The target is set: Climate neutral by 2045
We have taken on the challenge

In 2019, we decided to become the world’s first climate-neutral petroleum and fuel company. By 2040, Preem will have net zero carbon emissions from our refineries and by 2045 in our entire value chain. In our Sustainability Report, which we call the Progress Report, you can follow our challenges and progress in 2019.

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Climate

We will have net zero emissions by 2045

We fully support the Swedish climate targets, which are among the world’s most ambitious. In 2019, we set the goal of achieving net zero emissions at our production plants in 2040 and net zero in terms of the entire value chain before 2045. Preem is the world leader in our industry with such goals, which are in line with both the Paris Agreement and Sweden’s climate targets.

Stable economy

Investing for the future

To be able to meet tomorrow’s challenges and society’s demand for sustainable fuels, green investments are required. During the scheduled maintenance shutdown at Preem’s refinery in Lysekil, we upgraded the refinery to reduce environmental impacts and to enable the processing of renewable raw materials. In a year, Preem will be able to process renewable raw materials for the first time at Lysekil.

p. 24

Sustainable products

The proportion of renewable fuels must increase

To achieve Sweden’s climate target and 70 percent less transport emissions by 2030, the proportion of renewable fuels needs to increase. By 2030, our goal is to annually produce 5 million cubic metres of renewable petrol, diesel and aviation fuel, which would reduce transport emissions by up to 12.5 million tonnes of carbon dioxide per year. This corresponds to just over 20 percent of Sweden’s total annual carbon dioxide emissions.

p. 28
We place high demands on our suppliers to minimise our social and environmental negative impacts. In 2019, we developed the process of systematically evaluating and managing sustainability risks related to renewable raw materials and suppliers, and we are now using a risk-based model.

**Risk-based supplier review**

We place high demands on our suppliers to minimise our social and environmental negative impacts. In 2019, we developed the process of systematically evaluating and managing sustainability risks related to renewable raw materials and suppliers, and we are now using a risk-based model.

**Environment**

Our goal is to run our business processes in the most sustainable, energy efficient and environmentally responsible way possible. We continuously work on energy mapping and resource optimisation. In 2019, our waste water treatment plant was developed at the Lysekil refinery with an additional treatment step that removes phosphorus and manages sludge discharge more efficiently.

**Sustainable value chain**

Highlight in 2019

We place high demands on our suppliers to minimise our social and environmental negative impacts. In 2019, we developed the process of systematically evaluating and managing sustainability risks related to renewable raw materials and suppliers, and we are now using a risk-based model.

**Responsible business**

Preem is a global exporter and importer of raw materials and products. For us, good business relationships with our suppliers and customers are therefore of utmost importance. Active ethics and anti-corruption work is one of the basic prerequisites for maintaining sustainable business relationships.

**People and safety**

Preem is a safe, inclusive and welcoming workplace with good development opportunities for all employees. We work actively with diversity, inclusion and safety issues. Preem has a zero vision for workplace accidents which is the basis of our work on health and safety.

**Sustainable business relationships**

Preem is a safe, inclusive and welcoming workplace with good development opportunities for all employees. We work actively with diversity, inclusion and safety issues. Preem has a zero vision for workplace accidents which is the basis of our work on health and safety.

**A safe, inclusive and welcoming workplace**

Preem is a safe, inclusive and welcoming workplace with good development opportunities for all employees. We work actively with diversity, inclusion and safety issues. Preem has a zero vision for workplace accidents which is the basis of our work on health and safety.

**Energy efficient and environmentally responsible**

Preem is a safe, inclusive and welcoming workplace with good development opportunities for all employees. We work actively with diversity, inclusion and safety issues. Preem has a zero vision for workplace accidents which is the basis of our work on health and safety.
We will be climate neutral by 2045

A comprehensive review of our strategies has given us a clear direction for how we will achieve our vision to lead the development to a sustainable society. In order for us to succeed, a number of large and significant projects have been implemented or initiated, all of which will contribute to reducing Sweden's climate footprint through reduced carbon dioxide emissions throughout the value chain. Our goal is that by 2045 we will be a climate-neutral petroleum and biofuel company throughout our entire value chain. Maybe even the world's first.

Our contribution to the Swedish and international climate goals follows three main paths - to increase our production of liquid renewable fuels with sales in Sweden and abroad, to develop our production to include more environmentally and climate-adapted products, and to develop comprehensive solutions to reduce emissions from our refineries and logistics chain.

In addition to helping to achieve the political climate targets, this will also help us reach our own climate target - to become the world's first climate-neutral petroleum and biofuels company, with net zero emissions throughout our entire value chain by 2045.

We lead the transformation to a sustainable society

In 2019, we conducted a review and revision of our strategies to speed up the necessary transition. In reality, this means that we will, among other things, make major investments in our refineries. We must find the right mix of renewable raw materials for production and secure access to these, while we adapt to future demand. It is therefore crucial that we invest in new projects that contribute positively to climate change.

We are preparing for the transition

Preem's refineries are already among the world's most efficient. The results of the so-called Solomon Study 2018, which ranked refineries in Europe, the United States, the Middle East and Africa, showed that our two refineries are at the absolute top when it comes to carbon dioxide emissions efficiency, where our plant in Gothenburg was ranked as the single best refinery in the study. In the spring of 2019, we commissioned two new plants, one hydrogen gas plant in Gothenburg and another vacuum distillation plant in Lysekil. Both are important pieces of the puzzle to maintain our position among the most modern and environmentally friendly refineries and at the same time continue our sustainable transformation.

In September a major maintenance shutdown of the Lysekil refinery began - the largest in Preem's history. The purpose of the shutdown was to meet the routine inspection requirement and perform maintenance work at the refinery and to prepare for an increase in renewable fuel production. The shutdown, as a whole, was carried out on schedule and without any major incidents. The hydrogen plant had a more extensive renovation need and is expected to be started up again at the beginning of the second quarter of 2020. However, it did not significantly affect our production.

The government decides on the Lysekil expansion

The effects of our planned expansion of the Lysekil refinery have been discussed during the past year, especially the increased carbon emissions that can occur initially from this expansion. Court hearings at the Swedish Land and Environmental Court will be held in the spring of 2020, followed by a decision on permissibility to expand from the government.

A new environmental permit is important for us to continue to be competitive. It will enable us to ensure that every drop of crude oil is used, and convert the heavy fuel oil to petrol and diesel to significantly reduce pollution. At the same time, we will be able to process renewable raw materials. Announcements from the court and the government are expected before the summer 2020.

The forest as raw material for diesel and petrol

During the year, we established several new collaborations and technologies to secure the supply of sustainable renewable raw materials for the future.

Pyrocell is jointly owned by Preem and the wood industry company Setra, and is an important link in the value chain for renewable fuels. Setra has the raw material, sawdust, while we have refineries and gas stations. Pyrocell's pyrolysis plant will be the first of its kind in Europe and is expected to be completed in 2021.
Lignin is a valuable raw material in our efforts to produce more renewable fuels based on forest residues, and it is also available in large volumes. Therefore, in the spring of 2019, we joined SunCarbon, which plans to build a lignin plant for biofuels. The plant is expected to be operational in early 2022.

For a couple of years we have been working on developing the technology for capturing and storing carbon dioxide, so-called Carbon Capture and Storage (CCS) technology. During the autumn, we launched a pilot project to build a test plant that will capture carbon dioxide from the hydrogen plant in Lysekil. The goal is to have a first full-scale CCS plant in operation in the year 2025.

Global prices spark precautionary measures
The turnover for 2019 decreased to SEK 95,758 million from SEK 103,641 million 2018. The operating result 2019 decreased to SEK 1,785 million from SEK 2,431 million 2018. The decrease is mainly due to the scheduled maintenance shutdown at the refinery in Lysekil which resulted in reduced production levels.

Preem is fundamentally a financially strong and solid company, and 2019 overall was a good year with good margins. This was also the situation when we started the scheduled maintenance shutdown at Lysekil in September. During the shutdown period, however, global product prices fell significantly, especially during November and December. The fact that product prices fall is not uncommon in our business, and it was a trend that we have seen for some time and were prepared to act on. At the restart of the Lysekil refinery, our margins were so low that management decided on a number of precautionary measures. The aim was to quickly reduce our costs and ensure sustainable long-term financial stability for Preem.

Our competent and dedicated employees are our foundation
Our values continue to guide us in our everyday lives, and our culture will continue to promote innovation. A pleasing acknowledgment that our employees are happy and want to stay at Preem is that we are ranked by Universum as one of the ten best employers in Sweden. And of course, we want to improve our ranking in 2020 to become even more attractive as an employer by continuing to develop our employees and leaders.

The future is our most important market
We have set a clear direction for how Preem should have net zero emissions of carbon dioxide from our refineries by 2040 and by 2045 should have net zero emissions in our entire value chain.

As part of implementing our strategic priorities, and not least our plans for internationalisation, we carried out a refinancing during 2019. Our great ambitions, especially within renewable fuels, have given us a strong position and there is significant interest in Preem. We have also decided to invest in a new process plant for the hydrogenation of renewable raw materials for high-quality fuels, a so-called Green Feed Unit, in Gothenburg.

We have now entered a new decade where crucial action is needed. But I am convinced that the smart choices we have made will enable us to succeed in our unparalleled transition – that by 2045 we will reach our climate objective to be the world’s first climate-neutral petroleum and biofuel company.

Petter Holland
President and CEO

We have set a clear direction for how Preem should have net zero emissions of carbon dioxide from our refineries by 2040 and by 2045 should have net zero emissions in our entire value chain.
We want to lead the transition to a sustainable society

Our vision is to lead the transition towards a sustainable society. We do this by adapting our offering to meet the demand for sustainable products, where the focus is on superior performance in sales, distribution and refining. This way, we create long-term value for society, for our customers and for Preem.

Preem's two refineries in Gothenburg and Lysekil are considered to be the most energy efficient and modern in Europe. They account for about 80 percent of the Swedish refinery capacity and about 30 percent of the Nordic capacity, and our refinery in Lysekil is the largest in the Nordic region. Our refineries have a refining capacity of over 18 million cubic metres of crude oil and renewable raw materials per year.

We have about 1,500 employees, of whom 1,150 work at our refineries. Together with our retailers and partners, we are over 3,000 employees who meet customers under the Preem brand on a daily basis. At Preem we have almost 200 different job roles and always base everything we do on our values: responsibility, innovation and inclusion.

Facts about Preem

- Preem is a Swedish company with two refineries in Sweden and the refinery in Lysekil 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 95.8 billion in 2019
By converting our refineries from fossil to renewable, we also enable a viable refinery business in a sustainable future. The road ahead obviously has plenty of challenges. Supportive decisions, permits, legislative changes, instruments and incentives are needed from the government, parliament and authorities, nationally and locally.

To drive the transition, we also are constantly seeking new solutions to identify potential sustainable raw materials. One focus area is to develop renewable raw materials from residual products from the forest, wood and pulp industries, such as sawdust, branches and lignin. By investing in renewable fuel production based on Swedish sustainable raw materials, we contribute to Swedish fuel self-sufficiency. Our goal is to produce five million cubic metres of renewable fuel by 2030.

One way to further reduce emissions is to capture and store carbon dioxide (Carbon Capture and Storage - CCS), a technology in which carbon dioxide is separated from gases and stored beneath the ground or sea floor. CCS is a necessary technology for achieving climate targets in time and Preem both contributes to research and is a driving force in the field. In the first phase, a full-scale CCS plant could reduce our carbon dioxide emissions by up to 40 percent per point source. Read more on page 21.

### Sales

Per customer category, m³
- Export 51%
- Large customers 33%
- Fuel stations 9%
- Fuel trading companies 7%

### Carbon cycle

The difference between renewable and fossil fuels is that fossil fuels take millions of years to be created, while biomass for renewable fuels is constantly being formed. The use of fossil fuels means increasing carbon dioxide content in the atmosphere. The combustion of renewable fuels also creates carbon dioxide emissions, but the addition to climate change is smaller, as this carbon dioxide comes from biomass that is constantly bound to new biomass as a part of the natural carbon cycle.

Fuels that are derived from residues from different industries can also be classified as having almost zero emissions, but then the residual product must be counted as waste and not a by-product. The classification can sometimes be a challenge but is significant as it has consequences for which carbon dioxide factor may be used.

![204,000 m³ processed volume of renewable fuels 2019](image)
From source to tank

Preem's value creation

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Preem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable raw materials</td>
<td>Partners with SunPine, Biozin Holding and Pyrocell</td>
</tr>
<tr>
<td>Crude oil</td>
<td></td>
</tr>
</tbody>
</table>

Finished renewable products

<table>
<thead>
<tr>
<th>What we need</th>
<th>What we do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Intellectual capital</td>
</tr>
<tr>
<td>15,000,000 m³ crude oil</td>
<td>New technology for renewable raw materials</td>
</tr>
<tr>
<td>200,000 m³ renewable raw materials</td>
<td>New technology for climate neutrality (e.g. CCS)</td>
</tr>
<tr>
<td>Competent employees</td>
<td>Partners</td>
</tr>
<tr>
<td>Appr. 1,500 employees</td>
<td></td>
</tr>
<tr>
<td>Financial capital</td>
<td>Societal expectations</td>
</tr>
<tr>
<td>10,900 SEKm equity</td>
<td>Long-term policy decisions on instruments that promote investment in the transition of the fuel market</td>
</tr>
<tr>
<td>23,500 SEKm working capital</td>
<td>Technology neutrality and focus on social issues to be solved</td>
</tr>
<tr>
<td>Our facilities</td>
<td>Permits and permit processes that promote a successive transition without delays</td>
</tr>
<tr>
<td>2 refineries</td>
<td></td>
</tr>
<tr>
<td>1 port</td>
<td></td>
</tr>
<tr>
<td>6 depots</td>
<td></td>
</tr>
<tr>
<td>570 fuel stations</td>
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</table>

About Preem
Preem is Sweden’s leading fuel production company. We sell under our own brand in Sweden and Norway and supply distributors in the Nordic countries as well as Northern Europe with large volumes.

At our two refineries on the Swedish west coast we process raw materials with fossil and renewable origin to fuel.

Strategy
Our strategy towards 2040 is based on an readjustment from fossil to renewable. We are driving change to renewable value chains through research and development, construction of new green value chains and adaptation of our refineries.

Proactive influence
Long term and ambitious rules for the change towards a climate-efficient fuel industry.
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. At Preem’s refineries, raw materials are processed into finished products, which are then sold in Sweden and Norway and exported to the international market.

**Target:**
**Climate neutral by 2045**

---

**What we create**

**Products**
- 16,279 km³ fossil fuels
- 204 km³ renewable fuels
- 1,820 km³ diesel of environmental class 1 (MK1)
- The first diesel in the world certified to the Swan ecolabel
- District heating

**Healthy employees**
- 97.1% attendance
- 0.6 injuries/per million hours worked.

**Financial result**
- 3,403 SEKm gross result

**Climate effect**
- 2 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 tall oil
- The world’s first planned fuel production from lignin and sawdust

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**Society**

**Customers**
- Fuel stations in Sweden and Norway
- Corporate customers in Sweden and Norway
- Export mainly to north-west Europe

**Society**
- Customers
- Preem

**Target:**
- Climate neutral by 2045

---

**Stakeholder value**

**Energy and fuel**
- 50% of the fuels used for transportation in Sweden
- 160 TWh heat and energy that drives society
- 80% of the refinery capacity in Sweden
- Large contribution to energy security due to our compulsory storage obligation

**Health**
- Lower concentration of aromatics and sulphur emissions due to MK1 diesel

**Climate**
- Enabling Sweden’s climate goals in the transport sector
- Contribution to research and development

**Employees**
- Creating jobs and vibrant local communities
- New green supply chains

**Economic value distributed**
- 1,625 SEKm paid in salaries and benefits to employees
- 89,852 SEKm in payments to suppliers
- 11,078 SEKm in tax to the state/society
Climate change sets the scene

Preem’s way forward is guided by our high-level ambitions and by significant external factors. Important current trends and regulations related to energy and climate, together with the Paris Agreement, affect our operations today and in the future.

Sweden’s climate target: Net zero emissions by 2045
Increased focus on climate and carbon dioxide emissions

1 We are facing a major energy transition. The climate issue is high on the agenda and the debate is intensifying throughout the world. The Paris Agreement, the climate agreement agreed by the world in 2015, is pushing for a global change to reduce the use of fossil energy. Political guidelines are still inadequate in large parts of the world, but in Sweden and the EU there are stated ambitions to reach net zero emissions in 2045 and 2050, respectively. The EU has set stricter emissions requirements for the automotive industry, as well as new requirements and targets for energy use in the revised Renewables Energy Directive.

In the long term, the EU is striving for energy efficiency and the electrification of the transport sector. Sweden has strong ambitions to become a climate pioneer, and has an established climate law and a greenhouse gas reduction mandate to promote the use of biofuels. Several countries are discussing a total ban on internal combustion engines and emissions requirements are being tightened for both shipping and land transport, and in the long term even for flights where Norway will be the first to impose biofuel requirements from 2020.

Technological development and electrification

2 The shift from fossil to renewable fuels affects all sectors of the energy industry. As the technology behind solar and wind power and battery storage develops and becomes cheaper, oil and coal will be outcompeted in favour of renewable energy. New technology with electric engines and hybrids will eventually outperform traditional internal combustion engines for both passenger cars and light trucks.

The transport sector accounts for a large part of global emissions from fossil fuels. To reduce greenhouse gas emissions, demands are increasingly being placed on the automotive industry, which in turn will lead to the reduced consumption of fossil fuels. In 2019, the EU set tough new emission targets for passenger cars with milestones 2025 and 2030, where the car manufacturing giants risk billions in fines if they fail to meet the emission targets. The new EU requirements are enforcing a change and several manufacturers are increasingly investing in electric and hybrid vehicles. Similar EU requirements for both light and heavy trucks have been established and new requirements for lower sulphur emissions in shipping will be introduced from 2020.

Renewable fuels

3 Energy efficiency and electrification with renewable energy are important solutions in the long term, but they require extensive infrastructure development. Therefore, there is a great need to gradually shift from fossil to renewable fuels to reduce carbon dioxide emissions. This applies not least to heavy traffic and aviation, which will take longer to convert to alternative energy types and that will therefore depend on renewable liquid fuels for a long time to come.

In order to meet global and national climate targets, a broad set of sustainable renewable fuels will be needed, for example renewable fuels of residual products from Swedish forestry and agriculture.

The greenhouse gas reduction mandate in Sweden means that every fuel supplier must increasingly reduce their greenhouse gas emissions from petrol and diesel every year. A similar approach exists in Norway and is likely to be introduced in several European countries to achieve the climate targets. Existing infrastructure in the form of refineries, depots and fuel stations in combination with products that can be used in all existing engines and industry sectors, makes renewable fuels the fastest and most economically sound way of quickly reaching the ambitious goals. They are also crucial for Sweden and the EU to achieve their climate goals. A transition to a renewable value chain requires major financial investments. We also need long-term political rules to create a sustainable business environment for all actors.
Preem's strategies and goals for 2040

Everything we do is based on our vision to lead the transition towards a sustainable society. To achieve our vision and fulfil our mission of creating long-term value for our customers and society, we apply three strategic priorities that give us clear direction and guidance. These are then broken down into a number of goals in annual business plans, which are measured both at an overall organisational and at an individual level. The values that are fundamental to our work are responsibility, innovation and inclusion.
Preem's strategy 2040

Our strategy is the starting point to achieve our vision of leading the transition towards a sustainable society. It contributes to providing clear direction and guidance for all our employees to achieve our 2040 goals. Our strategic priorities are all closely linked to our sustainability framework. The most significant sustainability aspects of Preem's materiality analysis are included in our strategic objectives. Read more about how Preem's strategy and sustainability framework are related on the next page.

Create long-term value for the society, our customers and Preem through customized offers and environmentally adapted products as well as a focus on superior performance in sales, distribution and refining

<table>
<thead>
<tr>
<th>1. Become market leader in sustainability</th>
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<tbody>
<tr>
<td>• Deliver safely, efficiently and reliably every day with a focus on superior performance throughout Preem's entire value chain</td>
<td></td>
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<tr>
<td>• Adapt renewable production to market needs to meet the EU's environmental objectives</td>
<td></td>
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<tr>
<td>• Reduce CO₂ emissions throughout the product life cycle</td>
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<table>
<thead>
<tr>
<th>2. Growth in new markets</th>
<th></th>
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<tbody>
<tr>
<td>• Focus on strategic customers with customised solutions to ensure long-term sales</td>
<td></td>
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<tr>
<td>• Increase sales in prioritised geographical areas through our sustainability position</td>
<td></td>
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<tr>
<td>• Develop our sales in selected product segments</td>
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</tbody>
</table>

<table>
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<tr>
<th>3. Invest in innovation and technology</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Accelerate investments in renewables by changing the use of existing and new facilities</td>
<td></td>
</tr>
<tr>
<td>• Continue to develop investments in line with selected product segments</td>
<td></td>
</tr>
<tr>
<td>• Ensure excellence in sustainability, technology and climate policy through collaboration with strategic partners</td>
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</tr>
</tbody>
</table>

Our success is based on competent and committed employees with leadership adapted to an ever faster pace of change
How we prioritise our sustainability agenda

Preem's sustainability framework includes the priority areas within our sustainability work. The framework is based on an analysis of our most important sustainability issues.

**Our sustainability framework**

Preem’s sustainability framework summarises the sustainability areas where we have the greatest impact along our value chain and which are the most important for our stakeholders and our business. The sustainability framework encompasses sustainable products, sustainable value chains, environment, climate, people and safety, as well as responsible business.

The seventh area, stable economy, creates the conditions for a long-term sustainable business. In the framework, we define our ambitions and goals for the various essential areas and their underlying aspects.

The work is managed and followed up over time at various levels in the company through our integrated management system. Cross-functional forums within Preem deal with the sustainability aspects and produce decision-making data for Group management. Preem’s Group Management controls and monitors sustainability issues, primarily in the quarterly Management Review Forum. Read more about Preem’s management and control on page 44.

**Materiality analysis - the basis for our sustainability framework**

Our materiality analysis begins with an impact assessment along the value chain that identifies the impact, for example, on the environment. Benchmarks and external reporting standards form part of the basis for this step, which is followed by stakeholder analysis and business analysis.

The business analysis includes the impact on revenue.

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**Preem’s material sustainability aspects**

- **A** Lead
- Areas where Preem should be a leader or among the leaders in its industry (from a European perspective)

- **Preem’s Strategy**
- Areas where sustainability aspects are directly linked to Preem’s strategy 2040.
brand building, costs and risk reduction. Along with results from the stakeholder analysis, a number of high priority sustainability areas are ranked.

The materiality analysis, which is reviewed annually, has been anchored in a broad internal dialogue with key people within Preem before being finalised by Group Management. The materiality analysis is an important starting point in developing Preem’s strategies. The most significant aspects are included with clear objectives in strategy 2040. Of the Sustainability Framework’s seven areas, the most significant aspects cover four areas. The other aspects have been grouped together and constitute the remaining three areas of the framework.

### Stakeholder analysis and dialogue
Preem conducts ongoing dialogue with its most important stakeholders, which are employees, customers, the Board, the state and government, financiers, suppliers, partners, local communities and the media. Targeted stakeholder dialogue has also been conducted over the past three years, for example through surveys. In 2019, the stakeholder analysis was verified with feedback from ongoing dialogue with the owners, existing and potential financiers and investors, authorities such as the Swedish Energy Agency, as well as through employee surveys, customer surveys and media monitoring. The business analysis was updated in 2019 in accordance with Preem’s strategies for 2040.

* New aspects identified during 2019 as material for Preem. In 2020, these will be included in our stakeholder dialogue for a deeper understanding of stakeholder expectations.
Preem's contribution and impact

Through Agenda 2030, the UN has set global goals for sustainable development. Our business, including our entire value chain, has an impact on these goals. By integrating sustainability into our strategies and targeted actions, we contribute positively to the global goals. But we can also have negative impacts that we try to understand and take into account. The global goals where Preem has a high impact are presented below. You can read more about how we work with all the goals on page 52.

**Relevant sub targets:**

**SDG 7 — Affordable and clean energy**
- 7.1 Universal access to modern energy
- 7.3 Double the improvement in energy efficiency
- 7.4 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 a compulsory storage obligation of fuels.
- To make the investment in renewable fuels possible, Preem conducts research and development work itself and together with several partners in academia, institutes and development companies.
- Refining involves significant energy use and Preem is constantly working to optimise energy use and find renewable alternatives.

**Connection to Preem's sustainability framework:**
Responsible business, Sustainable products, Environment, Sustainable value chains.

**Our progress:**
- In 2019, we raised our target for the annual production of renewable petrol, diesel and aviation fuel from three to five million cubic metres per year by 2030.
- Preem and Vattenfall have signed a new three-year agreement that lays the foundation for increased collaboration on fossil-free hydrogen for biofuel production, electrification and electricity supply. The goal is to develop a plant with a capacity of 20 MW, which would become Europe's largest plant for water electrolysis for refinery operations.
- In 2018/2019, Preem participated in a benchmark study showing that Preem's refineries are among the most energy efficient in Europe. Our refineries emit 21 percent less carbon dioxide compared to average refineries in Western Europe. This means that Preem's refineries have further increased their efficiency compared to the previous study.

**SDG 8 — Decent work and economic growth**
- 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 production to the innovative production of sustainable and renewable fuels.
- Preem sets requirements for decent working conditions both in its own operations and its supply chain through our 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.

**Connection to Preem's sustainability framework:**
Stable economy, Responsible business, People and safety, Environment, Sustainable value chains.

**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. In 2019, we have raised the target for our annual renewable production from three to five million cubic metres per year of renewable petrol, diesel and aviation fuel by 2030, and will transition from partially fossil to fully renewable by 2045.
- Preem's refineries and investments in Swedish residual products from the forest create jobs and promote local economic growth.
- We have further developed our risk-based approach to evaluate the high risk suppliers from a sustainability perspective, including decent working conditions, human rights and the environment.
Preem’s contribution and impact:
- Preem’s focus on renewable fuels contributes to innovative solutions to reduce climate impact. Innovative initiatives such as carbon capture and storage (CCS) can also lead to reduced climate impact.
- Preem has a responsibility for energy security in Sweden by maintaining a reliable and stable compulsory storage of fuels and is part of the Swedish merchant fleet through our time-chartered vessels.

Connection to Preem’s sustainability framework:
Responsible business, Sustainable products, Climate.

Our progress:
- Preem maintains socially important capabilities and infrastructure through the compulsory storage obligation of fuels that we are responsible for. Preem accounts for 80 percent of the Swedish refinery capacity, and our refineries are gradually being converted from fossil to renewable production.
- Preem’s refineries are among the most efficient in Europe and we are working to further consolidate our position. In 2019, Preem installed equipment to test the capture of carbon dioxide, which will be Sweden’s largest pilot plant for CCS. We have also signed a letter of intent with Northern Lights, a collaborative project between Equinor, Shell and Total to develop the technology and the transport chain to store carbon dioxide in bedrock under the North Sea.

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

Connection to Preem’s sustainability framework:
Responsible business, Sustainable products, Climate, Environment, Sustainable value chains.

Our progress:
- Renewable fuels are crucial to the realisation of society’s climate targets in the transport sector. Based on our vision to lead the transition to a sustainable society, we looked through and revised our strategy aimed at making Preem the world’s first climate-neutral petroleum and biofuels company, with net zero emissions at our production facilities by 2040 and net zero for our entire value chain before 2045. We will use our competence and technological expertise to be the leader in the transition from partly fossil fuels to fully renewable fuels.
- During 2019, Preem laid the foundations for a new and ambitious strategic climate plan for emission reductions throughout our entire value chain. To guide us towards this goal, we connect our plans and investments to their impact on carbon dioxide emissions. Preem’s strategic goal of producing five million cubic metres of renewable fuels by 2030 will be of major importance in meeting goals for both direct and indirect emissions.
Net zero emissions along our value chain

In 2019, we decided to become the world’s first climate-neutral petroleum and biofuels company - to achieve net zero emissions in our value chain before 2045. We are the world’s first company in our industry to set such a goal, which is in line with both the Paris Agreement and Sweden’s climate targets. Although our refineries are among the most efficient in Western Europe, they are major sources of emissions. However, our biggest climate challenge is to reduce the emissions from the use of our products.

Biofuels will be crucial for realising society’s climate goals in the transport sector, and Preem today accounts for 80 percent of the Swedish refinery capacity. Based on our vision to lead the transition to a sustainable society, a new strategy was adopted in 2019 aimed at making Preem the world’s first climate neutral petroleum and biofuels company, with net zero emissions from our production facilities by 2040 and net zero in our value chain before 2045. We will use our competence and technological advances to be the leader in the transition from partly fossil fuels to fully renewable fuels.

Preem’s contribution to Swedish and international climate goals follows three main paths:
• Transition to increased production of renewable fuels with sales in Sweden and abroad
• Development of production to include more environmentally and climate-adapted products
• Development of holistic solutions to reduce emissions from refineries and the logistics chain

Climate-related risks and opportunities
A large-scale transition towards renewables is central to Preem’s strategy towards 2040. In our local market, demand for renewable fuels is expected to increase while volumes of fossil fuels are falling due to the shift to renewables as well as improvements in efficiency and electrification. With refineries that are among the most efficient in Western Europe and access to biomass from forest residues, we have the potential to lead the transition and Sweden has the opportunity to create a large and viable domestic production of high-quality biofuels. This means reduced import dependence, domestic job creation,

Typical emissions of greenhouse gases in Preem’s value chain:

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Preen</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable raw materials</td>
<td>Pre-processing</td>
<td>Partners in SunPine, BioIn and Pyrocell</td>
</tr>
<tr>
<td>Crude oil</td>
<td></td>
<td>Fuel stations in Sweden and Norway</td>
</tr>
<tr>
<td>Finished renewable products</td>
<td></td>
<td>Corporate customers in Sweden and Norway</td>
</tr>
</tbody>
</table>

- 7 million tonnes
- 2 million tonnes
- 50 million tonnes

1) at full capacity and current configuration at Preem’s refineries
better management of value chain sustainability risks and that Sweden can take clear responsibility for its own consumption and related emissions.

Extreme weather, changing precipitation patterns and temperature changes are likely to affect our raw material supply and the growth of renewable raw materials. The production conditions at our refineries may also be affected by factors such as fresh water supply and extended periods of high temperatures. In the future, we will review in more detail how physical climate-related risks might affect Preem in the long term.

Climate impact throughout the value chain
Emissions need to be reduced throughout the value chain to meet the climate requirements. Most of the carbon dioxide emissions from Preem’s value chain, about 85 percent, occur in the combustion of our products by users. Emissions from refining, distribution and storage in Preem’s facilities account for about four percent of our emissions. The remaining emissions occur during raw material extraction.

Climate impact in our own operations
Preem’s refineries are among the most efficient in Western Europe, but they are still relatively large sources of emissions in the Swedish industrial sector. Our goal for our refineries is to achieve net zero emissions1 by 2040. A high proportion of renewable raw materials, changed policy instruments and the development of regulatory systems and Carbon Capture and Storage (CCS) are expected to reduce emissions significantly. With the right conditions, our emissions can become negative and our refineries carbon sinks in the Swedish climate budget.

Carbon dioxide emissions from Preem’s own operations mainly occur in the production of hydrogen and in refinery heating processes. Fuel gas is used as an energy source, which largely consists of light residual products from the refining process. As the refining gradually transitions from fossil to renewable raw material, it also means that the process heat is increasingly renewable, which reduces emissions.

Hydrogen is an important component of refining and is needed even more when refining renewable raw materials. Today, hydrogen is produced from natural gas, which is a major contributor of emissions from Preem’s refineries. However, hydrogen gas can be produced in alternative ways. For example, Preem is currently collaborating with Vattenfall on the production of hydrogen through fossil-free electricity, which is expected to result in major emission reductions. The natural gas can also be exchanged for biogas in production, which would completely eliminate the net supply of fossil carbon dioxide. Furthermore, if carbon dioxide is captured from a biogas fed process, emissions would be negative. If the challenges regarding the supply and cost of biogas can be solved, there is great potential for emission reductions.

Climate impact in the supply chain
Emissions are also generated in raw material extraction and in the transport of raw materials and products. Emissions vary by production method and transport distance. We want to influence regulations and suppliers to reduce supply chain emissions and therefore we include them in our net zero target for 2045.

Politics sets the rules
By 2045, Sweden will emit zero net greenhouse gas emissions to the atmosphere, in order to achieve negative emissions. The Swedish climate target is one of the world’s most ambitious.

In total, the transport sector accounts for one third of Swedish greenhouse gas emissions. Emissions from domestic transport, with the exception of domestic flights, will be reduced by at least 70 percent by 2030 compared with 2010 and biofuels are crucial to realise this objective.

Several industry sectors have, or are in the process of launching roadmaps to meet the Swedish climate targets in collaboration with the government initiative ‘Fossil-free Sweden’. Most of the roadmaps depend on renewable fuels with good climate properties.

Preem’s emissions are covered by the EU Emissions Trading System. The system means that the allowable ‘emission cap’ is gradually reduced. The emission allowance is distributed to Europe’s industries based, among other things, on how carbon dioxide efficient production is, which creates incentives for investments in measures and operations with reduced climate impact. This is a competitive advantage for Preem, as our efficient refineries are favoured over competitors with poorer efficiency. Even more important for Preem’s conversion are incentives such as the Swedish greenhouse gas reduction mandate, which will hopefully produce a clear and long-term stable vision for how emissions from fuel should be reduced. Such clarity is important for our future investment decisions.

The greenhouse gas reduction mandate was introduced in 2018 with demands for the incorporation of renewable raw materials in petrol and diesel to reduce carbon dioxide emissions. Preem welcomes the greenhouse gas reduction mandate as an effective instrument for reducing greenhouse gas emissions from fuel. Given that a long-term timetable is set, the reduction mandate enables the industry to change. The law should focus on actual reductions, rather than on a renewable share in the fuel, as this ensures that investments in the most sustainable raw material alternatives are promoted.

1) Net zero emissions are defined as at least 85% reduction. The remaining reduction can be reached by supplementing measures (within or outside of Preem’s value chain)
Climate impact from product use
Preem's largest opportunity to reduce climate impact is to reduce our customers' emissions, which we are doing through the transition from fossil to renewable raw materials. In 2019, we raised the target for annual renewable production from three to five million cubic metres per year of renewable petrol, diesel and aviation fuel in 2030. This means reduced yearly emissions in the transport sector by up to 12.5 million tonnes of carbon dioxide in 2030, corresponding to just over 20 percent of Sweden's total carbon dioxide emissions that year. Preem's production is expected to correspond to between 80-90 percent of the biofuels needed in the Swedish market to reach the climate goals in the transport sector and society in general by 2030. Preem therefore has an important role to play in enabling Sweden’s transition to a sustainable society.

Cooperation
Preem’s green transition is dependent on the development of new technology and solutions, and we therefore support and participate in a number of research projects related to biofuels and a renewable raw material supply chain. These initiatives are often collaborations with companies in the pulp or sawmill industry where residual products are used for the production of high-quality biofuels.

• Preem and the wood industry company Setra collaborate on the development of pyrolysis oil from sawdust. In 2020 we will begin construction of Europe's first pyrolysis oil plant, which is expected to be commissioned in 2021 and produce approximately 25,000 tonnes of pyrolysis oil per year.
• Preem became a part-owner of SunCarbon in 2019 and is planning a plant that can produce approximately 45,000 tonnes of lignin per year and will be operational in early 2022. Lignin can be refined to both renewable diesel and renewable petrol that can be used in all vehicles. It will be a valuable commodity to us that is available in large volumes.
• Preem is a partner in Biozin Holding, which plans to build a full-scale bio-crude oil plant in Norway. In 2019, the company entered into an agreement with Shell that contributes with financial support for the project's feasibility study.

More renewables and less emissions
In addition to securing the availability of renewable raw materials, the transition is also about adapting our refineries.

• In 2019, Preem initiated a strategic collaboration with Diamond Green Diesel to investigate the conditions for establishing Sweden's largest renewable diesel and aviation fuel plant. The plant will have the capacity to produce one million cubic metres of renewable fuel for road and air transport per year.
• Preem is also working to reduce emissions from refineries and to capture carbon dioxide.
• Preem and Vattenfall have signed a new three-year agreement that lays the foundation for increased collaboration on fossil-free hydrogen for biofuel production, electrification and electricity supply. The goal is to develop a plant with a capacity of 20 MW, which would become Europe's largest plant for water electrolysis for refinery operations.
• In 2019, Preem installed equipment to test the capture of carbon dioxide at its refineries in what will be Sweden's largest pilot plant for CCS. Preem has also signed a letter of intent to join the Northern Lights project and commit to developing technology for capturing and storing carbon dioxide. Northern Lights is a collaborative project between Equinor, Shell and Total that develops the technology and the transport chain to store carbon dioxide in bedrock under the North Sea.

Targets and outcomes
In 2019, Preem laid the foundations for a new and ambitious strategic climate plan for emission targets throughout the entire value chain. To steer towards the goals, we link our plans and investments to their impact on carbon dioxide emissions. Preem's strategic goal of annually producing five million cubic metres of renewable fuels by 2030 will be of major importance in meeting both direct and indirect emissions. Carbon dioxide emissions for 2019 were affected by the planned maintenance shutdown at the Lysekil refinery and associated reduction in crude oil purchases, production and sales.

Preem's promises:
• Work to achieve carbon dioxide net zero emissions at refineries by 2040
• Be a leader in reducing emissions from products in the Swedish market by about 90 percent by 2045, compared to fossil products
• Work to become the world's first climate-neutral petroleum and biofuels company, with net zero emissions in our entire value chain, no later than 2045
• Establish full-scale carbon capture facilities at our Gothenburg and Lysekil refineries as early as possible
• Develop the business in such a way that it can contribute to the goal of becoming Sweden's largest industrial carbon dioxide sink by 2050
How it works: Carbon Capture and Storage

The rules for CCS, which involves capturing and storing carbon dioxide, are being defined and we are participating in and driving the development in Scandinavia. CCS can play a major role in curbing global warming. On a global level, the UN Climate Panel believes that CCS has the potential to contribute to 15–55 percent of the necessary reduction of carbon dioxide emissions.

CCS, which stands for Carbon Capture and Storage, captures carbon dioxide from an emission source to store it in bedrock. For Preem, this is about separating carbon dioxide from gases that arise during production. The captured carbon dioxide is purified and compressed into liquid form to be shipped, for example to Norway, with good geological conditions for storage. The carbon dioxide is collected in an intermediate storage before being transported far below the seabed for final sequestration. Norway has 20 years of experience in storing carbon dioxide with proven technology.

The Norwegian energy company Equinor, together with Shell and Total, has formed the project Northern Lights, has identified an area south of Troll where they plan to drill 3,000 metres into the seabed at 300 metres sea depth. The location has two properties that are important for storing carbon dioxide - the bedrock consists of porous sandstone covered by a layer of impervious stone that ensures that the carbon dioxide is retained. The pores in the sandstone are filled with water, so when the carbon dioxide is injected into the sandstone, the water is pushed away and replaced with carbon dioxide. Initially Northern Lights hopes to be able to store 1.5 million tonnes of carbon dioxide in the area every year.

The storage capacity under the North Sea is enormous and corresponds to several hundred years of Europe’s carbon dioxide emissions. However, the major problem with CCS is that it is still cheaper to release carbon dioxide than to capture it. Unfortunately, there is no financial incentive today that encourages investment in the technology. But interest in the technology has increased in recent years.

Preem’s plans to capture carbon dioxide

Commencing in 2020, Preem will test the capture of carbon dioxide at our Lysekil refinery. The carbon dioxide will be captured at the refinery’s hydrogen plant, which is the part of the refinery with the highest concentration of carbon dioxide emissions. The objective is for a full-scale plant to be operational by 2025.

Already today, Preem’s refineries emit 21 percent less carbon dioxide compared to the average in Western Europe. The CCS technology is initially estimated to reduce Preem’s carbon dioxide emissions by up to half a million tonnes per year from 2025, with the potential to be further scaled up.

As Preem transitions its production base, from fossil to renewable raw materials, emissions will also gradually shift to renewable sources, enabling so-called biogenic carbon dioxide. Capturing biogenic carbon dioxide means not only that new emissions can be avoided, but also that the carbon dioxide content of the atmosphere is actively reduced. The technology BECCS (Bio Energy Carbon Capture and Storage) has the potential to generate negative emissions, and in the long term, Preem’s refineries could become carbon sinks in the Swedish climate accounts.

Need for rule changes and incentives

CCS involves high costs, which are only partially compensated in the EU’s emissions trading system. The Swedish greenhouse gas reduction mandate offers stronger incentives, but at present only carbon dioxide from renewable production can be included. The potential to reduce real emissions is much greater today with fossil streams, but it lacks financial viability. In addition, the current emission trading regulations only allow the transport of captured carbon dioxide across national borders via pipelines. In maritime transport, emissions must be double counted, which reduces the financial incentives for investing in Norway for example. We believe that CCS can provide significant emissions reductions for our direct emissions and those from other industries - if the policy creates the right conditions by updating the relevant rules and incentives.

How Carbon Capture and Storage works

<table>
<thead>
<tr>
<th>Capture</th>
<th>Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Carbon dioxide is captured and separated from the refinery’s gases.</td>
<td>4. Carbon dioxide is received and stored temporarily before being transported to the storage location via a pipe system.</td>
</tr>
<tr>
<td>2. Carbon dioxide is compressed into liquid form.</td>
<td>5. Carbon dioxide is permanently stored in natural conditions in bedrock 1,000–3,000 metres below the seabed.</td>
</tr>
<tr>
<td>3. Vessels transport carbon dioxide to intermediate storage.</td>
<td></td>
</tr>
</tbody>
</table>

1) Preem’s project to capture carbon dioxide is part of Industrikivet and is partly financed by the Swedish Energy Agency.
Shutdown and green investments

During the year’s scheduled maintenance shutdown at our Lysekil refinery, important steps were taken towards the goal of becoming a market leader in sustainability. When the refinery was shutdown for maintenance, we took the opportunity to upgrade our facilities, both to reduce environmental impact and to prepare for the introduction of renewable raw materials.

In September 2019, it was again time for a break in production at Lysekil for maintenance and investment. It is a government requirement to inspect all our pressure equipment at certain intervals, and we therefore shut down all production every six years. The shutdown is also made to ensure high productivity, efficiency and profitability. The shutdown lasted for a total of 67 days, including shutdown and startup. During that time, over 2,400 people were on site. The biggest and most important challenge was safety, which always is our top priority. We therefore worked intensively on preventative safety work, which led to that no serious personal injury occurred during the shutdown.

Green investments

In a year, Preem will be ready to process renewable feed for the first time at the Lysekil refinery. Renewable raw material is more corrosive than fossil oil, so the refinery had to be rebuilt and adapted. In two of the reactors, new feed equipment was installed during the shutdown in preparation for being able to process renewable raw material. The equipment has been installed to minimise corrosion risks related to renewable raw materials for example.

Carbon Capture and Storage (CCS) is seen by many as one of the most important measures to solve the climate issue. In early 2020, Preem will launch a pilot project to test carbon capture at the hydrogen plant in Lysekil. During the shutdown, connections were installed so that the test system can be connected, with the goal to have a full-scale carbon capture facility by 2025. Read more about CCS on page 21.

Reduced energy use

Reducing the amount of energy consumed at the refinery also decreases its environmental and climate impact. A large part of the energy is used to heat various raw materials and components. During the shutdown, all the tubes were replaced in our so-called Platformer furnaces. The new tubes have a ceramic coating on the outside to allow better heat transfer and improve fuel efficiency. This will result in an energy saving of about 6 MW, or a decrease of five percent.

Carbon Capture and Storage (CCS) is seen by many as one of the most important measures to solve the climate issue.
A stable economy creates the conditions for the future

In order to lead the transition towards a sustainable society, we need to be a market leader in sustainability and deliver superior performance throughout Preem’s value chain. This means that we must be one of Europe’s best refiners and a leader in renewable liquid fuels. Through a stable economy, we create the conditions for a long-term and sustainable business.

To meet tomorrow’s challenges, we need to continue to operate two of Europe’s most energy-efficient and modern refineries. This requires continuous investments that optimise production and logistics. We are now facing a revolutionary shift toward renewable production that requires building a new green economy and value chain as well as the rapid development of technology and knowledge. The transition requires large capital injections.

Preem is a financially strong and solid company and maintaining this financial strength is crucial to being able to invest and adjust at the rate we see necessary to meet market demands, as well as our own and society’s climate targets. The lack of long-term rules has been a challenge for many years, which has also slowed down the rate of investment and thus the development of renewable production. In connection with the introduction of the greenhouse gas reduction mandate in Sweden as well as the turnover requirement in Norway, parts of the long-term regulations that we need to relate to have come into place and now investments in renewable fuels are accelerating.

Investing in innovation and renewable production

Preem’s financial plans support our strategy to greatly and rapidly increase our renewable production. The transition requires an innovative way of working, where we, together with our partners, find new ways of working and financing. Many projects to change our production have already commenced and a total of SEK 269 million was invested in 2019 for increased renewable production and/or reduced climate impact, a significant increase compared to the previous year. Investments include:

- A new hydrogen plant was commissioned in the spring of 2019 at our Gothenburg refinery to enable us to increase the production of renewable fuels by about 20 percent
- Installation of equipment to capture carbon dioxide at our Lysekil refinery. Read more on page 21

In 2019, we also launched a vacuum distillation plant and a business system to promote long-term economic stability.

Other parts of the transition are in the form of collaborations and shared ownership - such as with companies in the pulp and forest industries, and users such as the airline SAS. Read more about our collaborations on page 18.

Strategy and future plans

In 2020, we plan to further increase our investments in renewable alternatives and work to bridge the gaps we have identified in relation to our 2040 strategy. For example, work continues on our CO₂ roadmap, which links the transition with our climate goals.

Planning also extends beyond next year. In 2019, we have applied for environmental permits to build Sweden’s largest renewable fuel plant with a capacity to produce one million cubic metres, scheduled to be completed by 2024.

Another important area is related to the planned expansion at Lysekil, which will which will upgrade and remove contaminants such as sulphur and metals from heavy fuel oil and will increasingly over time include complex, renewable raw...
materials. The slurry hydrocracking technology is very effective at converting raw materials that are otherwise difficult to process. This is an important piece of the puzzle in the renewable transition at the refinery. Read more on page 27.

**Volatile market and maintenance shutdown**

A stable economy means that we manage our capital efficiently, for the best return. This requires good financial control and the conditions for long-term investments in renewable investments. We need continued high sales and a strong cash flow to maintain a stable economy and be able to drive forward our strategy for 2040.

The turnover for 2019 decreased to SEK 95,758 million from SEK 103,641 million 2018. The operating result 2019 decreased to SEK 1,785 million from SEK 2,431 million 2018. The decrease is mainly due to the scheduled maintenance shutdown at the refinery in Lysekil which resulted in reduced production levels.

At the end of 2019, a major maintenance shutdown was carried out in Lysekil, which affected sales and earnings. During November and December, global product prices fell sharply. Market volatility is not uncommon in our industry, and it was a trend that we have seen for some time and were prepared to act on. Price changes combined with the shutdown at the Lysekil refinery led to that Group Management decided on a number of precautionary measures to quickly reduce our costs and ensure sustainable long-term financial stability for Preem.

As part of implementing our strategic priorities, and not least our plans for internationalisation, a refinancing was carried out in 2019. Our ambitions, especially within renewables, have given us a strong position and there is significant interest in Preem.

**Key figures for a stable economy**

An important key figure for measuring profitability is ROCE (return on capital employed). During the last five-year period this key figure has been in line with our objectives.

Solidity is a key figure that shows Preem’s long-term ability to pay and financial strength, and is therefore an important measure of our stable economy aspect. Our long-term goal is a solvency ratio of at least 35 percent to handle fluctuations in oil prices and earnings in relation to the company’s equity.

An additional key figure showing our long-term value creation is adjusted EBITDA, which is an adjusted operating profit before the amortisation of intangible and tangible fixed assets, excluding the price effect on inventories and exchange rate gains or losses. We believe that adjusted EBITDA is a useful indicator of our ability to finance our operations and investments, and our ability to pay off debt.

### Sustainable profitability - key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA, SEK million</td>
<td>3,330</td>
<td>3,570</td>
<td>4,188</td>
</tr>
<tr>
<td>Return on working capital (%) (ROCE)</td>
<td>8</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>28</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Investments to mitigate climate impacts, SEK million</td>
<td>269</td>
<td>72</td>
<td>2.5</td>
</tr>
</tbody>
</table>

1) For more financial information, see Preem’s Annual Report 2019

**Created and shared economic value**

The table below illustrates the value created by our operations and how it is shared among various stakeholder groups.

### Economic value, MSEK

<table>
<thead>
<tr>
<th>Economic value</th>
<th>Where impact occurs</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic value generated</td>
<td>From customers etc.</td>
<td>103,263</td>
<td>104,092</td>
<td>79,035</td>
</tr>
<tr>
<td>Economic value distributed</td>
<td>To suppliers</td>
<td>89,852</td>
<td>87,360</td>
<td>63,328</td>
</tr>
<tr>
<td>Employee salaries and benefits</td>
<td>To employees</td>
<td>1,625</td>
<td>1,482</td>
<td>2,460</td>
</tr>
<tr>
<td>Payments to financiers</td>
<td>To banks and financiers</td>
<td>4,118</td>
<td>1,619</td>
<td>678</td>
</tr>
<tr>
<td>Payments to the state</td>
<td>To society</td>
<td>11,078</td>
<td>10,093</td>
<td>9,833</td>
</tr>
<tr>
<td>Adjusted result</td>
<td>To company</td>
<td>-3,329</td>
<td>1,470</td>
<td>2,856</td>
</tr>
</tbody>
</table>

1) For definitions and more details see p. 48–51
2) Net sales plus income from financial investments
3) The result 2019 is affected by Preem’s refinancing

### Preem’s promises:

- Increase the rate of investment in projects and plants that contribute to a gradual transition from fossil products to a larger proportion of renewable products
- Continue to contribute to the research and development of new renewable raw materials for fuels to utilise the potential of residual products from Swedish forests and agriculture
Sustainability is the road to success in Norway

The focus on sustainability has been crucial in establishing ourselves as a major player in the Norwegian market in just a few years.

During 2014, we analysed several markets prior to a potential first establishment outside Sweden. Norway was chosen based on, among other things, the market and competition situation, entry barriers and logistics. The first deliveries from an own depot in Norway were made in the autumn of 2016, and by 2019 Preem had become one of the largest players delivering around a quarter of all fuel sold in Norway.

Our products are sold through our own fuel stations, retailers, direct deliveries and depots. Acquisitions and partnerships have been important in the establishment. Preem acquired YX’s bulk business and entered into delivery and custody agreements, as well as collaborations with YX and Uno-X. Preem also supplies fuel to other major players in Norway from Kristiansand in the south to Alta in the north.

With the product Preem Evolution Diesel, Preem has shown that a higher share of renewable raw materials (up to 20 percent) than what other players market or what the sales requirement requires, is viable - both practically and economically. Through a developed system based on the mass balance principle, where renewable fuel transactions are reported, monitored and documented, Preem can guarantee customers and retailers environmental performance. The system is quality assured through audits and third party control.

Preem has established itself in Norway as a credible partner in sustainability. We aim to continue to be experts on and developing fuels for the future.

“Preem has established itself in Norway as a credible partner in sustainability. We aim to continue to be experts on and developing fuels for the future.”
**Development plans at Lysekil**

Preem is seeking permission to expand the Lysekil refinery with a Slurry Hydrocracker to upgrade heavy oil, already available at the refinery, to sulphur-free petrol and diesel with lower environmental impact. Preem’s promise to become climate neutral by 2045 requires major adjustments, extensive revamps and new plants - this is one of them.

Climate change is a global issue, and greenhouse gas emissions affect everyone. However, society will continue to be dependent on energy from crude oil for some time to come. From a sustainability perspective, it is therefore important that fossil-based products are produced in plants with the lowest possible climate and environmental impact, so that the fossil products themselves become as sustainable as possible - not only in terms of greenhouse gas emissions but also other emissions that affect the environment.

The conditions for developing a world-leading efficient industry are particularly good in Sweden, and the role of politics is to continue to offer predictable and long-term rules for continued investment in Sweden. Short-term and unclear rules can lead to companies either choosing to not invest in Sweden, but rather in locations abroad where greenhouse gas emissions can be higher.

At the end of 2018, Preem was granted a permit to further develop the Lysekil refinery. In August 2019 the Swedish government announced its decision that it will take over the matter through a permissibility review. This is breaking new land from a legal point of view but the plans have been criticised as the upgrading of high sulphur fuel oil would mean increased point source emissions. The original permit application was submitted several years ago, and the project was later redesigned and now involves a smaller facility that is partially supplied with renewable raw materials. In addition, the plant is planned to be supplemented with CCS to capture carbon dioxide. With these changes and a perspective that includes how emissions are affected throughout the system, the new plant is expected to mean a net zero emission of carbon dioxide, compared to the doubling previously proposed. The original objective for the new plant to process residual materials from the refinery process and remove, among other things, large quantities of sulphur and other contaminants such as heavy metals remains.

Phasing in sustainable renewable raw materials and phasing out fossil raw materials is crucial to achieve our climate goals throughout the value chain. The restructuring involves very large investments in the production plants, and continued good profitability is a key factor in being able to implement our plans. The project has been created to ensure continued profitability in a changing market and is therefore also indirectly an important component of Preem’s green transition. By adjusting the design and taking a holistic approach on the system, we have shown that it is possible to carry out the project without short-term negative climate impact. As the quantity of renewable raw material increases, the new plant itself will also directly contribute to the green transition.

By adjusting the design and taking a holistic approach on the system, we have shown that it is possible to carry out the project without short-term negative climate impact.

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**Net emissions of carbon dioxide with the new permit for renewable production and Lysekil expansion**

(million tonnes CO₂e)

<table>
<thead>
<tr>
<th>Current situation (LYR)</th>
<th>Direct emission reductions without measures (approx. 2025)</th>
<th>Further emission reductions through active measures (approx. 2025-2027)</th>
<th>Potential emission reductions (approx. 2020-2030)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current situation (LYR)</td>
<td>Environmental application 2016</td>
<td>Planned expansion 2019</td>
<td>Use-related emissions</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td>17</td>
<td>+17</td>
<td>-0.7</td>
</tr>
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</table>
Towards the increased use of sustainable fuels

To achieve Sweden’s climate target and 70 percent less transport emissions by 2030, the proportion of renewable fuels needs to increase significantly. We want to be the leader in the transition and devote considerable resources to developing fuels with significantly lower climate impact. It is important that the benefits of the new fuels, such as large emission reductions, are not offset by negative sustainability impact in other parts of the value chain.

Today, there are just over five million internal combustion engines powered by petrol or diesel in Sweden. The state’s own expert authority, the Swedish Energy Agency, has estimated that the Swedish transport sector will still be dominated by internal combustion engines even after 2030. With a large internal combustion engine-based vehicle fleet with a long life, and a well-developed infrastructure for support services and refueling, access to liquid renewable fuels will be a deciding factor to quickly reduce carbon dioxide emissions. Therefore, investments in the increased production of sustainable liquid fuels are today the most effective way of achieving Sweden’s climate goals. Renewable fuels can reduce the transport sector’s fossil emissions by 80-90 percent in the relatively short term - by replacing fuel in the existing vehicle fleet.

Preem wants to be the leader in the transition from fossil fuels to fully renewable fuels and we want to increase our production from the current level of about 200,000 cubic metres to 5,000,000 cubic metres of renewable petrol, diesel and aviation fuel annually from 2030.

The transition towards renewables in the market is in line with political decisions and the ability to implement planned investments in the production of renewables. Preem is dependent on regulations and policies, not only in Sweden but also in Europe. From 2021, new regulations in the European market will apply with the updated version of the renewable directive, RED II. In Sweden, the development is primarily governed by the ambition and the types of transport that are included in the greenhouse gas reduction mandate. It is very important that the policy creates the regulatory conditions and financial incentives for investments in renewable fuel production.

In order for a renewable product to be used in accordance with the Swedish greenhouse gas reduction mandate, or...
Sustainable products

Alternatively receive tax relief as a high renewable fuel mix, it must meet the requirements of Swedish legislation on sustainability criteria. To ensure that raw materials purchased meet these requirements, Preem, as part of the overall management system, has established a special control system that is partially certified according to ISCC and audited annually by both internal and external parties. Our renewable fuel control system sets the internal playing field and governs our working methods to meet external requirements and support the business. It includes:

- Compliance with Swedish legislation on sustainability criteria and the Renewable Energy Directive, e.g. regarding traceability and compliance with criteria such as carbon dioxide reduction
- Sustainable supply of renewable raw materials and fuels
- Management of our suppliers

Choice of sustainable raw materials

Our Gothenburg refinery can process various renewable raw materials. The global market for such commodities is developing rapidly, and may involve risks in both commodity production and in the supply chain that we must deal with (see page 40). We therefore evaluate ongoing sustainability performance for all potential renewable raw materials and promote the use of raw materials with more efficient and sustainable characteristics, which lead to long-term sustainable solutions.

The decision of which raw materials can and should be used for renewable fuels is complex. In addition to existing legislation, we always evaluate new raw materials. Is the raw material financially viable? Is there enough of it? What are the technical, ethical, political, and environmental conditions for production? What are the risks associated with the product and its origin? In this evaluation work we have a number of guiding sustainability criteria that include:

- Renewable fuels should have a good climate effect and energy efficiency
- The production of renewable fuels should not violate human rights under the UN conventions
- The production of renewable fuels should not limit people’s right to food or contribute to the deterioration of global food security
- The production of renewable fuels must not deplete water supply or threaten biodiversity

Expanding for sustainability

To increase the production of renewable fuel, Preem has applied for an environmental permit to be able to build a new plant for renewable fuel production in Gothenburg, a so-called Green Feed Unit (GFU). The plant is planned to have an annual production capacity of one million cubic metres of renewable fuel and will become the largest of its kind in Sweden. If permission is granted, the new facility will be operational by 2024.

At the same time as investing in renewable fuel production, we are focusing on logistics and storage. Renewable products and raw materials in some cases require different types of storage than fossils, so we also work to develop our logistic chains. For example in 2019, we brought a new tank for ethanol into operation at our Lysekil refinery, which allows us to ship pre-mixed fuel from the refinery.

Norway

In 2019, we have significantly increased the volumes of renewable products to the Norwegian market. This has resulted in brand-new logistics chains and new internal processes.

Sustainable choices

For the Swedish private market, Preem Evolution Diesel was launched in 2011 and contains more than 20 percent renewable raw material. Since then, we have continued to develop a range of products to reduce the Swedish need for fossil fuels and imported renewable fuels. Preem Evolution Diesel Plus is the world’s only Nordic Swan Ecolabelled diesel and contains at least 50 percent renewable raw material, which gives an almost equal reduction in carbon dioxide emissions compared to standard fossil diesel. Currently, it is not possible to refuel with Preem Evolution Diesel Plus throughout the country. But we are constantly working to make it easier for our customers to make climate-smart decisions when they refuel.

Preem sells renewable fuel certificates to corporate customers in accordance with the mass balance principle. This means that a certain volume of fuel with a certain amount of renewable raw material and a certain carbon saving, compared with fossil alternatives, is guaranteed for a specific purchase, similar to green electricity. By using the mass balance principle, customers can be offered sustainable products with reduced carbon dioxide emissions. It also means major savings in emissions from fuel transport. The mass balance system is overseen by an independent third party.

Preem’s promises:

- Work to become the world’s first petroleum and biofuels company to completely phase out fossil fuels with renewable fuels
- Increase the production of renewable liquid fuels with the goal of reaching five million cubic metres by 2030, and work towards a corresponding reduction in fossil fuels.
- Work to increase the domestic production capacity of biojet fuel in Sweden
- Promote the production of the world’s most environmentally friendly shipping fuels

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<table>
<thead>
<tr>
<th>Sustainable products¹</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable fuels</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production of renewable fuels, 000 m³</td>
<td>204</td>
<td>210</td>
<td>163</td>
</tr>
<tr>
<td>Percentage of renewable fuels in total production, % m³</td>
<td>1.24</td>
<td>1.11</td>
<td>0.93</td>
</tr>
<tr>
<td>Percentage of renewable fuels in sales in Sweden, % m³</td>
<td>11</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Percentage of renewable fuels in total sales, % m³</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Sustainable assortment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability of sold items (% of # items), %</td>
<td>13</td>
<td>12</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ For definitions and a summary of targets and outcomes see p. 48-51
The sustainable fuel station

We work for a more sustainable future - not only through the fuels we provide, but also the products and services we offer at our fuel stations.

In Sweden, Preem has 570 fuel stations, including 100 full service stations. Many of our facilities are adapted to heavy traffic. These stations have both high-speed pumps and AdBlue that convert harmful nitrous oxide from diesel engines into harmless nitrogen and steam. At several of our stations, our customers can refuel with the world's first Nordic Swan Ecolabelled diesel, with at least 50 percent renewable content.

In Norway, Preem has three stations and through cooperation with YX and its station network, customers can refuel with Preem Evolution Diesel at 335 stations in Norway. Preem Evolution Diesel has a greater proportion of renewables than the authorities in Norway require, which means that the carbon dioxide emissions are up to five percent lower than the regulatory requirement.

A sustainable assortment
Good coffee is our passion and our responsibility goes all the way from bean to cup. Naturally, our coffee is organic (KRAV) and fairtrade certified. We also have a broad organic and tasty food range that is constantly evolving, and we offer vegetarian options. In 2019, we also ran a project to reduce the use of disposable items and packaging. Additionally, we focus on reducing food waste by introducing new meals during 2020, where left over food from the previous day is resold through a collaboration with the food service Karma.

Sustainable car wash
Our automatic and do-it-yourself car washes are designed and equipped to protect the environment. Our stations have oil separators that collect all oil, and are often equipped with other types of purification systems. Up to 80 percent of the water used in our car washes is recycled. Furthermore, all cleaning products we offer are certified to the Nordic Swan Ecolabel.

Gas recovery all the way
Volatile hydrocarbons that evaporate from fuels are harmful to health and environment. When refuelling, the gas is sucked back into the fuel station's tank through the tank gun. When a petrol truck comes to refuel the station, it also collects the gases. They are then processed at the depot when the truck collects new fuel. The gases are processed in a recycling system into new fuel.

It is important, that regardless of where customers encounter Preem, they feel we are a company that stands for sustainability.

We annually serve 47,000 kg of organic and fairtrade certified coffee at our stations. This corresponds to around three million cups.

47,000 kg

It is important, that regardless of where customers encounter Preem, they feel we are a company that stands for sustainability.
The station in Landskrona became convenience store of the year

The Convenience Retail Awards reward initiatives that have a positive impact on both our own business and the industry. In 2019, the award for the year’s convenience store went to Preem’s manned station in Landskrona and its station manager Caroline Lindholm. Caroline has worked at Preem since 2011. After three years she became head of a station in Malmö and a few years later she was asked to manage a new station in Landskrona - a station that would be the first with a brand-new store concept that is based on both comfort and sustainability.

“I am very happy and proud, and really love my job,” says Caroline. “It’s about that little extra in customer care.”

A sustainable customer encounter

It is important, that regardless of where customers encounter Preem, they feel we are a company that stands for sustainability. Many of Preem’s customers come into contact with our fuel station network, where customers expect sustainability initiatives that extend beyond fuel. To further strengthen sustainability aspects in the customer encounter, a survey has been carried out to provide customer insights to guide future initiatives. An initiative in 2020 will review waste management and recycling at our stations.
An inclusive and welcoming workplace

The journey into a sustainable company begins and ends with our employees. Preem shall be a safe, inclusive and welcoming workplace with good development opportunities for all our employees. We achieve this through engagement, diversity, inclusion and internal mobility, and common values.

Every day around 1,500 employees work in almost 200 roles in Preem’s operations. Their health, dedication and competence are critical success factors for us. We want our employees to feel good and enjoy their work. A strong employer brand is also an important success factor, both in retaining current employees and in attracting future employees to meet our growing recruitment needs. All in all, active investments in our employees’ work environment, participation, development and wellbeing are of the highest priority.

Satisfied employees
Like many other organisations, we follow up and measure our employee Net Promoter Score (eNPS), which shows how inclined employees are to recommend their employer to others. In 2019, this value reached 44, compared with the reference value of 9 in the survey. This means that we have among the highest eNPS in Sweden, and is proof that we have employees who are proud of Preem as an employer and who thrive and develop with us. Our many internal ambassadors has meant that for the third year in a row, we are among the top ten in the Universum survey of Sweden’s best employers. For the third consecutive year, Preem was also a finalist in Powered by People, which identifies Sweden’s most successful companies in terms of employee experience. Preem’s annual employee survey measures work environment, employee satisfaction, commitment, leadership, psychosocial work environment, and our work with diversity and adherence to our values. In recent years, we have had a very good development. With a response rate of 84 percent, we will have a very good basis to take as a starting point for the continued development of our important areas.

Organisational and social working environment

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Promotor Score (eNPS)</td>
<td>44</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>Number of new employees</td>
<td>138</td>
<td>151</td>
<td>131</td>
</tr>
<tr>
<td>Employee turnover, %</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Engagement Index (EI)</td>
<td>82</td>
<td>82</td>
<td>81</td>
</tr>
<tr>
<td>Psychosocial Working Environment Index (PAI)</td>
<td>78</td>
<td>79</td>
<td>N/A</td>
</tr>
<tr>
<td>Gender distribution Board (men/women), %/%</td>
<td>100/0</td>
<td>100/0</td>
<td>100/0</td>
</tr>
<tr>
<td>Gender distribution management group (men/women), %/%</td>
<td>64/36</td>
<td>67/33</td>
<td>62/38</td>
</tr>
<tr>
<td>Gender distribution management positions (men/women), %/%</td>
<td>70/30</td>
<td>71/29</td>
<td>73/27</td>
</tr>
<tr>
<td>Gender distribution white collar employees (men/women), %/%</td>
<td>62/38</td>
<td>62/38</td>
<td>60/40</td>
</tr>
<tr>
<td>Gender distribution blue collar employees (men/women), %/%</td>
<td>91/9</td>
<td>92/8</td>
<td>89/11</td>
</tr>
<tr>
<td>Sick leave, %</td>
<td>2.90</td>
<td>3.10</td>
<td>2.90</td>
</tr>
</tbody>
</table>

1) For definitions and more details on our objectives and outcomes see p. 48-51

Three values for a better workplace

Three core values permeate our business: responsibility, innovation and inclusion. A focus area in 2019 has been innovation. To learn more about what strengthens innovation, we analyse research reports and organisations with a high rate of innovation. We have developed questions for our annual employee survey to be able to regularly monitor the development of innovation. The next step is to develop our working methods and processes so that they clearly strengthen the capacity for innovation.
Another focus area has been inclusion. In order to increase competence in diversity and inclusion, we have among other things launched an inclusion game that is used in groups to create dialogue around the issues. Continuing mentorship within Mitt Livs Chans (My life's chance), lectures on diversity and inclusion on our induction days for new employees as well as seven short educational films were other initiatives implemented during the year.

Diversity and inclusion strengthen innovation
Through increased diversity and inclusion, we create the conditions for innovation, performance and profitability. We have a strategic goal today and are working actively to achieve a more equal gender distribution in all parts of our business. New for 2019 is that all business areas and group functions have set their own goals and developed activities around how to increase diversity. Preem’s dilemma films deal with different types of actions that in different ways exemplify Preem’s values. The films are regularly used in work and management groups. During 2019, we have offered language training in Swedish to employees at our refineries.

Competence development for the future
At Preem, we work actively to create and drive a value-driven corporate culture where we continuously develop as individuals and develop the business every day. We assume that everyone who works at Preem has great ability and that our success is about making it possible to develop this ability in the best possible way. Our long-term success is based on the fact that together we can achieve our challenging goals and realise our strategy - it is the sum of everyone's performance that drives transformation. It is through one-on-one discussions between manager and employee that we ensure that all employees have the right conditions to further develop in their existing role, as well as opportunities in new roles and challenges within the company. The focus during the discussions is on how the employee can develop in their work, gain new competences and give and receive feedback on their performance towards set goals. Preem regularly offers different training courses that contribute to the continuous development of our employees.

<table>
<thead>
<tr>
<th>Length of employment</th>
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<tbody>
<tr>
<td>0-5 years</td>
<td>39%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>14%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>15%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>9%</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>23%</td>
</tr>
</tbody>
</table>

97.1%
attendance rate 2019
Goal 2019: 97 percent
Health and safety are top priority

Preem has a zero-vision that forms the basis for our work on health and safety. This means that no one shall be injured or become ill because of their work and that no accidents shall occur that harm people, the environment or company property.

Everyone at Preem should always put safety first. Our zero vision applies to all parts of the business - in refining, storing and transporting our raw materials and products as well as at our fuel stations and offices.

Focus on safety
“Safety First” is fundamental given the work we do. We handle large quantities of flammable raw materials and products, which can also be heated and handled under high pressure. Our refineries and depots handle risks related to explosions, fires and spills. We work with chemicals that can cause damage if handled incorrectly. There are employees and contractors in our operations working at height, with heavy loads and with advanced tools. To protect our employees and others who work for us such as contractors and drivers – and to take care of our production plants, our environment and our neighbours – safety must be central in everything we do.

Targets and outcomes
Preem measures and monitors key performance indicators on personal accidents by measuring the frequency of Lost Workday Injury, i.e. accidents involving absence from work for at least one work session (LWIF). The target is a maximum of 1.4 lost working days per million working hours. The result for 2019 was 0.6, which is our lowest ever. Since 2018, we have also monitored and measured the number of less serious injuries that led to medical treatment per million hours worked (AIF). Another important area we measure and monitor regularly is the process safety event rate (PSER).

<table>
<thead>
<tr>
<th>Health and safety</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWIF - Lost Workday Injury Frequency, per million hours</td>
<td>0.6</td>
<td>1.3</td>
<td>1.0</td>
</tr>
<tr>
<td>AIF - All injury Frequency, per million hours</td>
<td>3.9</td>
<td>3.8</td>
<td>N/A</td>
</tr>
<tr>
<td>Process Safety Event Rate (PSER)</td>
<td>Tier 1 and 2, per million hours</td>
<td>1.3</td>
<td>1.5</td>
</tr>
</tbody>
</table>

1) For definitions and more details on our targets and outcomes see p. 48-51.

Safety culture
A strong safety culture is a prerequisite to achieve our zero vision. It must be in our daily behaviour to act safely. In order to strengthen the safety culture and make our safety message clear different initiatives are taken every year. In 2019, we produced three safety films that clarify why risks exist and how we work to minimise them.

Safe production plants
The basis for safety at Preem’s production plants is a variety of technical standards, combined with extensive risk analyses and ongoing safety reviews. Every year, so called re-Hazops are performed at a number of production units. We review the units in detail based on a strictly controlled methodology to identify all possible risks and ensure that the appropriate safeguards are in place. If we find safety-related deviations, we take action.

Every four to six years, the refineries carry out scheduled maintenance work to fully review the integrity and mechanical condition of the production units and equipment. During 2019, one such scheduled maintenance shutdown was conducted at the Lysekil refinery.

The scheduled maintenance shutdown was Preem’s largest ever and involved thousands of contractors. In order to be able to carry out the work according to plan and with maintained safety, intensive proactive safety work was carried out in advance. Read more about the shutdown on page 22.

0.6 accidents per million hours worked in 2019
Target 2019: 1.4
Safe transport by sea and land
Preem has high demands on the shipping companies that we cooperate with. Every year, more than 2,000 vessels dock at Preem's port. We require that leased vessels are approved in accordance with Preem's standard for safety and technical equipment, and that they have double-hull construction and approved wastewater handling. All tankers to and from Preem's depots or refineries are continuously inspected for approval in line with our requirements. Read more on page 43.

Preem's road deliveries are conducted through external logistics companies. Examples of requirements on these companies include alco-locks in all road trucks and that all vehicles have speed limiters set to a maximum speed of 80 km/h. In order to maintain continuous dialogue with our logistics companies regarding safety, a conference is held each year on the theme of safety where our partners are invited to collaborate on various topical safety issues.

Requirements and cooperation
Preem's Code of Conduct sets out demands on the occupational health and safety work of all contractors, suppliers and subcontractors. This also applies to the shipping companies and external transporters we work with. Personnel and contractors at our refineries must also undergo various training courses to obtain access cards to our production plants.

Preem participates in a number of collaboration forums around occupational health and safety. These include the Swedish Process Safety Association (IPS), which promotes networking and conducts research and education in the field of process safety.

Our product responsibility
Swedish legislation is among the toughest in Europe in terms of health-related product requirements. Not all refineries can produce fuels that live up to the requirements, for example, the maximum number of carcinogenic aromatics compounds permitted for use in Sweden. We were the first to produce lead-free fuel after the health problems with lead were discovered. We were also the first to produce a sulphur-free fuel and therefore, for a long time, had a much lower sulphur content in our diesel than the average European diesel.
Ethics and anti-corruption

Stable and fair business relationships with our suppliers and customers are of the utmost importance, and we work actively to ensure sustainable business relationships.

Active ethics and anti-corruption work is one of the fundamental prerequisites for maintaining sustainable business relationships. Without this focus there is a potential risk that bribes or price cartels could develop, which in turn undermine confidence in the industry and in the business sector in general. When there is corruption in a business, there is also an increased risk that people and the environment will suffer.

Ethics and anti-corruption
We work actively to prevent corruption. The work is based on our business ethics policy and our Code of Conduct. Our business ethics policy includes commercial principles consistent with good business ethics, such as fair competition, proper marketing and the prevention of conflicts of interest. Our Code of Conduct opposes all forms of corruption, bribery, fraud and anti-competitive practices that contravene competition law.

Certain categories of personnel, such as managers and employees who have contact with external parties, must conduct an e-training on bribes and gifts at least every two years. Of the employees who should have participated in the e-training in 2019, 88 percent actually completed it.

Another issue we worked on during the year is the follow-up of the implementation of the rules in the Data Protection Regulation - GDPR, that we implemented in 2018. In 2019 we conducted an internal audit within this area.

Legislation Monitoring
In 2019, we also focused on our monitoring of legislation. We have a new group rule that describes generally how legislation monitoring should take place, as well as a routine for allocating relevant responsibilities within the organisation. In addition, there is an established routine for reporting new or amended legislation of significance to Group Management.

Ethics Committee reviews positions
A central part of Preem’s governance and control of ethics and anti-corruption is our Ethics Committee. It is a forum that reviews the company’s ethical positions and how they are complied with in relation to Preem’s business ethics policy. The committee consists of the CEO, representatives from Group Management, the internal auditor, company lawyer and employee representatives from labour unions. The Committee meets at least twice a year, and as needed.

Code of Conduct for employees and suppliers
Employees and suppliers are expected to follow our Code of Conduct. In 2019, we continued to work systematically to ensure that our suppliers accepted and abided by our code, or alternatively have a corresponding Code of Conduct that Preem approves.

Whistleblower system
Through Preem’s whistleblower system, Preem’s employees can safely and anonymously report suspected serious violations, both against legislation and internal regulations. In the future, external persons will also be able to report suspected violations through our website. The system is administered by a third party.

88% of our employees with external party contact have completed anti-corruption training
Our social responsibility

We are 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 major employer, especially through our refineries. For us, good relationships with society on a local, regional and national level are of great importance.

Preem contributes 80 percent of the Swedish refinery capacity and 30 percent of the Nordic capacity. Around half of the fuels consumed in Sweden are manufactured by Preem and directly contribute to Sweden’s economic prosperity and the maintenance of societal functions. Our products power public transport and ensures people, goods and services can be moved according to the demands of society.

Sweden’s objective is to become one of the world’s first fossil-free societies, which also requires a strong economy and employment. Preem’s main task is to bridge and balance the transition to a sustainable society, with a continued contribution to new jobs and a safer, domestic raw material supply.

We also have an important role in Sweden’s defense, where our reserves of oil and fuel and our Swedish-flagged ships are of great importance for transport and society to continue to function. By investing in renewable fuel production based on sustainable Swedish raw materials, we can contribute to Swedish self sufficiency in terms of fuels.

Through our work, Sweden has good opportunities to become fully self-sufficient in renewable fuels, partly through the use of residual products from forestry and agriculture, which can reduce the dependence on imports of both fossil raw materials and fuels.

Jobs and local cooperation

Preem is a major employer in Sweden and in Lysekil municipality we are the largest private employer. Today we directly employ around 1,500 people in different regions, and employ many more indirectly. It is therefore important that we understand the needs of local communities and act accordingly. We do our best to be a good neighbour in the municipalities where our facilities are located. Preem regularly invites stakeholders in the local area, where we discuss our local plans and operations. We work closely with municipalities, authorities, civil society and other companies. In 2019, our development plans for the Lysekil refinery were met with great criticism. We have responded to the criticism by being transparent and promoting close dialogue with all our stakeholders. Read more about the development project on page 27.

For larger projects, municipality collaboration is essential. The planning of housing and other infrastructure is a prerequisite for our development. Joint projects are also being implemented to help new immigrants and young people in general to get into work. We do this not least through collaborations with My Dream Now, which works to provide students with role models in working life. We also participate in the mentorship programme Mitt Livs Chans (My life’s chance), where our employees act as mentors to academics with a foreign background.

Public opinion for the long term

Preem knows what it takes to transition to a sustainable society. Our goal is to become the world’s first climate-neutral company in our industry, and move from the production of mainly fossil fuels to the climate-neutral production of renewable and sustainable products. We always seek open dialogue with politicians, authorities, interest groups, the business community, research institutions and with the public in order to create the best possible conditions for our transition. Our main focus in society is to contribute to the long-term rules that create the opportunity for investments in the production of renewable fuels with low climate impact.

The mandatory greenhouse gas reduction on fuels is a political instrument that contributes to the transition from fossil to renewable fuels. Preem has a very positive attitude to the proposals that have been presented to create a long-term perspective on the mandatory reductions. Only in the long term can investments in renewable fuel production be promoted. Preem has also pushed for a corresponding greenhouse gas reduction mandate for aviation. As the use of renewable fuels grows, we must ensure the availability of sustainable raw materials.

For over a decade, Preem has produced fuel from forest residual products. We see great potential to increase the production of fuel from residue products from the Swedish forest industry and agriculture, and during 2019 several of our collaborations intensified. We work for policy that reduces climate impact, promotes increased domestic production, ensures Sweden’s self sufficiency and creates new green jobs.

Preem’s promises:

- Balance the transition to a sustainable society by creating new jobs and a more secure domestic raw material supply
- Create new green jobs and increase employment in sparsely populated areas and in the municipalities around Gothenburg and Lysekil
- Promote a policy that reduces climate impact and increases the domestic production of renewable fuels
Reduced environmental impact

Our business is conducted on the premise of preserving the environment for future generations. We work systematically with continuous improvements to minimise environmental impacts – including for our suppliers, production, transport, fuel stations and use of our products.

Society needs our products and we want to take responsibility for ensuring that they are produced and used in the most sustainable, energy-efficient and environmentally adapted way. Our goal is always to conduct our operations in a way that minimises the environmental impact and the risk of environmental incidents. We continuously identify and evaluate where environmental impact arises in our value chain and how we can work to reduce negative environmental impact.

Our environmental impact

Preem's operations include processes and products that could cause serious environmental damage if handled incorrectly. We therefore work systematically to reduce risks and follow up any incidents. Even when the work is carried out in full accordance with standards and regulations, our business has an impact on the environment and climate. The operations at our refineries involve emissions of sulphur dioxide, nitrogen oxides, dust and volatile organic compounds into the air. There are also some emissions to water with the wastewater discharged from our extensive wastewater treatment plants, in the form of nitrogen compounds, phosphorus and small residues of hydrocarbons. All these emissions are regulated in our environmental permit for the business and the results have significantly improved over time.

More detailed information on the emissions from our production plants in Lysekil and Gothenburg, as well as a description of measures to reduce their environmental impact, can be found in the annual environmental reports for each plant. These reports contain an annual compilation of compliance with all environmental conditions in accordance with the Swedish Environmental Protection Agency’s regulation on environmental reports (NV 2016: 8).

Producing fuel is an energy intensive industrial process. This is why we always strive to streamline our operations in different ways. Preem works continuously with energy mapping and the optimisation of resource use.

Initiatives related to soil and water emissions

In 2019, our water treatment at the Lysekil refinery was developed with an extra purification step that removes phosphorus and manages sludge leakages more efficiently. This improves the quality of both stormwater and process wastewater. For a number of years, improvement measures have also been in progress on the embankments in our tank parks. The embankments serve as protection in the event of a spillage. In 2019, we also developed a land pollution action plan for each refinery site, which describes affected areas, and is the basis for mitigating actions.

Targets and outcomes

An overall goal is to perform better than the environmental requirements set out in the regulations. The indicator ‘Severe environmental incidents’ covers major incidents within the environmental field, i.e. incidents that could lead to breaches of regulations or legislation. Preem has a zero-vision for severe environmental incidents. The outcome shows that the work to minimise environmental incidents has been effective and that we are meeting our goal. Another goal is to place ourselves in the upper quartile of the best refineries in Europe in terms of energy efficiency. This is something that we achieved. The decreased energy use in 2019 is largely due to the scheduled maintenance shutdown at the Lysekil refinery.

The increased emissions of SOx during the year have mainly been caused by unplanned downtime at the sulphur treatment plants in Lysekil. Malfunctions are undesirable but inevitable in

Preem’s Promise:

Phase out natural gas and other fossil raw materials in favour of biogas and renewable raw materials and energy sources as soon as it is economically viable

Compared to a Western European refinery, Preem’s refineries release:

- 59% less nitrogen oxide
- 93% less sulphur oxide
complex operations and therefore something that our environmental conditions are designed to accommodate. We have not exceeded our sulphur conditions during the year.

We prioritise high environmental awareness and environmental competence among all our employees. We are constantly developing through training and information. In 2019, a new web-based environmental education was rolled out for all our employees.

### Environment

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Emissions to air, soil and water, tonnes</td>
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<tr>
<td>Emissions of nitrogen oxides (NOx) to air from production, tonnes</td>
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<tr>
<td>Emissions of sulphur oxides (SOx) to air from production, tonnes</td>
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<td>Energy use within Preem, GWh</td>
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<td>Energy use stations, GWh</td>
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<tr>
<td>Energy Intensity</td>
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<td>Energy intensity (LYR), ranking in Western Europe</td>
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<tr>
<td>Energy intensity (GOR), ranking in Western Europe</td>
<td>-</td>
<td>3</td>
<td>-</td>
</tr>
</tbody>
</table>

1) For definitions and more details on our targets and outcomes see page 48-51.

### Projects and collaborations

In the process of applying for a new environmental permit for the expansion of our Lysekil refinery, we expect to receive updated environmental conditions that entail stricter environmental requirements. These will also apply to our existing plants and entail a number of further improvement measures that are currently being planned.

Preem also submitted a new environmental permit application for a Green Feed Unit, which will be a plant at the Gothenburg refinery that will have the capacity to annually produce one million cubic metres of renewable fuel for road and air.

In addition to the internal improvement work, Preem collaborates with a wide range of associations and industries, both in the Västra Götaland region and nationally, on the measurement and monitoring of environmental impact.

### Biodiversity

An important part of environmental work is to protect the natural world. Preem’s operations have a direct impact on biodiversity, and when the Lysekil refinery applied to expand its operations, this was a key issue.

The refinery is surrounded by Natura 2000 areas that have strong environmental protection. The planning of projects at Preem’s refineries takes into account the four steps of the so-called damage mitigation hierarchy, that aim to avoid, minimise, mitigate and compensate for damage to nature and the environment. The main threat to biotopes and species as well as protected natural areas are changes in land use and physical interventions. Before any changes in our operations, a careful inventory is made of which animals and plants are in the area – how they will be affected and how can they be protected? In collaboration with Preem, environmental experts examine the land and water. Any threatened or red-listed species are also documented. During an inventory in connection with the application for a new environmental permit in Lysekil, the red-listed Natterer’s bat was spotted in the area and a plan for compensation measures was developed for the land Preem owns. For example, this involved thinning conifers to promote deciduous forest growth and letting cows graze in the forest, which also benefits many other species. These measures will be included in the new environmental permit, and will be followed up by the County Administrative Board as one of many conditions that are set at the refinery for operations to be permitted.
Sustainable value chains

As we buy large quantities of goods and services, we place demands on our suppliers to minimise our social and environmental negative impacts. Our degree of influence varies by purchasing category and our Code of Conduct and risk-based evaluation and follow-up of suppliers forms the basis of our work.

Before contracting a supplier, they must be assessed and approved on the basis of various sustainability criteria. This is to ensure that suppliers meet our requirements and accept our Code of Conduct, or have a corresponding Code of Conduct of their own. When purchasing renewable products or raw materials from suppliers, it is particularly important that they are classified as sustainable according to the EU directive on renewable energy or national legislation as the Swedish act on sustainability criteria. The supplier assessment is also part of conducting sustainable business together with the supplier. During 2019, we developed the process of systematically evaluating and managing sustainability risks linked to renewable and fossil raw materials and suppliers. We work on the basis of a risk-based model as shown in the figure below. This risk-based approach is gradually being introduced for more of Preem’s purchasing categories.

Supplier review process

The process is risk based. In the process, suppliers are assessed in several stages and in cases where increased risk is detected, a more detailed assessment is conducted. If a supplier is not approved or is non-compliant, the cooperation is terminated. This can happen at any stage of the process.

*Elevated risk = Medium risk + high risk
The renewable fuel supply chain

The transition to renewable fuels leads to an increased need for renewable raw materials, suppliers and collaborations. Preem is driving the increased use of residue products from Swedish and Nordic forests and agriculture. We want to create new sustainable value chains and promote the best use of Swedish domestic renewable raw materials and assets through new investments. An international market for renewable raw materials is under development. For example, we already procure residues from the food industry, and as we increase our renewable production, it will become increasingly important to make conscious choices in this market.

Renewable supply chains

The renewable supply chain is more heavily regulated than the fossil fuel supply chain, with high demands on traceability and the fulfillment of sustainability criteria. We welcome these high demands. Certification and traceability make it easier to take responsibility throughout the supply chain. It reduces the risk of issues related to human rights, global access to food or the depletion of natural resources.

Preem manages its work with the renewable supply chain with the help of our Code of Conduct and our control system for renewable fuels. Our Code of Conduct defines the values and ethical guidelines which we stand for as a company and which we require our suppliers to live up to. For example, we actively distance ourselves from forced labour, child labour and discrimination. Our management system controls our work processes for renewable fuels. We identify and evaluate all potential renewable raw materials based on sustainability and in 2019 we introduced a new risk-based assessment model. The model is used both for the raw materials we procure for our refineries and for the finished products we buy. During the year, we updated all sustainability evaluations for the raw materials in question according to our new working method.

Origin of renewable feedstock

The diagram below shows the origin of procured renewable feedstock used for our production of renewable fuels.

Purchase of renewable feedstock 2019
Geographical distribution in %

- Sweden 32%
- Netherlands 21%
- USA 15%
- Germany 12%
- Belgium 8%
- Finland 6%
- Denmark 4%
- Other 2%

Fulfilment of sustainability criteria

We are constantly looking for sustainable raw materials and today the majority of our suppliers of renewable raw materials and fuels have International Sustainability Carbon Certification (ISCC) certification. Through our co-ownership of SunPine, which produces crude tall oil, we meet part of our raw material requirements. Other volumes are imported. Regardless of origin, traceability and the fulfillment of our sustainability criteria is crucial. Before we start working with a supplier, we conduct a thorough evaluation of their business, product or raw material and its country of origin. We prefer to see that the supplier is certified according to one of the EU certification schemes for the renewable directive or has a Swedish sustainability certificate. Should the supplier lack certification, Preem conducts third-party audits. We examine whether the supplier meets the requirements of the renewable directive. In 2019, this type of third-party audit was performed at one of our suppliers.

Targets and outcomes

In 2019, nearly all of Preem suppliers of renewable raw materials and fuels were evaluated in terms of the environment, human rights and corruption. All suppliers with increased risk need to undergo a more in-depth evaluation, something that we started in 2019 and will continue in 2020. Furthermore, all suppliers have accepted Preem’s Code of Conduct or have been able to show that they have their own of equally high standard. We have also evaluated all renewable raw materials that Preem purchases.

<table>
<thead>
<tr>
<th>Environment and social impact in the supply chain</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Fossil fuels</td>
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<tr>
<td>Suppliers that have approved Preem’s Code of Conduct, %</td>
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<tr>
<td>Suppliers evaluated on the basis of sustainability, %</td>
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<td>Renewable fuels</td>
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<tr>
<td>Renewable raw materials evaluated on the basis of sustainability, %</td>
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<tr>
<td>Suppliers that have approved Preem’s Code of Conduct, %</td>
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<tr>
<td>Suppliers evaluated on the basis of sustainability, %</td>
<td>99</td>
<td>100</td>
<td>62</td>
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</tbody>
</table>

1) For definitions and a summary of targets and outcomes, see page 48-51.

Preem’s promise:
Contribute to the creation of new sustainable value chains and promote the best use of Swedish domestic renewable raw materials and assets through new investments
The fossil fuel supply chain

We continuously work towards the transition of our production and sales towards renewable fuels. But fossil raw materials will continue to be a major purchasing category during the transition and we take responsibility for this procurement.

Following up on how people and the environment are treated throughout our fossil supply chain is challenging in a global market, which we share with all the world’s refiners and fuel distributors. We are working long-term to increase our degree of influence and to increase transparency in the market.

Unlike the renewable supply chain, there is no legislation on traceability in the fossil fuel supply chain. As a buyer of crude oil, Preem will be able to know which country and area the oil comes from, but tracing it to a specific borehole is not always possible. This makes it difficult to know what the conditions and the situation are at specific production sites, regarding environmental issues or human rights. Preem is dependent on different oil grades, which is why we need to buy crude oil from different parts of the world, such as the North Sea, Russia and West Africa. Strict environmental requirements in Sweden and other technical constraints guide us to the type of crude oil we can use in our refineries. This means that we cannot choose to solely buy oil from areas that we consider to be safer with the lowest sustainability risks.

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 organisation does a background check to see if it meets our requirements for professionalism as well as serious and legally correct behaviour. We also conduct an annual review of our suppliers ahead of Group Management’s Management Review, where important aspects such as quality, health and safety, environment, human rights and corruption are followed up. Preem works to ensure all suppliers approve Preem’s Code of Conduct or to show that they have their own with equally high standards.

Preem’s Code of Conduct
During the year, our Code of Conduct was approved by or an own equivalent code was exhibited by 92 percent of Preem’s suppliers, which together account for 98 percent of Preem’s total purchased volume. In 2019, the majority of crude oil suppliers also went through an initial sustainability evaluation.

Risk-based initial sustainability evaluation
In 2019, we started work on introducing a more in-depth approach to assessing the sustainability risks in our fossil supply chain. As in the renewable supply chain, we assume a risk-based approach described on page 40. Important aspects in this assessment include the origin of raw materials, and supplier sustainability work including policies, certifications and Code of Conduct.

The climate issue in relation to the procurement of raw materials is becoming increasingly relevant at the same time as social issues such as human rights, working conditions and corruption related issues continue to be important in many high-risk markets.

International law is required
Preem recommends that international legislation controls the fossil raw material chain in a similar way to the renewable raw material chain. We are not a big enough player to push through the changes required in the global market, but we welcome and seek collaborations and dialogue with other companies and organisations on the issue. In 2019, we met with some of our major crude oil suppliers and traders to discuss how we together can drive sustainability issues in the supply chain. We want to find new forms of collaboration with our counterparts to increase knowledge and ambition on sustainability.

Origin of crude oil
The diagram below shows the origin for Preem’s purchased volumes of crude oil.
Sustainable sea transport

Preem’s sea transport is an important part of our operations. This is why our long-term charters include environmentally friendly tankers with a focus on safe and sustainable sea transport to minimise environmental impacts.

In total, we handle about 30 million tonnes of oil products per year at our refineries in Gothenburg and Lysekil. All shipments to and from the refineries are handled by vessels. Brofjorden – where the Lysekil refinery is located – is Sweden’s second largest port and accounts for half of the total oil volume into Swedish ports. In addition to the transport to our refineries, our vessels transport fuel to our depots and customers in Sweden, Norway and Denmark. One of our vessels can carry about 12,000 tonnes of fuel along Sweden’s coast, which corresponds to approximately 300 fully loaded road trucks.

Focus on sustainability
Maritime transport is an important part of our operations. This is why we place great emphasis on ensuring that our vessels meet our high standards of sustainability. For safety reasons, they should have double hulls, have a maximum age of 20 years and the highest ice class. We also require vessels that call at our facilities in Gothenburg and Brofjorden to be able to connect escort tow boats. Furthermore, the shipowner must have an agreement with the International Trade Union (ITF).

Our environmentally friendly tankers
Preem currently has four long-term chartered, modern and environmentally efficient vessels. These vessels have, among other things, a new hull design and efficient machinery that results in lower fuel consumption and reduced greenhouse gas emissions. Of these four vessels, two are powered by liquefied natural gas LNG, which in comparison with conventional vessels driven by bunker oil, have many advantages from a climate and environmental perspective. Read more in the illustration above.

Sweden can show the way
Preem is convinced there are great benefits in building a more sustainable shipping infrastructure, and Sweden can play an important role in this work. As with road transport and aviation, Sweden must take the lead. We can show the EU and the world that it is also possible to change shipping in a sustainable and economically viable way. We are ready to invest in the production of renewable ship fuels, but we need the help of our politicians to implement regulatory framework.

Preem is convinced there are great benefits in building a more sustainable shipping infrastructure.
Governance and control

Governance and control takes place at different levels within Preem to ensure that our commitments to sustainability and responsible business are integrated into all parts of our operations, and that they meet the expectations of our stakeholders and the outside world.

Certified management system that supports the business

The goal of the management system is for Preem to conduct a safe, reliable, efficient and effective business. The management system encompasses all operations within Preem - all business areas and group functions, physical facilities as well as internal and outsourced processes. This makes it possible to ensure our compliance with external and internal requirements. The management system helps us to incorporate our vision, strategy and values into everything we do. It supports our entire business and operations by laying the foundations for high-quality decision-making processes and the correct execution of work processes.

The management system supports the company’s systematic improvement work and learning throughout the organisation. A central tool for this is the Group-wide non-conformity management system used for reporting and monitoring incidents, improvement work and prevention of unwanted incidents.

Preem’s Group Management ensures a special focus on safety, the environment, quality, energy and other important aspects of our sustainability framework. In several of these areas, we have also chosen to certify our management system against external standards, partly to ensure that it is safe and effective, and partly to make it clear that we are working systematically and with continuous improvements for our stakeholders.

Preem’s operations are certified in accordance with ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety). In 2019, the transition to ISO 45001 from OHSAS 1800 began. The ISO 14001 certification also includes energy mapping and applies to the development, supply of goods, trade, refining, storage, distribution and sale of petroleum products and renewable fuels through our nationwide fuel station network and bulk sales. Our renewable fuels are also certified according to ISCC. Additionally, we are covered by a so-called sustainability decision issued by the Swedish Energy Agency and which is the basis for our management of renewable fuels in Sweden.

Preem’s governance structure

The Board of Directors has overall responsibility for the organisation and management of the company through the continuous monitoring of the business, ensuring an appropriate organisation and management, and making sure that guidelines and internal control are effective and complied with. The Board sets goals and strategies and makes decisions on, among other things, major investments. The Internal Audit reports to the Audit Committee and reviews corporate governance, internal controls and risk management.

Preem’s Group Management ensures the governance and development of Preem’s sustainability work. To help them, a company-wide management system includes governance at various levels in the company. It ranges from the strategic level on the basis of vision, values, strategy and policies, to the operational level with instructions showing how different work tasks are to be performed as well as inspections and audits that check compliance. In addition to updating and setting sustainability goals and objectives in conjunction with ongoing strategy and business planning work, sustainability work is also developed through various cross-functional forums and committees that address various issues and prepare the basis for decision making for Preem’s Group Management.
Preem’s Code of Conduct

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

The Code of Conduct is based on Preem’s values (responsible, innovative and inclusive), the Global Compact, the UN Declaration on 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 basic conventions, and ILO conventions on work environment and chemical products.

Areas in Preem’s Code of Conduct

<table>
<thead>
<tr>
<th>Environmental responsibility</th>
<th>Social responsibility</th>
<th>Responsible business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions</td>
<td>Human rights</td>
<td>Corruption</td>
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<tr>
<td>Use of resources</td>
<td>Working environment</td>
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<tr>
<td>Production responsibility</td>
<td>Discrimination and diversity</td>
<td>Fraud</td>
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<tr>
<td>New technology</td>
<td>Working conditions</td>
<td>Competition</td>
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<td>Environmental management</td>
<td>Forced labour</td>
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<tr>
<td>Sustainability criteria for renewable fuels</td>
<td>Freedom of association</td>
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<tr>
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<td>Child labour</td>
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</tbody>
</table>

Preem’s policies

The following policies are part of Preem’s Management System and guide us in our work:

- Preem’s Code of Conduct
- Safety, Health and Environmental Policy
- Quality Policy
- Information Security Policy
- Business Ethics Policy
- Alcohol and Drug Policy

Employee awareness of the content of these policies is reinforced through various information, training and follow-up efforts.

Follow-up by Group Management

Group Management controls and monitors operations - including significant sustainability aspects - through the quarterly Management Review forum. The agenda includes the external monitoring, follow-up of key stakeholder requirements, business and target follow-up, risks and opportunities, results from internal audits and deviation management. Based on this work, improvement areas are analysed and prioritised.
Risk management

Preem has a systematic risk management model, where risks are identified, assessed, managed and followed up according to a common methodology within different risk categories. Risk management takes place at all levels of the company and is an important part of the company’s governance.

At the operational level, risk analyses are carried out on a daily basis for all tasks performed. At the strategic level, Group Management employs risk analyses as part of business and strategy planning.

Risk management
Risks are analysed and updated continuously throughout the year in preparation for changes and in connection with business and strategy planning. The main risks are reviewed in the strategy and business plan processes and specific key measures to reduce risks are implemented. Major risks are followed up at each Group Management meeting and reported quarterly to the Board through the Audit Committee in conjunction with the internal audit. Other risk mitigation measures are handled in the hierarchy of the organisation. The general approach to risk management is shown in the figure below. In 2019, the risk analysis was refined with a clear and variable risk tolerance for the various risk categories. Implementation of this work will take place in 2020.

Different types of risk mitigation measures may include:
- Technical solutions
- Administrative control routines and instructions
- Insurance
- Transfer of liability to another party
- Avoidance of certain activities/business

Risk workshops at Senior Management level
Our risk workshops are examples of how risks are managed at the Senior Management level. These workshops are held annually in the different business area management groups as well as functions and sections at Group level. The purpose is to identify and quantify the risks and events that potentially threaten Preem’s business objectives. Risks and threats are identified, the likelihood of occurrence is assessed, and underlying causes are documented. The consequences that the risks may have are quantified in the categories of health and safety, the environment, loss of production, property, loss of revenue and brand.

For more information on how risks associated with each sustainability area are managed, see table on page 47.
Index for compliance with the Annual Accounts Act regarding sustainability

The purpose of the index is to make it easier for the reader to find information about Preem's significant risks and other information regarding sustainability required by the Swedish Annual Accounts Act.

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<td>Ethics and anti-corruption (p. 36)</td>
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<tr>
<td><strong>Policy documents</strong></td>
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<td></td>
<td>UN Global Goals (p. 16)</td>
<td>Risk management (p. 44)</td>
<td>Risk management (p. 44)</td>
</tr>
<tr>
<td><strong>Significant risks</strong></td>
<td>The Sustainability Report describes the significant risks related to the issues and is linked to the company’s activities that are likely to have negative consequences.</td>
<td>Climate (p. 18)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Environment (p. 38)</td>
<td>UN Global Goals (p. 16)</td>
<td>Sustainable value chains (p. 40)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>People and safety (p. 32)</td>
<td>UN Global Goals (p. 16)</td>
<td>UN Global Goals (p. 16)</td>
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<td></td>
<td>UN Global Goals (p. 16)</td>
<td>UN Global Goals (p. 16)</td>
<td>Ethics and anti-corruption (p. 36)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Global trends (p. 10)</td>
<td>Risk management (p. 44)</td>
<td>Risk management (p. 44)</td>
</tr>
<tr>
<td><strong>Risk management</strong></td>
<td>The Sustainability Report describes how the company handles the risks.</td>
<td>Climate (p. 18)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Environment (p. 38)</td>
<td>UN Global Goals (p. 16)</td>
<td>Sustainable value chains (p. 40)</td>
</tr>
<tr>
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<td>People and safety (p. 32)</td>
<td>UN Global Goals (p. 16)</td>
<td>UN Global Goals (p. 16)</td>
</tr>
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<td>UN Global Goals (p. 16)</td>
<td>Global trends (p. 10)</td>
<td>Risk management (p. 44)</td>
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<tr>
<td></td>
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<td></td>
<td>Global trends (p. 10)</td>
<td>Risk management (p. 44)</td>
<td>Risk management (p. 44)</td>
</tr>
<tr>
<td><strong>Result indicators</strong></td>
<td>The Sustainability Report describes key performance indicators that are relevant to the business.</td>
<td>Climate (p. 18)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
<td>People and safety (p. 32)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Environment (p. 38)</td>
<td>Targets and outcome (p. 49)</td>
<td>Targets and outcome (p. 49)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>People and safety (p. 32)</td>
<td>Targets and outcome (p. 49)</td>
<td>Targets and outcome (p. 49)</td>
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<td></td>
<td></td>
<td></td>
<td>Targets and outcome (p. 49)</td>
<td>Targets and outcome (p. 49)</td>
<td>Targets and outcome (p. 49)</td>
</tr>
</tbody>
</table>
About the report

Preem's Board of Directors and Chief Executive Officer hereby submit Preem's Sustainability Report for 2019 in accordance with the Swedish Annual Accounts Act (ÅRL).

The Sustainability Report covers the entire Preem Group. However, sustainability data will not always be presented for the entire Group. In such cases, the companies the information refers to will be clearly stated.

The basis for the report is Preem's sustainability framework, which is based on a materiality analysis that identifies Preem's most critical sustainability areas. Read more about Preem's materiality analysis and sustainability framework on page 14-15.

The report includes those parts of Preem's business that have the greatest impact on a sustainability focus area. For example, this means that the chapter on Environment focuses primarily on refinery operations and transport where the impact from emissions and risk of spills is the highest. Meanwhile, the chapter that addresses the focus area Climate includes more elements of the value chain. This also applies to Sustainable Products and Sustainable Value Chains as well as People and Safety.

Measurement and calculation methods are described when necessary in connection with the respective key performance indicators. Targets and comparative figures are reported as appropriate. The basic data for Preem's key performance indicators and statistics is primarily obtained from Preem's internal business systems. The data reported relates to the calendar year 2019 unless otherwise stated.

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

Targets and outcomes

**Stable economy**

<table>
<thead>
<tr>
<th>Sustainable profitability and value creation</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key figures for sustainable profitability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>3,330</td>
<td>3,570</td>
<td>4,188</td>
<td>Target: 3,706 SEK million</td>
</tr>
<tr>
<td>Return on Capital Employed - ROCE (%)</td>
<td>8</td>
<td>12</td>
<td>29</td>
<td>Target: ROCE average rolling over 5-year period &gt;15%</td>
</tr>
<tr>
<td>Solidity (%)</td>
<td>28</td>
<td>44</td>
<td>44</td>
<td>Target: at least 35%</td>
</tr>
<tr>
<td>Investments and R&amp;D linked to renewables or reduced climate impact</td>
<td>269</td>
<td>72</td>
<td>2,5</td>
<td></td>
</tr>
</tbody>
</table>

1) Investments that create the condition for renewable production and carbon dioxide reduction.

<table>
<thead>
<tr>
<th>Created and distributed economic value</th>
<th>Where impact occurs</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic value - generated:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>From customers</td>
<td>103,263</td>
<td>104,125</td>
<td>79,057</td>
<td>Net sales plus income from financial investments</td>
</tr>
<tr>
<td><strong>Financial value - distributed:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>To suppliers</td>
<td>89,852</td>
<td>88,046</td>
<td>62,823</td>
<td>Payments for materials, energy, machinery, other operating expenses and external services</td>
</tr>
<tr>
<td>Employees' salaries and benefits</td>
<td>To employees</td>
<td>1,625</td>
<td>1,482</td>
<td>1,339</td>
<td>Total salaries and benefits including employees' taxes and social security contributions</td>
</tr>
<tr>
<td>Payments to financiers</td>
<td>To banks and financiers</td>
<td>4,118</td>
<td>1,619</td>
<td>678</td>
<td>Interest paid to banks and financiers</td>
</tr>
<tr>
<td>Payments to the state</td>
<td>To society</td>
<td>11,078</td>
<td>11,093</td>
<td>9,633</td>
<td>Taxes, e.g., energy tax and carbon dioxide tax</td>
</tr>
<tr>
<td>Adjusted result</td>
<td>To the company</td>
<td>-3,329</td>
<td>1,886</td>
<td>4,384</td>
<td>Reinvestment or reserves etc.</td>
</tr>
</tbody>
</table>

1) The table shows actual payments from a cash flow perspective in accordance with recommendations from the Global Reporting Initiative.

2) The result 2019 is affected by Preem's re-financing.
### Climate

**Total CO\textsubscript{2} emissions (scope 1, 2, 3)**

<table>
<thead>
<tr>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>k tonnes</td>
<td></td>
<td></td>
<td>Long-term goal: net zero emissions of CO\textsubscript{2} by 2045</td>
</tr>
<tr>
<td><strong>Climate impact in the procurement phase</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other indirect CO\textsubscript{2} emissions (scope 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from resource extraction</td>
<td>5,764</td>
<td>7,337</td>
<td>7,037</td>
<td></td>
</tr>
<tr>
<td><strong>Climate impact in the business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct CO\textsubscript{2} emissions (scope 1), total</td>
<td>51,901</td>
<td>60,080</td>
<td>56,125</td>
<td></td>
</tr>
<tr>
<td>Direct CO\textsubscript{2} emissions from production, Lysekil (LVR)</td>
<td>1,680</td>
<td>2,161</td>
<td>2,039</td>
<td>Long-term goal: net zero emissions of CO\textsubscript{2} at the refineries by 2040</td>
</tr>
<tr>
<td>Direct CO\textsubscript{2} emissions from production, Gothenburg (GOR)</td>
<td>1,110</td>
<td>1,625</td>
<td>1,578</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions (scope 2)</td>
<td>570</td>
<td>536</td>
<td>461</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from purchased electricity, heating and cooling (market based)</td>
<td>0.17</td>
<td>0.15</td>
<td>0.16</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from purchased electricity, heating and cooling (location based)</td>
<td>44</td>
<td>58</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Other indirect CO\textsubscript{2} emissions (scope 3), total</td>
<td>50,221</td>
<td>57,919</td>
<td>54,085</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from transport (land, sea, quayside)</td>
<td>76</td>
<td>95</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Transport (land)</td>
<td>6.1</td>
<td>10.8</td>
<td>9.2</td>
<td></td>
</tr>
<tr>
<td>Transport (land) - reduced emission by using certificates</td>
<td>-2.1</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transport (sea, quayside)</td>
<td>72</td>
<td>84</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from stations\textsuperscript{2}</td>
<td>2.01</td>
<td>1.98</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from business travel (train, air, car)</td>
<td>1.11</td>
<td>1.49</td>
<td>1.13</td>
<td></td>
</tr>
<tr>
<td><strong>Climate impact in the user phase</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other indirect CO\textsubscript{2} emissions (scope 3), total</td>
<td>44,378</td>
<td>50,083</td>
<td>46,963</td>
<td></td>
</tr>
<tr>
<td>Indirect CO\textsubscript{2} emissions from the combustion of fossil fuels (TTW)\textsuperscript{3}</td>
<td>1,988</td>
<td>1,478</td>
<td>1,025</td>
<td>Long-term target: fulfill the EU's RED and the Swedish GHG emission reduction mandate</td>
</tr>
<tr>
<td>CO\textsubscript{2} savings compared to fossil alternative (Well-To-Wheel)\textsuperscript{4}</td>
<td>78</td>
<td>80</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>CO\textsubscript{2} savings compared to fossil alternative (Well-To-Wheel)\textsuperscript{4} %</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{1} Includes electricity use at our refineries as well as electricity, district heating and district cooling for depots and offices. The calculations are based on the supplier-specific emission factor for electricity, and an emission factor average value for Sweden for district heating (2014) and district cooling (2018). The supplier-specific emission factor for 2019 was not available at the time of calculation and therefore supplier-specific emission factor was used from 2018 for 2019 year calculations.

\textsuperscript{2} Emission calculations are based on data from approximately 44% of Preem’s Swedish stations and 33% of Preem’s Norwegian stations. Based on this data, a total value has been extrapolated.

\textsuperscript{3} TTW (Tank To Wheel) - carbon dioxide emissions from fuel combustion. The TTW value for fossil fuels is calculated based on the default values and the sold volume per fuel type.

\textsuperscript{4} CO\textsubscript{2} savings for sold renewable products compared to the corresponding fossil product, WTW = Well-To-Wheel
## People and Safety

### Employee wellbeing and development

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Promotor Score (eNPS)</td>
<td>44</td>
<td>46</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Number of new employees</td>
<td>138</td>
<td>151</td>
<td>131</td>
<td></td>
</tr>
<tr>
<td>Employee turnover</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Under 30 years</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>30-50 years</td>
<td>56</td>
<td>56</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>51-60 years</td>
<td>28</td>
<td>26</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Over 60 years</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Length of employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5 years</td>
<td>39</td>
<td>38</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>6-10 years</td>
<td>14</td>
<td>14</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>11-15 years</td>
<td>15</td>
<td>15</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>16-20 years</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Over 20 years</td>
<td>23</td>
<td>24</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Engagement Index (EI)¹</td>
<td>82</td>
<td>82</td>
<td>81</td>
<td>Target 2019: 82</td>
</tr>
<tr>
<td>Personality Assessment Inventory (PAI)²</td>
<td>78</td>
<td>79</td>
<td>N/A</td>
<td>Target 2019: 80</td>
</tr>
<tr>
<td>Gender distribution Board (men/women)</td>
<td>100/0</td>
<td>100/0</td>
<td>100/0</td>
<td></td>
</tr>
<tr>
<td>Gender distribution management group (men/women)</td>
<td>64/36</td>
<td>67/33</td>
<td>62/38</td>
<td></td>
</tr>
<tr>
<td>Gender distribution managers (men/women)</td>
<td>70/30</td>
<td>71/29</td>
<td>73/27</td>
<td></td>
</tr>
<tr>
<td>Gender distribution white collar (men/women)</td>
<td>62/38</td>
<td>62/38</td>
<td>60/40</td>
<td>Target: 50% men and 50% women by year 2023</td>
</tr>
<tr>
<td>Gender distribution blue collar (men/women)</td>
<td>91/9</td>
<td>92/8</td>
<td>89/11</td>
<td>Target: 70% men and 30% women by year 2030</td>
</tr>
<tr>
<td>Sick leave</td>
<td>2.90</td>
<td>3.10</td>
<td>2.90</td>
<td>Target: &lt;3%</td>
</tr>
</tbody>
</table>

### Health and safety

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWIF - Lost Workday Injury Frequency³</td>
<td>0.6</td>
<td>1.3</td>
<td>1.0</td>
<td>Target 2019: 1.4</td>
</tr>
<tr>
<td>All Injury Frequency (AIF)⁴</td>
<td>3.9</td>
<td>3.8</td>
<td>N/A</td>
<td>Target 2019: 3.0</td>
</tr>
<tr>
<td>Process Safety Event Rate (PSER)⁵ Tier 1 och 2</td>
<td>1.3</td>
<td>1.5</td>
<td>0.9</td>
<td>Target 2019: 1.4</td>
</tr>
</tbody>
</table>

1) EI shows the commitment of employees based on energy and clarity.
2) PAI follows up the social and organisational work environment in order to capture signs at an early stage that can lead to ill health.
3) LWIF is the frequency of absence accidents, i.e. accidents involving absence from work for at least one workday.
4) AIF measures less serious injuries per million hours worked.
5) PSER is calculated as the number of fixed-asset security deviations of Tier 1 and Tier 2 categories, divided by millions of hours worked.

## Responsible Business

### Business ethics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of employees that have completed the course Gift or Bribe - what are the rules?</td>
<td>88.0</td>
<td>89.8</td>
<td>74.6</td>
<td>100% of the identified target group should have received training every two years.</td>
</tr>
</tbody>
</table>
### Environment

<table>
<thead>
<tr>
<th>Emissions to air, soil and water</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions of nitrogen oxides (NOx) to air from production¹</td>
<td>tonne</td>
<td>824</td>
<td>876</td>
<td>787</td>
<td></td>
</tr>
<tr>
<td>Emissions of nitrogen oxides (NOx) to air from production L YR</td>
<td>tonne</td>
<td>542</td>
<td>623</td>
<td>573</td>
<td></td>
</tr>
<tr>
<td>Emissions of nitrogen oxides (NOx) to air from production GOR</td>
<td>tonne</td>
<td>282</td>
<td>253</td>
<td>214</td>
<td></td>
</tr>
<tr>
<td>Emissions of sulphur oxides (SOx) to air from production</td>
<td>tonne</td>
<td>718</td>
<td>552</td>
<td>350</td>
<td></td>
</tr>
<tr>
<td>Emissions of sulphur oxides (SOx) to air from production GOR</td>
<td>tonne</td>
<td>54</td>
<td>31</td>
<td>66</td>
<td></td>
</tr>
</tbody>
</table>

| Severe environmental incidents² | Number | 0   | 0   | 0   | Target: No serious environmental incidents. |

| Energy use within Preem* | GWh | 6,980 | 9,576 | 8,910 | Target: Best quartile for refineries in Europe. |
| Energy use outside Preem | GWh | 278  | 347  | 355  | |
| Energy use transport (land and sea) | GWh | 241  | 310  | 317  | |
| Energy use transport (land) | GWh | 18   | 34   | 35   | |
| Energy use transport (sea) | GWh | 223  | 276  | 282  | |
| Energy use - fuel stations¹ | GWh | 37   | 37   | 38   | |

| Energy intensity, ranking in Western Europe⁶ | Eli | -   | 9   | -   | Best quartile for refineries in Europe. |
| Energy intensity L YR, ranking in Western Europe | Eli | -   | 3   | -   | Best quartile for refineries in Europe. |

1) Emissions to air from process plants in Gothenburg and Lysekil.
2) Emissions to air from process plants.
3) The metric 'Severe environmental incident' includes the measurement of major environmental incidents that during the year resulted in violation of conditions or laws (where Preem is convicted of a crime) or damage to the brand.
4) Total energy use within Preem includes Preemraff Gothenburg and Lysekil as well as depots. Deduction for residual heat sold as district heating.
5) Energy use for fuel stations includes electricity and heat consumption. Energy use is based on data from approximately 44% of Preem's Swedish stations and 33% of Preems Norwegian stations. Based on this data, a total value has been extrapolated.
6) Energy intensity is a benchmarking index, where energy consumption is normalised so that refineries can compare their energy intensity regardless of size or complexity. Here we present the ranking for refineries in Western Europe that participated in the Solomon study. The scale is from 0 to 100 where ranking 0 = first place.

### Sustainable value chain

#### Sustainable products

<table>
<thead>
<tr>
<th>Environment and social impact in the supply chain</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fossil fuels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fossil fuel production</td>
<td>000 m³</td>
<td>16,279</td>
<td>18,693</td>
<td>17,375</td>
<td>Target 2019: 100%</td>
</tr>
<tr>
<td>Suppliers that approved Preem's Code of Conduct (share of volume)³</td>
<td>%</td>
<td>98</td>
<td>34</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Suppliers evaluated on the basis of sustainability (share of volume)²</td>
<td>%</td>
<td>96</td>
<td>80</td>
<td>70</td>
<td>Target 2019: 80%</td>
</tr>
<tr>
<td>Renewable fuels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of renewable fuels in total produced volume</td>
<td>% m³</td>
<td>1.24</td>
<td>1.11</td>
<td>0.93</td>
<td>Target: 2030: 5,000,000 m³ renewable production</td>
</tr>
<tr>
<td>Percentage of renewable fuels in sales, Sweden</td>
<td>% m³</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Percentage of renewable fuels in total sales</td>
<td>% m³</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Renewable raw materials evaluated on the basis sustainability (share of volume)³</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>Target 2019: 100%</td>
</tr>
<tr>
<td>Suppliers that approved Preem's Code of Conduct (share of volume)³</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>Target 2019: 100%</td>
</tr>
<tr>
<td>Suppliers evaluated on the basis of sustainability (share of volume)²</td>
<td>%</td>
<td>99</td>
<td>100</td>
<td>62</td>
<td>Target 2019: 100%</td>
</tr>
</tbody>
</table>

| Sustainable assortment | | | | | |
| Sustainability of sold items (% of # items) | % | 13 | 12 | - | Target: at least 35% |

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.
### Preem's contribution and impact on the UN Global Goals

<table>
<thead>
<tr>
<th>FN GOAL</th>
<th>RELEVANCE</th>
<th>PREEM'S FOCUS AREAS</th>
<th>PREEM'S CONTRIBUTION AND IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minimal</td>
<td>Sustainable value chains</td>
<td>♦ Preem can indirectly contribute to poverty reduction by purchasing raw materials in a sustainable way from areas in need of income.</td>
</tr>
<tr>
<td>2</td>
<td>Medium</td>
<td>Sustainable value chains</td>
<td>← There is a risk that renewable raw materials for fuels will compete with land areas for food production. ♦ Preem acts as a role model in the industry.</td>
</tr>
<tr>
<td>3</td>
<td>Medium</td>
<td>Environment People and safety Responsible business Sustainable value chains</td>
<td>← Preem's operations involve certain health and safety risks (purchasing, refining, transport and sales). ♦ Through Preem’s ambitious work on health and safety, we minimise and manage risks and contribute positively to education and proactive health and safety work. Preem's health and safety rules apply to employees, suppliers and business partners alike.</td>
</tr>
<tr>
<td>4</td>
<td>Minimal</td>
<td>Responsible business</td>
<td>♦ Preem contributes to education through programmes such as Mitt Livs Chans (My life's chance) and My Dream Now, and provides work placements for high school youth in Lysekil.</td>
</tr>
<tr>
<td>5</td>
<td>Medium</td>
<td>People and safety</td>
<td>♦ Diversity and an inclusive culture strengthen our business. Preem works actively with a more even gender distribution of collective employees, officials and managers, including clear goals. Through Preem's Code of Conduct, we make demands on our suppliers and accept no discrimination, regardless of cause.</td>
</tr>
<tr>
<td>6</td>
<td>Low</td>
<td>Environment People and safety Sustainable value chains</td>
<td>← Preem does not work in areas where there is a shortage of water and the water we use is thoroughly cleaned before it is released. In the value chain, however, there are risks around water use, emissions and spills. ♦ Preem sets requirements through our Code of Conduct regarding environmental issues at the supplier level and evaluates the raw materials we choose to buy based on climate impact and sustainability perspectives.</td>
</tr>
<tr>
<td>7</td>
<td>High</td>
<td>Environment Responsible business Sustainable products Sustainable value chains</td>
<td>← Refining involves high energy use and Preem is constantly working to improve energy use and to find renewable alternatives for energy use. ♦ By investing in renewable fuels and sustainable supply chains on a large scale, Preem contributes to the increased production of sustainable energy with reduced climate impact. ♦ Preem has a responsibility for energy security in Sweden by maintaining a compulsory storage of fuels.</td>
</tr>
<tr>
<td>8</td>
<td>High</td>
<td>Stable economy Responsible business People and safety Sustainable value chains</td>
<td>♦ 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 production to the innovative production of sustainable, renewable fuels. ← Preem buys raw materials from different parts of the world where there are challenges regarding working conditions in the supply chain. ♦ Preem sets requirements for decent working conditions both in our own operations and at the supplier level through our Code of Conduct.</td>
</tr>
<tr>
<td>9</td>
<td>High</td>
<td>Climate Sustainable products Sustainable value chains</td>
<td>♦ Preem's investments in renewable fuels contributes to innovative solutions to reduce climate impact. Innovative initiatives such as CCS can also lead to reduced climate impact from our industry. ♦ Preem has a responsibility for energy security in Sweden by maintaining a reliable and stable compulsory storage of fuels and, through our vessels, is part of the Swedish merchant fleet.</td>
</tr>
</tbody>
</table>
## Sustainability notes

<table>
<thead>
<tr>
<th>FN GOAL</th>
<th>RELEVANCE</th>
<th>PREEM’S FOCUS AREAS</th>
<th>PREEM’S CONTRIBUTION AND IMPACT</th>
</tr>
</thead>
</table>
| 10        | Low       | Sustainable value chains                    | *There is a risk that we indirectly support regimes, which do not work to achieve greater equality, by purchasing raw materials from these regions.*  
  ✤ By evaluating both raw materials and suppliers from a sustainability perspective and following rules on international trade, Preem reduces the risk of supporting regimes that do not operate in accordance with the UN.  
  ✤ Preem contributes to the goal by actively promoting inclusion and working against discrimination in all forms within Preem. |
| 11        | Medium    | Environment                                  | *Preem's products adversely affect air quality when used in, for example, the transport sector.*  
  *Preem's production produces air emissions. Emissions are regulated by environmental permits and have decreased dramatically over time.*  
  ✤ Preem's refineries emit significantly less emissions than an average refinery in Europe. |
| 12        | Medium    | Responsible business                        | *Preem's business poses challenges regarding the sustainable consumption of finite resources. We constantly work to improve and streamline our resource utilisation, chemical management, energy use and offer our customers sustainable choices.*  
  ✤ Through Preem's strategic investment in renewable fuels, we contribute to more sustainable consumption and production. |
| 13        | High      | Climate                                     | *Preem's value chain produces large carbon dioxide emissions during production and especially when using fossil fuels.*  
  ✤ Preem's focus on renewable fuels offers great opportunities to improve the transport sector's overall climate impact.  
  ✤ Preem's investment in capturing and storing carbon dioxide is expected to reduce the climate impact of our production. |
| 14        | Medium    | Environment                                  | *Preem's operations involve certain risks related to discharges to nearby coastal areas and in connection with sea transport. Preem places high demands on our environmental permits that we follow.*  
  ✤ Through developed routines and our Code of Conduct, we can help prevent and reduce sea pollution, both from our own operations and in our supply chain. For example, we place far-reaching demands on the shipping companies and boats that carry out our sea transport, for example to avoid discharges/spills to seas. |
| 15        | Medium    | Environment                                  | *As demand for renewable raw materials increases, so does the risk of them being produced in an unsustainable manner, such as by cutting down rainforest for the production of palm oil.*  
  ✤ Through Preem's Code of Conduct, we set clear requirements for sustainability for our renewable raw materials. We also use residual products from the forest industry, which optimises the use of resources. We ensure that the suppliers we work with also work in a sustainable way. |
| 16        | Low       | Responsible business                        | *Preem buys raw materials from regions with challenges regarding human rights and corruption.*  
  ✤ Through Preem's Code of Conduct, we impose sustainability demands on our suppliers such as regarding human rights and corruption. |
| 17        | Low       | Responsible business                        | *Preem sources raw materials from many areas of the world and contributes to economic development in these regions. In the future, we expect to take an active role in establishing new streams of renewable raw materials, which can contribute positively to the development of poor countries.* |
The most sustainable company in the industry 2019

Preem has again been named the most sustainable brand in the fuel industry in both B2B and the consumer sector according to the Sustainable Brand Index survey, which annually lists Sweden's most sustainable brands.