

Preem Holding AB Impact and allocation report 2022

Table of contents

Sustainability Strategy and long-term goals	3
The Green Bond	5
Overview of current activities	6
Projects	7
Reporting principles and methodology	12
Green Financing Framework	13
Auditor's Limited Assurance Report	16



Our vision is to lead the transformation toward a sustainable society, but the journey there is challenging.”

Impact and allocation report 2022

Sustainability Strategy and long-term goals

We are glad to present Preem Holding ABs first Impact and Allocation report for 2022 which summarizes our investments in our renewable value chain.

Preem is Sweden’s largest fuel refining and marketing company. We refine and sell fossil and renewable fuels and lubricants to companies and private customers. As an independent refining and marketing company, we are free to buy crude oil and renewable raw materials from all over the world, which are then transported to Preem’s refineries. We will create long-term value for customers, society and shareholders by meeting the demand for sustainable products with a focus on superior performance in refining, distribution and sales. Renewable fuels form a key part of Preem’s strategy and transition toward net-zero climate impact in 2035.

Our vision is to lead the transformation toward a sustainable society, but the journey there is challenging. At the same time, the ongoing climate crisis requires us to accelerate

our sustainability work. For Preem, which has both a large fossil fuel production and an ambitious sustainability agenda, this means that our business must fundamentally change.

It will require focused efforts and extensive investments to reach our ambitious goals. Preem takes a positive view of societal development and welcomes the change that is underway. We must achieve a climate neutral value chain with net zero emissions as early as 2035.

Our strategy is based on a transition from fossil fuels to renewables. This takes place through research and development, the development of new, renewable value chains, the adaption of our refineries and sales channels, and proactive advocacy work.

Preem Holding AB (publ.), corporate ID. no. 559210-7410 (“Preem Holding”) is the parent company of Preem AB (publ), corporate ID. no. 556072-6977 (“Preem”) and a wholly own subsidiary of Corral Petroleum Holdings AB (publ), corporate ID. no. 556726-8569.



Summary of Preem's long-term strategic direction, renewable transition and 2035 net-zero target:

- **Preem is committed** to increasing its renewable revenue streams and is looking to remain competitive through highly profitable renewable projects.
- **The Company is** well equipped for the energy transition, having built up extensive experience with renewable production and has already made related infrastructure investments in its existing refineries.
- **Preem will focus** on transforming existing assets from fossil refining to renewable refining where possible. This option is open to Preem as a result of a long-term commitment to maintain the good condition of its assets.
- **Renewable investments** will provide an attractive revenue stream providing a more sustainable source of cash flow going forward.
- **Preem is taking** a holistic approach to the sustainable transition and in addition to focusing on the refining of

- renewable fuels, is reducing its cost base, optimizing its retail outlets by adding EV-charging capabilities and optimizing its climate impact from logistics through digitalization.
- **The transition to** renewable production lays the foundation for very substantial emission reductions throughout the value chain and is accompanied by direct emission reductions at our refineries, for example through CCS and renewable hydrogen production.

By the end of 2022, EUR 99 million was allocated to the following Eligible project categories and EUR 136 million was allocated to renewable feedstock and EUR 106 million was held in liquidity.

The Green bond

In June 2022 Preem Holding AB issued its first Green Bond with a nominal value of EUR 340 million. The proceeds of the bond will help Preem to transform our business and will be allocated to the following project categories; Eco-efficient and circular economy adapted products, production technologies and processes, Renewable energy and Energy efficiency. The remaining part of the proceeds are held in cash until they are allocated.

Allocated Proceeds and Impact

Issuer: Preem Holding AB

Bond rating: Moodys and Standard and Poor's

Listing: TISE

Bond type: Senior Unsecured

Issue date: June 21, 2022

Maturity: June 30, 2027

Tranch: 5 year (FXD)

Nominal value: EUR 340 million

Coupon: 0.12

ISIN: PREEMS27

Use of proceeds: Eligible Green Projects in accordance with Preem's Green Bond Framework

Second opinion: CICERO Shades of Green, Light Green rating

The table shows the allocation and dedication of the Green Bond by 31-12-2022.

6 months after issue date 69% of the bond is allocated and 31% is being held in cash. Another 11% is already dedicated so in total 80% of the bonds value is dedicated.

Green projects	Dedicated EUR million	% of the bond	Allocated EUR million	% of the bond
Assets	83	24%	77	23%
Renewable feedstock	136	40%	136	40%
R&D	54	16%	22	6%
CCS	0	0%	0	0%
Maintenance cost	0	0%	0	0%
Total	273	80%	234	69%
Cash*			106	31%
Total			340	100%

*) Cash = Cash and cash equivalent and unused committed facilities

Overview of current activities

For the listed projects, 100% of project financing is covered by the green bond and all of these refer to Circular Economy Component.

Activity type	Project	Short Description	Dedicated Amount EUR million	Allocated Amount EUR million	Year of completion	Indicator 1 Expected replacement of fossil raw materials in tonnes	Indicator 2 Annual GHG emissions reduced/avoided in tons CO ₂ e
Asset	ISOGHT GOR	ISOGHT is a new facility that complements the GHT by providing the biodiesel with much better cold resistant properties allowing it to be used at freezing temperatures.	38.7	38.7	2015	110,000	325,000
Asset	GHT-Revamp	Reconstruction of co-processing facility to 100% biofuel production, increasing renewable production to 326 000 m ³ .	37.7	37.7	2019 & 2022	135,000	410,000
R&D	ICR Study	BED/FEED-study with purpose to revamp ICR unit for renewable production in two steps. First step with co-processing and second step 100% renewable production.	13.8	3.9	2023	1,250,000	Approx. 3,000,000 when facility is in full production.
R&D	HVO Study	BED/FEED-study with purpose to increase HVO-production in a new standalone facility.	40.5	18.2	2023	0*	2,600,000 when facility is in full production.
Asset	Green Hub Helsingborg	Converting and purchase of multiple tanks for increasing the storage capacity of renewable feedstocks/biofuels.	6.8	0.3	2023	N/A	N/A (pre-requisite for increasing handling of renewable fuels.
Total			137.6	98.8		1,495,000	

*) 1,085,000 additional volume of renewable fuels put on market.



Impact reporting

Project Iso GHT

Increasing the biofuel production capacity with 100,000 cubic metres/yearly. ISOGHT is a new facility that complements the GHT by providing the biodiesel with much better cold resistant properties allowing it to be used at freezing temperatures.

Framework category:	Eco-efficient and circular economy adapted products, production technologies and processes.
Project status:	Completed in 2015
Location:	Gothenburg
Invested amount:	EUR 39 million
Share of green financing:	100%
Purpose:	Increasing the biofuel production capacity with 100,000 cubic metres/yearly. ISOGHT is a new facility that complements the GHT by providing the biodiesel with much better cold resistant properties allowing it to be used at freezing temperatures.
Sustainability impact:	The CO ₂ -value chain emissions from the increase in biofuel production is 325,000 tons less than from corresponding fossil fuels.



Impact reporting

Project GHT revamp

The reconstruction of the co-processing facility in Gothenburg allows for 100% biofuel production, increasing renewable production to 326,000 m³.

Framework category: Eco-efficient and circular economy adapted products, production technologies and processes.

Project status: Completed in 2019/2022

Location: Gothenburg

Invested amount: EUR 38 million

Share of green financing: 100%

Purpose: Reconstruction of co-processing facility to 100% biofuel production, increasing renewable production to 326,000 m³.

Sustainability impact: The CO₂-value chain emissions from the increase in biofuel production is 410,000 tons less than from corresponding fossil fuels.



Impact reporting

Project ICR study

Screening/feasibility study ICR revamp including pretreatment.

Framework category:	Eco-efficient and circular economy adapted products, production technologies and processes.
Project status:	Completed in 2022
Location:	Lysekil
Invested amount:	EUR 4 million
Share of green financing:	100%
Purpose:	RBED/FEED-study with purpose to revamp ICR unit for renewable production in two steps. First step with co-processing and second step 100% renewable production.
Sustainability impact:	The CO₂e-value chain emissions from the increase in biofuel production is approx. 3,000,000 less than from corresponding fossil fuels.



Impact reporting

Project HVO study

Screening/feasibility study ICR revamp including pretreatment.

Framework category:	Eco-efficient and circular economy adapted products, production technologies and processes.
Project status:	In progress
Location:	Gothenburg
Invested amount:	EUR 18 million
Share of green financing:	100%
Purpose:	BED/FEED-study with purpose to increase HVO-production in a new standalone facility.
Sustainability impact:	The CO ₂ e-value chain emissions from the increase in biofuel production is approx. 2,600,000 less than from corresponding fossil fuels.



Impact reporting

Project Green hub depot Helsing- borg

Revamp of 9 tanks into renewable storage.
The depot is a prerequisite for the increased
production of renewable fuel.

Framework category:	Eco-efficient and circular economy adapted products, production technologies and processes.
Project status:	Completed in 2023
Location:	Helsingborg
Invested amount:	EUR 0.3 million
Share of green financing:	100%
Purpose:	Converting and purchase of multiple tanks for increasing the storage capacity of renewable feedstocks/biofuels.
Sustainability impact:	



Reporting principles and methodology

This report is aligned with market best practices outlined by the International Capital Market Association (“ICMA”) and Green Bond Principles handbook “Harmonised Framework for Impact Reporting” 2022.

For completed projects, the actual impact is reported (ex-post) while impact for non-completed projects consist of estimated figures (ex-ante).

CO₂e-impact is calculated based on best practice methods (GHG-protocol) and emission factors used are based on guidelines from the Renewable Energy Directive (RED).

The reported distribution and impact are based on the status of the Green Register as of December 31, 2022. The full year

impact is accounted for regardless of when an activity is included in the Green Register.

A limited assurance of the use of proceeds reporting for green bonds is provided by an accredited third-party auditor. For further details regarding impact methodology, see Appendix.



Green Financing Framework

In 2022, Preem established the Green Financing Framework as a foundation for working with green financing in a structured and transparent way, providing investors and other stakeholders with accurate, relevant and comprehensive information

Green financing instruments will assist Preem in the transition into becoming a leading renewable fuel producer and distributor - to play a key role in the energy transition for a low-carbon and sustainable economy.

Green Financing Instruments include Green bonds, Green loans, Green hybrids, Green private placements, Green project finance and any other financial instrument where the proceeds can be exclusively allocated to finance or re-finance - either in part or in full, new and/or existing Eligible Green Projects and Assets and/or Assets as defined in this framework.

The framework is designed to ensure that any Green Financing Instruments issued by Preem and/or its subsidiaries are aligned with market best practices outlined by the International Capital Market Association (“ICMA”) 2021 Green Bond Principles and the Loan Market Association (“LMA”) 2021 Green Loan Principles.

The following sections are included in the framework:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Use of Proceeds

Projects and activities need to fall into one of the following three categories to be considered for green financing at Preem:

1. Eco-efficient and circular economy adapted products, production technologies and processes
2. Renewable energy
3. Energy efficiency

Initially we have decided to focus on category 1 “Eco-efficient and circular economy adapted products, production technologies and processes”.

Within this category we have identified five activity types:

Eco-efficient and circular economy adapted products, production technologies and processes:

C. R&D investments related to renewable and circular solutions.

D. Investments in CCS/CCU technology.

A. Investments in biofuel facilities.

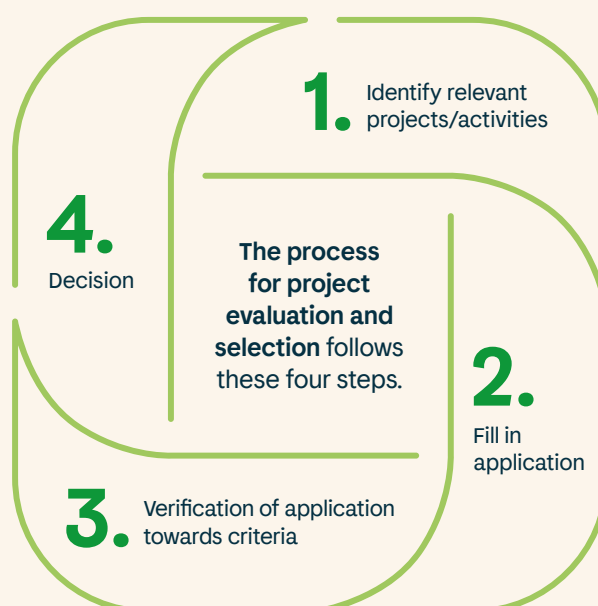
B. Purchase of renewable feedstock.

E. Expenditures for maintenance of biofuel facilities.

Process for Project Evaluation and Selection

Preem has established an internal governance structure to ensure the application of this green financing framework. A Green Financing Committee is established to ensure the selection of Eligible Green Projects and Assets are following compliance with the eligibility criteria and to ensure monitoring principles for how capital is allocated to these projects and assets.

The Green Financing Committee is chaired by the Head of Finance and consists of the Head of Sustainability Management, Head of Controlling and senior members of the Sustainability and Finance teams. The sustainability representative holds a veto. Project teams and Management representatives recommend Eligible Green Projects and Assets to the Green Financing Committee for review against this framework. Larger investments are always approved by Preem Investment Committee and the Board of directors.



Management of Proceeds

The Green Financing Committee has met four times during 2022 and have granted a total amount of EUR 92 million in allocations for 2022.

Pending full allocation of an amount equal to the net proceeds of outstanding Green Financing Instruments, the proceeds will be held in cash or cash equivalent.

Allocations of renewable feedstock are done jointly together with Green Finance Committee, the Sustainability team and Group Procurement. The Green Financing Committee will annually review the list of Eligible Green Projects and Assets and procured feedstock against the eligibility criteria.



Reporting

Preem will request on an annual basis, starting one year after issuance and until full allocation, an assurance report on the allocation of the Green Financing Instrument proceeds to Eligible Green Projects and Assets, provided by an external auditor. This assurance will be made available on Preem's website www.preem.com.

Photo: Maria Moustakakis (page 1, 11 and 12), Brendan Austin (page 3), Anna Sigvardsson (page 4), Patrik Johall (page 7, 9 and 10), Martin Rörberg (page 8 and 15), Emma Grann (page 13).

Auditor's Limited Assurance Report

To Preem AB (Publ), Corporate identification number 556072-6977.

Introduction

We have been engaged by the executive management/board of directors of Preem, AB (publ) ("Preem") to undertake a limited assurance engagement of the information in Preem's Impact and allocation report 2022 ("the Report"). The scope of our work is limited to assurance of pages 5 and 6 in the Report.

Responsibilities of the Board of directors and Executive Management

The Board of the directors and the Executive Management is responsible for preparing the Report in accordance with applicable criteria. The criteria is stated in:

- Chapter 2.1 "Use of proceeds" in Preem's Green Financing Framework, ("framework"), April 2022. The framework is available on Preem's website, and is the applicable criteria to the Report, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained.

We have conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected information in the Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent towards Preem in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by the Executive Management as described above. We consider these criteria suitable for the preparation of the Report.


We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm July 5, 2023
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant



Preem AB, 112 80 Stockholm
Visiting address: Warfvinges väg 45
Phone: + 46 (0)10-450 10 00
www.preem.se