

2020

Annual Report & Sustainability Report

This might look like a normal annual report.
But it's also a MSSK hockey supporter.



Instead of spending money on making these pages look fancy, we decided to donate the money to something way more important – the **girls in MSSK Hockey**. With this donation, we can give more girls the opportunity to play hockey.

And the rest is future.

/ David Öquist CEO



SUNPINE

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Adoption Certificate

The undersigned Board member of SunPine AB hereby certifies that this copy of the annual report matches the original and that the income statement and balance sheet were adopted at the Annual General Meeting on 21/06/2021. The AGM also resolved to approve the Board's proposed appropriation of earnings.

Piteå 2021-06-21

Directors' Report

The Board of Directors of SunPine AB, 556682-9122, hereby presents the annual report for 2020.

Operations in general

The company's mission statement is to extract renewable products based on forestry residues. SunPine extracts four products. Crude tall diesel, which accounts for most of the turnover, is an additive in the production of HVO (hydrogenated vegetable oil) and is mixed into diesel. Resin is a raw material for the production of, for example, printing ink, paints and adhesives. Turpentine is a product used, for example, in the perfume industry. Bio-oil, a raw material for energy production which is reused in the paper industry. The business operates from Piteå.

Ownership structure

Ownership is distributed as follows: Lawter BVBA owns 24.7 percent, and the remaining shares are equally owned by Preem AB, Sveaskogs Förvaltnings AB and Södra Skogsägarna economic association with 25.1 percent each. The ownership consortium in SunPine AB represents the entire processing chain from forest raw materials to the processing, marketing, and distribution of renewable fuels and resins.

Events during the financial year

In April, SunPine appointed David Öquist as the new CEO. David most recently came from a CEO role at the municipal company Piteå Renhållning och Vatten AB. David has also held leading positions in the chemical and manufacturing industries.

An important milestone in 2020 was the completion of a new process line. The new process line enables increased production capacity and optimization of the production process.

The ongoing world pandemic has greatly affected the company. Low oil prices and a volatile dollar exchange rate have resulted in a negative impact on the company's margins. Furthermore, demand for resin, diesel, bio-oil and turpentine has also decreased. Despite some negative effects because of Covid-19, the company has managed to operate full-scale production without staff cuts or lay-offs.

High availability and a high yield of the raw material resulted in stable production during the year. In total, the company produced more than 108,000 km of crude tall diesel, which was in line with the expected production volume.

The company's management launched a reorganization to clarify responsibilities and create the right conditions to work on future strategic issues within the organization.

Development of company operations, earnings and financial position

Amounts in SEK thousand

	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Net sales	1,361,209	1,425,497	1,451,145	1,192,727	943,027
Operating margin %	3	7	15	22	10
Earnings after financial items	36,170	99,972	217,611	255,677	91,026
Total assets	1,120,354	968,379	1,012,355	768,070	630,269
Return on capital employed %	6	14	33	46	21
Equity/assets ratio %	60	71	47	71	71

For definitions: see Note 27

In the wake of the ongoing pandemic, oil prices were volatile with a deep fall in the spring. This, combined with a falling dollar price, resulted in lower price levels for crude tall diesel, which negatively affected the company's net sales in 2020. Compared to 2019, net sales decreased by 4.5%.

At the same time, increased competition for crude oil drove up the company's raw material costs. Despite a falling dollar price and a low oil price, the cost of raw materials was higher than in 2019.

The above situation led to a lower price gap between the selling price of crude tall diesel and the purchase price of crude tall oil, which is the main reason for the decrease in the operating margin and the deterioration in earnings.

During the year, the company worked hard to bring down fixed costs, which gave a good result. Fixed costs decreased compared to 2019 and the outcome was 10% lower than budgeted costs. A positive counterweight to the lower price gap.

Investments for the year amounted to SEK 226 million (223 million). Most of the company's established investments relate to the completion of the new process line. As of December 2020, the company has invested SEK 406 million in the new process line that will be activated in January 2021. This investment has caused tight liquidity for the company, resulting in taking out a bank loan of SEK 200 million in 2020.

Expected future development

The new process line allows an increase in production volumes for crude tall diesel. An increase of 40% in volumes compared to 2020 is expected for 2021. This increase in production improves the company's profitability and strengthens cash flow from operating activities.

A new process line and increased production capacity are also a key to the company's future profit. The return on capital employed is expected to increase gradually in 2021.

Due to increased market competition of the company's raw materials and a continued lack of supply, the company calculates with increased prices for crude tall oil. Running in the new process line and achieving further productivity growth through increased yield will therefore be an important prerequisite for strengthening the ongoing operating margin.

Next year, the company will focus on implementing a new three-year strategy for 2021-2023 with clear priorities for future growth. Participation from the entire organization and a focus on carrying out specific activities to achieve the goals set permeate the strategy.

Through clearer economic governance, the work on cost savings will continue in the coming years. A new effective structure around financial follow-up and cost focus has been developed and will be launched in 2021.

The bank loan that the company took out in 2020 of SEK 200 million has a planned repayment period of two years.

Sustainability information

SunPine is subject to Swedish Annual Accounts Act regulations concerning sustainability reporting. The sustainability report is available as a separate part of the annual report. Under the provisions of the Swedish Environmental Code, the company pursues activities subject to permit.

Equity

	<i>Share capital</i>	<i>Fund for development costs</i>	<i>Balance sheet profit</i>	<i>Year's profit</i>
At beginning of year	6,636	51	467,176	59,533
Dissolution due to depreciation for the year		-41	41	
Dividend			-50,000	
Transfer of previous year's profit			59,482	-59,533
Earnings for the year				17,784
At the end of the year	6,636	10	476,699	17,784

Conditional reimbursement obligation for shareholders' contributions amounted to SEK 60,993 thousand (60,993 thousand).

Proposed allocation of the company's profit or loss

The Board proposes that the unappropriated earnings of SEK 494,534,057 be allocated as follows:

	<i>Amounts in SEK thousand</i>
Share premium reserve	380,809
Retained earnings	95,941
Earnings for the year	17,784
Total	494,534
As surplus carried forward	494,534
Total	494,534

As regards the company's position and performance otherwise, please refer to the following income statement, balance sheet and accompanying notes.

Income Statement

<i>Amounts in SEK thousand</i>	<i>Note</i>	<i>01/01/2020- 31/12/2020</i>	<i>01/01/2019- 31/12/2019</i>
Net sales		1,361,209	1,425,497
Other operating income	3	16,187	10,319
		<u>1,377,396</u>	<u>1,435,816</u>
Operating expenses			
Raw materials and consumables		-1,100,207	-1,073,058
Other external costs	4,5	-119,890	-137,033
Employee benefit expenses	6	-55,501	-52,437
Depreciation and amortisation of tangible and intangible assets		-54,245	-60,345
Other operating expenses	7	-4,481	-8,310
Operating profit		<u>43,072</u>	<u>104,633</u>
Profit from financial items			
Interest income and similar profit items	8	106	615
Interest expenses and similar expenses	9	-7,008	-5,276
Earnings after financial items		<u>36,170</u>	<u>99,972</u>
Appropriations	10	-13,349	-24,000
Profit before tax		<u>22,821</u>	<u>75,972</u>
Tax	11	-5,037	-16,439
Earnings for the year		<u>17,784</u>	<u>59,533</u>

Balance Sheet

<i>Amounts in SEK thousand</i>	<i>Note</i>	<i>31/12/2020</i>	<i>31/12/2019</i>
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Other intangible fixed assets	12	10	51
		10	51
<i>Tangible assets</i>			
Land and buildings	13	43,881	37,530
Plant and machinery	14	170,870	205,384
Equipment, tools, fixtures and fittings	15	13,436	15,202
Construction in progress and advance payments for property, plant and equipment	16	460,103	258,417
		688,290	516,533
<i>Financial assets</i>			
Other non-current receivables		1	1
		1	1
Total fixed assets		688,301	516,585
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		157,179	151,381
Finished products and goods for resale		26,750	61,120
		183,929	212,501
<i>Current receivables</i>			
Accounts receivable - trade		205,629	156,672
Current tax assets		5,089	-
Other receivables		152	7,510
Prepaid expenses and accrued income	17	11,763	7,357
		222,633	171,539
Cash and bank balances		25,491	67,754
Total current assets		432,053	451,794
TOTAL ASSETS		1,120,354	968,379

Balance Sheet

<i>Amounts in SEK thousand</i>	<i>Note</i>	<i>31/12/2020</i>	<i>31/12/2019</i>
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	18	6,636	6,636
Fund for development expenditures		10	51
		6,646	6,687
<i>Non-restricted equity</i>			
Share premium reserve	19	380,809	380,809
Profit/loss brought forward		95,941	86,367
Earnings for the year		17,784	59,533
		494,534	526,709
Total equity		501,180	533,396
Untaxed reserves			
Accumulated excess depreciation	20	138,949	133,400
Tax allocation reserves	21	76,900	69,100
		215,849	202,500
Provisions			
Other provisions	22	12,500	22,922
		12,500	22,922
Non-current liabilities			
Long-term liabilities to credit institutions	23	100,000	-
		100,000	-
Current liabilities			
Bank overdrafts	24	8,616	-
Liabilities to credit institutions		100,000	-
Accounts payable - trade		142,783	188,661
Other current liabilities		20,862	882
Accrued expenses and deferred income	25	18,564	20,018
		290,825	209,561
TOTAL EQUITY AND LIABILITIES		1,120,354	968,379

Cash flow statement

<i>Amounts in SEK thousand</i>	<i>Note</i>	<i>01/01/2020- 31/12/2020</i>	<i>01/01/2019- 31/12/2019</i>
Operating activities			
Earnings before financial items		43,072	104,633
Adjustments for non-cash items, etc.	26	43,802	70,345
		<u>86,892</u>	<u>174,978</u>
Interest received		106	615
Interest paid		-2,399	-776
Income tax paid		-10,126	-18,571
Cash flow from operating activities before changes in working capital		74,473	156,246
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease (+) in inventories		28,572	-33,193
Increase(-)/Decrease (+) in operating receivables		-46,005	28,783
Increase (+)/Decrease (-) in operating liabilities		72,646	-123,398
Cash flow from operating activities		129,686	28,438
Investing activities			
Acquisition of tangible assets		-225,956	-222,879
Cash flow from investing activities		-225,956	-222,879
Financing activities			
Change in non-current liabilities/bank overdraft facilities		108,616	-
Currency change		-4,609	-4,501
Shareholder dividends paid		-50,000	-
Cash flow from financing activities		54,007	-4,501
Cash flow for the year		-42,263	-198,942
Cash and cash equivalents at the beginning of the year		67,754	266,696
Cash and cash equivalents at the end of the year		25,491	67,754

Notes

Note 1 Accounting principles

Amounts are in SEK thousands unless otherwise specified.

General accounting principles

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 Annual report and consolidated financial statements (K3).

Valuation principles etc.

Assets, provisions and liabilities have been valued at cost unless otherwise stated below.

Intangible fixed assets

Other intangible assets acquired by the company are recognised at cost less accumulated amortisation and impairment losses. Expenses for internally generated goodwill and brands are expenses in the income statement as they arise.

Amortisation

Amortisation is applied on a straight-line basis over the asset's estimated useful life. Amortisation is expensed in the income statement.

<i>Intangible assets</i>	<i>% per year</i>
<i>Acquired intangible assets</i>	<i>20</i>

Tangible assets

Tangible fixed assets are recorded at cost less accumulated depreciation. In addition to the purchase price, cost includes expenditures directly attributable to the acquisition.

Additional expenses

Additional expenses that meet with asset criteria are included in the asset's carrying amount. Expenditures for maintenance and repairs are expensed as they arise.

Depreciation

Depreciation is applied on a straight-line basis over the asset's estimated useful life, as it reflects the expected consumption of the asset's future economic benefits. Depreciation is expensed in the income statement.

The following depreciation rates have been applied, taking into account the holding period of the assets acquired and divested during the year.

<i>Tangible assets</i>	<i>% per year</i>
Buildings	4-5
Expenditures made on other's property	25
Land improvements	5
Plant and machinery	10-20
Equipment, tools, fixtures and fittings	10-20

The buildings consist of a number of components with different useful lives. The main division is land and buildings. No depreciation is applied to the land component, the useful life of which is deemed to be unlimited. The buildings comprise several components, the useful life of which is the same.

Foreign currency

Monetary items (assets and liabilities) in foreign currency are translated at the closing rate. Exchange rate differences for operating receivables and liabilities are included in the operating profit, while differences for financial receivables and liabilities are reported among financial items. Non-monetary items are recognised on the date of the business event.

Inventories

Inventories are carried at the lower of cost and net realisable value and the risk of obsolescence is thus taken into account. Cost is determined using weighted average prices. Cost also includes expenditures for the purchase as well as expenditures incurred when bringing the inventories to their present location and condition.

In the case of products that are semi-finished and finished in-house, costs consist of direct manufacturing costs and those indirect costs which constitute more than an insignificant portion of the total cost of production. The valuation takes into consideration normal capacity utilisation.

Net realisable value is the estimated selling price in operating activities, less estimated expenses for completion and achieving a sale.

Tax

Reported income taxes include taxes payable or refundable for the current year and adjustments for previous years' taxes.

Tax liabilities/assets are valued at the amount which is payable to, or receivable from, the Swedish Tax Agency according to the company's assessment. The assessment is made according to the tax regulations and tax rates decided or announced and which in all likelihood will be adopted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry forwards, to the extent that it is probable that future taxable profits will be available against which the temporary differences or the unused tax loss carry forwards can be utilised.

Deferred tax assets have been valued at no more than the amount likely to be recovered, based on the current and future taxable profit. Estimates are reviewed at each balance sheet date.

Revenue

The inflow of financial benefits the company has received or will receive for its own account is reported as revenue. Revenue is measured at the fair value of the consideration received or receivable, net of discounts.

Sale of goods

On the sale of goods, revenue is recognised when the following criteria are met:

- The financial benefits associated with the transaction will likely accrue to the company
- The revenue can be reliably calculated
- The company has transferred the significant risks and benefits associated with the ownership to the buyer
- The company no longer has such an involvement in the operational management usually associated with ownership and also does not exercise any real control over the sold goods, and
- The expenses that have arisen or are expected to arise as a result of the transaction can be reliably calculated

Leases

All leases in which the company is the lessee are reported as operational leases, whether or not they are financial or operational leases. Leasing charges are expensed on a straight-line basis over the lease term.

Operational leases

Leasing charges in accordance with operational leases, including the marked up initial payment but excluding expenses for services such as insurance and maintenance, are reported on a straight-line basis as a cost over the lease term.

Employee benefits

Short-term benefits

Short-term benefits in the company consist of salary, social security contributions, holiday pay, paid sickness absence, health care and bonus payments. Short-term benefits are carried at cost, and as a liability when there is a legal or constructive obligation to pay benefits.

Post-employment benefits

The company only has defined contribution pension plans. For defined contribution plans, the company pays set fees to another company and has no legal or constructive obligation to pay anything further, even if the other company is unable to meet its obligation to pay. These expenses are charged to the company's income statement as the pensionable services of the employees are performed.

Termination benefits

Termination benefits are paid when a company decides to terminate an employment before the normal retirement date or when an employee accepts an offer of voluntary resignation in exchange for such remuneration. If the remuneration does not give the company a future economic benefit, it is reported as a liability, and a cost when there is a legal or constructive obligation to pay benefits. The benefit is measured to the best estimation of the remuneration required to settle the obligation on the balance sheet date.

Financial assets and liabilities

Financial assets and liabilities are reported in compliance with Chapter 11 (Financial instruments valued according to acquisition value) in BFNAR 2012:1.

Financial instruments recognised in the balance sheet include securities, trade and other receivables, current investments, trade payables, borrowings and derivative instruments. The instruments are reported in the balance sheet when the company becomes party to the contractual conditions of the instrument. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or has been transferred, and the company has, in all significant aspects, transferred all risks and benefits associated with ownership.

Financial liabilities are derecognised when the liabilities have been settled or have expired in any other way.

Trade receivables and other receivables

Receivables are carried as current assets, except for items with a maturity more than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are carried in the amounts in which they are expected to be paid, after adjustment for individually assessed doubtful debts. Receivables that are interest-free or run with an interest that deviates from the market rate and with a maturity that exceeds 12 months are recognised at discounted present value, with the change in time value of money recognised in the income statement.

Current investments

Securities acquired as short-term holdings are initially recognised at cost, and in subsequent valuations according to the lowest value principle at the lower of cost or market value. The item investments in securities, etc. includes shares held for the short-term investment of cash surpluses.

Trade payables

Current trade accounts payable are carried at cost.

Offsetting of financial receivables and financial liabilities

A financial asset and a financial liability are offset and carried at a net amount in the balance sheet only when there is a legal right for the offsetting and when a net amount is to be settled, or when a simultaneous disposal of the asset and a settlement of the liability is intended to take place.

Provisions

The company makes a provision when there is a legal or constructive obligation to pay and a reliable estimation of the amount can be made. The company makes a present value calculation of obligations expected to be settled more than 12 months hence. The increase in the provision due to the passage of time is reported as an interest expense.

Public grants

Government support is carried at fair value when there is reasonable assurance that the support will be received and that the company will meet all the associated conditions.

Government support relating to expected costs is reported as deferred income. The support is recognised in the period when the cost arises for which the government support is intended to compensate.

Government support for the acquisition of tangible assets reduces the asset's carrying amount.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow consists solely of transactions that have given rise to payments to or from the company. In addition to cash and bank, the company classifies balances with banks and other credit institutes as liquid assets.

Note 2 Accounting estimates and assessments

Inventories are a substantial asset for the company where an assessment is made regarding obsolescence. An assessment of the amount is also made under the item Provisions.

Note 3 Other operating income

	<i>01/01/2020- 31/12/2020</i>	<i>01/01/2019- 31/12/2019</i>
Exchange rate gains	14,211	9,670
Other	1,976	649
Total	16,187	10,319

Note 4 Remuneration and expense reimbursement for auditors

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
<i>EY (previous year PwC)</i>		
Audit assignment	300	289
Other assignments	-	13
	300	302

Note 5 Operating leases - lessee

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
<i>Future minimum leasing fees for non-cancellable operating leases:</i>		
Within one year	20,195	12,498
Between one and five years	70,507	36,706
Later than five years	61,024	28,480
	151,726	77,684
Expensed leasing fees for the financial year in respect of premises, tanks, containers and cars.	12,498	20,632

Note 6 Employees and employee costs

Average number of employees

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Men	48	39
Women	24	23
Total	72	62

Presentation of gender distribution in company management

	31/12/2020	31/12/2019
<i>Proportion of women</i>		
Board	25 %	50 %
Other senior executives	33 %	29 %

Pay, other benefits and social security expenses, including pension costs

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Board and CEO	1,416	1,620
Other employees	37,206	33,177
Total	38,622	34,797
Social security expenses (of which pension costs) 1)	16,671 4,246	15,600 3,718

1) Of the company pension costs, SEK 420 thousand (previous year 419 thousand) relates to the Board and CEO. The company's outstanding pension obligations for these amount to 0 (previous year 0).

An agreement has been reached with the CEO on severance pay amounting to 12 monthly salaries. The agreement only applies if termination is initiated by the company.

Note 7 Other operating costs

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Exchange rate losses on operating receivables/liabilities	4,481	8,310
Total	4,481	8,310

Note 8 Interest income and similar profit items

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Interest income, other	106	615
Total	106	615

Note 9 Interest expenses and similar profit items

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Interest expenses, other	1,092	175
Credit expenses, other	1,307	600
Exchange rate difference	4,609	4,501
Total	7,008	5,276

Note 10 Appropriations

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Difference between depreciation for tax and reporting purposes:		
- Plant and machinery	5,549	-1,600
Tax allocation reserve, this year's allocation	7,800	25,600
Total	13,349	24,000

Note 11 Tax on current year earnings

	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
Current tax expense	5,037	16,439
Tax on current year earnings	5,037	16,439

Reconciliation of effective tax

	01/01/2020- 31/12/2020		01/01/2019- 31/12/2019	
	Percent	Amounts	Percent	Amounts
Profit before tax		22,821		75,972
Tax as per applicable tax rate	21.4		21.4	-16,258
Non-deductible expenses	0.4		0.2	-136
Adjustment of taxable depreciation		3		3
Flat rate interest on tax allocation reserve	0.3	-73		
Change in deferred tax		-		-48
Reported effective tax	22.1	-5,037	21.6	-16,439

Note 12 Concessions, patents, licences, brands and similar rights

	31/12/2020	31/12/2019
<i>Accumulated costs</i>		
- At beginning of year	337	337
At year-end	<u>337</u>	<u>337</u>
<i>Accumulated depreciation</i>		
- At beginning of year	-286	-218
-Depreciation for the year	-41	-68
At year-end	<u>-327</u>	<u>-286</u>
Carrying amount at year-end	10	51

Note 13 Buildings and land

	31/12/2020	31/12/2019
<i>Accumulated costs</i>		
- At beginning of year	53,542	48,654
- New acquisitions	1,700	4,036
- Reclassifications	7,233	852
At year-end	<u>62,475</u>	<u>53,542</u>
<i>Accumulated depreciation</i>		
- At beginning of year	-16,012	-13,582
-Depreciation for the year	-2,582	-2,430
At year-end	<u>-18,594</u>	<u>-16,012</u>
Carrying amount at year-end	43,881	37,530
Of which land		
Accumulated costs	2,401	2,401
Carrying amount at year-end	<u>2,401</u>	<u>2,401</u>

Note 14 Plant and machinery

	31/12/2020	31/12/2019
<i>Accumulated costs</i>		
- At beginning of year	521,388	493,213
- New acquisitions	2,260	3,926
-Adjusted opening balance, cost	-	45
- Divestments and disposals	-	-127
- Reclassifications	8,706	24,331
At year-end	<u>532,354</u>	<u>521,388</u>
<i>Accumulated depreciation</i>		
- At beginning of year	-316,005	-266,404
-Business combinations	-	-45
-Reversed depreciation on divestments and disposals	-	93
-Depreciation for the year	-45,479	-49,556
At year-end	<u>-361,484</u>	<u>-316,005</u>
Carrying amount at year-end	170,870	205,383

Note 15 Equipment, tools, fixtures and fittings

	31/12/2020	31/12/2019
<i>Accumulated costs</i>		
- At beginning of year	76,166	73,204
- New acquisitions	1,803	1,981
- Divestments and disposals	-352	-
- Reclassifications	2,573	1,731
	<u>80,940</u>	<u>76,916</u>
<i>Accumulated depreciation</i>		
- At beginning of year	-61,715	-53,516
- Reversed depreciation on divestments and disposals	352	-
- Depreciation for the year	-6,141	-8,199
	<u>-67,504</u>	<u>-61,715</u>
Carrying amount at year-end	13,436	15,201

Note 16 Construction in progress and advance payments for tangible assets

	31/12/2020	31/12/2019
At beginning of year	258,417	72,362
Reclassifications	-18,512	-26,880
Reclassifications to expenses	-174	-
Investments	220,372	212,935
Carrying amount at year-end	460,103	258,416

Note 17 Prepayments and accrued income

	31/12/2020	31/12/2019
Prepaid rents	3,659	2,421
Accrued transport subsidies	1,112	634
Accrued income	4,244	2,939
Prepaid expenses	1,137	271
Other items	1,612	1,092
	<u>11,764</u>	<u>7,357</u>

Note 18 Number of shares and quota value

The share capital consists of 66,359 class A shares and 0 class B shares (previous year 66,359 class A shares and 0 class B shares). Quota value 100 SEK.

Note 19 Allocation of company profit or loss

Proposed allocation of company profit or loss

The Board proposes that non-restricted equity of SEK 494,534,057 be appropriated as follows:

	31/12/2020
Carried forward	<u>494,534</u>
	494,534

Note 20 Accumulated excess depreciation

	31/12/2020	31/12/2019
Machinery and equipment	138,949	133,400
	138,949	133,400

Note 21 Tax allocation reserve

	31/12/2020	31/12/2019
Tax allocation reserve, allocation for tax year 2018	43,500	43,500
Tax allocation reserve, allocation for tax year 2019	25,600	25,600
Tax allocation reserve, allocation for tax year 2020	7,800	
	76,900	69,100

Of the taxed allocation reserves 20,6 % (21,4 %) is deferred tax.

Note 22 Other provisions

	31/12/2020	31/12/2019
Future costs for emptying the sediment	12,500	22,922
Total	12,500	22,922
Carrying amount at year-start	22,922	12,922
Provisions made during the year *		
Amount claimed during the year	-10,422	10,000
Carrying amount at year-end * (incl. increases of existing provisions)	12,500	22,922

The provision refers to future costs for emptying and destruction of the sediment that has formed in the tanks used by the company.

Note 23 Long-term liabilities

	31/12/2020	31/12/2019
Liabilities that fall due more than one year after the balance-sheet day		
Other liabilities to financial institutions	100,000	
Liabilities that fall due more than five years after the balance-sheet day		
Other liabilities to financial institutions	-	-

Note 24 Bank overdraft facilities

	31/12/2020	31/12/2019
Granted credit limit	200,000	200,000
Unutilised portion	-191,384	-200,000
Utilised credit amount	8,616	-

Note 25 Accruals and prepaid income

	31/12/2020	31/12/2019
Staff-related costs	9,937	9,040
Accrued cost of raw material purchases	6,360	9,699
Other accrued expenses	1,322	1,280
Other	945	
	18,564	20,019

Note 26 Other disclosures to the cash flow analysis

	31/12/2020	31/12/2019
Adjustments for non-cash items, etc.		
Depreciation	54,244	60,345
Other provisions.	-10,424	10,000
	<u>43,820</u>	<u>70,345</u>

Note 27 Key ratio definitions

Operating margin:

Operating profit / Net sales

Return on capital employed:

(Operating profit + financial income / capital employed)

Financial income:

Items in net financial items attributable to assets (included in capital employed).

Capital employed:

Total assets - non-interest-bearing liabilities

Non-interest-bearing liabilities:

Liabilities that are not interest-bearing. Pension liabilities are not considered to be interest-bearing.

Equity/assets ratio:

Total equity / Total assets

Note 28 Pledged assets and contingent liabilities

Pledged assets

	31/12/2020	31/12/2019
<i>Pledged assets for own liabilities and provisions</i>		
Floating charges	150,000	150,000
Total	150,000	150,000

Contingent liabilities

Contingent liabilities

Other guarantees, Länsstyrelsen

None

8,600

None

8,600

Signatures

Piteå 21/06/2021

Malin Hallin
Chairman of the Board

David Öquist
CEO

Mikio Katayama

Gustav Tibblin

Anders Jakobsson

My audit report was submitted on

Ernst & Young AB

Magnus Holmgren
Authorised Public Accountant

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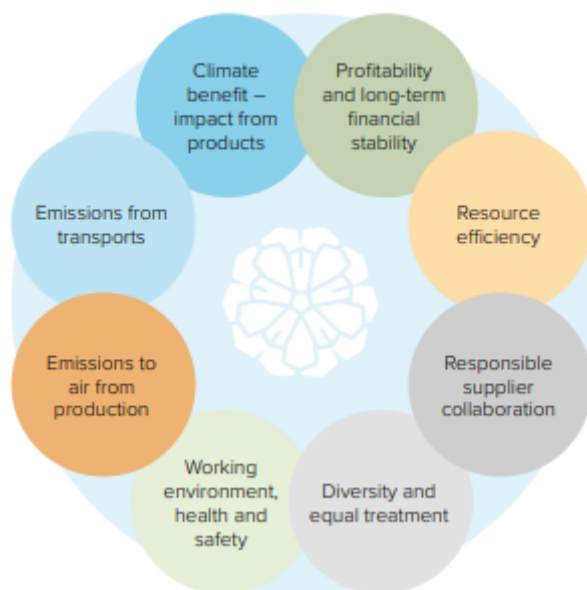
Sustainable operational development

Since the business was started, SunPine has been developing with a focus on sustainability that forms the basis of the company's business concept. The company is contributing to the green transformation of society by manufacturing products that make use of residues from the forest industry and sustainable forestry. Sustainability, Engagement and Respect are values that permeate the company's work.

Stakeholder engagement and materiality assessment

At the end of 2017, SunPine initiated stakeholder engagement and materiality assessment as one aspect of the development of its sustainability efforts and to use as a basis for the company's sustainability report. The intention was to identify the issues that are most material to our effort to become more sustainable. Customers, owners, suppliers, residents in the nearby area, transport operators, trade associations and non-profit non-governmental organisations participated in the stakeholder engagement process. The participants were able to prioritise and discuss which sustainability issues they considered most material to SunPine. The discussion was supplemented by some of SunPine's employees and members of the management team carrying out the same exercise. The results from the stakeholder engagement were discussed and given more nuance in a workshop involving key individuals from the company and resulted in a number of material sustainability issues. These issues form the basis of the content in this sustainability report.

SUNPINE'S MATERIAL SUSTAINABILITY ISSUES



The company's ambition is to always be open with relevant information of interest. The development of the sustainability report is a further step in SunPine's process of increasing transparency in respect of the company's operations.

SunPine and the Sustainable Development Goals

In 2015, world leaders adopted 17 Sustainable Development Goals (SDG). The overall aim of the goals is to end extreme poverty, reduce inequality and injustice in the world, promote peace and justice and to solve the climate crisis by 2030. SunPine is contributing through its work primarily to goals 3, 5, 7, 8, 9, 10, 11, 12, 13 and 15. Identifying the connection between its business and the SDGs SunPine makes it clear that what it is doing at a local level is important in a global context.



Certified quality management system

SunPine has been certified in accordance with ISO 9001:2015 since January 2019. The certification is a mark of quality that demonstrates SunPine has a systematic working method that focuses on the customer. The focus of SunPine’s quality policy, which forms the basis of the company’s quality management efforts, is on high-quality products, satisfied customers, continual improvements to the business, sound leadership and good relationships with suppliers. The quality management system includes key performance indicators (KPIs) for all of the company’s processes and these are followed up on a monthly basis. The KPIs include zero tolerance of accidents involving people and the environment, customer satisfaction targets and targets for stable and profitable production. SunPine is constantly working on improvements to its quality management efforts. One effective tool is the internal audits that are conducted regularly. The company’s achievements over the course of the year include improvement to the handling of deviations and continued efforts to follow up targets and breaking down targets in order to further improve process governance in 2021.

SunPine labelled ‘Kranmärkt’

In 2020 SunPine was labelled ‘Kranmärkt’ in accordance with the national sustainability label Kranmärkt. This sustainability label is for businesses that choose tap water instead of bottled water. Bottled water requires manufacturing, heavy transport and it causes unnecessary emissions and waste. SunPine’s management decided that Kranmärkt was entirely consistent with the company’s sustainability efforts.

Investments in increased production

In January 2018, the European Parliament voted to adopt the Renewable Energy Directive which gave a green light for the use of tall oil as a part of the sustainable fuels of the future. For SunPine this was a prerequisite for the decision to expand. SunPine invested in a new production facility in Piteå to enable capacity to increase by 50 per cent. The new production line has been built based on experience and lessons learned from the existing factory. For example, the facility has been energy optimised from the start. One major challenge in the project has been to build the facility during ongoing production at the same time as maintaining a focus on safety and logistics. SunPine works actively to develop and expand its business, which is a central part of the company’s efforts to contribute to the green transformation of society as a whole.

SunPine Sustainability Prize

In 2018 SunPine instituted a sustainability prize that is awarded at the Piteå Business Awards in Piteå. The prize consists of a specially designed glass bowl that contains SunPine’s tall diesel. Through the Sustainability Prize, SunPine acknowledges local companies that are contributing to sustainable development and stimulates other companies to develop their sustainability efforts.

The 2020 Sustainability Prize was awarded to Böle Garveri and Sandlunds/Hossein. Producers of unique leather that is now changing the lives of hundreds of families in Bangladesh. The manufacturing is carried out with great knowledge and a tradition of products that are meant to last a long time, and with great pride and care for the people with whom we work and the planet on which we live.

SunPine’s overall targets

SunPine’s target of not having any accidents that result in sickness absence was not achieved in 2020. Two accidents that resulted in absence, as well as four accidents that did not require absence occurred during the year (see Table 3). Preventive efforts will continue so that the target of zero accidents that lead to sickness absence can be achieved in the future.

The target of no environmental accidents in production that required contact with authorities was achieved in 2020.

Table 1 describes SunPine’s overall targets and provides examples of specific targets and the outcome for 2020.

Table 1

Material sustainability issues	Overall targets	Examples of specific targets and the outcome for 2020
Work environment, health and safety	Safety first	<ul style="list-style-type: none"> ✓ Zero work-related accidents resulting in absence ✓ Zero environmental accidents resulting in contact with authorities
Resource efficiency	Stable and profitable production	<ul style="list-style-type: none"> ✓ Accessibility diesel production 99% (excl. planned stoppages) ✓ Utilising >90% bio-oil for energy for the process
Diversity and equal treatment	Organisation	<ul style="list-style-type: none"> ✓ 100% conducted induction programmes for all new employees ✓ Growth based on need and with values
Profitability and long-term financial stability	Profitability	<ul style="list-style-type: none"> ✓ Go below our budgeted expenses ✓ ISCC certification - preparation ✓ Focus on expansion and process line 2

Products with a climate benefit

Climate benefit is the core of SunPine’s business concept. By refining waste products from the forest industry, SunPine is making efficient use of resources. SunPine’s renewable diesel product replaces fossil-based diesel and thus contributes to a positive impact on the climate through reduced carbon dioxide emissions from the transport sector.

Energy and resource-efficient cycles

SunPine is a world leader in the production of second generation fuels from renewable sources. This is possible thanks to the use of the waste product crude tall oil from sulphate pulp mills, where the forest is the original raw material. Using the crude tall oil, SunPine produces the main product crude tall diesel in an energy and resource-efficient way but also manufactures rosin, turpentine and bio-oil. SunPine's manufacturing process is unique in terms of the combination of the raw material used, the products that are being extracted and the low energy requirements of the industrial facility.

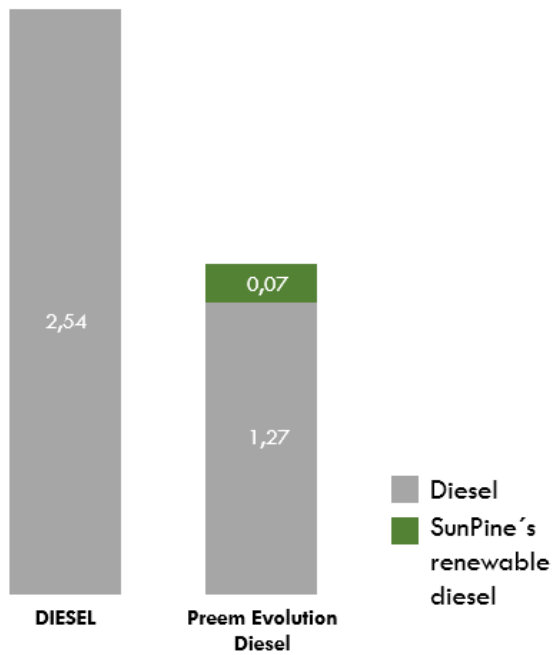
Contribution to reduced carbon dioxide emissions

SunPine's products contribute to reducing Sweden's carbon dioxide emissions. The production chain of the raw material crude tall oil contains no emissions that affect the climate because it is by definition (Chapter 1, Section 2 of SFS 2010:598) a waste product that is generated at sulphate pulp mills. The climate impact of SunPine's crude tall diesel comes from transporting the raw material to SunPine's production facility and from SunPine's manufacturing process. The emissions in the process are primarily from the low volume of fossil heating oil that has not yet been possible to replace with bio-oil. Over the course of the year, SunPine has improved the procedures and tools used to calculate greenhouse gas emissions.

In 2020 SunPine produced 108 million litres of crude tall diesel (95 million litres in 2019) which Preem has subsequently used in their diesel. SunPine's crude tall diesel has thus contributed to a reduction in fossil carbon dioxide emissions of -257,548 tons of CO₂e compared to a situation in which Preem's customers had only used fossil-based diesel for their transport needs. **That is equivalent to the annual emissions from about 146,000 diesel cars.**

Caption for the image below: Preem Evolution Diesel: The product was launched in spring 2011 with 20 per cent renewable raw material. In 2012 the proportion of renewable raw material was increased to 30 per cent and today the Svanen ecolabelled Preem Evolution Diesel Plus is made of at least 50 per cent renewable raw material. The comparison below is for 50 per cent renewable raw material in one litre of Preem Evolution Diesel.

kg CO₂e/litre fuel



Based on an analysis conducted, SunPine has contributed to a reduction in carbon dioxide emissions from fossil fuels of 2.08 million tons since 2012.

Sustainable raw material

The bulk of the raw material crude tall oil comes from Swedish sulphate pulp mills. SunPine requires the crude tall oil to originate from sustainable and responsible forestry in accordance with the Swedish Energy Agency's sustainability certification requirements. In addition, there are requirements on physical traceability of the crude tall oil, which means that all those involved in the entire production chain have a responsibility to meet the sustainability criteria and to pass on information to the next party in the production chain about how this is done.

Resource-efficient processes

SunPine works systematically and continuously to ensure the production process is as energy and resource-efficient as possible. Proactive maintenance and efficiency measures are central to this ambition.

Preventative maintenance

A production stoppage not only entails a risk of delivery delays and loss of revenue, but also increased energy use, increased water use and additional waste caused by, for example, changes in materials. The risk of an unplanned stop in production is reduced through preventative maintenance, which contributes to more efficient production with high availability. Availability is a measure of efficiency and the goal for 2020 was to end up at 99 per cent, which SunPine achieved (it was also achieved in 2019). This is excluding the planned stoppages that took place during the year.

At the end of 2018, SunPine invested in an IT system to optimise its operations. The system contributes to more systematically organised maintenance, where the development of important key performance indicators can be monitored with even greater precision. The IT system has been implemented into operations and the first analyses of this were conducted in 2020.

Minimising waste

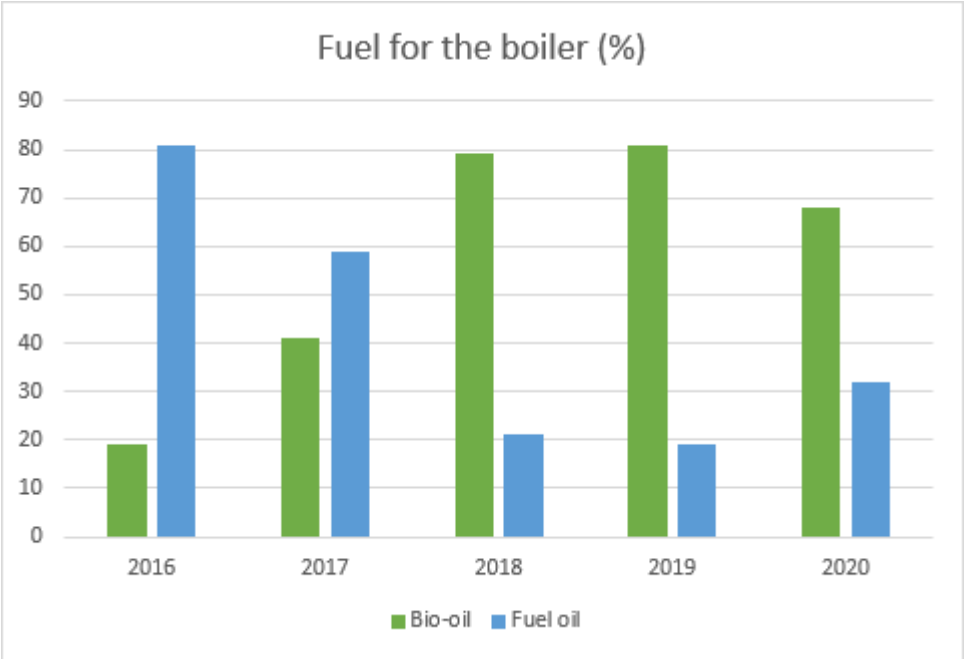
Reducing the volume of waste in the production process is a priority for SunPine. Production waste arises, for example, in connection with investment projects and maintenance work and can include sheet metal, scrap steel, wood and hazardous waste. One category of production waste that SunPine is working to reduce is the water mixture that **originates from the** pre-treatment of the crude tall oil. Instead of sending this water to a disposal site, another company extracts minerals and other substances from the water to use in its own industrial process.

Self-sufficient in biofuels

Since the upgrade in 2015, SunPine has successively been able to increase the use of bio-oil produced in-house in the production process. This is being done by installing new equipment that enables reliable burning of bio-oil. In 2020 in-house bio-oil accounted for 68 per cent of the energy required by the manufacturing process, which is a reduction from the previous year (see Table 2). One of the reasons for the reduction is problems with the pump for burning bio-oil. The boiler for the new process line was started up in the final months of the year and is excluded from Table 2.

All our premises are heated using residual thermal energy from the production process. The surplus is sold as district heating to Piteå Energi.

Table 2: Percentage distribution use of bio-oil and heating oil in the boiler in process line 1 per year.



Efficient transport

SunPine is continuously striving to reducing its environmental impact. An important part of this work involves maximising the proportion of return shipments and increasing the volumes per vehicle load and collaborating with contracted hauliers in order to increase the proportion of vehicles that run on biofuel.

Efficient logistics

Crude tall oil is transported both by sea and road from Swedish sulphate pulp mills throughout the country. Some raw material is bought from the USA and transported by sea to Piteå harbour. As SunPine will be increasing production in conjunction with the commissioning of the new production facility in 2021, the purchase of raw material will also increase. With the aim of reducing the negative environmental impact of transport, SunPine is striving to transport as much crude tall oil as possible by sea instead of increasing road freight transport.

The final product crude tall diesel is shipped by sea from Piteå to Preem's refinery in Gothenburg. Rosin is transported to Belgium in liquid form in heated containers on ships. As the rosin is not cooled in accordance with the conventional process, the energy that would otherwise have been needed to heat it up again at the receiving end is saved. In 2020 SunPine has continued to optimise the consignments sent by sea and organise joint consignments with other parties. For example, SunPine's rosin is transported together with other paper products from Piteå's paper mill. SunPine has storage tanks in Norrköping and this is where all crude tall oil from the southern parts of Sweden is collected before being shipped to Piteå. After unloading in Piteå, bio-oil is then loaded for transport back to Norrköping. By doing this, we create optimised and efficient ship transport.

Increased proportion of return shipments, greater transport volumes

An important focus area regarding transport is maximisation of loads for return shipments to minimise the number of empty vehicles. For example, SunPine works to ensure that vehicles delivering crude tall oil to the production facility transport bio-oil on the return journey. In 2020 six out of ten vehicles have been return shipments for transporting our bio-oil.

SunPine is also working actively to increase the volume per tanker vehicle. In 2020 the number of vehicles has increased with 74 tons per tanker instead of the normal 64 tons. This allowed SunPine to reduce the number of deliveries.

Emissions from production

The climate impact of SunPine's business comes from transporting the raw material to SunPine's production facility and from SunPine's manufacturing process. SunPine reports other emissions from production in an annual environmental report in accordance with the environmental authorisation that was renewed in 2019. SunPine's emission values fall below the allotted annual level with a good margin.

Increased production in a new factory

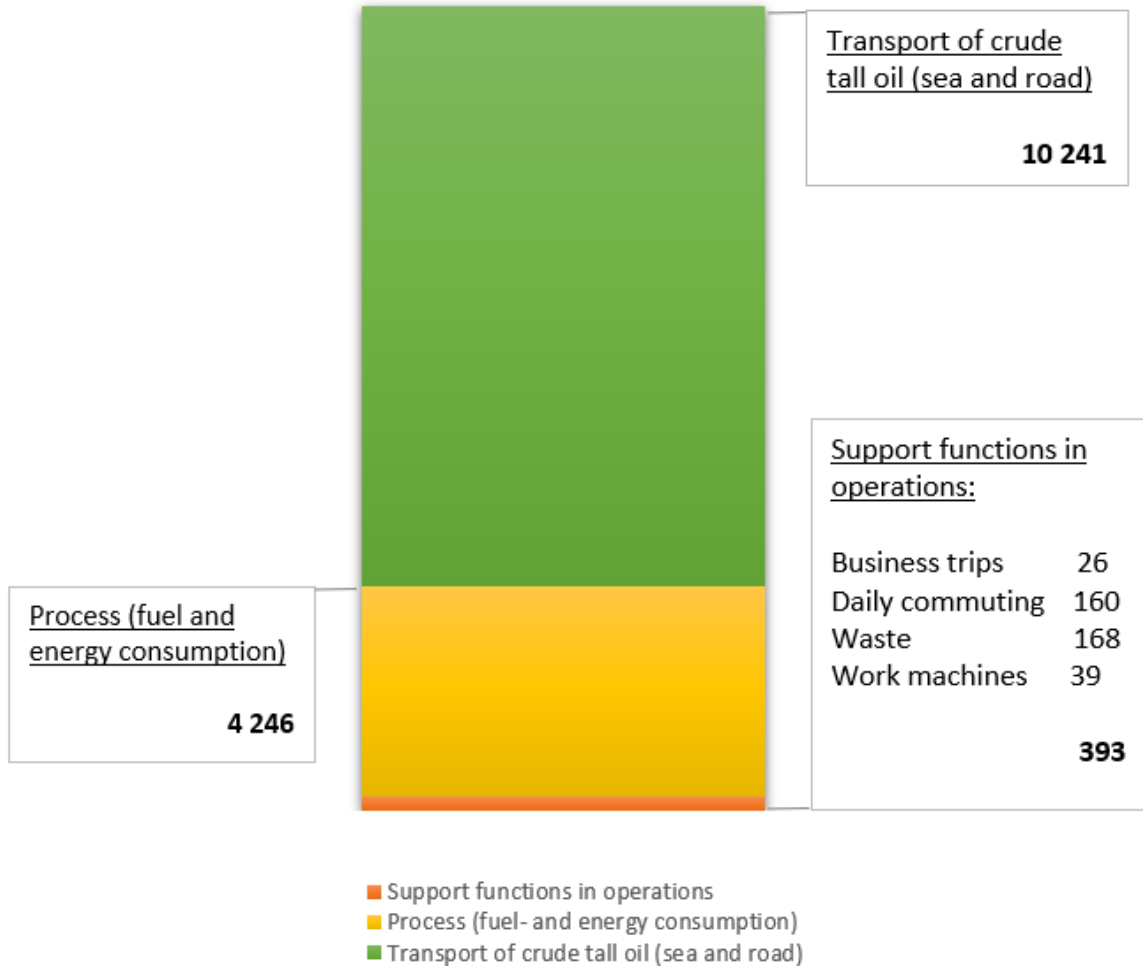
SunPine's new production facility, the construction of which began at the end of December 2019, was gradually started up during the final months of 2020. It is located next to the old factory and is more efficient than the old one. The facility also enables SunPine to produce products with a smaller CO₂ footprint thanks to the factory being more energy efficient and having an energy recovery system.

SunPine's operations are subject to authorisation under the Swedish Environmental Code. In 2019 the company obtained a new authorisation for its existing and expanded operations. The environmental authorisation encompasses the operation of a biodiesel facility with physical processes for an annual production of up to 550,000 tons of chemical products in the form of crude tall oil, bio-oil, rosin acid, turpentine and other similar products. SunPine's production causes emission into the air of very small amounts of carbon dioxide (CO₂), sulphur dioxide (SO₂), nitrogen oxides (NO_x) and dust/particles.

Climate emissions

SunPine's climate emissions amount to 14,880 tons of CO₂E for 2020 (the climate impact from the support functions during the project time in process line 2 is not included).

SunPine's climate emissions tonnes CO₂e 2020



69 per cent (10,241 tons of CO₂E) of these are represented by the transport of SunPine's raw material crude tall oil by ship and lorry to SunPine.

28 per cent of the emissions come from SunPine's process, which includes the fuel and energy use in production.

Support functions in the business such as business travel, daily commuting, waste and machinery account for the remaining three per cent.

In 2020 the climate emissions from business trips decreased from 64 tons in 2019 to 26 tons in 2020 as a result of the coronavirus pandemic when the number of journeys fell during the year.

Emissions of small levels of nitrogen oxides and sulphur gases

The emissions of nitrogen oxides amounted to 12.8 tons in 2020, which is lower than the allotted annual level of 26 tons.

SunPine's raw material crude tall oil contains sulphur that originates in the manufacturing process at the sulphate pulp mills. The sulphur is released when heated. The sulphur dioxide gas that arises has a

strong smell but is not hazardous in small amounts. A large proportion of all sulphur and most particles from the boiler are captured in connection with the incineration smoke being washed off before being released through the facility's chimney. In 2020 0.1 tons of sulphur were released into the air, which was far below the allotted annual level of 20 tons.

The emission of small amounts of sulphur dioxide is not hazardous to health but does cause an odour that is disturbing to both employees and residents in the nearby area. Sources of leaks may be difficult to identify as even small volumes cause a strong smell.

Over the course of the year, SunPine has continued to build away sources of odour, for example by creating a more efficient system for loading and unloading. SunPine's goal is for no odour to be detected from production, even if the wind is blowing. SunPine maintains a close dialogue with people who live nearby and we are working continuously to identify and rectify any sources of odour leakage.

SunPine stands for: Diversity and Equal Treatment

SunPine shall be a good employer and offer a workplace that is safe, developmental and stimulating for all employees. It is important that all employees understand their role and the importance of their own work in relation to the company's overall targets and vision. Over the course of the year, SunPine has clarified its vision and business concept, at the same time as its business culture is being developed. All SunPine employees shall feel safe, respected, committed and proud. Diversity and equal treatment are self-evident if we are to retain and attract qualified and committed employees.

Shared values and clear procedures

Employees have a central role in SunPine's effort to achieve its vision as a company. At SunPine, it shall be possible for all employees to feel safe, respected, committed and proud. Opportunities, rights and responsibilities shall be the same for all employees and the composition of the staff shall mirror the structure of society. Over the course of the year, SunPine has therefore continued to reinforce the company's values: Sustainability, Commitment and Respect. What these words mean is, for example, that we respect each other's differences and we spread information to everyone concerned.

Code of conduct

SunPine's new code of conduct is a complement to the company's ten rules. The code is based on SunPine's values and it shall permeate the company and simultaneously help employees to act with a common approach every day. The code of conduct also clarifies SunPine's effort to combat all forms of harassment and bullying. Discrimination undermines solidarity and commitment, which are keys to health, safety, job satisfaction and productivity. A clear procedure for tackling discrimination, victimisation and harassment is used and it encompasses all employees and temporary employees at the company.

The values entail:

- **Respect** for each other at work and professionalism is the key to a good work environment.
- **Committed** employees makes SunPine a successful company.
- **Sustainability** means that SunPine creates a good work environment, takes our environmental impact into account and strives towards sound finances, which enables long-term operations.

Care for the environment in day-to-day work

Because SunPine’s business concept involves making use of forest resources with the minimum possible environmental impact, SunPine cares about sustainability in day-to-day work. Among other things, this means that SunPine

- runs a business where injuries and problems for the environment and human health are prevented.
- prioritises environmental considerations ahead of production when there are disruptions to the process.
- combines profitable production with efficient use of resources and environmental considerations when developing products and making investments.

Continual improvement

SunPine’s strength is based on combined expertise, the ability to cooperate and the strong corporate culture our employees build together. Through a continual improvement process that is governed by targets, SunPine develops its business in order to ensure its competitiveness and secure the future.

Work with equality and diversity

SunPine works consciously with equality and diversity with the goal of achieving a more equal gender distribution and a desire for the staff composition to reflect the structure of society. SunPine continues to work within all departments in accordance with a clear equality plan that is followed up continuously. SunPine carries out analyses of gender distribution and age categories and has recruitment groups that consist of both women and men who actively search for candidates from the under-represented gender.

Gender and age distribution 31/12/2020

	Women	Men	<30 years	30-50 years	>50 years	Total
Board member	1	3	0	1	3	4
Deputy board member	2	2	1	2	1	4
Management	2	6	0	6	2	8
Administration (finance, supply chain, HSSE)	7	3	0	9	1	10
Maintenance and electricity	3	17	0	16	4	20
Production	7	15	2	15	5	22
Development	3	2	1	3	1	5
Total	25	48	4	52	17	73
Percentage breakdown, total	34%	66%	5%	71%	23%	

In 2020 the proportion of women decreased from 37 to 34 per cent, which is a deterioration in the gender distribution. In 2020 the proportion of employees under the age of 30 was the same as in 2019 and the proportion of employees in the segment 30–50 years decreased from 76 to 73 per cent. In 2020 the proportion of employees above the age of 50 increased from 20 to 23 per cent, which was an improvement. SunPine’s target is to achieve a more even gender and age distribution within all departments.

Work environment, health and safety

Within SunPine, the preventative safety work that is carried out in close dialogue with employees and contractors is central. The workplace shall be safe and secure and each employee is responsible for their own safety and that of others.

Commitment for a safe workplace

SunPine endeavours to avoid accidents affecting people and the environment in its operations. Safety is the result of everyone's commitment and contribution to a healthy and safe work environment. The preventative work environment effort is a strategically important issue for SunPine. The work is carried out as a close collaboration between management, employees, occupational safety and occupational health services. Each employee is expected to be vigilant to potential risks to health, safety and well-being in their own workplace and, for those identified, to provide suggestions about how they can be remedied.

Contractors who come to the workplace are also informed about their importance to the work environment so that they can contribute to a good work environment. In 2020 there were two accidents that lead to sickness absence for contractors. That is why the safety of contractors has been a focus area in 2020. Dialogues have been conducted with contractors with regard to risks, safety equipment and safety culture.

The most evident risks in SunPine's production process involves leakage of, for example, hot liquids/chemicals, fire incidents or explosions. In order to minimise the risks of accidents and ill health, the preventative work includes strict procedures, training, risk assessments and inspections. All observations, incidents and accidents are registered by employees and contractors in a deviation management system. All deviations are analysed in to determine the cause. It is desirable to increase the number of observations in order to identify risks that are present at an early stage. The number of observations increased from 95 in 2019 to 157 in 2020. This shows that one of SunPine's focus areas, finding more observations during the year, was successful.

Table 3:

	2017	2018	2019	2020
Observations	98	122	95	157
Incidents	74	64	43	29
Accidents with absence	8	5	12	4
Accidents without absence	0	3	0	2

SunPine is actively working to improve its environmental and work environment efforts. Work to achieve an even safer work environment with aid of the 5S method resumed in 2020. The goal is to ensure a high level of safety, quality and productivity in the organisation. The 5S method is seen as an important aid to achieving the goal of well-functioning and systematic work environment management at SunPine.

Developmental employee dialogue and health

A proactive employee dialogue is being prioritised in order to maintain employees' commitment to and participation in SunPine's future development. Individual action plans are drafted and followed up in regular performance appraisals. The design of the strategy of handling of SunPine's overall skills requirements is also matched against each employee's individual in-service training. In 2020 all employees participated in at least one performance evaluation.

In addition to statutory health monitoring, SunPine offers all employees an annual health check-up. In order to detect any potential risks to employees' well-being, a supplementary survey regarding health, lifestyle and life situation was also performed. Any rehabilitation interventions are arranged for employees who need additional support. All employees are also offered the opportunity to train at

several exercise facilities in Piteå, which was utilised by 53 per cent over the course of the year (46 per cent in 2019).

Recruitment of qualified staff and in-service training

SunPine's managers and leaders continue to play an important role in the work with values and the implementation of the common code of conduct, which took place in 2020.

SunPine's ambition is to have a low staff turnover in the existing working group, while, at the same time, the company wants to attract new qualified staff. The continuous work to recruit qualified staff was successful in 2020, for example within the areas of production, management and purchasing.

Responsible supplier collaborations

SunPine works for long-term relationships with its suppliers and shared development in a sustainable direction. It is an important part of achieving the vision of a green transformation based on products from sustainable forestry.

Sustainability requirements

Approximately 90 per cent of all purchases relate to raw materials and transport. SunPine endeavours to continuously develop long-term and sustainable relationships with its suppliers.

In addition to raw material and transport suppliers, SunPine hires contractors that carry our construction and maintenance work at the production facility and contractors who work on investments in the new facility. Contractors are also encompassed by SunPine's code of conduct and the company's regulatory framework regarding work environment, health and safety.

Supplier follow-ups

SunPine has annual reviews with a number of significant suppliers that include compliance monitoring. When purchasing transport for example, SunPine engages in a dialogue with hauliers with regard to efforts to reduce the environmental impact of transport. The dialogue also focuses on issues relating to drivers' work environment and working conditions so that the number of working hours and statutory rest periods are ensured.

Traceable raw material

The origin of the raw material is an important parameter both for SunPine and the company's stakeholders. That is why SunPine requires that suppliers are able to account for the origin of the crude tall oil and that it meets the sustainability criteria. The majority of the raw material crude tall oil comes from Scandinavian sulphate pulp mills. Imports of raw material are primarily from the USA. The bioliquids and biofuels and that are handled by SunPine meet the criteria as set out in the Act (2010:598) concerning sustainability criteria for biofuels and bioliquids.

International Sustainability & Carbon Certification (ISCC) is an international certification standard for ensuring both that a raw material does not risk contributing to deforestation and that there is full traceability in the supply chains. The ISCC standard is internationally recognised and is often a requirement from customers that purchase biofuels. Both the Sustainability Act and ISCC require the greenhouse gas emissions from the manufacturing and supplier stages to be calculated in order to prove that these are smaller than those of the fossil equivalent. Over the course of the year, SunPine has continued the work with ISCC certification by improving its tools for calculating greenhouse gas emissions so that the company meets the certification requirements. These are somewhat more conservative than the requirements under the Swedish Sustainability Act. SunPine has also reviewed

other processes concerned and necessary documentation regarding the ISCC requirements and intends to be ISCC certified in 2021.

Procedures for preventing undue influence

All purchases SunPine makes are handled by the company's purchasing function. SunPine's purchasing procedures for approval of suppliers and contracting reduce the risk of undue influence in supplier partnerships. SunPine adheres to the Swedish Anti-Corruption Institute's Code to prevent Corruption in Business. This is adopted in SunPine's new code of conduct for employees which also specifies that all benefits that influence behaviour, i.e. benefits that risk affecting the recipient's decisions or the way they carry out their work, are prohibited.

In 2020 SunPine has developed a new code of conduct for suppliers. The code of conduct is based on established international conventions and legislation and describes requirements and expectations on suppliers' sustainability efforts linked to social conditions, environment, climate and anti-corruption. By collaborating with suppliers that share SunPine's view of sustainability, respect for human rights and are committed and cooperative, both parties can contribute to positive changes and to meeting the Sustainable Development Goals. The code of conduct is appended to all new agreements and suppliers must certify their compliance with SunPine's requirements.

SunPine also has a completely digitised system for invoices, with invoice review and attestation in two different stages for each invoice. No cases of corruption have occurred in 2020.

The rest is future.



SUNPINE