bio-based material in more products.

Demand for products using renewable, bio-based raw materials is particularly high in Scandinavia, the UK and Benelux, and is increasing in other markets as well.

The calculator's model includes the product's entire life cycle, including Scope 1, 2 and 3.

The CO₂ calculator in short

The new CO₂ calculator allows the customers to easily view the impact of replacing their existing products with sustainable ISCC-certified drapes, based on their annual consumption of drapes. The result is reported both as a percentage reduction of CO₂eq. emissions and as the actual reduction in kg CO₂eq. The calculator was launched in 2022.

2. Life Cycle Analysis. 2020 12 30, Ramboll, Comparative LCA on fossil- and bio-based raw materials for production



Gloves

Healthcare professionals need gloves that enable their hands to perform at their best. Mölnlycke works with clinical teams to create gloves that offer the right fit and optimised comfort, while ensuring protection and safety for surgical staff and their patients.

Offering

Mölnlycke is the provider of Biogel® gloves, a surgical glove that fits well with high comfort while allowing tactile sensation. Biogel® gloves exceed industry standards for tensile strength and elongation. This reduces the risk of glove failure, enabling clinical staff to work with greater confidence. Available in natural rubber latex and synthetic materials, they are designed to offer extra protection from blood-borne infection through use of a double

glove solution. The patented Biogel Puncture Indication System clearly shows up holes in a bright colour as soon as they occur. The Biogel team works with clinical staff to find the preferred material, features and sizes, and the right combination of over glove and under glove, to suit their precise needs. Product variations offer extra strength or sensitivity, depending on the requirements of a particular surgery.

Strategy

Hands are critical to a clinician's ability to excel in their work and to keep the hospital running efficiently. Healthcare professionals emphasise that the right gloves play an important part in a successful procedure. Therefore, surgical teams demand gloves that not only meet the highest standards of protection and safety, but also offer optimised fit and comfort.

Business Area Gloves aims to help hands perform at their best so clinicians can perform at their best. To understand its customers' needs, the business carried out an ethnographic study, which resulted in three important findings:

- Fit is foundational, because it affects everything, including comfort and tactility
- Hand health is exceptionally important and addressing hand health issues during surgery will improve outcomes
- Different situations during the surgery will require different solutions for optimal outcome.

Going forward, Mölnlycke will expand its scope from being a gloves company to becoming a provider of gloves and hand performance. Focus will be on innovations based on customer needs, where optimised fit and comfort for the best outcome are foundational.

Vision
Hands deserve better

Mission
To deliver innovative and sustainable solutions to enable hands to perform at their best

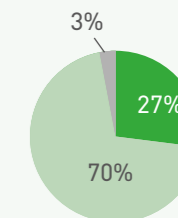
Facts

2,645
employees

259
annual global sales, million EUR

11%
organic sales growth

Sales per region
■ Europe/Middle East /Africa
■ Americas
■ Asia Pacific



Major product brands
Biogel®

Production
All manufacturing takes place in Mölnlycke's own factories, located in Malaysia and employing only Malaysian workers.

Core markets
Biogel is a top-three global surgical gloves business. Main market is the US, followed by the UK and the Nordic countries.

Products and solutions



Biogel® gloves



During the past year we have spent a lot of time listening to and understanding our customers through ethnographic studies in many markets. These have laid a solid foundation and direction. Our development and research programs will now be based on these key findings to secure improved hand performance.

Katriina Öberg, EVP Gloves



2022 highlights

In 2022, Gloves implemented its new customer-centric strategy with a clear focus on enabling hands to perform at their best.

A new surgical gloves factory started production in Kulim, Malaysia, to meet future demand on supply and sustainability. This EUR 50 million investment has an annual capacity of 100 million pairs of high-quality Biogel® surgical gloves.

To reduce the company's environmental impact, Mölnlycke has secured supply to increase the share of fossil-free electricity in three manufacturing plants.

Business environment

The pandemic has continued to have implications for healthcare systems around the world and the high spread of COVID-19 at the beginning of 2022 continued to delay the recovery.

During the second half of the year supply stabilised and improved. The business has worked hard to prioritise the needs of its customers and has been able to meet demand for speedy product deliveries to local markets when necessary.

Elective surgeries have not returned back to same levels as before the pandemic. Staffing issues have also slowed the access to customers.

Outside the operating room, the business environment continues to be volatile with increasing costs for raw materials, transport and energy, as well as rising inflation. Logistics timelines have been a challenge throughout the year, but timeliness shortened towards the end of 2022.

Sustainability

Gloves is accelerating its journey towards net zero, by having its factories in Kulim, Batang Kali and Kuala Ketil (Malaysia) to run entirely on renewable electricity since March 2022, resulting in an absolute Scope 1 and 2 GHG emissions decrease of 31% compared to previous year. This also has a significant positive impact on the overall company's greenhouse gas (GHG) emissions' reduction, as the production of Gloves is energy intensive.

2022 was also the year in which the Business Area Gloves achieved a waste intensity reduction of 16.5% compared to 2021, mainly due to an improved wastewater sludge drying process which stabilises the sludge and reduces its volume and weight by more than 50%. This results in an easier storage and transportation, also enabling the sludge to be recovered for a multitude of uses. Moreover, in line with the circular economy

principles, raw materials, such as natural and synthetic latex, were recovered and collected at the end of production for reuse in new production processes, contributing to a 97% waste diverted from landfill across all sites.

Many manual handling tasks are performed in the Gloves factories and therefore during 2022 manual handling risk assessments were conducted followed by specialised trainings for 34 coaches to accomplish the goal of zero injuries and harm. During 2023, the coaches will train the entire production workforce at all sites.

In September, the Business Area inaugurated a new gloves manufacturing plant in Kulim with the ambition of becoming the most sustainable gloves production site. Read more on how Mölnlycke is making it possible in the case study on next page.

Case Study

New plant designed with a focus on sustainability



Mölnlycke has invested in a new surgical gloves factory in Kulim, Malaysia, to meet future demand on supply and sustainability. The new facility is designed with a focus on sustainable production.

The EUR 50 million investment, which was inaugurated in September, has a production capacity of 100 million pairs of gloves annually. The new production site is fully equipped with a cutting-edge automated glove production and will further strengthen Business Area Gloves' ability to meet customer demand on high-quality Biogel® surgical gloves.

'Focusing on sustainable growth, the new factory allows Mölnlycke to focus on production in a less resource-intensive way, while creating a state-of-the-art working environment for our colleagues in Malaysia', says Katriina Öberg, Executive Vice President Gloves.

In the construction of the new Gloves plant, Mölnlycke has embedded sustainability through eight decision guiding principles:

- 1 Energy savings: Digitalised operations and energy saving management will help so better optimise energy use, reducing CO₂.
- 2 Efficient equipment: Efficient boilers and motors to power the lines will help to reduce emissions.
- 3 A smart building: The plant has lights and aircon with sensors that detect daylight and CO₂ from breath, adjusting accordingly to reduce wasted energy. Moreover, LEED-certification is planned for 2023.
- 4 Clever building materials: To reduce air con consumption a glass façade with a very high UV protection grade, not transferring heat, has been installed.

5 Renewable energy: The plant will generate energy from the use of solar panels, covering 8% of the total electricity needs. For the remaining needs, a 100% renewable electricity agreement has been signed with Mölnlycke's partner for implementation as of 2023.

6 Integrated water management: State-of-the-art solutions for water treatment have been installed, anticipated to reduce water consumption, as well as improving the plant's wastewater management and the discharge quality.

7 Positive societal impact: The plant includes societal and employee thinking alongside the mindset of sustainable manufacturing. Noise levels are below the occupational exposure standard and manual handling requirements are kept to a minimum. Mother's room facility for private space to pump and safely store milk while at work has been constructed. Moreover, onsite health and sustainability conscious food options are offered to employees and visitors. 100% of the workforce are locally based.

8 Environmentally friendly landscaping: The trees being planted around the site require minimal irrigation.

Facts

Located: Kulim, Malaysia

Investment: EUR 50 million

Size of building: 14,620 m²

Capacity: 100 million pairs of surgical gloves annually. Further investments in the next few years could increase capacity to 200 million pairs

Employees: 500

Gloves production: Mölnlycke has three additional manufacturing sites in Malaysia: two for production of surgical gloves and one for packing



Antiseptics

Preventing healthcare-acquired infections has become an increasing priority in pre- and post-operative surgical procedures. By focusing on patient hygiene and making skin decolonisation manageable and motivational, Mölnlycke eliminates bacteria from the skin that otherwise could cause infections.

Offering

Mölnlycke's antiseptic products provide lasting antibacterial protection for the skin, especially when used in pre- and post-operative washing. Mölnlycke helps customers to enhance this natural barrier, supporting them to integrate antiseptic washing into infection control protocols.

The offer includes products and solutions such as antiseptics for daily bathing of inpatients, whole body washing of patients and hand disinfectant for healthcare professionals.

Strategy

Many healthcare professionals agree that infection prevention is important and that there is room for improvement. But for different reasons it is also complex. One challenge is that infection prevention's focus on compliance overburdens those responsible for it. As a result, inflexible systems are created where product selection is driven more by efficiency than usability.

High staff turnover and time pressure further complicate the establishment of compliant infection control behaviour. In addition, Business Area Antiseptics' experience tells that it is difficult to achieve an understanding and consensus around infection prevention in a cross-functional environment, where the patients' lack of understanding reinforces the challenge.

For Antiseptics, the vision is a world without healthcare-acquired infections. The response to these challenges is to focus

on the patient. Bacteria on patient skin is a primary source of healthcare-acquired infection and therefore it is crucial to focus on decolonising the patient throughout the journey, including the time at home (before and after surgery) as well as in hospital.

Antiseptics sees hospitals as the primary channel and infection preventionists as the way in, but has also identified opportunity to shift some responsibility to engage patients as consumers. To support healthcare professionals, the business area will develop its offering to make it even more intuitive to deliver excellence for in-hospital patient bathing. Innovations will be driven by customer needs and evidence-based products and protocols. Going forward, a more harmonised global portfolio will be put in place and the ambition is to expand in new segments and markets.

Vision

A world without healthcare-acquired infections

Mission

Preventing infections across the patient's journey

Facts

35

employees

50

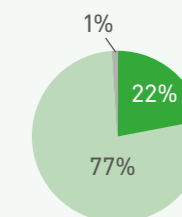
annual global sales, million EUR

-5%

organic sales growth

Sales per region

- Europe/Middle East /Africa
- Americas
- Asia Pacific



Major product brands

Hibiscrub®, Hibi® Liquid Hand Rub, Hibiclens® and Hibi® Universal Bathing System.

Production

The products are contract manufactured to Mölnlycke's formulations in the US, UK and Germany, close to the markets where they are sold.

Core markets

Main market is the US, followed by the UK and Benelux.

Products and solutions



Hibiclens® and Hibi® Universal Bathing System (HUBS)



Hibiscrub®



Antiseptic wound cleansers



Hibi® Liquid Hand Rub+



In 2022, we faced operational challenges affecting our ability to supply products to customers. While handling the challenges, we also worked intensively to define our core business and we are now in a good position to begin executing on the strategy to realise our vision – a world without healthcare-acquired infections.

Lina Karlsson, EVP Antiseptics



2022 highlights

In 2022, Antiseptics implemented its new customer-centric strategy with a clear focus on preventing infections across the patient's journey.

From a product and market perspective, new Hibi® branding has been launched globally during 2022. Another focus has been

to strengthen the messaging in retail in the Americas. By using digital channels and reaching out directly to existing and potential customers, Antiseptics can improve access and understanding of the benefits of its Hibiclens® antiseptic cleanser.

Business environment

The pandemic has left the healthcare system with a backlog in elective surgeries. The high spread of COVID-19 continued into the beginning of 2022, further delaying recovery. This led to reduced demand for pre- and post-operative washing solutions. However, in the coming years, Mölnlycke expects increased demand as health systems catch up with the backlog of surgeries, and as the

evidence grows around inpatient bathing as an effective method of infection control.

Antiseptics faces ongoing challenges in sourcing raw materials due to the global supply chain crisis, as well as a rise in the cost of materials. Delivering to customers on time has also been challenging in markets where there is a shortage of truck drivers.

Sustainability

Antiseptics is conducting Life Cycle Analysis studies covering more than 90% of all its product portfolio. The studies will provide valuable insights on the holistic environmental impact of current Antiseptics' product offers. LCA screenings will also be part of all Antiseptics' new products as a directional design tool in the innovation process.

During 2023, Antiseptics will continue to review its footprint, maturity, plans and activities within sustainability. All Antiseptics' product containers are made of plastic monomaterials which are fully recyclable.



Case Study

Working with KOLs to improve infection prevention

Mölnlycke is engaging with key opinion leaders (KOLs) to raise awareness of the need for antiseptic body washing before surgery and promote a consistent approach to pre-operative body wash in healthcare systems and hospitals around the world.

with CHG can have in reducing the risk of infection and drive wider adoption of CHG bathing protocols.

In spring 2022, the team organised an online advisory panel in the UK, bringing together leaders in infection control to develop guidance on the role of bathing in improving patient care. Out of this session, the KOLs agreed a consensus statement 'Healthy skin, safe patients' reinforcing the value of patient hygiene and CHG bathing before an operation.

Despite growing concerns about hospital-acquired infections (HAIs), few countries have a consistent approach to pre-operative body wash. Although washing with chlorhexidine gluconate (CHG) is generally recommended in the U.S., most European health systems have no clear protocol on antiseptic bathing to protect patients, even before major surgery.

Where washing is advised, often it is informal and not part of a set protocol. In many areas, soap and water is considered adequate. This is despite studies showing that a comprehensive bathing program using 4% CHG reduces HAIs by up to 45% compared to soap and water³.

Mölnlycke's Antiseptics team has been collaborating with KOLs in surgical care to help address these inconsistencies. The aim of the program is to raise awareness of the impact that washing

A comprehensive bathing program using 4% CHG reduces hospital-acquired infections by up to 45% compared to soap and water

Later in the year, infection prevention experts from the US, Canada, UK, Germany, Spain, France and Italy attended a three-day in-person event in Brussels, where they identified opportunities to gather more evidence to support CHG bathing and developed a roadmap for working with other healthcare leaders in their countries to influence pre-operative patient bathing protocols.

'There is a widespread acceptance among many experts that washing with CHG can help reduce the risk of HAIs and the cost of post-operative complications,' says program organiser Caterina Galani, Global Product Manager, Antiseptics. 'But levels of knowledge and practice varies widely between countries. We're aiming to change that with the support of KOLs, because all patients deserve to be protected against surgical and healthcare inquired infections.'

3. Reducing Infections and Increasing Patient Satisfaction: One Hospital's Journey, Paulina Rodriguez

Corporate governance at Mölnlycke

This section gives an overview of the company's governance model, sustainability and risk management:

Corporate governance

Describes the governance model for Mölnlycke and its management structure, as well as key focus areas and activities during 2022 for different parts of the organisation.

Sustainability management

Describes management accountability in relation to sustainability, monitoring or progress and the company's EU taxonomy disclosure.

Risk management

Describes Mölnlycke's process to identify and manage risks across the company. The section also describes Mölnlycke's most significant risks and how the company is mitigating them, as well as the probability and impact.



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Corporate governance

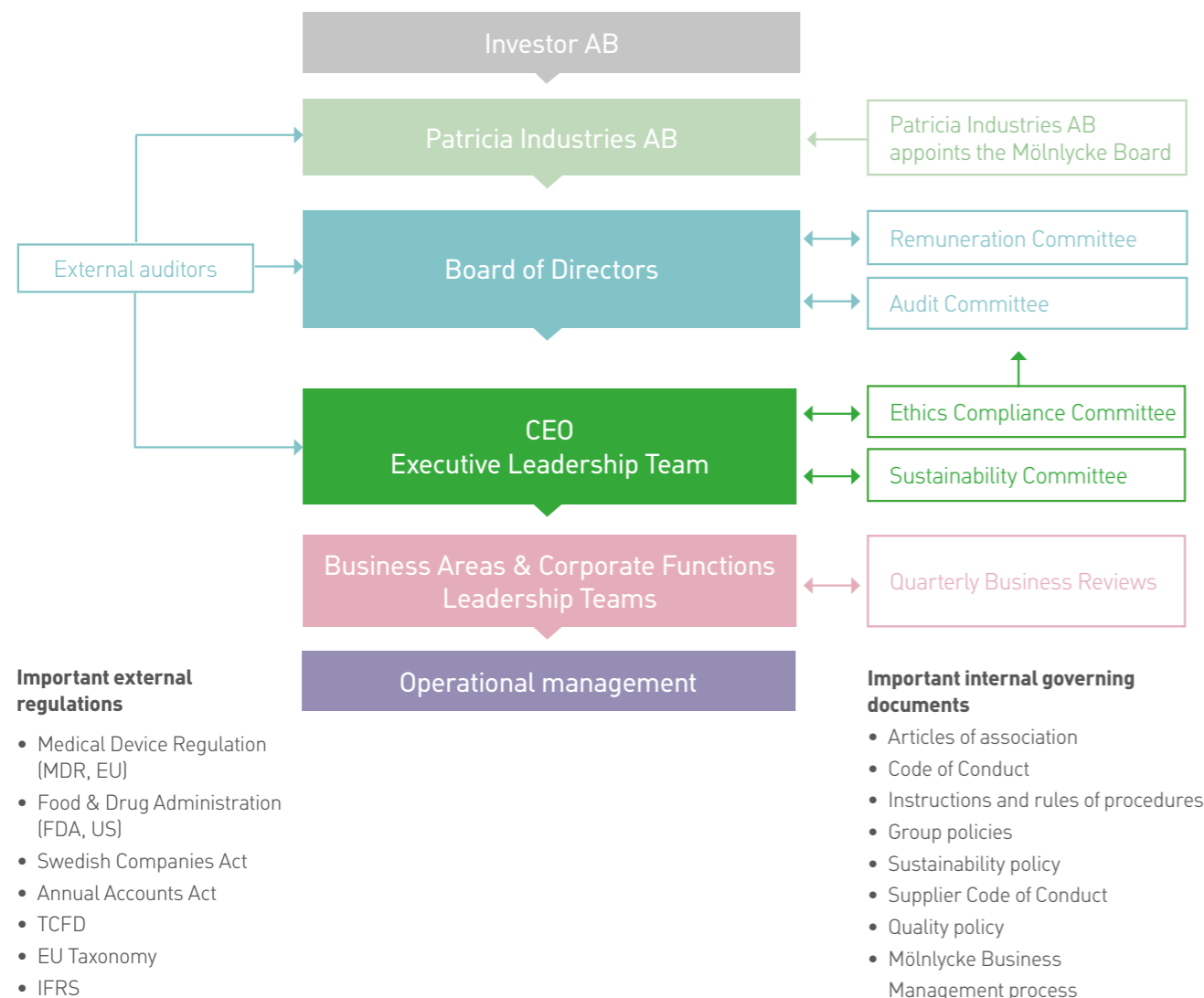
Mölnlycke has a systematic governance framework to assure strategy and execution, high ethical standards, adherence to laws and regulations and high performance. The company's system of policies, procedures, codes and processes support proper decision making, accountability, compliance, controls and behaviours throughout the business.

Governance and division of responsibilities

Mölnlycke's corporate governance involves a segregation of duties, governance and effective control over the company's operations, safeguarding the company to meet its commitments to owners, customers, employees, suppliers and other stake-

holders. It also ensures that the company and its operations meet agreed targets, applicable legislation and internal processes as well as policies and guidelines.

In 2022, the following corporate structure were primarily responsible for the governance, management, control and segregation of duties at Mölnlycke:



Ownership structure

Mölnlycke is 99% owned by Patricia Industries AB, which is in turn owned by Investor AB. The remaining 1% is owned by Mölnlycke employees. Mölnlycke is the largest subsidiary within Patricia Industries group of wholly owned companies.

The Board of Directors

Mölnlycke's Board of Directors has ultimate responsibility for the company and its operations. The Board's work follows a written procedure, and the Board is assisted by two committees that have an administrative and preparatory role: the Audit Committee and the Remuneration Committee.

The Board is responsible for overseeing Mölnlycke's strategies, objectives, policies and plans, as defined by the Executive Leadership Team (ELT) and driven by Stakeholders' needs. The owners of Mölnlycke, Investor AB through Patricia Industries AB, sets the overall direction of the holdings in several of its portfolio investments, including Mölnlycke.

The Board of Directors also monitors how the company identifies and manages risks as part of the overall enterprise risk management process, and the actions implemented to manage these risks. The Board also ensures Mölnlycke meets its operational and financial objectives in compliance with applicable laws and regulations. The Board has final responsibility for ensuring sustainability is embedded throughout Mölnlycke, based on the company's materiality analysis, as recommended by the ELT.

During 2022, Mölnlycke's Board of Directors had seven members and one deputy where six members can be seen as independent from the owners. Investor AB appoints one Board member and one deputy Board member on the Board.

In 2022, the Board has had ten meetings to discuss key issues, including:

- The development and implementation of the strategy
- Progress against the sustainability roadmap
- Macroeconomic conditions including the impact of increased supply costs, lead time constraints, and inflation
- The ongoing impact of the pandemic on the company's business
- The impact of the Ukraine war on energy prices and supply.

Chairperson of the Board

Gunnar Brock has been the Chairperson of Mölnlycke's Board since the company was acquired by Investor AB in 2007. Karl-Henrik Sundström succeeded Gunnar Brock as Chairperson in September 2022.

Evaluation of the Board's work

The work of the Board is evaluated every year based on a survey completed by the members of the Board. The results of this survey form the basis for continuous improvements of the Board's work. The Chairperson is responsible for the survey, which covers the topics of meetings, material and the manner in which the Chairperson and the Board in general perform their main duties in accordance to the rules of procedure. The results of the survey have been presented to and discussed by the Board. The evaluation is the basis for the owners to make proposals regarding the Board.

Board committees

During 2022, the Board had two committees: the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee is a preparatory body covering financial and compliance matters. It also ensures the connection between the Board and the auditors. The Audit Committee follows written rules of procedures, stating that it should safeguard, on behalf of the Mölnlycke Board of Directors, the following:

- Accounting, reporting and financial statements
- Risks and valuation considerations
- Financial internal control and priorities
- Corporate compliance and priorities
- Audit, audit related services, audit plan and audit independence are properly managed by the Mölnlycke Group.

Following the 2022 statutory board meeting held on 19 May 2022, the Audit Committee constituted of: Kristina Willgård (Chairperson), Christian Cederholm and Jenny Ashman Haquinius representing the Board of Directors; and Susanne Larsson (CFO), Andreas Johansson (Corporate Controller), Kristin Hedlund (EVP Legal General Counsel), and Richard Magnusson (Group Treasurer) representing management. All members in the Committee but Christian Cederholm and Jenny Ashman Haquinius are independent from the owners.

During the year, the Committee had five meetings, where the company's auditors participated in all meetings. The company's auditor also attended one board meeting to present an overview of the audit plan.

Remuneration Committee

The objective of Mölnlycke's Remuneration Committee is to enable a thorough review of all aspects of the company's remuneration policies and packages for executives, to assure Mölnlycke can hire and retain key people, and drive the right behaviours, at affordable cost.

The Remuneration Committee follows written rules of procedure, including the following tasks:

- Submitting proposals on reward philosophy for the company, supporting the achievement of long-term business strategy
- Submitting proposals on a remuneration framework for the CEO and Executive Leadership Team
- Approving remuneration packages to the Executive Leadership Team members
- Submitting proposals on structure of all long-term incentive programs in the company
- Recommending structure of the short-term incentive program for the Executive Leadership Team and respective Business Area and Corporate Function Leadership Team.

Following the 2022 statutory board meeting held on 19 May 2022, the Remuneration Committee constituted of Chairperson Gunnar Brock (to September) and from September

Karl-Henrik Sundström, Johan Malmqvist, Christian Cederholm and David Perez representing the Board; and Zlatko Rihter (CEO) and Seren Bayramoglu (Global VP People Excellence Talent & Reward) representing management.

During the year, the Committee held three meetings, where among other topics it discussed compensation to executive leaders, salary increases and global short-term incentives for all employees.

Auditors

Mölnlycke’s auditors are elected annually at the Annual General Meeting.

At the Annual General meeting on 19 May 2022, Deloitte was re-elected with Hans Warén as the auditor in charge.

The auditors present their audit to the Audit Committee and Board. In addition to the standard assignments, Deloitte provides assistance in the form of advisory and investigative assignments. The assignments performed are not deemed to give rise to a disqualification situation.

CEO

Mölnlycke’s CEO is appointed by the Board, and is responsible for implementing and ensuring the execution of strategies, business plans and operational targets adopted by the Board. The CEO is also responsible for ensuring that the Board receives the information and material necessary for making decisions, as well as for presenting reports at Board meetings and continuously keeping the Board and Chairperson informed of the company’s financial position and performance. The work shall be done in accordance with instructions established by the Board. Zlatko Rihter has been the CEO of Mölnlycke since November 2020.

Executive Leadership Team

To fulfil his obligations, the CEO is assisted by the Executive Leadership Team, which consists of the CEO and the nine Executive Vice Presidents, who lead the four Business Areas and the Corporate Functions. The Executive Leadership Team works to define and implement the company’s corporate strategy and to ensure day-to-day management of their respective operations.

In 2022, the Executive Leadership Team held 13 meetings, mainly focusing on the customer-centric strategy and its implementation together with day-to-day operational matters arising, such as macro-economic challenges and how to mitigate their impact on the business.

Business Areas and Leadership Teams

Mölnlycke’s four Business Areas: Wound Care, Operating Room Solutions, Gloves and Antiseptics have end-to-end responsibility for delivering all operational and business-specific functions in their areas – from strategy and implementation, research and development, sustainability through to manufacturing, procurement, marketing and sales. The leader of each Business Area sits on Mölnlycke’s Executive Leadership Team.

Each Business Area is managed by a Leadership Team, which are the bodies under the Executive Leadership Team that are responsible for strategy implementation, operational management and ensuring that the decisions which have been made are executed. The Leadership Teams are also responsible

for leading the day-to-day operations in each Business Area and usually comprise the head of each unit and the most important heads of staff functions.

During 2022, focus for all Business Area Leadership Teams has been to identify and start to implement their respective customer-centric strategies. In order to secure alignment of priorities inside each Business Area, but also between Business Areas and Corporate Functions, the Business Areas have developed a Mölnlycke scorecard now being cascaded into the organisations.

When implementing the new operating model based around the four Business Areas with full end-to-end responsibility in July 2021, the company identified certain areas where it would be beneficial to maintain an overview of the company’s activities and work alongside the Business Areas. These are:

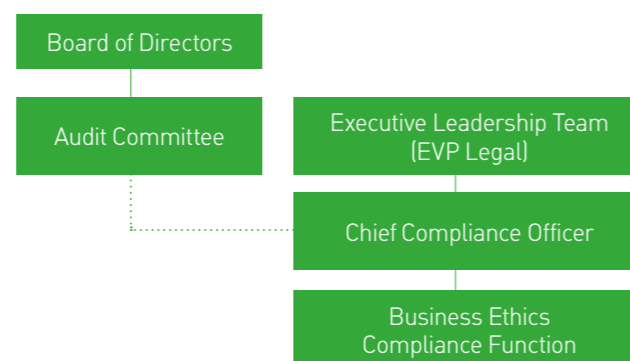
- Brand & Communications
- CFO, Corporate Strategy, M&A, Finance, IT and Business Support
- CMO (Quality, Regulatory, and Medical Affairs)
- COO (Logistics, Supply Chain and Operational Excellence, Customer Care) and Sustainability
- Legal Affairs and Compliance
- People/HR

These functions are responsible for preparing and implementing relevant company-wide initiatives and strategies, priorities, plans, processes and policies for their respective functional areas of responsibility and for driving, supporting and controlling the development of the organisation based on their respective areas of expertise.

During 2022, focus areas for the Corporate Functions have been to operate their respective functions and in parallel to calibrate their strategic priorities supporting the Business Areas.

Business Ethics Compliance Governance

The Chief Compliance Officer reports with a dotted line to the Audit Committee and reports at least quarterly in meetings directly with the Audit Committee. The direct reporting line of the Chief Compliance Officer goes into the Executive Leadership Team, and with the support of the Business Ethics Compliance function the Executive Leadership Team is responsible for ensuring compliance with all applicable laws and regulations and industry standards in markets where Mölnlycke does business.



Sustainability management

Management accountability

Sustainability is integral to Mölnlycke’s business. The Executive Leadership Team (ELT) is responsible for integrating the sustainability roadmap into company strategy and monitoring the performance of each business and function.

The ELT reviews sustainability issues and associated impacts, risks and opportunities twice a year, whereas critical concerns can be escalated to the team at any time. The ELT also reviews and approves the sustainability information contained in this annual report and ensures that all material topics are covered.

Day-to-day responsibility for managing sustainability in Mölnlycke’s business and operational activities lies with the company’s global functions and Business Areas, supported by the COO and EVP Sustainability, who reports directly to the CEO.

Established in 2021, the Sustainability function supports the Business Areas and Corporate Functions in defining and implementing their sustainability roadmaps. It also raises awareness of sustainability within the entire organisation, with the support of the Sustainability Committee. The Sustainability function includes professionals from the headquarters and local markets, who provide local insights and help to identify exposure to specific risks and highlight specific opportunities.

The Sustainability Committee

The Sustainability Committee includes representatives from across Mölnlycke’s Business Areas and Corporate Functions. It meets monthly and is responsible for overseeing the company’s sustainability targets and sustainability performance, as well as integrating sustainability into management processes.

Progress on sustainability objectives, development, target-setting and implementation is reviewed twice a year by the Executive Leadership Team and twice a year by the Board of Directors.

Monitoring progress

Mölnlycke uses key indicators to track progress in delivering on the company’s sustainable business objectives and drive continuous improvement processes in every function, supported by external benchmarks. Reporting is based on the Global Reporting Initiative (GRI) principles and relevant standards, and the Greenhouse Gas (GHG) Protocol, supported by internally developed guidelines.

Mölnlycke is committed to transparent reporting with the aim of providing all stakeholders with regular and relevant information about its efforts. The company listens attentively to internal and external stakeholders. Anyone with concerns about Mölnlycke’s sustainability strategy, policy, or actions can raise them through the company’s Ethics Hotline. The complete reporting principles can be found in Sustainability note 1 and 2.

EU Taxonomy disclosure

As part of the EU’s green growth strategy, the EU Taxonomy came into effect in 2022. This aims to create harmonised classifications and criteria for sustainable economic activities to help scale up sustainable investments and redirect capital flows towards technologies and businesses considered sustainable.

Mölnlycke supports these ambitious goals. During 2022, the company continued with its internal working group on EU Taxonomy, led by Group Finance and including members from Corporate Control, Treasury and Sustainability function. The working group has analysed the company’s operations in order to comply with current and future disclosure requirements. The company’s turnover, capital expenditure and operating expenditure will be reported in accordance with the EU’s Nomenclature of Economic Activities (NACE) codes.

Medical products and solutions do not fall within the EU Taxonomy screening criteria for climate change mitigation or adaptation. Therefore, Mölnlycke’s economic activities, capital expenditure and operating expenditure are not eligible as green investments. The company’s analysis of capital and operational expenditure has not identified any taxonomy-eligible spending during this reporting period. In accordance with EU Taxonomy disclosure, Mölnlycke’s turnover for the period is EUR 1,828 million, CAPEX is EUR 85 million and OPEX is EUR 65 million, all considered non eligible.

As the legislation continues to develop, Mölnlycke recognises that it may expand into areas relevant to the company’s products and operations. At the same time, Mölnlycke is investing in low carbon energy sources and green logistics as part of the company’s net zero commitment and will update its taxonomy reporting accordingly.

Risk management

Mölnlycke faces a range of strategic, operational, regulatory, sustainability and financial risks, which the company proactively manages and develops mitigations to reduce.

Risk management

At Mölnlycke, risk management is an integral part of how the business is run, both at enterprise level and in each of the Business Areas.

The Board is responsible for ensuring efficient risk management across the company and has adopted policies that identify risk levels and set limits on the amount of risk Mölnlycke will accept. Each of the Business Areas and Corporate Functions reports to the Board regularly through the company's Enterprise Risk Management (ERM) process. These reports form a yearly comprehensive risk and opportunity assessment to identify and evaluate existing and emerging risks. The assessment looks at Mölnlycke's five risk categories – strategic, operational, legal and compliance, sustainability and financial.

All risks that Mölnlycke assesses as material become part of a company-wide risk map. The company develops and implements action plans to minimise their probability and impact. The conclusions drawn from the risk assessments and action plans are discussed and confirmed with both the Executive Leadership Team and the Board. As these risks can, individually or in combination, have a major negative impact on the business. Actions to mitigate them are crucial to the company's success and are integrated in everyday work.

Macroeconomic uncertainty

In 2022, the uncertain global situation has caused macroeconomic challenges for global businesses. Mölnlycke, like other global companies, has faced a number of challenges linked to supply disruptions and cost increases:

- Ukraine war creating uncertainty of macro trends going forward
- High inflation
- Cost of supply all-time high
- Leadtime constraints
- Pandemic still affecting the business
- Energy supply, predominantly in Europe
- Staff shortages in healthcare.

Mölnlycke works continuously to monitor the macroeconomic situation, to mitigate and adapt to a challenging environment to secure the company's business.

Task-force on Climate related Financial Disclosures (TCFD) framework

As formulated by the Task Force on Climate-related Financial Disclosures (TCFD), the medical device industry is not considered to have high exposure to climate change risks. However, the assessment performed by the business has identified potential chronic exposures to both physical and transitional risks within supply chain and manufacturing.

Some of the manufacturing countries Mölnlycke operates in are in areas subject to extreme weather patterns. Facilities with moderate or high risk of flooding, such as Thailand, have building protection in place. However, it is recognised that flooding would impact the infrastructure and possibility to operate effectively with transports to and from the site being inevitably affected. Further controls planned are to extend risk evaluation further down our supply chain, and a close partnership with suppliers who have committed to SBTi, as part of the company's net zero commitment.

The risk of drought in Malaysia has been recognised as a risk which could impact the Gloves business, because gloves production is a water intensive process. Initiatives to conserve water and optimise production processes for water efficiency are continually ongoing. A project group has been established looking into new, alternative manufacturing methods to produce gloves in a less energy and water intensive way. The company's recently opened gloves factory in Malaysia has been built with sustainability in mind. For example, it has an optimised water consumption and recovery system (closed loop). The company will apply for LEED platinum certification for this new facility in 2023.

Recognising that the gloves manufacturing contributes significantly to Mölnlycke's overall Scope 1 and 2 GHG emissions, the company needs to improve energy efficiency and maximise renewable options. An energy consumption optimisation assessment has been conducted in Malaysia and will continue in Finland and the Czech Republic during 2023, covering more than 80% of Mölnlycke's total energy consumption. Opportunities in this area include continuing to implement optimisation projects in Malaysia, developing fossil-free electricity solutions and renewable energy equivalents to fossil fuels.

When it comes to transitional risks, future policy and regulation developments, both at a national and EU level, may seek to either inhibit actions which contribute to the adverse effects of climate change, or promote adaptation. Examples such as the implementation of a carbon tax, increasing energy efficiency standards or extended producer responsibility are foreseen.

Tender requests and market insights indicate a demand for more sustainable products and the potential for the reusable product business to gain market share. This has also been identified as a transitional risk to Mölnlycke. A range of counter measures are being looked at as part of the company's strategic roadmap, e.g. sustainable solutions and packaging (see 'Sustainable portfolios' and 'Packaging', pages 114-117).

Mölnlycke's sustainability ambitions enable the company to invest in new technologies to transition its business and continue improving patient outcomes. As well as mitigating Mölnlycke's climate-related risks, these opportunities will also strengthen the company's resilience by increasing market value.

The current risk landscape



Strategic risks

1. Risk related to industry shift and market trends
2. Strategy and innovation risk
3. Reputational risk

Sustainability risks

12. Climate change impact risk
13. Stakeholder management, new requirements and regulations risk

Legal and compliance risks

4. Regulatory risk
5. Business ethics risk
6. Risk related to distributors, suppliers and other third parties

Financial risks

14. Currency risk

Operational risks

7. Manufacturing risk
8. Single source supplier risk
9. Logistic and supply chain risk
10. Cyber risk
11. Risk related to ability to attract and retain talented employees

Risk description	Mitigation	Probability	Impact
Strategic risks			
1. Risk related to industry shift and market trends			
The global healthcare market is under pressure. Hospitals are forced to reduce costs and increase efficiency. In addition, many healthcare professionals have left the healthcare sector during the pandemic. Healthcare challenges may lead to changing needs, expectations and requirements. Shifts in the medical device industry as well as in market trends could have an impact on Mölnlycke.	Mölnlycke has carried out extensive ethnographic studies to learn about the customers everyday life, in order to really understand their challenges and met and unmet needs. These insights gives Mölnlycke a solid knowledge of how to prioritise going forward to further strengthen the company's market position, as well as to identify the innovations that will resolve today's and tomorrow's challenges for the customer. Even though the market is under pressure, healthcare is characterised by stability in which demand is not particularly sensitive to economic fluctuations. It also benefits from an increased average life expectancy globally.	3	5
2. Strategy and innovation risk			
In a competitive landscape, Mölnlycke's position as a market-leading company is constantly challenged. The risks are mainly related to the company failing to transform and future-proof its business in terms of business model and channel strategy, innovations and digital strategy. Furthermore, in order to be an attractive partner, it is crucial that Mölnlycke constantly develops its portfolio of products and solutions, as well as its logistic capabilities. Intensified price competition is also a risk for Mölnlycke.	Mölnlycke has put new strategies in place, providing a clear direction on how the company should transform and future-proof its business (learn more in Risk related to industry shift and market trends). Mölnlycke has intensified its product development to further strengthen its range of products and solutions, as well as to close identified gaps. This includes a shift in Mölnlycke's Research and Development to increase investment in new technologies. As a market-leading company, Mölnlycke works continuously to differentiate itself through clinical evidence, professional education and product quality.	3	5
3. Reputational risk			
Reputation – including brands, trust and customer satisfaction – can impact existing as well as future demand of a company's products, services and solutions, as well as the company's commercial freedom. The quality of products, services and solutions and customer service are examples of factors which affects a company's reputation. Additionally, operating in a regulated environment means that regulatory compliance is an additional factor of importance. Today's multi-channel world makes it challenging to control how the brand is being perceived in the market place.	Activities to maintain and further strengthen the reputation of Mölnlycke and its strong portfolio of brands are constantly ongoing. These include ensuring compliance with the company's Code of Conduct, defining values in terms of business ethics, human rights and labour standards. Mölnlycke also has sophisticated processes within Quality and Regulatory, ensuring compliance with regulatory bodies as MDR (EU) and FDA (US). Mölnlycke also has developed a strong sustainability roadmap, WeCare, to embed sustainability into all aspects of business.	2	3

Risk description	Mitigation	Probability	Impact
Legal and Compliance risks			
4. Regulatory risk			
Parts of Mölnlycke's product range are covered by regulations that require rigorous assessments, quality control and documentation. Mölnlycke's business, financial position and earnings could be negatively impacted in the future by new and ongoing efforts to comply with regulations and requirements of authorities and control bodies, or changes to such regulations and requirements.	To limit risks relating to compliance, Mölnlycke has an extensive focus on quality and regulatory improvements. This is cascaded down into all Business Areas by Regulatory Affairs being present in their governance. The company complies with all laws in the markets where it does business. In the last few years, Mölnlycke has been preparing for the new EU Medical Device Regulation (MDR). The quality management system is certified to the standards applicable to the products the company manufactures.	3	3
5. Business ethics risk			
The foundation for a strong and sustainable business is to act with integrity and to apply high ethical standards in all situations throughout the value chain. Unethical behaviour, including bribery, corruption, anti-trust and unfair competition, within Mölnlycke's organisation or supply chain could damage Mölnlycke's brand and credibility. The company may also suffer fines and other legal sanctions. Expansion into new markets may increase the risk.	Mölnlycke's white-collar employees are trained in the company's Code of Conduct and in anti-bribery and anti-corruption. The Code of Conduct ensures that the company and its employees live up to core values and are not involved in or linked to unethical business practices. This includes general rules for how to conduct business and how the company's employees are to act towards each other and in business relationships. Mölnlycke continues to improve its business ethics program by implementing preventive measures such as risk assessments and procedure development to strengthen awareness, and by providing various grievance mechanisms including an externally operated Ethics Hotline, where both employees and external stakeholders can bring forward concerns. To ensure high standards of business ethics throughout the value chain, see 'Risk related to distributors, suppliers and other third parties' below.	2	3
6. Risk related to distributors, suppliers and other third parties			
Mölnlycke works with contract manufacturers, suppliers and distributors globally to develop, produce and sell its products. Some of Mölnlycke's partners are located in countries that are considered high-risk. If a partner does not live up to the standards set by Mölnlycke regarding business ethics and human rights, it may impact the company negatively. Should Mölnlycke show deficiencies in the review of its partners, it may affect the company's ability to participate in tenders.	Mölnlycke requires all of its contract manufacturers and major suppliers to sign the company's Supplier Code of Conduct that sets requirements for ethical and social conduct associated with human rights. Mölnlycke follows-up the adherence to the Supplier Code of Conduct and also keeps the right to perform audits at the manufacturing site or at the suppliers' locations. For its distributors, Mölnlycke has a global program that includes a due diligence process to ensure that all partners are trustworthy, reliable, have ethical codes and an approach to human and labour rights that meets Mölnlycke's requirements. To help ensure integrity in all parts of the value chain, Mölnlycke encourages employees and business partners to speak up if they have any concerns. Concerns may be raised through Mölnlycke's Ethics Hotline offering reporting in local languages.	3	3

Risk description	Mitigation	Probability	Impact
Operational risks			
7. Manufacturing risk			
Mölnlycke has 14 factories in eight different countries and a number of contract manufacturers. A major disruption at one or more of the facilities – due to fire, machinery breakdowns or other types of incidents, for example could lead to production disruptions, cause delivery problems and have an impact on the company’s business. For some products, the majority of production is concentrated in the same geographical area, which makes Mölnlycke more sensitive to climate-related incidents and sourcing of materials.	To mitigate the consequences of possible disruptions in production, Mölnlycke strives to secure manufacturing back-up plans and dual sources of raw materials, as well as by working closely with its logistic partners. The company is continuously reviewing its manufacturing footprint to further reduce these risks. This includes qualifying contract manufacturers to secure back-up production. To protect its business, all of Mölnlycke’s facilities also have high insurance coverage.	2	3
8. Single source supplier risks			
Mölnlycke is reliant on certain key suppliers of raw materials and finished products. If Mölnlycke loses a key supplier, or if the supplier experiences supply disruptions or quality problems, it would have an impact on the company’s manufacturing and business.	Mölnlycke strives to have a dual sourcing strategy to reduce the risk if a key supplier falls short. Where possible, the company investigates alternative materials from other companies to support dual sourcing. Mölnlycke also continuously reviews its safety stock.	2	3
9. Logistic and supply chain risk			
As a global company, Mölnlycke has a well-developed logistics chain to supply customers worldwide with products. However, the pandemic and an unstable environment have shown how sensitive a global logistics chain can be. Port congestion, lack of containers and truck driver shortages are just a few examples of disruptions that can put the entire chain in imbalance – and lead to loss of revenue and reduced customer confidence.	Mölnlycke evaluates its supply chain to make sure the company has the right logistic infrastructure in place. By establishing partnerships with suppliers, Mölnlycke searches for solutions that can replace the normal logistics flows and eliminate supply chain risks in difficult times. The company also strives for accurate forecasts of volumes from its factories to the receiving distribution centre.	2	3
10. Cyber risk			
Mölnlycke, like most companies, is subject to big changes in the IT area and the company’s operating activities rely on IT systems. As cyber threats become more frequent and sophisticated, the risk of security incidents, cyber-attacks, hacking or data leakage increases. Disruptions or faults in critical systems may have a direct impact on Mölnlycke’s business processes including downtime in the production. It could also result in data loss.	Mölnlycke has identified cyber security as a focus area where the company is investing resources and acting proactively. Together with its partners, Mölnlycke follows defined processes to ensure IT systems are stable and secure, including measures to prevent cyber incidents and reduce the vulnerabilities in the company’s devices. The group security program is designed to increase employees’ awareness, protect data and to improve the efficiency of Mölnlycke’s security processes and controls.	3	3

Risk description	Mitigation	Probability	Impact
11. Risk related to ability to attract and retain talented employees			
Mölnlycke must be able to attract and retain talents, to secure its access to skilled and dedicated employees. As competition intensifies, attracting and retaining talents could become more challenging and more costly. If the company is not successful, it may affect its competitiveness.	Mölnlycke invests in people’s careers over the long term, empowering them to contribute to the company’s success through learning and development programs and opportunities for progression. In 2022, Mölnlycke filled 60% of positions at manager level and above with internal talents. Mölnlycke recognises employees who go further to deliver good results. The company’s reward programs celebrate long- and short-term achievements. Mölnlycke has a proactive approach toward health and well-being, with a clear objective of accident-free workplaces. To support work-life balance for its employees, the company has introduced remote working principles.	3	3
Sustainability risks			
12. Climate change impact risk			
Mölnlycke’s operations have an impact on the environment. The manufacturing of the company’s products, including transports, involves the use of fossil fuels and originates greenhouse gas emissions. A growth in Mölnlycke’s operations could result in increased energy use. Limited access to renewable energy sources is a risk in some of the countries where Mölnlycke’s manufacturing sites are located.	Sustainability is a strategic priority for Mölnlycke and the vision is to transform its business to become a global leader in sustainable healthcare. The company has aligned to a long-term goal of net zero carbon emissions along the entire value chain by 2050 the latest. At Mölnlycke, all manufacturing sites are focusing on improving energy efficiency and sourcing of renewable energy. In 2022, an additional number of the company’s manufacturing plants have converted to renewable electricity. As part of its strategic roadmap, WeCare, Mölnlycke is introducing products using renewable materials as well as sustainable packaging.	3	3
13. Stakeholder management, new requirements and regulations risk			
As sustainability becomes an increasing focus, the requirements and expectations change rapidly. Failure to meet increasingly challenging environmental, social and governance expectations may result in negative impacts to the company’s reputation, recruitment, retention, operations, financial results as well as the company not qualifying for tenders or meeting future requirements and regulations.	Through its materiality assessment, Mölnlycke has navigated the expectations of its stakeholders and identified which issues to prioritise. The company has further developed its sustainability strategic roadmap WeCare. In 2022, the company formalised and further strengthened its net zero target across the entire value chain by 2050 the latest by submitting its commitment to the Science Based Targets initiative (SBTi) organisation. The company is transparently reporting its sustainability performance on an annual basis according to GRI standards.	3	3
Financial risks			
14. Currency risk			
Exchange rate fluctuations could affect the company’s cash flow, income statement and balance sheet negatively. Currency exposure arises from payment flows (transaction exposure), from valuation of balance sheet items in foreign currencies (balance sheet exposure) and from translation upon consolidation of foreign subsidiaries’ income statements and balance sheets into EUR (translation exposure). Mölnlycke’s largest currency exposure is net flow of USD.	Mölnlycke centralises all currency exposure to Group Treasury through the internal netting system. Management of FX exposure is stipulated in the Policy of management of group financial risks, approved by the Board. According to policy, Mölnlycke does not hedge transaction exposure. See Financial note 23.	3	3

Board of Directors



Karl-Henrik Sundström
Chairman of the Board, elected 2022
(Board member since 2018)

Born: 1960
Nationality: Swedish
Education: Bachelor of Economics
Board assignments: Chairman of the Board of Boliden and the Climate Leadership Coalition. Board member of NXP Semiconductors, Vestas A/S and Marcus Wallenberg Foundation.
Professional experience and previous assignments: CEO of Stora Enso 2014–2019. Former leadership positions include, among others, CFO & Executive Vice President of Stora Enso, NXP Semiconductors and Ericsson.



Christian Cederholm
Board Member, elected 2020

Born: 1978
Nationality: Swedish
Education: Master of Science in Economics and Business Administration
Board assignments: Board member of Hi3G Scandinavia and SignUp Software.
Professional experience and previous assignments: Head of Patricia Industries, a part of Investor AB, since 2021. Joined Investor in 2001 and has held different positions, including Co-head of Patricia Industries 2017–2021.



Johan Malmquist
Board Member, elected 2015

Born: 1961
Nationality: Swedish
Education: Bachelor of Science in Business Administration
Board assignments: Chairman of the Board of Getinge and Arjo. Board member of Elekta, the Dunker Foundations, Stena Adactum, Trelleborg and Chalmers University of Technology Foundation.
Professional experience and previous assignments: President and CEO of Getinge 1997–2015. Previous leadership positions within Getinge and the Electrolux Group.



Kristina Willgård
Board Member, elected 2021

Born: 1965
Nationality: Swedish
Education: Bachelor of Economics
Board assignments: Board member of Addnode Group AB and Ernströmgruppen AB.
Professional experience and previous assignments: CEO of AddLife 2015–2022. Previous senior positions include CFO of Addtech and Finance Director at Ericsson.



Aashima Gupta*
Board Member, elected 2023
*** Elected on the Board in March 2023**

Born: 1970
Nationality: American
Education: BS. Comp Science, Ms Computer Science
Board assignments: Board member of Neogen, Member of the HIMSS NA and GRAIL Advisory Boards.
Professional experience and previous assignment: Currently holds the position as Global Director of Healthcare Industry Solutions at Google Cloud. Former Executive leadership roles driving digital strategy for Kaiser Permanente, an integrated health system and senior leadership roles in software development at J.P Morgan Chase and Fidelity Investments.



Jenny Ashman Haquinius
Deputy Board member, elected 2021

Born: 1986
Nationality: Swedish
Education: Master of Science in Finance
Board assignments: Board member of Vectura and Navigare Ventures.
Professional experience and previous assignments: Since 2015 an investment professional at Patricia Industries, part of Investor AB. Previous position at Corporate Finance department of Nordea Markets Investment Banking.



Zlatko Rihter
Board Member, elected 2020

Born: 1970
Nationality: Swedish
Education: Master of Science, Mechanical Engineering
Board assignments: -
Professional experience and previous assignments: President and CEO of Mölnlycke. Former CEO of CellaVision, 2015–2020. Previous positions include EVP Global Sales & Marketing at Cooper Companies, President Chronic Dialysis and EMEA commercial at Gambro and VP Patient Handling Product Division at Arjo.



David Perez
Board Member, elected 2019

Born: 1959
Nationality: American
Education: Bachelor of Arts
Board assignments: Chairman of the Board of Advanced Instruments and Laborie. Board member of NeoGenomics, Book Trust and Nurse Family Partnership.
Professional experience and previous assignments: President and CEO of Terumo BCT (and its predecessor companies Cobe BCT, Gambro BCT and Caridian BCT) 1999–2019. Former board member of Terumo Corporation, Ortho Clinical Diagnostics and Sarnova. He serves on the United States Department of Health & Human Services Advisory Committee for Blood & Tissue Safety & Availability.



Sharon James
Board Member, elected 2018

Born: 1961
Nationality: British
Education: Doctor of Philosophy in Neurobiology
Board assignments: Board member of Novozymes.
Professional experience and previous assignments: Senior advisor to Bain & Company. Former Research & Development leadership roles within Bayer Consumer Health, Reckitt Benckiser, PepsiCo and GlaxoSmithKline.



Lars Axelsson
Employee representative, elected 2021

Born: 1961
Nationality: Swedish
Education: Master of Science in Engineering Physics, Masters of Business Administration
Board assignments: -
Professional experience and previous assignments: Project Manager, R&D, Operating Room Solutions.



Niclas Flach
Employee representative, elected 2021

Born: 1975
Nationality: Swedish
Education: Concept Design
Board assignments: -
Professional experience and previous assignments: Senior Concept Designer, R&D, Wound Care.

Executive Leadership Team

President and Chief Executive Officer



Zlatko Rihter
President and CEO

Born: 1970
Nationality: Swedish
Employed since: 2020
Education: Master of Science, Mechanical Engineering
Previous experience: President and CEO of CellaVision, 2015–2020. Previous positions include Executive Vice President Global Sales & Marketing at Cooper Companies, President Chronic Dialysis and EMEA commercial at Gambro and VP Patient Handling Product Division at Arjo.

Business Areas



Rob Claypoole
EVP Wound Care

Born: 1971
Nationality: American
Employed since: 2017
Education: Bachelor of Arts, Master of Business Administration
Previous experience: Executive Vice President US and Executive Vice President Global Commercial at Mölnlycke 2017–2021. Previous leadership roles include Global General Manager, Soft Tissue Repair and Global General Manager, Obesity & Metabolic Health at Medtronic and marketing roles at Johnson & Johnson's Vision Care division.



Anders Andersson
EVP Operating Room Solutions

Born: 1971
Nationality: Swedish
Employed since: 2000
Education: Master of Science in Business and Economics
Previous experience: Various senior leadership roles in Operations, Commercial and R&D at Mölnlycke. Before taking on his current role, Vice President of Global Manufacturing.

Corporate Functions



Susanne Larsson
CFO and EVP Corporate Strategy, M&A, IT, Global Business Services and Indirect Procurement

Born: 1968
Nationality: Swedish
Employed since: 2020
Education: Master of Science in Business and Economics
Previous experience: CFO at Gunnebo AB 2015–2020. Previously 20 years at SKF in financial and strategic leadership positions. Susanne is currently Board member and chairs the Audit Committee in Dovista A/S Group (privately owned) and Ambu A/S Group (Listed at Nasdaq Copenhagen).



Kristin Hedlund
EVP Legal

Born: 1968
Nationality: Swedish
Employed since: 2018
Education: Master of Laws, Political Science
Previous experience: A number of positions within DB Schenker, Kristin served as General Counsel and member of the Board at Schenker AB and has a background as a judge in the Swedish court system.



Emma Wright
Chief Medical Officer and EVP Regulatory and Quality Affairs

Born: 1973
Nationality: British
Employed since: 2018
Education: Doctor of Philosophy, Bachelor of Science (Hons)
Previous experience: The entire career spent in medical devices, particularly in the wound care and surgical implant space. Has worked across various markets, for a range of MedTech businesses, from start-ups to large global companies.



Katriina Öberg
EVP Gloves

Born: 1966
Nationality: Finnish
Employed since: 1999
Education: Master of Science in Business and Economics
Previous experience: Various senior leadership roles at Mölnlycke. Most recently Regional Vice President Asia-Pacific and before that General Manager Region North.



Lina Karlsson
EVP Antiseptics

Born: 1973
Nationality: Swedish
Employed since: 2019
Education: Master of Science in Chemical Engineering, Doctor of Philosophy in Polymer Science, Executive Master of Business Administration
Previous experience: Head of Operating Room Solutions R&D at Mölnlycke 2019–2021. Previously senior global positions in R&D and Operations at Gambro and Baxter.



Eric De Kesel
Chief Operations Officer and EVP Sustainability

Born: 1965
Nationality: Belgian
Employed since: 2002
Education: Master of Applied Science, Electromechanical Engineering
Previous experience: Various senior roles at Mölnlycke, such as General Manager of manufacturing site and head of Global Business Units. Most recently President of the Surgical Division and later Executive Vice President, Global Operations & Regulatory Affairs and Quality Assurance.



Maria Morin*
Chief People Officer

* Took up the position 3 January 2023

Born: 1974
Nationality: Swedish
Employed since: 2023
Education: Bachelor of Business Administration (B.B.A.) and Bachelor of Science (B.Sc.), HR Management
Previous experience: Long-standing background of senior positions within human resources development and communication from among others CellaVision AB, where Maria led the HR and corporate communication functions. Most recently served as Group CHRO at BHG Group where she led the HR, communications and ESG functions.

Financial report

The financial report presents the consolidated financial statements for the Mölnlycke Holding AB Group prepared in accordance with IFRS as adopted by the EU. The parent company of Mölnlycke Holding AB is Mölnlycke AB which in turn is controlled by Investor AB, listed on NASDAQ OMX Stockholm.



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Consolidated income statement, MEUR

	Notes	2022	2021
Revenue	6	1,827.7	1,685.6
Cost of sales	7	-893.3	-813.7
Gross profit		934.4	871.9
Selling costs	7	-346.7	-298.7
Administrative costs	7	-144.5	-127.7
Research and development costs	7	-51.5	-45.1
Share of result in joint ventures	4	-0.5	-
Other operating income and expenses	7	0.6	1.7
Operating profit		391.8	402.1
Finance income	8	2.0	3.2
Finance costs	8	-34.3	-40.6
Profit before tax		359.5	364.7
Income tax expense	9	-80.2	-79.4
Profit for the year		279.3	285.3
Attributable to:			
Owners of the Company		279.3	285.3
		279.3	285.3

Consolidated statement of comprehensive income, MEUR

	2022	2021
Profit for the year	279.3	285.3
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising during the year on translation of foreign operations (net of tax of MEUR 2.0 (2021: MEUR 3.7))	-11.1	12.2
Revaluation of cash flow hedges (net of tax of MEUR - (2021: 0.1))	-	-0.5
Hedge result reclassified to profit or loss (net of tax of MEUR -0.0 (2021: -0.2))	-	0.8
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations (net of tax of MEUR -7.4 (2021: MEUR -1.4))	23.6	4.0
Total comprehensive income for the year	291.8	301.8
Attributable to:		
Owners of the Company	291.8	301.8
	291.8	301.8

Comments on the income statement

Revenues

Mölnlycke revenues reached MEUR 1,827.7 (1,685.6). This corresponds to an organic sales growth of 8.4% compared to prior year, excluding currency impact and the COVID-19 related one-off PPE (personal protection equipment) sales that took place in the first half of 2021. Revenue was supported by a positive impact from currency, mainly due to a stronger USD.

- Wound Care surpassed EUR 1 billion in revenues for the first time and reports an organic sales growth of 10% (excl. currency impact) driven across all regions. This follows an increased growth rate in the market and investments made to further strengthen the sales force to enable continued growth and expanded efforts within prioritised emerging markets.
- ORS declined its revenues by 9% compared to prior year. Excluding the one-off PPE sales in 2021, revenue grew 5% (excl. currency impact) mainly driven by increased prices to compensate for the sizable cost increases impacting the Business Area, and careful mix management within the Trays business. This was partly offset by a COVID-19 driven demand of staff clothing in 2021.
- Gloves grew revenues by 11% (excl. currency impact) after recovering from supply chain difficulties in prior year related to COVID-19 lock-downs in the Malaysian manufacturing facilities.
- Antiseptics, having struggled throughout most of the year because of its supply chain, faced a contraction of -5% in revenues (excl. currency impact).

Gross profit

The Group's gross profit amounted to MEUR 934.4 (871.9), corresponding to a gross margin of 51% (52%) which is in line with prior year.

Operating profit

Operating profit amounted to MEUR 391.8 (402.1), corresponding to an operating profit margin of 21% (24%).

The operating profit was supported by the sales growth including price and product mix activities and a positive impact from currency fluctuations mainly due to a strong USD.

Cost of sales increased due to longer lead times, higher cost of supply chain including transportation cost reaching all-time high and significant raw material and energy cost increases. In addition there were difficulties in the manufacturing operation, leading to additional costs.

In line with the commercial strategy, the Group has invested in sales and marketing to nurture continued growth and geographical expansion. There were also increased activities in R&D and the digital area which further explains part of the increase in operating expenses.

Overall, the positive effects from the sales growth and positive currency effects have been offset by cost increases leading to an operating profit in line with last year while the operating margin has decreased by three percentage points.

Finance net

The Group's net financial items amounted to MEUR -32.3 (-37.4). The improvement is related to currency gains in 2022 of MEUR 5.1 compared to a loss in 2021 of MEUR 5.9, which is partly offset by interest- and revaluation costs related to the EUR/USD cross currency swap entered into in 2022.

Income tax expenses

The Group's income tax expenses amounted to MEUR 80.2 (79.4), corresponding to an effective tax rate of 22% (22%).

Profit for the year

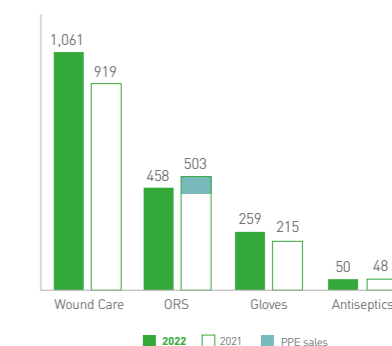
The Group's profit for the year amounted MEUR 279.3 (285.3) which is on the same level as last year.

Comments on the consolidated statement of comprehensive income

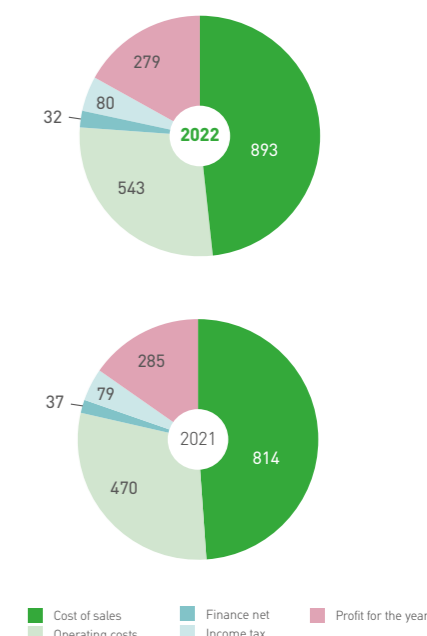
Total other comprehensive income amounted to MEUR 12.5 (16.5) which includes exchange differences arising during the year on translation of foreign operations and remeasurements of post-employment benefit obligations. The gain from remeasurements of post-employment benefit obligations relates to the increase in discount rate for the defined benefit pension plan following global interest rate increases.

The total comprehensive income for the year amounted to MEUR 291.8 (301.8).

Segment revenue
EUR million



Use of revenues
EUR million



Consolidated statement of financial position, MEUR

	Notes	12/31/2022	12/31/2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	275.8	245.2
Right-of-use assets	18	67.1	72.9
Goodwill	11	2,129.2	2,136.6
Other intangible assets	12	595.6	626.6
Other non-current assets		2.4	2.4
Investments accounted for using the equity method	4	3.2	1.5
Deferred tax assets	9	38.5	43.1
		3,111.8	3,128.3
Current assets			
Inventories	13	339.9	283.3
Trade and other receivables	14	328.0	288.6
Receivables, parent company	16	104.8	-
Current tax receivables		36.8	65.3
Derivative financial instruments	22	0.5	-
Cash and cash equivalents	15	343.3	541.0
		1,153.3	1,178.2
Total assets		4,265.1	4,306.5
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		0.1	0.1
Share premium		999.9	999.9
Foreign currency translation reserve		31.0	42.1
Retained earnings		704.2	494.0
Equity attributable to the Company	16	1,735.2	1,536.1
Non-current liabilities			
Bond notes	22	1,893.0	1,891.0
Retirement benefit obligations	19	61.8	94.6
Deferred tax liabilities	9	131.3	124.1
Lease liabilities	18	46.5	52.0
Long term provisions	20	0.9	0.9
Derivative financial instruments	22	3.5	-
Other non-current liabilities		1.7	2.6
		2,138.7	2,165.2
Current liabilities			
Trade and other payables	21	362.0	353.2
Current tax liabilities		5.4	20.1
Liabilities, Parent company	16	-	88.1
Lease liabilities	18	20.4	21.1
Bond notes	22	-	122.4
Provisions	20	2.6	0.3
Derivative financial instruments	22	0.8	0.0
		391.2	605.2
Total liabilities		2,529.9	2,770.4
Total equity and liabilities		4,265.1	4,306.5

Comments to the statement of financial position

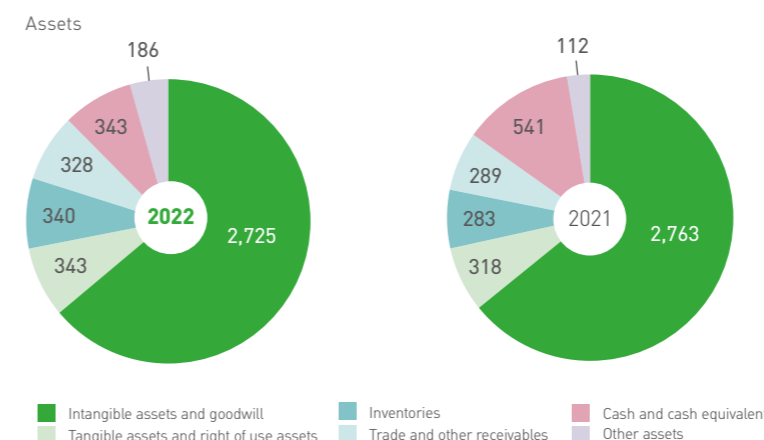
Assets

Intangible assets are mainly related to goodwill and trademarks with an indefinite useful life and are not subject to amortisation. The change compared to last year is mainly related to amortisation of intangible assets with a defined useful life, such as proprietary technology, capitalised development expenditures and computer software.

Inventories and trade receivables have increased since last year reflecting the underlying sales growth and higher inventory levels following a challenging supply chain environment resulting in the need for additional safety stock increases and longer lead times.

Investments in fixed assets are mainly related to investments in the new Gloves factory in Malaysia.

The decrease in cash and cash equivalents relates to the repayment of bond notes, the increase in working capital and the increased distribution of cash to the owners of the parent company compared to the prior year.



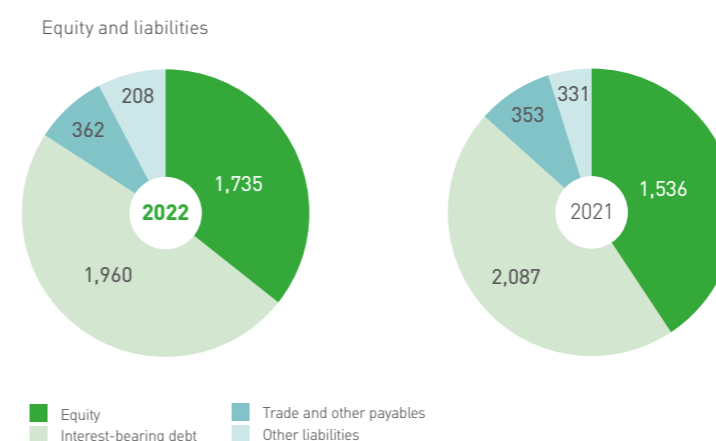
Equity and liabilities

Equity has increased following the positive net result for the year and lower group contributions and dividends to the immediate parent company compared to the prior year.

Bond notes of MEUR 122 have been repaid during the year, reducing the interest-bearing debt.

Trade and other payables have increased in line with the increased sales volume and inventory level.

The decrease in other liabilities is mainly related to the decrease in defined benefit pension obligations and repaid debt to the immediate parent company.



Consolidated statement of changes in equity, MEUR

	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 31 December 2020	0.1	999.9	-0.3	29.9	764.4	1,794.0
Profit or loss for the year	-	-	-	-	285.3	285.3
Other comprehensive income for the year	-	-	0.3	12.2	4.0	16.5
Total comprehensive income for the year	-	-	0.3	12.2	289.3	301.8
Group contribution, net of tax	-	-	-	-	-139.7	-139.7
Dividend	-	-	-	-	-420.0	-420.0
Total transactions with owners	-	-	-	-	-559.7	-559.7
Balance at 31 December 2021	0.1	999.9	-	42.1	494.0	1,536.1
Profit or loss for the year	-	-	-	-	279.3	279.3
Other comprehensive income for the year	-	-	-	-11.1	23.6	12.5
Total comprehensive income for the year	-	-	-	-11.1	302.9	291.8
Group contribution, net of tax	-	-	-	-	-92.7	-92.7
Dividend	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-92.7	-92.7
Balance at 31 December 2022	0.1	999.9	-	31.0	704.2	1,735.2

Comments on changes in equity

Net profit for the year of MEUR 279.3 (285.3) and other comprehensive income totaling MEUR 12.5 (16.5) increased the Group's equity while dividends and group contributions (net of tax) to the parent company during the year of MEUR -92.7 (-559.7) reduced equity. Dividends and Group contributions refer to distribution of earnings to the immediate parent company Mölnlycke AB.

Consolidated statement of cash flows, MEUR

	Notes	2022	2021
Cash flow from operating activities			
Operating profit		391.8	402.1
Adjustments for:			
Depreciation, amortisation and impairment charges		84.5	83.5
Other items		-6.8	-3.3
Operating cash flow before movements in working capital		469.5	482.3
Decrease/(increase) in inventories		-58.7	-23.6
Decrease/(increase) in trade and other receivables		-41.8	31.5
Increase/(decrease) in trade and other payables		14.9	-41.9
Cash generated from operations		383.9	448.3
Tax paid		-72.4	-116.7
Cash flow from operating activities		311.5	331.6
Cash flow from investing activities			
Interest received		1.6	0.1
Investments in intangible assets		-8.9	-10.2
Acquisition of businesses	3	-0.6	-0.3
Investments in property, plant and equipment		-61.0	-38.5
Investment in Joint Venture	4	-2.4	-1.5
Cash flow from investing activities		-71.3	-50.4
Cash flow from financing activities			
Interest paid		-30.9	-28.9
Principal elements of lease payments	17	-22.5	-21.3
Cash transfer from/to Parent company	16	35.3	-35.3
Repurchase of bonds	17	-122.4	-
Distribution to the owners of the Group	16	-300.0	-250.0
Cash flow from financing activities		-440.5	-335.5
Cash flow for the year		-200.3	-54.3
Cash and cash equivalents at the beginning of the year		541.0	597.0
Effect of foreign exchange rate differences		2.6	-1.7
Cash and cash equivalents at the end of the year	15	343.3	541.0

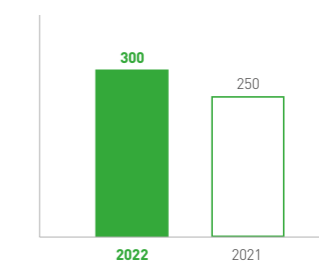
Comments on the statements of cash flows

Cash generated from operations decreased compared to prior year following the increase in working capital.

The decrease in cash flow from investing activities compared to prior year was mainly related to the investment in the new Gloves factory in Malaysia.

The decrease in cash flow from financing activities compared to prior year was mainly related to the repayment of bond notes and the increased distribution of cash to the owners of the Group. The Group distributed MEUR 300 (250) in cash to the owners of the parent company, Investor AB, on behalf of the immediate parent company Mölnlycke AB.

Distributions to the owners of the Group
EUR million



Notes to the consolidated financial statements

1. Summary of significant accounting policies

General information

Mölnlycke Holding AB (publ), corporate ID number 556693-6729, (the 'Company') is a public limited company incorporated in Sweden with its registered office in Gothenburg. The Company was first registered on 13 December 2005 and undertook no significant activities until it acquired MHC UK Ltd and its subsidiaries on 30 March 2007.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 March 2023.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which includes interpretations from the IFRS Interpretations Committee (IFRIC).

The consolidated financial statements are presented in millions of Euros rounded to the nearest hundred thousand and are prepared on the historical cost basis modified by the revaluation of certain financial instruments.

The consolidated financial statements of Mölnlycke Holding AB (publ) and its subsidiaries (the 'Group') cover the year ended 31 December 2022. The comparative information covers the year ended 31 December 2021. There were no material discontinued operations in either period and all the results presented refer to continuing operations.

The Company is not required to prepare consolidated financial statements under Swedish Law and these consolidated financial statements are not the Company's Swedish statutory accounts.

The Company's immediate parent company is Mölnlycke AB, corporate ID number 556723-5949, a company incorporated in Sweden, and its ultimate parent company is Investor AB, a company incorporated in Sweden and listed on Nasdaq OMX Stockholm.

Principal accounting policies

Basis of consolidation and equity accounting

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint ventures in profit or loss, and the Group's share of movements in other comprehensive income of the joint ventures in other comprehensive income.

Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities.

The carrying amount of equity-accounted investments is tested for impairment when indications of impairments exist.

When necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS's). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

All acquisitions that meet the definition in IFRS 3 of a business combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. The Group did not acquire any new subsidiaries in 2022 or 2021.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date [see IFRS 2, 3.16.2]; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised as a financial income or expense in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is also the chief operating decision maker.

Foreign currencies

All foreign subsidiaries report in their functional currency being the currency of the primary economic environment in which the subsidiary operates (its functional currency). Transactions denominated in foreign currencies during the year have been translated at the exchange rate prevailing at the respective transaction date. Trade receivables and trade payables and other receivables and payables denominated in foreign currency have been translated at the exchange rates prevailing at the balance sheet date. Such exchange rate gains and losses are included in operating profit.

Exchange rate gains and losses on translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation are reported in 'Other comprehensive income'. Other foreign currency items have been included in financial income and financial expense.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign subsidiaries are expressed in EUR, the functional currency of the parent company, using exchange rates prevailing on the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Revenue recognition

The Group's revenue from contracts with customers relates entirely to sale of surgical and wound care products. For all products revenue is recognised at a point in time when products are shipped to the customer and the customer obtains control of the assets. The sales contracts can, to a limited extent, also include various forms of services. These services have however been concluded to not be material in relation to the overall cost of the product to the customer. As a result, no separate performance obligation for services is accounted for.

The evaluations made by the Group in order to identify when a customer obtains control of promised goods is to a large extent based on the shipping terms. This is because shipping terms typically specifies when title passes and will also affect when risk and rewards of ownership transfer to the customer. For the majority of the Group's sale, control is transferred when goods are delivered to the customer since, at that point of time, the customer has legal title to the asset and the significant risks and rewards have been transferred to the customer based on the shipping terms used.

The Group is determining the transaction price based on the consideration the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding sales tax. Where a contract contains elements of variable consideration such as rebates, discounts and bonuses revenue is reported net after reporting a liability for such variable considerations. The liability is calculated based on contractual agreements and historical experience for the respective customer. When sales are made to a distributor the transaction price is reported net after considerations payable to the customer such as distributor fees.

The Group's payment terms are less than one year, and normally vary from 30–60 days. Hence, the contracts do not involve any significant financing component. The Group has elected to use the practical expedient to not adjust the amount of consideration for the effects of financing components since the period between when the Group transfer a promised good to a customer and when the customer pays for that good is expected to be one year or less at contract inception. For certain countries and customers, when deemed appropriate from a credit risk perspective, payment in advance is requested before delivery of goods. When payment in advance is requested the time from when payment is received until goods are shipped is normally short. As of 31 December 2022 the Group had MEUR – (-0.1) in contract liabilities reported for prepayments from customers. The Group only has very limited performance obligations for right of returns, refunds, warranties and similar obligations. As a result, the Group has not reported any liabilities for performance obligations that are not satisfied at the end of the reporting period. This is unchanged compared to prior year. Neither have there been any material revenue recognised in the period from performance obligations satisfied in previous periods.

The Group pays some sales commissions that meet the definition for a cost of obtaining a contract. The Group has elected to use the practical expedient to recognise these costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less. Since all sales commissions paid would have been amortised within one year, no costs to obtain or fulfil a contract with a customer has been capitalised as an asset in the Group's balance sheet.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for recognition.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred, using the effective interest method.

Government grants

Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants that relate to the acquisition of an asset are recognised as a reduction in the cost of the asset.

Retirement benefit costs

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that

defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with in the same way as payments to defined contribution plans where the obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out once a year. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service costs, past service costs, as well as gains and losses on curtailments and settlements) – included as a cost in arriving at operating profit
- Net interest cost or income – included as a net finance cost or income
- Remeasurement – included as part of other comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. See note 19, Retirement benefit obligations, for further details.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises the termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value, if material.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses when it is contractually obliged to pay a bonus or where there is a past practice that has created a constructive obligation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (temporary differences) and it further excludes items that are never taxable or deductible (permanent differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, other comprehensive income or directly to equity depending on where the item that the deferred tax relates to is recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. See note 9, Income tax.

Group contributions

Group contributions are accounted for directly against equity together with the Group contributions' tax effect.

Property, plant and equipment

Property, plant and equipment (land, buildings, and fixed installations as well as machinery and equipment) are measured at cost less accumulated depreciation and accumulated impairment losses. No depreciation is made for land.

Cost includes the acquisition price, costs directly related to the acquisition, and expenses of making ready the asset until the time when it is ready to be put into operation. Subsequent costs are included in the property, plant and equipment's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and

maintenance are charged to the income statement in the period in which they are incurred.

Depreciation is charged to write off the cost, other than for land and properties under construction, over its expected useful life using the straight-line method. In case where items of property, plant and equipment is comprised of different components each having a cost and expected useful life significantly different than the total item, such components are depreciated separately over each component's useful life.

Depreciation commences when the assets are ready for their intended use. Useful lives are reviewed annually. The expected useful lives of the major categories of property, plant and equipment are:

Properties	25–40	years
Land improvements	30–40	years
Heavy machines	7–15	years
Smaller machines and transport equipment	3–5	years
IT-equipment and other equipment	3–10	years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss but is not included in revenue.

Leasing

The Group has leasing agreements for company cars, office rentals, warehouses and certain factory buildings. Company cars normally have lease terms of around three years while the leasing contracts for offices, warehouses and factories have varying terms for up to 15 years. Leasing contracts for company cars do normally not include any extension options. Outstanding leasing agreements for offices, warehouses and factories include various extension and termination options as well as contracts that are automatically extended for a certain period if not actively being cancelled.

In accordance with IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease liabilities are initially measured at the net present value of the fixed payments during the contract period and periods under extension options that are deemed reasonably certain to be utilised. The Group does not have any leases involving residual value guarantees or variable lease payments. The determination of the lease term for contracts with an extension option is based on the current business plan for each location and all facts and circumstances that create an economic incentive to exercise an extension option such as the cost for moving to a new facility. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate in a similar economic environment with similar terms, security and conditions is used.

Right-of-use assets are initially measured at the amount of initial measurement of the lease liability plus any lease payments made at or before the commencement date and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not to exercise) it. The assessment of reasonable certainty is only revised if a significant event or a change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less while all leases of office equipment are considered as being of low-value.

Leasehold improvements are capitalised as Property, plant and equipment and amortised over the shorter of their useful life or the remaining term of the lease (including lease renewal periods if the renewal is reasonably assured).

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 'Business combinations' above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally-generated intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An identifiable internally-generated intangible asset arising from the Group's development projects is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of directly attributable expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no identifiable internally-generated intangible asset can be recognised, the development expenditure is recognised in profit or loss in the period in which it is incurred.

Capitalised development projects are amortised on a straight-line basis over their estimated useful lives, which normally is between 3 to 5 years.

Computer software

Computer software intangible assets are capitalised based on the costs incurred to acquire and bring into use the specific software. These costs are amortised over the expected useful lives, being 3–10 years. Internally developed computer software is capitalised on the same basis as for development expenditures.

Costs associated with maintaining computer software assets are recognised as an expense as incurred.

SaaS (Software-as-a-service) costs are expensed as incurred. Configuration and customisation services for SaaS software which are performed by the SaaS provider or their subcontractors are considered non-distinct services and are recognised as prepayments which are expensed over the expected SaaS term.

Other intangible assets

Intangible assets separately acquired are initially measured at purchase cost. Intangible assets acquired as part of a business combination are initially measured at fair value.

Proprietary technologies

Proprietary technologies are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives from the time they are available for use. The expected useful lives are reviewed annually and the amortisation period is between 15 and 20 years.

Customer contracts

Customer contracts are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life. The estimated useful lives for customer contracts are based on the expected cash flow regarding the customer contracts acquired and are between 4 and 10 years.

Trademarks and brands

Trademarks and brands are valued independently as part of the fair value of the business acquired from third parties where the trademark has a value which is substantial and long-term and where the trademark can be sold separately from the rest of the business acquired or where it arises from contractual or legal rights. One important element of the strong development of the Group has been the long-term brand building efforts. The trademarks and brands of the Group have a very strong position in the market and several of the Group's trademarks and brands are therefore considered to have an indefinite useful life. Trademarks and brands that are considered to have an indefinite useful life are subject to an impairment test annually or more often if there is an indication that their value might be impaired. The expected useful lives for trademarks and brands that are not considered to have an indefinite useful life are reviewed annually and the amortisation period is between 5 and 15 years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent

basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories (including raw materials, work in progress, finished goods and spare parts) are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is generally determined on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. An obsolescence reserve is recognized if the estimated net selling price is lower than the cost of acquisition. To determine any inventory obsolescence, the Group makes estimates and assumptions regarding, among other things, future market conditions and expected sales volumes. The total amount of inventory obsolescence is presented in note 13.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument.

Trade receivables

Trade receivables are held in a hold to collect business and are at initial recognition measured at fair value and subsequently at amortised cost using the effective interest rate method. The Group applies the IFRS 9 simplified approach to measure credit losses which uses a lifetime expected loss allowance for all trade receivables. All overdue receivables are assessed on an individual basis and a loss allowance is reported for the difference between the asset's carrying amount and the present value of estimated future cash flows for all receivables that are considered doubtful.

The same principle is applied to all non-overdue receivables for which other lagging borrower-specific factors are observed. For all

receivables not considered doubtful a loss allowance is reported based on an expected loss rate calculated from the historical credit losses experienced over a period of 36 months before the balance sheet day. As of 31 December 2022 this expected loss rate amounts to 0.0332% (0.0341%). In addition, separate calculations and provisions are made for markets for which the expected credit losses expects to deviate significantly from the Group average. Assets for which there is no reasonable expectation of recovery is written off through profit and loss to the extent of expected loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. The Group's Cash and cash equivalents are held in a hold to collect business and are valued at amortised cost. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Bank loans and other borrowings

Interest-bearing bank loans, overdrafts and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings (see above).

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when it is extinguished, i.e. when the debt has been paid off or the primary obligation specified in the contract is cancelled or has expired.

Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at sub-sequent reporting dates. All derivatives with a positive fair value are recognised as derivative financial instruments assets and all derivatives with a negative fair value are recognised as derivative financial instruments liabilities.

Changes in the fair value of derivative financial instruments that are not designated as part of a hedging relationship are recognised as operating profit or financial gain, operating loss or financial loss, depending on the objective of using the derivative and whether the derivative is attributable to operational or financial items.

There were no derivatives designated as cash flow hedges in 2022 or 2021, whereby all fair value changes of derivatives are recognised in the income statement.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Application of new and revised International Financial Reporting Standards (IFRS’s)

New accounting policies for 2022

In 2022 no new or revised IFRSs or interpretations from the IFRS Interpretations Committee have had any effect on the profit or loss financial position or disclosures for the Group.

New accounting policies for 2023 and later

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods. None of these standards that are not yet effective have been early adopted by the Group or would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Critical accounting judgements and key sources of estimation uncertainty

Inherent in the application of many of the accounting policies used in the preparation of the financial statements is the need for management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual outcomes could differ from the estimates and assumptions used. The following summary provides further information about the critical accounting judgements and key sources of estimation uncertainty that could have a significant impact on the results of the Group.

Recoverability of the carrying values of goodwill and indefinite-lived intangible assets

Significant judgment is required to determine the extent to which goodwill and indefinite-lived intangible assets have a value that will benefit the Group over future periods. To assist in making this judgment, the Group undertakes an assessment, at least annually, of their carrying values.

Mölnlycke is organised into four decentralised, customer-centric and empowered Business Areas; Wound Care, Operating Room Solutions (ORS), Gloves and Antiseptics supported by focused corporate functions. Management has concluded that the Group’s four Business Areas are the lowest level of assets (or groups of assets) for which there are separately identifiable cash flows whereby they meet the definition in IFRS of cash-generating units (CGU’s). See note 11 Goodwill for the amount of Goodwill allocated to the respective CGU.

The impairment testing is based on a calculation of value in use in which assumptions of future growth and operating margins are important components. The growth rates and margins used to estimate future performance are based on the Group’s forecasts and strategic planning process and are consistent with past performance

and experience of growth rates and margins achievable in the Group’s key markets. In the Group’s impairment assessment special consideration is taken to account for changes in the macroeconomic environment, changes in interest rates and inflation and other uncertainties.

The value in use calculation is based on input data where the first five years’ cash-flows are derived from the Group’s forecasting and strategic planning process. A growth rate of 2% (2%) has been used to extrapolate the cash flows for the years beyond this five-year period, which is considered reasonable given historical growth, geographical positioning and industry fundamentals. Estimated cash flows have been discounted using a pre-tax discount rate of 8.4% for Wound Care, 10.5% for ORS, 8.5% for Gloves and 11.7% for Antiseptics. No impairment requirement has been identified since the carrying values are lower than calculated value in use. The assessment is that no reasonable possible change in any key assumption will lead to a calculated recoverable amount that is lower than the carrying amount.

Taxation – unrecognised temporary differences

The Group has recognised deferred tax assets in respect of unutilised losses and other timing differences. The Group also has losses for which no value has been recognised for deferred tax purposes in these financial statements. These relates to loss-making subsidiaries where the future economic benefit of these timing differences is not deemed to be probable or subsidiaries where the timing differences are of such a nature that their value is dependent only on certain types of profit being earned, such as capital profits. If trading or other appropriate profits are earned in future in these companies, the timing differences may yield benefit to the Group in the form of a reduced tax charge.

In accordance with IAS 12 Income taxes an entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that 1) the entity is able to control the timing of the reversal of the temporary difference and 2) it is probable that the temporary difference will not reverse in the foreseeable future. The accounting for such temporary differences therefore involves management’s intention regarding the reversal of these temporary differences. Management’s assessment is that these criteria to not report a deferred tax liability are fulfilled in relation to certain temporary differences associated with investments in subsidiaries. If these intentions are changed in the future this could result in an increased current or deferred income tax expense for the Group in the period when this occurs.

See note 9 for further information on the Group’s unrecognised temporary differences and the assessments made in relation to these temporary differences.

Retirement benefits

Retirement benefit accounting requires a number of key assumptions to be made in order to value the Group’s obligations and to determine the liabilities to be recognised and the charge to be recognised in the income statement. It is managements responsibility to set the assumptions used in determining the key elements of the costs of meeting the Group’s retirement benefit obligations. These assumptions are set after consultation with qualified actuaries. Details of the assumptions used are given in note 19. Whilst management believe that the assumptions used are appropriate, a change in the assumptions used would affect Group profit or loss and financial position.

3. Acquisitions and disposals

Purchase consideration – cash outflow, MEUR	2022	2021
SastoMed GmbH		
Earn-out payments	0.6	0.3
	0.6	0.3
Net outflow of cash – investments in subsidiaries	0.6	0.3

4. Group companies

Principal subsidiaries

The Company’s only directly held subsidiaries are MHC UK Ltd, (Reg. No. 5886297), Great Britain and MHC Sweden AB (Reg. No. 556716-2150), Sweden. MHC UK Ltd, Great Britain and MHC Sweden AB, Sweden own, direct and indirect, 100% of the following companies:

- | | |
|--|--|
| Mölnlycke Health Care Pty Ltd., Australia | Mölnlycke Health Care India Pvt Ltd, India |
| Mölnlycke Health Care GmbH, Austria | Mölnlycke Health Care S.r.l., Italy |
| Mölnlycke Health Care N.V./S.A., Belgium | Mölnlycke Health Care K.K., Japan |
| Mölnlycke Health Care Brazil Ltda., Brazil | Mölnlycke Health Care Korea Co, Ltd., Korea |
| Mölnlycke Health Care Vends de Prod. Médicos Ltda., Brazil | Mölnlycke Health Care UAB, Lithuania |
| Mölnlycke Health Care Inc., Canada | Mölnlycke Health Care Sdn Bhd., Malaysia |
| Mölnlycke Health Care Chile SpA., Chile | Mölnlycke Health Care Sales Sdn Bhd., Malaysia |
| Mölnlycke Healthcare (Shanghai) Co. Ltd., China | Mölnlycke Health Care B.V., Netherlands |
| Mölnlycke Health Care Adria d.o.o, Croatia | Mölnlycke Health Care AS, Norway |
| Mölnlycke Health Care Klinipro s.r.o., Czech Republic | Mölnlycke Health Care Polska Sp. z o.o., Poland |
| Mölnlycke Health Care s.r.o., Czech Republic | Mölnlycke Health Care LDA., Portugal |
| Mölnlycke Health Care ProcedurePak s.r.o., Czech Republic | Mölnlycke Health Care Asia Pacific Pte. Ltd, Singapore |
| Mölnlycke Health Care A/S, Denmark | Mölnlycke Health Care Slovakia s.r.o. Slovakia |
| M&J Airlaid Products A/S, Denmark | Mölnlycke Health Care S.L., Spain |
| Mölnlycke Health Care OÜ , Estonia | Mölnlycke Health Care South Africa (Pty) Ltd, South Africa |
| Mölnlycke Health Care Oy, Finland | Mölnlycke Health Care AB, Sweden |
| Mölnlycke Health Care SAS, France | Mölnlycke IP AB, Sweden |
| Mölnlycke Health Care GmbH, Germany | Sälöknapp AB, Sweden |
| Medlock Medical Ltd, Great Britain | Mölnlycke Health Care S.A., Switzerland |
| Mölnlycke Health Care Ltd., Great Britain | Mölnlycke Health Care (Thailand) Ltd., Thailand |
| Regent Medical Holdings America Ltd, Great Britain | Mölnlycke Health Care Sales (Thailand) Co., Ltd., Thailand |
| Regent Medical Ltd, Great Britain | Mölnlycke Health Care Taiwan Co. Ltd., Taiwan |
| Regent Medical Overseas Ltd, Great Britain | Mölnlycke Health Care US LLC, USA |
| Mölnlycke Health Care Ltd./Kft., Hungary | Mölnlycke Manufacturing US LLC, USA |
| Mölnlycke Health Care Hong Kong Limited, Hong Kong | |

Interests in joint ventures

The Group has a Joint Venture (JV) in Saudi Arabia which was established in 2021, Tamer Mölnlycke Arabia LLC. The JV will manufacture procedure trays for this region and the plant is under construction. Mölnlycke has an ownership and voting rights of 33.33% of this entity and it is considered a strategic investment for the Group. Through the shareholder agreement, Mölnlycke is guaranteed a seat on the board of Tamer Mölnlycke Arabia LLC and consent is required for all significant financial and operating decisions. The Group has therefore determined that it has joint influence over this entity, even though it only holds 33.33% of the voting rights and Mölnlycke has concluded this arrangement to be a Joint Venture under IFRS to be accounted for using the equity method.

In 2021 the Group made a capital contribution to the JV of MEUR 1.5. The JV only had limited start-up operations in 2021 with only immaterial impact on profit and loss, why no impact is recognised in the Group's consolidated profit or loss for 2021. In 2022, an additional capital contribution of MEUR 2.4 was made. The Group's joint venture is not deemed to be significant from a financial reporting perspective.

MEUR	2022	2021
Tamer Mölnlycke Arabia LLC		
Carrying amount	3.2	1.5
Group share of:		
Result from continuing operations	-0.5	-
Other comprehensive income	-	-
Total comprehensive income	-0.5	-

Specification of holdings of shares and participations in Associates and Joint Ventures

Name of associated company or Joint Venture	Registered office (city, country)	Registration number	Number of shares held	Share of voting power (%)	Proportion of equity (%)
Tamer Mölnlycke Arabia LLC	Jeddah, Saudi Arabia	4,030,411,421	33,330	33.33	33.33

The Group has no contingent liabilities relating to the joint venture other than the responsibility of the Group for the quality of items supplied by Mölnlycke to the company in accordance with normal delivery and commercial terms.

5. Segment information

As from 1 July 2021 Mölnlycke has a new structure with four decentralised, customer-centric and empowered Business Areas; Wound Care, Operating Room Solutions (ORS), Gloves and Antiseptics supported by focused corporate functions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is since the reorganisation focused on the Group's four Business Areas. Management has after the reorganisation made an assessment and concluded that these four Business Areas are the Group's reportable segments under IFRS 8.

The Wound Care product segment specialises in providing products for the treatment of acute wounds, caused by burns, trauma and surgery, and the treatment of chronic wounds, including diabetic foot ulcers and venous leg ulcers – as well as the treatment and prevention of pressure ulcers.

The ORS product segment specialises in providing single-use surgical products serving customer needs for operating room efficiency and protection of patients and health care workers. Products include drapes (patient and equipment drapes), staff clothing (gowns, headwear, facemasks and scrub suits), surgical instruments and components and custom procedure trays.

The Gloves segment provide high quality and reliable gloves to the surgical staff. Mölnlycke gloves are designed to offer optimised fit and comfort as well as extra protection from blood-borne infection and are used as a double glove solution.

Mölnlycke's antiseptic products are used in pre- and post-operative washing and provide lasting antibacterial protection for the skin.

Information regarding the Group's reportable segments is presented in the following tables.

MEUR	2022					Total
	Wound Care	ORS	Gloves	Antiseptics	Unallocated	
Segment revenue	1,061.1	457.8	258.7	50.1	-	1,827.7
Share of result in joint ventures	-	-0.5	-	-	-	-0.5
Segment EBITDA	424.8	6.0	50.0	-4.4	-	476.4
Depreciation, amortisation and impairment charges	-52.2	-20.1	-11.2	-1.0	-	-84.5
Operating profit	372.6	-14.1	38.7	-5.4	-	391.8
Net finance costs	-	-	-	-	-32.3	-32.3
Profit before tax						359.5
Income tax	-	-	-	-	-80.2	-80.2
Profit for the year						279.3
Assets	425.1	329.8	206.8	57.3	3,246.1	4,265.1
Investments in associates and joint ventures	-	2.4	-	-	-	2.4
Additions to non-current assets*	30.2	9.4	43.9	1.4	-	84.9
Liabilities	49.3	49.8	22.7	2.6	2,405.5	2,529.9

MEUR	2021					Total
	Wound Care	ORS	Gloves	Antiseptics	Unallocated	
Segment revenue	918.6	503.3	215.4	48.3	-	1,685.6
Share of result in joint ventures	-	-	-	-	-	-
Segment EBITDA	395.3	32.2	55.1	3.0	-	485.6
Depreciation, amortisation and impairment charges	-53.6	-21.3	-7.7	-0.9	-	-83.5
Operating profit	341.6	10.9	47.4	2.2	-	402.1
Net finance costs	-	-	-	-	-37.4	-37.4
Profit before tax						364.7
Income tax	-	-	-	-	-79.4	-79.4
Profit for the year						285.3
Assets	422.4	319.7	154.6	18.5	3,391.3	4,306.5
Investments in associates and joint ventures	-	1.5	-	-	-	1.5
Additions to non-current assets*	27.9	9.2	25.5	1.1	-	63.7
Liabilities	44.5	55.2	23.8	2.5	2,644.4	2,770.4

* The amounts of additions to non-current assets, other than financial instruments and deferred tax assets.

Segment assets are reconciled to total assets as follows	2022	2021
Segment assets for reportable segments	1,019.0	915.2
Unallocated:		
Goodwill	2,129.2	2,136.6
Trademark, Technology & Customer contracts	552.7	574.8
Deferred tax asset	38.5	43.1
Current tax receivables	36.8	65.3
Cash and cash equivalents	343.3	541.0
Receivables, parent company	104.8	-
Other	40.8	30.5
Total assets	4,265.1	4,306.5

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2021: -).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit (EBITDA) represents the earnings before interest, tax, depreciation, amortisation and impairment charges earned by each segment excluding exceptional items. This is the principal measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The only liability that is provided on a regular basis to the chief operating decision maker on a segment level is Trade accounts payable. The total of the reportable segments' liabilities does equal the total Trade accounts payable reported in the Group's balance sheet, see note 21.

Geographical information non-current assets, MEUR	12/31/2022	12/31/2021
Sweden	58.3	68.5
Czech Republic	69.2	71.2
Finland	52.2	53.7
Malaysia	92.4	58.9
U.S.	60.8	62.2
Other countries	52.9	55.5
Total	385.8	370.0

Non-current assets included in the table above comprise property, plant and equipment, right-of-use assets, capitalised development expenditure and computer software. Goodwill and other intangible assets that have been recognised as a result of the acquisition of geographically diverse subsidiaries (trademarks and brands, proprietary technologies and customer contracts) have not been allocated to different geographical areas and are not included in non-current assets in the above table.

6. Revenue from contracts with customers

The Group's revenue from contracts with customers relates entirely to sale of products. For all products, control is transferred and revenue is recognised at a point in time when products are shipped to the customer and the customer obtains control of the assets. The Group derives revenue in the following reportable segments, geographical regions and sales channels. Revenue from external customers is allocated to geographical area by the location of the legal entity in which the revenue is recorded. There were no inter-segment sales in the year (2021: -).

MEUR	2022	2021
Reportable segments		
Wound Care	1,061.1	918.6
Operating Room Solutions	457.8	503.3
Gloves	258.7	215.4
Antiseptics	50.1	48.3
Total	1,827.7	1,685.6
Geographical information		
Sweden	59.3	60.1
France	190.8	183.9
UK	129.3	179.3
Europe (excl. Sweden, France and UK), Middle East and Africa	642.0	594.5
U.S.	571.0	465.7
Americas (excl. U.S.)	64.3	51.1
Asia Pacific	171.0	151.0
Total	1,827.7	1,685.6
Sales channels		
Through distributors	1,256.1	1,155.0
Directly to customers	571.6	530.6
Total	1,827.7	1,685.6

7. Operating costs by nature

The Group classifies operating costs in its income statement according to function. The Group's operating costs can be analysed by their nature as follows:

Operating cost, MEUR	2022	2021
Raw materials and finished goods	-617.0	-559.1
Personnel costs	-456.4	-410.7
Depreciation, amortisation and impairment charges	-84.5	-83.5
Other operating expenses	-278.1	-231.9
Total	-1,436.0	-1,285.2

Other operating income and expenses, MEUR	2022	2021
Reversal of accrual for VAT claim	-	1.1
Insurance compensation	-	0.4
Sales of services to related parties	0.8	-
Other	-0.2	0.2
Total	0.6	1.7

8. Finance income and finance costs

Finance income, MEUR	2022	2021
Interest income		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	1.6	0.7
Receivables parent company, net	0.4	2.5
	2.0	3.2

Total finance income **2.0** **3.2**

Finance costs, MEUR	2022	2021
Interest expenses		
<i>Financial liabilities at amortized cost</i>		
Borrowings	-27.3	-29.0
Interest on derivative instruments	-4.0	-
Current interest bearing liabilities	-0.0	-0.0
Other interest cost	-4.7	-5.1
	-36.0	-34.1

Revaluation loss	2022	2021
<i>Financial assets and financial liabilities at Fair value through profit and loss</i>		
Derivative financial instruments – Currency derivatives	-3.0	-0.1
	-3.0	-0.1

Other financial items	2022	2021
Currency gain/loss	5.1	-5.9
Other financial items	-0.4	-0.5
	4.7	-6.4

Total finance costs **-34.3** **-40.6**

9. Income tax

MEUR	2022	2021
Income tax expense for the period		
Current tax	-74.6	-72.7
Deferred tax	-5.6	-6.7
	-80.2	-79.4
Income tax recognised in other comprehensive income		
Current tax: Exchange difference on foreign operations	2.0	3.7
Deferred tax: Remeasurement of defined benefit pension plans	-7.4	-1.4
Deferred tax: Financial derivatives	-	-0.1
	-5.4	2.2
Income tax recognised directly in equity		
Current tax: Group contribution	24.1	36.5
	24.1	36.5
Total tax for the period		
Total current tax	-48.5	-32.5
Total deferred tax	-13.0	-8.2
Total	-61.5	-40.7
Numerical reconciliation of income tax expense, MEUR	2022	2021
Profit before tax	359.5	364.7
Tax at the Swedish domestic income tax rate of 20.6%	-74.1	-75.1
Tax effect of expenses that are not tax deductible	-2.0	-2.6
Tax effect of income that is not taxable	0.4	0.3
Difference in tax rates in foreign subsidiaries	-4.4	-3.0
Adjustments to taxes for previous periods	-2.2	2.7
Change of tax rates	0.0	-5.0
Other	2.1	3.3
Income tax expense for the period	-80.2	-79.4
Movements in net deferred tax balance, MEUR	2022	2021
Net liability at the beginning of the year	81.0	73.0
Charged/(credited) to profit or loss for the year	5.6	6.7
Charged/(credited) to other comprehensive income	7.4	1.5
Exchange differences	-1.2	-0.2
Net liability at the end of the year	92.8	81.0

Deferred tax assets and liabilities attributable to, MEUR	12/31/2022	12/31/2021
Deferred tax assets		
Goodwill	14.6	14.7
Other intangible assets	3.3	2.8
Property, plant and equipment	0.8	0.9
Inventories	15.4	15.6
Accounts receivables	1.2	1.0
Retirement benefit obligations	7.7	16.9
Other accruals, provisions and liabilities	11.7	10.1
Tax loss carry forward	0.2	0.4
Gross total	54.9	62.4
Net of deferred tax liabilities	-16.4	-19.3
Net total	38.5	43.1
Deferred tax liabilities		
Goodwill	11.0	9.3
Other intangible assets	112.1	114.4
Property, plant and equipment	23.5	19.3
Other	1.1	0.4
Gross total	147.7	143.4
Net of deferred tax assets	-16.4	-19.3
Net total	131.3	124.1
Tax losses, MEUR	12/31/2022	12/31/2021
Unused tax losses for which no deferred tax asset has been recognised	31.8	31.3
Potential tax benefit	7.0	8.3
Unrecognised temporary differences, MEUR	12/31/2022	12/31/2021
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation 1)	252.5	170.4
Undistributed earnings 2)	42.9	48.3
	295.4	218.7
Unrecognised deferred tax liability relating to the above temporary differences	56.3	39.9

1) The Swedish Council for Advance Tax Rulings has in 2019 interpreted Swedish tax law in relation to exchange differences on EUR denominated financial assets in Swedish entities with EUR as reporting currency. Within the Group's holding structure, external funding denominated in EUR is raised in one of the holding companies and distributed to the Group's operating entities through a EUR denominated intercompany loan. According to the interpretation in the advanced tax ruling, an unrealized taxable foreign exchange gain exists on this intercompany loan that will be taxable, triggering a negative cash flow effect, only when the loan is close to fully repaid. The Group has the full decisive power to decide if and when to have this loan repaid and the Group has no intention to do so within a foreseeable future. In accordance with IAS 12 Income taxes the Group has therefore not reported any deferred tax liability for this temporary difference.

2) The Group's entities in Thailand have undistributed earnings which, if paid out as dividends, would be subject to a 10% withholding tax. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

10. Property, plant and equipment

MEUR	Properties	Land and land improvements	Machinery	Equipment	Total
At 1 January 2021					
Acquisition cost	94.1	5.1	266.1	78.0	443.3
Accumulated depreciation and impairment	-31.3	0.0	-139.1	-45.7	-216.1
Net book amount	62.8	5.1	127.0	32.3	227.2
Year ended 31 December 2021					
Opening net book amount	62.8	5.1	127.0	32.3	227.2
Additions	9.4	0.0	20.6	8.5	38.5
Disposals	-	-	-0.2	-0.1	-0.3
Depreciations	-4.7	0.0	-18.0	-6.0	-28.7
Reclassifications	1.6	-	8.5	-10.3	-0.2
Exchange differences	3.4	0.2	4.6	0.5	8.7
Closing net book amount	72.5	5.3	142.5	24.9	245.2
At 31 December 2021					
Acquisition cost	108.5	5.3	299.6	76.6	490.0
Accumulated depreciation and impairment	-36.0	0.0	-157.1	-51.7	-244.8
Net book amount	72.5	5.3	142.5	24.9	245.2
Year ended 31 December 2022					
Opening net book amount	72.5	5.3	142.5	24.9	245.2
Additions	16.3	0.0	20.8	23.9	61.0
Disposals	-0.7	-	-1.2	-0.1	-2.0
Depreciations	-4.3	0.0	-20.6	-6.5	-31.4
Reclassifications	0.0	-	5.8	-5.8	0.0
Exchange differences	1.4	0.0	1.9	-0.3	3.0
Closing net book amount	85.2	5.3	149.2	36.1	275.8
At 31 December 2022					
Acquisition cost	125.5	5.3	326.9	94.3	552.0
Accumulated depreciation and impairment	-40.3	0.0	-177.7	-58.2	-276.2
Net book amount	85.2	5.3	149.2	36.1	275.8

11. Goodwill

MEUR	2022	2021
At the beginning of the year	2,136.6	2,137.8
Exchange differences	-7.4	-1.2
At the end of the year	2,129.2	2,136.6

Goodwill has been allocated to the Group's cash generating units (CGUs), which correspond to the Group's four Business Areas, as follows:

MEUR	12/31/2022	12/31/2021
Wound Care	1,424.5	1,431.9
Operating Room Solutions	91.4	91.4
Gloves	547.4	547.4
Antiseptics	65.9	65.9
Total	2,129.2	2,136.6

12. Other intangible assets

MEUR	Trademarks and brands	Proprietary technology	Customer contracts	Capitalised development expenditure	Computer software	Total
At 1 January 2021						
Acquisition cost	499.2	228.1	9.0	59.5	79.6	875.4
Accumulated amortisation and impairment	-8.7	-127.3	-5.5	-34.6	-48.1	-224.2
Net book amount	490.5	100.8	3.5	24.9	31.5	651.2
Year ended 31 December 2021						
Opening net book amount	490.5	100.8	3.5	24.9	31.5	651.2
Additions	-	-	-	5.2	5.0	10.2
Disposals	-	-	-	-1.0	-	-1.0
Amortisations	-2.9	-15.4	-1.1	-6.5	-7.0	-32.9
Reclassifications	-	-	-	-	0.2	0.2
Exchange differences	-	-0.6	-	-0.5	-	-1.1
Closing net book amount	487.6	84.8	2.4	22.1	29.7	626.6
At 31 December 2021						
Acquisition cost	499.2	227.5	9.0	63.2	84.8	883.7
Accumulated amortisation and impairment	-11.6	-142.7	-6.6	-41.1	-55.1	-257.1
Net book amount	487.6	84.8	2.4	22.1	29.7	626.6
Year ended 31 December 2022						
Opening net book amount	487.6	84.8	2.4	22.1	29.7	626.6
Additions	-	-	-	4.3	4.6	8.9
Disposals	-	-	-	-1.3	-0.1	-1.4
Amortisations	-2.9	-14.9	-0.7	-5.6	-7.6	-31.7
Reclassifications	-	-	-	0.0	-	0.0
Exchange differences	-0.2	-3.3	-0.2	-1.7	-1.4	-6.8
Closing net book amount	484.5	66.6	1.5	17.8	25.2	595.6
At 31 December 2022						
Acquisition cost	499.0	224.2	8.8	64.5	87.9	884.4
Accumulated amortisation and impairment	-14.5	-157.6	-7.3	-46.7	-62.7	-288.8
Net book amount	484.5	66.6	1.5	17.8	25.2	595.6

Amortisation and impairment charges are included in the following line items in the Group's Income Statement:

MEUR	Trademarks and brands	Proprietary technology	Customer contracts	Capitalised development expenditure	Computer software	Total
2022						
Cost of sales	-	-14.9	-	-	-2.1	-17.0
Selling costs	-2.9	-	-0.7	-	-1.7	-5.3
Administrative costs	-	-	-	-	-3.5	-3.5
Research and development costs	-	-	-	-5.6	-0.3	-5.9
Total	-2.9	-14.9	-0.7	-5.6	-7.6	-31.7
2021						
Cost of sales	-	-15.4	-	-	-1.5	-16.9
Selling costs	-2.9	-	-1.1	-	-1.8	-5.8
Administrative costs	-	-	-	-	-3.4	-3.4
Research and development costs	-	-	-	-6.5	-0.3	-6.8
Total	-2.9	-15.4	-1.1	-6.5	-7.0	-32.9

Trademarks and brands assessed as having an indefinite useful life are allocated to the Group's cash generating units (CGUs) as follows:

MEUR	12/31/2022	12/31/2021
Wound Care	290.0	290.0
Operating Room Solutions	116.6	116.6
Gloves	56.2	56.2
Antiseptics	4.6	4.6
Total	467.4	467.4

13. Inventories

MEUR	12/31/2022	12/31/2021
Raw materials	108.7	70.0
Work-in-progress	17.1	25.6
Finished goods	219.3	201.7
Consumables	6.0	5.6
Inventories, gross amount	351.1	302.9
Provision for obsolescence	-11.2	-19.6
Inventories, net after provision for obsolescence	339.9	283.3

The Group reversed MEUR 6.5 of a previous inventory write-down during the year related to realised sales of personal protective equipment. The amount reversed has been included in cost of sales in the consolidated income statement.

14. Trade and other receivables

MEUR	12/31/2022	12/31/2021
Trade accounts receivable		
Accounts receivable, gross	297.7	266.1
Allowance for doubtful debts and expected credit losses	-4.5	-4.2
	293.2	261.9
Other financial receivables		
Customer invoices to be issued	2.7	3.2
Deposits	0.9	0.9
Other current receivables	8.3	4.5
	11.9	8.6
Financial trade and other receivables	305.1	270.5
Other current receivables		
VAT	4.0	4.7
Prepaid rent	1.1	1.0
Other prepaid expenses	17.8	12.4
	22.9	18.1
Trade and other receivables	328.0	288.6

Trade accounts receivable does not include any debtors that have been transferred to a financial institution.

Ageing of trade receivables, MEUR:	12/31/2022			12/31/2021		
	Gross amount	Reported allowance	Net amount	Gross amount	Reported allowance	Net amount
Not past due	224.6	-0.1	224.5	206.4	-0.1	206.3
Past due 0-30 days	22.9	0.0	22.9	24.7	-0.2	24.5
Past due 31-90 days	25.7	-0.3	25.4	10.5	-0.4	10.1
Past due 91-180 days	10.1	-0.2	9.9	9.2	-0.4	8.8
More than 180 days	14.4	-3.9	10.5	15.3	-3.1	12.2
Total	297.7	-4.5	293.2	266.1	-4.2	261.9

Movement in the allowance for doubtful debts, MEUR	2022	2021
At 1 January	-4.2	-6.0
Impairment losses recognised	-0.6	-0.5
Impairment losses reversed	0.3	2.3
Exchange differences	0.0	0.0
At 31 December	-4.5	-4.2

15. Cash, cash equivalents and short term investments

MEUR	12/31/2022	12/31/2021
Bank balances	243.3	291.0
Short term bank deposits	100.0	250.0
Cash and cash equivalents	343.3	541.0

Cash and cash equivalents is cash and short-term bank deposits held by the Group with a maturity of less than three months at the time of acquisition.

Cash and cash equivalents as of 31 December 2022, include MEUR 29.9 (30.8) in countries where exchange controls or other legal restrictions apply (trapped cash). Therefore it is not possible to immediately use these liquid funds in other parts of the Group. However, there is normally no limitation to use them for the Group's operation in the respective country.

16. Capital management

The Group considers the capital that it manages to be the equity attributable to equity holders of the parent as shown in the Group's Consolidated statement of financial position.

The Group's objectives when managing capital are to ensure that the Group has adequate funds to continue as a going concern and sufficient flexibility within the capital structure to fund the ongoing growth of the business and to take advantage of business development opportunities including acquisitions. The Group determines the amount of capital in conjunction with its borrowing requirements, taking into account changes in business risks, future funding requirements and any restrictions contained in borrowing facilities (see note 23). The Group's overall strategy remains unchanged from prior year.

In 2022 no dividend has been made to the parent company Mölnlycke AB. In 2021 a dividend of MEUR 420.0 was made for the year ended 31 December 2020. Reported group contribution for 2022 to the parent company Mölnlycke AB amounts to MEUR 116.8 (176.0).

In 2022 distributions of MEUR 300.0 (250.0) have been made by the Group to the Group's parent company Mölnlycke AB's shareholders on behalf of Mölnlycke AB. From the Group's perspective this distribution is a part of the settlement of reported dividends and group contributions from the Group to Mölnlycke AB. A roll forward of the Group's net receivable/liability to its parent company Mölnlycke AB is presented below.

MEUR	12/31/2022	12/31/2021
Opening balance	-88.1	178.7
Group contribution to parent company	-116.8	-176.0
Dividend to parent company	0.0	-420.0
Distribution to the owners of the Group, on behalf of parent company	300.0	250.0
Tax paid on behalf of parent company	35.6	40.9
Cash transfer from/to parent company	-35.3	35.3
Capitalised interest	0.4	2.4
Exchange rate differences and other	9.0	0.6
Closing balance	104.8	-88.1

17. Cash flow information

MEUR	01/01/2022	Cash flows	Non-cash changes				31/12/2022
			Acquisitions	Amortisation	Exchange differences	Other changes	
Bond notes	2,013.4	-122.4	-	2.0	-	-	1,893.0
Lease liabilities	73.1	-22.5	15.0	-	0.0	1.3	66.9
Total	2,086.5	-144.9	15.0	2.0	0.0	1.3	1,959.9

MEUR	01/01/2021	Cash flows	Non-cash changes				31/12/2021
			Acquisitions	Amortisation	Exchange differences	Other changes	
Bond notes	2,011.2	-	-	2.2	-	-	2,013.4
Lease liabilities	78.0	-21.3	15.1	-	0.0	1.3	73.1
Total	2,089.2	-21.3	15.1	2.2	0.0	1.3	2,086.5

18. Leases

MEUR	12/31/2022	12/31/2021
Balance sheet items		
Right-of-use assets		
Buildings	52.2	57.3
Land	2.3	2.0
Vehicles	12.6	13.6
	67.1	72.9
Lease liabilities		
Current	20.4	21.1
Non-current	46.5	52.0
	66.9	73.1

MEUR	2022	2021
Additions to the right-of-use assets during the year		
Amounts included in the consolidated income statement		
Depreciation charge of right-of-use assets		
Buildings	13.9	8.7
Land	0.2	0.1
Vehicles	7.3	6.3
	21.4	15.1
Interest expense on lease liabilities	1.4	1.4
Expense relating to short-term leases	0.6	0.4
Expense relating to low-value leases	1.1	0.8
Total cash outflow for leases	25.6	23.9

Future cash outflows for committed leases not yet commenced	46.9	-
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See note 1 for the accounting policies followed and information about the nature of the Group's leasing activities and note 23 for a maturity analysis of lease liabilities.

19. Retirement benefit obligations

Defined contribution plans

In many countries, the Group's employees are covered by defined contribution pension plans. The pension plans primarily entail retirement pensions. The premiums are paid continuously throughout the year by each Group company to separate legal entities, such as insurance companies. The employer's obligation is limited to the premiums the company has undertaken to pay. Under this type of plan, no liability is recognised in the balance sheet, except for accrued contributions.

In Sweden, the total retirement benefit package is a mixed solution, with some parts being defined contribution pension plans and others defined benefit pension plans. The part of the Swedish ITP2 plan (supplementary pensions for salaried employees) concerning family pension, disability pension, and employment group life insurance financed by insurance with Alecta is a defined benefit pension multi-employer plan. The Swedish Financial Accounting Standards Council's Interpretations Committee has however concluded that the information provided by Alecta is not sufficient to be able to account for the Alecta plan as a defined benefit plan. Therefore, the Alecta plan has been reported as a defined contribution plan and this means that premiums paid to Alecta will also be recognised on an ongoing basis as expenses in the period to which they pertain. Alecta's surplus can be distributed to the insurers and/or the insured. At year-end 2022, Alecta's surplus in the form of the collective consolidation level was 172% (172%). For 2023, the Group expects to pay MEUR 0.3 for premiums to Alecta.

During the period the Group expensed MEUR 22.9 (25.3) of contributions to defined contribution plans.

Defined benefit plans

Defined benefit plans are those where the Group's obligation is to provide pension and other post-retirement benefits that participating employees will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group operates defined benefit pension plans for qualifying employees in Sweden, USA, Belgium, Germany, the Netherlands, Thailand, Italy and France. The defined benefit plans in Belgium, USA and the Netherlands are funded, the remainder are unfunded.

The Swedish plan is the most significant defined benefit plan for the Group, representing 52% of the defined benefit obligation and 71% of the net liability at 31 December 2022 (56% and 71% respectively).

The major risks associated with the defined benefit plans are as follows:

- Investment risk: The defined benefit obligation is calculated using discount rates set with reference to corporate bond yields. If assets in funded plans underperform this yield it will increase the amount of any deficit.
- Interest risk: A decrease in corporate bond yields will increase the value of the defined benefit obligation for accounting purposes, although this would be partially offset by an increase in the value of corporate bonds held as assets.
- Longevity risk: The majority of the obligations are to provide benefits for the life of the plan member so increases in life expectancy will result in an increase in the defined benefit obligation.
- Salary risk: The majority of the obligations are to provide benefits for plan members based on annual salaries during the last few years of employment. If salaries increase faster than has been assumed this will result in an increase in the defined benefit obligation.

The principal assumptions used for the purpose of the actuarial valuations used in preparing the financial statements were as follows:

%	Sweden		Others (weighted average)	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Discount rate	4.0	1.9	3.6	1.1
Expected rate of salary increases	2.8	2.7	2.4	2.1
Inflation rate	2.1	2.0	2.2	2.0

The discount rate is set separately for each country and is determined, in consultation with our local actuaries, by reference to market rates on high quality corporate bonds with a duration and currency that is consistent with the duration and currency of the defined benefit obligation. This may involve interpolation of bond yield curves where there is no direct match for duration or the market is not deep for matching bond durations. Other assumptions are based on market conditions in each country.

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

MEUR	2022	2021
Current service cost	4.0	5.7
Past service cost and (gain) or loss from settlements	-	-
Net interest cost	1.5	0.9
Total	5.5	6.6

The total costs above are reported as selling costs MEUR 0.8 (1.1), administrative costs MEUR 2.1 (3.8), cost of goods sold MEUR 1.1 (0.8) and finance costs MEUR 1.5 (0.9).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit plans is as follows:

MEUR	12/31/2022	12/31/2021
Present value of funded defined benefit obligations	24.1	28.0
Fair value of plan assets	-21.7	-25.0
Deficit	2.4	3.0
Present value of unfunded defined benefit obligations	59.4	91.6
Net liability arising from defined benefit obligations	61.8	94.6

Movements in the present value of the defined benefit obligation in the period were as follows:

MEUR	2022	2021
Opening defined benefit obligation	119.6	123.0
Current service cost	4.0	5.7
Interest cost	1.8	1.1
Contributions from plan participants	-	0.1
Past service costs and settlements	-	-
Actuarial losses / (gains):		
- Arising from changes in demographic assumptions	-0.2	-
- Arising from changes in financial assumptions	-46.1	-8.0
- Arising from experience differences	11.4	1.5
Benefits paid	-1.9	-2.8
Exchange differences	-5.1	-1.0
Closing defined benefit obligation	83.5	119.6

Movements in the present value of the plan assets in the period were as follows:

MEUR	2022	2021
Opening fair value of plan assets	25.0	26.6
Interest income	0.3	0.2
Return on plan assets, excluding interest income	-4.0	-1.1
Contributions from plan sponsors	0.8	0.6
Contributions from plan participants	0.1	0.1
Settlements	-	-
Benefits paid	-0.8	-1.5
Exchange differences	0.3	0.1
Closing fair value of plan assets	21.7	25.0

The major categories of plan assets, are as follows:

MEUR	12/31/2022	12/31/2021
Equity investments	3.0	3.2
Fixed income investments	1.2	1.2
Others investments, principally insurance contracts	17.5	20.4
Closing fair value of plan assets	21.7	25.0

In Belgium and the Netherlands the liabilities are insured. No split of assets underlying the related insurance contracts is available for Belgium or the Netherlands and all of the plan assets for those countries are included against the 'other investments' caption. USA plan assets are included against the relevant caption.

The actual return on plan assets was MEUR -3.7 (-0.9).

Sensitivity analysis

The sensitivity analysis relating to the main actuarial assumptions used to assess the defined benefit obligation for the Group's most significant defined benefit plan (Sweden) is as follows:

	Change in DBO
Discount rate	
1% increase in the discount rate	-17%
1% decrease in the discount rate	22%
Rate of salary increase	
1% increase in the rate of salary increases	8%
1% decrease in the rate of salary increases	-6%
Inflation rate	
1% increase in the rate of inflation	16%
1% decrease in the rate of inflation	-13%
Longevity	
Plus or minus one year	+/- 3%

These sensitivities have been calculated individually whilst holding the other assumptions constant.

Maturity of the defined benefit obligation and cash flows expected in 2023

At 31 December 2022 the average maturity of the defined benefit obligations under the Swedish plan is 20 years and the weighted average maturity of the defined benefit obligations under the Group's other plans is estimated at 16 years.

It is estimated that Group company contributions to funded defined benefit plans in 2023 will be MEUR 1.0 (0.6) and that benefit payments from unfunded plans in 2023 will be MEUR 1.3 (1.1).

20. Provisions

MEUR	Restructuring provision		Provision for legal cases		Total	
	2022	2021	2022	2021	2022	2021
Balance at the beginning of the year	0.3	0.3	0.9	0.9	1.2	1.2
Provision made	2.6	0.0	-	-	2.6	0.0
Utilisation of provision	-0.3	0.0	-	-	-0.3	0.0
Reversals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Balance at the end of the year	2.6	0.3	0.9	0.9	3.5	1.2
Included in the balance sheet as:						
Current	2.6	0.3	-	-	2.6	0.3
Non-current	-	-	0.9	0.9	0.9	0.9
Total	2.6	0.3	0.9	0.9	3.5	1.2

21. Trade and other payables

MEUR	12/31/2022	12/31/2021
Trade accounts payable	124.4	126.0
Other financial payables		
Accrued interest expense	21.1	21.1
Deferred consideration	0.5	0.4
Goods received not invoiced	16.4	14.2
Withholding personnel tax liabilities	5.0	4.6
Other liabilities	6.3	6.6
	49.3	46.9
Financial trade and other payables	173.7	172.9
Other current liabilities		
Personnel related liabilities	89.0	97.2
Accrued customer rebates	36.4	31.5
VAT	13.5	11.2
Other accrued expenses	49.4	40.3
	188.3	180.3
Trade and other payables	362.0	353.2

22. Financial assets and financial liabilities

The Group holds the following financial instruments:

MEUR	Notes	12/31/2022	12/31/2021
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	14	305.1	270.5
Receivables, parent company	16	104.8	-
Cash and cash equivalents	15	343.3	541.0
Other non-current assets		1.9	1.9
Financial assets at fair value through profit or loss (FVPL):			
Other non-current assets		0.4	0.4
Derivative financial instruments held for trading at FVPL	23	-	-
Derivative financial instruments – cash flow hedges at FVPL	23	0.5	-
Total financial assets		756.0	813.8
Financial liabilities			
Financial liabilities at amortised cost:			
Bond notes	23	1,893.0	2,013.4
Trade and other payables	21	173.2	172.5
Liabilities, parent company	16	-	88.1
Other non-current liabilities		1.4	1.3
Financial liabilities at FVPL:			
Other non-current liabilities		0.3	1.3
Trade and other payables	21	0.5	0.4
Derivative financial instruments held for trading at FVPL	23	-	0.0
Derivative financial instruments – cash flow hedges at FVPL	23	4.3	-
Total financial liabilities		2,072.7	2,277.0

Fair value of outstanding bond notes amounts to MEUR 1,647.9 (2,048.5) as of 31 December 2022 considering changes in credit margins and interest rates in the market from drawdown until the balance sheet date. For all financial instruments except bond notes fair value corresponds to book value as of 31 December 2022 and 31 December 2021.

The following section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. There were no transfers between the levels for recurring fair value measurements during the year.

At 31 December 2022, MEUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL):				
Listed equity securities	0.1	-	-	0.1
Unlisted equity securities	-	-	0.3	0.3
Derivative financial instruments held for trading at FVPL	-	0.5	-	0.5
Total financial assets	0.1	0.5	0.3	0.9

Financial liabilities				
Financial liabilities at FVPL:				
Deferred consideration	-	-	0.8	0.8
Derivative financial instruments held for trading at FVPL	-	4.3	-	4.3
Total financial liabilities	-	4.3	0.8	5.1

At 31 December 2021, MEUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL):				
Listed equity securities	0.1	-	-	0.1
Unlisted equity securities	-	-	0.3	0.3
Derivative financial instruments held for trading at FVPL	-	0.0	-	0.0
Total financial assets	0.1	0.0	0.3	0.4

Financial liabilities				
Financial liabilities at FVPL:				
Deferred consideration	-	-	1.7	1.7
Derivative financial instruments held for trading at FVPL	-	0.0	-	0.0
Total financial liabilities	-	0.0	1.7	1.7

Fair value hierarchy

Level 1:

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of the Group's foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the balance sheet date. Hence, these instruments are included in level 2.

Level 3:

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the Group's holding of unlisted equity securities and deferred consideration liabilities related to business combinations. The following table presents the changes in level 3 items for the periods ended 31 December, 2022 and 31 December, 2021:

MEUR	Unlisted equity securities	Deferred consideration
Opening balance 1 January 2021	0.3	2.0
Payment	-	-0.3
Exchange differences	-	-
Closing balance 31 December 2021	0.3	1.7
Payment	-	-0.6
Revaluation gain/loss reported in other operating income and expenses	-	-0.4
Exchange differences	-	0.1
Closing balance 31 December 2022	0.3	0.8

The valuation of unlisted equity securities is based on the most recent shares issue adjusted for significant development in the company and in the market.

Deferred considerations are valued based on expected cash outflows originating from earn-out clauses in share purchase agreements. The expected cash flows are determined based on the most recent prognosis of the basis for the earn-outs, discounted with a risk-adjusted discount rate. A majority of the outstanding earn-outs are calculated based on sales for certain products/markets/time periods.

23. Financial risk management

The Group is exposed to financial risks such as currency risk, interest rate risk, liquidity- and refinancing risk as well as credit- and counterparty risk. The financial policy of the Group, adopted by the Board, outlines the rules for management and mitigations of the financial risks that are generated by the Group's commercial activities. This includes written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Organisation and activities

The Group's treasury activities are centralised in order to capitalise on economies of scale, consolidate risk exposures and facilitate follow-up and control. Financial activities are managed from Group Treasury, a function within Mölnlycke Health Care AB, which acts as the Group's in-house bank. All financial transactions in the Group are managed and coordinated by the in-house bank that transacts with external counterparties in the foreign currency and interest rate markets.

The Group's executive forum for treasury matters is the Treasury Committee, which includes CFO, Group Treasurer and Treasury Manager. The Treasury Committee proposes changes to the Group's financial policy which is adopted annually by the Board. The Treasury Committee meets on a monthly basis to follow up treasury activities versus the financial policy. Any deviation to Finance Policy is reported to the Board by the CFO.

Currency exposure and risk

Through its international activities, the Group is exposed to fluctuations in exchange rates. Exchange rate fluctuations could affect the Group's reported cash flow, income statement and balance sheet negatively. Currency exposure arises when translating the balance sheets and income statements for subsidiaries to the Group's reporting currency (translation exposure) and from transactions in currencies which are different from the reporting entities' functional currency (transaction exposure). The currency impact on EBITDA is the main measure where the Group's management follows the currency exposure of the Group. EBITDA is defined as the earnings before interest, tax, depreciation, amortisation and impairment charges, excluding exceptional items.

Currency exposure in EBITDA

Transaction exposure from commercial flows in foreign currency is generated from internal sales and purchases between manufacturing and sales companies with different functional currencies as well as external sales and purchases in foreign currency. A majority of the Group's internal transactions flows through Mölnlycke Health Care AB, a company with functional currency SEK. As a result, there is a transactional surplus in this entity of the currencies the Group has its largest sales in (EUR, USD, GBP, CHF etc.) and a transactional deficit of currencies the Group has expenses in, for example production facilities and head quarter functions (SEK, MYR, CZK, THB etc.).

Also the Group's translation exposure from the consolidation of EBITDA in foreign subsidiaries affects reported earnings. A large portion of the Group's EBITDA is generated in Mölnlycke Health Care AB with functional currency SEK. As a result, there is a large EUR/SEK translation exposure when consolidating this entity. This exposure is to a large extent offset by the SEK/EUR transaction exposure this entity generates since the major part of EBITDA is generated from transactions in EUR or other foreign currencies.

The tables below show the net effect on the Group's EBITDA from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies, including both translation and transaction currency exposure.

	Translation exposure EBITDA	Transaction exposure EBITDA	Net exposure	EUR -10% vs. other currencies	EUR +10% vs. other currencies
2022, MEUR					
USD	39.3	142.0	181.3	18.1	-18.1
GBP	6.1	51.3	57.4	5.7	-5.7
SEK	353.0	-401.1	-48.1	-4.8	4.8
Other	49.9	71.4	121.3	12.2	-12.2
EUR	28.1	136.4	164.5		
Total	476.4	-	476.4	31.2	-31.2

	Translation exposure EBITDA	Transaction exposure EBITDA	Net exposure	EUR -10% vs. other currencies	EUR +10% vs. other currencies
2021, MEUR					
USD	25.4	87.5	112.9	11.3	-11.3
GBP	6.8	121.9	128.7	12.9	-12.9
SEK	388.4	-429.7	-41.3	-4.1	4.1
Other	39.4	55.6	95.0	9.5	-9.5
EUR	25.6	164.7	190.3		
Total	485.6	-	485.6	29.6	-29.6

Currency exposure in equity

Foreign currency translation exposure in equity arises when the balance sheets of foreign subsidiaries with other functional currencies are translated into EUR. The below table shows net effect on the Group's equity on the balance sheet day from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies. The calculation is based on the equity of each legal entity in the Group split by functional currency and includes the effects from intra-group receivables and liabilities that in substance is part of the net investment in the foreign operation. In accordance with IAS 21, the exchange rate gains or losses on such receivables and liabilities are reported in Other comprehensive income.

MEUR	31 December 2022			31 December 2021		
	Balance sheet Shareholders' Equity	EUR -10% vs. other currencies	EUR +10% vs. other currencies	Balance sheet Shareholders' Equity	EUR -10% vs. other currencies	EUR +10% vs. other currencies
USD	167.8	16.8	-16.8	144.1	14.4	-14.4
SEK	129.3	12.9	-12.9	41.2	4.1	-4.1
CZK	92.4	9.2	-9.2	120.6	12.1	-12.1
Other	202.1	20.3	-20.3	174.1	17.4	-17.4
EUR	1,143.6			1,056.1		
Total	1,735.2	59.2	-59.2	1,536.1	48.0	-48.0

Currency risk in financial instruments

Currency risk in financial instruments exist when monetary items in foreign currencies are valued in the functional currency of each entity. In 2022 the Group entered into a EUR/USD cross currency swap of 500 MEUR to match the share of net transactional inflow in USD with a corresponding share of USD debt exposure. The Group has also entered into currency swaps for internal loans denominated in MYR. Derivatives are valued at fair value through profit or loss and hedge accounting is not applied.

The tables below show the net effect on the Group's consolidated income statement from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies based on the balance sheet exposure and the nominal amount of outstanding derivative instruments on the balance sheet day.

	Balance sheet exposure	Outstanding derivative instruments	Total	EUR -10% vs. other currencies	EUR +10% vs. other currencies
At 31 December 2022, MEUR					
USD	18.8	-500.0	-481.2	-48.1	48.1
GBP	-10.4	-	-10.4	-1.0	1.0
SEK	-73.9	-	-73.9	-7.4	7.4
Other	91.7	-38.1	53.6	5.4	-5.4
EUR	-26.2	538.1	511.9	-	-
Total	-	-	-	-51.1	51.1

	Balance sheet exposure	Outstanding derivative instruments	Total	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
At 31 December 2021, MEUR					
USD	87.7	-	87.7	8.8	-8.8
GBP	24.0	-	24.0	2.4	-2.4
SEK	99.4	-	99.4	9.9	-9.9
Other	24.9	-10.4	14.5	1.5	-1.5
EUR	-236.0	10.4	-225.6		
Total	-	-	-	22.6	-22.6

Refinancing and liquidity risk

Refinancing risk and liquidity risk is referred to as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining adequate financing. To manage the refinancing risk the average duration of the gross interest-bearing debt shall, according to the Group's finance policy, exceed 3 years. As at 31 December 2022 the average duration was 4.3 years (5.0 years).

The liquidity reserve, according to the Group's finance policy, shall at all times exceed MEUR 150 on a consolidated level, consisting of cash, short term investments, committed undrawn overdraft facilities and other committed credit facilities excluding trapped cash (see note 15). The liquidity reserve amounted to MEUR 663.5 (860.2) as at 31 December 2022.

The Group's main source of financing is bond notes issues in the European capital markets. Since 2020 the Group has a European Medium Term Note (EMTN) program, which is a loan framework intended for long-term financing. The Group's outstanding bond notes are outlined in the below table. All outstanding bond notes are denominated in EUR, has a fixed interest, are ranked senior and are unsecured.

MEUR	Maturity date	Original facility amount	Outstanding facility amount	
			12/31/2022	12/31/2021
Bond 2022	2/28/2022	500.0	-	122.4
Bond 2024	2/28/2024	500.0	500.0	500.0
Bond 2025	2/28/2025	500.0	500.0	500.0
Bond 2029	9/05/2029	500.0	500.0	500.0
Bond 2031	1/15/2031	400.0	400.0	400.0
Total			1,900.0	2,022.4

The Group also has a revolving credit facility with a syndicate of banks. The facility amounts to MEUR 350 with an option to increase the facility with MEUR 100 to a total of MEUR 450 and a maturity date of 14 July 2024. The facility is ranked senior, is unsecured and can be drawn in several optional currencies and would bear interest at IBOR plus a margin. The terms of the facility include loan market standard restrictions on the Group's ability to, among other things, create security over its assets, sell or otherwise dispose assets or incur subsidiary financial debt. The facility is not subject to any financial covenants. As of the balance sheet day the facility is undrawn.

The tables below analyse the Group's financial liabilities, lease liabilities and derivatives into relevant maturity groups based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows including interest.

At 31 December 2022, MEUR						Total contractual cash flows	Carrying amount
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years		
Bond notes	-20.6	-4.4	-525.0	-530.0	-918.8	-1,998.8	-1,897.0
Financial trade and other payables	-124.4	0.0	0.0	0.0	0.0	-124.4	-124.4
Lease liabilities	-10.7	-10.7	-27.0	-11.4	-14.9	-74.7	-66.9
Gross settled - currency swaps							
-outflow	-38.5	-10.6	-10.6	-31.8	-515.9	-607.3	-3.8
-inflow	38.1	4.4	4.4	13.1	508.8	568.7	
Total	-156.1	-21.3	-558.2	-560.1	-940.8	-2,236.5	-2,092.1

At 31 December 2021, MEUR						Total contractual cash flows	Carrying amount
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years		
Bond notes	-145.1	-4.4	-25.0	-1,048.1	-925.6	-2,148.2	-2,018.0
Financial trade and other payables	-172.9	-	-	-	-2.6	-175.5	-175.5
Lease liabilities	-10.6	-10.7	-27.3	-11.6	-15.9	-76.1	-73.1
Total	-328.6	-15.1	-52.3	-1,059.7	-944.1	-2,399.8	-2,266.6

Interest rate risk

Interest rate risk is the risk of a negative impact on the Group's income statement and cash flow due to changes in the market interest rates. To limit the effects of interest rate fluctuations, the average fixed interest term per currency, according to the Group's finance policy, shall be between 0.5 and 8 years.

The Group's main source of financing is bond notes issued as listed in the above section. All outstanding bond notes are denominated in EUR and has a fixed interest. The average duration of fixed interest as of 31 December 2022 was 4.3 years (5.0 years) and the average interest rate for 2022 was 1.33% (1.33%). A EUR/USD cross currency swap was entered into in June 2022 of MEUR 500. Going from fixed EUR interest (inflow) to fixed USD interest (outflow) increased the average interest rate to an average of 1.65%. Since the Group has chosen to have all of its financing to a fixed interest rate the Group is not exposed to any cash-flow interest rate risk on its financing at the end of the reporting period. According to the Finance policy the percentage of fixed interest shall be 50%-100%.

The Group has interest bearing financial assets and liabilities in the form of cash and cash equivalents and receivables, parent company. Based on the outstanding cash balance at year end, a one percentage point increase of the interest rates would increase the Group's interest income for the next 12 months with MEUR 3.4 (5.4)

Credit and counterpart risk

Credit and counterparty risk refers to the risk that a counterpart in a transaction will be unable to fulfil its obligations and that this will create a loss for the Group. The Group is exposed to credit risks primarily through its balance of cash and cash equivalents, derivative instruments and through outstanding trade accounts receivables.

In order to manage credit risks, the Group's finance policy states that financial transactions may only be conducted with approved counterparties having high credit worthiness. Counterparties shall have a rating equivalent to A- by Standard & Poor's, A2 by Moody's Investors Service, or better. The finance policy also puts limits for amounts at risk per counterparty which are monitored daily. The following table shows the credit risk exposure in cash and cash equivalents by Standard & Poor's rating category as of the balance sheet day.

MEUR	12/31/2022	12/31/2021
AAA	20.0	29.0
AA	89.2	126.1
A	226.2	373.6
Lower than A	7.9	12.3
Total	343.3	541.0

When trading with derivative instruments, the Group has entered into ISDA (International Swap and Derivative Association) netting agreements with its counterparties in order to further limit the counterparty risk. ISDA agreements contain enforceable master netting arrangements which allow assets and liabilities arising on separate derivative financial instruments to be set off and settled net in certain circumstances. No derivative balances have been set off in the balance sheet. There would be no impact in the balance sheet if existing ISDA agreements would have been used as a basis to set off derivative assets and derivative liabilities.

The commercial credit risk is limited since the main part of the Group's sales is directed towards public hospitals/institutions. Regarding sales to private hospitals/institutions, no individual customer is considered to represent a significant part of the Group's sales. The maximum exposure regarding commercial credit risk equals the book value of the trade account receivables. See note 14 for the aging of trade receivables including a specification of reported allowance.

24. Pledged assets, contingent liabilities and commitments

Pledged assets

The Group has no assets pledged as of 31 December 2022 (2021: -).

Contingent liabilities

The Group is involved in various legal proceedings which individually are of non-material magnitude. At 31 December 2022 the Group assesses outstanding legal proceedings to represent a contingent liability of MEUR 13.3 (2021: MEUR 2.0).

In one of the Group's retirement benefit plans the Group has a mutual funding responsibility representing a contingent liability of MEUR 0.6 (2021: 0.5) as of 31 December 2022.

Commitments

Commitments for the acquisition of property, plant and equipment not recognised as liabilities amount to MEUR 4.5 (13.5) as of 31 December 2022.

25. Related party transactions

The Company's immediate parent company is Mölnlycke AB. Mölnlycke AB is to 98.9% owned by Rotca AB (a company controlled by Investor AB, the Company's ultimate parent company) and 1.1% by entities facilitating management's ownership. The Company has been a subsidiary of Investor AB since 1 December 2010. Investor AB is listed on Nasdaq OMX Stockholm.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, Group entities entered into the following transactions with related parties that are not members of the Group:

MEUR	Sales of goods and services		Finance income	
	2022	2021	2022	2021
Parent company	-	-	0.4	2.5
Other subsidiaries of Investor AB	-	-	-	-
Associates and joint ventures of the Group and Investor AB	0.8	-	0.8	-0.3

The following balances were outstanding at the end of the reporting period:

MEUR	Receivables from related parties		Liabilities to related parties	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Parent company	104.8	-	-	88.1
Other subsidiaries of Investor AB	-	-	-	-
Associates and joint ventures of the Group and Investor AB	1.5	23.3	1.2	-

SEB is an Associated Company of Investor AB and is one of nine relationship banks participating in the financing of Mölnlycke Holding AB (publ) Group. See note 23 for further information about the Group's financing. Receivables from associates relates as of 31 December 2022 and 2021 to a cash balance with SEB.

See note 16 for an explanation to the change in receivables/liabilities from parent company compared to prior year.

Other transactions

There have been no material transactions with related parties other than those disclosed elsewhere in these financial statements.

Compensation of key management personnel, MEUR	2022	2021
Short-term benefits	5.7	6.0
Post-employment benefits	0.7	0.8
Termination benefits	-	1.2
Total	6.4	8.0

Key management personnel comprise the members of the Group's Executive leadership team.

26. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Definitions

Cash conversion, %

Operating cash flow in relation to EBITDA.

EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment charges, excluding exceptional items.

EBITDA margin, %

EBITDA in relation to revenue.

Equity/Assets ratio, %

Shareholders' equity in relation to total assets.

Interest-coverage ratio

EBITDA in relation to Net interest expenses.

Net Debt/EBITDA ratio

Net interest-bearing debt in relation to EBITDA.

Net Debt/Equity ratio

Net interest-bearing debt in relation to equity.

Net interest-bearing debt

Interest-bearing liabilities including lease liabilities less Cash, cash equivalents and short-term investments (receivables, parent company is excluded from the calculation of net interest-bearing debt).

Net interest expenses

Interest expenses less interest income.

Operating cash flow

EBITDA adjusted for changes in working capital and capital expenditures in PPE and Intangible Assets.

Operating margin, %

Operating profit in relation to revenue.

Organic sales growth, %

Net sales compared to prior year adjusted for changes in currency rates and acquired or divested businesses.

Working capital

Net balance of Inventory, Trade and other receivables and Trade and other payables excluding Accrued interest expenses and deferred considerations.

Signatures

Gothenburg, 28 March 2023

Karl-Henrik Sundström Chairman of the Board	Zlatko Rihter CEO and Board member	Christian Cederholm Board member	Sharon James Board member
Johan Malmquist Board member	David Perez Board member	Kristina Willgård Board member	Aashima Gupta Board member
	Lars Axelsson Employee representative	Niclas Flach Employee representative	

Our audit report was submitted on 28 March 2023.

Deloitte AB

Hans Warén
Authorized Public Accountant

Independent auditor's report

To the Board of Directors of Mölnlycke Holding AB,
Corporate identity number 556693-6729

Opinion

We have audited the non-statutory consolidated financial statements of Mölnlycke Holding AB (the Company), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The annual accounts of the Company are included on pages 58–96 in this document.

In our opinion, the accompanying non-statutory consolidated financial statements present a true and fair view, in all material respects, of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Sweden and we have fulfilled our other 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 opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the consolidated financial statements and that they give a fair presentation in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Board of Directors and the Managing Director 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 related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gothenburg, 28 March 2023

Deloitte AB

Hans Warén
Authorized Public Accountant

Five-year overview

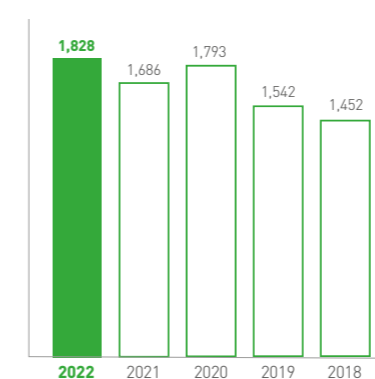
EUR million (unless otherwise stated)	2022	2021	2020	2019	2018
INCOME STATEMENT					
Revenue ¹	1,828	1,686	1,793	1,542	1,452
EBITDA ²	476	486	536	451	418
Depreciation, amortisation and impairment charges ²	-85	-84	-81	-82	-60
Operating profit	392	402	455	369	359
Net interest expenses	-34	-31	-29	-33	-18
Profit before tax	360	365	432	339	337
Profit for the year	279	285	338	261	272
FFO (Funds from operations)	368	382	390	332	324
BALANCE SHEET					
Goodwill and other intangible assets ³	2,725	2,763	2,789	2,854	2,800
Other non-current assets	387	365	350	343	280
Current assets excluding cash	810	637	786	816	1,135
Cash, cash equivalents and short-term investments	343	541	597	339	312
Total assets	4,265	4,307	4,521	4,351	4,527
Equity ³	1,735	1,536	1,794	1,949	2,456
Interest-bearing liabilities, incl. lease liabilities	1,960	2,087	2,089	1,810	1,504
Other liabilities ³	570	684	638	593	567
Total equity and liabilities	4,265	4,307	4,521	4,351	4,527
Working capital	328	240	193	190	174
Net interest-bearing debt	1,617	1,546	1,492	1,471	1,193
CASH FLOW					
EBITDA ²	476	486	536	451	418
Non-cash items in EBITDA	-7	-3	-2	-	-
Change in working capital	-86	-34	-8	-8	0
Capital expenditures - PPE and Intangible Assets	-70	-49	-38	-41	-44
Operating cash flow	314	400	490	402	374
Acquisitions and divestments of subsidiaries	-1	0	-11	-67	-24
Paid taxes	-72	-117	-101	-67	-79
Distributions to the owners of the Group	-300	-250	-350	-425	-350
Adjustment for change in accounting policy ²	-	-	-	-58	-
Other	-12	-86	-47	-64	-30
Increase (-)/decrease (+) in Net Debt	-71	-53	-21	-278	-109
FINANCIAL INDICATORS					
Organic sales growth ¹	8%	-6%	18%	4%	3%
Operating margin	21%	24%	25%	24%	25%
EBITDA margin	26%	29%	30%	29%	29%
Net debt/EBITDA ratio	3.4	3.2	2.8	3.3	2.9
Cash conversion	66%	82%	91%	89%	89%
Net debt/Equity ratio	0.93	1.01	0.83	0.75	0.49
Equity/Assets ratio	41%	36%	40%	45%	54%
PERSONNEL					
Number of employees, FTE (full time equivalent)	8,775	8,315	7,910	7,790	7,895

1. Revenue for 2021 and 2020 was positively impacted by one-off orders for staff clothing and protection. Excluding these one-off orders revenue amounted to EUR 1,618 million and the organic sales growth was 4% in 2021 and EUR 1,562 million respectively 2% in 2020.

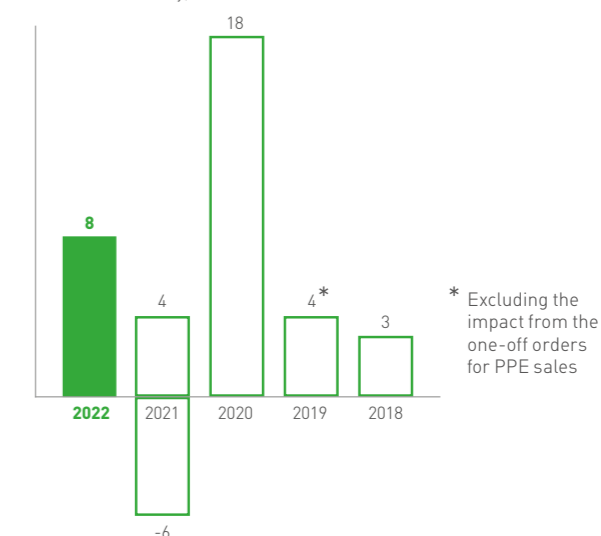
2. EBITDA is positively impacted from the adoption of IFRS16 by approximately EUR 20 million per year since 2019. Net debt increased in 2019 by EUR 58 million from this adoption.

3. A restatement has been made of the Group's balance sheet as of January 1, 2020. This restatement goes back to 2007, but no restatement has been made in this Five-year overview of the financial statements for years prior to 2020 due to materiality.

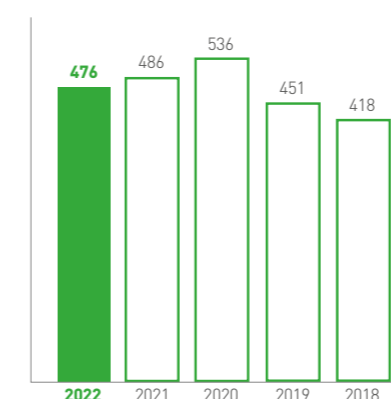
Revenue
EUR million



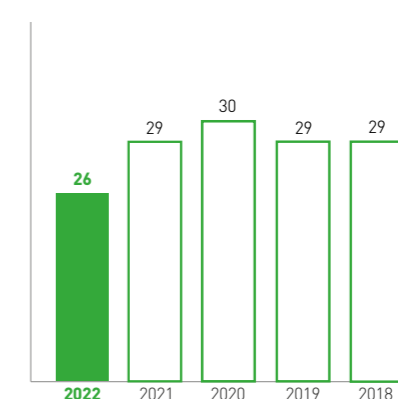
Organic sales growth
Constant currency, %



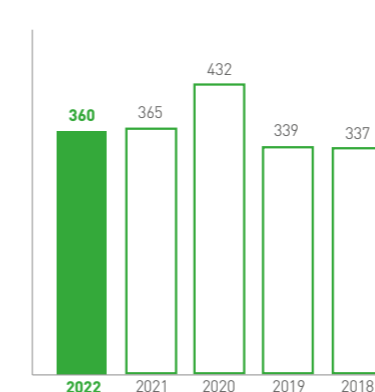
EBITDA
EUR million



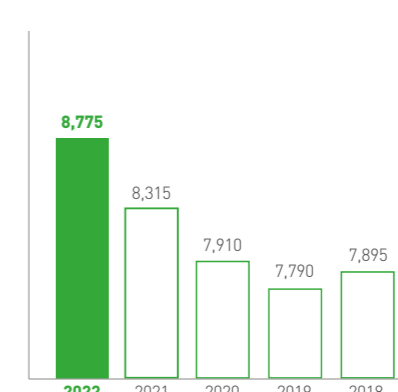
EBITDA margin
%



Profit before tax
EUR million

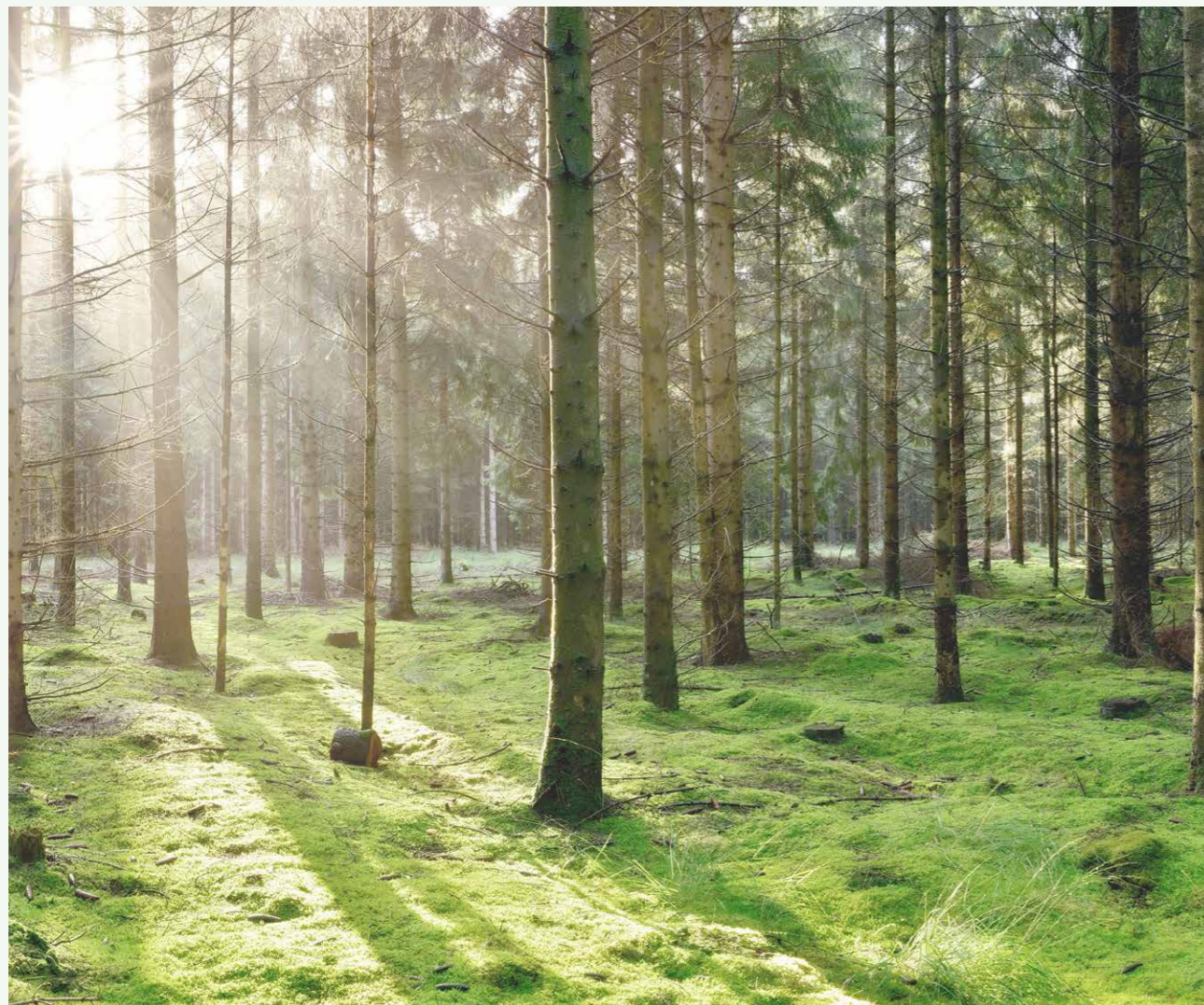


Number of employees
Full-time equivalent



Sustainability

This section outlines Mölnlycke's sustainability performance in more detail. It explains the company's vision and approach to creating shared value for all stakeholders. It also reports on short and longer term targets and performance on key environmental, social and ethical indicators.



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Sustainability roadmap 2030

WeCare sustainability strategic pillars



Mölnlycke’s sustainability vision is to transform its business to become a global leader in sustainable healthcare. Sustainability is a key business driver for the company and integral to its operations and product offering. It is the driver for growth, innovation and productivity and an essential part of Mölnlycke’s employee value proposition.

In 2021, following a materiality analysis, the company developed and launched WeCare, the 2030 sustainability roadmap. This reflects the company’s commitments and actions toward a sustainable future and supports the objectives of the Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs).

WeCare builds on three pillars integral to Mölnlycke’s business approach: Green mindset, Responsible relationships and Ethical business. These pillars influence Mölnlycke’s business models, partnerships, resource management and innovation, and state

how Mölnlycke strives to create a work environment where everyone can excel. WeCare supports the company’s sustainable growth and determination to take a lead in sustainable healthcare.

For each of the focus areas, Mölnlycke has set ambitious short and long-term targets. The company tracks progress and reports on metrics in accordance with the Global Reporting Initiative (GRI) standards, or internal KPIs when no relevant GRI metrics are available. See more in notes 1 and 2, as well as in the GRI content index and ESG fact sheet at the end of this report.



We take our responsibilities to society as a given. Today’s imperative is to drive the economic transition further and faster – harnessing innovation to achieve greater resource productivity and growth for our customers, creating sustainable value for all our stakeholders.

Caterina Camerani, VP Sustainability



Green mindset

- Mölnlycke is transforming its business to decouple it from resource constraints
- Mölnlycke is constantly innovating to offer its customers sustainable solutions while not compromising on the safety and quality of the company’s products

Targets

- Become a net zero company (Scope 1, 2 and 3) by 2050 at the latest.
- 50% reduction of Scope 1 and 2 absolute greenhouse gas (GHG) emissions by 2030 (compared to baseline 2016)
- 100% fossil-free electricity use at manufacturing sites by end of 2024
- Zero waste to landfill at all manufacturing sites by 2030
- >95% of packaging to be recyclable and >80% of all packaging to be made of recycled (PCR¹) and/or renewable material by 2030²
- Assess the sustainability profile of Mölnlycke’s product portfolio³ by 2025.



Responsible relationships

- Mölnlycke is achieving its vision of becoming a sustainability leader in its industry with a healthy, safe and engaged workforce which embraces diversity and inclusion
- To create a positive societal impact, Mölnlycke is building mutually beneficial relationships with employees, customers and the people in its communities

Targets

- Safety long-term target: zero injuries and harm
- <0.5 Lost Time Injury (LTI) rate by 2030
- Gender parity at Director level and above by 2025
- >5 nationalities in the Executive Leadership Team by 2025
- >80% Engagement Index Score⁴ by 2025
- >10,000 lives improved with global CSR program by 2025.



Ethical business

- Mölnlycke is setting high standards of ethics and responsibility in its business
- Mölnlycke is acting with integrity and care for human rights throughout its value chain

Targets

- 100% of employees to receive annual training or awareness session within Ethics and Compliance by 2023
- 100% of employees feel safe to report concerns without fear of retaliation by 2025
- 100% of active distributors assessed through the distributor due diligence process by 2025.



1. Post-Consumer Recycled
 2. Target covering products mainly produced by Mölnlycke, most contract manufactured and distributed products excluded from the initial scope. Scope to be increased during 2023
 3. According to the standardised categorisation methodology by World Business Council for Sustainable Development (WBCSD), adapted to be fit for purpose for a MedTech company. <https://www.wbcd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>
 4. Measured according to Qualtrics survey

Green mindset



Mölnlycke is transforming its business to decouple it from resource constraints by creating a culture of care for material value, eliminating waste and reducing variable cost. The company's net zero approach is a key accelerator for the WeCare 2030 sustainability roadmap and helps to increase competitiveness.

As part of Mölnlycke's sustainability vision to transform the business to become a global leader in sustainable healthcare, the company constantly innovates to offer customers sustainable solutions while not compromising on the safety and quality of its products.



Targets

- Become a net zero company (Scope 1, 2 and 3) by 2050 at the latest
- 50% reduction of Scope 1 and 2 absolute GHG emissions by 2030 (compared to baseline 2016)
- 100% fossil-free electricity at all manufacturing sites by end of 2024
- Zero waste to landfill at all manufacturing sites by 2030
- >95% of packaging to be recyclable and >80% of all packaging to be made of recycled (PCR⁵) and/or renewable material by 2030⁶
- Assess the sustainability profile of Mölnlycke's product portfolio⁷ by 2025

2022 achievements

- 10% reduction of GHG emissions across the entire value chain (Scope 1, 2 and 3) compared to 2021
- 11% reduction of Scope 1 and 2 absolute GHG emissions (compared to baseline 2016)
- 51% fossil-free electricity use⁸
- 45% waste diverted from disposal
- Four zero manufacturing waste-to-landfill sites
- 91% of packaging recyclable and 72% of all packaging made of recycled (PCR⁵) and/or renewable material⁹
- 93% of Mölnlycke's sites environmental management systems (ISO 14001) certified

Relevant policies and position statements

- Sustainability policy
- Resource efficiency and circularity position statement
- Climate change position statement
- Hazardous substances position statement
- Life Cycle Assessment position statement
- Global travel and meeting policy

5. Post-Consumer Recycled
 6. Target covering products mainly produced by Mölnlycke, most contract manufactured and distributed products excluded from the initial scope. Scope to be increased during 2023
 7. According to the standardised categorisation methodology by World Business Council for Sustainable Development (WBCSD), adapted to be fit for purpose for a MedTech company <https://www.wbcd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>
 8. Including all manufacturing and non-manufacturing sites. 56% when including only all manufacturing sites and headquarter
 9. Covering products mainly produced by Mölnlycke, most contract manufactured and distributed products excluded from the initial scope. Scope to be increased during 2023

Energy and greenhouse gas emissions

Mölnlycke recognises that climate change has and will continue to have a significant impact on the global environment, society and economic systems. Greenhouse gas (GHG) emissions cause rising global temperatures and contribute to the increasing frequency of extreme weather events around the world. The resulting disruption of ecosystems and local economies impacts vulnerable communities the most.

Mölnlycke has a role to play in reducing GHG emissions along the entire value chain as a manufacturer and through its business relationships. Helping to build a resilient zero-emissions economy will also help to future-proof the company's business.

Mölnlycke commits to the Science Based Targets initiative

In 2022, Mölnlycke announced to becoming a net zero company by 2050 at the latest. Now, the company is operationalising and formalising its commitment by setting ambitious, science-based targets, aligning with the ambitions of the Paris Climate Agreement and the 1.5°C pathway, as expressed in the commitment letter sent to the Science Based Target Initiative (SBTi) on 15 December 2022.

The company is also committed to developing and delivering sustainable solutions that support the transition to a clean low-carbon economy, using the UN Sustainable Development Goals (SDGs) on Affordable and Clean Energy (#7) and Climate Action (#13) as a lens to address challenges, build a strong growth strategy and access new markets along the way.

Mölnlycke is already working on emissions reduction targets in line with the SBTi's criteria and will submit them to the SBTi within 24 months for official validation. As for the past two years, the company will continue to track and disclose its company-wide emissions annually, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

2022 saw one of the most significant developments in Mölnlycke's ongoing journey to tackle climate change with the submission of our commitment letter to the Science Based Targets initiative at the end of the year. I am very proud that Mölnlycke recognises the responsibility we have as a private sector company to minimise our impact on the planet and society. The commitment we've made is only the first step and turning it into action is where the real work begins. We have a solid and actionable plan – it's called WeCare.

Zlatko Rihter, CEO



Building a closed loop through heat recovery in Mikkeli

Mölnlycke is committed to continuously reduce the use of energy resources to de-risk its value chain, delivering environmental benefits and generating cost improvements.

During 2022, the company has implemented a heat recovery system in its Mikkeli plant to build a closed energy loop, contributing to the company's commitment of net zero GHG emissions by 2050 the latest. The heat is collected from

various processes such as the coating line, the foam line and the trim waste exhaust.

By replacing the use of external fuel for heating or cooling of all production and offices areas, the new heat recovery system will cut externally purchased heat by 70% in the Finnish factory and help reduce Scope 1 emissions by 350t CO₂eq. annually.

Mölnlycke's net zero journey

Mölnlycke's commitment to net zero includes its own operations (Scope 1 and 2), as well as emissions in its supply chain (Scope 3) both upstream and downstream.

In 2021, Mölnlycke announced an ambitious target of reducing absolute GHG emissions in its own operations (Scope 1 and 2) by 50% by 2030, taking 2016 as the baseline.

The company has a clear plan to transition to 100% fossil-free electricity at all manufacturing sites by end of 2024 and to continually reduce its absolute energy consumption year-on-year, by pursuing energy efficiency and conservation programs at all its locations across the globe, while also looking into fossil-free heat sources. This will contribute to rapid progress in reducing GHG emissions and reaching the Scope 1 and 2 target while maintaining sustainable growth.

Starting in 2021, the company measured its Scope 3 upstream and downstream emissions, according to the Greenhouse Gas Protocol. This will form the basis of Mölnlycke's Scope 3 targets and improvement roadmap, prioritising programs and resources to create the biggest impact in line with the 1.5°C pathway.

Mölnlycke partners with customers and suppliers to drive sustainable innovation and reduce GHG emissions throughout the value chain. Contributions to a low-carbon economy include:

- Developing new digital-based solutions to meet the increasing demand for climate-smart products and enable customers to reduce their own emissions and material use
- Introducing renewable alternatives to fossil-based products, using, for example, biobased plastics
- Improving the holistic environmental footprint of product formulations while guaranteeing the same performance during customer application or transport
- Providing customers with information about the product footprint, including GHG emissions, using Life Cycle Assessment (LCA) methodology
- Improving logistics performance, for example by optimising transportation routes of raw materials and final products as well as using lower emission transport options
- Facilitating full recyclability of packaging by switching to monomaterials when possible and increasing recycled or biobased content
- Encouraging supply chain partners to commit to the transition to a low-carbon economy.

Mölnlycke has introduced GHG emissions assessment into relevant investment requests to drive further awareness of the

environmental and future economic impact of major decisions, and to strengthen the sustainability of its business portfolio as a result.

Mölnlycke recognises that climate change will pose risks as well as opportunities for the company and its customers, both directly through operations and indirectly through stakeholder activities (see more on Task-force on Climate related Financial Disclosures Framework on page 48). Therefore, Mölnlycke is listening to the needs of its stakeholders when operating and providing its solutions.

The company is reducing GHG emissions through its travel policy for all employees, by cutting unnecessary travel or switching to more efficient and fossil-free transportation.

The company reports on GHG value chain emissions (Scope 1, 2 and 3) transparently in line with the GHG Protocol (see note 2). Mölnlycke also reports climate risks and low carbon opportunities through the CDP climate questionnaire for the benefit of all its stakeholders.

The company uses key indicators to track progress and drive continuous improvement processes in every function. It also supports recommendations from Taskforce on Climate-related Financial Disclosures (TCFD) and includes those disclosures in its reporting.

Greenhouse gas emissions

In 2022, Mölnlycke's total Scope 1, 2 and 3 GHG emissions were 591kt CO₂eq. The majority of these emissions (508kt CO₂eq. or 86%) are driven by impacts outside of the organisation (Scope 3). The largest proportion are associated with the extraction and pre-processing of raw materials and components, as well as contract manufacturing, accounting for 246kt CO₂eq. or 42% of total Scope 1, 2 and 3 emissions.

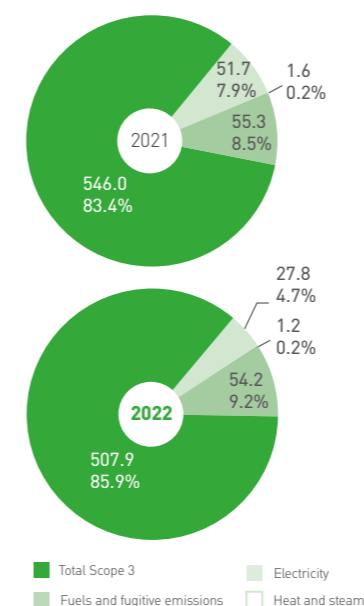
Logistics is another key contributor to Scope 3 emissions, with 14kt CO₂eq. (3%) coming from the transportation of raw materials and intra-company transport, and 35kt CO₂eq. (6%) from transportation and warehousing of sold products.

End of life emissions of sold products accounted for 21kt CO₂eq. (4%) of the total.

Mölnlycke's own operations account for 203kt CO₂eq. (35% of the total), of which 83kt CO₂eq. (about 14% of the total) are associated with direct emissions and energy consumption within the organisation (Scope 1 and 2), and the rest is related to Scope 3, predominantly capital goods, employee commutes and business travel.

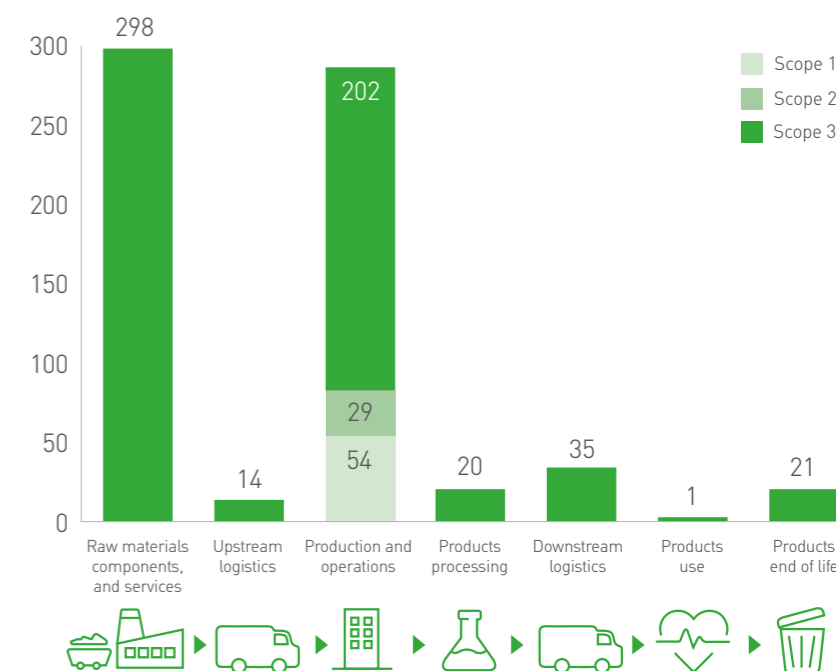
Compared to previous year, the total GHG emissions decreased by 64kt CO₂eq. (10%) in 2022. In line with the company's climate action strategy, the overall energy consumption within the

Total Mölnlycke GHG emissions (kt CO₂eq.)



Scope 2 emissions are reported on the market-based level. Location-based emissions for Scope 2 in 2021 amounted to 56.29kt CO₂eq., and in 2022 to 55.02kt CO₂eq.

Absolute cradle-to-grave GHG emissions across the value chain (kt CO₂eq).



organisation decreased by 2% from 2021. In addition, significant reduction occurred in Scope 2, due to the shift to fossil-free electricity at seven Mölnlycke's sites, including the most energy intensive manufacturing facilities in Malaysia, resulting in nine sites¹⁰ using 100% fossil-free electricity and an overall decrease of the associated emissions by 24kt CO₂eq. in Scope 2 and 1kt CO₂eq. in Scope 3 category 3. Compared to the 2016 baseline of 93.5kt CO₂eq., the overall reduction achieved in absolute Scope 1 and 2 GHG emissions during 2022 was 11%.

Mölnlycke also achieved a significant reduction in its Scope 3 emissions of 38kt CO₂eq. (7%) compared to 2021. Most of this difference is because manufacturing sites bought raw materials and components in advance in 2021, which resulted in a reduction in emissions from purchased goods and services in 2022. The reduction also reflects higher quality specific data obtained from the company's suppliers during 2022. Moreover, reduction in Scope 3 category 1 has been achieved thanks to internal reuse

of casting paper during foam production and latex in gloves production as well as an increase in International Sustainability and Carbon Certification (ISCC)-certified biobased plastics. There were also reductions in emissions associated with the logistics services purchased by the company, mainly due to the newly opened distribution centre in Madrid optimising logistics flow.

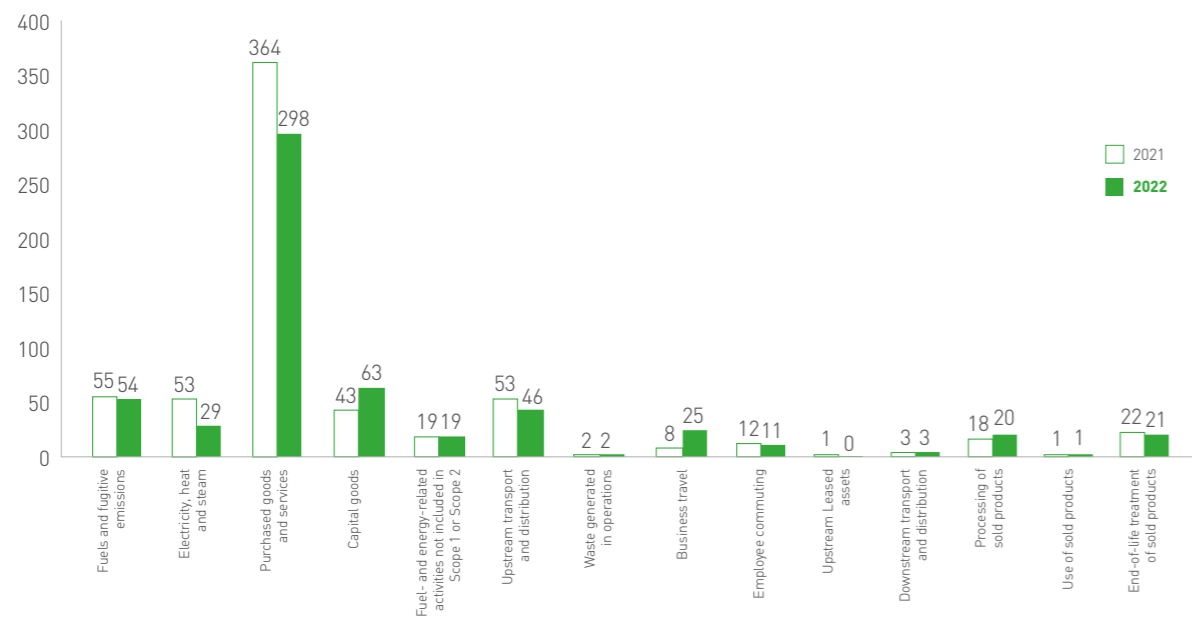
Emissions associated with capital goods and business travel have increased in 2022, an expected result of the company's investments in new facilities and post-pandemic travel.

Continuing the achievements of 2021, also in 2022 Mölnlycke's Scope 1 and 2 emissions were reduced in relative terms, from 1.88kg CO₂eq/kg down to 1.39kg CO₂eq/kg manufactured product (26% decrease in intensity compared to previous year).

The overall GHG emissions intensity (Scope 1, 2, and 3) has also reduced from 10.2kg CO₂eq/kg sold products, to 9.5 kg CO₂eq/kg sold products (a 7% decrease).

10. Seven manufacturing and two non-manufacturing sites

Total GHG emissions (kt CO₂eq.)

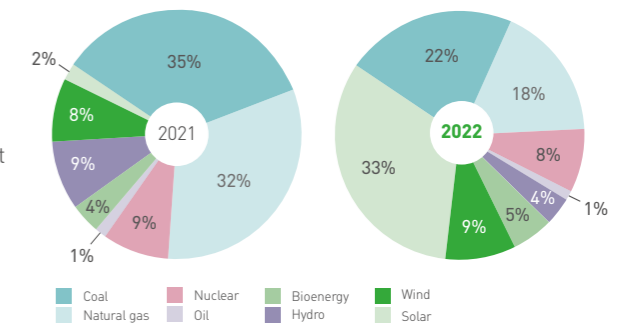


Fossil-free electricity

Electricity accounts for about 30% of the total energy consumption in Mölnlycke’s production activities. The company has made accelerating climate action through optimisation of energy and fossil-free electricity a strategic priority within WeCare. This will help to future-proof its operations and drive the company’s competitive advantage. Fossil-free electricity accounted for 51% of total electricity use globally¹¹ in 2022 (of which 38% was by contractual arrangement, certificates of origin or own generation on site). This was a rapid increase from a 23% share in 2021 (8% by contractual arrangement, energy attribute certificates or own generation on site). Overall, nine sites¹² operate entirely on renewable electricity, significantly contributing to the reduction of Scope 2 emissions in 2022 compared to 2021, and keeping Mölnlycke on track to achieve its 100% fossil-free electricity target by 2024. Currently, solar panels and green contractual supply account for 4% of the company’s total renewable electricity use, renewable electricity in the grid mix 25% and Energy Attribute Certificates (EAC’s) for the remaining 71%. Work to increase the share of renewable electricity from sources with higher

additionality, such as solar power, has been an integral part of the company’s 100% fossil-free electricity roadmap implementation during 2022. Going forward, the focus will be on the replacement of EAC’s by Power Purchase Agreements (PPAs) and own solar generation in regions with the highest production footprint, starting with Europe. This will contribute to new renewable power generation capacity in these regions.

Electricity mix by source



Case Study

Copyright CFL Multimodal

Moving towards green logistics and reducing Scope 3 emissions

A top priority for Mölnlycke logistics during 2022 was to identify ways of reducing greenhouse gas emissions coming from transportation of finished goods (Scope 3, category 4). Several opportunities were evaluated and have started to be implemented, including intermodal solutions replacing road transportation, flow optimisation reducing transportation distance, order consolidation increasing fill rates and replacing diesel trucks with electric vehicles.

One activity that reduced Scope 3 GHG emissions during 2022 was changing the flow of goods from Belgium to France from road to an intermodal solution. Approximately 70% of the distance is now covered by train, and the remainder by road. The train is entirely operated by green electricity

reducing GHG emissions by around 250t CO₂eq. compared to 2021.

Another example is the introduction of electric vehicles replacing diesel trucks in the delivery of goods in the metropolitan area of São Paulo, Brazil. A contract has been signed to implement Mölnlycke-dedicated electric vehicles to manage the distribution of products to 150 customers, representing approximately 50% of all Mölnlycke deliveries in Brazil, by Q2 2023.

Mölnlycke’s future work will focus on the energy transition in its operations, and continuous engagement with stakeholders to lower the impacts along its entire value chain as part of its commitment to set science based targets during 2023.



Case Study

Adding renewable energy sources

Mölnlycke has a plan to become carbon neutral by 2050, including a transition to 100% fossil-free electricity by the end of 2024 and a clear commitment to provide updates on progress.

Mölnlycke’s transition to renewable electricity is progressing well, with a total share of 51%¹¹ fossil-free electricity in 2022. Seven out of 14 manufacturing plants and two more non-manufacturing facilities run entirely on renewable sources. Converting to renewable electricity is key to reach Mölnlycke’s target of halving GHG emissions in its own operations (Scope 1 and 2) by 2030. Mölnlycke’s renewable electricity is secured by direct fossil-free supply as well as guarantees of origin for renewable energy in

accordance with the EU Renewable Energy Directive and in compliance with the quality criteria of the latest GHG Protocol Scope 2 of application. In 2022, Mölnlycke worked with a local supplier and installed solar panels at its plant in Kuala Ketil, Malaysia. The panels are generating approximately 16% of the site’s power needs in a sustainable way, contributing to implementation of UN SDG#7 on access to affordable, reliable, and sustainable energy, and of UN SDG#13 on urgent action to combat climate change. Solar panels are expected to be installed at two more Mölnlycke facilities in Malaysia during 2023, accounting for 8% of the company’s total electricity use in the country generated by high additionality sources.

¹¹. Including all manufacturing and non-manufacturing sites
¹². Seven manufacturing and two non-manufacturing sites

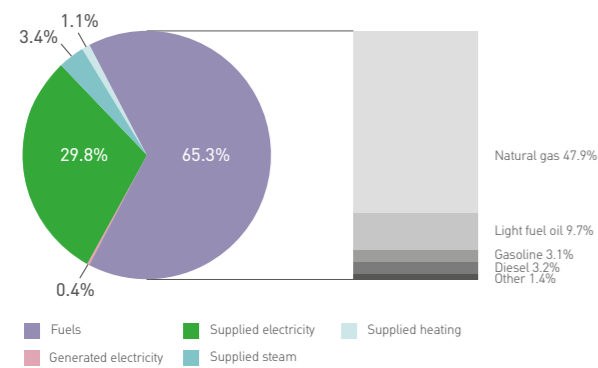
Energy consumption

Mölnlycke's total energy consumption was 1,233,243 GJ in 2022. This is a decrease of 3% from 1,268,908 GJ in 2021. The total amount of consumed energy from non-renewable fuels (natural gas, petroleum products and coal) was 804,810 GJ and 2,346 GJ was from renewable biofuels.

The amount of purchased energy, which includes electricity, heating and steam, was 423,665 GJ in 2022, which is a decrease of 4% from 440,434 GJ in 2021. Total electricity accounted for 372,696 GJ, of which 368,162 GJ was supplied and 4,534 GJ generated onsite. 51% of the total electricity consumed is from renewable sources, including 38% verified by contractual obligation, EAC's and own metering. The Kuala Ketil site in Malaysia generates solar energy for its own use.

Energy used for heating and steam consumption was 13,215 GJ and 42,288 GJ, respectively. No purchased energy for cooling was used in 2022.

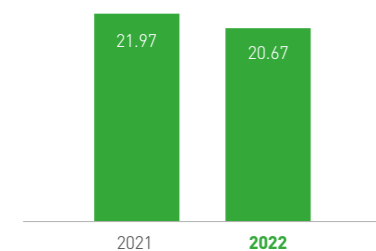
Energy consumption by source



Improving energy efficiency

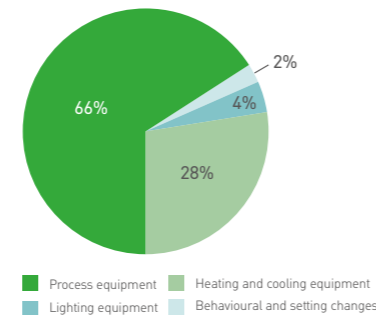
Mölnlycke is committed to continuously reducing the use of limited energy resources to de-risk its value chain, which delivers environmental benefits and improves the bottom-line. The company has an ambition to reduce energy consumption intensity in production by 2% each year. Along with this global goal, each location considers the use of the best available techniques and sets annual targets for energy reduction. In 2022 the company is proud to have achieved a 6% intensity reduction, from 22 MJ/kg of produced product to 20.7 MJ/kg.

Energy intensity (MJ/kg of manufactured products)



The company's energy conservation and efficiency measures are estimated to have saved 32,544 GJ, including 5,550 GJ in reduced fuel consumption, 15,848 GJ in heat, and 11,116 GJ in reduced electricity consumption compared to 2021. These savings resulted in a reduction in GHG emissions of 2kt CO₂eq. (0.3kt CO₂eq. in Scope 1, 1.3kt CO₂eq. in Scope 2, and 0.4kt CO₂eq. in Scope 3, category 3).

Reduction of energy consumption as result of conservation and efficiency measures, by category



In addition to systematic energy management at Mölnlycke's production and non-production sites, the company has been working to create awareness, share good practices, and build competence around energy saving for all its employees. This has been achieved through trainings and frequent internal communication. Combined with the use of energy from renewable sources, this is an efficient way to reduce the climate-related impacts of production.

Preventing pollution

Mölnlycke measures and reports emissions to air, land and water for those substances which might have an impact on people or the environment, such as CO₂, ethylene oxide (EtO) and hazardous and non-hazardous waste.

Even though it is limited, the company continuously measures the impact of EtO use at the production sites in Havirov, the Czech Republic, and Mikkeli, Finland, as well as by external partners during the sterilisation of products before they are delivered to the customers. In 2022, EtO emissions from combustion leakage in sterilisation processes amounted to total 96.5 kg, 10% higher than in 2021. This was due to an increase in the volume of products being sterilised after the COVID-affected 2021.

As part of Mölnlycke's continuous pollution prevention journey, the company has been working to identify more efficient alternatives to reduce the impact of its sterilization processes.

In 2022, no incidents of non-compliance with environmental laws and regulations were identified.

Resource efficiency and circularity

In addition to Mölnlycke's ambitious emissions and energy reduction targets, the company aims to reduce waste from production and increase efficiency in the use of raw materials. As well as benefiting the environment and the community, this is also beneficial to the business, helping to reduce operational costs and maintain the company's license to operate.

Mölnlycke's ambition to decouple growth from increasing material use goes beyond recycling. It starts with limiting the need to recycle. Therefore, the company focuses on zero waste, working to the 'right first time' principle and repurposing and reclaiming materials.

Mölnlycke is on a journey to become a zero-waste company in both material waste and water. This includes ambitious targets of zero waste to landfill and reusing water at the most water intensive sites by 2030, as well as implementing closed water loop systems in all production environments.

The company's waste and water reduction management program is based on:

- Development and implementation of a leading quality management system
- Site-specific activities designed to avoid waste being created or water being consumed in the first place
- Minimising waste to landfill by correct segregation and disposal of remaining waste
- Identifying new uses for materials that would otherwise have been disposed.

The company's actions make an important contribution to the UN SDG 12 on Sustainable Consumption and Production.

Due to the specificity of each order, product and packaging reclaim is challenging. However, Mölnlycke is monitoring the overall resource efficiency gains related to reclaims and continuously works to improve it. Based on monetary value, in 2022 less than 0.1% of products have been reclaimed.

Throughout 2022 Mölnlycke offered training on waste and water management to all employees working with the supply chain at sites where the activities involve waste and wastewater management. The training covered risk management related to waste or wastewater generation, handling and disposal, the use of personal protective equipment (PPE), housekeeping, waste hierarchy, waste reporting and legislation. The training will be repeated each year and is part of the induction training program for all new employees.

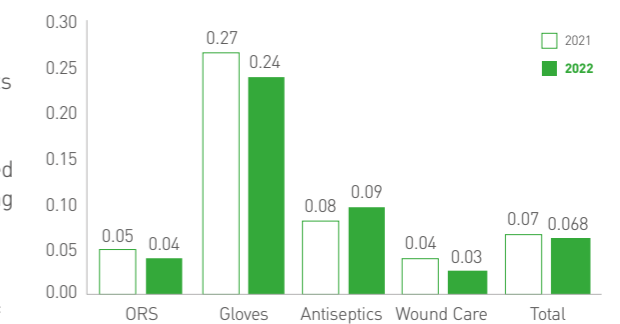
As the largest waste-related impacts occur downstream of the company's operations, the company carried our research in 2022 to find out where Mölnlycke products end up upon disposal in different countries, their potential impacts and how to make them ready for a circular economy in the near future.

The company also increased educational projects aimed at preventing littering for customers and local communities in the countries where Mölnlycke operates.

Waste

In 2022, the company generated a total of 14,257 tonnes of waste at its sites, an increase of 2% compared to 2021. This was due to higher production volumes and challenges with shipments of raw material that did not meet the company's high quality standards.

Share of reclaimed products by product category (%)



However, waste intensity of production decreased slightly, from 0.241 kg/kg in 2021 to 0.239 kg/kg in 2022, driven mainly by significant waste improvement activities in the Gloves business.

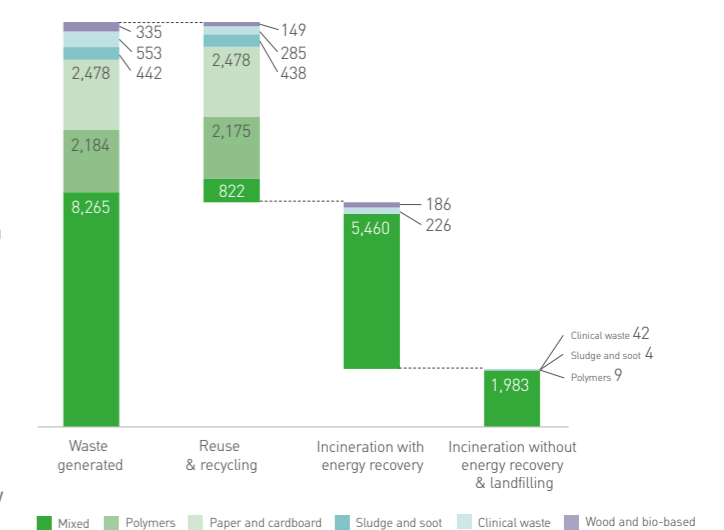
Throughout the year the company launched new initiatives to promote circularity, including reusing process material and recycle raw material back into the process in multiple facilities. Mölnlycke sites are also collaborating to design out waste by changing the specification of machinery and raw materials to increase yield of product, preventing excess waste.

Of all generated waste, 12,756 tonnes (89%) was classified as non-hazardous and 1,501 tonnes (11%) as hazardous waste. The waste composition was similar to 2021.

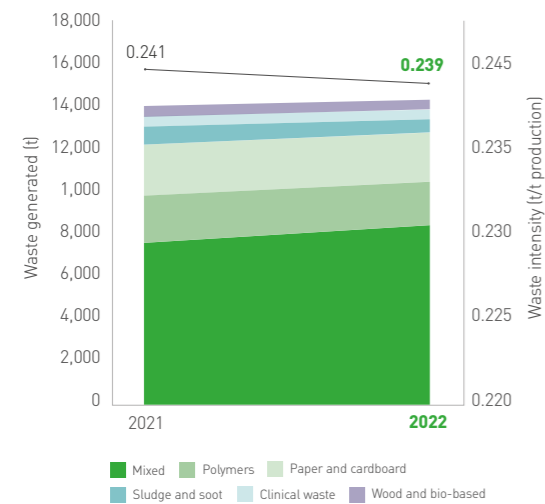
Non-hazardous general waste accounted for the majority of production-related waste with 8,212 tonnes (58%), followed by paper and cardboard waste (2,478 tonnes, 17%) and polymers such as plastics and latex (2,184 tonnes, 15%).

During 2022, most hazardous waste was diverted from disposal by recycling (1,447 tonnes or 96% of total generated hazardous waste). The remaining hazardous waste (54 tonnes) was directed to disposal, with 25 tonnes being incinerated, 27 tonnes incinerated with energy recovery, and 2 tonnes sent to landfill.

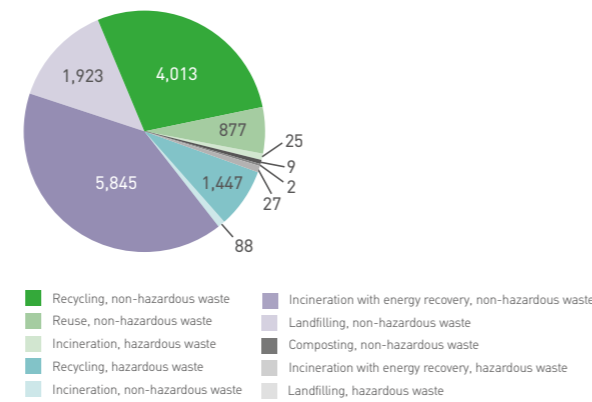
Waste generated, diverted and disposed by composition (t)



Waste generation (t) and waste intensity (t/t production)



Waste generated by treatment category (t)



Over 38% (4,899 tonnes) of the generated non-hazardous waste was also diverted from disposal with 4,013 sent to recycling, 877 to reuse, and 9 to composting. Total 7,856 tonnes of non-hazardous waste were directed to disposal, accounting for 62% of total non-hazardous generated waste, of which, 5,845 tonnes

were sent to incineration with energy recovery, 88 tonnes to incineration, and 1,923 tonnes to landfill.

All generated waste, hazardous and non-hazardous, is sent for treatment off-site by certified third parties.

Water

Mölnlycke is committed to responsible water use at all production sites and offices and recognises that a sustainable supply of water is essential to its business.

The company relies on water for activities including raw material production, product manufacturing such as foam production, cleaning, cooling and sanitation. While not a high-intensity consumer of water resources, Mölnlycke recognises there is potential for its locations to have an impact on local water bodies during extraction and discharge. Therefore, the company operates on a precautionary principle.

Mölnlycke continuously evaluates the risks and water-related impact of its activities. The company strives to reduce the impacts to a minimum, by:

- Implementing good maintenance practices of machineries and secondary containment measures at all factories
- Containing spills of raw materials through preventive maintenance
- Good operation procedures
- Training employees and suppliers involved in raw material management.

The company's broad reach across geographies is one of Mölnlycke's core strengths. However, not all the areas where the company operates have the same long-term security and availability of fresh water. While this is not a current issue at any of the sites, Mölnlycke recognises that increased water stress over time has the potential to impact its business and communities.

These considerations are especially important in areas with vulnerable communities. Therefore, Mölnlycke looks beyond traditional water efficiency and regulatory compliance. During 2022 the company started to assess water risks and social impacts related to water sources and security of supply at selected sites, such as the newly opened surgical gloves plant in Kulim, Malaysia. For each production site located in areas of concern, Mölnlycke will develop water action plans, tailored to the local context, including how to improve water conservation and water reuse. For example, Business Area Gloves has set the ambition of achieving a closed-loop process for water systems at all its sites and to continuously decrease water consumption.

Finally, all operation teams consistently share best practices for optimised water use during routine and non-routine tasks and educate and engage employees on water conservation.

Water intake

The company's total water intake increased by 3%, from 2,180,000 m³ in 2021 to 2,243,300 m³ in 2022, due to the post-pandemic increase in production volumes. The majority of this, 2,138,100 m³ in total, is from third party sources, primarily municipal water supplies. Mölnlycke is working to gather data on the sources of third-party water supplies during 2023. Of the total water intake, 27,800 m³ is in water-stress areas¹³, and entirely supplied by third parties.

Water consumption

Overall, Mölnlycke's water consumption¹⁴ is moderate (estimated 826 m³) and related to the manufacture of foams for wound dressings in Wiscasset, US, which is not located in a water-stressed area. No other water consumption is measured¹⁵.

Water discharge

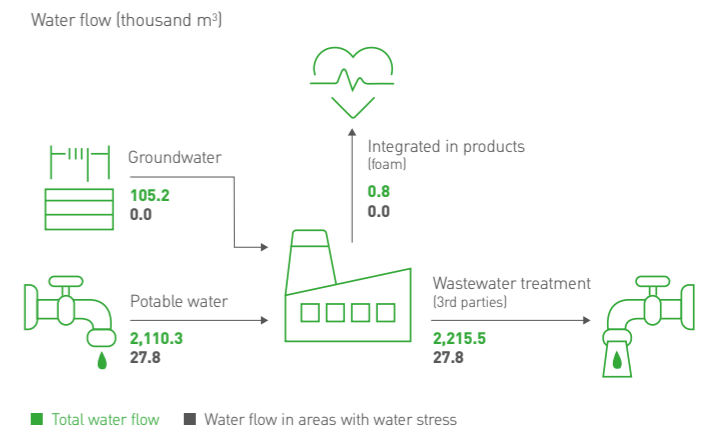
After use, all sites discharge their water into municipal sewage systems. The total water discharge in 2022 was 2,242,500 m³, a 3% increase from 2021, due to increased production. Of the total amount, 27.8 m³ (ca. 1%) has been discharged in water stress areas.

The water discharge at the majority of Mölnlycke's sites has a limited environmental impact. In the US and Malaysia, the water is treated to meet all regulatory standards, before being discharged into the municipal sewer. All water discharge is highly controlled by local permits and supervised by authorities. Local authorities require regular testing to comply with all regulations.

The minimum standard effluent discharge quality is set by each country and applies across all industries. No additional internal standards are developed or applied by the company. However, the company does work closely with local environmental authorities and takes the receiving waterbody into consideration when developing and applying the requirements in its permits. To the best of Mölnlycke's knowledge, no priority substances of concern enter natural systems as a result of its water discharge.

All sites have a systematic approach, as a part of the environmental management system certified to ISO 14001, to identify document and evaluate risks related to water consumption and discharge. Actions are identified, evaluated and taken where needed to prevent negative water impact. The company follows up on these actions on a regular basis in environmental aspects, annual reviews and external and internal audits. Risks related to new equipment and processes are assessed from an environmental perspective at all sites before being introduced.

The overall conclusion is that the impact from both water intake and discharge from a social, environmental and financial perspective is limited.



Case Study

Turning waste into useful materials

Mölnlycke is increasing its efforts to become a zero-waste company, taking the circular economy view that waste is a resource for recycling, reusing or harmlessly returning to the biosphere.

During 2022, thanks to a partnership with a local waste recycling company, Mölnlycke's two Czech factories have moved away from landfilled waste to reusing or recycling the different streams after proper segregation.

Cardboard and paper are now recycled into new fibres in local paper mills, plastic waste and foils are processed into re-granulates, which are then used to produce new foils for plastic bags. Wood packaging is crushed into wood chips and turned into certified fuel for energy use in sugar factories.

These activities resulted in more than 95% of all the waste produced at both sites being reused or recycled in 2022.

By providing local businesses with access to high-quality and convenient materials as an alternative to virgin raw materials, Mölnlycke and its partners are promoting a circular economy based on reuse and recycling.



Mölnlycke's employees in Thailand have set up waste recycling stations across office and production areas, resulting in an increase of recycled waste by 16% at both sites just over one year.

13. An area is considered a 'water stress area' when the ratio between withdrawal and supply is >40% based on the data from World Resources Institute (WRI)
 14. Water consumption is defined as water used such that it is no longer available for use by the ecosystem or a local community. Examples are water ending up in products or evaporated water
 15. See note 1 and 2 at the end of the report

Sustainable portfolios

As part of Mölnlycke's drive for transformational change, the company focuses on addressing and minimising the potential environmental impacts of its products and activities and ensuring that they are at the forefront of environmental sustainability performance. The company's portfolio approach promotes the use of safer and more sustainable products in all stages of the value chain.

Mölnlycke's responsibility stretches to the whole life cycle, from sourcing, transportation, manufacturing through to customer use and end of life. The company assesses the sustainability performance of all products and builds sustainability thinking into its innovation process through sustainable design insights and eco-design tools.

The assessment work is based on ISO standards 14040/44, the internationally established and recognised frameworks that specify requirements and provide guidelines for Life Cycle Assessment. In 2022, the company carried out full Life Cycle Assessments for products including Biogel® surgical natural latex gloves, Biogel PI gloves and Mayo Stand Cover, accounting for 9.5% of the portfolio in terms of net sales.

The company also takes action to manage harmful substances in advance of legislation, futureproofing Mölnlycke's products against changes in regulations and always safeguarding patients' safety. Customers and end users have accessible and adequate information about the positive and negative environmental and social impacts of Mölnlycke's products and services and how to dispose the products at their end of life. In 2022, no non-compliance with regulations and/or voluntary codes was identified. During 2022, the company piloted a holistic approach, carrying out a full analysis of all sustainability and product safety risks and opportunities for selected product portfolios in its Operating Room Solutions Business Area.

Information from the pilot is being used to support product portfolio planning through the company's marketing and innovation teams. It is also helping the company to engage with customers on sustainability and product safety. By considering a holistic view of the product portfolio from a sustainability perspective, Mölnlycke will continue to influence the growing acceptance of more sustainable solutions in its markets.

Mölnlycke has adapted the standardised categorisation methodology from the portfolio framework tool developed by World Business Council for Sustainable Development (WBCSD)¹⁶ as fit for purpose for a MedTech company.

The Sustainable Product Portfolio Assessment (SPPA) pilot

In the pilot, selected ORS portfolios were segmented into three categories to reflect their sustainability risks and opportunities:

'Sustainable solutions' – solutions that deliver clear sustainability benefits for Mölnlycke's customers.

Solutions are assessed across their lifecycle and benchmarked against current market mainstream applications, making it a moving target. These solutions match the standard offerings in all respects and either exceed or are comparable to them in at least one of the following sustainability parameters: *GHG emissions and energy efficiency; use of natural resources; waste; packaging; inclusiveness; health and wellbeing*, without adverse effects throughout the value chain.

'Performers': these are solutions which meet the needs of Mölnlycke's customers and patients and have no immediate positive or negative impact in terms of sustainability.

'Transitioners': these are solutions which have known sustainability risks, including substances that have been highlighted as being of concern by some stakeholders such as governments, NGOs, customers and public groups.

Mölnlycke's hazardous substance program takes a systematic approach to the identification, expert review and management of all hazardous substances used in its products. Only when safe use of a hazardous substance can be demonstrated it can remain in use. The process includes reduction, restriction and phase-out when they can be substituted with safer and sustainable alternatives.

The results from the pilot showed the majority of the ORS products within the scope falling into the 'Performers' category, followed by a few in 'Sustainable solutions' and none in 'Transitioners'.

The results of the pilot are now under evaluation. Findings from the pilot will help Mölnlycke to fine-tune its sustainable product portfolio framework, before being introduced in other Business Areas during 2023. By further integrating eco-design principles in product development processes, the company is driving continuous sustainability improvement in the overall portfolio as products are updated or replaced. 'Sustainable solutions' are a fundamental driver of Mölnlycke's sustainability agenda of decoupling its growth from resource constraints and for creating more value for its customers.

During 2023, the company will set a long-term target for the 'Sustainable Products' category in support of sustainable portfolio steering.



By doing a Sustainable Product Portfolio Assessment we will get a thorough understanding of our portfolio from a sustainability point of view. It will help us guide our customers to make more sustainable choices as well as improve insights internally on how to further develop our portfolio to become even more sustainable and resilient in the future. We are already taking many initiatives in this direction and have offers, such as ISCC drapes, which will help us take a strong lead in this area.

Andreas Hellman,
Global Marketing Director Operating Room Solutions

Sustainability through optimal patient outcomes

Mölnlycke's 'Sustainable solutions' are products that offer significant¹⁷ sustainability benefits over mainstream¹⁸ alternatives in the market, while providing the same or better functionality. The sustainability benefits of Mölnlycke's 'Sustainable solutions' can include one or more of the following:

- Lower GHG emissions and improved energy efficiency
- More efficient use of natural resources
- Lower waste
- Less packaging
- Improved inclusiveness
- Improved health and wellbeing.

Mölnlycke also assess that a given 'Sustainable solution' does not have adverse effects on any other criteria¹⁸.

During the past two years, Mölnlycke has introduced product innovations which are focused on ISCC certified biobased materials and other renewable materials or components. Examples include Mölnlycke's range of drapes, ProcedurePak solutions and natural latex gloves.



Mölnlycke ProcedurePak trays offer everything the customer need for a procedure in a single, sterile pack.

While this solution clearly contributes to reduce the risk of contamination¹⁹, with fewer pieces to unpack, it also contributes to improve efficiency in hospitals by reducing the theatre set up time by up to 40%²⁰ and so freeing up staff to support elsewhere. It can also reduce waste, helping hospitals to reach their sustainability targets²¹ and bring efficiency to purchasing teams, with up to 54% less time spent on invoicing²⁰. By reducing the time taken to procure equipment and prepare for operations Mölnlycke's ProcedurePak tray solutions support hospitals to better manage time, resources and surgical backlog.

In 2022, Mölnlycke has further improved the sustainability profile of its trays by introducing a series of components, such as PVC free diathermia pencil, PVC free hand activated L hook and the MIS organiser made of FSC certified virgin pulp to the market.

The Mölnlycke ProcedurePak tray value calculator allows the customer to investigate potential savings in time and reductions in packaging waste depending on how the ProcedurePak trays and components are being configured to make data-driven decisions. This digital innovative solution enables healthcare partitioners to conduct surgeries more efficiently.



The number of procedures was increased by 18%, and 1,060 hours have been saved throughout the entire workflow, leading to savings of EUR 51,000 compared to using a non-customised tray solution.

Hartmut Freckmann, OR Head Nurse, Herz-Jesu-Krankenhaus Münster-Hiltrup, Germany, on ProcedurePak.

16. The portfolio framework description can be found on: <https://www.wbcd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>

17. A sustainability benefit underlying a 'Sustainable solution' is considered significant when a particular benefit demonstrates at least a 10% lower impact on the specific criteria.

For example, Mölnlycke will consider a solution to be 'Sustainable' if it allows customers to achieve an improvement in one of the defined criteria by at least 10% while obtaining the same functionality as alternative

18. The portfolio framework description can be found on: <https://www.wbcd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>

19. Aseptic technique and packaging: A study of potential contamination pathways during the use of sterile packaging in an operating room context, 2016

20. Greiling. A multinational case study to evaluate and quantify time-saving by using custom procedure trays for operation room efficiency, 2010

21. Assessing the carbon and waste benefits of moving to Procedure Packs at Royal Liverpool and Broadgreen University Hospitals, NHS Trust, 2011



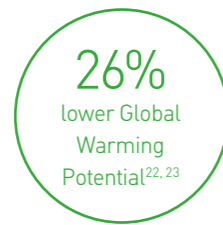
Mölnlycke has a clear focus to continue to develop a strong and sustainable Biogel business to support its customers with highest quality gloves, even in the most volatile times.

Manufacturing gloves is energy- and water-intensive. Therefore, Mölnlycke has developed a robust roadmap to decarbonise the Gloves business as part of the company's journey to net zero by 2050 at the latest.

In 2022 a full Life Cycle Assessment for the Biogel surgical glove range was performed, which helped identify further improvement opportunities.

As natural rubber latex comes from biogenic sources, Biogel natural rubber latex gloves have been found to have 26% lower Global Warming Potential than Biogel polyisoprene gloves^{22, 23}. Approximately half of the Global Warming Potential for Mölnlycke's surgical glove range comes from its own manufacturing. As this part of the value chain is under Mölnlycke's direct control, decarbonisation improvement work has already started, including moving to 100% renewable electricity use in all operating gloves factories in 2022.

Mölnlycke only sources natural rubber or synthetic latex from ISO 14001 certified suppliers.



Also in 2022, Mölnlycke continued to offer innovative sustainable drape solutions. These solutions will support its customers in reaching their GHG reduction goals by systematically providing a more resource-efficient choice of materials, processing, manufacturing and distribution solutions across the entire value chain.

In 2022, Mölnlycke launched the new ISCC-certified BARRIER Universal Mayo Stand Cover. This product is telescopic folded and weighs 20% less than previous stand covers without compromising on its functionality. It provides a 15% reduction of CO₂eq. compared to the mainstream solution^{24, 25}.

22. Data on file. Mölnlycke Health Care 2022
 23. Ramboll, 2022. Life Cycle Assessment of Surgical Gloves. Third-party review: Miljögraff AB, 2022
 24. Comparative screening on fossil- and biobased in combination downgauging PE-tube materials for production BARRIER® Reinforced Mayo Stand Cover Ramboll (Mölnlycke Health Care. Data on file) PD-711157
 25. Cradle to gate Life Cycle Assessment on existing reinforced Mayo stand cover (Ref.996109) and new Mayo stand cover (Ref. 996113) version. The results have not been reviewed by a third party and are assessed with a screening level attributional LCA approach

Packaging

Packaging has an important role to play by extending the lifespan of Mölnlycke's solutions and protecting them from external factors such as damage during transport and handling, or deterioration caused by contamination. This reduces the need for additional raw materials and resources in products and helps to minimise waste for customers.

However, packaging also presents some challenges. It uses valuable resources in manufacturing and generates waste when not recycled – an increasing focus of governments and regulators around the world.

When addressing these challenges, the medical device sector must work within a very strict clinical and regulatory framework, in which product safety and clinical performance cannot be compromised. The industry as a whole faces a challenge to develop recyclable and renewable plastic primary packaging suitable for sterilisation and to develop downstream collection and recycling infrastructure.

Mölnlycke continuously works together with suppliers, customers, recyclers and other partners to improve its packaging solutions and to reduce their environmental footprint.

As part of Mölnlycke's resource efficiency journey, the company has set a target that more than 95% of packaging will be recyclable and more than 80% of all packaging made of post-consumer recycled (PCR) and/or renewable material by 2030. These targets are based on total packaging weights and 2022 product scope²⁶.

In 2022, 91% of the packaging material was recyclable and 72% contained recycled material.

Finally, the company is conducting activities aimed at preventing littering in society at large, including educational and cleaning projects for local communities in the countries in which it operate.

Primary packaging

Primary packaging is an integral part of Mölnlycke's solutions. The majority of the company's primary packaging is made of mixed plastic or composite materials. This presents recyclability challenges considering currently available end of life infrastructures.

Mölnlycke is developing solutions to these issues. In the Antiseptics product assortment, all bottles and ampules are made of 100% recyclable mono-material plastic. The company will continue to work with suppliers, recyclers and other partners to increase recyclability for plastic primary packaging in other business areas, as well as optimising their weight and recycled content.

Secondary and tertiary packaging

The company's main focus has been to improve secondary and tertiary packaging. Reducing packaging material, size and weights has been a natural part of various packaging improvement projects across all Business Areas and this will continue where possible without compromising on the functionality of the packaging.

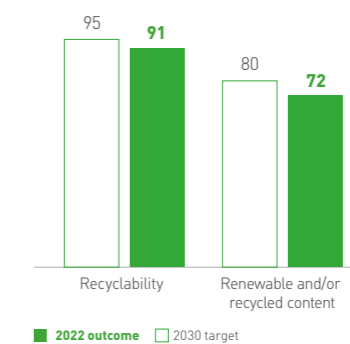
The majority of Mölnlycke's secondary and tertiary packaging solutions are recyclable and contain renewable or recycled

material. The packaging baseline created in 2022²⁵ shows that 100% of Mölnlycke's secondary and tertiary packaging already is recyclable.

Many of Mölnlycke's products also have packaging material from Forest Stewardship Council (FSC) certified sources. For example, since the beginning of 2022, all Wound Care products manufactured at the Mikkeli factory have secondary and tertiary packaging from FSC certified sources.

By 2030, the company aims to increase the recycled content in its secondary and tertiary packaging by extending the use of renewable materials and FSC certified materials in all product assortments.

Share of recyclable packaging and packaging manufactured from renewable and/or recycled materials (%)²⁵



Mölnlycke Malaysian team together with a local volunteer group cleaning the beach in Tanjung Bungah and its surroundings.

26. Scope covering products mainly produced by Mölnlycke, most contract manufactured and distributed products excluded from the initial scope. Scope to be increased during 2023



Responsible relationships

Mölnlycke recognises its people are critical to the success of the company. A healthy, safe and engaged workforce which embraces diversity and inclusion contributes to sustainable growth and society, and is central to the company's vision to become a leader in sustainable healthcare.

To create a positive impact on society, Mölnlycke is building mutually beneficial relationships with employees, suppliers, customers and the people in the communities in which it operates.



Targets

- Safety long-term target: zero injuries and harm
- <0.5 Lost Time Injury (LTI) rate by 2030
- Gender parity at Director level and above by 2025
- >5 nationalities in the Executive Leadership Team by 2025
- >80% in Engagement Index Score²⁷ by 2025
- >10,000 lives improved with Mölnlycke's global CSR program by 2025

2022 achievements

- 2.1 LTI rate; 4 sites reported LTI-free for more than one year
- 44% gender distribution at Director level and above
- 5 nationalities in the Executive Leadership Team
- 80% Engagement Index Score²⁷
- Cleftcare center of excellence starts construction in Cebu (Philippines) with capacity for 10,000 surgeries in three years
- 100% new direct material suppliers screened on ESG criteria

Relevant policies and position statements

- Sustainability policy
- Occupational Health and Safety position statement
- Procurement policy and Supplier standard including Code of Conduct
- Global travel and meeting policy
- Community support policy

27. Measured according to Qualtrics survey

Employees

Mölnlycke recognises that looking after its people is an integral part of being sustainable. Focusing on engagement and fostering an inclusive environment are key when it comes to creating shared value.

Diversity, equity and inclusion

Mölnlycke promotes diversity, equity and inclusion to achieve its strategic ambitions and advance performance in healthcare. Mölnlycke is a diverse, multicultural organisation, rich with employees having diverse characteristics, experiences, backgrounds and mindsets. This enables the company to understand and anticipate the changes needed, to solve complex problems faster and to better understand its customers and patients.

By embedding and fostering diversity, equity and inclusion in the way the company does business, Mölnlycke is a stronger partner to healthcare professionals and suppliers around the world and better able to provide patients with inclusive solutions that meet their needs.

Mölnlycke is committed to creating an environment where every employee in every country has a sense of belonging and is self-authentic regardless of their culture, age, gender, religion, language, ethnicity, disability, sexual orientation, education, occupation and socio-economic background. All employees also have the right to equitable compensation, benefits and opportunities for development and advancement.

In the US, Mölnlycke has business resource groups that provide professional growth and leadership development, such as the Professional Women Alliance, African American Resource Group, Veterans, and Be You.

Actions taken by Mölnlycke during 2022 to strengthen diversity, equity and inclusion included:

- Identifying and eliminating unconscious bias in the company's people processes
- Increasing employee engagement with rigorous action planning and specific emphasis on improving well-being of employees
- Strengthening leadership diversity through inclusion of gender balance review in Mölnlycke's annual talent reviews.

Mölnlycke strongly believes that its management teams should increasingly reflect the diversity of the company's overall workforce. On 31 December 2022, there were five different nationalities and five female members out of nine represented in the Executive Leadership Team. Progress on gender distribution across different grades and gender balance will remain a focus area going forward. Moreover, Mölnlycke will broaden its focus to include additional types of diversity as well as equity and inclusion. The company's diversity and inclusion business resource groups and networks will also be expanded.

Mölnlycke diversity key performance indicators are communicated to the Executive Leadership Team monthly and to the Board annually. Employees are kept informed and engaged through continuous internal communication.

At the end of 2022, Mölnlycke had a total of 8,555 employees (headcount), including full-time and part-time, amounting to 8,502 full time equivalent (FTE). The total FTE is composed of:

- 5,342 (63%) female; 3,160 (37%) male
- 8,383 (99%) full-time; 119 (1%) part-time
- 8,106 (95%) permanent; 396 (5%) temporary.

Overall, there was no significant change in these breakdowns between regions and between Business Areas since 2021 (increase or decrease >2%).

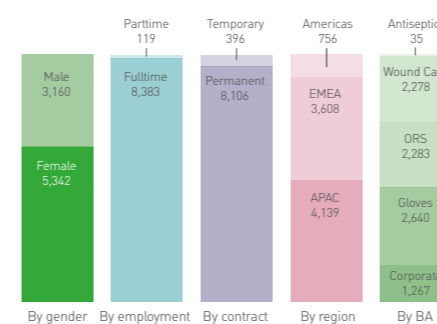
The proportion of female employees in the temporary workforce fell from 71% to 63% in 2022.

There was no significant change in the breakdown of permanent employees between full-time and part-time, or in the breakdown by gender and region since 2021 (> 2%).

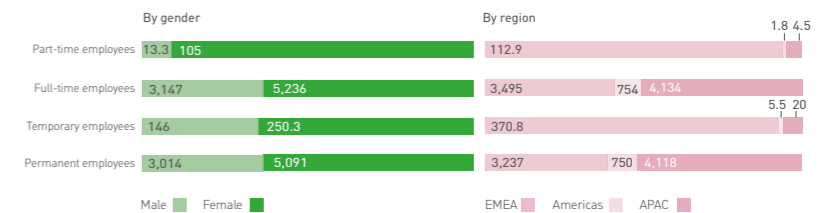
Female representation at Director level and above increased from 38% in 2021 to 44% in 2022. Breaking down this category by age, the share of age 30-50 decreased from 63% to 58%, with the share of age over 50 increasing by the same amount. For all other employee categories, no significant changes (> 2%) are noticed compared to last year.

In 2022, Mölnlycke had 273 additional FTE, both white and blue collars consultants, in employee equivalent positions.

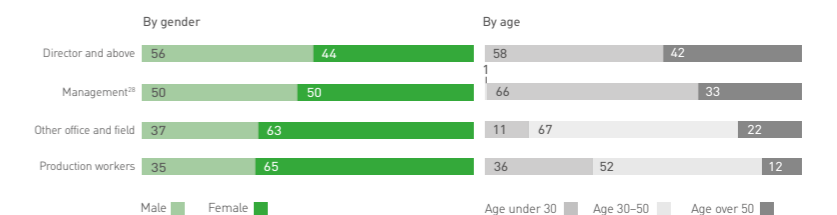
Employees distribution by categories (FTE)



Employment per type (FTE)



Diversity by employment category (% FTE)



28. Management level includes both people leaders and individual contributors



Case Study

Making sure everyone is heard

Mölnlycke goes beyond offering employment conditions compliant with local labour laws and employment regulations in the countries in which it operates and focuses on creating a positive impact on all employees' wellbeing. For example, Mölnlycke Malaysia offers 120 days maternity leave, far more than the standard 98 days required by law in that country. The company also offers greater rights to short-term incentives while on maternity leave.

The Gloves Business Area in Malaysia is at the forefront of promoting a culture of responsiveness and catering for the diverse needs of employees representing various religions, genders and age groups. For more than a year, informal meetings to listen to employees' needs and wishes have been taken place between operators at all four Malaysian factories and the Gloves Operations and Sourcing Leadership team. As a result, a lactation room for nursing mothers with all the necessary equipment has been set up. This is very appreciated as women constitute 65% of total Malaysian workforce. The new factory in Kulim Hi-Tech Park also boasts a gym and a futsal (indoor football) hall with the potential to organise tournaments.

The company has also launched an employee assistance program, run by a third party, to support employees in dealing with issues like stress management, anxiety, legal and financial questions, relationship difficulties and family issues.

As a result, the Business Area Gloves employees achieved an engagement score of 90% in the 2022 annual culture survey, already exceeding the company target of >80% by 2025.

Employee engagement

Mölnlycke is passionate about its people, and is committed to continuously listening to their feedback and to work actively to enhance the employee experience year after year.

The annual culture survey is an important tool through which the company collects the thoughts and feelings of its employees around the world. It provides a status check on where the organisation is and an indication to people leaders of areas where they need to improve. The survey includes questions on areas such as: engagement, enablement, autonomy, leadership, future, organisational values and rewards.

In 2022, Mölnlycke achieved a global response rate of 87% and an overall engagement score of 80%, an increase of three percentage points compared to 2021. This is in the upper quartile of results across industry as measured by the company's global engagement survey partner Qualtrics. Mölnlycke was above the global norm in every engagement category – workplace satisfaction and advocacy, commitment to stay, as well as feeling proud working for the company.

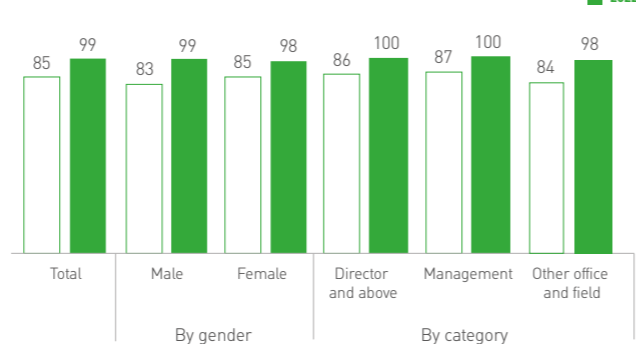
One of the areas for improvement identified in the 2021 culture survey was wellbeing. During 2022 all employees had active conversations with their managers on how to achieve a better quality of life, covering work life balance, emotional, social, physical and financial topics. A new wellbeing toolbox has been added on the company intranet offering a wide variety of wellbeing content with the aim to inspire, guide and support Mölnlycke's leaders and employees in their wellbeing journey. Wellbeing webinars have reached 450 people leaders and 680 employees.



Building a bench of leaders of tomorrow

Mölnlycke aims to build a bench of leaders that will fuel growth, and this requires diligent assessment and planning. The company runs an annual structured process to assess talents and ensure that succession plans are realistic and diverse. This includes talent reviews at local, regional, Business Area and Corporate Functions level to make sure that all perspectives are covered, and the process is fair.

Share of white collars who received performance and career reviews per employee category (%)



In 2022, the company completed succession planning for all roles at manager level and above. Following talent assessments and succession planning, solid actions are in place to prepare leaders for their next roles.

Employee development

Mölnlycke recognises the importance of having the right developmental opportunities available to employees and responding to their changing needs and expectations.

Every year, all employees are encouraged to create a robust career and development plan with their leaders. Together they discuss professional goals and aspirations, strengths and areas for development and identify concrete actions that can help address these needs, following the 70% experience, 20% exposure, 10% education approach.

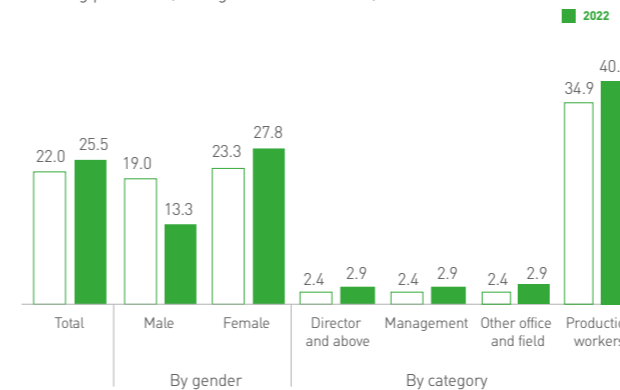
The company also carries out talent reviews to identify employees for further development and ensure the potential of key talents in the organisation is unlocked. During 2022, leadership programs with a customised content based on employee level and career stage covering topics such as developing personal leadership, incremental innovation leveraging the team, managing and leading change have been implemented. In 2022, 107 leaders have graduated from these programs. In 2022 Mölnlycke refreshed its mentoring program to turn it into a global practice. This ensures that employees, regardless of their location, can have a similar experience and learn from a mentor from any business area or function, and in different locations.

Employees can launch 360-degree feedback surveys through the company's people system to collect feedback from different stakeholders. This helps them to reflect on how other stakeholders see them, build on their strengths and focus on development areas.

There are also plenty of opportunities for employees to get more experience, such as project assignments, enlarging roles or responsibilities, changing roles, and exposure to leadership.

In 2022, Mölnlycke filled 60% of positions at manager level and above and 68% of positions at Director level with internal talents.

Training per FTE²⁹ (average number of hours)



Capability building

After many changes and challenges in recent years, including the pandemic and internal reorganisation, in 2022 the company needed to review the key capabilities required to achieve its strategy and vision.

Each Business Area and Corporate Function took part in focus groups, interviews and conversations to create a capability model and a comprehensive list of capabilities that are unique and critical for success. Assessing current proficiency against the desired level is crucial to identify gaps and then deliver relevant learning opportunities to address them. This will be a major focus for 2023 across all Business Areas and Corporate Functions.

Occupational health and safety

Mölnlycke's culture of caring for colleagues starts with safety. The company's ambition is to achieve zero injuries and harm by setting high standards in occupational health and safety (OHS) performance and capability.

To strengthen its safety culture, the company invests in visible safety leadership programs, global employee training programs and engagement initiatives, as well as its integrated Environment, Health and Safety (EHS) management system.

The EHS system drives continual improvement through:

- Global safety standards
- Root cause analysis of all lost time incidents, high potential incidents and near misses
- Regular safety training
- Annual site improvement plans
- Internal and external audits.

Mölnlycke makes compliance assurance a key EHS priority as it ensures the company's license to operate and business continuity in a fast-changing regulatory environment. The company also incorporates learning across the organisation through monthly dedicated global EHS team meetings and best practice sharing.

Mölnlycke's EHS management system is certified to ISO 45001 standard and is regularly audited by an accredited body to ensure continued compliance. In 2022 the company's two manufacturing sites in the US were included in this global certification for the first time. In 2023, the company aims to certify its production site in Denmark, which will result in Mölnlycke having 100% ISO 45001 certified coverage.

Assessing and minimising risks and hazards

Mölnlycke implements tools and processes to improve hazard recognition such as risk assessments for machinery, chemicals, organisational and social change management, as well as non-routine work, resulting in risk and hazard mitigation actions. When reducing hazards, a hierarchy of controls is applied. The main hazards that pose a risk of work-related injuries or ill health are machinery guarding and manual handling. To manage these key hazards, each site has specific local procedures, covering maintenance and inspection plans, machine guarding, and electrical safety and lifting. All employees and contractors exposed to potential risks must be trained on the site-specific procedures. Refresher training is provided.

Safety principles
The purpose of Mölnlycke's safety principles is to ensure a safe work environment and safe behaviour among its employees, contractors, and visitors. The eight principles are supported by the Golden Principle that all Mölnlycke's employees are empowered to stop in order to immediately address and report any unsafe conditions or behaviours.

- Stop**: Never allow unsafe conditions or behaviour to continue.
- Be aware**: Pay attention to your surroundings, do not rush, stop if you are distracted or in an unsafe condition.
- Communicate**: Highlight unsafe conditions, acts or behaviours. Inform others about hazards and listen to warnings.
- Ready to work**: Ensure you have the capability, permits, training and have reviewed the risk assessments for the task. Do not work under the influence of drugs or alcohol.
- Drive safely**: Follow all rules and be careful, whether it's in your own car, a forklift or with a manual truck.
- Clean for safety**: Maintain good housekeeping to eliminate hazards.
- Handle carefully**: Correct posture protects your health while manual handling. Follow Pristine principles.
- Respect machines**: Check guarding and isolation, review risk assessments, then operate within procedures. Never override safety controls.
- Protect yourself**: Wear the proper personal protective equipment (PPE) correctly at all times and ensure it is in good working order.

Continuous identification of risks and hazards in machinery guarding and manual handling is part of incident investigations or safety walks. Through risk assessments and lessons learnt, during 2022 Mölnlycke developed and implemented a set of eight global safety principles on how to conduct all manufacturing and non-manufacturing, routine and non-routine work activities. The principles aim to reinforce safe behaviour, so that safety remains everyone's priority even when there isn't a specific work instruction to follow. The principles were launched during Q3 at all manufacturing sites with training and posters in multiple languages. To increase awareness and strengthen Mölnlycke's safety culture, employees proactively report on leading parameters such as near misses and hazards.

Building OHS excellence

Improving safety performance is based on having robust processes in place and being consistent in applying and improving these processes at all locations. During 2022, Mölnlycke developed a four year OHS excellence program which will run through to 2026. The core elements of this program are:

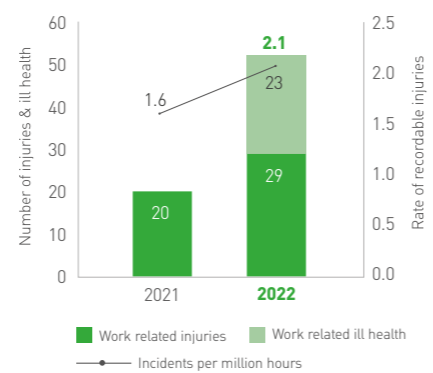
- People safety
- Process safety
- Health and wellbeing
- People and physical security.

Some of the key initiatives planned for 2023 are to increase safe behaviours, embed the safety principles, focus on the specialised manual handling program, hold a global safety day and review and update the company's global people and physical security policies.

Mölnlycke encourages and empowers all employees to contribute to a positive OHS culture. Health and safety committees, including managers, employees with safety responsibilities, work councils and employee representatives, are established at all manufacturing sites and headquarters. These enable inclusive consultation and participation on topics such as OHS systems, evaluation and improvement.

Mölnlycke's OHS performance, expressed as Lost Time Injury (LTI) rate³⁰ for employees, is continually tracked and reported on a monthly basis, with thorough checks to ensure data quality.

Work related injuries and ill health (number and rate)



Incidents of work related ill health have been measured starting from 2022.

The company increased the scope of its reporting to track and analyse incidents of work-related ill health³¹, and will set targets to improve performance from 2023. Mölnlycke is now reporting KPIs for both work related injuries and ill health, for the first time within this annual report. All incidents are reported to local authorities in accordance with national legislation.

In 2022, there were zero fatalities as a result of work related injury or ill health, either among Mölnlycke employees or contractors.

The LTI frequency rate was 2.1 ppm, with a total of 29 incidents. This was higher than the company's target of 1.3 ppm and an increase from 1.6 ppm in 2021. This performance was largely the result of production returning to pre-pandemic levels. The most common causes of reportable injuries remain related to machinery and equipment (30%) and manual handling (29%), resulting in pinched fingers, bruises and sprains. All of the incidents were investigated, and preventive measures taken to reduce the risks in future operations.

29% of Mölnlycke's manufacturing locations have been reported injury free for more than a year. Through focused implementation of its OHS excellence program, the company will remain on track to reach its ambitious 2030 LTI target of 0.5 ppm.

Despite the the COVID-19 related disruption of 2020/2021, in 2022 Mölnlycke achieved its objective of implementing its

specialised global manual handling training program at all manufacturing sites.

The company exceeded its target for completing safety walks by site managers, which are designed to prevent incidents and foster a positive safety culture. Completed walks reached 97% compared to 91% in 2021.

Since 2020, reported observations of unsafe acts and conditions have increased by 12%. Mölnlycke sees this trend as a positive indicator of an improving safety culture.

All sites have occupational health and wellbeing programs, including support from external health companies. Services include private healthcare, physical exams and psychological services. Voluntary programs, such as healthy living workshops and challenges and assistance with substance abuse, are also offered at all locations. These services are quality assured by the local sites.

Case Study

Safety first and on everyone's mind
Mölnlycke encourages and empowers all its employees to contribute to a positive OHS culture.

This year Mölnlycke colleagues at the Mikkeli manufacturing site established a 'safety pledge' board, displayed in the main entrance area (see picture). All employees contributed to the safety pledge and publicly committed to achieve the objective of zero injuries and harm, by never compromising their individual safety or the safety of their co-workers to get the job done, actively looking for hazards, promptly report them, and take appropriate action to warn others as well as act as safety role models also outside work.

Timo Saahko, General Manager, Manufacturing Finland explained:
'A pledge is a practical and visible way to say this is something I am ready to commit to, whether someone else returns the pledge or not. I am willing and ready to prove that this is important to me. Employees came together in their teams to discuss safety and were encouraged to post individual safety related commitments, with the first pledges given by Mikkeli's leadership team. The board is living, a changing piece of art and a sample of our creativity and commitment. We all are very proud of our safety pledges.'

30. The rate of injuries per number of hours worked calculated on one million working hours

31. Defined in GRI disclosure 403-10 as including acute, recurring, and chronic health problems caused or aggravated by work conditions or practices, such as musculoskeletal disorders, skin and respiratory diseases, diseases caused by physical agents (e.g., noise-induced hearing loss, vibration-caused diseases), and mental illnesses (e.g., anxiety, post-traumatic stress disorder). This disclosure covers, but is not limited to, the diseases included in the ILO List of Occupational Diseases

Customers

Mölnlycke is inspired by the professionalism and dedication of healthcare professionals and the company's priority is to support them to do the best job for their patients. Mölnlycke's commitment is to advance performance in healthcare around the world.

Customer satisfaction

As part of this commitment, the company has started a journey to better understand and meet customer expectations. This means re-evaluating the customer's journey, critical touchpoints and customers' moments of truth. The aim is to deliver a customer experience that delivers new value-based solutions in an effective and efficient way.

A critical element is being able to measure customer satisfaction both quantitatively and qualitatively. Quantitative measurement offers an index of metrics that can be tracked over time to enable corrective action. Qualitative assessment gives a deeper understanding of customer insights that will help the company transform its offering to them and improve internal operations. The company is evaluating different methodologies

and suppliers that will help measure customer satisfaction, customer loyalty as well as identify unmet needs and areas for improvement, with a view to implementing the selected approach before the end of 2023.

Mölnlycke is continuing to improve its customer queries and complaints processes. The Global Customer Care function ensures that investigations into root causes are carried out and that corrective and preventive actions are taken. Independent reviews and customer audits are common practices. The aim is to reduce the number of complaints and to reduce the time needed to resolve them, so the company can improve customer satisfaction.

In 2022, Mölnlycke's ratio of service complaints versus deliveries were 1.85%, exceeding the target of 2.00%. As part of its ambition for continuous improvement, the revised base for 2023 has been established at 1.85%. The company expects to reach this by a continued focus on better processes, training and performance management, with customer centricity in mind.



Case Study

Strong customer satisfaction with Mölnlycke's products and solutions

Listening to customers and understanding their needs is of highest importance for Mölnlycke and customer centricity is one of the company's strategic priorities. Mölnlycke measures customer satisfaction globally on a monthly basis.

The purpose is to understand which factors that drive overall customer satisfaction and loyalty and identify service improvements that will have the most impact on its customers. The overall objective is to maintain a high level of

customer satisfaction, as a win-win for the customers as well as Mölnlycke's business.

During 2022, Mölnlycke has received feedback from over 1,600 customers globally and the results are strong. For example, more than 90% of Mölnlycke's customers consider the company's products to be innovative, focused on patients' needs and improve their quality of life.

Suppliers

Supply chain partners who share Mölnlycke's values is fundamental to support a secure and sustainable supply of products to the company's customers.

Sustainable procurement

As a multinational company and purchaser, Mölnlycke is in a position to influence ethical and social conduct among its suppliers in areas such as human rights, working conditions, gender and race equality, fair competition, the environment and anti-corruption.

Mölnlycke sees its suppliers as true business partners and works closely with them to create value and support continuous improvement and delivery of shared goals. The company is committed to building long-term relationships with its suppliers and leading by example through the Supplier Code of Conduct, which promotes fairness, collaboration, transparency and open communication.

Mölnlycke's Sustainable Procurement Framework also includes governance, strategies, operational aspects, reporting and training.

Supplier Code of Conduct

Mölnlycke asks all suppliers to comply with the company's Supplier Code of Conduct, which is based on the Code of Conduct for Mölnlycke employees. They in turn are asked to apply similar codes among their own partners and suppliers. In 2022, 100% of Mölnlycke's direct material suppliers acknowledged the Supplier Code of Conduct. The company asks suppliers in critical areas such as raw materials and components, as well as high-risk indirect suppliers, to sign Mölnlycke's Supplier Standard, which incorporates the Supplier Code of Conduct, with additional requirements on quality and the environment.

In 2022, all new suppliers were evaluated based on their ability to meet Mölnlycke's requirements as a medical device company as well as their commitment to follow the company's Supplier Code of Conduct.

Supplier support visits

For suppliers located in countries where there is an increased risk of Code of Conduct violations, Mölnlycke carries out specific on-site assessments as part of its supplier selection, strategy and collaboration processes. The list of Code of Conduct risk countries is updated annually.

Suppliers are regularly assessed throughout the company's relationship by either Mölnlycke employees or a third-party expert in the local market. Mölnlycke is willing to work with suppliers if minor issues are identified during assessments and they follow a corrective action plan. However, Mölnlycke does not work with suppliers where major non-conformities to the Code of Conduct are identified.

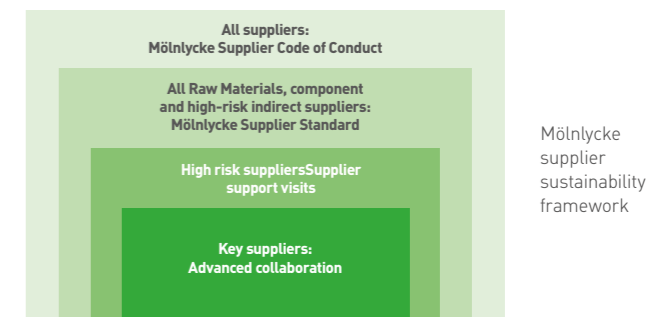
In 2022, Mölnlycke was able to take up on-site supplier assessment activities again post pandemic, resulting in 20 performed on-site assessments.

Advanced contribution

Mölnlycke established a Sustainable Procurement Working Group in 2022 including Business Area Procurement, Logistics Procurement and Indirect Procurement, Supplier Quality Assurance, Compliance and Environmental Health and Safety representatives. The aim is to identify short- and long-term opportunities for value creation with its strategic suppliers in following areas:

- GHG emissions reduction from purchased goods and services or upstream and downstream transportation
- Mölnlycke's ethical way of working with suppliers
- Supplier partnerships to access competence, knowledge and tools for joint innovation projects.

The company will continue to develop its Sustainable Procurement Framework to support Mölnlycke's ways of working with suppliers in the area of sustainability. The first key deliverable in 2023 will be an update of the way the company conducts risk analysis and on-site Supplier Code of Conduct assessments, as well as appointing a dedicated resource to lead the framework. The company is also investigating suitable metrics for sustainable procurement to be included in the next reporting period.

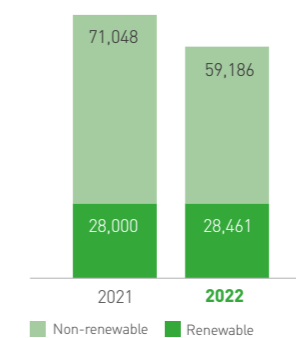


Raw material use

The reported amount of raw materials and components procured for production in 2022 was 87,647 tonnes. This was 12% less than the previous year, largely because facilities advance purchased some of materials they needed for 2022 in 2021. The share of renewable raw materials increased from 28% in 2021 to 32% in 2022, amounting to 28,461 tonnes. The majority of the renewable raw materials are used in packaging, or paper coating, as well as in the supply of natural fibers and natural latex.

In 2022, 32% of the procured material was composed of renewable streams proven to come from responsibly managed sources (for example, FSC or ISCC Plus certified). As part of the WeCare roadmap, Mölnlycke continuously strives to increase the share of biobased raw materials in its polymer use. Building on success in this area in 2021, the company increased the amount of biobased PE raw material used in its drapes product category by 6% in 2022, supported by the ISCC mass balance certification.³²

Procured raw materials (t)



32. <https://www.iscc-system.org/>

Community support

Mölnlycke always considers the long-term impact of its actions on society – whether through helping people to heal or supporting the communities it serves. Giving back is embedded in the company’s culture, through its partnership with charity organisations and the fundraising and volunteering efforts of its employees, all sharing a vision to create a sustained positive societal impact.

Cebu10000: shaping the future of cleft care together with Operation Smile

Mölnlycke’s partnership with Operation Smile dates back to 2004 and has evolved over the years as the company matured in its journey to become a leader in sustainable healthcare.

In 2021 the company committed to a long-term program – Cebu10000 – to establish a cleft care centre of excellence in Cebu together with Operation Smile. With this program, Mölnlycke’s support goes far beyond donations and gifts in kind. The vision the company shares with its charity partner is a comprehensive approach to cleft care, which will change the life of at least 10,000 children in the Philippines.

In spite of the challenges of the pandemic and lockdowns in the Philippines, the program achieved its first big milestones on schedule in 2022.

- July: Mölnlycke’s clinical specialists carried out the first training in infection prevention for 21 medical professionals at the Pampanga Comprehensive Cleft Care Center in Rosario Memorial Hospital, Philippines
- August: The first batch of Mölnlycke products approved for donation by the FDA Philippines
- December: The ground-breaking ceremony for the building of the cleft care center of excellence at the Cebu City Medical Center took place.



The cleft care centre of excellence is expected to start operating at full capacity in 2023.

Meanwhile, Mölnlycke’s employees continue fundraising to improve the hospital experience for the centre’s patients. Having already helped fund a pre-operative family lounge, this year they raised enough money for 2,500 post-surgery WeCare bags with instructions and products to contributing to healing. More than 1,300 employees, families, friends and customers from 24 countries completed an annual fundraising run for more new smiles.



I am very happy and proud to see the Cebu10000 plan coming to fruition. Mölnlycke’s ambition is to over time enable the centre to become self-sustaining. We will support this by donating Mölnlycke products required to perform safe cleft lip and palate surgeries and providing training for local healthcare professionals in our areas of expertise: infection prevention, but also logistics and supply chain management.”

Eric de Kesel, COO and EVP Sustainability

Operation Smile missions

Operation Smile invited 14 Mölnlycke employees to join their volunteer missions in Colombia and Morocco. As a result of these two missions the lives of 140 young patients were changed forever, with extended impacts on their families, as well as the local healthcare system.



Flood victims in Malaysia

Mölnlycke employees also help local charity organisations, especially in crisis situations. For example, 2,300 Malaysian employees helped to raise funds for thousands of people displaced by the disastrous floods of January 2022. Along with a company donation, they raised a total of EUR 60,000. Employees also helped deliver provisions to low-income families in Kuala Lumpur and collaborated with the local charity organisation MERCY to bring relief to the flood victims.



Before

After



Case Study

Mölnlycke’s support to Ukraine

Mölnlycke provided healthcare and humanitarian support to the people of Ukraine during 2022. This included donating wound care products worth EUR 1.3 million to a hospital in a conflict area. The company and its employees also raised EUR 7,000 to support Save the Children International in providing children and their families in conflict areas with aid, such as food, water, hygiene kits and cash assistance.

Employees in Eastern Europe have also gone to extraordinary lengths to support Ukrainian refugee families with temporary housing, food, medical supplies, blankets and toys. At Ukraine’s 31st Independence Day ceremony in Stockholm, Mölnlycke represented by Kristina Lönnqvist, Global Corporate Sustainability Director, received letters of gratitude from Andrii Plakhotniuk, the Ukrainian ambassador to Sweden, for the company’s support.



Case Study

Ground breaking in Cebu City Medical Centre

After the initial delays caused by the pandemic-related lockdowns in the Philippines, Mölnlycke participated in the ground-breaking ceremony for the Cleft Care Medical Center in Cebu on 2–3 December 2022.

The ceremony included 40th anniversary celebrations of Operation Smile at its birthplace - the Philippines. Mölnlycke

representatives volunteered in the patient recruitment day.

The official inauguration of the center is expected to take place in the first half of 2023 and to change the lives of 10,000 children and adolescents with facial deformities in the first three years of its operations.



Ethical business

Mölnlycke expects all of its employees to act with integrity, complying with laws, regulations and industry requirements, considering the broad impact of their actions and making ethical business decisions.

Mölnlycke sets high standards of ethics and responsibility in its business. Mölnlycke acts with integrity and care for human rights throughout its value chain.



Targets

- 100% of employees to receive annual training or awareness session within Ethics and Compliance by 2023
- 100% of employees feel safe to report concerns without fear of retaliation by 2025
- 100% of active distributors assessed through the distributor due diligence process by 2025

2022 achievements

- 98.3% of white collar employees trained in Mölnlycke's Code of Conduct including human rights policies and procedures
- New whistle-blower reporting system, the Ethics Hotline implemented
- 34 cases reported through the Ethics Hotline reporting tool
- New distributor due diligence system and related business procedures implemented
- Business ethics representatives appointed in all business entities

Relevant policies and position statements

- Group Policies Framework
- Group Business ethics compliance policy
- Anti-corruption policy
- Ethics Hotline policy
- Anti-retaliation policy
- Competition law policy
- Trade compliance policy
- Sustainability policy

Building an integrity mindset

Having an integrity mindset means going beyond compliance and considering the impact of Mölnlycke's decisions and actions on stakeholders. It also means raising employees' awareness level within this area, training them in ethical dilemmas and ensuring that they are comfortable and empowered to handle them.

The Code of Conduct commits the company to comply with laws and regulations and to be an ethical company in the broader frame of international commitments such as the Sustainable Development Goals (SDGs). The Code of Conduct provides all employees with guidance and is regularly updated.

Mölnlycke's approach starts with empowering its employees to raise concerns and report misconduct. The 2022 culture survey showed that 75% of employees felt safe to raise their concerns without the fear of negative consequences. Building on this, in 2023 "Speak Up" awareness and training sessions for people leaders will make sure they are equipped to receive the concerns from their teams and all employees will be enrolled in awareness sessions on the importance of speaking up and channels to use to speak up.

The company regularly raises awareness of risks and challenges through communication and training activities, including the annual Code of Conduct training for its white-collar employees. In 2022, 98.3% of these employees completed the training.

Ad hoc training and presentations on topics, such as general business ethics, healthcare compliance, competition law and receiving concerns, are delivered throughout the year to various employee groups based on their needs and demands. The company's ambition is to expand the business ethics training program to include more topics and increase the number of in-person sessions to maximise its impact. This will include a dedicated program on the Code of Conduct for all leadership teams and for the manufacturing workforce. Mölnlycke Business Ethics Compliance training courses are always based on realistic cases and adapted to the functions so that employees have

practical guidance when they are facing a dilemma and know where they can get support.

To further strengthen the integrity culture across the entire company, new business ethics representatives have been appointed in all Mölnlycke sales and manufacturing entities across the globe. These representatives are trained in topics relating to compliance and integrity and empowered to act as points of contact in their local organisation. Their role is to help building a strong culture of integrity and communicate global initiatives locally.

Mölnlycke's employees can also voice their ethical concerns or seek advice through the Business Ethics Compliance function or by using the company's whistleblowing tool, the Ethics Hotline. All concerns are investigated by dedicated personnel. A total of 34 reports were received and investigated, an increase from 12 in 2021, indicating a stronger reporting culture. The reported cases included corruption and corrupt practices, employee relations, legal and regulatory violations, manufacturing related violations and misuse of corporate assets. During 2022, the majority of the cases (55%) were related to employee relations. After thorough investigations, only 35% of cases were substantiated while another 21% led to process improvement or other change. Mölnlycke has revised its procedures in this area in line with the EU directive on the protection of whistle-blowers and will launch a dedicated campaign to raise awareness throughout the organisation in 2023.

In 2023, the company will improve its tracking of lessons learned from whistleblowing investigations and the corrective and preventive actions implemented. Mölnlycke will also launch a new anti-retaliation process with the People function to proactively assess and monitor risks of retaliation following Ethics Hotline reports and provide support to anyone affected.

No legal actions for corruption, anti-competitive behaviour, anti-trust, and monopoly practices were taken against Mölnlycke in 2022.



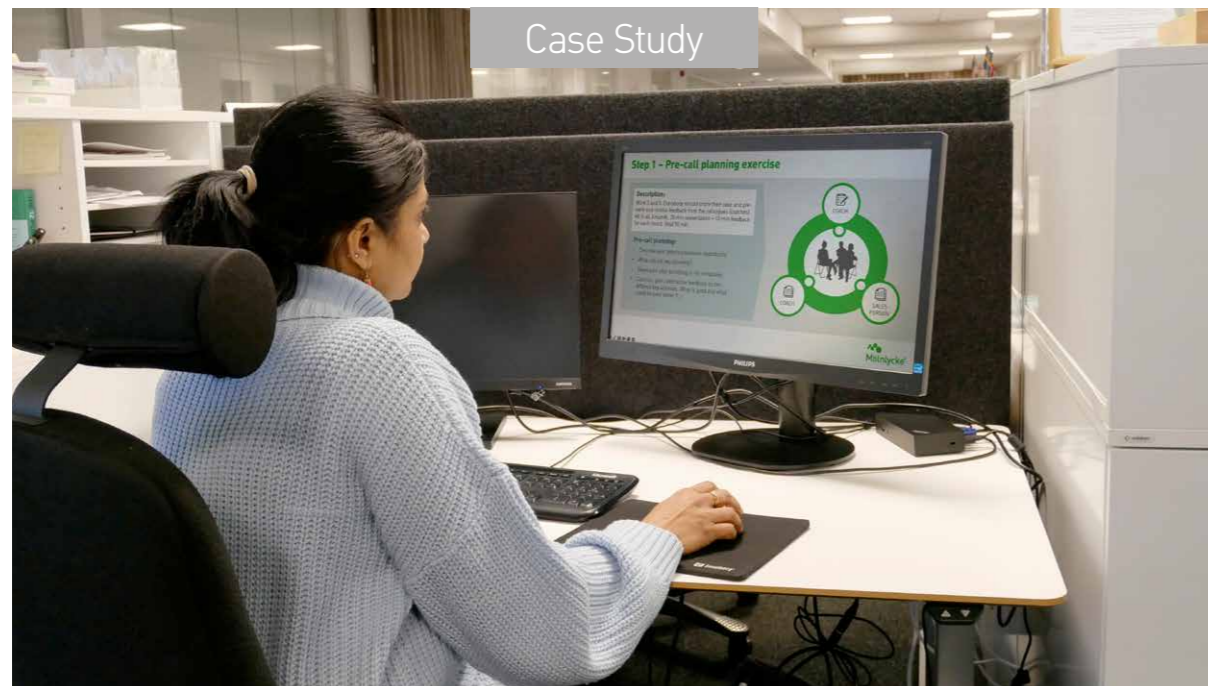
Third party risk management

Within the medical devices industry, interaction with distributors is essential to reach customers across different markets and geographies. These relationships can expose Mölnlycke to ethics and compliance risks, such as bribery and corruption.

In order to reduce this risk, the company enhanced its third-party program in 2022 with additional documentation and guidance to ensure that third parties are working in alignment with Mölnlycke's values. The purpose of the program is to ensure compliance with business ethics standards and increase efficiency when working with third parties. Where deficiencies are

identified, Mölnlycke will support its distributors in achieving the improvements needed for a sustainable business relationship. Mölnlycke will continue rolling out the program during 2023, including:

- Improved screening of distributors
- A more systematic due diligence program and tool
- A dedicated Distributor Code of Conduct
- Dedicated training for distributors and employees who interact with them.



Case Study

Training to support ethical growth in India

Mölnlycke carries out a screening and due diligence process before entering business relationships with distributors. It also offers training for distributors to give them an understanding of the ethical standards expected from them.

As the company expands its distribution network in this region of the world, it launched training for its sales teams, on compliance rules, ethical decision making, engagement with healthcare professionals and interactions with distributors. Then key Indian distributors were also invited for dedicated sessions to ensure mutual understanding of the risks linked to the medical technology sector.

The sessions covered topics such as ethical decision making, corruption and bribery risks, engaging with

government officials and the overall Mölnlycke due diligence process. It was an occasion to explain to distributors what they can expect from Mölnlycke's new due diligence process and discuss any questions they may have.

'In the coming year we want to further collaborate with distributors to open new opportunities for Mölnlycke. Our priority has been to provide training to our sales team and distributors on business ethics and compliance to have a sound common understanding. For us, doing business ethically is the only way to grow sustainably', says Nitesh Ahuja, Business Director, ORS, APAC & GM SG.

Respecting human rights throughout the value chain

Mölnlycke continuously works to protect and respect human rights across the entire business.

Because of the company's global footprint, it can have a major direct and indirect impact, both positive and negative, on human rights in its own operations as well as across its value chain – for example in the way the company treats its own employees or how suppliers comply with labour rights. Because of this, Mölnlycke continuously identifies, assesses and addresses potential and actual adverse human rights impacts, taking into account their severity and probability.

The company operates in line with the UN Guiding Principles on Business and Human Rights. It defines human rights as the internationally recognised human rights including labour rights as stated in the International Bill of Human Rights and in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Mölnlycke has a set of relevant policies and programs in place to ensure that human rights are respected, including:

- Code of Conduct, which includes anti-discrimination and anti-harassment, anti-corruption and anti-bribery topics
- Sustainability policy.

During 2022, 98.3% of white-collar employees completed the company's human rights training, as part of their Code of Conduct training. The company also has a program for compliance with competition law, as well as targeted training on business ethics and compliance risks, including bribery and corruption risks.

Each year Mölnlycke produces a 'Statement on slavery and human trafficking'. It states key policies, due diligence processes, how ongoing risks are managed and monitors effectiveness and training in this area over the last financial year.

Mölnlycke has zero tolerance for any type of discriminatory behaviour and harassment, human trafficking or any type of forced labour. Clear management procedures are in place in all countries where the company operates to ensure that employees are treated fairly, according to ethical standards, and in accordance with applicable regulations. Mölnlycke works in close collaboration with unions and local representatives to continuously ensure safe and respectful workplaces.

The Ethics Hotline enables internal and external stakeholders to report concerns and grievances or any other suspected violations of laws, policies and procedures or inappropriate behaviour. Topics of reports can include issues such as, but not limited to, fraud, corruption, working environment issues and discrimination.

Mölnlycke expects its partners to act in the same responsible and ethical way. The company's Supplier Code of Conduct is designed to ensure responsible business operations and respect for human rights in the supply chain, including human rights, employee relations and health and safety. Compliance with these principles is a key factor when choosing suppliers and business partners. If any issues of concern are identified, Mölnlycke works with the partner to investigate those issues and, where necessary, encourage the development of higher standards. If the partner does not change behaviour, the company will move away from using them whenever possible.

Mölnlycke continually monitors its efforts to meet its own standards as well as the needs and expectations of its customers and stakeholders. The company reports annually on its progress to the UN Global Compact. All reporting, including disclosures on human rights, connected communities, working conditions, discrimination and harassment in our operations, and modern slavery at company level, is carried out in accordance with local reporting requirements on non-financial information.

The company's commitment is led from the top. The Executive Leadership Team is responsible for ensuring that the company operates in line with its core values, including the commitment to respect human rights. The day-to-day responsibility for the company's human rights performance lies with the People function, which works intensively together with all the business areas and other functions.

Notes to company sustainability information

1. Reporting principles

Mölnlycke's 2022 Integrated Annual Report covers the year ended 31 December 2022. The comparative information covers the year ended 31 December 2021. This report has been prepared in accordance with Global Reporting Initiative (GRI), in addition to the Taskforce on Climate related Financial Disclosures (TCFD) framework. Mölnlycke has not sought external assurance for the Sustainability section of the report this year. However, it reserves the consideration to do so for future reporting periods.

Water

Volumes of water withdrawal are collected from the internal systems of environmental reporting. Data is collected and aggregated by the environmental management responsible at each site. When water withdrawal data was not available – which is predominantly the case for small sales offices – estimations are made based on the floor area of the offices. While four sites (sales offices in Croatia, United Arab Emirates, Chile, and a joint venture in Saudi Arabia) were excluded from the reporting due to lack of data, they are not expected to contribute more than 1% of the total company impact.

Based on internal expert judgement, no water is consumed as an ingredient or component in products for all sites except in Wiscasset, US. In Wiscasset, water consumption in products is estimated based on the amount of manufactured product. At some sites, process water is evaporated in cooling systems. Estimation of the evaporated water was not possible and therefore excluded from water consumption. Water storage is not applicable. It is further assumed that the wastewater discharge is equal to water withdrawal minus water consumption, if applicable.

Baseline water scarcity level for each of the reported locations was collected on 10 November 2022, from the Aqueduct Water Risk Atlas, with information from the World Resources Institute. The data is an annual average and is taken to represent water scarcity levels for both 2021 and 2022 data. Water stress is defined in terms of the ratio of total yearly water withdrawal to the amount of available renewable water supply. An area is considered a 'water stress area' when the ratio between

withdrawal and supply is either high (40–80%) or extremely high (>80%), based on the data from the World Resources Institute.

All withdrawn water (own withdrawn groundwater and water from municipal or other external water supplies) is considered fresh water, which is defined as containing in total <1000 mg/L of dissolved solids. Untreated wastewater is similarly defined as water with >1000 mg/L of dissolved solids. For wastewater treated by Mölnlycke prior to discharge, the type of water is defined based on the local regulations.

Waste

Data on generation and treatment of operational waste is collected from the internal systems of environmental reporting. Data is collected and aggregated by the environmental management responsible at each site. The data covers generated operational waste per fraction, classification (hazardous or non-hazardous), destination and treatment type. When data is not available – which is predominantly the case for small sales offices – estimations are made based on the floor area of the offices. All generated waste is then assumed to be general (unsorted) non-hazardous waste, in consideration with the activities of the sites. For four sites (sales offices in Croatia, United Arab Emirates, Chile, and a joint venture in Saudi Arabia), no data collection was possible. These are excluded from the reporting, while not expected to contribute together more than 1% of the total company impacts. Waste diverted from disposal includes reuse and recycling (total 6,346 tonnes), and waste disposed include incineration with energy recovery, incineration without energy recovery, and landfilling (total 7,911 tonnes).

Energy

Data on energy consumption is gathered from internal environmental reporting systems. Data is collected and aggregated by the environmental management responsible on the sites. The data covers fuel and other energy use in GJ, broken down by energy type and source. Fuel and electricity is marked as renewable whenever certificates of origin are available or contractual relations for lease postulate a renewable energy source. Primary data is gathered on self-generated electricity.

When data is not available – which is predominantly the case for small sales offices – estimations are made for energy

demand based on the floor area and the region of operation with the use of literature and publicly available statistics. While four sites (sales offices in Croatia, United Arab Emirates, Chile, and a joint venture in Saudi Arabia) were excluded from the reporting due to lack of data, they are not expected to contribute more than 1% of the total company impact.

Conversion factors for energy use are provided by the environmental management responsible at each and are site-specific. Action is being planned toward unification of conversion factors during 2023.

Energy intensities are calculated based on sales volumes in kg. All energy sources, consisting of fuel, electricity, heating and steam, are included in the calculation of the energy intensity ratio. Only energy consumption within the organisation is accounted for in the energy intensity calculations.

For reductions in energy consumption, primary data on conservation and efficiency initiatives is gathered from the sites, including the amount, the type of energy included, and calculation method. Calculations are based predominantly on reduction of installed power of equipment and direct measurement. Part of the calculations is based on internal expert estimations of the savings. The base year for the reductions is 2021, as this is the most recent year following Mölnlycke's launched strategy.

Pollution prevention

Emissions of ethylene oxide (ETO) in sterilisation are calculated by the sterilisation performance management. In one instance, the calculation is based on multiplication of the mass flow and the operating hours in the reporting year. In other instances, the used amount of ETO is multiplied by the normative ETO catalyst effectiveness rate. Reporting is on the level of inventory; no emission factor is applied.

Materials use

Material use data includes raw materials used in production as well as materials of procured semi-finished goods and contract manufacturing. Data on raw materials, semi-finished products, components, and contract manufacturing is collected from the procurement system based on the invoicing information and complemented by the data from the master database on weight per unit. The information is validated and complemented by the data by business areas procurement representatives, including the base material per article. All materials are marked as renewable or non-renewable based on expert judgement, taking the base material into consideration. For any procurement data where the composition of materials was not clear, it is assumed to be non-renewable.

Occupational Health and Safety (OHS)

Primary data is gathered on the occurrences of work-related injuries and work-related illness. Workers of the sales and distribution offices are excluded from the disclosure, with exception of HQ in Sweden and Anderson RDC, US. It is

assumed that no commuting transport has been arranged by the organisation, therefore commuting incidents are not included in the injuries. The rates of injuries per number of hours worked are calculated on one million working hours.

Employment

Primary data is gathered on the number of employees (both in headcount and FTE) by region and by BA. Reporting on FTE is provided at the end of reporting period, unless specified otherwise. Additional primary data on the FTE by gender, by employment contract and by employment type was gathered. Moreover, primary data on the breakdown by gender and age per employee category is provided in FTE. All employment numbers are reported as for the end of the year.

The number and rate of new hires and employee turnover are calculated based on permanent, white-collar employees only. For the turnover by gender, seven employees were excluded, as this data was not registered for all employees before 2022.

The total number of hours worked, used in the calculation of the injuries and ill health rates, was 12,387,407 in 2021, and 14,016,568 in 2022.

Retention rate

Primary data is gathered on the number of employees (headcount) by gender that were entitled to parental leave, the number that took parental leave, the number that returned from parental leave, and the number that were still employed 12 months after their return from parental leave.

The return-to-work rate is calculated based on the number of employees that was due to return during the reporting period after having taken a parental leave.

The retention rate is calculated based on the number of employees that returned from parental leave in the prior reporting period.

Training and carrier development

Primary data is given for the amount of training hours by gender and by employee category. This data is primarily based on mandatory trainings, which are tracked for white collar employees only. Moreover, part of the training data is not divided by gender, hence the calculated averages by gender are not representative.

Primary data is provided for the amount (headcount) of employees who received a performance or career development review by gender and by employee category.

The percentage of employees who received their review is calculated based on employees eligible for a review. An example of ineligibility for performance reviews is if people only start late in the year. Moreover, data is only available for office and field employees (white collar employees).

2. Greenhouse gas (GHG) emissions methodology and assumptions

The 'Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard' is used for GHG footprint calculations, as well as for the respective emissions intensities.

The year 2016 is taken as the base year for Scope 1 and Scope 2 calculations; the year 2021 is taken as the base year for the calculations of the total carbon footprint (Scope 1, 2, and 3).

These provide the earliest available higher certainty metrics, and the most relevant for the company's sustainability strategy construct.

Equity share is chosen as consolidation approach for emissions.

The emission factors used are sourced from the life cycle accounting emission factors derived from the databases Ecoinvent 3.8 and EXIOBASE.

Emission factors are chosen and/or derived for the most relevant temporal and geographical reference, or the closest to it when relevant references were not available.

Included greenhouse gases are defined by the IPPC AR6 methodology, based on a 100-year timeframe. Biogenic CO₂ emissions are excluded from the assessment scope.

Scope	Category	Methodology
Scope 1		See the methodology on Energy.
Scope 2		See the methodology on Energy.
Scope 3	Category 1: Purchased goods and services	Calculation of emissions from purchased goods (raw materials, components, spare parts) is based on primary procurement data. Masses and materials of the articles retrieved from the internal systems or manually, and validated by Business Area representatives. Extrapolations are made when data was not available. Procurement of consumables for own office operations are outside of the scope, and assumed to be not significant. Calculation of emissions from withdrawn water is based on the primary reported data on water consumption from the sites. When data is not available (predominantly, small sales offices), estimations are made based on the floor area of the offices. Calculation of emissions associated with purchased services is based on the primary data on the spent financial resources per service type.
	Category 2: Capital goods	Calculation of emissions associated with capital goods is based on the primary data on spent financial resources per type of capital goods; internal expert judgements are applied to define the shares of personnel and project management costs per spent category.
	Category 3: Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	Calculation of emissions associated with Fuel- and Energy-Related Activities not included in Scope 1 or Scope 2, is based on the primary reported data on energy consumption from the sites. When data on the consumed amounts is not available (predominantly, small sales offices), estimations are made based on the floor area of the offices and region of operation. When primary data on the energy source is not available, assumptions are made based on the region of operation.
	Category 4: Upstream transport and distribution	Calculation of emissions associated with the transport of raw materials to the production sites and intracompany transport is based on the primary logistics data on the transported masses, distances and modes of transportation. Calculation of emissions associated with purchased warehousing services is based on the primary data on the leased warehousing capacities in pallets by type, and the expert assumptions on average duration of storage, cooling share and energy consumption. Calculation of emissions associated with logistics of the products to processing and first tier customer, is based on the aggregation of the emissions reported by the logistics services providers.
	Category 5: Waste generated in operations	Calculation of emissions from treatment of operational waste is based on the primary data from the sites on generated operational waste per fraction, destination and treatment type. Transportation of the waste-to-waste treatment is included, with assumptions on distances and modes of transport. Calculations of emissions from wastewater treatment is based on the primary data on water discharge. When data on water discharge is not available, conservative assumption of equivalence of water withdrawal and discharge is taken. When data is not available (predominantly, small sales offices), estimations are made based on the floor area of the offices.

Scope	Category	Methodology
Scope 3	Category 6: Business travel	Calculation of emissions associated with business travel is based on the primary data on the spent financial resources in business travelling, including transport by mode and accommodation.
	Category 7: Employee commuting	Calculation of emissions associated with employee commute is based on the primary data on the number of employees and the regional expert estimation of the average distances and modes of commute of the employees.
	Category 8: Upstream leased assets	Calculation of emissions associated with upstream leased assets (operational lease) is based on the primary data on the spent financial resources per leased asset type.
	Category 9: Downstream transport and distribution	Calculation of emissions associated with the transport of sold products from the customer to the final user, is based on the primary data on the volumes of sales, and assumptions on the transportation modes and distances (local supply chain assumed).
	Category 10: Processing of sold products	Calculation of emissions associated with processing of products by third parties include emissions associated with product sterilization, and are based on the primary data on the volumes sent to sterilizations by type of sterilization, and expert assumptions on the emissions and energy consumption per batch of processing.
	Category 11: Use of sold products	Calculation of emissions associated with the use of products is based on the primary data on sales of the products expected to have considerable energy and material inputs in use, or generating emissions. Energy consumption of products in use is estimated with conservative assumption of full power capacity use, with global average electricity mix. Emissions of products in use are estimated based on provided formulations and relevant substances content.
	Category 12: End-of-life treatment of sold products	Calculation of emissions associated with the end of life of sold products is based on the primary data on sales of products by region. Material composition of the products is assumed analogous to the procurement of goods. End of life scenario assumes incineration with energy recovery for products sold in EMEA region, and incineration without energy recovery for products sold elsewhere. Transportation of the waste to waste treatment is included, with assumptions on distances and modes of transport.
	Category 13: Downstream leased assets	Mölnlycke does not lease assets to third parties.
	Category 14: Franchises	No franchises are issued by Mölnlycke.
	Category 15: Investments	Mölnlycke does not act as an investor (excluding operational investments considered in other scopes and categories), nor provides financial services.

Reduction of GHG emissions is calculated based on the collected data on reduction of energy consumption as a direct result of conservation and efficiency initiatives, with the use of the emission factors and assumptions used in the overall corporate carbon footprint calculations. 2021 is taken as the base year for calculations, as the most recent and relevant for reporting. No significant secondary effects are expected nor included in the calculations. Offsets are excluded from the calculations of reduction.

Some information reported in Mölnlycke Annual and Sustainability report 2021 is subject to restatement, and the reader is advised to consult this report for current information on these. The reasons for the restatement (in order of effect) are full

alignment with the Greenhouse Gas Protocol to include energy use at sales offices, leased vehicles, and forklifts, as well as emissions from water treatment and update of the GHG emission factors for financial spent groups on the corrected inflation rate. The following information is subject to restatement:

1. Energy consumption within the organisation and energy intensity, year 2021. Total restatement effect: +12.57% and +12.58% respectively.
2. GHG emissions (Scope 1 and 2) and emissions intensity, year 2021. Total restatement effect: +23.54% in terms of Scope 1 emissions and +2.97% in terms of Scope 2 emissions as well as +11.97% in terms of total Scope 1 and 2 intensity of emissions.

3. Energy use within the organisation

The following table reflects energy consumption within the organisation in 2021 and 2022, in GJ.

	2022	2021
Natural gas	590,809	606,172
Light fuel oil	119,566	125,120
Gasoline	37,954	34,237
Diesel	39,208	40,005
Propane	17,084	17,843
Coal	188	188
Total non-renewable fuels	804,810	823,564
Biofuels	234	234
Total renewable fuels	234	234
Total fuels	805,044	823,799
Generated electricity	4,535	4,675
Supplied electricity	368,162	371,920
Supplied steam	42,288	42,382
Supplied heating	13,215	26,132
Total supplied energy	423,665	440,434
Total energy	1,233,243	1,268,908

4. Biodiversity

Based on the assessment to determine the most material topics for Mölnlycke’s business and the medical device industry, biodiversity and land use do not show as a material topic. Nevertheless, Mölnlycke recognizes their importance in society. Therefore, Mölnlycke not only continues to disclose metrics related to biodiversity – such as GHG emissions – and its contribution to eliminate risks for leakage regarding products end of life in this integrated report, but also, continues to further investigate the materiality of biodiversity and land use on its business, especially regarding its gloves business.

5. Sustainable investments

Mölnlycke acknowledges the importance of its investment decisions not only for the company but for the progress of the healthcare industry. By moving towards sustainable solutions in technologies the company applies and the products it offers, Mölnlycke mitigates its future risks, creates new business opportunities, and advances the field of healthcare. Therefore,

from this year, a sustainability assessment has been included as an integral part of the company’s investment request and product development processes. Following two main investments goals, product development and assets acquisition, Mölnlycke approaches its sustainable investment strategy in two channels.

In the first direction, Life Cycle Assessment (LCA) shapes the company’s main approach to sustainability in product development. LCA results on products are regularly used in support of engagement activities with customers on their sustainability commitments, and discussions with customers help to understand their current product performance needs.

The assessment analyses the life cycles of products or manufacturing processes in a holistic approach from raw materials sourcing, product manufacture and use, to disposal or recycling. It follows the ISO 14040:2006 and 14044:2006 standards for environmental Life Cycle Assessment. The environmental impact is assessed in a range of categories, such as climate change, eutrophication, acidification, ozone depletion and photochemical ozone creation. Energy intensity, water consumption and risks, ecotoxicity risks, legislative development risks and the impact on the sustainability performance of our product portfolio are also considered in the assessment.

The assessment helps to ensure that the prudent management of natural resources and the environment provides the foundations for Mölnlycke’s sustainable business growth. It assists in building stakeholder engagement for improved outcomes and supports Mölnlycke’s commitment to meet the growing needs of our customers for sustainable products while guaranteeing patient safety. Moreover, early identification of the points of attention and the development stage helps reduce the risks of impacts and potential financial implications of corrections later.

The growing importance of the LCA resulted in its solid place in the company’s Sustainable Product Portfolio Assessment (SPPA) pilot project (see the Sustainable portfolios section of this report). As one of the SPPA pilot results, the ambition level of LCA coverage for Mölnlycke products globally will be stated during 2023, together with continuing customers and suppliers’ engagement to monitor the benefits of the approach and advance as needed.

As the second direction of sustainable investments, sustainability is addressed in assets acquisition. As of next year, Mölnlycke has a goal for 100% of all its significant investments to undergo a sustainability assessment. The assessment intends to highlight those parts of investments with potentially significant negative impacts early in the process, and to summarise the sustainability conclusions that should be included in the appropriation requests to Mölnlycke Executive Leadership Team (ELT) and Board of Directors, when applicable. The assessment entails thorough review of potential environmental and social aspects, considering the risks and hotspots of the most material impacts, and suggesting alleviation measures. Recently, such an

assessment has been performed in support of the new surgical gloves plant in Kulim, Malaysia, and in support of several innovations in order to allow for their environmental impact optimisation and the resulting advantages for our customers and end consumers. The sustainability assessment covered 60.2% of the company’s significant investments in 2022.

Mölnlycke is now focusing on monitoring and finetuning the sustainability assessment procedure through discussions with the decision-making stakeholders. Committing to the target of 100% significant investments assessment starting from 2023, the flexibility of adjustments when necessary is kept reflecting the most material topics and the lessons learnt.

6. Local procurement

Local procurement practices are monitored at Business Area level. For the BA Operating Room Solutions, 35% of the procurement budget is spent on local suppliers, while for the BA Wound Care, this percentage amounts to 21%. For both BAs, local suppliers are defined as suppliers located in the same country. For the BA Gloves, 57% of the procurement budget is spent on suppliers local to the operations, with the definition of local supplier to be from an Asian region. Significant operations are considered to be manufacturing operations. The indicator is not relevant for BA Antiseptics due to outsourced production.

7. Data and intellectual property

The primary function of intellectual property rights (IPR) is to protect and stimulate the development and distribution of new products as well as new services based on the creation and exploitation of inventions, trademarks, designs, creative content or other intangible assets. The development of IPR will also have a positive impact on sustainability as inventions, etc. may also be invented within this area. Data and IPR assets are generally handled digitally today which benefits the environment and people.

Mölnlycke has no specific policies for data or IPR with regards to economy, environment or people, but relevant topics and their management are reported in the Mölnlycke Sustainability policy. IPR policies for Mölnlycke and respective Business Area are applicable.

To manage data and intellectual property rights and related impacts, Mölnlycke takes necessary legal actions at relevant Business Gates, Freedom-to-operate (FTO) assessments, competitor surveillance and litigations.

No negative impact issues relating to IPR, data for economy, environment or people have been identified during 2022.

8. Ethical clinical research

All clinical research activities at Mölnlycke are conducted in accordance with ethical principles that have their origin in the Declaration of Helsinki, and that are consistent with Good Clinical Practice and the applicable regulatory requirements.

All clinical research activities at Mölnlycke are either governed by our Clinical Evidence Policy or Investigator Initiated Studies (IIS) Policy. These policies derived their purpose and scope from applicable Good Clinical Practice (GCP) standards and regulations [e.g. ISO 14155, EU Medical Device Regulation, Code of Federal Regulations Title 21 Parts pertaining to human research) including internationally accepted guidance and codes of conducts (e.g. Medical Device Coordination Group (MDCG), AdvaMed Code of Ethics, MedTech EU).

The Declaration of Helsinki is the cornerstone of Mölnlycke’s clinical research standard operating procedures such as, but not limited to, the following examples:

- Procedure, Supporting Quality Improvement Projects
- Work Instruction, Supporting Quality Improvement Projects
- Procedure, Clinical Case Studies and Generating Clinical Case Reports
- Work Instruction, Clinical Case Studies and Generating Clinical Case Reports
- Procedure, Investigator Initiated Studies (IIS)
- Procedure, Clinical Investigation Plan and its amendments
- Procedure, Subject Information and Informed Consent Form
- Procedure, Safety Reporting in Clinical Investigations – Post market.

Mölnlycke has a Quality Management System in place that oversees compliance (to prevent or mitigate negative impact) to ethical research such as but not limited to:

- Safety Reporting, Designated Complaints Unit, Investigational Site Selection, Monitoring and Closure; Data Management; Fair Market Valuation assessment with the company’s external research collaborators
- Regular Employee trainings on relevant procedures (could be part of a remediation or mitigation of impact)
- External research collaborators trainings (could be part of a remediation or mitigation of impact).

Positive impacts mean completing clinical studies on time, high quality clinical data collected used by business stakeholders to release or maintain Mölnlycke products in the market that are safe, timely, and leading to a cost-effective outcome.

Assessment of effectiveness is continuous with, for example, Post Market Surveillance (PMS), Clinical Evaluation Report (CER), Clinical Investigation Report CIR, no repeated audit findings and no FDA warning letters.

9. Healthcare compliance

Mölnlycke manufactures, markets, sells and distributes medical devices and products to Health Care Professionals (HCPs) and Health Care Organisations (HCOs) globally. As part of this industry, Mölnlycke is acutely aware of the importance to ensure that interaction with HCPs and HCOs are conducted in strict compliance with the regulations and with overall principles to protect the independence of the HCPs and HCOs and ultimately the interest of the society. Therefore, Mölnlycke abides by the best practices of the medical device industry when it comes to healthcare compliance and the general principles as fleshed out in the Code of Ethical Business Practice adopted by MedTech Europe, the European industry association representing the medical technology industry:

- Principle of Image and perception
- Principle of Separation
- Principle of Transparency
- Principle of Equivalence
- Principle of Documentation

Mölnlycke's Business Ethics Compliance and Medical & Scientific Affairs teams are collaborating to ensure that policies and procedures are in place and implemented in the daily activities. They also ensure the organisation is fully trained.

10. Community support

Mölnlycke's CSR policy is designed to support the company's active role in the community. By donating time, products and funds, Mölnlycke helps improve the lives of patients and supports those who care for them. Following, working within the community also enables Mölnlycke's business and the organisations it supports to remain sustainable. Over the years, many requests for donations to good causes at a local level have been received. Mölnlycke has guidelines in place to ensure its community support is appropriate. Following these guidelines, the organisations to be supported should be in the medical field, work to improve patients' lives, to improve medical staff protection, or to increase the level of knowledge in the medical field, providing credible and measurable results. The initiatives must also be in line with AdvaMed or Eucomed guidelines. Mölnlycke aims to be a good neighbour and contribute to the well-being of communities. To do so, the company is working closely with them to manage the social impact of its business activities, address any concerns about its operations and enhance the benefits it is able to bring. No negative impacts on local communities were identified in 2022 as results of the company's yearly assessment.

11. Strategic fiscal governance

The table below provides information on the creation and distribution of economic value and provides a basic indication of how Mölnlycke has created wealth for stakeholders.

		2022	2021
EUR million		Total	Total
Direct economic value generated: revenues	Revenue	1,827.7	1,685.6
	Revenues from financial investments	2.0	3.2
	Sales of assets	0.0	0.0
Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;	Operating costs	-979.6	-872.8
	Employee wages and benefits	-456.4	-410.7
	Costs and payments to providers of capital	-152.8	-630.1
	Costs for direct taxes to governments	-74.6	-72.8
	Community investments	-0.4	-0.4
Economic value retained		165.9	-298.0

Operating costs include cost of sales, selling costs, administrative costs, research and development costs, net other operating income and expenses and share of profit in joint ventures, deducted for employee wages and benefits. Costs and payments to providers of capital include dividends and group contributions distributed as well as interest expenses. Costs for direct taxes to governments reflect the current income tax expense for the year.

12. Responsible taxation approach

Mölnlycke is a global company with a presence in many countries and through compliance with the arm's length principle, the company aims to pay the fair amount of taxes in each country. Mölnlycke strives to be a good and reliable corporate citizen through prudent and sustainable management of taxes.

The company also recognises the importance of taxes in the area of advancing economic development and contributing to society by paying corporate income taxes as well as other taxes, levies and social security contributions. The company's action is in accordance with IFRS, all applicable tax laws and regulations as well as international standards from the OECD and the UN.

13. Stakeholder management

Stakeholder input is key for Mölnlycke to understand its operating environment and is fundamental to the development of its strategic approach and business plans.

Through meaningful engagement with the different stakeholders, Mölnlycke is further improving and delivering on the WeCare roadmap and reaching its sustainability vision to transform its business to become a global leader in sustainable healthcare.

Mölnlycke engages with a wide range of stakeholders on a regular basis through workshops, fairs, and other dialogue events, building on its understanding of important societal issues. Mölnlycke's stakeholder network includes both primary as well as secondary stakeholders. Despite not sharing direct financial ties, Mölnlycke considers secondary stakeholders to have the same stake in an organisation, as do primary stakeholders. By making all stakeholders equitable, Mölnlycke's business approach of creating shared value for all its stakeholders will be achieved.

For each stakeholder group, a key topic of engagement has been identified and Mölnlycke continues to be actively involved to guarantee its voice is heard, and is dedicated to translating their input into meaningful company approaches.

Based on the feedback received in 2022, a list of main focus areas for continuous action and communication has been defined. All of these became elements of Mölnlycke's sustainability roadmap WeCare.

Increasing visual virtual exchange environment

Based on employees' feedback regarding remote working due to the pandemic, Mölnlycke increased visible exchange activities. Virtual platforms with video capability were increased for meetings, enabling Mölnlycke to bring employees from countries around the world together in more collaborative and interactive ways. This enabled silos to be removed, and to create greater personal connections, which in turn, facilitates better understanding and appreciation of each other and the various backgrounds and perspectives brought to Mölnlycke every day. Employees can now choose to work from home more often, according to Mölnlycke Hybrid Working Policy.

Reinforced safety

Additional concerns were specifically raised by the Board and by employees, recognising the need to improve safety within our facilities. In its role as a responsible employer, Mölnlycke is implementing a company-wide occupational health and safety excellence management program, on top of our product safety program, through which the company strives to ensure that the highest safety standards are consistently applied to all its activities and across all sites. Mölnlycke's recently developed

safety principles program is composed of eight key safety principles that must be applied across the entire company with zero tolerance for non-conformance and are supported by the Golden Principle that all Mölnlycke's employees are empowered to stop in order to immediately address, eliminate or control, and report any unsafe conditions or behaviours. The safety principles will become part of the company's culture, the way of approaching and conducting all manufacturing and non-manufacturing work activities.

The ambition of the safety principles is to prevent fatalities or serious injuries to employees, contractors working for Mölnlycke, and visitors by ensuring a safe work environment and safe behaviour.

In its role as a business partner, Mölnlycke screens and monitors its business partners through formal processes, of which health and safety is an integral part of the process.

Influence through advocacy

Mölnlycke's employees and the Board urged the company to actively participate with policy makers on innovative healthcare initiatives and value based healthcare. For this reason, Mölnlycke has increased its active engagement in the advocacy efforts of industry and trade associations related to the ongoing development and implementation of such schemes on both a regional and national level.

Authoritative and fact-based communication regarding the sustainable benefits of Mölnlycke's product portfolio

Mölnlycke's customers, the Board, the ELT and Mölnlycke's R&D and commercial organisations brought to the company's attention that there is a need for further enhancing Mölnlycke's value proposition by making sustainability an explicit differentiator – part of the Mölnlycke's brand.

To address that, Mölnlycke performed a pilot project within one of its Business Areas (ORS) where the full range of products was assessed and categorised based on sustainability and product safety signals during 2022. For the categorisation assessment and results, see 'Green Mindset' section in the report. By prioritising innovation towards developing 'Sustainable solutions' – Mölnlycke's solutions with clear sustainability benefits that outperform the market, the company enhances its value proposition and gives customers choice and competitive advantage through its sustainable product portfolios. Mölnlycke drives growth by understanding how to build a better business, with solutions for environmental and social needs, as outlined by the SDGs. This ensures the delivery of products and solutions that are fit-for-purpose in the markets the company wants to lead.

To support the data-driven approach and sustainability benefits demonstration, Mölnlycke accelerated its Life Cycle Assessment studies during 2022, with screening studies and several externally validated studies.

Net Zero

Mölnlycke is engaging with several stakeholders, such as customers, suppliers, the Board and industry peers on climate mitigation and adaptation issues. During 2022, Mölnlycke formally committed to become a net zero company by latest 2050 to the SBTi organisation. Mölnlycke’s approach to

operationalise this commitment includes topics such as Scope 3 definition, product design for energy efficiency or GHG emission reduction, energy management in business and manufacturing operations, alternative biobased raw materials and renewable energy, green logistics and industry collaboration to influence climate policy.

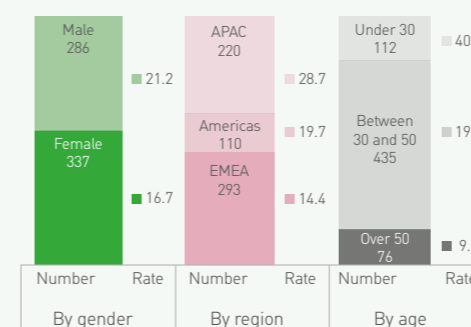
<p>Suppliers Topics: Partnership, sourcing, business ethics, innovation, value creation Engagement: Regular business review meetings with BA Procurement Directors and material category team, Innovation days</p>	<p>Employees and unions Topics: Safe work environment, wellbeing, engagement, customers, talent management Engagement: Annual engagement survey, day-to-day communications, meetings on a regular basis with employee representatives and unions</p>	<p>Shareholders Topics: Strategies, objectives, policies and plans, financial and sustainability performance, risk management Engagement: Board, Audit Committee and Remuneration Committee regular meetings throughout the year. Sustainability Committee monthly meetings and Sustainability half-yearly review meetings with the ELT</p>
<p>Industry partners Topics: Industry challenges, technology, developments and new solutions, circularity, recycling, patient safety and business ethics Engagement: Industry associations and initiatives meetings, partnership engagements</p>		<p>Government and regulators Topics: Product safety, compliance with legal and regulatory requirements, taxes, competition issues, social and economic concerns Engagement: On a continuous basis via MedTech Europe or directly during public consultations and at local site level, relating to country legislation</p>
<p>Communities and NGOs Topics: Partnership, access to healthcare, infection prevention, wound care, product training, employee engagement, gift in kind Engagement: On a continuous basis led by Corporate Sustainability Director, educational activities, missions and events</p>	<p>Customers Topics: Sustainable healthcare, value based procurement, GHG emissions, waste, packaging, digitalization, business ethics, distributor due diligence and training Engagement: On a regular basis online or in-person meetings led by the BA representatives and supported by the Sustainability function supported by the Sustainability or Compliance functions</p>	<p>Media Topics: Key business developments, how sustainability is integrated into Mölnlycke’s business strategy, Net Zero commitment, certification schemes Engagement: Continuous engagement with Communication Director</p>

14. Employees

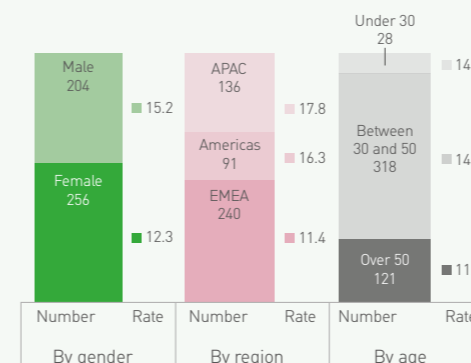
New hires and turnover

Data on the breakdown of employees’ turn over and new hires is reported below with partial omission on blue collars due to limited data availability. The company is working to enhance the metrics for the next reporting period. For new hires, the rate (%) represents the amount of people of a considered group hired divided by the average total employees of the same group during the reporting period. Similarly, the turnover rate (%) represents the amount of people of a considered group leaving the company divided by the average total employees of this group during the reporting period.

New hires (number and rate %), white collar employees only



Turnover (number and rate %), white collar employees only



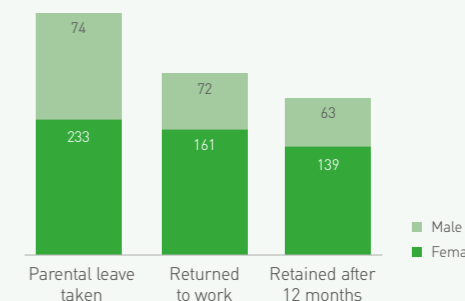
Collective bargaining agreements

The percentage of employees covered by collective bargaining agreements decreased from 46.8% in 2021 to 45.1% in 2022. This decrease is due to a proportionally larger increase of number of employees in countries where agreements are not in place. Overall, working conditions and terms where no collective bargaining agreement are in place are based on local laws and legislations, as well as industry collective bargaining agreements.

Parental leave

The number of employees entitled to parental leave was 7,560 in 2022, of which 4,566 females and 2,994 males. The numbers of employees that made use of parental leave or returned from parental leave are shown in the chart below.

Parental leave by gender (number employees)



Benefits

During 2022, Mölnlycke provided additional benefits to full-time employees, such as, but not limited to, medical insurance, car allowance, short- and long-term disability coverage, and scholarships at its locations in the US, China and Thailand. For all other Mölnlycke’s locations, full-time employees do not receive additional benefits compared to temporary or part-time employees.

GRI content index

Statement of use Mölnlycke Holding AB (publ), corporate ID number 556693-6729, has reported in accordance with the GRI Standards for the period 01.01.2022–31.12.2022.

GRI 1 used GRI 1: Foundation 2021.

GRI Sector Standard not applicable.

Disclosure	GRI standard /Other source	Page in the report	Omission reason
2-1 Organisational details		4	
2-2 Entities included in the organisation's sustainability reporting		73 Unless specified otherwise in Sustainability note 1	
2-3 Reporting period, frequency and contact point		2, 132	
2-4 Restatements of information		135	
2-5 External assurance		132	
2-6 Activities, value chain and other business relationships		124, 125, 137–138	
2-7 Employees		119, 133, 141	
2-8 Workers who are not employees		119, 133, 141	
2-9 Governance structure and composition		44–47	
2-10 Nomination and selection of the highest governance body		45	
2-11 Chair of the highest governance body		45	
2-12 Role of the highest governance body in overseeing the management of impacts		45–47	
2-13 Delegation of responsibility for managing impacts		45–47	
2-14 Role of the highest governance body in sustainability reporting		44–47	
2-15 Conflicts of interest	GRI 2: General Disclosures 2021	44–46	
2-16 Communication of critical concerns		128–129, 131	
2-17 Collective knowledge of the highest governance body		44–47	
2-18 Evaluation of the performance of the highest governance body		44–46	
2-19 Remuneration policies		45–46	
2-20 Process to determine remuneration		Omitted	Confidentiality constrains: Information omitted due to privacy reasons
2-21 Annual total compensation ratio		Omitted	
2-22 Statement on sustainable development strategy		102–103	
2-23 Policy commitments		22, 104, 118, 128, 137–138	
2-24 Embedding policy commitments		47, 103, 111, 121, 125, 129–131	
2-25 Processes to remediate negative impacts		47, 103, 105, 113, 121, 125, 129, 139–140	
2-26 Mechanisms for seeking advice and raising concerns		47, 139–140	
2-27 Compliance with laws and regulations		129–131	
2-28 Membership associations		22	
2-29 Approach to stakeholder engagement		23, 139–140	
2-30 Collective bargaining agreements		141	
3-1 Process to determine material topics	GRI 3: Material Topics 2021	23	
3-2 List of material topics		23	
3-3 Management of material topics		23, 44–47	

Environmental governance	GRI standard /Other source	Page in the report	Omission reason
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 139–140	
Energy and greenhouse gas emissions			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 139–140	
302-1 Energy consumption within the organisation		110, 132–133, 136	
302-2 Energy consumption outside of the organisation	GRI 302: Energy 2016	Omitted	Information of acceptable certainty level is not available. Mölnlycke is investigating possibilities of reporting the disclosure, planning to conclude in the next reporting period.
302-3 Energy intensity		110, 132–133	
302-4 Reduction of energy consumption		110, 132–133	
305-1 Direct (Scope 1) GHG emissions		106–108, 134–135	
305-2 Energy indirect (Scope 2) GHG emissions		106–108, 134–135	
305-3 Other indirect (Scope 3) GHG emissions	GRI 305: Emissions 2016	106–108, 134–135	
305-4 GHG emissions intensity		107, 134–135	
305-5 Reduction of GHG emissions		106–108, 134–135	
201-2 Financial implications and other risks and opportunities due to climate change	GRI 201: Economic Performance 2016	47, 48–49	
Water consumption			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 113	
303-1 Interactions with water as a shared resource		113, 132	
303-2 Management of water discharge-related impacts	GRI 303: Water and Effluents 2018	113, 132	
303-3 Water withdrawal		113, 132	
303-4 Water discharge		113, 132	
303-5 Water consumption		113, 132	
Waste and circularity			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 111, 140	
306-1 Waste generation and significant waste-related impacts		111	
306-2 Management of significant waste-related impacts	GRI 306: Waste 2020	111	
306-3 Waste generated		111–112, 132	
306-4 Waste diverted from disposal		111–112, 132	
306-5 Waste directed to disposal		111–112, 132	
Raw material use			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 140	
301-1 Materials used by weight or volume		125, 133, 137	
301-2 Recycled input materials used	GRI 301: Materials 2016	Partially omitted	Information of acceptable certainty level is not available. Mölnlycke is investigating possibilities of reporting the disclosure, planning to conclude in the next reporting period. Information on recycled content in packaging is reported on p.117.
301-3 Reclaimed products and their packaging materials		111	

Pollution prevention	GRI standard /Other source	Page in the report	Omission reason
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 140	
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	GRI 305: Emissions 2016	110, 133	Emissions of only ETO are reported. Other emissions metrics (NOx, SOx, POP, etc) are found not material: omission due to inapplicability.
Relationship with customers			
3-3 Management of material topics	GRI 3: Material Topics 2021	20, 23, 44–47, 140	
Rate of service complaints to total deliveries	Own KPI	124	
Decent, safe employment			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 139–140	
401-1 New employee hires and employee turnover	GRI 401: Employment 2016	133, 141	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		141	
401-3 Parental leave		133, 141	
403-1 Occupational health and safety management system	GRI 403: Occupational Health and Safety 2018	121–123	
403-2 Hazard identification, risk assessment, and incident investigation		121–123	
403-3 Occupational health services		123	
403-4 Worker participation, consultation, and communication on occupational health and safety		121–123, 139–140	
403-5 Worker training on occupational health and safety		121–123	
403-6 Promotion of worker health		120, 122–123	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		120, 121–123, 125, 139–140	
403-8 Workers covered by an occupational health and safety management system		121	
403-9 Work-related injuries		122–123, 133	
403-10 Work-related ill health		122–123, 133	
404-1 Average hours of training per year per employee	GRI 404: Training and Education 2016	121, 133	
404-2 Programs for upgrading employee skills and transition assistance programs		121	
404-3 Percentage of employees receiving regular performance and career development reviews		120, 133	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	GRI 407: Freedom of Association and Collective Bargaining 2016	129, 131, 141 (operations) Omitted (suppliers)	Information of acceptable certainty level for suppliers is not available. Mölnlycke is investigating possibilities of reporting the disclosure, planning to conclude in the next reporting period.
408-1 Operations and suppliers at significant risk for incidents of child labor	GRI 408: Child Labor 2016	129, 131 (operations) Omitted (suppliers)	
409-1 Operations and supplier at significant risk for incidents of forced or compulsory labor	GRI 409: Forced or Compulsory Labor 2016	129, 131 (operations) Omitted (suppliers)	
Diversity, equity and inclusion			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 139	
405-1 Diversity of governance bodies and employees	GRI 405: Diversity and Equal Opportunity 2016	119	
405-2 Ratio of basic salary and remuneration of women to men		Omitted	Confidentially constrains: disclosure concerns data privacy aspects.
406-1 Incidents of discrimination and corrective actions taken	GRI 406: Non-discrimination 2016	129	

Supporting communities	GRI standard /Other source	Page in the report	Omission reason
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 139–140	
413-1 Operations with local community engagement, impact assessments, and development programs	GRI 413: Local Communities 2016	126–127, 138	
413-2 Operations with significant actual and potential negative impacts on local communities		138	
Data and intellectual property rights			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 52, 137	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI 418: Customer Privacy 2016	129, 137	
Ethical clinical research			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 137	
Topic specific disclosure	Own KPI	Omitted	Information unavailable. Mölnlycke is investigating suitable metrics, planning to conclude in the next reporting period.
Strategic and fiscal governance			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 138	
201-1 Direct economic value generated and distributed	GRI 201: Economic Performance 2016	138	
201-4 Financial assistance received from government		78	
Ethical, compliant business			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 51, 139–140	
205-1 Operations assessed for risks related to corruption	GRI 205: Anti-Corruption 2016	51, 129–131	
205-2 Communication and training about anti-corruption policies and procedures		51, 128, 129–131	
205-3 Confirmed incidents of corruption and actions taken		129	
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	GRI 206: Anti-Competitive Behaviour 2016	129	
Advancing healthcare performance			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 138, 139–140	
417-1 Requirements for product and service information and labelling communications	GRI 417: Marketing and Labelling 2016	114–115, 117, 138	
417-2 Incidents of non-compliance concerning product and service information and labelling		114	
417-3 Incidents of non-compliance concerning marketing		114	
Sustainable innovation and development			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47, 136–137, 139–140	
LCA portfolio coverage	Own KPI	40, 114–116	
Responsible taxation approach			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44–47	
207-1 Approach to tax	GRI 207: Tax 2019	138	
207-2 Tax governance, control, and risk management		138	
207-3 Stakeholder engagement and management of concerns related to tax		140	
207-4 Country-by-country reporting		Omitted	Information currently unavailable. To be submitted to the Swedish Tax Office later in 2023.

Sustainable investments	GRI standard /Other source	Page in the report	Omission reason
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44-47, 136-137, 139-140	
Proportion of sustainable investments to undergo sustainability assessment	Own KPI	37, 137	
Sustainable partnerships			
3-3 Management of material topics	GRI 3: Material Topics 2021	23, 44-47, 130, 139-140	
204-1 Proportion of spending on local suppliers	GRI 204: Procurement Practices 2016	137	
308-1 New suppliers that were screened using environmental criteria	GRI 308: Supplier Environmental Assessment 2016	125	
308-2 Negative environmental impacts in the supply chain and actions taken		Omitted	Information of acceptable certainty level is not available. Mölnlycke is investigating possibilities of reporting the disclosure, planning to conclude in the next reporting period.
414-1 New suppliers that were screened using social criteria	GRI 414: Supplier Social Assessment 2016	125	
414-2 Negative social impacts in the supply chain and actions taken		Omitted	Information of acceptable certainty level is not available. Mölnlycke is investigating possibilities of reporting the disclosure, planning to conclude in the next reporting period.

ESG fact sheet

Indicator	Unit	2022	2021	% change 2021-2022
Green mindset				
Energy				
Fuels consumption within the organisation	TJ	805.0	823.8	-2%
Supplied energy	TJ	423.7	440.4	-4%
Total energy consumption	TJ	1,233	1,269	-3%
Energy intensity	MJ/kg of product	20.7	22.0	-6%
Share of renewable energy in the electricity mix	%	51	23	+115%
Emissions				
Scope 1 GHG emissions	kt CO ₂ eq.	54.2	55.4	-2%
Scope 2 GHG emissions	kt CO ₂ eq.	29.0	53.3	-46%
Total GHG emissions within the organisation	kt CO ₂ eq.	83.2	108.6	-23%
GHG emissions intensity, Scope 1 and 2	kg CO ₂ eq/kg manufactured product	1.4	1.9	-26%
Scope 3 GHG emissions	kt CO ₂ eq.	507.9	546.0	-7%
Total GHG emissions cradle-to-grave	kt CO ₂ eq.	591.1	654.6	-10%
GHG emissions intensity, cradle-to-grave	kg CO ₂ eq/kg sold product	9.5	10.2	-7%
EtO emissions	kg	96.5	88.0	+10%
Waste				
Total waste generation	kt	14.3	13.9	+2%
Hazardous waste generation	kt	1.5	2.1	-30%
Waste generation intensity	kg/kg manufactured product	0.239	0.241	-1%
Waste sent to open loop recycling	kt	5.5	5.8	-6%
Waste sent to incineration with energy recovery	kt	5.9	5.1	+14%
Waste sent to landfilling	kt	1.9	2.0	-3%
Waste sent to mass incineration	kt	0.1	0.2	-42%
Water				
Total water withdrawal	1,000m ³	2,243	2,180	+3%
Water withdrawal in areas with water stress	1,000m ³	27.8	33.4	-17%
Water consumption	1,000m ³	0.8	0.8	0%
Total water discharge	1,000m ³	2,242	2,179	+3%
Water discharge in areas with water stress	1,000m ³	27.8	33.4	-17%
Management systems				
Share of manufacturing sites with ISO14001/ISO50001 certifications	%	93	79	+18%
Sustainable solutions and investment				
Recyclable packaging ³³	%	91	-	-
Post-consumer recycled or renewable material content in packaging ³³	%	72	-	-
Renewable materials in procurement	%	32	28	+15%
Share of portfolio covered by LCA (share based on net sales)	%	9.5	-	-
Share of investments covered by quantitative sustainability assessment	%	60.2	-	-

33. Covering products mainly produced by Mölnlycke, most contract manufactured and distributed products excluded from the initial scope. Scope to be increased during 2023.

Responsible Relationship				
Employees				
Total employees (excluding consultants)	FTE	8,502	8,005	+6%
Share of female employees	% FTE	63	64	-2%
Share of female employees in Director level and above	% FTE	44	38	+16%
Turnover rate	% FTE	13.6	12.4	+10%
New hires rate	% FTE	18.5	14.3	+29%
Engagement Index Score	%	80	77	+4%
Occupational health and safety				
Total high-consequence injuries	#	0	0	0%
Total recordable injuries among employees (lost-time incidents)	#	29	20	+45%
Rate of recordable injuries per 1 mln hours worked	-	2.1	1.6	+28%
Total work-related illness	#	23	-	-
Sustainability in the supply chain				
New direct material suppliers assessed on social and environmental criteria	%	100	100	0%
Share of direct material suppliers who are signatories of Mölnlycke's Supplier Standard or equal requirement	%	100	100	0%
Share of procurement budget allocated to local suppliers:				
Operating Room Solutions	%	35	-	-
Wound Care		21	-	-
Gloves		57	-	-
Customer satisfaction				
Service complaints vs deliveries ratio	%	0.068	0.070	-3%
Community impact				
Lives improved through partnership with Operation Smile	#	200	-	-
Donations (gifts in kind)	EUR million	1.5	0.2	+650%
Ethical Business				
Integrity mindset				
Share of white collar employees trained in Mölnlycke's Code of Conduct including human rights policies and procedures	%	98.3	-	-
Cases reported through the whistleblowing reporting tool	#	34	12	+183%
Governance bodies				
Total people on Executive Leadership Team	Head counts	9	10	-10%
Female members on Executive Leadership Team	#	5	5	0%
Nationalities represented on Executive Leadership Team	#	5	6	-17%
Governance body oversight of the sustainability agenda	Y/N	Y	Y	
Frequency of Board update on ESG issues	Frequency	Half-yearly	Half-yearly	
Board oversight of climate strategy	Y/N	Y	N	



Find out more at www.molnlycke.com

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