The background of the entire page is a photograph of a winding asphalt road in a rugged, mountainous area. The mountains are covered in patches of green vegetation and exposed grey rock. A lone figure is walking away from the camera on the road.

Preem progress book

Fast track to climate neutrality

Sustainability Report 2021



Highlights in 2021

Preem steps up the transition

The climate has long been high up on Preem's agenda, but we must do more to speed up the sustainability transition. During 2021, we therefore revised our already ambitious climate target by bringing it forward ten years. By 2035, we will have a climate neutral value chain - the most ambitious target in our industry! To succeed, we are making large investments and focusing on new solutions to reduce emissions. Here is a selection of highlights from 2021.

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Increased renewable production

Increasing the production of renewable fuels is the basis of our strategy and the opportunity to become climate neutral. During the year, production started at Pyrocell's plant in Gävle, where sawdust is converted to fossil-free pyrolysis oil. A new plant was also put into operation at SunPine in Piteå, which increases the production of crude tall oil by 50 percent - to 150,000 m³ per year.

p. 12



Clear governance for greater sustainability

To facilitate the communication and management of our sustainability work, we have gathered our most important sustainability issues into seven focus areas. The progress in each area is described in a separate section in the Sustainability Report.

p. 15

Profitability and sustainability go hand in hand

We need to make significant investments to enable the transition and achieve our climate targets. In 2021, Preem's sales and earnings increased. We also launched a framework for green obligations that will secure sustainable financing. In total, we invested SEK 281 million in reduced climate impact.

p. 16

281 MSEK
total investments for reduced climate impact

Highlights in 2021

More collaboration - faster transition

Together with others, we make the transition to a better society possible. Together with Vattenfall, we are studying how fossil-free hydrogen can reduce emissions from the production of biofuels. In another project, with a number of actors in Gothenburg, we are exploring the possibilities for a common infrastructure and transport of captured carbon dioxide.

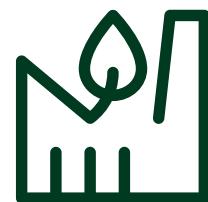
p. 18



Major investment in rapid charging

Sales of electric cars are increasing rapidly and with it also the demand for charging options along the roads. Preem will now install hundreds of super-fast chargers at its fuel stations. The investment is being made in collaboration with the charging operator Recharge.

p. 24



Turning black refineries green

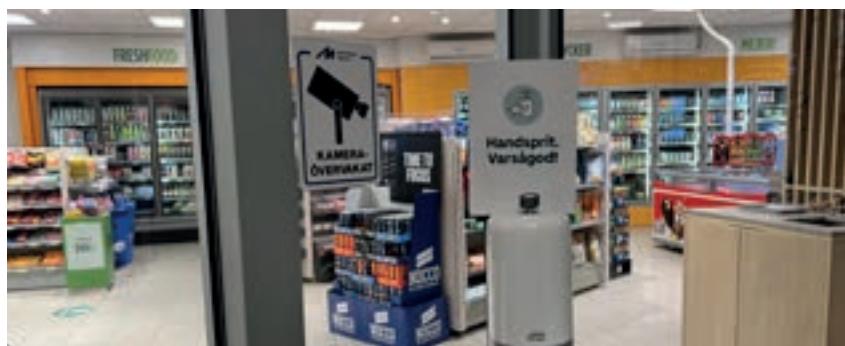
To switch to renewable raw materials, we need to rebuild our facilities. The refinery in Lysekil is preparing for Sweden's largest production plant for renewable diesel. The plant will be operational in 2024. In Gothenburg, our Green Hydro-Treater plant has been rebuilt in several steps and can now produce 100 percent renewable fuel for the first time.

p. 20

An important social actor

As Sweden's largest fuel company, Preem plays an important role in society. Many vital societal functions depend on our products and deliveries. We are also a significant employer that during the pandemic had routines, risk assessments and working methods that passed the Swedish Work Environment Authority's review without remark.

p. 41



Sustainable raw materials and suppliers

Preem purchases large quantities of goods and services. As part of our sustainability work, we place high demands on our suppliers to minimize negative social and environmental impact. Our Code of Conduct, a risk-based evaluation and follow-up of suppliers are among the industry's strictest and essential in our work.

p. 28

Message from the CEO

Strong recovery despite continued pandemic

It is with pride that I summarize 2021. It was an eventful year with both great challenges and several important successes. Although Preem, our industry and the rest of society were still strongly affected by the pandemic, 2021 has included some light at the end of the tunnel that inspire hope and commitment for the future.

Safety in focus

At Preem, we live by the motto "Safety first". We have a zero vision, which means that no one should be injured or made ill due to their work, and that no accidents that harm people, the environment or property should occur. We follow this up by measuring the Lost Workday Injury Frequency (LWIF). Our goal for 2021 was 1.0 lost workdays per million working hours - and the result was 1.1. So we did not reach our goal for the year, which we are not satisfied with. We see that our work to strengthen the safety culture remains the right course of action, and we will further focus on that next year. Other preventive activities are to systematically identify risks and opportunities for improvement.

During the year, we carried out a maintenance shutdown at the refinery in Gothenburg. One goal was to register as many deviation reports as the number of contractors on site, which was 500. This was achieved by a good margin. The systematic approach has had a good effect on safety and accident injury frequency during shutdowns over the years - this makes me happy and proud of the organization's work.

A new efficient organization

The year began with a strained financial situation for Preem, which forced us to reduce our overheads and prioritize our investments. At the end of 2020, we announced an organizational streamlining and a new organization came into force in June 2021.

The streamlining meant that our workforce was reduced and many employees received new colleagues, managers and tasks. I am deeply impressed by how we handled this turbulent time, and how quickly the new organization established itself by already showing good results and efficient progress the same year.

Financial recovery and renewable investments

The pandemic has had a global impact and the first half of the year was marked by great uncertainty. However, large-scale vaccination roll-out worldwide gave hope and in the fall we began to see several indications of a return to normal, with growing economic activity in many places. Proof of this was the increase in oil prices in 2021. At the beginning of the year, a barrel of North Sea oil cost just over USD 50 per barrel but had risen to almost USD 80 per barrel at the end of the year. In addition, we saw an increasing demand for our products. Overall, this has meant an improved financial result for the year.



Tightened climate target: Climate-neutral value chain 2035

”

Our ambitious goals to restructure our operations for the large-scale production of renewable fuels mean that we are well positioned to meet future demands.

Our sales increased in 2021 to SEK 89,592 million, from SEK 58,190 million the previous year. Operating profit increased to SEK 5,007 million, from SEK -826 million.

At Preem, we see that sustainability and profitability go hand in hand. We are therefore investing heavily in investments in our sustainable transition and 2021 was no exception. A total of SEK 281 million was invested in 2021 in increased renewable production and reduced climate impact.

Our tightened climate target

Climate is perhaps the most important issue of our time, and for Preem, which operates in a carbon-intensive industry, climate change is high on the agenda. As early as 2019, we adopted the world's toughest climate targets in our industry. Worrying reports of higher temperatures and extreme weather in recent years have shown that more is needed. In 2021, we therefore decided to tighten our climate target by ten years: we will have a climate-neutral value chain by 2035.

A wider range of sustainable products

At Preem, we are convinced that the society of the future can be both fossil-free and climate-neutral. For 10 years, we have been producing and delivering liquid, renewable fuels, and in 2021 we took further steps toward the society of the future.

The demand for rechargeable cars is increasing rapidly and to meet the need, we offer electric vehicle charging at our stations. In September, we launched our large-scale investment in vehicle charging infrastructure. Together with the operator Recharge, we will install hundreds of rapid charging stations throughout the country.

We are also following the development of hydrogen with great interest. Already today, we have extensive experience of hydrogen as a component in the production at our refineries, and in the future we also see potential to offer hydrogen to the market for heavy duty transport.

Sustainable value chains a key to success

Preem's value chain is complex and involves several sustainability challenges. We meet these by stepping up our expertise in the field. We also work with strategic collaborations with the industry's best players.

During the year, we refined our collaborations to invest in the projects we believe in the most. One of these is Pyrocell. At Pyrocell in Gävle, pyrolysis oil is produced from sawdust. The facility is the first of its kind in Sweden, and in December we had a fantastic inauguration with representatives from

the owner companies, the business community, authorities, research, politics and the media.

Preem has also deepened its collaboration with Spanish Lipsa, which is the market leader in the pre-treatment of oils and fats. Together, we will ensure good access to sustainable, renewable raw materials for our production in Gothenburg and Lysekil. At the turn of the year, a historic step was taken in the conversion of Lysekil when the first renewable volumes began to be produced. In parallel, further redevelopment projects are underway. Together, they will expand our renewable production to approximately 1.5 million m³ in the coming years.

Another fantastic news is that Preem, together with RISE, has researched a technology to be able to feed more pyrolysis oil into existing plants. Before the summer, the patent was approved in the United States, and now we hope for positive response from more markets.

A growing commitment

We saw periods of restrictions being implemented and eased of 2021 - similar to the situation in 2020. Despite this uncertainty and our reorganization, we were able to improve our employee engagement index to 79 (78). This makes me confident that Preem, thanks to our competent, committed and loyal employees, has the very best conditions to develop positively in the coming years - regardless of the pandemic.

We are well equipped for the future

Preem is undergoing the biggest change in the company's history. It is both breathtaking and incredibly inspiring to be involved in and lead this work. It is equally inspiring to see the unique competence that exists within Preem when we deliver high-quality products to the market in the best possible way every day.

Navigating the rapidly changing situation is not an easy task, but we have all the prerequisites to succeed. Every year, we revise our overall strategy to ensure that we develop in the right direction. In 2021, we have also focused on our brand and defined what company we want to be today and in the future. When I look at our strategies and goals, I see an ambitious company setting a course, and moving at full speed toward the future. I am both proud, inspired and humble for the years to come.

Magnus Heimborg
President and CEO

About Preem

We make the journey to a better future possible

Preem is Sweden's largest fuel company. Our ambition is to lead the transition to a sustainable society. As early as 2010, we were one of the first in the world to produce renewable fuels with crude tall oil as a raw material. Over the years, we have constantly increased the sustainability performance of our products while working to reduce the environmental and climate impact from our refineries and our logistics chain.

Our vision is to lead the transformation toward a sustainable society, which involves a challenging journey. At the same time, the ongoing climate crisis requires us to step up our sustainability work. For Preem, which has both a large fossil fuel production and an ambitious sustainability agenda, this means that our business must change fundamentally. Sacrifices and extensive investments will be required to achieve our ambitious targets. Preem views the development of society positively and welcomes the ongoing change. In 2021, Preem therefore tightened its climate target. We will achieve a climate-neutral value chain with net zero emissions by 2035.

To succeed, we will offer sustainable mobility solutions, transform our fossil fuel production into renewable, expand our portfolio of renewable raw materials and undergo a digital transformation for profitable growth where our competent employees and leaders are the basis for our success.

Preem is Sweden's largest fuel company. We refine and sell fossil and renewable fuel and lubricating oil as well as other products to companies and consumers. Preem's two refineries in Gothenburg and Lysekil are among Europe's most energy efficient and modern. They are in operation 24 hours a day, every day of the year. Together, they account for about 80 percent of the Swedish refinery capacity and about 40 percent of the Nordic capacity. The refineries have a total annual capacity of over 18 million m³ of crude oil and renewable raw materials. We have been producing renewable fuels since 2010 and have begun a large-scale transition from fossil to renewable fuels.

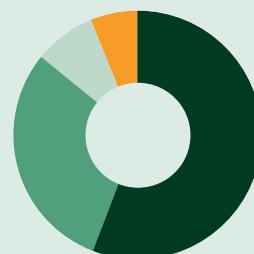
We have nearly 1,500 employees, of which 1,100 work at our refineries. Together with our resellers and partners, we are over 3,000 employees who meet customers daily under Preem brand. Everything we do is based on our values: responsible, innovative and inclusive.

Facts about Preem

- Preem is a Swedish company with two refineries in Sweden, including the Lysekil refinery, which is the largest in the Nordic region.
- Almost 50 percent of all fuels used in Sweden are produced by Preem.
- Preem had a turnover of SEK 89 billion in 2021.

Sales 2021
Per customer category, m³

- Export: 56%
- Large customers: 30%
- Fuel trading companies: 8%
- Fuel stations: 7%



Our business concept and operations

Preem's operations include the purchase and processing of raw materials, depot operations and the sale of products. Preem is not involved in oil extraction and therefore not tied to any specific oil fields or suppliers. We are free to buy crude oil and renewable raw materials from all over the world, which are transported to our refineries via best in class vessels. The raw materials are processed and sold as fuel and other products to both companies and consumers. Sales on the Swedish market take place via Preem's nationwide station network with just over 520 service stations for private and commercial traffic and via certified dealers.

In Norway, Preem's sales take place primarily through resellers and through its own direct sales for bulk. A large part of our production is exported to the international market, mainly to northwest Europe. This makes us one of Sweden's largest export companies.

The distribution of our products takes place through a network of depots. Preem owns depots in Gothenburg, Helsingborg, Karlshamn, Norrköping and Gävle. In Norway and for the depot in Piteå, we have agreements with external partners. In order to optimize logistics and minimize transport, we also have good collaboration with logistics companies.

We will create long-term value for society, our customers and Preem through customized offerings and environmentally friendly products with a focus on superior performance in sales, distribution and refining.

1,500 employees
80 percent
of the Swedish refinery capacity

Value chain

From raw material to tank

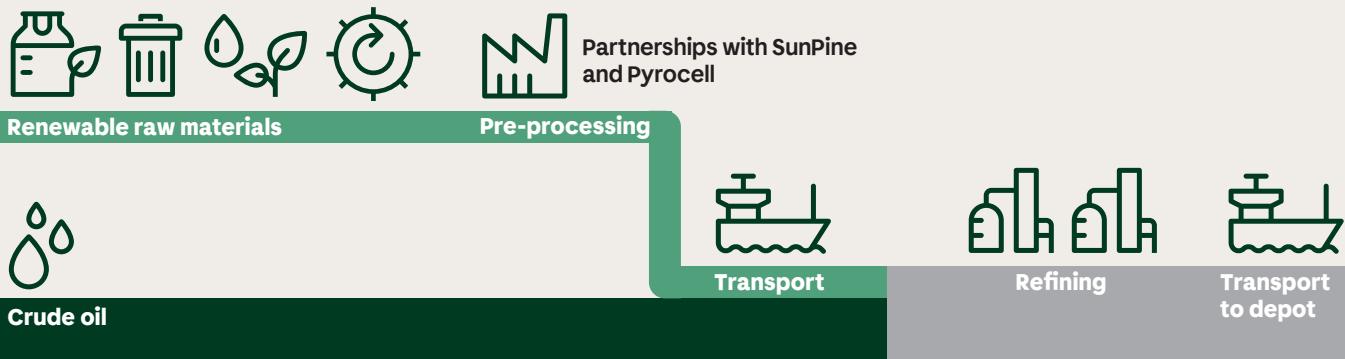
Preem buys crude oil and renewable raw materials from all over the world and transports the raw materials to our refineries in Gothenburg and Lysekil. There the raw materials are processed into finished products, which are then sold in Sweden and Norway and exported to the international market.

Preem's value creation

CO₂ capture and sequestration

Adapt the refineries

Shift to sustainable resources



Finished renewable products

What we need and own

Raw materials

- 18 000 000 m³ crude oil per year
- 350 000 m³ renewable raw materials per year

Competent employees

- Around 1,500 employees

Financial capital

- SEK 13,202 million equity
- SEK 8,454 million working capital
- SEK 8,651 million in loans and financing

Facilities

- 2 refineries, 1 port and 6 depots
- 520 fuel stations

What we do

About Preem

Preem is Sweden's leading fuel production company. At our refineries, fossil and renewable raw materials are refined primarily into fuel. We sell fuel at our own fuel stations in Sweden and supply distributors in the Nordic countries and northern Europe with large volumes.

Strategy

Our strategy is based on a transition from fossil to renewable fuels. This is done through research and development, the construction of new, renewable value chains, adaptation of our

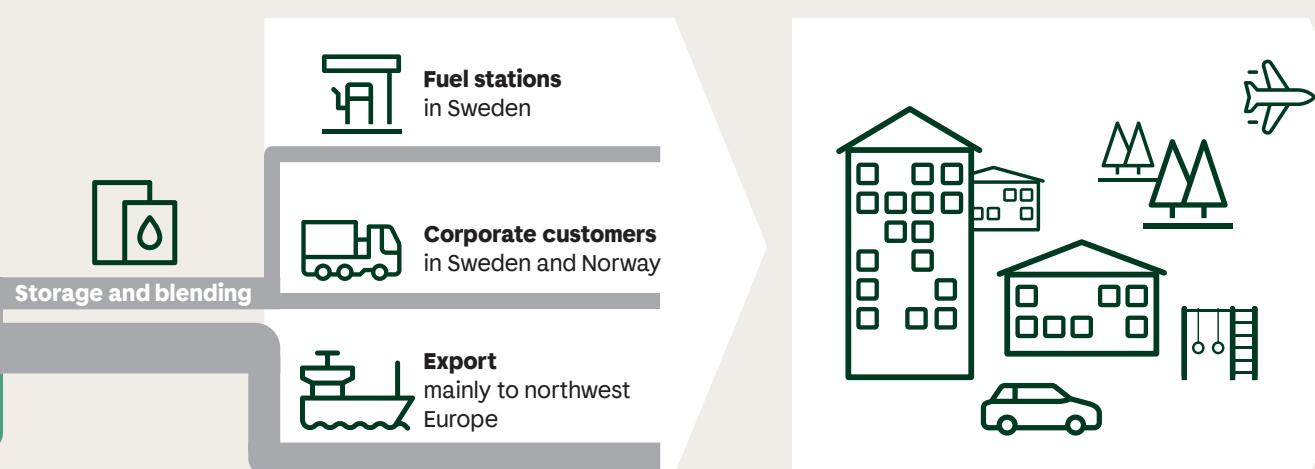
refineries and sales channels as well as proactive advocacy work.

Investments to reduce climate impact

In 2021, we invested a total of SEK 281 million in the transition to increased renewable production.

Value chain

Develop our offerings to the needs of a sustainable society



What we create

Products

- 18 000 000 m³ fossil fuels
- 350 000 m³ renewable fuels
- District heating

Healthy employees

- 97% attendance
- 1.1 injuries per million hours worked

Financial result

- SEK 6,437 million gross result

Climate benefit

- 3 million tonnes less carbon dioxide by using renewable fuels instead of fossil fuels (Well-To- Wheel)

Intellectual capital

- The world's first fuel production from crude tall oil and from lignin and sawdust

Value creation for society

Energy and fuel

- Half of the fuels used for transportation in Sweden
- 80 percent of Sweden's refinery capacity
- Contingency stock with fuel

Employees

- Approximately 3,000 jobs and vibrant local communities
- New, renewable supply chains

Health benefits

- Lower concentration of aromatics due to MK1 diesel
- Contributes to achieving Sweden's climate goals

Economic value distributed

- SEK 1,506 million paid in salaries and benefits to employees
- SEK 85,034 million in payments to suppliers
- SEK 10,346 million in tax to the state/society
- SEK 998 million interest to lenders

UN SDGs

- A both positive and negative impact on UN Sustainable Development Goals, see pages 52–53

External trends

Sustainability at the center as the world transitions

There is a radical transition occurring in society. The transition is global and affects everyone, how we live and how we conduct business. When we look at how society is changing, four strong trends emerge. By following and interpreting these trends, we create good conditions for understanding how we can adapt our business to the requirements and needs of the future.

Accelerating climate crisis

1 Climate change is already today affecting society globally. 2020 was the hottest year so far measured in Europe, and the earth's third highest ever average temperature. The world's climate is becoming increasingly unstable with large temperature fluctuations, elevated sea levels, heavy rainfall, strong winds and floods as a result. In some places, deserts are spreading and drought is becoming an increasingly common feature.

The impact of climate change on society is already visible today and will accelerate over time. The world has backed the Paris Agreement, but time is running out if we are to achieve the set goals and slow down climate change.

Companies and organizations are shaping and sharpening their climate goals. Countries and cities are taking measures to reduce CO₂ emissions locally, nationally and internationally. Policy is continuously being tightened, which increases the risk of running carbon-intensive companies and operations.

We are becoming increasingly values-driven

2 We see a growing commitment to society and in 2019 over 7 million people in 185 countries participated in the largest climate strike of all time. The message was clear: stronger efforts are needed to reduce emissions and halt climate change. In parallel with issues relating to climate and the environment, voices are also being raised about social and economic justice. In addition, issues of working conditions, child labor and anti-corruption are increasing in importance.

This growing commitment is reflected in how customers choose to consume goods and services. Customers place higher demands on companies to clarify their role in society and work actively for sustainable development. Companies are expected to take a stand and opt out of activities and operations that are not sustainable in the long term, even if it entails a short-term financial loss. These companies also boost employee satisfaction and find it easier to attract the right skills.

The effects on Preem's operations and market

Climate change, digitization and electrification all have a direct impact on Preem's operations, industry and market. Today, more than 99 percent of the vehicle fleet in Europe consists of vehicles with internal combustion engines and cars with internal combustion engines still account for the majority of new sales. However, climate change requires that we switch from fossil to renewable fuels and that transport is made more efficient. In a

society where values drive development, there is no place for extensive fossil emissions. At the same time, the total need for fuel decreases as engines are made increasingly efficient and electrified and our lives are gradually digitized.

The effect will be that the market for liquid fuels will decrease drastically within the next ten years. For a fuel company like Preem, this fundamentally affects our operations.

External trends



External trends have contributed to Preem's strategies

Laddning

The fourth industrial revolution

3 Technology is evolving faster than ever. Already today we see how new technology helps us in everyday life and improves our standard of living. Innovations such as 5G, artificial intelligence, robotics and the block chain are under development and are expected to take place in the new, digital world and revolutionize our way of life. Climate change is also driving many new technological innovations.

Digitization creates new opportunities for home-working, virtual meetings and ways to develop relationships between customers and companies. Flexible payment solutions, apps and digital service assist us when we consume goods and services.

Homeworking has become more common and is expected to continue even after the pandemic, and the demand for technical solutions that enable a flexible workplace will remain.

Transport electrification

4 The large-scale electrification of transport is underway. Several vehicle manufacturers have announced they will phase out the internal combustion engine from their production lines in the coming years. This development is driven by raised customer expectations and the experience that electrified vehicles offer. In parallel, extensive political discussions on regulations and stricter emission requirements can accelerate the phasing out of internal combustion engines.

The sales of rechargeable cars has increased around the world, not least in Scandinavia with Norway as the global leader. An increased range of vehicles on the market is pushing down prices and rechargeable cars are expected to cost the same as conventional cars in the coming years. After 2030, electric cars are expected to dominate new car sales, and the proportion of electric cars is expected to increase significantly in Sweden and Norway.

Electrification has gone beyond the car. The electrification of heavy traffic is increasing and the first generation of electrified trucks, machines, ships, planes and boats is already under development.

SNABB-LADDARE 50 MAX kW

Case story: Pyrocell and SunPine

Renewable forest raw materials from Pyrocell and SunPine

Preem has adopted ambitious goals aimed at restructuring its operations and achieving the large-scale production of renewable fuels. Pyrocell and SunPine are two examples of how Preem works to increase the amount of sustainable raw materials for the fuels of the future.

Pyrocell's facility in Gävle is the first of its kind in Sweden. No other plant is integrated with a sawmill and can produce bio-oil from sawdust.

Sawdust becomes pyrolysis oil

Preem owns Pyrocell together with the wood industry company Setra. In the facility, which is located next to the Setra Kastet sawmill, sawdust is converted to non-fossil pyrolysis oil. The pyrolysis oil is then refined into renewable diesel and gasoline at Preem's refinery in Lysekil.

"It is a historic milestone that Pyrocell now supplies non-fossil raw materials from sawdust to Preem's production of renewable fuels and thus can really contribute to reduced emissions in the transport sector - from the forest to the tank," says Pontus Friberg, Chairperson of Pyrocell.

Pyrocell's production amounts to approximately 25,000

tonnes of bio-oil per year, corresponding to the annual fuel consumption of 15,000 passenger cars.

"We are proud that the Gävleborg region is the first in the world with an integrated bio-oil factory. In just one and a half years, the factory has been built and now produces bio-oil from sawdust - an impressive project that was quickly completed" says Per Bill, Governor of Gävleborg.



Pontus Friberg

Crude tall oil diesel from SunPine

SunPine's biorefinery in Piteå is another example of innovation that leads to concrete climate benefits. In 2021, SunPine completed a new factory, which means that the capacity for the production of sustainable tall oil increased by about 50 percent. The production of crude tall oil has increased to about 150,000 m³ per year, which reduces emissions of fossil carbon dioxide by about 400,000 tonnes.



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Preem's development projects in Lysekil and Gothenburg contribute to us increasing the amount of renewable fuels in line with our goals and society's growing needs.



Case story: Co-processing

Increased share of renewables through co-processing

Renewable liquid fuels are today the most effective way to reduce emissions from the transport sector. Preem's goal is to have a renewable production of 2.5 million m³ annually by 2026 and to produce at least five million m³ by 2030.

We already produce renewable fuels, but need to increase the pace of the transition from fossil fuels. The fastest way is to rebuild our current facilities so that we can gradually increase the proportion of renewable raw materials in our existing production, so-called co-processing, says Peter Abrahamsson, Head of Sustainable Development at Preem.

At the refinery in Gothenburg, we have already rebuilt a facility (our Green Hydro Treater plant, GHT) and gradually switched from fossil fuel production to 100 percent renewable fuel. The strategy means that we can reuse materials, facilities and land, which makes the transition more sustainable. Now we continue this transformation strategy also at the refinery in Lysekil.

Low blend at Lysekil

Already 2020, Preem began with a low blend of rapeseed oil at the Synsat plant in Lysekil. The results now form the basis for a major revamp that will enable the production of 950,000 m³

of renewable fuel each year. Tests with low blends are ongoing at several plants at Lysekil, including the catalytic cracker, which is one of the refinery's most advanced. It will annually receive 25,000 m³ of pyrolysis oil from the jointly owned company Pyrocell. In total, Preem expects to be able to produce at least one million m³ of renewable fuel in Lysekil by 2024.



Peter Abrahamsson

HVO project in Gothenburg

At the same time, the work of supplementing our work with completely new facilities that produce 100 percent renewables from day one continues. At the refinery in Gothenburg, planning is underway for Sweden's largest production facility for renewable diesel and biojet fuel, the so-called HVO project, with a capacity of approximately one million m³ annually.

“Preem's development projects in Lysekil and Gothenburg contribute to us increasing the amount of renewable fuels in line with our goals and society's growing needs,” says Peter Abrahamsson.

Vision and strategies

Preem's strategy for a better future

Preem's vision is to lead the transformation toward a sustainable society. To achieve this vision and fulfill our business concept, we work according to four strategic priorities, which are broken down into a number of goals in annual business plans and measured both at an overall, organizational level and at the individual level. Our success is based on competent and committed employees with leadership adapted for an ever faster pace of change. We deliver on our strategy by never compromising on safety.

Preem's business concept

We will create long-term value for society, our customers and Preem through a customized offering and environmentally friendly products with a focus on superior performance in sales, distribution and refining.

Preem's strategy

To achieve our vision and goals, we annually review our strategy. It is divided into four strategic priorities and provides clear guidance for all our employees.

All of the priorities are closely linked to our sustainability framework. The most significant sustainability aspects in Preem's materiality analysis are included in our strategic objectives. Read more about the connection between Preem's strategy and sustainability framework on page 50.

Strategic priorities	Current initiatives that take us toward our strategy
 <p>Offer sustainable mobility solutions</p> <p>Preem is determined to be a part of the fuel market of the future. This requires that we expand our portfolio of renewable products and meet customer needs. We also need to expand the business and strengthen Preem's brand in the northern European market. We will do this with a secure, efficient and reliable value chain.</p>	<p>The existing Synsat plant at the Lysekil refinery is being rebuilt to increase the production of renewable diesel. It is the starting point for a large-scale conversion of Preemraff Lysekil. In parallel, Preem is testing for the first time the production of renewable gasoline at the refinery, with renewable raw materials from Pyrocell.</p>
 <p>Transform our fossil production to renewable</p> <p>The market for liquid fuels will change. Fossil raw materials will be phased out in favor of renewables – this also applies to Preem. We will accelerate the transition with the goal of producing 2.5 million m³ of renewable energy by 2026 and double this by 2030. We will also adapt our fossil fuel production capacity to meet society's needs. This work is crucial for us to achieve our goal of a climate-neutral value chain by 2035.</p>	<p>A carbon capture plant, so-called Carbon Capture and Storage (CCS) has been tested at the refinery. CCS is a necessary technology for achieving climate goals in time and a major step toward climate-neutral refineries.</p>
 <p>Expand our portfolio of renewable raw materials</p> <p>When we phase out fossil raw materials in favor of renewables, it is important to ensure that the new value chains for raw materials are sustainable in the long term. We will both deepen collaborations with selected suppliers and develop internal expertise in renewable purchasing and production. We also focus on targeted R&D programs and partnerships.</p>	<p>Sweden's largest production facility for renewable fuels is planned to be built in Gothenburg. The new plant, a so-called Green Feed Unit (G FU), is estimated to produce approximately one million m³ of renewable diesel and renewable aviation fuel per year.</p>
 <p>Go through a digital transformation for profitable growth</p> <p>The ongoing digitalization is changing society. For Preem, digitalization is a necessity, but also an opportunity to meet the needs of customers and society. Our digital transformation is reflected in production, the supply of goods and how we meet our customers in the market.</p>	<p>Within our station network, a large-scale roll-out of rapid electric vehicle charging stations has begun.</p> <p>Existing and new collaborations will be of great importance for Preem to be able to realize its strategy.</p>

Sustainability framework

Steering toward a better future

Organizing Preem's essential sustainability issues into a framework facilitates the communication and management of our sustainability work. Our work with the seven focus areas included in the framework is described in dedicated sections in our Sustainability Report.

Our sustainability framework summarizes the sustainability areas where Preem has the greatest impact along the value chain and which are most important for our stakeholders and our business. To define the most important sustainability issues, we carry out a materiality analysis, read more on page 50.

Our sustainability framework includes the following focus areas: Sustainable products, Sustainable value chains, Environment, Climate, Responsible business and People and safety. The seventh area, Stable economy, creates the conditions for long-term sustainable business. In the framework, we define our ambitions and goals for these focus areas and their underlying sustainability issues.

- **Stable economy**
1 Sustainable profitability and value creation
- **Responsible business**
2 Local communities
3 Business ethics
4 Product responsibility
5 Energy security in local markets
6 Communication and impact on society
- **People and safety**
7 Health and safety
8 Employee well-being and development
9 Chemical handling
- **Sustainable products**
10 Renewable fuels
11 Sustainable assortment
- **Sustainable value chains**
12 Environment and social impact in the supply chain
- **Environment**
13 Emissions to air, soil and water
14 Use of resources
15 Energy use
16 Biodiversity
- **Climate**
17 Climate impact from the use of products
18 Climate impact from operations
19 Climate impact from the supply chain



Focus area: Stable economy

Stable economy shapes the future

The transition to a sustainable society requires extensive investments. A stable economy is therefore a prerequisite for the transition to be realized. For Preem, this is about ensuring short- as well as long-term profitability and the financing of sustainable transition projects.



Preem's transition requires profitability that ensures that we can deliver high-quality products and services that today's society needs. In the longer term, a large contribution of capital is required to finance the necessary conversion projects that enable the production and sale of products, services and offerings in the sustainable and circular economy of the future.

Sustainable transition and profitability go hand in hand
What was previously considered a conflict between profitability and sustainability has recently been challenged from several quarters. Private and public capital flows are increasingly being directed, and to a greater extent, to sustainable investments. In parallel, a development of regulations is underway that aims to facilitate sustainable financing. The EU's taxonomy for sustainable investment is one example, and the revision of the Renewable Energy Directive is another. Increasingly stringent requirements are also placed on companies to integrate sustainability risks into financial risk management.

Preem is positive to this development. Our values, strategy and climate roadmap are in line with an increased set of requirements linked to sustainable investments. In the coming years, we intend to invest SEK 9 billion in our operations to ensure increased renewable production and, in the long run, short- and long-term profitability. An increased interest in sustainable financing and a clearer regulatory framework are expected to create better conditions for these investments.

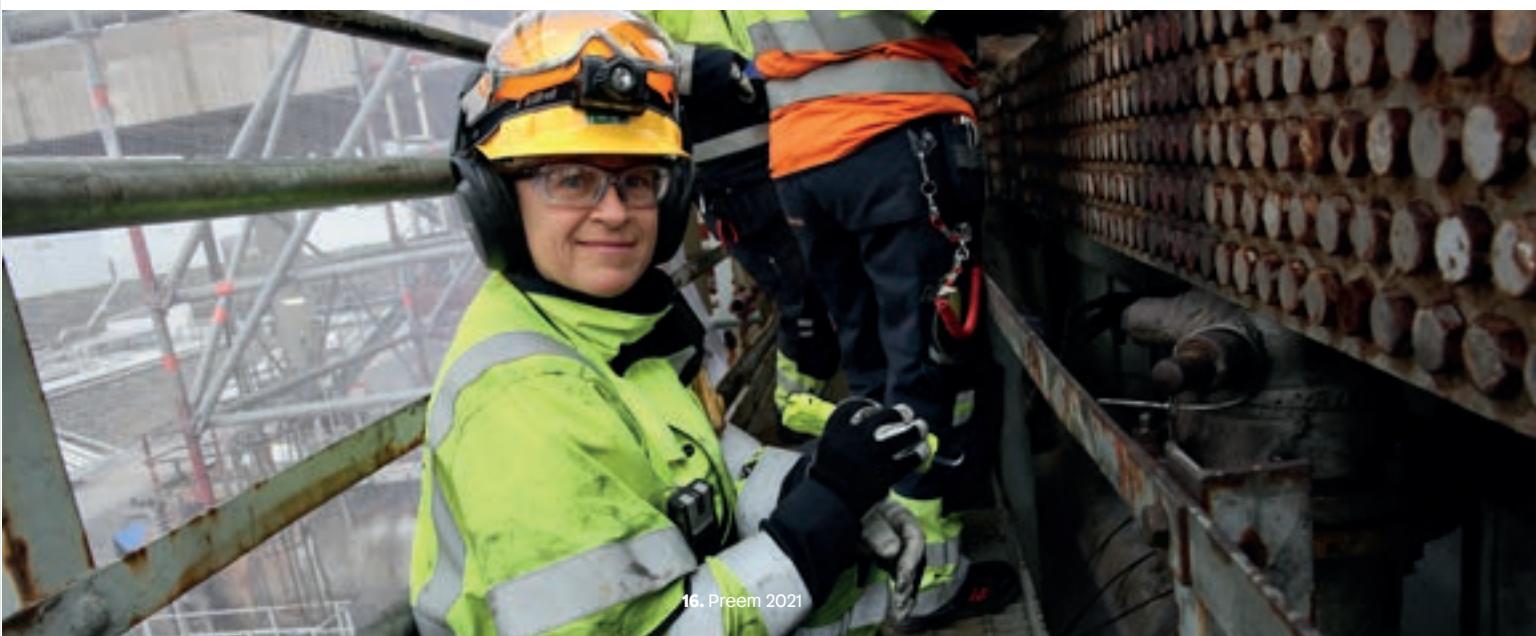
Indirectly, our sustainable investments create better conditions to attract both customers and financiers, as well as pride among our employees. That we manage our operations and our resources to reduce climate impact and take responsibility for the environment and social conditions in the value chain is important for confidence in Preem and affects the assessments made by analysts and investors.

Goals and follow-up 2021 - a year of recovery

2021 was a year of recovery and a return to a world situation that is more similar to what we knew pre pandemic. 2020 was characterized by large declines and fluctuations in crude oil prices. In 2021, prices increased steadily, as did production margins which exceeded our expectations at both of our refineries. Our plants have performed well, which have had a positive effect on our financial performance. The refinery in Gothenburg, where the main renewable production is located, has had stable margins throughout the pandemic.

A green financing framework

At the end of 2021, we began the work of establishing a green financing framework in accordance with Green Bond Principles, GBP, which will form a natural part of the sustainability work within Preem. The framework clarifies our approach and ensures that capital raised to fund sustainable and transition projects is done according to the criteria's set out. Read more at preem.se.



Focus area: Stable economy

SEK 281 million
in investments to reduce climate impact

Investments for a sustainable future

In total, Preem invested SEK 281 million in 2021 in increased renewable production and/or reduced climate impact, which is less than the previous year, but accounted for 43 percent of the year's total investment expenses. Investment expenses regarding the Synsat project have been postponed, leading to a lower outcome than expected this year.

The investments include:

- Completion of piping system for the injection of renewable raw material in FCC in Lysekil and test run of raw material
- Improvements to the Green Hydro Treater (GHT) in Gothenburg
- Ongoing project for the conversion of Synsat in Lysekil to a facility that will be able to process large volumes of renewable raw material
- Storage of pyrolysis oil from Pyrocell in Gävle

The year's financial performance

Preem's sales increased in 2021 to SEK 89,592 million from SEK 58,190 million the previous year. Operating profit increased to SEK 5,007 million from SEK -826 million the previous year.

Adjusted EBITDA increased significantly during the year, to SEK 4.2 billion from SEK 2.0 billion.

There has also been a recovery in the Swedish market, where we achieved our best result ever. EBIT in 2021 was SEK 812 million compared to SEK 545 million in 2020. The total market for fuel is declining, which means that we did not achieve the same levels as before the pandemic. Despite the declining volumes, we have had good earnings in the Swedish market, partly as a result of active work with differentiated pricing.



In 2020, price losses amounted to SEK 3 billion, but in 2021 prices turned around and Preem's earnings for 2021 increased by SEK 3.5 billion thanks to the positive price situation.

A stable economy means that we manage our capital efficiently, for the best return. An important key figure for measuring profitability is ROCE (return on capital employed). In 2021, it amounted to 20 percent.

The key equity ratio shows Preem's long-term solvency and financial strength, and is an important measure from the stable financial perspective. Our long-term goal is an equity/assets ratio of at least 35 percent to be able to handle fluctuations in oil prices and earnings in relation to the company's equity. In 2021, our net indebtedness decreased.

Sustainable profitability - key figures	2021	2020	2019
Adjusted EBITDA, SEK million	4,204	1,960	3,330
Return on working capital, % (ROCE)	20	1	8
Equity ratio, %	36	35	28
Investments and R&D related to renewable/reduced climate impact			
Investments to mitigate climate impacts, SEK million (CAPEX) ¹	281	477	269

Created and shared economic value

The table below illustrates how the value that Preem's operations generate have been distributed between different stakeholder groups.

Economic value	Where impact occurs	2021	2020	2019
Economic value generated, SEK million				
Revenue ²	From customers etc.	100,353	69,166	103,263
Economic value distributed, SEK million				
Operating expenses	To suppliers	85,082	59,994	89,771
Employee salaries and benefits	To employees To banks and financiers	1,506	1,469	1,625
Payments to financiers	To banks and financiers	998	321	4,118
Payments to the state	To society	10,346	10,001	11,078
Economic value retained	To company	2,436	-2,618	-3,329

1) All investments that create conditions for renewable production and CO₂ reduction
2) Net sales plus income from financial investments

Case story: CCS

Carbon capture can make refineries climate neutral

For almost eight months in 2020, tests were carried out by capturing CO₂ from one of the chimneys at the refinery in Lysekil. The results were very good and showed that about 90 percent of the CO₂ could be “washed” out of the flue gas with the help of an amine solution.

The refinery in Lysekil is part of the Preem CCS project, which we run together with Chalmers University of Technology, SINTEF, Aker Carbon Capture and Equinor. In February 2021, the test facility left the refinery and the project has entered a final phase, but for Preem, CCS technology is an obvious part of the continued path towards a CO₂ neutral business and achieving Sweden's climate goals.

In 2021, calculations were carried out with the aim of producing proposals for what full-scale facilities in both Lysekil and Gothenburg could look like. In order to be able to use the technology fully, a functioning infrastructure must also be in place. Therefore, studies of the entire value chain and regulations are also included in the project along with dialogue with possible recipients of CO₂. The location of the refinery at the port of Gothenburg provides

opportunities for collaboration.

For this reason, Preem, together with Göteborg Energi, Nordion Energi, St1, Renova and Göteborgs Hamn AB, started a unique collaboration project in Gothenburg - CinfraCap. The project, which started in 2020, focuses on how the actual transport of captured CO₂ from the operations to the port of Gothenburg can

be both cost effective and climate smart. In April, a feasibility study was presented that described the possibilities for a joint logistics and infrastructure solution. It also showed great gains with collaboration on carbon capture and storage, CCS.

“This solution can be a world first for Gothenburg and Sweden. CCS is an important part of achieving Preem's goal of carbon neutrality throughout the value chain by 2035. But the technology is costly and requires support from the authorities as well as financial incentives to secure the willingness to invest,” says Preem Project Manager Karin Lundqvist.



Karin Lundqvist



This solution can be a world first for Gothenburg and Sweden. CCS is an important part of achieving Preem's goal of carbon neutrality throughout the value chain by 2035.

Focus area: Climate

Preem's journey to a climate-neutral value chain

Greenhouse gas emissions must be drastically reduced to zero if we are to achieve climate goals and curb the ongoing climate crisis. In 2021, we tightened our climate target: We now must be a climate-neutral company in our entire value chain by 2035 - because we want to, can and must.



Preem's strategic decisions are driven by the conviction that the future is fossil-free and climate-neutral. We see that a gradual transition from fossil to renewable benefits both the company, our customers and society at large.

In 2019, Preem adopted its first climate target, to have a climate-neutral value chain by 2045. It was a globally leading target in our industry, but we now believe that the transition needs to be accelerated further. To ensure that our operations change in step with society and the market, in 2021 we decided to tighten our climate target by ten years. This means that Preem shall be a climate-neutral company throughout the entire value chain by 2035.

Preem's refineries are among the largest sources of CO₂ emissions in Sweden, and the total emissions across our value chain have in recent years been on a par with Sweden's total territorial emissions of greenhouse gases. If Preem can adjust and reduce climate emissions while ensuring access to renewable fuels, the opportunities for our customers to achieve

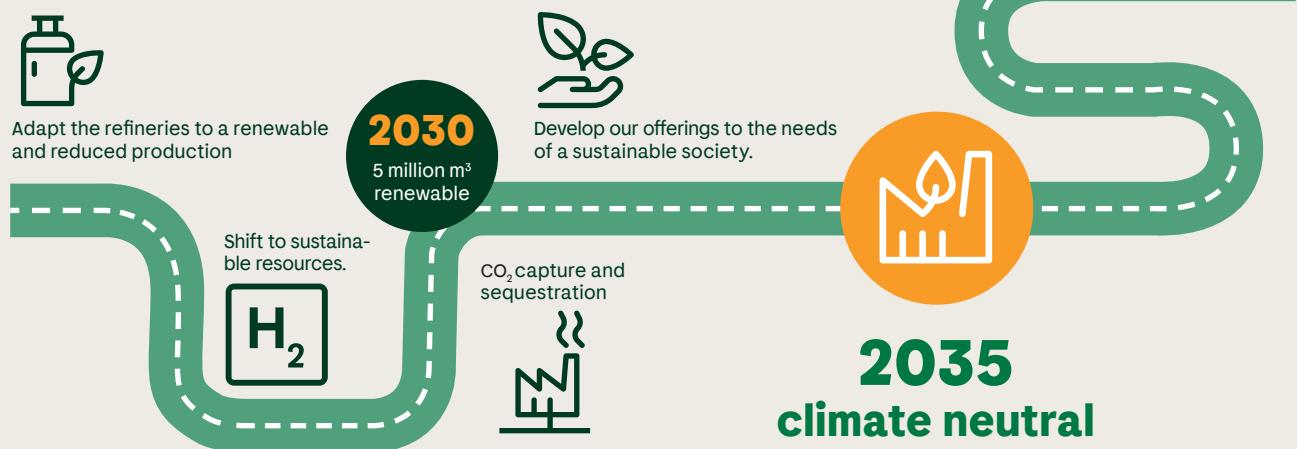
their climate goals will be improved, as well as for Sweden to achieve its transport-related and national climate goals.

Our climate target is integrated into our strategy and is followed by a concrete action plan that involves the biggest transformation in the company's history. This is based on the transition from fossil to renewable raw materials. The pace of emission reductions will not be linear, but will be affected by external factors, such as technological developments and the needs of society. The transition is also affected by the pace of the environmental permit processes that are necessary for Preem, now and in the coming years, to be able to make the investment decisions needed for us to be able to maintain the pace of work towards climate neutrality in 2035.

Preem's climate target covers the entire value chain, which is why emissions must be reduced at all stages, with a special focus on reducing emissions in those parts of the value chain where they are highest and where we can reduce climate impact the fastest. About 85 percent of the CO₂ emissions along Preem's value chain arise from the use of products,

Preem's journey to climate neutrality

To climate neutral 2035 - because we want to, can and must



Focus area: Climate

The social transition toward climate neutrality 2050

Through the Paris Agreement, the countries of the world have agreed to limit global warming by reducing greenhouse gas emissions. Science shows that in order to achieve warming of less than 1.5 °C, greenhouse gas emissions must be halved by 2030. In addition, the world needs to reach climate neutrality by 2050. The EU and Sweden have responded with similar goals. Sweden has formulated a milestone goal that greenhouse gas emissions from domestic transport will be reduced by at least 70 percent by 2030 compared with 2010.

To achieve climate neutrality, the Science Based Target initiative believes that global greenhouse gas emissions must be reduced by 90 percent by 2050. Remaining emissions must also be offset by, for example, carbon sequestration in forests and soil, or technical solutions that capture and store CO₂.

while refining, distribution and storage account for about four percent. The remaining emissions occur during the extraction of the raw materials we purchase.

Our focus areas to become climate neutral

1. Adapt refineries to a renewable and reduced production
 Today, our refineries are adapted for large-scale fuel production based on fossil raw materials. Over the last decade, Preem has developed its experience from rebuilding former fossil production units to process renewables. Now this needs to be scaled up. Through rebuilding and the construction of new refining units, we want to increase renewable production to at least 2.5 million m³ in 2026 and to about 5 million m³ by 2030. In parallel, we reduce fossil production and adapt the total production capacity to future lower needs.

2. Shift to sustainable resources

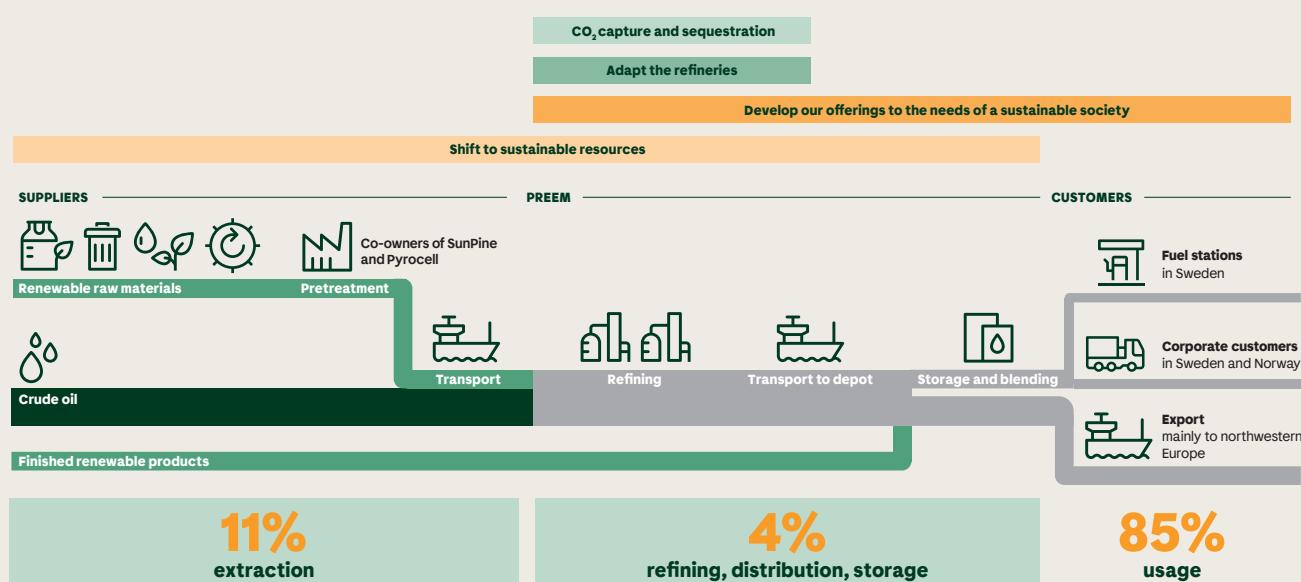
The use of fossil products is the main cause of CO₂ emissions along Preem's value chain. To achieve our climate target, we need to drastically reduce the use of crude oil as a raw material and instead shift to renewable alternatives, such as bio-oils from sustainable waste products from forestry, agriculture and the food industry.

In 2021, more players in the crude oil market have begun to monitor and report emissions related to crude oil extraction. In recent years, Preem has shown that it is possible to reduce the climate impact also within the fossil value chain by choosing crude oil with relatively low production emissions. In order for such measures to be systematically feasible over time, policy instruments or financial incentives are required. The Swedish reduction mandate entails a clear direction towards CO₂ reduction through the incorporation of renewable fuels. On the other hand, there are unfortunately no economic incentives to reduce emissions from fossil fuels.

Hydrogen is a necessary input in fuel production. Today, hydrogen is mainly produced from natural gas, which gives one of the larger emission sources of CO₂ at our refineries. Preem is investigating the possibilities to switch to fossil-free hydrogen production through several different alternatives, such as by replacing fossil natural gas with biogas and renewable residual streams from internal production. Another way is to produce fossil-free hydrogen through the electrolysis of water and fossil-free electricity. Here we need to cooperate with external parties to ensure sufficient transmission capacity.

3. CO₂ capture and sequestration

Preem's refineries are some of Sweden's largest, individual emission sources. Fossil emissions decrease as we replace fossil raw materials with fossil-free alternatives. We also plan to install technology for CO₂ capture, so-called CCS (Carbon Capture and Storage), where CO₂ is captured and stored, instead of being released. When CCS is combined with emissions from renewable raw materials, it means in practice a reduction of the CO₂ levels



Focus area: Climate

in the atmosphere. By driving our operations towards negative emissions, our biorefineries can become emission sinks.

In order to achieve our goal of net zero emissions, the capture and storage of CO₂ will be required to compensate for the remaining emissions, which are difficult to completely eliminate. In addition to carbon capture, Preem will evaluate other efficient and robust ways to sequester CO₂ outside our value chain as well.

4. Develop our offerings to the needs of a sustainable society

Sustainable solutions for mobility are central to Preem, with the transition to renewable liquid fuels as an obvious focus area. Another example is Preem's large-scale roll-out of charging stations for electric cars. Hydrogen as a vehicle fuel is also an area under development. Common to these solutions is that they can mean significantly lower CO₂ emissions compared to fossil alternatives.

Preem will also broaden its operations and include more products needed in a sustainable society. An example is renewable refined products that are further processed in the petrochemical or plastics industry. The refineries of the future can also become part of more sustainable value chains through circular solutions and material flows. Development of these new value chains may make a strong contribution to Preem's climate goals as the products are not intended for incineration and thus involve other emission cycles.

Targets and outcomes 2021

Preem's total carbon dioxide emissions were higher compared to 2020 which was characterized by the covid-19 pandemic and subsequent slowdown in the economy with a lower demand for fuel. Carbon dioxide emissions for 2019 were greatly affected by the maintenance shutdown at the Lysekil refinery and the associated reduction in crude oil purchases, produc-

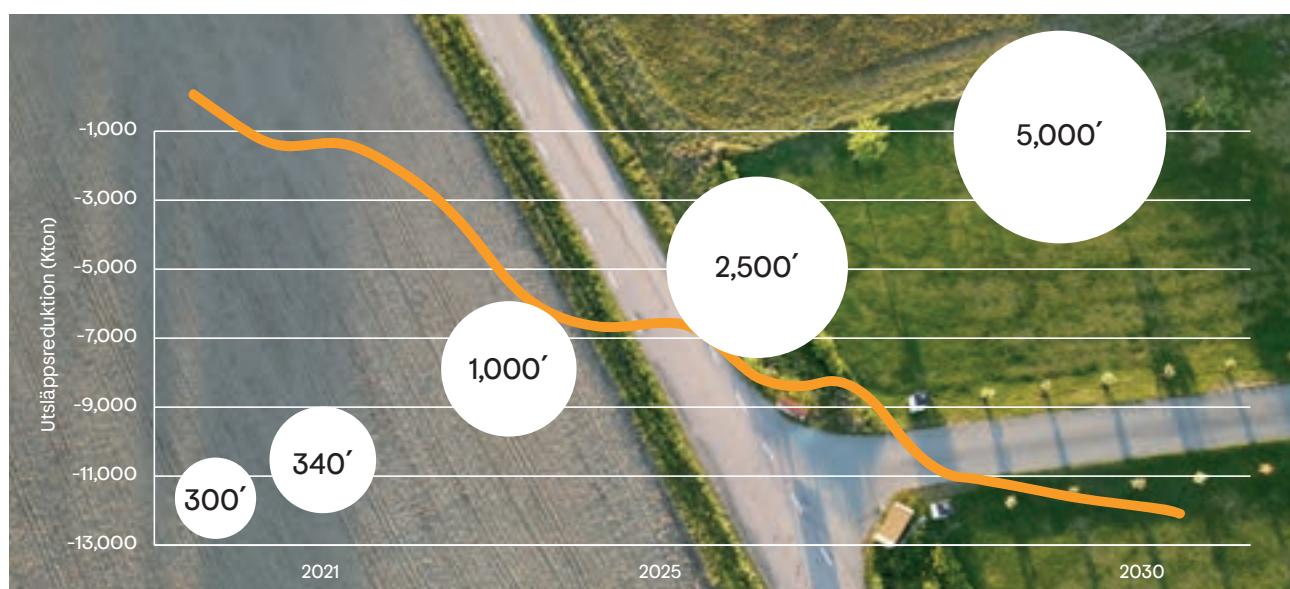
CO ₂ emissions ¹	Development compared with base year				Base year 2018
		2021	2020	2019	
Purchase of raw materials and products (scope 3), million tonnes CO ₂	-45%	4.2	3.9	5.8	7.7
Refining (scope 1, 2), million tonnes CO ₂ ²	-8%	2.1	1.7	1.8	2.3
Use (scope 3), million tonnes CO ₂	-9%	45.5	43.9	44.4	50.1
Other		0.2	0.1	0.0	0.1
Total (scope 1, 2, 3)²	-14%	52,0	49,6	52,0	60,2

1) Preem's calculation and reporting of CO₂ emissions is done in accordance with the GHG Protocol's guidelines. Preem has chosen the method "Operational control", which means that emissions from operations that Preem operationally controls are included in scope 1 or 2.

2) Preem has corrected calculation errors for direct CO₂ emissions at the Lysekil refinery for the period 2016–2020. Performance indicators total CO₂ and total CO₂-reduktion have been marginally affected.

tion and sales. In 2021 the market demand for fuel increased again as did Preem's production and export. Emissions across the value chain were still 14 percent lower in 2021 compared to the base year 2018.

The high production rate in 2021 resulted in direct emissions from our refineries on a par with the base year 2018. During 2021 Preem discovered a calculation error for direct CO₂ emissions that are covered by the EU emission trading scheme. Controls showed underreporting during the years 2016–2020. This has been corrected and reporting updated with, on average 135 000 tonne per annum. Preem will compensate within the emission trading scheme by surrendering the corresponding amount of emission allowances.



Actual figures until 2021 and Preem's planned expansion of renewable production until 2030

Focus area: Climate

1. Adapt the refineries

to a renewable and reduced production.



3. CO₂ capture and sequestration



2. Shift to sustainable resources.

4. Develop our offerings

to the needs of a sustainable society.

Transition projects in 2021

In 2021, transition projects continued at both refineries. These projects will increase our ability to produce renewable fuels through co-processing in existing facilities but also new construction.

- In 2021, Preem was granted an environmental permit for a major new project in Gothenburg to greatly increase renewable production. The new facility is estimated to provide an additional 1,000,000 m³ of HVO per year (300,000 m³ year 2020).
- The conversion work also continues at the refinery in Lysekil, where a major rebuild is planned to be able to co-process renewable raw materials. An environmental permit case is ongoing with the annual goal to produce 650,000–950,000 m³ of renewable diesel.

The CO₂ savings from these two initiatives alone are estimated to amount to approximately 4.2 million tonnes per year, which can be compared with the approximately 10 million tonnes per year emitted from Swedish passenger cars.

The transition to renewable production requires more renewable raw materials. Preem's partly owned and Sweden-based supplier, SunPine, increased its production capacity by 50 percent in 2021. This gives us access to more crude tall oil, which provides large CO₂ savings compared to fossil alternatives. Preem also receives Swedish renewable raw material from Pyrocell's plant, which was commissioned in 2021 and converts sawdust into pyrolysis oil.

In 2021, Preem has completed the project with Sweden's largest pilot plant for carbon capture with good results and the work is now focused on creating efficient logistics chains. The

final storage solution for trapped CO₂ will probably take place as part of the Northern Lights project with storage in bedrock under the North Sea. The technology is estimated to reduce Preem's CO₂ emissions by half a million tonnes per year.

Realized physical climate-related risks

It is becoming increasingly clear that organizations must adapt to the effects of climate change, which are expected to increase in intensity and become increasingly common. This can be anything from reviewing insurance, performing risk analyzes and drawing up crisis plans. Heavy rainfall and severe floods are examples of effects that affected Preem in 2021 when tanks at Preem's depot in Gävle were affected, which led to increased costs of SEK 1.4 million.

Increased control and reporting of the climate issue according to TCFD¹

Preem sees climate change as a transformative force that will increasingly affect companies as well as their valuation. Preem is therefore positive to the TCFD recommendations for describing the financial implications of climate change on its operations and giving investors the opportunity to gain insight into companies' handling of the climate issue.

¹⁾ Task Force on Climate-related Financial Disclosures (TCFD) is a global framework used by companies for the purpose of identifying, managing and reporting on climate-related financial risks and opportunities.

Focus area: Climate

Index for TCFD reporting		Page reference
Governance The organization's management of climate-related issues and opportunities	The Board's review of climate-related risks and opportunities	43 (Sustainability governance)
	The role of the CEO and the Group management in evaluating and managing climate-related risks and opportunities	43 (Sustainability governance)
Strategy Actual and possible impact of climate-related risks and opportunities on the organization's operations, strategy and financial planning	Identified climate-related risks and opportunities in the short, medium and long term	8–9 (Value chain) 10–11 (External trends) 14 (Vision and strategies) 32–33 (Sustainable products) 48 (Case Story: EU legislation) 53 (UN SDGs)
	Impact of climate-related risks and opportunities on Preem's operations, strategy and financial planning	10–11 (External trends) 14 (Vision and strategies) 16–17 (Stable economy)
	Resilience linked to different scenarios	Preem plans to supplement with scenario analysis in line with TCFD's recommendations
Risks and opportunities Actual and possible impact from climate-related risks and opportunities on the organization's operations, strategy and financial planning	Preem's processes to identify climate-related risk and opportunities	46–47 (Risk management) 50–51 (Materiality analysis)
Goals and metrics Results from targets and metrics to manage significant climate-related risks and opportunities	The measurement methods that the organization uses to assess climate-related risks and opportunities	49 (About the report) 21, 55 (Climate)
	Scope 1, scope 2 and scope 3 greenhouse gas emissions	21, 55 (Climate)
	Business goals for managing climate-related risks and opportunities as well as results in relation to these goals	16 (Sustainable economy) 19, 21, 55 (Climate) 33 (Sustainable products)

Case Story: Charging infrastructure

Investing in electric charging at our stations

Electrification is an important piece of the puzzle in the transport sector's climate transition. The pace is accelerating and the demand for available and reliable electricity is increasing every year. With a new investment in charging posts at Preem's fuel stations, we are enabling the transition and expanding our offering of sustainable sources of energy.

Preem signed a large-scale agreement with the operator Recharge during the year to install hundreds of rapid vehicle chargers at our fuel stations throughout the country. The stations will initially be equipped with four to eight charging stations with a power of between 150 kW and 300 kW. These chargers enable significantly faster charging than previous generations of chargers.

"Electric charging is becoming an increasingly in-demand product as electric car sales increase sharply. We are making an ambitious investment that we believe in, and which is part of our ongoing work to renew and improve

our stations," says Patrik Johansson who is responsible for Preem's station operations.

An electrified road network

The ambition is to annually equip 15-25 stations with rapid chargers and for Preem to take the position as a leading energy supplier throughout the road network for both light and heavy traffic. The investment includes both charging for cars at Preem's manned stations and for trucks at Preem's Säifa facilities. In the next step, our automated stations will also offer electric charging.

"We want to provide society with energy throughout the road network, regardless of the type, and soon we will be able to offer station customers a very good solution for electric charging," says Johansson.



Patrik Johansson

“Electric charging is becoming an increasingly in-demand product as electric car sales increase sharply.”



Focus area: Environment

Reduced environmental impact

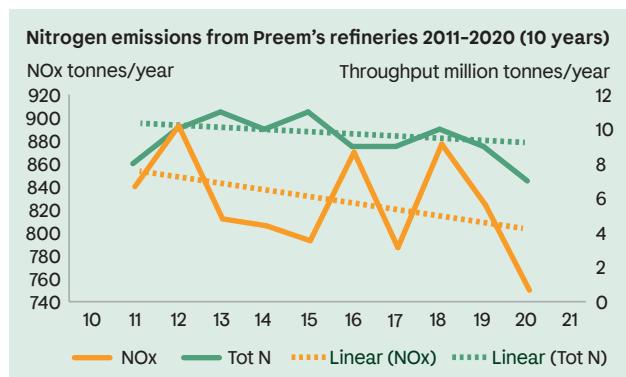
In Preem's industry, there are risks of environmental impact throughout the value chain. That is why we work with continuous improvements to minimize our environmental impact. Our refineries are subject to strict environmental conditions. Emissions from them are low compared to other refineries in Europe and the trend shows declining emissions over time.



Preem's operations include processes and products that have an environmental impact during their operation. In addition, there is a risk of incidents that can cause serious environmental harm. We therefore work systematically to reduce risks and follow up on any eventual incidents. Preem annually evaluates the risk of environmental impact across the value chain and risk of environmental incidents. Emissions to air, land and water, resource use, energy use and the impact on biodiversity are among our most prioritized environmental issues. Through an ISO 14001-certified environmental management system, we work toward gradually reducing our negative impact.

Emissions to air, soil and water

Operations at our refineries cause emissions of sulfur oxides (SO_x), nitrogen oxides (NO_x), dust and hydrocarbons to air. Wastewater from the plants, despite extensive treatment plants, causes emissions in the form of nitrogen compounds, phosphorus and small residues of carbon compounds. Emissions are regulated in environmental permits and over the years the requirements have become increasingly stricter. Over time, emissions have also fallen sharply, as shown by the annual environmental reports that Preem submits to the regulatory authorities.



In 2021, a maintenance shutdown was carried out at the refinery in Gothenburg and special consideration was given to avoid the disruption of wastewater treatment. Among other things, mobile treatment plants were installed. Thanks to these measures and the improvement of water purification that took place in 2020, good purification has been maintained during the maintenance shutdown and the total phosphorus emissions have been reduced compared with previous years.

In 2021, work continued on our plan for mitigation of soil pollution linked to fire drill sites at the Lysekil refinery. In 2022,

an expanded risk assessment will be carried out at Lysekil. Also at the refinery in Gothenburg, an environmental technical investigation and risk assessment linked to highly fluorinated substances (PFAS) was carried out in 2021.

Resource use

Preem's facilities and operations are designed so that refining can take place as resource-efficiently as possible. Gas formed during refining is used as fuel in the process while waste heat is captured and used for district heating. The combustion of excess gas, so-called flaring, occurs at Preem only as a last safety measure. Volatile organic compounds (VOCs) are covered by environmental permits and are measured annually.

Energy use

Fuel production is an energy-intensive process and we work systematically to make our operations more energy efficient in various ways. Preem's energy management system is a part of Preem's ISO 14001 certified environmental management system. Appointed energy leaders carry out energy assessments together with external experts and our own engineers, and are constantly looking for new efficiency opportunities. The energy assessment carried out in 2021 showed that our implemented measures together save 48 GWh annually.

Biodiversity

Protecting natural values such as ecosystems, sensitive environments and vulnerable species is an increasingly important part of our environmental work. Preem's activities can have an impact on biodiversity in all parts of the value chain. We manage the impact in the raw material extraction by choosing materials and suppliers that meet the requirements formulated in, for example, our Code of Conduct (see the Sustainable value chains section on page 28).

Preem's refineries are large industrial operations where changes in land use and physical interventions in the expansion of the operation can have an impact on local habitats and species as well as on protected natural areas. The refinery in Gothenburg is adjacent to a Natura 2000 area that has a high conservation value and issues of biodiversity are important in our environmental permit processes. When planning projects at Preem's refineries, four steps are taken into account in the so-called harm reduction hierarchy, ie to avoid, minimize, restore and compensate for damage to nature and the environment.

Prior to an environmental permit assessment, an inventory is made of which animals and plants are in the area, how they are affected during construction, how they can be protected or how the impact can be compensated.

An environmental permit ruling from 2021, regarding a

Focus area: Environment



planned renewable production facility in Gothenburg, sets explicit requirements that Preem must submit a plan to the county administrative board for how endangered species are to be protected. The plan states that endangered aquatic species must be moved and that compensatory measures must be taken for other species.

Preem also monitors that the operations do not have a negative impact on the surrounding marine environments. External studies linked to the operations in Lysekil show that although the planned conversion of a plant to renewable production is expected to lead to a certain increase in emissions, the change is so small that it cannot be measured biogeochemically and that, due to dilution effects, it has no practical impact on the nearby Brofjorden.

Improved source sorting at manned fuel stations

Preem's manned fuel stations receive many visitors, which gives rise to waste. To improve the experience and the waste sorting rate, Preem has carried out pilots at a number of manned stations during 2021. The sorting rate has been significantly improved and in the next step, the measures will be implemented at all our manned fuel stations.

Targets and outcomes 2021

An overall goal for Preem is to perform better than our environmental obligations. Another goal is to maintain good values in terms of energy efficiency. Year 2020 and 2019 were years of low production at our refineries, which resulted in relatively low energy consumption. In 2021, production increased along with the use of energy. Continued good energy intensity has been maintained during 2021.

Emissions of SOx and NOx remained low in 2021, significantly lower than both own goals and obligations. This is particularly clear for SOx largely due to the refining low-sulfur crude oil.

Preem works to ensure that no serious environmental incidents occur, ie involving breaches of conditions or laws. In 2021, we have lived up to our goals regarding zero serious environmental incidents.

Environment	2021	2020	2019
Emissions to air, soil and water, tonnes			
Emissions of nitrogen oxides (NOx) to air from production, tonnes	795	750	824
Emissions of sulfur oxides (SOx) to air from production, tonnes	399	298	772
Emissions of diffuse hydrocarbons (VOC) from production, tonnes	5,802	5,054	4,559
Emissions of hazardous substances to water ¹ , tonnes	1.05	1.04	1.37
Serious environmental incidents, number ²	0	0	0
Energy use			
Energy use within Preem ³ , GWh	9,255	7,658	6,980
Energy use outside Preem, GWh	319	312	281
Energy use land transport, GWh	20	21	18
Energy use sea transport, GWh	262	254	223
Energy use stations ⁴ , Gwh	36	37	40
Energy intensity			
Energy intensity LYR ⁵ , ranking in Western Europe	-	-	-
Energy intensity GOR ⁵ , ranking in Western Europe	-	-	-
Resource use			
Fossil raw materials, thousand tonnes	14,526	13,660	13,403
Renewable raw materials, thousand tonnes	295	259	241
Water consumption during refining, thousand m ³	3,666	3,351	3,655
Waste			
Hazardous waste, tonnes	1,434	3,055	6,635
Non-hazardous waste, tonnes	4,110	5,024	5,378

1) The measurement shows total extractable substances, which is the total content of the aliphatic organic substances containing CH₂ and CH₃ groups that can be extracted with tetrachlorethylene and then determined by IR spectrophotometry.

2) The measurement number serious environmental incident includes the measurement of major environmental incidents that during the year led to breaches of conditions or law (where Preem is convicted of a crime), or damage to the brand.

3) Total energy use within Preem includes our refineries in Gothenburg and Lysekil as well as depots. Deduction for waste heat sold as district heating.

4) Energy use for fuel stations includes electricity and heat consumption. Energy use is based on data from about 50 percent of Preem's Swedish stations. Based on that data, a total value has been extrapolated.

5) Energy intensity is a benchmarking index, where energy consumption is standardized so that refineries can compare their efficiency/energy intensity regardless of size or complexity. The benchmark study is conducted by Solomon Associates, and applies to refineries in Western Europe. The study was last done in 2018, the energy efficiency index for Lysekil was then 78 and for Gothenburg 74.

Focus area: Environment



Focus area: Sustainable value chains

Sustainable raw materials and suppliers

Preem purchases large quantities of goods and services. Therefore, we require our suppliers to minimize negative social and environmental impact. Our degree of influence and opportunities to control sustainability aspects vary by purchasing category. Our Code of Conduct, risk-based evaluation and follow-up of suppliers are essential to our work.



Before a supplier works with us, they must be assessed and approved based on various sustainability criteria. This is done by ensuring that the suppliers meet our requirements and accept our Code of Conduct, or have an equivalent Code of Conduct themselves. The purpose is to identify and manage risks that may arise in the supply chain. Our Code of Conduct defines the values and ethical guidelines we as a company stand for and requires that our suppliers and raw materials live up to them. For example, we actively distance ourselves from forced labor, child labor and discrimination.

This assessment is part of creating a sustainable business together with the supplier. We work on the basis of a risk-based model according to the figure below. Particular focus is placed on important purchasing categories such as renewable and fossil raw materials. For more information on the results of this year's supplier reviews, see pages 29 and 31.

Preem manages raw material suppliers at the operational level through cross-functional forums for sustainable supply

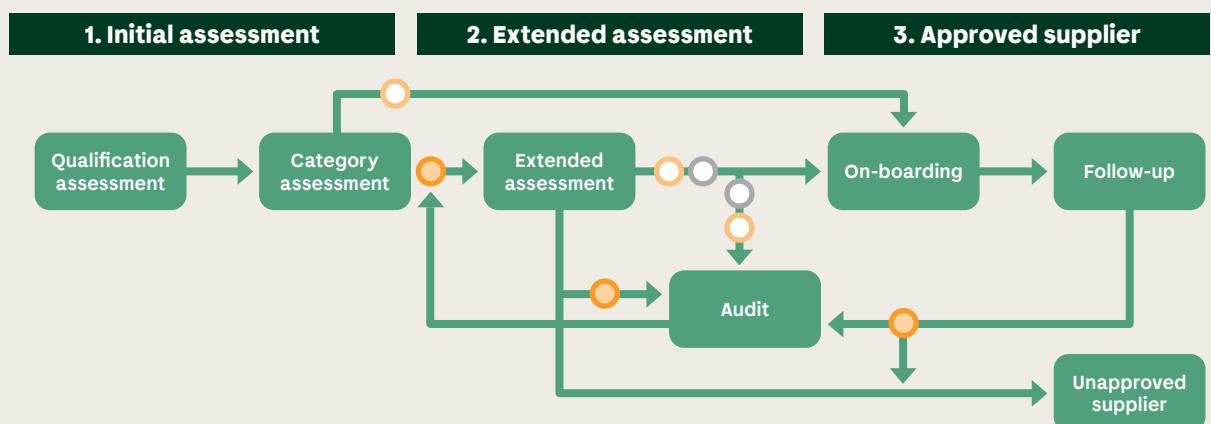
chains. This means that employees who work with the purchase of these products gather to evaluate both raw materials and suppliers. The evaluation includes the assessment of risk profiles on current raw materials and suppliers as well as countries of origin.

The supplier follow-up is governed by an annual screening, where the management team reviews those which are strategic as well as those with high risk. In addition to sustainability aspects, evaluation criteria also include quality aspects such as service level. Read more about Preem's governance on page 42.



Before a supplier works with us, they must be assessed and approved based on various sustainability criteria.

Process for supplier review



In the risk-based process, suppliers are examined on several steps and the assessment is extended in cases where increased risk is detected. If a supplier is not approved or misbehaves, the cooperation is terminated. This can happen at any step of the process.

○ Low risk ○ Increased risk* ○ Approved increased risk

* Increased risk = medium risk + high risk

Focus area: Sustainable value chains

The fossil fuel supply chain

Every trading day, Preem buys an average of 300,000 barrels of crude oil from suppliers worldwide. Crude oil is our absolute largest raw material for the production of fuels. The production and transport of crude oil must be managed professionally and with a focus on safety so that accidents that affect people or the environment do not occur.

Preem is dependent on specific grades and therefore we buy crude oil from different parts of the world, such as the North Sea, Russia and West Africa. Strict environmental requirements in Sweden as well as economy and market conditions guide us on the type of crude oil we use in our refineries.

Risks with crude oil

Historically, the crude oil industry has been associated with serious risks associated with spillage and leakage during extraction and transport, impact on natural environments and biodiversity, climate-affecting emissions from extraction, water use, and human rights and corruption. The follow-up of how people and the environment are taken into account through our fossil supply chain is a challenge we share with refiners and fuel distributors all around the world. The risks vary greatly with the origin and actors involved.

Inadequate legislation on traceability

Unlike the renewable supply chain, there is no legislation on traceability in the fossil supply chain. As a buyer of crude oil, Preem knows which country and area the oil comes from, but tracing the product to its source is often not possible. When purchasing finished products, such as petrol and diesel, the possibility of traceability is even lower. Therefore, it is difficult to know about the conditions and situation at specific production sites, as well as whether environmental issues or human rights are being violated.

We demand international legislation for the control of the fossil raw material chain corresponding to that which exists for the renewable raw material chain. Preem is not a large enough player to drive the changes required in the global market, but we welcome and seek collaborations with other companies and organizations on the issue.

Climate footprint of different crude oils

Major progress was made in 2021 as an increased focus has been placed on the climate footprint of crude oil. Since October, the industry body Crude Oil Market Wire (S&P Global Platts) has been publishing emission data for a number of crude oils regarding their emissions upstream in the value chain. The publication has received a great deal of attention and highlights the great mutual difference between crude oils. In addition, knowledge is spread rapidly about how active crude oil choices can contribute to improvements in a fuel's climate performance. Indirectly, this puts pressure on producers to take action. Preem's ambition is to increase understanding of upstream emissions and, when possible, steer towards a better product with the help of our choice of crude oil.

Mutual trust

Most of Preem's crude oil suppliers are companies that we have worked with for a long time, and over the years strong mutual trust has developed. We have worked with our largest suppliers for over 30 years. When we are about to accept a new business partner, our trading organization does a background check to see if the partner meets our requirements for professionalism as well as serious and legally correct behavior. We also conduct reviews of our suppliers, where important aspects such as quality, health and safety, environment, human rights and corruption are followed up. Preem works to ensure that all suppliers approve Preem's Code of Conduct or show that they have their own with equally high standards.

Risk-based initial sustainability evaluation

We conduct ongoing work to systematically assess the sustainability risks in the fossil supply chain. As with the renewable supply chain, we start from a risk-based approach described on page 28. The assessment covers important aspects such as where the raw materials are purchased from, the suppliers' sustainability work, including policies, certifications and codes of conduct.

Climate impact in the procurement of raw materials is becoming an increasingly important issue for Preem, while social conditions, such as human rights and working conditions, continue to be the focus of many high-risk markets.

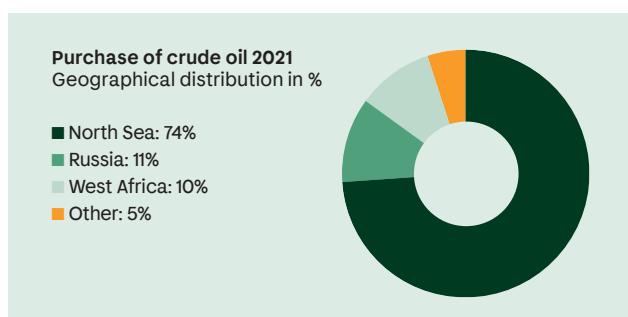
Targets and outcomes

95 percent of Preem's purchases of crude oil came from crude oil suppliers who have approved Preem's code of conduct or have been able to show their own, equivalent, one. Our goal is that all our suppliers should approve our code of conduct. We have not succeeded in reaching the goal during the year due to having more suppliers than previous years owing to market conditions.

Environment and social impact in the supply chain	2021	2020	2019
Fossil fuels			
Suppliers that have approved Preem's Code of Conduct ¹ (proportion of volume), %	95	98	98
Suppliers evaluated on the basis of sustainability ² (proportion of volume), %	81	99	96

1) Suppliers who have approved Preem's Code of Conduct, or have had their own Code of Conduct approved by Preem

2) Sustainability evaluation addresses areas: human rights, working conditions, corruption and the environment



Focus area: Sustainable value chain

The renewable fuel supply chain

The transition to renewable fuels leads to an increased need for renewable raw materials, as well as suppliers and collaboration. Preem wants to create new sustainable value chains and promote the use of domestic renewable raw materials. We are therefore increasing the use of residual products from Swedish and Nordic forestry and agriculture.

The need for renewable raw materials and products is large and continues to increase. An important goal for Preem is that the renewable fuels that we produce and sell in Sweden do not increase sustainability risks in the supply chain. We purchase renewable raw materials from Sweden, but also from parts of the world with different standards on working conditions and human rights. There may be risks related to human rights, global access to food or the depletion of natural resources. Furthermore, economic incentives to produce raw materials for renewable fuels in poorer countries may increase the risk of restricting people's right to food or contribute to the deterioration of global food security. Other effects that can occur are that water supply is depleted or that biodiversity is threatened.

In recent years, players have increasingly switched or have announced plans to switch from fossil fuels to renewable production or to establish completely new facilities. The supply of good, sustainable, renewable and circular raw materials is limited and competition for such raw materials will increase in the future. At Preem, we work actively to secure access to good raw materials for the future, both through collaboration agreements with suppliers but also through research and development to find new sources of renewable raw materials.

The origin of renewable raw materials

Preem is a partner in the company SunPine in Piteå, which processes crude tall oil. SunPine meets almost half of our raw material needs today. We are also a partner in Pyrocell (see page 12). At Pyrocell's plant, which was put into operation in 2021, sawdust is converted into non-fossil pyrolysis oil, which is processed into renewable petrol at our refinery in Lysekil. The volumes are smaller than those we receive from SunPine, but still form an important part of our work to develop and secure domestic raw materials.

Today, the supply of Swedish raw materials is insufficient

and we therefore need to import, for example, vegetable oils, used cooking oil and animal waste fats. Preem collaborates with a number of companies and research projects to develop new technologies, broaden the raw material base and utilize residual products from agriculture and forestry. See the illustration below for countries of origin for Preem's sourcing of renewable raw materials and products in 2021.

An increased Swedish production of biofuels could secure the supply of sustainable raw materials, reduce vulnerability to external events in the Swedish fuel market, create jobs and contribute to regional development. It could also contribute to Swedish green exports to the European market, which can promote the sustainability transition in other countries.

Selection and evaluation of sustainable raw materials

When choosing raw materials, traceability and the fulfilment of our sustainability criteria are crucial for managing the risks in the value chain. We continuously evaluate sustainability performance and select raw materials with high efficiency and good sustainability properties.

The question of which raw materials can and should be used for renewable fuels is complex. Preem's minimum requirements for renewable products or raw materials are that they are classified as sustainable according to EU directives or

Biostrategy

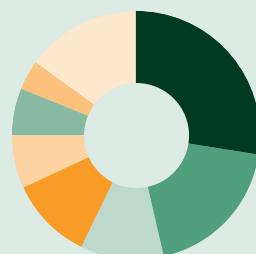
In September 2021, the government initiative, Fossil Free Sweden launched a biostrategy. The transition to a fossil-free society will require biomass to replace fossil products in several sectors such as transport, construction, textiles and plastics. Preem supports the biostrategy. We think it is important to understand how the development in society toward different applications will affect societal needs and the resources available.

According to the strategy, biomass should be mainly residual products from sawmills and paper mills. As the use of the residual products is distributed differently over time, there will be enough for everyone. For example, in the short term there will be a great need for liquid fuels for road transport. Here, electrification will proceed quickly and the biomass will then be transferred to other modes of transport such as aviation and marine. Similar trends will take place in several industries.

Purchase of renewable feedstock 2021

Geographical distribution
in % of volume

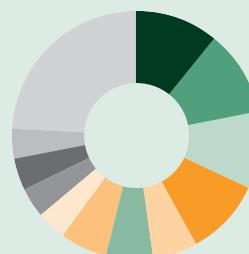
- Sweden: 28%
- USA: 19%
- Netherlands: 11%
- Germany: 11%
- Finland: 7%
- France: 6%
- Canada: 4%
- Other: 15%



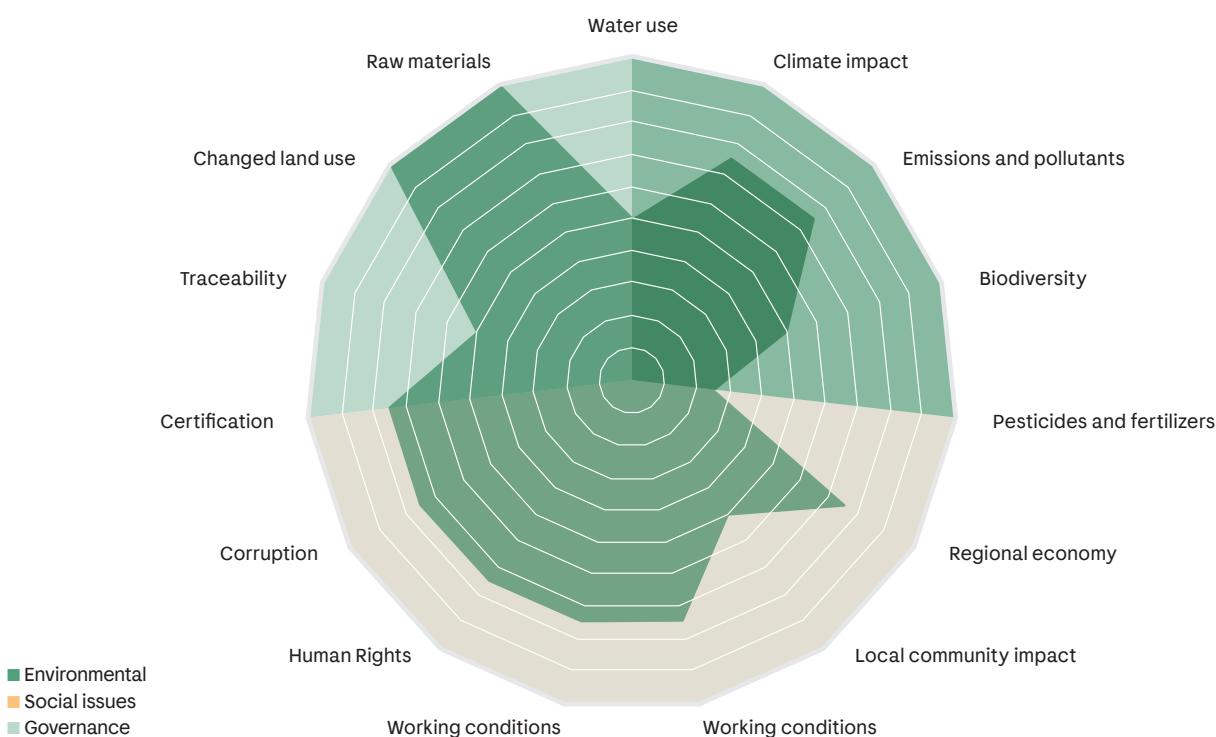
Purchase renewable products 2021

Geographical distribution by origin,
% of volume

- Germany: 11%
- Australia: 11%
- USA: 10%
- Sweden: 10%
- China: 6%
- Finland: 6%
- Canada: 6%
- UK: 4%
- Russia: 4%
- Hungary: 6%
- Spain: 4%
- Other: 24%



Focus area: Sustainable value chains



comply with national legislation, such as the Swedish law on sustainability criteria. We also always evaluate new raw materials based on a number of criteria. For example, they are evaluated on whether the raw material is economically sustainable, whether the volumes are sufficient and the technical, ethical, political and environmental conditions in production. We also examine the risks associated with the product and its origin. The governing sustainability criteria we use to reduce negative impact include (for more details see picture above):

- Renewable fuels must have a good climate effect and energy efficiency.
- The production of renewable fuels must not lead to human rights violations in accordance with UN conventions.
- Production of renewable fuels should not lead to restrictions on people's right to food or to a deterioration in global food security.
- Production of renewable fuels must not deplete water supply or threaten biodiversity.

Tighter regulation of the supply chain

The supply chain for renewable fuels is more tightly regulated than the one for fossil fuels, with strict requirements for traceability and fulfillment of sustainability criteria. We are positive to the high requirements. Certification and traceability make it easier to take responsibility throughout the supply chain and reduce the risk of the conflicts previously mentioned.

Control of suppliers and partners

Preem manages the work with the renewable supply chain with the help of our Code of Conduct and our control system for renewable fuels. Our biofuel control system is part of Preem's management system and controls our work processes for renewable fuels.

Before Preem starts working with a supplier, we make a thorough evaluation of the business, the product or raw material and its country of origin. We prefer that the supplier is certified according to one of the EU's certification systems for the Renewable Energy Directive or has a Swedish sustainability decision, which the majority of our existing suppliers have. Should the supplier lack a certification or a sustainability decision, we carry out third-party audits to examine whether the supplier meets the requirements of the Renewables Directive. In 2021, this type of third-party audit was performed at one of our suppliers.

Targets and outcomes

In 2021, all Preem's suppliers of renewable raw materials and fuels were evaluated in relation to the environment, human rights and corruption. All suppliers with increased risk must undergo an in-depth evaluation, something we worked actively with in 2021. Furthermore, all suppliers have accepted Preem's Code of Conduct or been able to present their own, equivalent one.

All renewable raw materials purchased in 2021 were evaluated based on our sustainability criteria.

Environment and social impact in the supply chain ¹	2021	2020	2019
Renewable fuels			
Suppliers that have approved Preem's Code of Conduct ¹ (proportion of volume), %	100	100	100
Suppliers evaluated on the basis of sustainability ² (proportion of volume), %	100	100	99
Proportion of renewable raw materials such as Preem evaluated on the basis of sustainability, %	100	100	100

1) Suppliers who have approved Preem's Code of Conduct, or have their own Code of Conduct approved by Preem.

2) Sustainability evaluation addresses the areas of human rights, working conditions, corruption and the environment.

Focus area: Sustainable products

Fuels and product offering

To achieve Preem's vision and goals, it is important that we can provide sustainable fuels. We now also offer electric vehicle charging at our stations.



Preem has long worked to be an industry leader in sustainability, and has a long history of improving and adapting products to minimize environmental impact. As early as 1994, we introduced Environmental Class 1 diesel, which is now standard on the Swedish market. We were the first to remove lead from gasoline and reduce benzene levels. In 2010, we started producing renewable fuels with crude tall oil as a raw material. In 2016, we introduced the first Nordic Eco labelled fuel in the world. We are now investing on a large scale in our refineries, depots and stations in order to be able to offer our customers more sustainable and environmentally friendly products.

The fuels and stations of the future

The large-scale electrification of the transport sector is a fact. Demand for rechargeable cars has led to increased sales in several parts of the world, not least in Scandinavia.

We have offered electric vehicle charging at selected stations for several years. In 2021, we signed an agreement with the operator Recharge to install hundreds of rapid chargers at Preem stations throughout the country. Read more on page 24.

For the heavy transport sector, electrification is not as fast and there will be a need for liquid fuels beyond 2030, although these fuels will increasingly be based on renewable raw materials, at the same time fossil fuels are phased out. The need for renewable, liquid fuels is also expected to increase in aviation and the maritime sector.

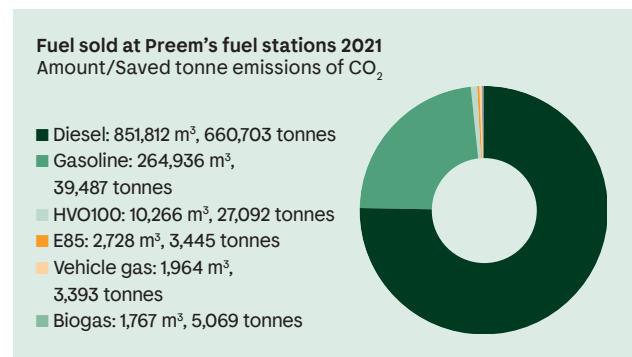
Green hydrogen offers another possible sustainable energy solution. Hydrogen is a potentially attractive alternative, primarily for our customers in the heavy transport sector. Preem follows the development of hydrogen and already has extensive experience of the production of hydrogen at our refineries.

Sustainable products at stations

At Preem's stations, we want to offer our customers greater opportunities to make sustainable choices through various products that are more sustainable. We strive to use Swedish raw materials as much as possible and organic alternatives when relevant, for example in dairy products. We always offer a vegetarian protein and have the ambition to further develop our vegetarian range in the future. To reduce resource use and food waste, we work with training for our station partners.

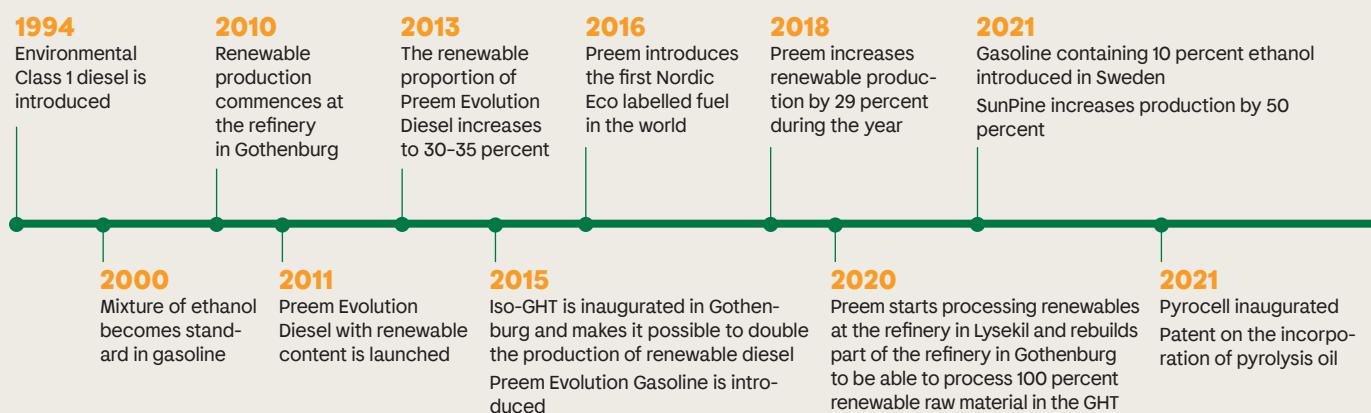
Fuel range

In 2021, we have offered the following fuels through our station network in Sweden:



¹⁾ The diagram shows the reduction of carbon dioxide emissions in the transport sector that must be met through the use of renewable fuels in line with the reduction mandate.

Preem's journey to environmentally friendly products 1994–2021



Focus area: Sustainable products

A legal and regulated market for renewable fuels

The European market for renewable fuels is largely governed by the Renewable Energy Directive (RED) and its implementation in national law. It is required that the actors can show that they have a control system that ensures that the requirements for raw materials, traceability, CO₂ reduction, storage and administration and more are met. Preem's control system is part of the management system, certified according to ISCC* and audited annually by both internal and external parties.

In Sweden, compliance with the law is demonstrated through a sustainability decision from the Swedish Energy Agency which shows that our renewable products and our operations meet the requirements. This means that the products may be used to meet requirements for lower CO₂ emissions, which is regulated by the reduction mandate; alternatively sold with tax exemption as high blends.

During the year, a new version of the Renewable Energy Directive (RED II) entered into force and we have implemented the amendments that have been made to the Swedish legislation and the ISCC in connection with this in the control system.

Sustainability is the road to success in Norway

Renewable fuels and our sustainability agenda have been crucial for Preem to establish itself as one of the largest players in the Norwegian market in just a few years, where we account for about a quarter of fuel sales. The Norwegian renewable turnover requirement has many similarities with the Swedish reduction mandate, and means that requirements are imposed on fuel suppliers.

Targets and outcomes

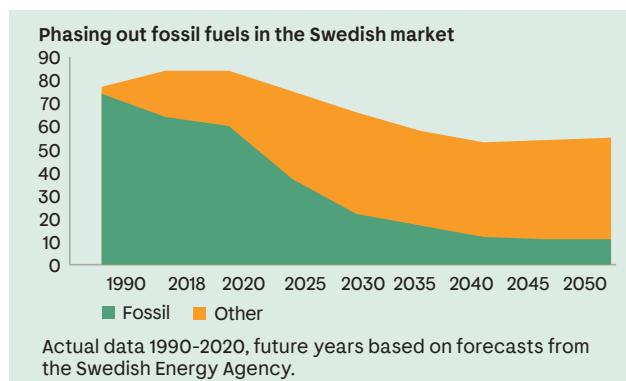
In 2021, 1.94 percent of our production was renewable, the increase is due to the conversion of the GHT-unit in the refinery in Gothenburg, and the co-processing of renewables in Lysekil. In line with the reduction mandate, the proportion of renewable fuels in sales increased from 16 to 20 percent from the previous year. Through the renewable volumes that Preem sold during the year, we reduced our customers' GHG emissions by approximately 3 million tonnes compared to fossil fuels.

The reason for the lower proportion of sustainable items in the station range was logistics issues related to COVID-19.

* ISCC-EU, which stands for International Sustainability and Carbon Certification, is a voluntary certification system that demonstrates compliance with the EU Renewable Energy Directive.

Sustainable products	2021	2020	2019
Production of fossil fuels, thousand m ³	17,243	17,226	16,279
Renewable fuels			
Production of renewable fuels, thousand m ³	341	217	204
Proportion of volume of renewable fuels produced, %	1.94	1.24	1.24
Proportion of renewable fuels in sales in Sweden, %	20	16	11
Total proportion of renewable fuels in sales, %	6	6	4
Climate benefit through the use of renewable fuels			
CO ₂ savings compared to fossil alternatives (WTW), thousand tonnes	3,037	2,665	1,988
CO ₂ savings compared to fossil alternatives (WTW), %	88	86	78
Sustainable assortment			
Sustainable proportion of items sold, %	9	11	13

1) For definitions and compilation of goals and outcomes, see page 56.



Sustainable fuels according to law

In Sweden, there are two parallel systems for promoting the use of renewable fuels: the reduction mandate and the tax relief for products with a high blend of biofuels.

The reduction mandate means that all fuel suppliers must annually, and to an increasing degree, reduce greenhouse gas emissions from gasoline and diesel, or otherwise pay high penalties.

The tax relief for high blends is short-term as an EU-approved exemption from state aid rules is required, which entails a high risk for both actors and customers. Preem believes that it would be better to include the product in the reduction mandate, which would create long-term incentives and flexibility.

Preem's ongoing journey for environmentally friendly products 2022-2030

2024

Reconstruction of the Synsat facility at Lysekil for the production of one million m³ of renewable fuel per year

2025

Planned start-up of the so-called Green Feed Unit in Gothenburg, which will produce one million m³ of pure renewable fuels per year

2030

Preem plans to produce five million m³ of renewable fuel



Adapt the refineries to a renewable and reduced production



Shift to sustainable resources



CO₂ capture and sequestration



2030

Develop our offerings to the needs of a sustainable society

Case Story: COVID-19 management

Safe working environments and employees

Preem fulfills an important societal function by contributing to a functioning energy supply and crisis preparedness. This can only be maintained if employees and customers feel safe in our workplaces and stations, especially during a pandemic.

Preem's COVID-19 management during the pandemic has been based on the authorities' recommendations.

An internal working group has enabled quick decisions to ensure overall infection control as well as locally adapted measures in collaboration with occupational health, safety representatives and trade unions. The work has been characterized by proactivity and, for example, some targeted sampling and own infection tracking has been carried out when necessary. For preventive purposes, a cooperation agreement was also signed with the Västra Götaland region to enable the vaccination of Preem employees, this turned out not to be necessary.

Safety and engagement

Physical adaptations of premises, clarification of hygiene and cleaning routines were established at workplaces and stations along with providing information to customers and employees. The use of face masks was recommended in situations where it was difficult to maintain social distancing.

The employees' work environment and commitment need to be paid attention to, regardless of where the work is performed. Trainings, conferences and meetings were therefore

largely conducted digitally during the year. Preem also offered digital training sessions and ergonomics training for people working from home. Our leaders have had close contact with their employees and digital safety rounds were conducted as a complement to the physical rounds. In a series of articles, our employees shared their perspectives and experiences of working during a pandemic. On Preem's intranet, information and advice to employees has also been gathered and easily accessible.

Safe return to office work

Prior to the return to office work on October 1, Preem conducted risk analyses together with the safety representatives in each location. The guidelines for homeworking were adjusted to offer employees increased flexibility. Increased homeworking also made it easier to maintain social distancing through reduced occupancy in offices and in common areas.

Positive indicators

Preem's overall work attendance remained high during the year, while an increased short-term absence in production indicates that employees followed the recommendations to stay home if they had symptoms.

The Swedish Work Environment Authority's review of Preem's routines, risk assessments and working methods - with a focus on the spread of infection - was carried out without remark and resulted in a positive assessment of our work.

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Focus Area: People and safety

Competent and committed employees provide success

Preem aims to be a safe, inclusive and welcoming workplace with good development opportunities for all employees. Our operations must be characterized by engagement, diversity, inclusion and internal mobility, where our shared values govern.



Every day, nearly 1,500 employees, in about 200 work roles, drive Preem's operations forward. Their health, commitment and competence are critical success factors for us. We want our employees to feel safe and comfortable in their work and not risk being affected by work-related accidents or illness.

A strong employer brand is central both to retain the current and attract future employees. Active investments in our employees' work environment, engagement, development and well-being therefore have the highest priority.

Motivated and committed employees

A high level of commitment from our employees drives profitability, prosperity and productivity, and this relationship is clear. Maintaining our already high levels of employee engagement is therefore central.

We continuously evaluate the aspects of employee engagement, leadership and organizational and social work environment through pulse measurements as a complement to our annual employee survey. These parameters are measured and are regularly followed up in our overall scorecard.

Good organizational and social work environment

The results from our employee surveys show a positive development and that our investments in a good working environment produce results. Important components in the area of work environment are frequent 1-to-1 conversations between manager and employees, mandatory work environment training for managers and safety rounds (which were also conducted remotely during the pandemic). We work closely with our internal and external occupational health services to identify and manage signs of ill health at an early stage.

Leadership that supports change

In 2020, we implemented a new leadership profile at Preem and we evaluate our leaders and whether they meet the leadership profile in a leadership index. With the right leadership, adapted for an ever faster pace of change, together with employees who through self-leadership feel responsible and motivated, we can increase and strengthen the ability to change our entire business. It is crucial for us to succeed in our transition.

Leadership is crucial for creating commitment and development, and through various training initiatives we have strengthened our managers in their leadership role. During the year, for example, short digital seminars were held, so-called "Leadership Boosts", focusing on different parts of our leader-

ship profile. Leading in change and Creating safe and effective teams are examples of themes that were included. We also updated the leadership program "Leaders at Preem" based on the leadership profile's focus areas. Two new groups started the program in 2021.

Diversity and inclusion strengthen the power of innovation

Through increased diversity and inclusion, we create conditions for innovation, performance and profitability. Inclusion is one of Preem's values and for a number of years we have had a strategic goal to achieve a more even gender distribution in all parts of the business. As we see that it is mainly in recruitment that we can influence gender distribution, the strategic goal is broken down into a recruitment goal that is followed up and reported back to responsible managers after recruitment.

Preem conducts an annual salary survey in order to detect and remedy salary differences related to gender. The work is carried out in collaboration with all trade unions. During the year, we further developed the working method for our salary survey. In 2021, only one unreasonable wage difference was discovered via the survey.

Competence development for the future

Preem works to establish a values-driven corporate culture. Our employees have great abilities and by enabling them to develop their abilities and grow, we can achieve success and meet our strategic goals. We conduct 1-to-1 conversations between managers and employees to ensure that everyone has the right conditions to further develop in their existing role and also have the opportunity to develop into new roles and through new challenges.

Education is an important tool for conducting proactive sustainability work, avoiding risks and achieving related goals – not least around safety, the environment and reducing climate impact, but also profitability and responsible entrepreneurship. Preem offers a number of trainings that contribute to continuous competence development for our employees and partners.

To highlight the value of increased diversity and inclusion, an internal e-learning was also developed during the year. The training consists of various knowledge modules where knowledge questions are combined with reflection and discussion questions as well as links to more detail. The area was also highlighted when Preem drew attention to European Diversity Week through interviews, films and articles on our intranet.



Targets and outcomes 2021

During the pandemic, we have seen a negative trend in employee engagement, partly as a result of working from home and periods of financial uncertainty. During the year, Preem also streamlined the organization, which affected engagement. We have therefore worked to strengthen our commitment. Regular information and clarity about Preem's strategy and future plans were important components in this work. We also carried out activities aimed at strengthening our sense of togetherness during the period with many working from home, such as through digital training sessions.

During the year, the gender balance in management and senior positions was affected by the organizational efficiency improvements made within the company, where, among other things, the number of members in Group management was reduced. During the initial part of the year, we also stopped recruiting, which limited the possibility of influencing the prevailing gender distribution. An important focus going forward will be that the diversity aspect is weighed in the recruitment context where we have the greatest opportunity to influence the gender balance within the company.

We have planned initiatives to increase the understanding of the value of increased diversity and the importance of adding new perspectives to develop the company in the desired direction.

Employee well-being and development	2021	2020	2019
Commitment index (EI) ¹	79	78	82
Psychosocial work environment index (PAI) ²	78	79	78
Sick leave, %	3	3	3
Net Promoter Score (eNPS)	2	5	44
Number of new employees, number	39	20	138
Staff turnover, %	9	6	2
Gender distribution (men/women), %			
Board	100/0	100/0	100/0
Management team	71/29	60/40	64/36
Senior positions	71/29	68/32	70/30
White collar	64/36	62/38	62/38
Blue collar	90/10	88/12	91/9

1) EI shows our employees' commitment based on the dimensions energy and clarity
2) PAI monitors the social and organizational work environment in order to detect signals at an early stage that can lead to ill health

Duration of employment 2021

Employees

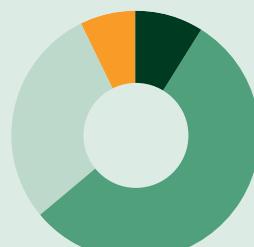
- 0-5 years: 39%
- 6-10 years: 17%
- 11-15 years: 11%
- 16-20 years: 11%
- Over 20 years: 21%



Age distribution 2021

Employees

- Under 30 years: 9%
- 30-50 years: 55%
- 51-60 years: 29%
- Over 60 years: 7%



Focus Area: People and safety

Health and safety have the highest priority

Preem has a zero vision that forms the basis for our work with health and safety. This means that no one should be injured or become ill due to their work and that no accidents that harm people, the environment or property should occur.

It should be obvious to everyone at Preem to always put safety first. Our zero vision applies to all parts of the business - it includes all employees, but also suppliers and consultants who work under our brand.

Focus on safety

Putting safety first is fundamental given the business we conduct. We handle large quantities of flammable raw materials and products, which can be heated and under high pressure. At our refineries, depots and transport, there is a risk of explosions, fires and spills and we work with chemicals that can cause damage if they are handled incorrectly. The business also has employees and contractors who work at height, with heavy lifting and advanced tools. To protect our employees and others who work for us, such as contractors and drivers, safety must be central to everything we do. Preem's way of working at its refineries is certified according to the ISO 45001 occupational health and safety standard.

Safety culture

A strong safety culture is a prerequisite for achieving our zero vision. It must be in our everyday behavior to act in a safe way. In order to strengthen our safety culture and clarify our message about areas where we see a need to improve, we work continuously with various initiatives for information and communication in the organization. An example is safety films, based on the most frequent risk incidents, which are used to illuminate and inform about the risks to internal and external personnel.

In 2021, interview-based deep dives were conducted in the perceived safety culture among employees. The purpose was to create an individual-oriented commitment, as well as highlight perceived improvement areas and activities.

Health assessments

Preem offers all employees health examinations with a focus on work environment-related and lifestyle-related health problems. During the health assessments, a review is made of the individual's, working group(s) and the relevant health conditions and underlying factors. The purpose is to promote the health of employees and the work environment in the organization.

Safe facilities

Our facilities comply with requirements and standards regarding working environments and we carry out extensive risk analysis and ongoing safety inspections. The work also includes a so-called re-HAZOP program with continuous improvements to facility safety to prevent accidents. The methodology is strictly controlled and aims to identify potential risks and ensure that appropriate protective measures are taken if deviations are detected.

Requirements for subcontractors

Through Preem's Code of Conduct, we set requirements for the work environment and safety work of all contractors, suppliers and subcontractors. The Code of Conduct also covers logistics suppliers. Employees, contractors and truck drivers at our refineries and depots must also undergo training before they start work at our facilities. The procurement phase of contractors and logistic partners includes a safety commitment which includes their own systematic safety work and that deviations in the form of incidents with an impact on people, facilities or the environment must be reported to Preem.

Preem participates in several collaboration forums on work environment and safety, including the Swedish Process Safety Association (IPS), which promotes networking and conducts research and training in process safety.

Safe transport at sea and on land

Preem places high demands on its shipping and logistics suppliers. Normally, about 2,000 vessels dock at Preem's ports at the refineries in Gothenburg and Lysekil each year. We require chartered vessels to be approved in accordance with Preem's standard for safety in terms of operation, manning and technical equipment. To be approved, all tankers that transport cargo to and from our depots and refineries are continuously inspected by inspectors.

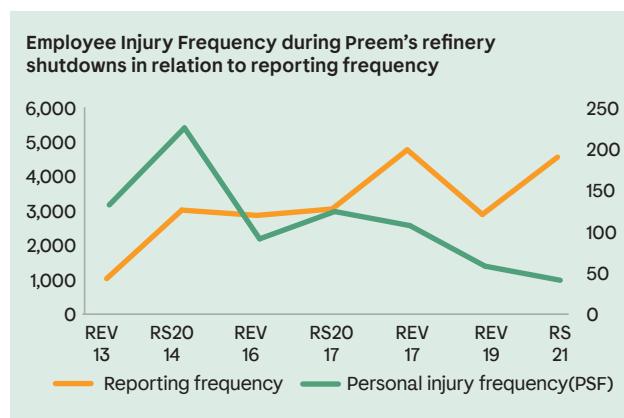
Preem's deliveries on land are performed by external logistics partners, which must also live up to our safety requirements. For example, all tanker trucks must be equipped with alcolocks and all vehicles must have a speed limiter set at a maximum speed of 80 km/h. We maintain a continuous dialogue about safety with our logistics partners and follow up the issue through monthly meetings, audits and an annual conference.

Safety during maintenance shutdowns

In 2021, a maintenance shutdown was carried out at the refinery in Gothenburg. One goal during the shutdown was to register as many deviation reports as the number of contractors on site, ie 500. We achieved this by a good margin. The information on deviations is an important source for identifying risk areas and being able to implement improvement measures quickly. The systematic approach has had a good effect on safety in relation with shutdowns. The accident injury frequency has decreased drastically in connection to that we have succeeded in increasing the reporting frequency (see illustration on next page).

Targets and outcomes

We follow up key performance indicators regarding personnel accidents by measuring the frequency of lost time accidents, ie accidents that result in absence of at least one work shift (LWIF). The goal for 2021 was a maximum of 1.0 absence accident per million hours worked, and our actual performance was 1.1. We also measure the all injury frequency (AIF) which is the sum of accidents that lead to lost time, or if the injured is restricted in performing his or her normal job, or if the injured is medically treated, per million hours worked. Process safety deviations (PSER) are another important area that we measure and follow up regularly.



The goals regarding personal safety have not been achieved for the year, which we are not satisfied with. Our analysis shows that the measures related to a safety culture that we have taken are the right way forward to improve personal safety in 2022.

Some investigations remain for facility-related accidents, but we can see that some of the causes are partly behavioral and thus will be covered by the activities for strengthened safety culture.

Health and safety	2021	2020	2019
Lost Workday Injury Frequency (LWIF) ¹ , per million hours	1.1	0.8	0.6
All Injury Frequency (AIF) ² , per million hours	3.0	2.6	3.9
Process Safety Event Rate (PSER) ³	2.1	0.6	1.3

1) LWIF shows the frequency of absence accidents, ie accidents that result in absence from work during at least one work shift.

2) AIF shows less serious injuries per million hours worked.

3) PSER is calculated as the number of plant safety deviations of the categories tier 1 and tier 2, divided by million hours worked.





Focus Area: Responsible business

Responsible business

For Preem as a company, it is important to act responsibly, ethically and transparently. We take responsibility for our products, the local communities we operate in and for energy security in Sweden and Norway. Stable and correct business relationships with our suppliers and customers are of the utmost importance. We therefore work actively to ensure sustainable business relationships and combat corruption.



Active ethics and anti-corruption work is one of the prerequisites for maintaining sustainable business relationships. Without active and purposeful work, there is a risk of bribery or the development of price cartels, which in turn can erode confidence in the industry and the business community in general. When corruption occurs in a business, the risk of people and the environment being harmed also increases.

Ethics and anti-corruption

We work actively to prevent corruption. Our business ethics policy and Code of Conduct are the basis of the work. The business ethics policy includes business principles that are compatible with good business ethics, such as healthy competition, correct marketing and the avoidance of conflicts of interest. The Code of Conduct clarifies that Preem opposes all forms of corruption, bribery, fraud and anti-competitive practices that are contrary to competition law. Employees and suppliers are expected to follow our Code of Conduct. In 2021, we continued to systematically follow up on whether our suppliers have read and accepted our Code of Conduct, or that they have their own corresponding Code of Conduct that Preem approves.

Prior to the purchase of raw materials and fuel products, we conduct reviews of sustainability risks, which include the risk of corruption in countries of origin, as well as the risk and the supplier's history regarding corruption.

Business ethics training

Knowledge of legislation and which business situations are allowed is crucial for risks to be discovered and managed. Education is therefore an important part of our governance regarding business ethics. Certain categories of employees, such as managers and employees who have contact with external parties, must undergo e-training on bribes and gifts at least every two years. Of the employees who were eligible to complete the e-training in 2021, 73 percent completed it. In 2021, we also conducted training in competition law for the relevant personnel categories, and created an e-training on the topic that is available to all employees. Every year, audits and updates of our working methods and governance regarding internal control over financial reporting and asset protection are carried out. These methods reduce the risk of errors and irregularities.

The Ethics Committee reviews positions

The Preem Ethics Committee is part of our governance and control in the area. It is a forum that reviews the company's ethical positions and compliance in relation to Preem's business ethics policy. The committee consists of the CEO, representatives from Group Management, the Sustainability Manager, an internal auditor, an in-house lawyer and employee representatives from trade unions. The committee meets at least twice a year, and on additional occasions if necessary.

Whistleblower system

Through our whistleblower system, employees can securely and anonymously report suspicions of serious violations of both laws and the company's internal rules. The system is administered by an external party and the ultimate recipient is the Preem Audit Committee, a sub committee to the Board.

In 2021, we began work to ensure that Preem complies with the new Whistleblower Act regarding oral reporting in the event of suspected violations. Subsequently, our existing whistleblower rules will be revised.

Targets and outcomes 2021

Our targets in the area of Responsible business include that we take responsibility for our products, the local communities we operate in and for energy security in Sweden and Norway. Responsible, ethical and transparent action and correct business relationships with our suppliers and customers are of the utmost importance (read more about our targets and outcomes in the supply chain on page 28-31). Training of our employees is a central part of the preventive work to ensure sustainable business relationships and counter corruption. One goal is therefore to ensure the implementation of anti-corruption training among relevant employees annually. In 2021, 73 percent of relevant employees completed the training. No cases of corruption affecting Preem came to our attention during the year.

Business ethics	2021	2020	2019
Percentage of employees who have completed "Gift or Bribe - what are the rules?", %	73	93	88

73%

of employees who have external contacts, have attended anti-corruption training

Preem's role and social responsibility

Preem is Sweden's largest fuel producer and our products are of great importance for society's transport by road, sea and air. We are also a significant employer, mainly through our refineries on the west coast of Sweden. For us, good local, regional and national relations are of the utmost importance.

Sweden's goal is to become one of the world's first fossil-free societies, and for Preem to contribute to this, a major transformation of our operations is required. Petroleum products today have many uses, not least as fuel, and Preem is a major player in both fossil and renewable fuel production and distribution.

Our social responsibility

Many important societal functions depend on the well-functioning production and distribution of fuel. This applies to everything from public transport to freight transport and emergency vehicles. In the event of a crisis, our social mission is put at the forefront. Through our domestic production facilities, we can ensure energy security in Sweden and Norway through the crucial supply of fuel for reserve power. In this way, we contribute to maintaining socially critical functions.

Through our vision, to lead the transition to a sustainable society, we want to be a positive force that creates the conditions for the production of renewable fuels with low climate impact, both in everyday life and in crisis. This means that during the transition we also need to consider the importance of energy self-sufficiency, employment and competitiveness. By ensuring self-sufficiency, the conditions for expanding domestic production of renewable fuels and, in the long run, the opportunities to convert to a sustainable society are also improved.

Societal contribution

Preem's role as a social actor is noticeable in many parts of society. By investing in renewable fuel production, based on sustainable raw materials, we also contribute to securing green economic growth in Sweden, and a strengthened self-sufficiency of renewable fuels for the future.

Preem is a significant employer locally, and in Lysekil municipality we are the largest private employer. Today, we directly employ nearly 1,500 people in various regions, and indirectly significantly more. It is therefore important that we

understand the needs of the local community and act on that basis. We regularly invite consultations with stakeholders in the local area and work closely with municipalities, authorities, civil society and other companies. We are also active locally through sponsorship and support for events in sports, culture and research. Since 2007, we have collaborated with Chalmers University of Technology in Gothenburg to strengthen knowledge and research on biofuels.

Openness and transparency are two key words in our commitment to society. We make ourselves visible and accessible to the public and the media in order to increase the transparency of our business. We also actively participate in the public debate by conducting an ongoing dialogue with politicians, authorities, interest and industry organizations, not least in topics related to the environment and climate. We try to reach the wider public through our own communication channels.

Politics in focus for social impact

Maintaining a strong society requires a stable economy and high employment. One of Preem's main tasks is to contribute to the transition to a sustainable society, which also means ensuring social, economic and environmental sustainability. In practice, this is about leading the transition of the transport sector from being fossil-dependent to being renewable, environmentally responsible and proactive on climate issues. At the same time, our profitability and competitiveness must remain strong, without jeopardizing social sustainability in our value chain. A large part of our work is therefore about promoting policy that mitigates climate impact, promotes increased domestic, renewable fuel production, secures Sweden's self-sufficiency and contributes with new green jobs.

Collaboration

We promote social impact on our own and together with others.

In 2021, Preem also signed the Call on Carbon, which demands that world governments create their climate goals and establish a price for CO₂ in order to reduce climate emissions in line with the Paris Agreement.

Our responsibility during COVID-19

During the COVID-19 pandemic, Preem has worked proactively to avoid the spread of infection. We have kept the refineries closed to the public and have not received external study visits or visits from the media. At our fuel stations, we have conveyed the message of social distancing and only visiting the station if the customer has an issue. We were also the first in the industry to set up plexiglass panels at the checkout to protect employees and customers. We have offered customers pre-packaged salads instead of open salad bars, and pastries and bread have been packed in bags instead of being out in the open at the checkouts.



Governance and control

Preem's governance

Governance within Preem aims to ensure responsible business that is conducted in accordance with external and internal rules and requirements. Governance secures our commitments to owners and investors while helping us to meet expectations from other stakeholders and contribute to value creation in society.

Shareholders and Annual General Meeting

Preem is a private company that is 100 percent owned by Preem Holding AB (publ), which is fully owned by Corral Petroleum Holdings AB. An Annual General Meeting is held every year. The company's shares are not listed on any marketplace.

The Board

The Board consists of seven Board members and four employee representatives, which are presented on page 45. The Board has the overall responsibility for the company's organization and management through ongoing follow-up of the operations, ensuring an appropriate organization and management and that guidelines and internal control are appropriate and complied with. The Board sets goals and strategies and decides on, among other things, major investments.

Audit Committee

The Board has established an Audit Committee consisting of two Board members. The purpose of the Audit Committee is to create closer contact between the Board and the company's auditors. Furthermore, the Audit Committee's role is to mainly monitor the company's financial position and to monitor the effectiveness of internal control, internal audit and risk management. The Audit Committee works according to its instructions from the Board.

President and CEO and Group Management

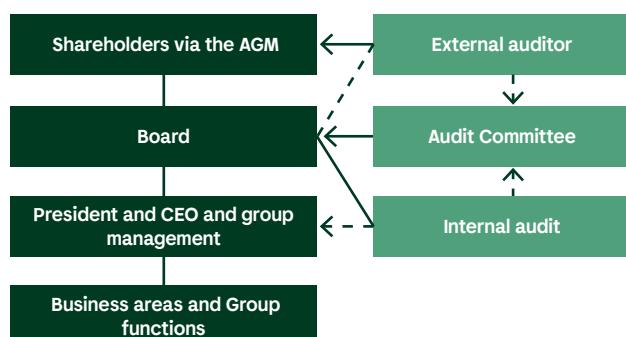
Preem's Group Management ensures the management of the business. To help them, they have a company-wide governance system that includes control at various levels in the company. Based on external monitoring, follow-up of stakeholder requirements, business follow-up and goal management, risks and opportunities, results from internal and external audits and deviation management, Group Management decides on priorities for areas for improvement. Group Management is governed by regular management meetings and various committees for specific issues.

Preem's Group Management is led by the President and CEO and otherwise consists of managers of Business areas and Group functions: Supply and Trading, Marketing and Sales, Refining, Economics and Finance, Sustainable Development, Communication and HR.

Internal audit

The internal audit is an internal function that reviews the company on behalf of the Audit Committee and is an independent

Preem's governance structure



quality assurance and advisory function for the company's operational activities. The internal audit evaluates, and aims to improve the company's management, risk management and control by working closely with the business as an advisor.

Internal control over financial reporting

Preem's framework for internal control regarding financial reporting aims to provide a reasonable assurance that Preem's objectives are achieved in terms of reliable financial reporting and protection of the company's assets. Furthermore, the framework aims to guide compliance with applicable laws and regulations as well as effective and efficient operations. Preem's management system forms the basis for internal governance and control and is part of the control and monitoring environment. In 2021, a company-wide screening of all main processes began with a focus on internal controls over financial reporting.

Management system supports the business

The goal of the management system is for Preem to conduct a safe, efficient and effective business. The management system covers the entire business: all Business areas and Group functions, physical facilities and internal as well as outsourced processes. It supports our entire business as well as our systematic improvement work and learning. We use a Group-wide deviation management system that supports reporting and follow-up of incidents, improvement work and prevention of undesirable events. The management system has a special focus on safety, the environment, quality, energy and significant areas of sustainability. It ranges from the strategic level, based on vision, values,

Governance and control

strategy and policies, to the operational level, with instructions that show how different steps are to be performed. It also helps us to ensure that we meet external and internal requirements. Compliance is checked through inspections and audits. Employee awareness of the applicability of the management system, for example knowledge of the content of policies and other important governing documents, is strengthened through various information, training and follow-up initiatives.

We have chosen to certify our management system according to external standards in several areas. The entire operation

is certified according to ISO 9001 (quality) and ISO 14001 (environment). The operations at the refineries are also certified in accordance with ISO 45001 (occupational health and safety). Preem is also certified according to ISCC-EU * and ISCC PLUS and have a Swedish Sustainability Statement for the management system regarding the handling of renewable fuels.

* ISCC, which stands for International Sustainability and Carbon Certification is a voluntary certification system that demonstrates compliance with the EU Renewables Directive.

Sustainability governance

Preem's governance model for sustainability is part of our overall management system and follows the same structure. The governance model contributes to effective sustainability work that reduces risks and ensures governance toward our goals. The focus on governance is adapted to the respective sustainability issue based on its materiality, connection to the strategy, risks, regulations, complexity and internal degree of maturity.

Decision-making bodies, roles and responsibilities

The focus and goals for significant sustainability issues are determined by the President and Group Management in connection with the annual work on the strategy and business plan, which is approved by the Board. The CEO is primarily responsible for the sustainability goals, including the climate goals. Group Management is overall responsible for the work with Preem's significant sustainability issues and to drive the improvement work towards the goals. They also handle issues of a strategic nature and monitor goal follow-up and

risk management. The head of the Group function Sustainable Development is part of Group management.

The sustainability work within Preem is partly centrally organized via the Group function Sustainable Development, and partly distributed in processes and in the line organization.

To ensure ownership of sustainability issues, Preem defines roles and responsibilities within its sustainability work. This designates who is the process owner or responsible for performance goals, follow-up, action and which decision-making mandate accompanies each role.

Preem establishes fixed cross-functional forums at various levels to handle, develop, follow up and decide on sustainability issues. For example, the Ethics Committee manages our business ethics work and our business ethics policy (see page 40). The committee consists of the CEO, representatives from Group Management, the Sustainability Manager, an internal auditor, an in-house lawyer and employee representatives from the trade unions.

Materiality analysis forms the basis for setting our targets





Governance and control

In order to further increase climate-linked governance, Preem decided in 2021 to establish a strategic and tactical CO₂ control forum consisting of e.g. by representatives from Group Management with a direct impact on Preem's climate goals, including the President as ultimately responsible.

Other forums, under the leadership of the Sustainability Development function, deal with issues of a more strategic and operational nature regarding, for example:

- Sustainability requirements for raw materials and suppliers linked to our Code of Conduct
- Our control system (part of the management system) for renewable products and production
- Our Climate Roadmap to reduce climate impact and follow-up of work throughout the value chain

Targets, follow-up and reporting

Follow-up and outcome reporting is an important part of goal management. Developments linked to significant sustainability issues are monitored through performance indicators (KPIs) in the long and short term. Preem's Board monitors quarterly developments regarding our overall climate goals. Sustainability issues included in Preem's strategy are followed up by Group Management as part of the overall follow-up via a balanced scorecard. Other significant sustainability issues are followed up by Group Management through a dedicated scorecard for sustainability.

We report our sustainability performance externally in various contexts, for example through our annual Sustainability Report, government reporting of various kinds and also through the external Haga Initiative's climate accounts.

Sustainability projects

Based on our strategy and our targets, sustainability projects and programs are defined that will close the gap between our current situation and where we want to be with sustainability. It can be anything from research projects on new raw materials to projects to expand our renewable production. Some of these sustainability projects are described in more detail in the section "Vision and strategies", and on the pages that present our focus areas, see pages 14 and 19.

Investment analysis

Large investments can have a significant impact on our sustainability goals. Prior to major investments, a sustainability analysis is therefore carried out to describe this impact. The focus of the analysis is currently mainly linked to the climate area, where we describe the impact on our climate goals of

various investments and changes in, for example, production through scenario analyses. We are currently developing this part of the governance model for sustainability in connection with the introduction of our framework for green financing. This includes a more systematic integration of sustainability analysis in the decision-making process regarding investments of a larger nature that are to be financed via the framework.

Policies and standards

Preem has several sustainability policies, as part of our management system, which guide us in our work. These policies are decided by the President and CEO or Group Management and include:

- Preem's Code of Conduct
- Safety, health and environmental policy
- Quality policy
- Information security policy
- Business ethics policy
- Alcohol and drug policy

Preem's Code of Conduct

Our Code of Conduct describes the values and ethical guidelines the company stands for and must follow. In this way, it contributes to healthy business and sustainable development for employees, customers, suppliers and partners - and a sustainable society.

The Code of Conduct is based on Preem's values (responsibility, innovation and inclusion), the Global Compact, the UN Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Convention on Indigenous Peoples, the OECD Guidelines for Business and the ILO's eight core conventions and ILO conventions on working environment and chemical products.

Summary of Preem's Code of Conduct

Environmental responsibility	Social responsibility	Responsible business
<ul style="list-style-type: none"> • Emissions • Resource use • Production responsibility • New technology • Systematic environmental work • Sustainability criteria for renewable fuels 	<ul style="list-style-type: none"> • Human rights • Working environment • Discrimination and diversity • Working conditions • Forced labor • Freedom of association • Child labor 	<ul style="list-style-type: none"> • Corruption • Bribery • Fraud • Competition

Governance and control

Board



Jason Milazzo
Chairman of the Board
Born: 1962
Lives in: London, UK
Elected: 2009
Previous experience: Senior positions within Morgan Stanley, Investment Banking Division.
Board assignments: Vice Chairman of Svenska Petroleum Exploration AB and Corral Morocco Gas & Oil and Vice Chairman of SAMIR.



Per Höjgård
Board Member
Born: 1948
Lives in: Stockholm, Sweden
Elected: 2007
Previous experience: CFO at Preem, previously similar positions in various public industrial companies, including partner in a management consulting company.



Lennart Sundén
Board Member
Born: 1952
Lives in: Almunge, Sweden
Elected: 2005
Previous experience: President and CEO of Sanitec Corporation, President and CEO of Swedish Match AB and a number of different positions within Electrolux.
Board assignments: Board Member of Setra Group AB and Mellanskog



Eva Lind Grennfelt
Employee representative and deputy
Born: 1973
Lives in: Mölndal, Sweden
Elected: 2008
Role within Preem: Development Engineer at Preemraff Gothenburg.
Employed since: 2003



Richard Öhman
Board Member
Born: 1951
Lives in: Cherrng Talay, Thailand
Elected: 1994
Previous experience: President and CEO of Corral Petroleum Holdings, President and CEO of Midroc Scandinavia, responsible for management and business development at ABV Rock Group KB, based in Riyadh, International project financing at ABV AB / NCC AB in Stockholm.



Laura Leinikka
Employee representative
Born: 1986
Lives in: Stockholm, Sweden
Appointed: 2021
Role within Preem: Sales Backoffice
Employed since: 2017



Petter Holland
Board Member
Born: 1956
Lives in: Duken, Norway
Elected: 2014



Michael G:son Löw
Board Member
Born: 1951
Lives in: Stockholm, Sweden
Elected: 2003
Previous experience: President and CEO of Preem, a number of senior positions within Conoco Inc.
Board assignments: Board member for Boliden AB, Stena Bulk AB, AP Sten AB, Vice Chairman Swedish Chamber of Commerce for Russia, Vice Chairman SvEnergiEkonomiska Association and member of the Royal Swedish Academy of Engineering Sciences.



Magnus Heimburg
Board Member
Born: 1967
Lives in: Höllviken, Sweden
Elected: 2020
President and CEO of Preem AB



Christian Mattsson
Employee representative
Born: 1968
Lives in: Kungshamn, Sweden
Appointed: 2003
Role within Preem: Production technician at Preemraff Lysekil
Employed since: 1988.



Robert Techel
Employee representative and deputy
Born: 1982
Lives in: Göteborg, Sweden
Appointed: 2021
Role within Preem: Production technician at Preemraff Gothenburg.
Employed since: 2014

Risk management

Preem's risk management

Preem works with a systematic model for risk management where risks are identified, evaluated, managed and followed up according to a common methodology. Risk management takes place on a regular basis at all levels in the company and is an important part of Preem's management.

Successful risk management contributes to competitive advantages, resource optimization and new business opportunities. By understanding and managing risks, we build trust with customers, suppliers, employees, owners and in the communities in which we operate. The importance of risks and the tolerance for these are important in our decision-making. Risk management is therefore integrated into critical business activities, functions and processes. It takes place at all levels in the company and is an important part of our governance. In day-to-day operations, risk management includes, for example, our improvement work through internal audits, as well as the investigation and documentation of deviations and improvement proposals. Risk assessments are also included in Preem's work environment and safety work, as well as in the work to avoid environmental damage. The risk assessments are also a central starting point in the business analysis in our materiality analysis regarding sustainability issues.

Preem's model for systematic risk management

Preem is a strongly regulated fuel company and faces many types of risks that must be managed. Systematic work with Group-wide risk management supports us in making decisions based on an optimal balance between opportunity and risk. It gives us the opportunity to:

- solve/manage problems before they occur
- have a management readiness if risks materialize
- make informed business decisions
- achieve our strategic goals

Workshops are held annually with the management groups for all Business areas and Group functions, as well as Preem's Group Management. The purpose is to identify and quantify risks and events that potentially threaten the fulfillment of Preem's business goals or other performance in both the short and long term. Risks and threats are identified, the probability of them occurring is assessed, the underlying causes are documented and then the consequences the risks can have for health and safety, the environment, revenue and costs and the brand are quantified. The risks are analyzed and updated prior to changes and in connection with strategy and business planning. Risk management is also a starting point for identifying opportunities, such as new deals, that are made possible by managing risks in different ways or even accepting them. Opportunities can also be described as "the other side of the coin", ie a positive outcome/change in value, production efficiency and positive contributions to the environment, which have been made possible by efficient processes, human action or as a result of external events.

Preem's model for risk management



- **Identify risks.** Risk workshops, internal/external information, audits
- **Quantify likelihood and consequences**
- **Respond.** Develop injury prevention, consequence mitigation measures
- **Follow up and monitor** the effectiveness of risk controls
- **Report** risk status and trends regularly

In connection with the risk analysis, measures are identified to reduce the probability that a risk will be realized and minimize the consequences. Major risks are followed up on two occasions each year and reported to the Board via the Audit Committee. Management teams receive ongoing reporting of risk status, incidents, incidents and the effectiveness of existing barriers and controls. Group Management makes decisions about risk-reducing activities, division of responsibilities and schedules. Risk-reducing measures with lower risk, which are of a more tactical and operational nature, are handled in the line organization.

Further information on significant sustainability risks and opportunities as well as Preem's management and control of these can be found in sections:

- External trends: page 10
- Governance: page 42
- UN SDGs: page 52
- In each focus area section (Stable economy, Climate, Environment, Sustainable value chains, Sustainable products, People and safety and Responsible business): pages 16-41

Sustainability risks and the Annual Accounts Act

The Annual Accounts Act's disclosure requirements regarding sustainability risks and their management are covered in Preem's sustainability framework and sustainability report as follows:

- Environment: Climate, page 19 and Environment, page 25
- Personnel and social issues: People and safety, page 35
- Human rights: Sustainable value chains, page 28 and People and safety, page 35
- Anti-corruption: Responsible business, page 40

Risk management

Examples of risks linked to the Focus areas of Preem's sustainability framework

Sustainability area	Risk (threat)	Consequence	Management
Climate	Political governance and regulations regarding renewable fuels such as the Swedish reduction mandate are eroded and do not provide sufficient support for the sustainability transition.	<ul style="list-style-type: none"> Profitability in the renewable business deteriorates. Impaired opportunities to make investments in accordance with Preem's restructuring plan. Reduced opportunities to achieve Preem's climate goals. 	<ul style="list-style-type: none"> Preem conducts advocacy work to push for regulations and conditions that support the desired transition. High surveillance and engagement linked to new regulations to ensure proactivity.
	Environmental permit processes are lengthy, unpredictable and risk delaying projects.	<ul style="list-style-type: none"> Reconstruction projects and new construction projects risk being delayed, becoming more expensive and more difficult to finance. Impaired opportunities to make investments in accordance with Preem's restructuring plan. Reduced opportunities to achieve Preem's climate targets. 	<ul style="list-style-type: none"> Preem addresses the courts' issues and helps build competence around refining activities. Preem conducts advocacy work for the development toward clearer environmental permit processes.
	Physical risks linked to more frequent extreme weather that disrupts Preem's operations at refineries, depots or fuel stations as well as in the raw material supply chain.	<ul style="list-style-type: none"> Production disruptions. Costs related to production disruptions, decontamination and restoration. 	<ul style="list-style-type: none"> Preem conducts risk analyses, for example regarding potential impacts at strategic facilities as a result of rising sea levels in extreme weather. Action program to manage identified risks.
Stable economy	The EU's taxonomy for sustainable investments identifies renewable fuels as a sustainable activity but sets detailed requirements that are difficult to meet with Preem's operations.	<ul style="list-style-type: none"> Poorer opportunities for attractive financing solutions for investments in renewable fuel production. Lower pace or scope of the transition work. Opportunity for new circular business models and clarity in expectations regarding sustainability requirements for investments. 	<ul style="list-style-type: none"> Dialogue with financiers and banks Preem launches green bond in accordance with the Green Bond principle aimed at transition projects. Preem seeks complementary financing solutions and direct support, for example through government guarantee loans and support for conversion. Requirements in the Taxonomy and RED are considered when developing conversion activities
Environment	Uncontrolled leakage of raw material or product to soil or water e.g. by a ship sinking or leaking during loading/unloading.	<ul style="list-style-type: none"> Environmental damage. Remediation costs. Disruption of production. Potential investigation into environmental crimes and prosecutions. Negative publicity and brand impact. 	<ul style="list-style-type: none"> Risk analyses. Continuity and crisis plans as part of Preem's management system. High demands on ships, such as double hulls. High supplier standards (including follow-up).
Sustainable value chains	Partners and suppliers do not meet Preem's sustainability requirements for renewable raw materials.	<ul style="list-style-type: none"> Negative impact and possible conflicts e.g. linked to human rights, global food supply or the depletion of natural environments. Damage to Preem's brand. Lost deliveries, deteriorating business relationships. Lost "sustainability properties" and thereby revenue for product. 	<ul style="list-style-type: none"> Assessment, review and follow-up of new and existing suppliers. Clear criteria for purchasing and a Code of Conduct that forms the basis for assessments and agreements. Supplier dialogue.
	Lack of renewable raw materials for fuel production.	<ul style="list-style-type: none"> Possible need to purchase raw materials with poorer sustainability performance. Preem finds it difficult to meet extensive requirements within e.g. the reduction mandate. Increased costs for purchases and to cover possible penalties linked to policy such as the reduction mandate. It is more difficult to achieve Preem's and even Sweden's climate targets. 	<ul style="list-style-type: none"> Systematic work to find and develop new raw materials for renewable production. Development of the refineries for a greater degree of flexibility in raw material supply. Creation of joint ventures for the development of renewable raw materials from the forest industry, for example in Swedish companies such as SunPine and Pyrocell.
Sustainable products	Incorrect administrative procedures in relation to regulations for renewable fuels by Preem or a supplier.	<p>Lost sustainability certification for covered volumes mean:</p> <ul style="list-style-type: none"> Excluded from the reduction mandate or tax exemption. Lost financial value. If discovered afterwards - risk of penalty fees. 	<ul style="list-style-type: none"> Preem's handling of renewable fuels is certified in accordance with the Swedish Sustainability Decision and ISCC based on a control system for biofuels comprising of e.g. Requirements for renewable purchases. Documented responsibilities and routines. Internal and external audits.
People and safety	Unintentional damage to property and personnel.	<ul style="list-style-type: none"> Short or long-term sick leave, and even death in the worst case. Loss of production due to damage to the plant. Costs and possible legal consequences. Negative impact on the Preem brand. 	<ul style="list-style-type: none"> Systematic safety work, e.g. safety rounds, exercises, routines, safety equipment, training, alcohol and drug tests. Continuity plans and preparedness.
Responsible business	Fraud or financial crime among employees, partners or customers.	<ul style="list-style-type: none"> Costs and possible legal consequences. Negative impact on the Preem brand. 	<ul style="list-style-type: none"> Committed Ethics Committee. Business ethics policy. Anonymous whistleblowing system. Framework for internal control over financial reporting and asset protection. Internal audits.

Case Story: EU legislation

Crucial EU policy under development

Preem and the fuel market is strictly regulated by laws, regulations and directives. To ensure the sustainable transition of our business, regulations must support increased production and use of renewable fuels. It is also necessary that economic policy is supportive when we replace fossil fuels with sustainable alternatives.

Preem is a Swedish company with operations in Norway as well, and we are particularly dependent on the regulatory development in these markets. As a large exporter, we are also affected by regulations in other countries. The most important is the political development within the EU.

Fit for 55

In the summer of 2021, the European Commission presented the first package of new legislation within the framework of the European Green Deal – the EU's common climate policy. The purpose of the package, called "Fit for 55", is to ensure that Member States' legislation is strict enough to achieve the EU's common climate target - for a 55 percent CO₂ emissions reduction by 2030.

The package includes proposals for stricter requirements regarding the use of renewable energy in the transport sector, both for road and air transport. A key difference is that the regulations are proposed to focus on greenhouse gas reduction, rather than an increased share of bioenergy. Minimum levels for advanced biofuels, electric fuels and hydrogen will also be introduced. The limit on the use of crop-based raw materials is proposed to remain. The package also contains proposals for stricter sustainability criteria for raw materials for renewable energy (Renewable Energy Directive, RED). The European Commission also wants to see common tax rules that favor renewable energy over fossil fuels (Energy Tax Directive, ETD). Furthermore, the EU Emissions Trading System (EU ETS) will be strengthened and expanded to more sectors, which in the long term is expected to lead to a higher price of emission rights.

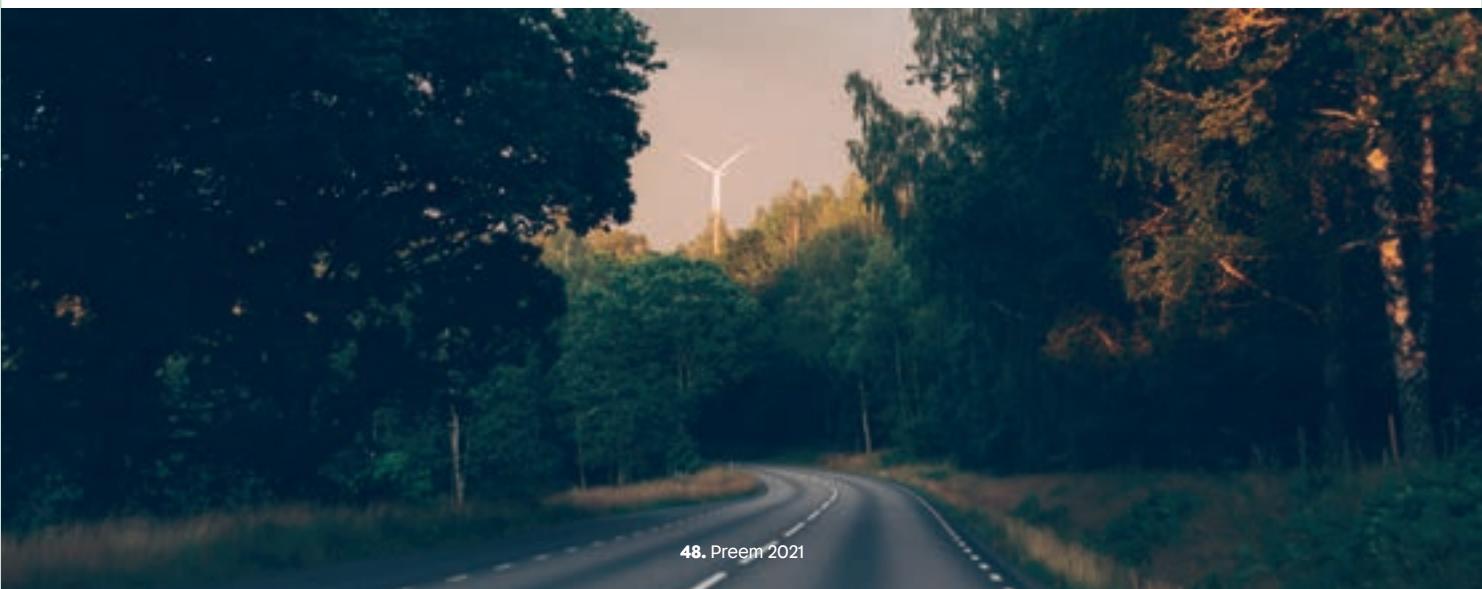
The basis of the EU's "Fit for 55" package gives positive signals to Preem in our transition from fossil to renewable raw materials and, by extension, a climate-neutral value chain. With a stricter climate policy throughout the EU, we will have better conditions for step up investments in sustainable products, services and offerings. However, our conversion plans require an even higher level of ambition and more long-term rules that support a rapid transition – already by the year 2035.

The proposals clearly show that more renewable fuels will be needed throughout Europe, especially the renewable fuels produced from so-called advanced raw materials (RED, Annex IX). As demand increases internationally, competition for these limited raw materials will increase, which sends strong signals to increase both production and extraction and the pre-treatment of renewable raw materials. For Preem, this involves both a challenge and an opportunity as through our raw material collaborative projects with the Swedish forestry, agriculture and food industries, we are investing in the type of raw materials that will be in increasing demand.

EU Taxonomy Regulation

At the same time, work is underway to develop an EU-wide taxonomy for sustainable investments. The purpose of the EU taxonomy is to help investors identify and compare environmentally sustainable investments through a common language. The goal is to, with a common classification system, redirect investments to sustainable activities that support the EU's six environmental goals.

For companies such as Preem, which during a transition period will continue to have a fossil production, the design of the taxonomy risks posing challenges to gaining access to capital, or that financing becomes more expensive. Preem works actively with financiers and other stakeholders to understand the impact of this new regulatory framework, which is still being detailed and developed. For example, we have been active in the debate on the use of forest raw materials.



Sustainability notes

About the report

Preem's Board of Directors and CEO submit
hereby Preem's Sustainability Report for 2021 according to
the Swedish Annual Accounts Act (ÅRL).

The Sustainability Report covers the entire Preem Group. Sustainability data will not always be presented for the entire Group, however, in these cases it will be clear which companies the information refers to.

The basis for the report is Preem's sustainability framework, which is based on a materiality analysis in which Preem's most significant areas of sustainability have been identified. Read more about Preem's materiality analysis and sustainability framework at pages 50 and 15.

The report includes the parts of the business that have the greatest impact on sustainability. This means, among other things, that the chapter dealing with the Environment focuses primarily on refinery operations and transport, where the impact on emissions and, for example, waste is greatest. The chapter that addresses Climate includes more parts of the value chain, the same applies to Sustainable Products and Sustainable Value Chains and People and Safety, all of which have a major impact outside Preem's legal boundaries.

Measurement and calculation methods are described, if necessary, in connection with the respective key figures. Target figures and comparative figures are reported where applicable. Basic data for Preem's key figures and statistics are mainly taken from Preem's internal operating systems. The data reported refers to the calendar year 2021 unless otherwise stated.

The Sustainability Report has not been examined externally. However, Preem's operations are regularly reviewed by internal and external parties from different perspectives, for example in connection with our certifications in the areas of environment, quality and occupational health and safety, control system for renewable fuels and the EU's emissions carbon trading system.

Sustainability notes: Materiality analysis

Prioritization of our sustainability agenda

The materiality analysis helps us to define Preem's most important sustainability issues and forms the basis for priorities and focus in our ongoing sustainability work. The materiality analysis is also an important basis in our strategy work. Sustainable strategies in turn create long-term competitiveness and ensure that we take responsibility for our impact over time, at all levels.

Method for materiality analysis

To define our most important sustainability issues, we carry out a materiality analysis. In some years, a more comprehensive analysis is made through an externally directed stakeholder dialogue with a focus on sustainability. In between, we perform a validation or calibration based on changes in the business or the outside world. In order to identify which sustainability issues are to be included in the materiality analysis, our impact in the entire value chain is first evaluated, for example through environmental investigations and the prioritization of environmental aspects. We also take into account the UN Sustainable Development Goals, external reporting standards and comparisons with other companies. Based on an overall picture of the goals we need to live up to and how we perform in relation to already set goals, we determine our most important sustainability issues. These are prioritized from three perspectives; significance for stakeholders, significance for the business, and our impact on

the outside world. The business analysis includes the impact on revenue, the brand, costs and risk reduction and enables the integration into our strategy process. As the last step in the work, the results are validated by the management. The processes for strategy formulation and materiality analysis are closely linked because the materiality analysis provides input to the strategy process on our most important sustainability issues. The strategy in turn provides guidance on key areas for our business, which we include in the materiality analysis.

Our stakeholders

Preem's stakeholders and their views provide important information to our materiality analysis. Several stakeholder groups can have a major impact on the business and we have ongoing dialogues with them to capture opinions and expectations linked to sustainability issues in our business.

Preem's stakeholder groups



Sustainability notes: Materiality analysis

Materiality analysis 2021

Virtually all stakeholder groups have further strengthened their focus on the climate issue in 2021. In evaluating our targets related to climate impact along the entire value chain, we stated that we want to sharpen the goal of achieving climate neutrality as early as 2035. Otherwise, only minor updates to the materiality analysis were made during the year. In addition to the climate impact, we see that issues related to biodiversity, business ethics, communication and societal impact, as

well as employee well-being and development, remain in focus. Through regulations and legislation, issues relating to the circular economy, biodiversity and social considerations in the company's value chain will also receive increased attention. COVID-19 still poses challenges with changing expectations of Preem as an employer regarding the well-being and development of our employees, for example linked to working from home and the prevention of the spread of infection.

Preem's material sustainability issues



- **Stable economy**
- 1 Sustainable profitability and value creation

- **Responsible business**
- 2 Local communities
- 3 Business ethics
- 4 Product responsibility
- 5 Energy security in local markets
- 6 Communication and impact on society

- **People and safety**
- 7 Health and safety
- 8 Employee well-being and development
- 9 Chemical handling

- **Sustainable products**
- 10 Renewable fuels
- 11 Sustainable assortment

- **Sustainable value chains**
- 12 Environmental and social impact in the supply chain

- **Environment**
- 13 Emissions to air, soil and water
- 14 Use of resources
- 15 Energy use
- 16 Biodiversity

- **Climate**
- 17 Climate impact from use of products
- 18 Climate impact from operations
- 19 Climate impact from the supply chain

Changes in significant sustainability areas in 2021

16 **Biodiversity**

- Increasing interest from the UN and EU
- Business initiatives under development
- Important area in the GRI Oil & Gas sector standard

18 **Climate impact in the business**

- Great interest in Preem's operations and direct emissions
- Important area in the GRI
- Oil & Gas sector standard
- New EU regulations on sustainable investment

19 **Climate impact from the supply chain**

- Focus also on fossil upstream emissions
- Legislation in EU has renewables raw materials as a key in the transformation

1 **Stable economy**

- The EU Taxonomy for sustainable activities connects sustainability and business

8 **Employee well-being and development**

- COVID-19 has led to an increased need to focus on employee well-being and development both in terms of illness and remote working

Sustainability notes: The UN Sustainable Development Goals

Contribution and impact on the UN SDG:s

The UN has formulated goals for sustainable development in its Agenda 2030. Preem's activities, not least in the value chain, affect these goals. By integrating sustainability into our strategies and targeted measures, we contribute positively to the goals, but we can also have a negative impact that we try to understand and take into account.

Below are the global goals where Preem has a high impact and strong connection to our sustainability framework. Read more about our work with other Sustainable Development Goals at preem.se.



SDG 7 – Affordable and clean energy

Relevant sub targets:

- 7.1 Universal access to modern energy.
- 7.3 Double the improvement in energy efficiency.
- 7.A Enhance research, technology and investments in clean energy.

Preem's contribution and impact:

- + By investing in renewable fuels and sustainable supply chains on a large scale, Preem contributes to the increased production of sustainable energy with a reduced climate impact.
- + Preem has a responsibility for energy security in Sweden by maintaining an obligatory storage of fuels.
- + To make the investment in renewable fuels possible, Preem conducts research and development work itself and together with partners in academia, institutes and development companies.
- Refining involves significant energy use and Preem is constantly working to optimize energy efficiency and find renewable alternatives.

Our progress:

- In 2021, we were granted an environmental permit for a new plant in Gothenburg, a project to produce renewable diesel (HVO) with an annual capacity of 1 million m³ of fuel that can reduce emissions from cars and aircraft by 2.5 million tonnes of CO₂ per year.
- In 2020, a co-processing trial began at our SynSat facility in Lysekil, and a major revamp of the plant is now taking place with the goal of reaching a renewable production capacity of 950,000 m³ per year by 2024
- A comparative study shows that Preem's refineries are among the most energy efficient in Europe.
- Our refineries emit 21 percent less CO₂ compared to the average refinery in Western Europe.



5 million m³
Production of renewable fuels
- Target 2030

0.3 million m³
Production of renewable fuels
- Actual 2021



SDG 8 – Decent work and economic growth

Relevant sub targets:

- 8.1 Sustainable economic growth.
- 8.2 Promote economic productivity through diversification, technical innovation and upgrading. 8.3 Promote policies that create new jobs and increase entrepreneurship.
- 8.4 Improve resource efficiency in consumption and production.
- 8.5 Full employment and decent working conditions with equal wages for all.
- 8.7 Eradicate forced labour, slavery and child labour.
- 8.8 Protect labour rights and promote safe and secure working environments for all.

Preem's contribution and impact:

- + Preem contributes to growth by being one of Sweden's largest export companies, one of the largest taxpayers and by producing 50 percent of the country's fuel. Preem is gradually transitioning to the production of sustainable and renewable fuels.
- + Preem sets requirements for decent working conditions both in its own operations and its supply chain through its Code of Conduct.
- + Preem is an important employer, especially in Lysekil, and contributes to the creation of new green jobs in the commodity supply chain.
- Preem purchases raw materials from different parts of the world where there are challenges in terms of working conditions.

Our progress:

- + Preem continues to be one of Sweden's largest export companies, one of the largest taxpayers and produces 50 percent of the country's fuel.
- + Preem's refineries and investments in Swedish waste products from the forest create jobs and local economic growth.
- + We monitor our high-risk raw material suppliers separately and evaluate the most risky suppliers from a sustainability perspective, including decent working conditions and respect for human rights and the environment.
- + We carry out salary surveys and act on differences in pay between the sexes.
- + Measures to reduce food waste at fuel stations.



1.1
LWIF
- Actual 2021

SEK 10 billion
Paid in Swedish and
Norwegian tax - Actual 2021

Sustainability notes: The UN Sustainable Development Goals



SDG 9 – Industry, innovation and infrastructure

Relevant sub targets:

- 9.1 Develop sustainable, resilient and inclusive infrastructure.
- 9.2 Promote inclusive and sustainable industrialisation.

Preem's contribution and impact:

- + Preem's investment in renewable fuels contributes to innovative solutions to reduce climate impact. Investments such as CCS, capture and storage of CO₂, can also lead to reduced climate impact from our industry.
- + Preem takes responsibility for energy security in Sweden by maintaining a reliable and stable stock of fuel and is part of the Swedish merchant fleet through the vessels we operate.

Our progress:

- + Preem continuously ensures socially important capabilities and infrastructure through our contingency stock of fuel. We account for 80 percent of the Swedish refinery capacity. The refineries are gradually being transformed from fossil to renewable production. Preem's refineries are among Europe's most CO₂ efficient and we are working to further consolidate our position.
- + Preem is driving innovations and the development toward the more sustainable production of biofuels. In 2021, our partly owned factory Pyrocell's pyrolysis oil plant at Setra Kastets sawmill in Gävle was inaugurated, where sawdust is processed into bio-oil, which is further processed at our refinery in Lysekil
- + Preem's co-owned company SunPine completed the construction of a new factory in 2021. With the new factory, the capacity for the production of sustainable crude tall oil will increase by about 50 percent to about 150,000 m³ per year.
- + Preem works to create a full-scale solution for carbon capture, transport and storage in Norway. Tests of CO₂ capture have been carried out at the refinery in Lysekil with good results. Our CCS projects and collaborations continue and complement ongoing research and demonstration projects, such as ZEROC and Northern Lights, which is an ongoing full-scale project for CO₂ storage off the west coast of Norway.



SEK 281 million

Investments to reduce climate impact - Actual 2021

43%

Proportion of investments that reduce climate impact, by total investments - Actual 2021



SDG 13 – Climate action

Relevant sub targets:

- 13.2 Integrate climate change measures in politics and planning.
- 13.3 Improve education and capacity to manage climate change.

Preem's contribution and impact:

- + Preem's focus on renewable fuels offers great opportunities to decrease the transport sector's overall climate impact.
- + Preem's investment in capturing and storing carbon is expected to reduce the climate impact of our production.
- Preem's value chain involves large CO₂ emissions in raw material extraction, production and especially in the use of fossil fuels.

Our progress:

- + Our strategy aims to make Preem the world's first climate-neutral petroleum and biofuel company, with net zero emissions in our entire value chain by 2035. We will use our expertise and technological advantage to be a leader in the transition from partly fossil fuels to fully renewable fuels. To strive toward the goals, we connect our plans and investments to the impact on CO₂ emissions. Preem's strategic goal, to produce five million m³ of renewable fuel by 2030, will be of great importance in meeting our targets for both direct and indirect emissions.



-90%

Emission reduction throughout the value chain - Target 2035*

-14%

Emission reduction throughout the value chain - Actual 2021

*Based on base year 2018. Planned climate compensation to 100 percent reduction.

Sustainability notes

Targets and outcomes



Stable economy

Sustainable profitability and value creation	Unit	2021	2020	2019	Targets	
Key figures for sustainable profitability						
Adjusted EBITDA	MSEK	4,204	1,960	3,330	Target 2021: 1,235 million SEK	
Return on Capital Employed (ROCE)	%	20	1	8	Target 2021:-1%	
Solidity	%	36	35	28	Target 2021: 30%	
Investments to reduce climate impact (CAPEX) ¹	MSEK	281	477	269		
Created and distributed economic value	Where impact occurs	Unit	2021	2020	2019	Comments
Economic value - generated:						
Income ²	From customers	million SEK	100,353	69,166	103,263	Net sales plus income from financial investments
Financial value - distributed:						
Operating expenses	To suppliers	million SEK	85,082	59,994	89,771	Payments for materials, energy, machinery, other operating expenses and external services
Employees' salaries and benefits	To employees	MSEK	1,506	1,469	1,625	Total salaries and benefits including employee taxes and social security contributions
Payments to financiers	To banks and financiers	million SEK	998	321	4,118	Interest paid to banks and financiers
Payments to the state	To society	million SEK	10,346	10,001	11,078	Taxes, e.g. energy tax and carbon tax
Economic value retained	To the company	million SEK	2,484	-2,618	-3,329	Reinvestment or reserves

1) All investments that create conditions for renewable production and CO₂ reduction.

2) Net sales plus income from financial investments.

Sustainability notes: Targets and outcomes



Climate

	Unit	2021	2020	2019	Base year 2018	Targets	
Total							
Total CO₂ emissions (scope 1, 2, 3)⁷	thousand tonnes	51,981	49,591	52,011	60,224	90% reduction 2035	
Total CO ₂ reduction (compared with base year 2018)	%	-14	-18	-13	N/A		
Climate impact in the procurement phase							
Other indirect CO₂ emissions (scope 3)							
Indirect CO ₂ emissions from resource extraction ¹	thousand tonnes	4,219	3,929	5,764	7,737		
Climate impact in the business							
Direct CO₂ emissions (scope 1), total⁷	thousand tonnes	2,123	1,698	1,791	2,305		
Direct CO ₂ emissions from production, Lysekil (LYR) ⁷	thousand tonnes	1,595	1,186	1,220	1,769		
Direct CO ₂ emissions from production, Gothenburg (GOR)	thousand tonnes	528	512	570	536		
CO₂-emissions from business travels by car (scope 1)²	thousand tonnes	0.19	0.24	0.31	0.35		
CO₂-emissions from heating of manned fuel stations (scope 1)³	thousand tonnes	0.06	0.08	0.14	0.14		
Indirect CO₂ emissions (scope 2)							
Indirect CO ₂ emissions from purchased electricity, heating and cooling ⁴ (market based)	thousand tonnes	11.2	10.0	7.8	9.4		
Indirect CO ₂ emissions from purchased electricity, heating and cooling ⁵ (location based)	thousand tonnes	56	34	36	46		
Other indirect CO₂ emissions (scope 3)							
CO ₂ emissions from business trips (train, air, company/hire car)	thousand tonnes	0.34	0.35	0.79	1.15		
Indirect CO ₂ emissions from transport (land, sea, quayside)	thousand tonnes	95	93	76	95		
CO ₂ emissions from land transport (not reduced)	thousand tonnes	7	7	6	11		
CO ₂ emissions from land transport ⁶ (reduced)	thousand tonnes	4.5	4.6	-2	N/A		
CO ₂ emissions from sea transport	thousand tonnes	88	86	72	84		
Climate impact in the user phase							
Other indirect CO₂ emissions (scope 3)							
CO ₂ emissions in the user phase (TTW), total	ktonne	45,533	43,861	44,378	50,083		

1) Includes both renewable raw materials and fossil oil.
 2) Includes rental cars, company cars and private cars with mileage compensation.
 3) Approximately five manned stations are heated with heating oil.
 4) Includes use of electricity at refineries as well as electricity, district heating and district cooling at depots, stations and offices. The calculations are based on supplier-specific emission factor and residual mix for electricity, as well as emission factor average value Sweden for district heating and district cooling.
 5) Includes electricity use at refineries as well as electricity, district heating and district cooling for depots, stations and offices. The calculations for electricity, district heating and district cooling, are based on the average value for Sweden and Nordic average mix (electricity).
 6) Reduced emissions with certificates.
 7) 2021 Preem discovered a calculation error for direct CO₂ emissions at the Lysekil refinery. Controls showed underreporting during the years 2016-2020 that has been corrected in the Sustainability Report 2021. Performance indicators total CO₂ and total CO₂-reduction have been marginally affected.



Sustainable value chains

	Unit	2021	2020	2019	Targets
Environment and social impact in the supply chain					
Renewable fuels					
Suppliers that have approved Preem's Code of Conduct ¹	% volume	100	100	100	Target: 100%
Suppliers evaluated from a sustainability perspective ²	% volume	100	100	99	Target: 100%
Proportion of renewable raw materials that Preem has evaluated from a sustainability perspective	%	100	100	100	Target: 100%
Fossil fuels					
Suppliers that have approved Preem's Code of Conduct ¹	% volume	95	98	98	Target: 100%
Suppliers evaluated on the basis of sustainability ²	% volume	81	99	96	Target: 100%

1) Suppliers who approved Preem's Code of Conduct, alternatively submitted their own Code of Conduct which was approved by Preem.

2) Evaluation based on sustainability covers the areas of human rights, working conditions, corruption and environment.

Sustainability notes: Targets and outcomes



Environment

	Unit	2021	2020	2019	Targets
Emissions to air, soil and water					
Emissions of nitrogen oxides (NOx) to air from production	tonnes	795	750	824	
Emissions of sulfur oxides (SOx) to air from production	tonnes	399	298	772	
Emissions of diffuse hydrocarbons (VOC) from production	tonnes	5,802	5,054	4,559	
Discharge of hazardous substances into water ¹	tonnes	1.05	1.04	1.37	
Severe environmental incidents²	number	0	0	0	Target: No serious environmental incidents
Energy use					
Energy use within Preem ³	GWh	9,255	7,658	6,980	Target: The best quartile for refineries in Europe
Energy use outside Preem	GWh	319	312	281	
Energy use land transport	GWh	20	21	18	
Energy use sea transport	GWh	262	254	223	
Energy use fuel stations ⁴	Gwh	36	37	40	
Energy intensity					
Energy intensity LYR ⁵ , ranking in western Europe	rank	•	•	•	Target: The best quartile for refineries in Europe
Energy intensity GOR ⁵ , ranking in western Europe	rank	•	•	•	Target: The best quartile for refineries in Europe
Resource use					
Raw material use					
Fossil raw materials	thousand tonnes	14,526	13,660	13,403	
Renewable raw materials	thousand tonnes	295	259	241	
Water consumption at refineries ⁶	000 m ³	3,666	3,351	3,655	
Waste					
Hazardous ⁷	tonnes	1,434	3,055	6,635	
Non-hazardous	tonnes	4,110	5,024	5,378	

- 1) The measurement shows total extractable substances, which is the total content of the aliphatic organic substances containing CH₂ and CH₃ groups that can be extracted with tetrachlorethylene and then determined by IR spectrophotometry.
 2) The serious environmental incident measurement includes major environmental incidents that during the year led to breaches of permits or law (where Preem is convicted of a crime), or damage to the brand.
 3) Total energy use within Preem includes the refineries in Gothenburg and Lysekil as well as depots. Reduction for residual heat sold as district heating.
 4) Energy use for fuel stations includes electricity and heat consumption. Energy use is based on data from about 50 percent of Preem's Swedish fuel stations. Based on that data, a total value has been extrapolated.

- 5) Energy intensity is a benchmarking index, where energy consumption is standardized so that refineries can compare their efficiency/energy intensity regardless of size or complexity. The benchmark study is conducted by Solomon Associates, and applies to refineries in Western Europe. The study was last done in 2018, the energy efficiency index for Lysekil was then 78 and for Gothenburg 74.
 6) For the refinery in Lysekil, drinking water consumption and raw water consumption are included. For the refinery in Gothenburg, consumption of municipal water is included.
 7) Waste is all objects or substances that the holder wants to get rid of or is obliged to get rid of. Hazardous waste contains or consists of substances that have dangerous properties.



Sustainable products

	unit	2021	2020	2019	Targets
Fossil fuels					
Fossil fuel production	million m ³	17,243	17,226	16,279	-
Renewable fuels					
Renewable fuel production	000 m ³	341	217	204	Target 2030: 5,000,000 m ³ renewable production
Percentage of renewable fuels in total produced volume	%	1.94	1.24	1.24	
Percentage of renewable fuels in sales, Sweden	%	20	16	11	
Percentage of renewable fuels in total sales	%	6	6	4	
Climate benefit through the use of renewable fuels					
CO ₂ saving compared to fossil alternative (WTW)	thousand tonnes	3,037	2,665	1,988	
CO ₂ saving compared to fossil alternative (WTW)	%	88	86	78	Long-term target: fulfill the EU's RED and Swedish reduction mandate
Sustainable assortment					
Proportion of sustainable items sold	%	9	11	13	Target: at least 12%

Sustainability notes: Targets and outcomes



People and Safety

	Unit	2021	2020	2019	Targets
Employee wellbeing and development					
Engagement index (EI) ¹		79	78	82	Target: 78
Personality Assessment Inventory (PAI) ²		78	79	78	Target: 73
Sick leave	%	3	3	3	Target: ≤3%
Net Promotor Score (eNPS)		2	5	44	
Number of new employees	number	39	20	138	
Employee turnover	%	9	6	2	
Gender distribution (men/women)					
Board	%	100/0	100/0	100/0	
Management group	%	71/29	60/40	64/36	Target: 70% men and 30% women by 2030
Managers	%	71/29	68/32	70/30	Target: >50% women when recruiting Target 2025: gender distribution 50/50
White collar workers	%	64/36	62/38	62/38	Target: >50% women when recruiting Target 2025: gender distribution 50/50
Blue collar workers	%	90/10	88/12	91/9	Target: ≥30% women when recruiting Target 2030: gender distribution 70/30
Age distribution of employees					
Under 30 years	%	9	13	11	
30–50 years	%	55	55	56	
51–60 years	%	29	26	28	
Over 60 years	%	7	6	5	
Length of employment					
0–5 years	%	39	40	39	
6–10 years	%	17	18	14	
11–15 years	%	11	13	15	
16–20 years	%	11	9	9	
Over 20 years	%	21	20	23	
Health and safety					
LWIF – Lost Workday Injury Frequency ³	per million hours	1.1	0.8	0.6	Target: 1.0
All Injury Frequency (AIF) ⁴	per million hours	3.0	2.6	3.9	Target: 2.8
Process Safety Event Rate (PSER) ⁵ Tier 1 and 2	per million hours	2.1	0.6	1.3	Target: 1.0

1) EI shows our employees' commitment based on the dimensions energy and clarity.
2) PAI monitors the social and organizational work environment in order to detect signals at an early stage that can lead to ill health.

3) LWIF shows the frequency of absence accidents, ie. accidents that result in absence from work during at least one work shift.

4) AIF shows less serious injuries per million hours worked.

5) PSER is calculated as the number of plant safety deviations of the categories tier 1 and tier 2, divided by millions of hours worked.



Responsible Business

	Unit	2021	2020	2019	Target
Business ethics					
Percentage of employees that have completed the course "Gift or Bribe – what are the rules"?	%	73	93	88	100% of the identified target group should have received training every two years

Board signatures

Stockholm March 24, 2022

Per Höjgård

Richard Öhman

Michael G:son Löw

Magnus Heimburg
Chief Executive Officer

Jason T. Milazzo
Chairman of the Board

Laura Leinikka
Employee representative

Petter Holland

Lennart Sundén

Cristian Mattsson
Employee representative

Our audit report was submitted on March 24, 2022

Öhrlings PricewaterhouseCoopers AB
Martin Johansson
Authorized Public Accountant

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