

# SUNPINE

SUNPINE ANNUAL AND SUSTAINABILITY REPORT 2023



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# SUNPINE 2023

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# SunPine in numbers

0

accidents resulting in absence in 2023

At the turn of the year 2023/2024, we were able to celebrate day 1,327 without an accident resulting in absence from work.

100%

recycled and renewable raw material

We produce our products from 100% recycled renewable raw material from the forest industry.

4

billion SEK

For the business year 2023, we achieved a turnover of SEK 3 945 797, an increase of nearly 30 percent from 2022.

127 392

tonnes raw tall diesel

SunPine's production of raw tall diesel in 2023. This means that we have the capacity to produce an additional 100,000 tonnes for delivery to our customers.

94%

fossil-free production

Our production is nearly fossil-free: last year we stood at 94%.

77

patents

SunPine has an extensive patent portfolio, the result of our solid and continuous R&D work.

80

employees

SunPine currently has about 80 employees.

40%

women

4 out of 10 employees at SunPine are women. This is a high percentage for our industry, and the percentage in production is even higher: 47 percent women.

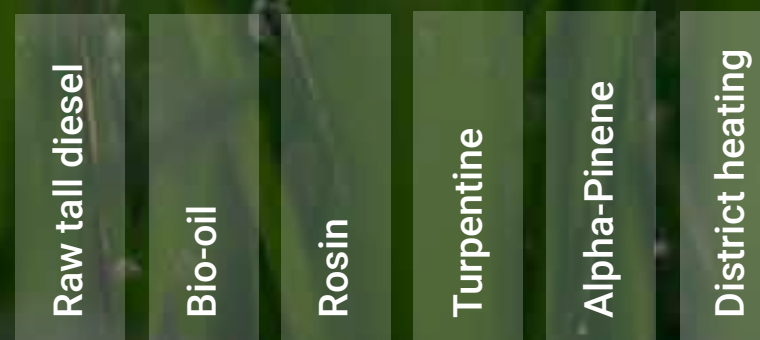
90%

CO<sub>2</sub> reduction value

Our main product, raw tall diesel, has a CO<sub>2</sub> reduction value of up to 90 percent.

6

products



Products made from recycled renewable raw materials.

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# Some highlights from the year

## Safety first

At SunPine, safety always comes first. Over the course of the year, we've stepped up and reinforced our health and safety procedures. These efforts have also resulted in an action plan to continue working with in 2024.

[Read more about our health and safety initiatives on page 31.](#)

## New product: Alpha-Pinene

In 2023, we continued our efforts towards the launch of our new product, alpha-Pinene. We made investments of SEK 35 million in our factory to be able to start production. In early 2024, we launched our offer to customers worldwide.

[Read more on page 33.](#)

## Focus on sales

In 2023 we actively worked to broaden the customer base for our products. This is a strategic shift that in many ways heralds the start of a new SunPine.

[Read more about our strategic shift on page 7.](#)

## Inclusion and diversity

For 2023, we incorporated questions about inclusion and diversity into our employee survey. We are very happy to see that the outcome of this index was 90 out of a possible 100, which means that our employees feel, among other things, that they can be themselves and express their opinions at work.

[Read more about our employee survey on page 23.](#)

## The menopause initiative

Equality in the workplace is not only a matter of gender distribution – it also means highlighting important social issues. As part of this work, we organized the Menopause Initiative in 2023.

[Read more on page 24.](#)

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# 2023 heralds the beginning of a new SunPine

2023 has been a year marked by geopolitical unrest, a turbulent global economy and an increasingly urgent need to reduce the world's dependence on fossil fuels. For SunPine, this means both short-term challenges and long-term opportunities. Over the past year, we have built an organisation that will ensure sustainable growth for many years to come.

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**First and foremost: How would you sum up this year for SunPine?**

– 2023 has been a hugely important year in which we have laid the groundwork for the coming decade. We have broadened the customer base for our products, developed a new strategic framework and made our sustainability efforts a major priority. But the year was also a volatile one for the biofuel market as a whole, marked by falling prices and political decisions. While Sweden decided to lower its climate ambitions with the scaling back of the reduction mandate, we see that many countries – and businesses in general – are moving in the other direction. I am very happy and proud of the strategic work we have undertaken over the course of the past year. It will promote sustainable growth while also making us less vulnerable to market and political instability.

**SunPine is on a journey of transformation, as part of which you are seeking to broaden your customer base. What is your reason for this, and where will this journey take you?**

– Since SunPine was founded, our main customers have been found among our owners. There has thus been limited need to be particularly sales-minded. *An important task for me as CEO is to reach out to a wider and international market for our products.* This is a prerequisite for continued growth and a more stable business, not least because of how our business is affected by national, political decisions. This year, we have taken major steps on that journey and realigned both our ways of working and our organisational structure to reflect this increased focus on actual and global sales. Our primary goal is clear: We are to use our entire production capacity of 230,000 tonnes of tall diesel. In 2023, SunPine delivered roughly 127,000 tonnes of tall diesel so there is major potential here, for us as well as for new and existing customers.

**You have said that some of the most compelling arguments for SunPine's Raw tall diesel are stability, quality, and volume.**

**What does that mean?**

- There are a number of reasons why there is a high level of customer interest, and we discuss these later in this report. But yes, the fact that we can guarantee large and stable volumes with consistent and high quality is valuable for many customers. Our Raw tall diesel is a clean and already refined product produced on the EU's internal market and delivered by tanker ship rather than by a hundred tanker lorries. Our deliveries also do not have to pass through, for example, the Suez Canal, with the risk of more expensive freights and production delays. An increasing global demand, together with the EU's ambitions to achieve climate neutrality, creates the need for

our customers to secure their supply of raw materials with the help of long and reliable contracts – and that is something we can offer.

**At the same time, the shift towards fossil-free fuels is becoming an increasingly important issue. What role should SunPine play here?**

*– The need for biofuels will rise dramatically in the coming decades.*

For example, the EU is now introducing reduction mandates for aviation fuel and marine fuels, and more and more countries are increasing their reduction mandates on the vehicle side. Globally, we see an increased consumption of fossil fuels. Biofuels are needed to reverse this trend, and SunPine can play an important and active role in this transition. SunPine's Raw tall diesel offers up to 90 percent reduction value for carbon dioxide – one of the highest reduction values on the biofuel market. Raw tall diesel is also classified as an "advanced biofuel", which in many countries allows you to double-count the reduction. But – and this must be stressed – no business is truly sustainable today. This also applies to SunPine; we cannot sit back and relax just because we have a renewable raw material. Instead, we must work to achieve further continuous improvements, both in our production and throughout our supply chain.

**What steps have you taken to ramp up your sustainability work in 2023?**

– On an organisational level, we have developed a new strategy and a work model where sustainability issues are to be integrated more deeply into our business and our decision-making. This is a prerequisite for being able to work in line with EU ambitions and future reporting requirements. We have also continued to optimise our production process and have now achieved a 94 percent fossil-free production. After ISCC-certifying our Raw tall diesel in 2021, and in keeping with the requirements, we have started to opt out of purchasing non-certified raw material.

– Of course, our sustainability efforts do not revolve exclusively around carbon dioxide and our direct climate footprint. Biodiversity is one of the areas where we have an opportunity to implement initiatives in the coming years that can make a real difference.

**Given the volatile market conditions and SunPine's strategic shift, what is your perspective on this year's financial performance?**

– The results we delivered were in many ways stronger than expected in terms of both volume and turnover. Turnover amounted to almost SEK 4 billion, up 30 percent from last year. To some extent, we have had market conditions in our favour in terms of a weak

krona and a somewhat attractive oil price. On the other hand, the year saw us acting on a largely saturated European biofuel market. With biofuel prices falling by up to 50 percent, I am very proud of this year's results and the effort it took to achieve them. We have to some extent compensated for the lower price levels by securing new customers for our products. On the bottom line, we see a weakened result of SEK 163 million in profit before tax, which was expected. But behind those numbers we see a reduced vulnerability and major potential for the coming years.

**Looking back on the past year, what are you particularly proud of?**

– Firstly, our employees have been absolutely critical for this year's success. For me personally, it is wonderful to see everyone's level of commitment to the changes made in 2023. I think that almost every employee has been touched by these organisational changes and have handled them with unwavering focus on the task at hand and their colleagues.

– I am also proud that SunPine increasingly gets to represent Sweden, our region, and the green transition. We have been invited to the Swedish Parliament to talk about reduction mandates and have also had television interviews on both SVT and TV4. In addition, we got to represent the north of Sweden when the US and EU trade and technology councils met in Luleå this spring. Here, we had the opportunity to present the company and our products to US Foreign Minister Anthony Blinken. SunPine is a mature company in the middle of the important green transition, and this increased exposure is a sign that we are doing good things.

**Finally, what are you most looking forward to in 2024?**

– Getting to take concrete steps in our new organisation, see our new market strategy unfold, accelerate our sustainability efforts, and focus even more on our customers. 2024 will truly be the year of the customer for us at SunPine. We already know that the coming year will bring initial volatility on the biofuels market, but we also know that demand will increase exponentially in the long term. I am very excited to see how a renewed SunPine will stand strong and reach new customer groups as the world continues to phase out fossil fuels.



DAVID ÖQUIST, VD SUNPINE

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# BUSINESS AND MARKET

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# This is SunPine

SunPine is one of the world's leading producers of raw materials for second-generation biofuels. Our patented process uses a renewable waste product from the paper and pulp industry to produce Raw tall diesel, which is then further refined into biofuel. As part of the process, we also extract several other products – such as rosin, turpentine, alpha-Pinene and bio-oil – and deliver them to customers worldwide.

The world must quickly phase out its dependence on fossil fuels in favour of more sustainable alternatives. That is the very basis of SunPine's business. Our production facility in Piteå is the world's first – and currently largest – facility for the production of Raw tall diesel from crude tall oil. The process is covered by 77 patents and is 94 percent fossil-free. Crude tall oil originally comes from pine, spruce and birch. SunPine purchases it as a residual product from the paper and pulp industry in Sweden, Finland, and the USA.

Our customers then refine the Raw tall diesel into biofuels that boast between 80 and 90 percent carbon dioxide reduction value compared to conventional fossil fuels. These biofuels can be used in both the automotive and aviation industries, as well as in the marine sector.

In our plant, we can produce 230,000 tonnes of Raw tall diesel every year. This production capacity equates to approximately 3 percent of Sweden's total diesel demand. As part of the production process, we also extract bio-oil, rosin, turpentine and alpha-Pinene. All our surplus energy is sent out via PiteEnergi as district heating to neighbouring industries.

## History and owners

The story of SunPine begins when chemical engineer Lars Stigsson sees how interest in biodiesel based on plant oils such as rapeseed and sunflower oil is growing in Europe. He identifies the opportunity to do the same with crude tall oil – a by-product of the pulp industry and a commodity that does not compete for arable land with the food industry. SunPine was founded in 2006, and four years later the first production facility was completed.

The plant has been built out and expanded several times since then, and Lars Stigsson and SunPine's chemist Valeri Naydenov also received the 2018 Polhem Prize – a prestigious technology award given to individuals who have contributed to Sweden's technological development.

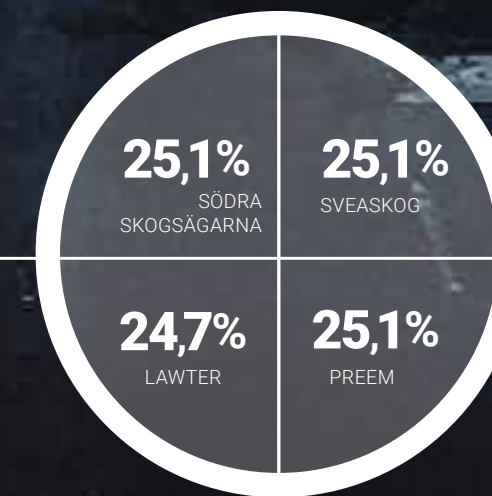
Today, SunPine is owned in almost equal shares by Preem AB, Sveaskogs Förvaltnings AB, Södra Skogsägarna economic association and the chemical company Lawter BVBA. SunPine's owners thus represent the entire processing chain, from raw forest material to processing and distribution.

Number of employees in 2023: **80**

Turnover: **MSEK 3 945**

Earnings: **MSEK 163**

## OWNERS



## VISION

The rest is the future.

## MISSION

Relying on innovation and novel technology, we extract the products of the future by making use of residual industrial products.

## BUSINESS MODEL

Using residual industrial products, we make it easy for our customers to create products to be proud of.

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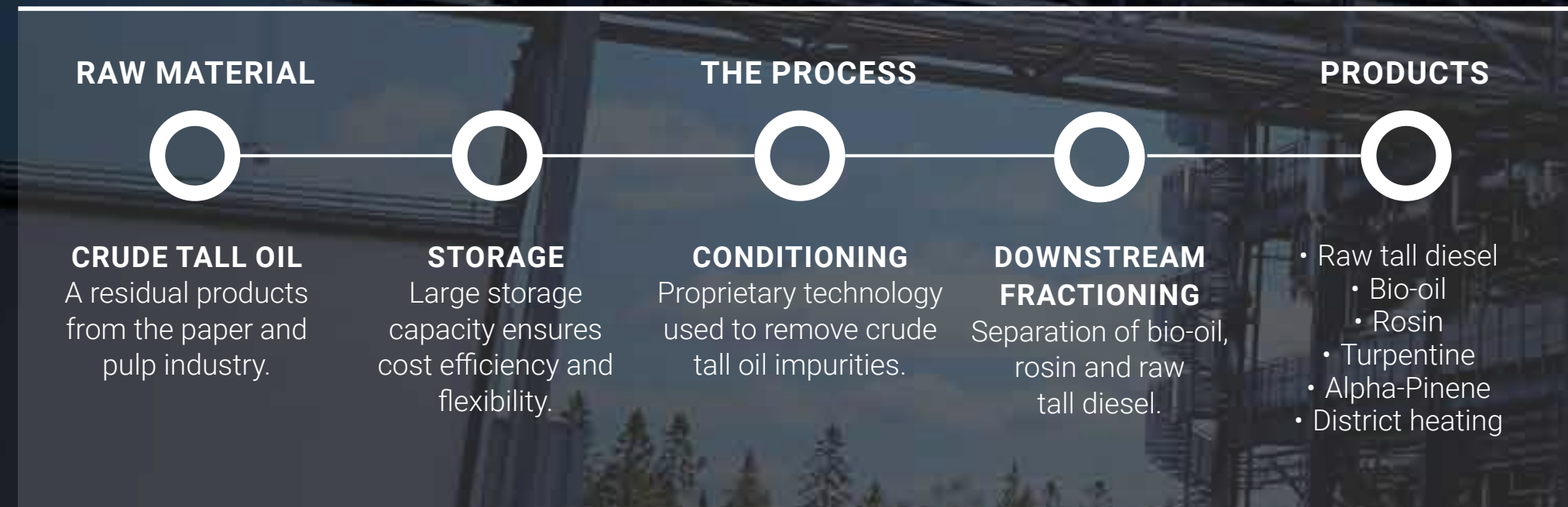
**SUNPINE**<sup>TM</sup>



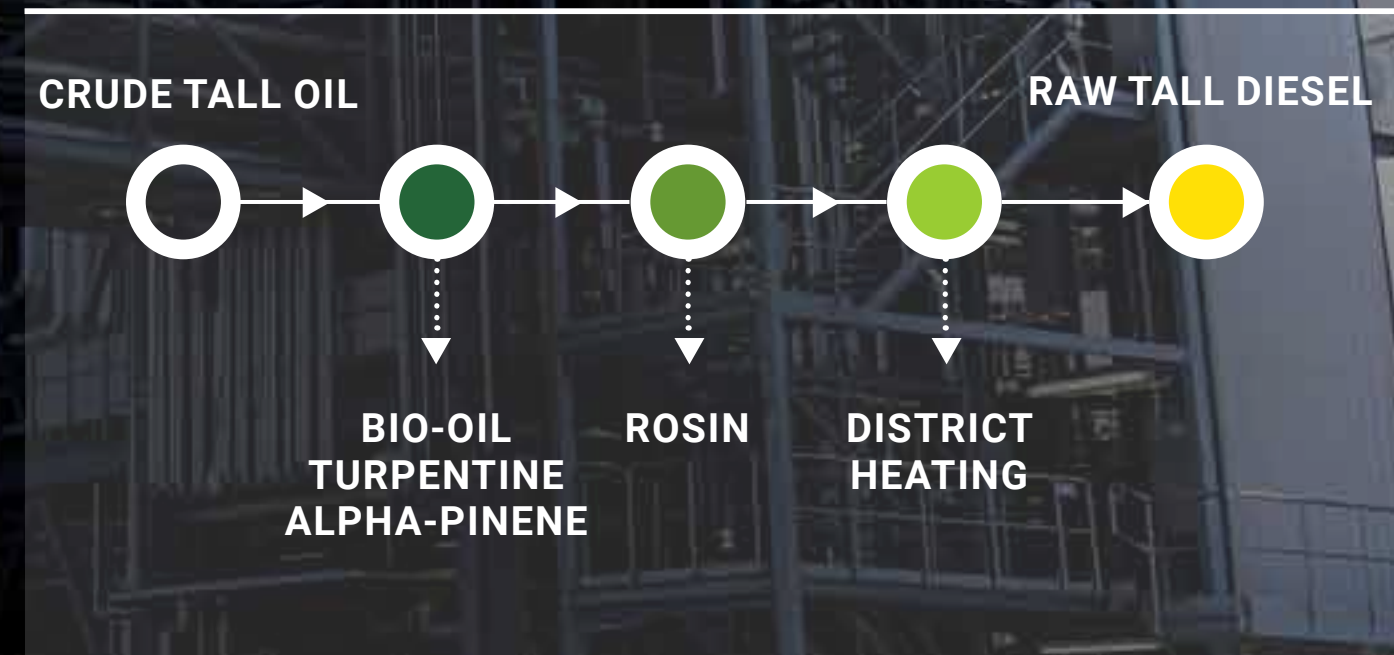
# Our process

Using a single renewable raw material, crude tall oil, we extract a range of products in our patented production process.

## SUNPINE'S PRODUCTION CHAIN



## SUNPINE'S PRODUCTS



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# Raw tall diesel

SunPine's main product is ISCC-certified raw tall diesel, a biofuel intermediate based on renewable tall oil. SunPine's raw tall diesel has a number of features greatly appreciated by our customers. These include:

## Production efficiency

**Better yield.** SunPine's raw tall diesel provides a better yield than other comparable alternatives. In concrete terms, this means that our customers get between four and twelve percent more fuel from their production process compared to using other raw material alternatives.

**Reduced hydrogen demand.** The raw tall diesel requires up to 40 percent less added hydrogen when being refined into second-generation biofuel. In cases where our customers obtain their hydrogen from natural gas, the reduced hydrogen demand means both lower purchase costs for natural gas and a reduced climate footprint.

**Less residual products.** Raw tall diesel gives rise to between 40 and 70 percent less residual product in our customer's production processes compared to other raw material alternatives. This ensures a more efficient reactor and allows the reactor volume to be better utilised for its primary purpose.

## In the production process

**High and consistent purity.** Our raw tall diesel is a preredefined product with very low phosphorus and metal content.

**High density.** A certain density is required for the biofuel to be classified as diesel. While fossil alternatives meet these density requirements, many raw materials for biofuels are too low in density. SunPine's raw tall diesel meets the density requirements, which is becoming increasingly important in view of increased international requirements for reduction mandates.

## Sustainability

**The market's highest reduction value for CO<sub>2</sub>.** According to current regulations, raw tall diesel has a reduction value of between 80 and 90 percent.

**Good traceability.** We are ISCC-certified and require our suppliers to be able to report the origin of the crude tall oil. This facilitates supply chain overview for our customers.

**Production in Europe.** SunPine's production takes place in Sweden and the majority of our crude tall oil is purchased from within Scandinavia. This means short transport chains for our European customers.

**Does not compete with food production.** The trees used to source the crude tall oil grow on land not suitable for food production, and the production of raw tall diesel therefore does not affect global food chains.

**Advanced Biofuel.** Raw tall diesel is one of the few products on the market with the Advanced Biofuel classification. In many countries, you can double-count the carbon dioxide reduction you get with a raw tall diesel-based HVO.

## Availability and security of supply

**High production capacity.** SunPine operates the world's largest plant for the production of raw tall diesel, capable of shipping 230,000 tonnes of raw tall diesel annually to our European customers.

**Secure delivery routes.** We deliver our raw tall diesel directly from northern Sweden without having to pass through logistical bottlenecks or potential flashpoints. With production and trade in the EU's internal market, we ensure security of supply.

## In the engine

**High cetane number.** HVO produced by our raw tall diesel has a high cetane number, meaning improved ignition properties of the fuel. The vehicle simply starts more easily with raw tall diesel in the tank.

**Correct viscosity.** Viscosity is an important factor for diesel engines, and Raw tall diesel's viscosity and lubricity levels promote maintained engine health.

**Good cold tolerance.** During the refining process, our customers can alter the properties of a fuel so that it can withstand lower temperatures without solidifying. Raw tall diesel is inherently very resistant to cold, which means that our customers do not have to account for this during production.

**High energy density.** Raw tall diesel has a high energy density, which contributes to better fuel economy of the biofuel.

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# Other products

In addition to raw tall diesel, we also extract other valuable products in the same production process, simply through more fractions on the same recycled renewable raw material. Our products are sold to customers in Sweden, Europe and the rest of the world.



## Bio-oil

Our bio-oil is a green heating oil based on crude tall oil and is a good alternative to fossil heating oils.

## Rosin

SunPine's rosin is extracted from the renewable crude tall oil and used by our customers in a variety of manufacturing processes. Some of rosin's many applications include the production of printing ink, glue, tape and various types of paint.

## Turpentine

The demand for turpentine is increasing on the world market, largely because of its ability to bind to fragrances. Turpentine is used in perfume manufacturing to bind fragrant aromas to our skin, and in chewing gum it is used to retain the flavour longer.

## Alpha-Pinene

Alpha-Pinene is a chemical compound used in everything from aromas and cosmetics to fabric softeners and cleaning agents. Alpha-Pinene can also be used in the production of broad-spectrum antibiotics. SunPine's patented process enables the extraction of alpha-Pinene from tall oil in a sustainable and cost-effective way, where a high percentage of the tall oil can be used.

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# The world we operate in

SunPine's operations are affected by global development and disruptive events, as well as by local trends here in Norrbotten. The ability to respond to these developments is a prerequisite for strengthening our business and for anticipating our customers' needs. Here we describe some of the events that have had the greatest impact on our operations during the year.

2023 was a year marked by continued geopolitical and financial unrest, an increased focus on the green transition, and political decisions that have affected our operations here in Sweden. These developments present both challenges and opportunities for sustainable growth.

## The scaled-back reduction mandate

In 2023, Sweden's government decided to lower the reduction mandate, i.e. the proportion of biofuel that must be mixed into conventional diesel, from 30,5 to 6 percent. This has a big impact on our sales of Raw tall diesel. We are however convinced that fossil fuels need to be phased out, and that high-quality, reliable biofuel alternatives are an important part of the transition.

Whilst our sales were previously aimed primarily towards our owner companies, this development has led us to take steps over the course of the year to expand our customer base, both in Sweden and internationally. In many other countries, the trend is moving in the other direction, with stricter requirements for mandatory reductions.

[Read more about how we are developing our business on page 33.](#)

The Swedish government has lowered its ambitions with respect to phasing out fossil fuels. At the same time, it is encouraging to see that the business community is quickly taking over the baton and driving the transition.

## EU gearing up on sustainability

The EU aims for climate neutrality by 2050 and is stepping up its efforts to protect and preserve biodiversity. A series of regulations will increase the sustainability and reporting requirements imposed on EU companies, and this is a development that we at SunPine embrace.

At EU level, the reduction mandate is seen as an important tool for phasing out fossil fuels, particularly where aviation fuel and marine fuels are concerned. By increasing the requirements for reduction mandates in these areas, starting from 2025 and then continuing to increase required levels through 2050, European demand for biofuel will climb. The fact is that the increased biofuel demand in the EU in a few years' time will compensate for the market loss caused by the lowered Swedish reduction mandate many times over. This is yet another reason why we are now intensifying sales efforts towards the European market.

## Geopolitical unrest on multiple fronts

The war in Ukraine has had a major impact on Europe's energy balance and the companies operating in the energy market. This has affected SunPine in several different ways. Already at the outbreak of war, we were affected on the supply side by the sanctions imposed on Russia.

# 230 000

tonnes of raw tall diesel

*SunPine has the capacity to produce approximately 230,000 tonnes of raw tall diesel for delivery to customers worldwide.*

# 4%

of Sweden's diesel demand

*SunPine's capacity corresponds to 4 percent of Sweden's total diesel demand, according to SCB.*

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Since the war began, we have at times seen a shortage of the residual product crude tall oil, which impacts both price and access. We work continuously to secure our access. [You can read more about these efforts on page 28.](#)

Geopolitical developments also affect demand. Demand for our bio-oil has, for example, increased as customers have had to find alternatives to Russian and fossil heating oils. In 2023, war broke out in the Gaza Strip, which, in addition to being a great humanitarian tragedy, has also increased tensions in the Middle East. Traffic through the Suez Canal has been affected, with ripple effects on world trade. SunPine's Raw tall diesel business is not directly affected by this, as we do not have deliveries going through the Suez Canal. However, indirect impacts have the potential to be significant and we are therefore monitoring these developments closely. Since raw materials such as UCO (used cooking oil) and palm oil reach Europe primarily through the Suez Canal, shifting conditions can create increased demand for our Raw tall diesel – not least because of the short and secure transport routes from northern Sweden.

#### **Growth boom in northern Sweden**

Heavy investments are being made in the region, and this will continue throughout the coming decade. A number of billion-dollar bets in areas such as battery manufacturing,

energy, and steel production are at the heart of this development. Total investments between now and 2035 are projected to exceed 1 070 billion SEK. These investments affect society at large. They create opportunities for sub-contractors and other local entrepreneurs whilst also increasing the attractiveness of the region as a place to live and work. In order to continue attracting vital talent to SunPine, we must continue to be an exceptional employer.

[Read more about this in the section "Future workspace", page 23.](#)

However, there are a number of challenges that come with this growth boom. Among other things, the investments have environmental consequences that are difficult to monitor, not least on biodiversity. We at SunPine see biodiversity issues as crucial to the needed green transition, and they are therefore an important aspect of our future efforts. SunPine and the stakeholders seeking to lead the green transition need to meet this development together in several ways. First and foremost, we need to ensure that the efforts we make to reduce carbon dioxide emissions do not at the same time contribute to the loss of biodiversity elsewhere in our value chains. This is because the efforts then risk being counterproductive. In 2023, SunPine has started to look at how we can work to safeguard biodiversity, including through inseting projects.

# 60

million cubic meters  
increase in HVO demand

*According to the "Argus Biofuels Analytics" report, the coming ten years will see a surge in the demand for HVO – from 15 million cubic meters to 76 million cubic meters.*

# 1 070

 SEK

billion in investments

*Northern Sweden is expected to receive investments amounting to SEK 1,070 billion up until 2035.*

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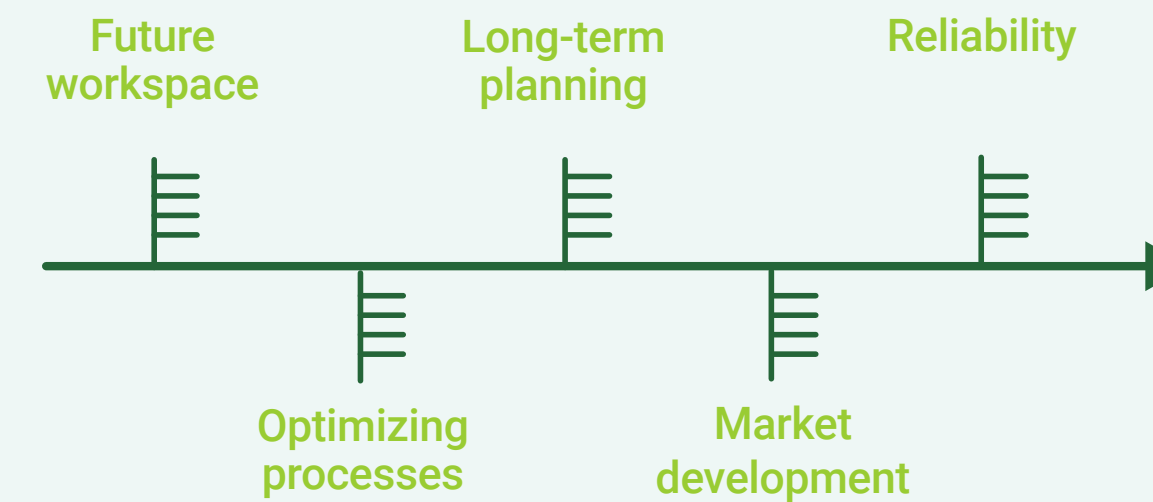




# Our strategic framework

SunPine's strategic work is based on five focus areas and a series of priorities within each area. These focus areas were identified in 2021 through an analysis of risks and opportunities linked to our operations, vision, business model and global market conditions. The analysis was carried out by the management team and solidified with all managers at the company.

We operate in an industry with rapid technological and market development, and one that is also affected by new regulations and increased customer demand for sustainable solutions. We therefore re-assess the strategy every three years. During 2023, we have developed a new strategy and working model for the business years 2024–2026, where we endeavour to make sustainability issues an integral part of SunPine's business. In this report, however, we report on the 2021–2023 strategy and its focal areas.



## Future workspace

- **Work environment**  
Offering a safe working environment is central to our continued operations.
- **Communication**  
Good communication promotes inclusion and great performance.
- **Clarity**  
A well-established organisational structure helps create clarity around roles and expectations.
- **Meeting efficiency**  
Effective meetings ensure efficient operations and flexible working days.
- **Well-being**  
Employee well-being is a pre-requisite for success.

## Optimizing processes

- **Simplifying working methods**  
We create the conditions to work more efficiently and achieve better results.
- **Cost focus**  
Maintaining focus on costs results in financially sound long-term operations.
- **Follow-up**  
Continuous improvement is achieved through structured follow-up and assessment of our work.
- **Benchmarking**  
Learning from others is a natural part of optimizing our own processes.
- **Production**  
We strive for the most energy and resource efficient production process possible.

## Long-term planning

- **Supply of raw materials**  
Securing long-term access to sustainable tall oil is business-critical.
- **Factory of the future**  
Here we think big and take a visionary view of SunPine's future in a changing market.
- **Value-generating projects**  
We must actively develop and optimise long-term value in our operations.
- **IT**  
A successful SunPine requires long-term planning of our IT infrastructure.

## Reliability

- **Spare parts handling**  
Quick access to the right spare parts is central to our operational security.
- **Maintenance**  
Proactive maintenance work reduces the risk of unplanned downtime.
- **Quality**  
High-quality machinery, raw materials, and tools allow our facility to function at its best.
- **Readiness**  
Well-established readiness routines help us manage unforeseen events.

## Market development

- **New customers**  
Finding ways to attract new customers within our various product categories is imperative.
- **Business intelligence**  
Broad and deep business intelligence drives business growth and strengthens resilience.
- **Product development**  
Our market is developing rapidly and our offer must develop along with it.
- **Communication**  
Strong external communication enables our offer to reach existing and potential customers.

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# SunPines sustainability work

In recent years, we at SunPine have adopted a strategic approach to our sustainability efforts. Focus has been on analysing the business, our value chain, and new legal requirements with the aim of establishing a roadmap for the coming years.

## Integrating sustainability into our business strategy

The sustainability aspects are central to SunPine's business and to our customer offering. It is therefore important for essential sustainability issues to be integrated into our business operations and our daily work. Only then can we transform requirements and costs into concrete business benefits that serve the company.

As 2023 drew to a close, we began the implementation of a working model that ensures that we broadly integrate sustainability issues throughout the various parts of our operations, and that these issues help steer both day-to-day and long-term decision-making. We also began an analysis of our value chain in order to identify our main sustainability risks and opportunities to create positive change. In September 2023, we established a sustainability department and appointed a sustainability manager.

Two important steps in our ongoing sustainability efforts are to prepare ourselves for the upcoming CSRD reporting framework and to investigate how our business will be affected by the Fit for 55 legislative package. In 2024, we will conduct a double materiality analysis (DMA). Together with our ongoing analysis of our impact throughout the value chain, this will help us we set overall sustainability goals and key metrics for the organization.

## This is the CSRD ...

*The EU is introducing more stringent requirements for sustainability reporting through the new CSRD (Corporate Sustainability Reporting Directive). Put simply, the CSRD regulates how companies must report their sustainability efforts and their impact. The CSRD will require companies to report their sustainability efforts and impact in much the same way that they report their financial results, providing a much more detailed account of the impact they have on the environment, climate, and social issues.*

## ... and Fit for 55

*Fit for 55 is a comprehensive legislative package developed by the EU. The legislative package contains new or updated legislation in the climate, energy and transport areas and are meant to contribute to a reduction of emissions in the EU countries of at least 55 percent by 2030, and to reaching climate neutrality by 2050 at the latest.*

## Biodiversity is moving up on the sustainability agenda

The rapid loss of global biological diversity has led to a global awakening, with biodiversity now being classified as a central sustainability issue.

SunPine is still in the early stages of our efforts to promote biodiversity. At this stage, we are focusing on fact-finding, which will enable the creation of a future action plan.

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“The double materiality assessment will provide us with an updated situational awareness of our impact and at the same time specify how factors linked to sustainability affect our business.”

### Materiality assessment and stakeholder dialogue

SunPine's most recent materiality assessment was conducted in 2018. The purpose was to identify the sustainability impact of our operations and the risks and opportunities that should be given special attention. Through the assessment, we identified a number of key sustainability topics for the organisation to focus on as part of its overall business plan:

- Resource efficiency
- Responsible supplier partnerships
- Diversity and equality
- Work environment, health and safety
- Emissions during production
- Emissions from transport
- Climate benefits and impacts from our products
- Profitability and long-term financial stability

SunPine's last stakeholder dialogue was held in 2022. The stakeholder dialogue was carried out through a number of targeted interviews with representatives from designated

stakeholder groups. Alongside the dialogues, a digital survey was also carried out, with the majority of the respondents being SunPine employees. The purpose of the dialogue and survey was to get an idea of what our stakeholders consider important focus areas. The three issues that were considered most important were: a safe and secure working environment, stable financial profitability, and the climate impact connected to our products.

### Double materiality assessment

In connection with the 2022 stakeholder dialogue, we identified the need to review and update the essential sustainability issues we identified in 2018, as a lot had happened both within SunPine and in our market environment in the interim. We are doing this by conducting a double materiality assessment (DMA) in 2024. The double materiality assessment will provide us with an updated situational awareness of our impact and at the same time specify how factors linked to sustainability affect our business. The assessment also connects environmental topics with other important sustainability issues, such as long-term business success and employee satisfaction.

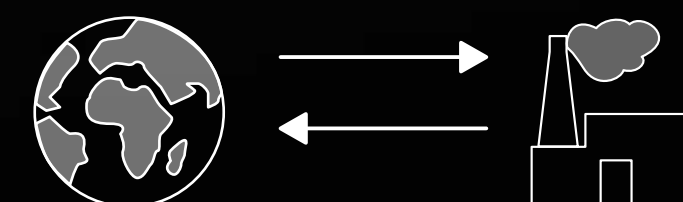
### Materiality

Defines the social and environmental issues that are most important to the organisation.



### Double Materiality

Defines social, environmental and governance issues that have an economic impact on the business, while taking into account the impact of the business on society and the environment. Double materiality combines financial materiality and impact materiality.



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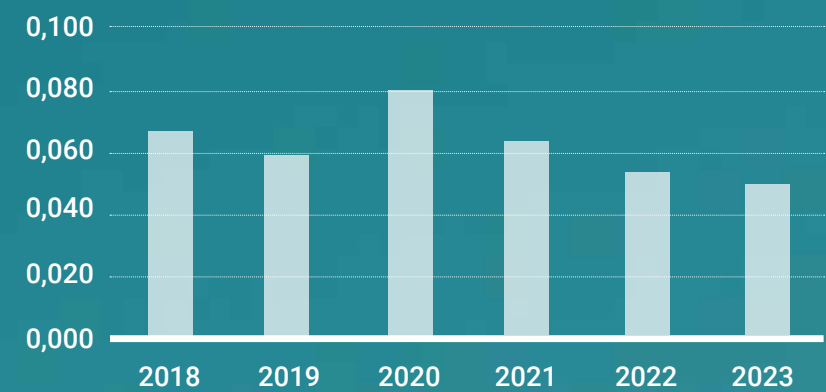
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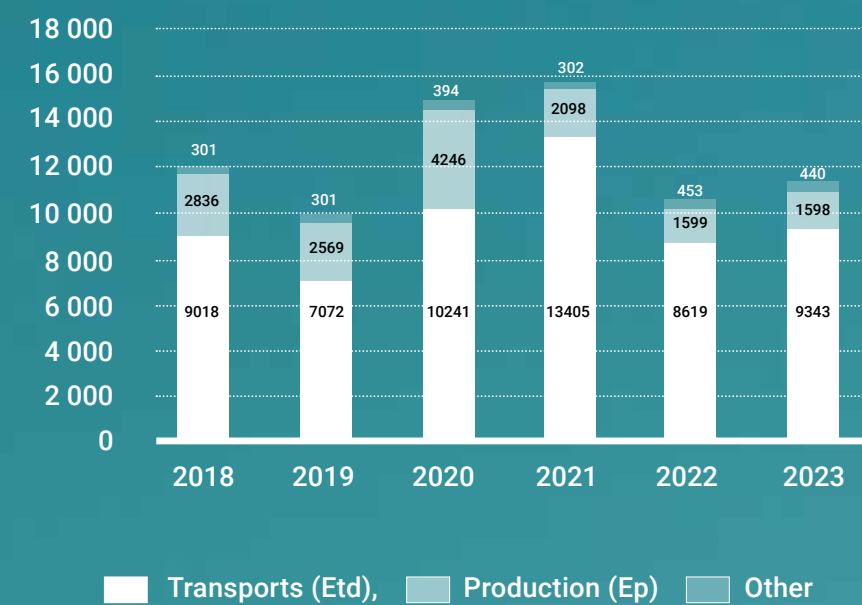
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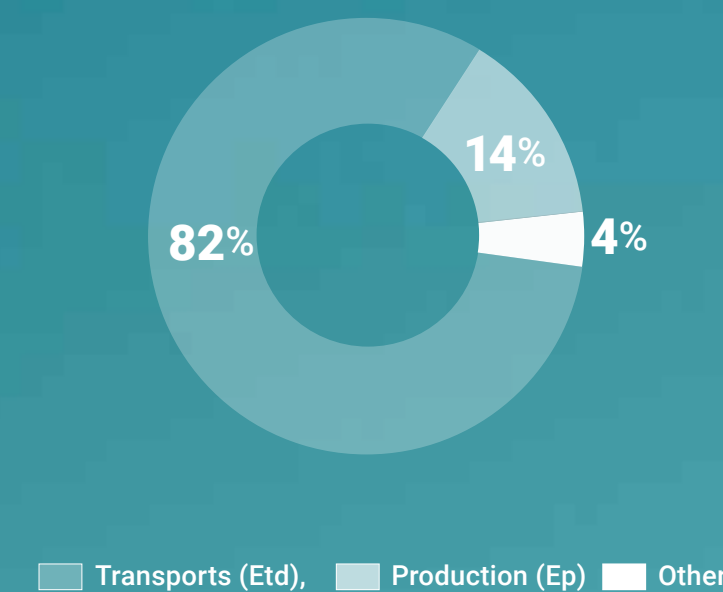
Relative CO<sub>2</sub>e emissions 2018 - 2023  
emissions in tonnes of CO<sub>2</sub>e per tonne of crude tall oil input



Absolute CO<sub>2</sub>e emissions in tonnes 2018 - 2023



Distribution of CO<sub>2</sub>e emissions 2023



In 2023, we installed a charging station, enabling transport partners with electric trucks to recharge while unloading raw material at our facility.



SunPine calculates and monitors the climate emissions from our operations. In 2023, total CO<sub>2</sub>e emissions increased slightly compared to 2022, mainly due to an increase in the volume of crude tall oil used. However, relative emissions per tonne of crude tall oil input continued to decline for the third year in a row, thanks in part to a more efficient production process.

The task of analysing our operations and value chain over the last few years has given us a good understanding of where our greatest impact occurs – and where our impact is relatively small. Thanks to our efficient production process, only 14 percent of our climate emissions occur in the production itself. The majority of our emissions – 82 percent for the year 2023 – instead occur along our

transport chain. Other emissions account for 4 percent and include business travel, commuting and waste from our production lines.

**Climate impact from transport**

Our emissions from transport increased from 8,619 to 9,343 tonnes of CO<sub>2</sub>e in 2023. This increase is due to the fact that we purchased larger quantities of raw materials. Our emissions from transport include the emissions that occur when transporting raw materials to SunPine. We also factor in the emissions caused by any storage of our raw material at the supplier's facility pending delivery to us.

Today, our deliveries mainly take place via ocean and road transport. In order to reduce the climate impact of our

transport, we strive to use ocean freight to the greatest extent possible. At the same time, ocean freight incurs risks relating to, for example, biological diversity, which is something we need to explore further and try to reduce.

Another way to reduce emissions from transport is to optimise the fill rate of return transports. We therefore work systematically to ensure that trucks delivering crude tall oil to our production plant also transport bio-oil on the return transport whenever this is feasible. In 2023, the proportion of return transports decreased to 50 percent, largely as a result of broadening our customer base. A smaller percentage of our customers are pulp mills, a customer segment that is both supplier of crude tall oil and consumer of bio-oil.







**Graph 1:** In 2023, the share of renewable bio-oil amounted to 94 percent. This means that we have an almost fossil-free production.

**Graph 2:** In 2023, 0.15 tonnes and 0.08 tonnes of sulphur compounds were released from process line 1 and 2 respectively, which was well below the 20-tonne limit of the environmental permit. The low emissions are made possible thanks to the efficient scrubbers/filters installed in our discharge stacks.

**Graph 3:** Emissions of nitrogen oxide increased from both process line 1 and 2 in 2023, but we are still well below the emission limits. The significant increase occurring in 2020 was due to our putting process line 2 into operation. The increase is mainly on boiler 2 and here we will review the maintenance frequency during 2023.

**Graph 4:** Dust emissions have increased slightly in 2023. The significant increase occurring in 2020 was due to putting process line 2 into operation. The increase is due to the fact that we have rebuilt the boilers and therefore need to optimise our burning process.

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**Climate impact of the production process**

Despite the increased volumes of crude tall oil, our emissions from the production process decreased in 2023. The reason for this is that we have a high proportion of bio-oil used for heating. In 2023, only six percent of the heating oil we used was fossil-based.

In 2023, we consumed a further 15 GWh of electricity, resulting in emissions equivalent to 395 tonnes of CO<sub>2</sub>. Emissions are calculated based on the Swedish electricity mix according to the Energy Agency's figures, but since we buy 100 percent renewable electricity, actual emissions are lower.

**Other climate emissions**

Climate emissions in the "other" category decreased marginally in 2023, despite increased production volumes. One particularly positive trend is that emissions from business travel and commuting decreased from 235 to 205 tonnes of CO<sub>2</sub>e. An important contributing factor here is the increasing number of digital meetings.

The emissions from waste increased from 163 to 186 tonnes of CO<sub>2</sub>e in 2023. The increase is probably non-recurring and is primarily due to the fact that we have reconfigured the plant to be able to extract alpha-Pinene in our process. The increased waste consists, for example, of pipe fittings that can be recycled.

**Other emissions to air**

SunPine's operations cause, among other things, emissions of sulphur oxides (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and dust into the air. See graphs 2, 3, 4 above.

**Criticism of biofuels**

A common criticism of biofuels is that the production competes with food production. This is true when it comes to biofuels derived from sources such as rapeseed oil or un-certified palm oil. However, this is not true for SunPine's raw tall diesel, as our raw material consists of residual products from the pulp industry in the form of crude tall oil. In addition, because we extract products other than Raw tall diesel

from the purchased raw material, we further extend the life cycle of our raw materials. Put simply, not all biofuels are equally sustainable. With SunPine's raw tall diesel, our customers can create one of the most sustainable biofuels that can be produced today:

- Our raw material is 100 percent recycled and renewable.
- Our facility is energy efficient and is to the extent of 94 percent powered by renewable and fossil-free energy.
- In addition, our excess heat supplies nearby industries with green energy in the form of district heating.
- Our production takes place, and our suppliers are located, in countries that can guarantee good traceability. This promotes good working conditions and high levels of compliance.
- Our raw tall diesel has one of the market's highest CO<sub>2</sub> reduction values.

*Read more about the advantages of our raw tall diesel on page 11.*





# SUNPINE'S 5 STRATEGIC FOCUS AREAS

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# Future workspace

Every day, SunPine's employees help contribute to phasing out fossil fuels. By creating the workspace of the future, we take care of our employees and attract additional talent to join our growth journey.



## EXAMPLES OF ACTIONS

- During 2023, we have carried out comprehensive organisational changes at SunPine, linked to an increased sales focus and higher sustainability ambitions. One important aspect of this work has been to clarify the roles of each department and function.
- In 2023, we held the event Safety Day for the first time, where employees learned more about everything from chemicals to stress. This initiative was highly appreciated and will be organised annually going forward.



## CHALLENGES

In Norrbotten and Västerbotten, there is high competition for labour at the same time as some areas suffer from depopulation. This can make recruitment of skilled labour a challenge, especially when it comes to roles such as automation engineers, electricians, mechanics, health and safety purchasing specialists. You can read more about our efforts to find tomorrow's talents under the heading "Skilled recruitment".



## THE WAY FORWARD

In order to create the workspace of the future, we will continue to improve our work environment, reinforce internal communication, conduct solid and well-planned safety initiatives, and institute changes for an inclusive workplace.

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# Future workspace – activities and priorities

The focus area Future workspace includes five priorities: work environment, communication, clarity, meeting efficiency and well-being. The following explains why these areas are particularly important to us and how we work with them.

## Work environment

Offering our employees a safe working environment has always been important to SunPine. At the turn of the year 2023/2024, we were able to celebrate day 1,327 without an accident resulting in absence from work. Safety remains a continued priority going forward and in 2023 we organised our first Safety Day. Employees got to learn more about the risks of the chemicals found in our facilities, try out rescue masks, attend a burn and scald training course, and participate in a lecture on stress.

[Read more about our work for a safe workplace on page 31.](#)

## Communication

Good, transparent and accessible communication is central to creating an efficient business with satisfied employees. It is a prerequisite for both the operational and strategic aspects of our business. We work continuously to strengthen internal communication at SunPine and create a transparent work culture at all levels of the business.

## Clarity

Clarity in the workplace is a matter of employees knowing what to do, how to do it and when it should be done. It is also

a matter of ensuring that the organisational structure makes it easy for employees to perform.

These have been two guiding principles of the reorganisation that affected almost every department of the company in 2023. We have formulated clearer assignments for each department and clarified which functions should be operational, tactic and strategic.

## Meeting efficiency

To increase operational efficiency it is important that employees don't participate in unnecessary – or unnecessarily long – meetings. In 2023, we therefore reviewed our way of holding meetings and where we can save time.

## Well-being

Safety and good working conditions are key factors for a well-functioning workplace. The same applies for well-being – we want our employees to be happy at work. Two important tools towards this aim are our well-being group and our internal wellness group, which regularly organise various activities to promote well-being.

## OTHER IMPORTANT ISSUES AND EFFORTS

### Employee survey 2023

Every year, SunPine conducts an employee survey through Brilliant Future. The response rate was about 94 percent this year, and in most areas the results are on par with or better than 2022. In 2023, we expanded the number of questions in the survey to analyze the employee perspective on our managers, the management team, and our work with inclusion and diversity.

EMPLOYEE SURVEY	2021	2022	2023
How likely is it that you would recommend SunPine as an employer to a friend or an acquaintance? (eNPS)	35	62	62
Engagement	83	85	85
Team effectiveness	75	77	82
Organisational and social work environment	75	79	83
Leadership (not measured in 2022)	79	-	83
Inclusion and diversity (new for 2023)	-	-	90

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### Equality

SunPine works consciously and continuously to improve equality in the workplace and achieve a more even gender distribution. In 2023, the percentage of women within SunPine increased from 38 to 40 percent, which is a high figure in the industry. Our gender distribution in production is almost completely even.

	Women	Men	Total
<b>Board</b>	2	2	4
<b>Management</b>	3	6	9
<b>Other employees</b>	29	42	71
<b>Total</b>	34	50	84
<b>Percentage distribution, total</b>	40	60	100

### The menopause initiative – a matter of women's health

Equality in the workplace is not only a matter of our staff's gender distribution, but also of how we institute concrete measures to create a more inclusive and equal workplace. As part of that work in 2023, we arranged The menopause initiative for our department heads, management team and female employees.

Menopause and pre-menopause affect roughly half of the population from as early as 35 years of age. Studies on the relationship between menopause and women's work life show that both work capacity and relationships with colleagues and managers can be affected, and that measures

implemented at both the organisational and individual level can have beneficial outcomes. Together with Kreativgruppen – and with the assistance of menopause coach Åsa Borgeryd – we therefore organised a learning session for our employees. The goal was to increase awareness of the possible effects of menopause and what help is available.

*“With this training, we can increase the productivity and well-being of our female employees, help reduce sick leave and ensure a longer working life. It's a win-win-win.”*

- David Öquist, CEO at SunPine.

### Recruitment

The recruitment of skilled labour is a challenge for many companies in Norrbotten and Västerbotten, especially within certain professions. We believe that satisfied employees are the best ambassadors for attracting new employees – but we are also taking other steps to attract tomorrow's talent:

- In 2023, we rented a number of office spaces in Luleå for employees who prefer to work or conduct customer meetings from there.
- We offer students the opportunity to do their thesis project with us, and we offer internships.
- SunPine also cooperating a two-year vocational training course for people who want to become process operators or operations technicians.

### Social responsibility

For a company aiming to create the workspace of the future, contributing to society is a given. Here are some examples of local initiatives that SunPine has contributed to in 2023

- **Sponsorship.** SunPine supports a number of associations and individuals who develop and conduct qualitative women's or youth activities.
- **Lagkamrat (Teammate).** Teammate is essentially a fund managed by Sparbanken Nord. The fund is financed by the local business community of which SunPine is a part. The fund is used to provide payment for women from the national soccer league to stand in as additional resources in eldercare. This provides relief for eldercare staff and adds a little something special to the lives of the elderly.
- **Inkluderingspeng (Inclusion grant).** The Inclusion grant initiative was developed by SunPine together with Piteå IF DFF. The inclusion grant can be applied for four times a year by children and youths who practice a sport or another recreational activity. The funds are intended to go towards, for example, membership fees or equipment. The purpose of the Inclusion grant is to give children and young people equal opportunities to pursue their recreational activities and, by extension, make their dreams come true.

In 2023, we started to conduct a review of our community engagement and how we can more effectively couple these efforts with our strategic sustainability work – particularly with regard to biodiversity.

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# Optimising processes

At SunPine, we are committed to the continuous improvement of our operations. Our optimisation efforts range from implementing smart system support software to maintaining safe operations. By making our processes and operations as efficient as possible, we save on a number of important resources.



## EXAMPLES OF ACTIONS

- We have implemented new system support software with the aim of improving our business and production planning. For example, our new forecasting tool gives us a more comprehensive overview of inventory levels, raw material availability and fixed costs.
- We have reviewed existing work practices and routine descriptions with the aim of simplifying them and making them less bureaucratic – but without compromising quality or safety. We have also created new routine descriptions where necessary.



## CHALLENGES

By continuously reviewing and optimising our processes, we have improved the energy efficiency of our operations in recent years. But there are still major improvements to be made, not least to meet the new requirements set in the Fit for 55 legislative package.



## THE WAY FORWARD

We will continue to implement new system support software and fine-tune our work methods to streamline both daily operations and long-term, strategic work. Two of our central ambitions in process optimisation are – and will continue to be – to maintain a safe and secure workplace and to reduce our emissions.

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# Optimising processes – activities and priorities

Five priorities belong to the Optimising processes focus area: simplify working methods, cost focus, follow-up, benchmarking and production. The following explains why these priorities are particularly important to us and how we work with them.

## Simplify working methods

Here we create the conditions for better safety and improved results. One example of this year's efforts is the development of our new routine description for significant changes. We have also reviewed the routine descriptions and procedures that start-up and shutdown teams follow during downtime. The goal is to further improve safety on site and to simplify work connected to downtime.

## Cost focus

In many ways, process optimisation is synonymous with resource efficiency – be that resource time, fuel, or money. In order to maintain a long-term, financially sound operation, we continuously work to identify opportunities for higher cost efficiency– without compromising on things like quality or work environment.

## Follow-up

Effective follow-up involves evaluating one's efforts and identifying opportunities for improvement. We follow up on our partnerships with suppliers and contractors, in part through supplier evaluations and customer surveys. In 2023, a customer survey was carried out to explore what our larger customers think of SunPine. The customers who were interviewed were satisfied and their opinions regarding product quality and delivery performance had improved significantly since the last survey.

Area	Scale	2023	2021
		Average value	Average value
Delivery	1 to 5	4.4	3.9
Production quality	1 to 5	4.3	4.0
Communication	1 to 5	4.4	4.3
Resources	1 to 5	4.5	4.1

## Benchmarking

We see learning from others as a natural way to optimise our own processes, and this is why benchmarking is a priority for SunPine. During 2023, we reviewed how other leading market actors evaluate and onboard new raw material suppliers, particularly when it comes to sustainability issues. This has resulted in an update to our supplier onboarding process.

## Production

At SunPine we continuously strive to make our production process as energy and resource efficient as possible and to reduce its climate impact. Today, SunPine's production is 94 percent fossil-free. We are self-sufficient in our own bio-fuels; except in case of start-ups and shutdowns, we burn our own bio-oil in the boiler.

The excess heat from our production is also used as district heating for adjacent industries on Haraholmen.

## OTHER IMPORTANT ISSUES AND EFFORTS

### Targets and metrics

SunPine measures the yield of our production, i.e. how much of our raw material that ends up in our final products. We also have key metrics for production uptime, i.e. how many unplanned stoppages we have. Our aim is for a high yield and high availability, as this is synonymous with a resource-efficient production process.

During 2023, we have continued to measure our OEE (Overall Equipment Effectiveness) factor, a key metric for how efficient our production process is. This has increased our utilisation of raw material and made losses more clearly visible.

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# Long-term planning

Working strategically and planning long-term increases our resilience and gives us better conditions for continued growth. We strive to continuously improve our long-term approach throughout operations – from raw material supply and maintenance to production planning and the recruitment of talent.



## EXAMPLES OF ACTIONS

- We have taken a greater hold on our production planning and reviewed our organisation so that functions such as purchasing, finance, sales and production can interact better while planning.
- We have initiated measures to achieve a longer-term production planning. Once the implementation is completed in 2024, we can better adapt our production to customer and market needs – thus promoting long-term growth and profitability.



## CHALLENGES

Demand for several of our products, including rosin and turpentine, is cyclical – and the market can be volatile. And while we foresee a long-term increase in demand for our Raw tall diesel, we are nonetheless highly affected by political decisions at national and international level. Taken together, these factors create challenges for our production planning and emphasizes the need for long-term planning and flexibility.



## THE WAY FORWARD

We will continue to develop our work methods and organisation in ways that enable long-term planning and proactive decision-making.

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# Long-term planning – activities and priorities

Our focus area Long-term planning includes four main priorities: the supply of raw materials, the factory of the future, value creation projects and IT. The following is a presentation of these priorities and of how we strive to create a stronger SunPine.

## Supply of raw materials

The supply of raw materials is a central issue for most companies, and SunPine is no exception. Securing long-term access to tall oil is business-critical. We are continuously working to broaden our supplier base and reduce our vulnerability in terms of raw material procurement. SunPine pursues long-term contracts and factors issues of delivery capacity into the assessment of potential suppliers.

A long-term supply of raw materials also places demands on the origin of the tall oil. Our ambitions and those of our customers – as well as national and international regulations – make traceability throughout the entire value chain strategically important. SunPine's suppliers must be able to report the origin of the raw material, certify that they meet the sustainability criteria according to the EU's Renewable Energy Directive, and comply with national legislation on sustainability criteria for liquid biofuels and biodiesel.

Several tools are used when SunPine assesses the sustainability parameters of tall oil:

- Our requirements are set out in SunPine's Supplier Code of Conduct. This Code of Conduct is based on accepted international conventions and legislation. It contains our requirements and expectations for suppliers' sustainability efforts with regard to social conditions, environment, climate, and anti-corruption measures.
- SunPine's Raw tall diesel is certified according to the ISCC's criteria for sustainable biofuels throughout the value chain.

ISCC conducts annual audits that include visits to raw material suppliers to ensure compliance with our supplier requirements.

- Our processes for the purchase and handling of crude tall oil are based on our control system for sustainable biofuels, which in turn is based on Swedish legislation and on ISCC regulations. With tools such as internal audits and annual supplier risk assessments, we work to identify any shortcomings and areas for improvement.

## Factory of the future

The factory of the future is a collective name for progressive initiatives and projects aimed at answering important questions about SunPine's future. This may involve product development, production development, internationalisation issues and much more. Our decision to prioritise the factory of the future reflects our acknowledgement of how important it is to dare to think big – not least given that we operate in a market under rapid development when it comes to technology, market, and regulation.

In 2023, we updated our overall strategy and took significant steps to broaden our customer base and develop our business. These measures are about future-proofing our business. This work is described in greater detail in the focus area Market development.

## Value creation projects

Value creation projects actively develop and optimise long-term value in our business. This work can be carried out at

different levels. In 2023, we initiated measures to make our ocean freights more efficient. Together with other suppliers, we reviewed the possibilities for joint shipping, both for incoming deliveries and outgoing customer distribution. Finding methods to optimise each delivery leads to decreased costs and sustainability benefits.

Another value-generating project is the development of a completely new product, alpha-Pinene. [Read more about alpha-Pinene on page 12.](#)

Together with IKEA, Linnaeus University and our owner Lawter, we have for several years participated in Vinnova-funded projects to see if the hydrophobic properties of our bio-oil can make the oil a value-enhancing component in, for example, laminate countertops. In 2024, these possibilities will be tested on a larger scale in a factory environment. The project may potentially create new product and customer areas.

SunPine is also one of four industrial partners in the EU-funded carbon capture project Vivaldi. This is discussed in greater detail under the focus area Market development.

## IT

Long-term planning of our IT needs and our overall IT infrastructure is extremely important for SunPine's long-term development. Some of the particularly important issues here relate to data storage and IT security. In 2023, we drew up a system management plan for how we will support, maintain and develop our IT support and systems.

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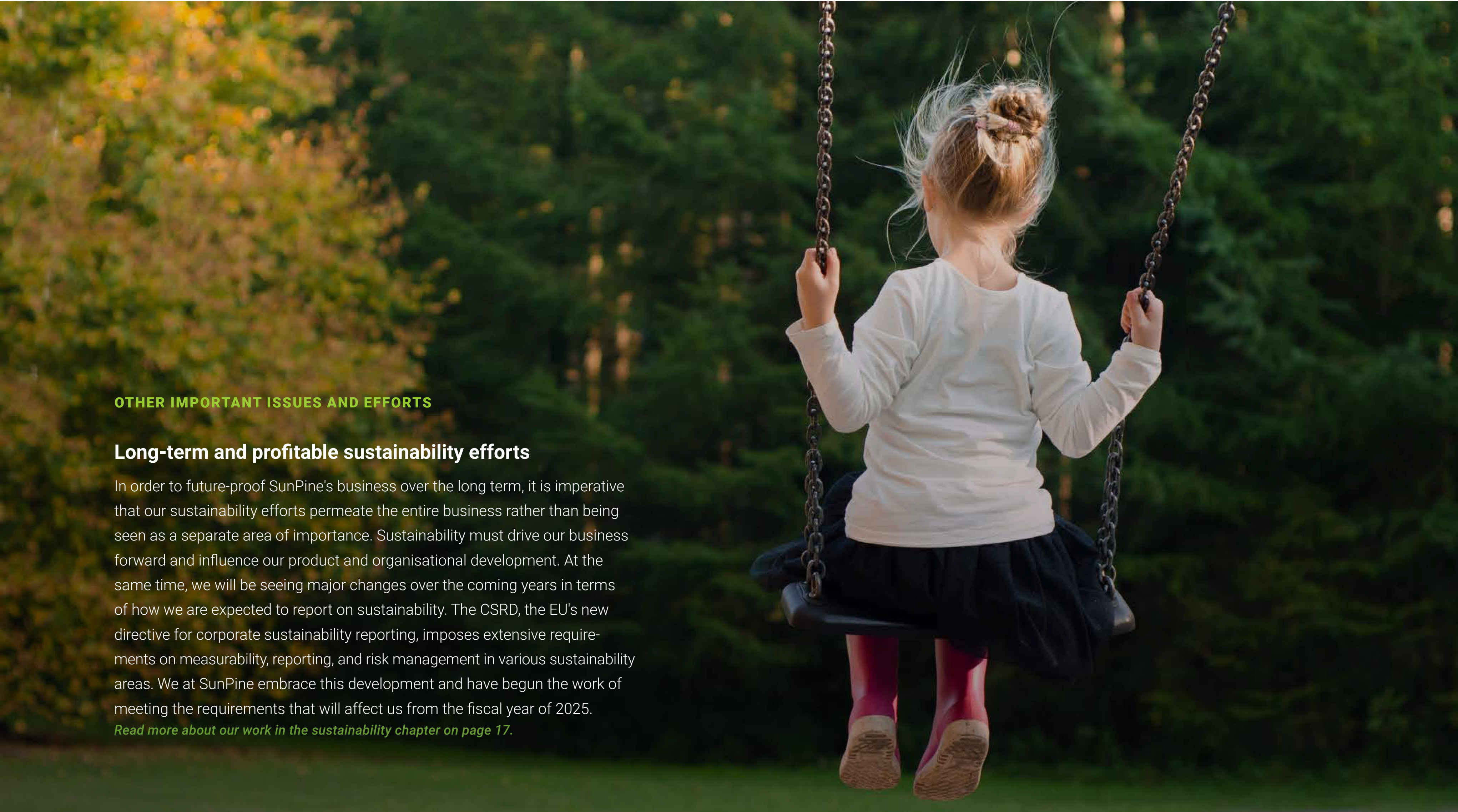
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### OTHER IMPORTANT ISSUES AND EFFORTS

#### Long-term and profitable sustainability efforts

In order to future-proof SunPine's business over the long term, it is imperative that our sustainability efforts permeate the entire business rather than being seen as a separate area of importance. Sustainability must drive our business forward and influence our product and organisational development. At the same time, we will be seeing major changes over the coming years in terms of how we are expected to report on sustainability. The CSRD, the EU's new directive for corporate sustainability reporting, imposes extensive requirements on measurability, reporting, and risk management in various sustainability areas. We at SunPine embrace this development and have begun the work of meeting the requirements that will affect us from the fiscal year of 2025.

*Read more about our work in the sustainability chapter on page 17.*

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**SUNPINE**<sup>TM</sup>



# Reliability

Solid operational security and reliability are fundamental to SunPine's business success. Through proactive maintenance work and ongoing improvement measures, we ensure that our products are produced in an efficient and safe manner.



## EXAMPLES OF ACTIONS

- SunPine's new crisis management plan was in place and ready at the start of the year, complete with new task procedures and routine descriptions. During the year, we carried out training on the new plan with our employees and tested our new evacuation plans.
- We also started an initiative relating to the work permits at our facility. The aim is to improve coordination between various functions responsible for assignments in order to maximise safety and efficiency.



## CHALLENGES

SunPine's first processing line went into operation in 2010. Our up time is currently at a high 98 percent, and we are proud of that. The fact that the plant is no longer brand new means that we need to work in new ways to maintain our high level of operational reliability.



## THE WAY FORWARD

In order to maintain a high level of operational reliability, security and availability, we must continue to perform solid and proactive maintenance work.

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# Reliability – activities and priorities

The Reliability focus area includes four priorities: spare parts handling, maintenance, quality and readiness. The following explains why these areas are particularly important to us and provides examples of actions taken during the year.

## Spare parts handling

Our first process line has been in operation for more than ten years, making a more systematic approach to spare parts management all the more important. In 2023, we categorised relevant spare parts according to how important they are for operational security and their lead times. The aim was to secure the vital supply of spare parts for future needs.

## Maintenance

By proactively and thoroughly maintaining our facility, we increase its performance while also reducing the risk of unplanned downtime or other unforeseen events. In 2021, we purchased the software solution API Pro to support our maintenance work. This is where maintenance staff plan their maintenance activities – what needs to be done, what spare parts are required, who is responsible and so on. In 2023, we made adjustments to the program to make it easier to work in, so that it can be made available to more employees.

## Quality

Quality is key to reliability. By investing in high-quality components, raw materials and instruments, we ensure that SunPine's facility performs at its best.

## Readiness

SunPine's facility is a so-called Seveso facility, which means that there are hazardous chemicals in our facilities and that there is a risk of serious chemical accidents. Because of this, our employees must have access to routine descriptions on how to manage unforeseen events. In early 2023, we fina-

lized our new crisis management plan, complete with new crisis management routines. During the year, we carried out training on the new plan with our employees and tested our new evacuation plans. As part of this work, we have divided our crisis organisation into two groups, one operational and one strategic.

## OTHER IMPORTANT ISSUES AND EFFORTS

### Safety in the workplace

Maintaining a high degree of operational security is in several ways synonymous with maintaining a safe working environment. When a facility is reliable and predictable, it is easier to avoid accidents, for people as well as for the environment. This is why pro-active work environment management is strategically important for us at SunPine. This work is conducted in close cooperation between our management, our employees, the safety committee and the occupational health service.

The most tangible risks in SunPine's production concern fires, explosions, and leakage of liquids and chemicals. To minimise the risks of accidents and illness, we work proactively with routine descriptions, training, risk assessments and controls. Every month we also carry out an analytical follow-up of malfunctions. If an error recurs, root cause analyses are carried out and an action plan is drawn up to address the problem.

In order to avoid emergency maintenance, we set a target for preventive maintenance in 2023: At least 69 percent

of the maintenance that our mechanics carry out should be preventive. For 2023, we met our target with a result of 75 percent.

### Work permits

When a task is carried out at SunPine, it is often a collaboration between several functions, both internal and external. In 2022, we carried out a gap analysis that showed improvements could be made within our routines concerning work permits. During 2023, we have therefore examined our existing processes concerning work permits, identified opportunities for improvement and begun implementing the changes. The project is expected to be completed in 2024.

### Risk observations and incidents

All risk observations, incidents and accidents in SunPine's operations must be recorded by employees and suppliers in a non-conformance management system. In 2022, the number of risk observations fell from 186 to 97. In light of this discrepancy, we carried out several initiatives in 2023 to convey the importance of reporting non-conformance in operations. In 2023, the number of observations increased again to 139.

At the turn of the year 2023/24, we passed 1,327 days without workplace accidents resulting in lost time. In 2023, we had zero lost-time accidents and nine accidents not resulting in lost time. Accidents without absence may include incidents where an employee for instance has been exposed to liquid splashes.

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# Market development

We see strong underlying growth for biofuels in the coming years. At the same time, the market remains volatile and is affected by both the economic situation and political decisions. We need to constantly develop our business in order to strengthen our resilience, meet increasing demand and ensure long-term growth.



## EXAMPLES OF ACTIONS

- From having primarily delivered SunPine's products to our owners, we have now intensified the work of branching out into a wider market. This is a big change that affects the entire company. In 2023, we added another layer to our strategic efforts going forward by appointing a strategy manager.
- In February 2024, we launched alpha-Pinene a new product that we now offer to customers worldwide. The adjustments to prepare the facility for the production of alpha-Pinene took place in 2023 – read more later in this section.



## CHALLENGES

We operate in a volatile market that is affected by political ambitions. 2023 saw the market for biofuels affected by political decisions in Sweden and abroad. Business development and customer engagement are key when it comes to reducing our vulnerability.



## THE WAY FORWARD

Two clear goals for SunPine are to use our entire production capacity and to reduce our vulnerability to market fluctuations. We will do this by reaching more customers with our products while at the same time securing our supply chains. We endeavour to establish a number of long-term and strategic customer partnerships, where increased sustainability throughout the value chain is a common driving force.

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# Market development – activities and priorities

Our focus area Business development includes four main priorities: new customers, business intelligence, product development and communication. This is how we have worked with our priorities in 2023.

## New customers

For many years, the majority of SunPine's production was delivered to our owners Preem and Lawter. Attracting new customers and broadening the customer base within our various product categories are key aspects of our strategic shift to reach a broader market. Much of the concrete work that has been done in our other focus areas, as well as in the three priorities we describe below, is also aimed at broadening our external sales base.

## Business intelligence

Our need for broad and in-depth business intelligence used to be relatively limited. Our ongoing market adaptation encompasses improved monitoring of external events, competitors, price trends and technical developments. We subscribe to business intelligence services and follow a range of relevant indices. During the year, we have intensified contact with our customers and suppliers in order to gain even more information from them.

## Product development

Most manufacturing companies purchase components and assemble them into a product. SunPine does exactly the opposite – we purchase a residual product and then extract a range of products from this single raw material. Of course,

this doesn't make product development any less important for us. Throughout the year, we have been preparing our facilities for the production of alpha-Pinene starting in 2024. Alpha-Pinene is a chemical compound used in everything from flavourings and cosmetics to softeners and detergents. There are also a number of potential development areas for alpha-Pinene, including its use in the production of broad-spectrum antibiotics. Many of our turpentine customers refine turpentine into Alpha-Pinene, and now we are taking a step up the value chain for this product category.

SunPine can separate alpha-Pinene from crude tall oil in a cost-effective manner, where a high percentage of the tall oil can be used.

## Communication

When most of our turnover came from a few customers who were also our owners, SunPine's need for communication initiatives was primarily linked to our employees and our geographical vicinity. Over the past year, in line with our strategic shift, we have temporarily paused our external communication in order to focus on reviewing and updating our brand platform and our communication strategies. These measures will be intensified throughout 2024 and in early 2025.

## OTHER IMPORTANT ISSUES AND EFFORTS

### SunPine and Carbon Capture

Carbon capture and utilisation (CCU) are important technologies for reducing industrial carbon emissions. SunPine is one of four industrial partners in the EU-funded Vivaldi project, which is researching the conversion of carbon emissions from bio-based industries into CO<sub>2</sub>-based chemicals.

In the project, researchers from Luleå University of Technology capture our facility's carbon dioxide using biotechnology. It is then delivered to actors who manufacture so-called building block chemicals by electrochemical means. These chemicals can often replace fossil alternatives as raw materials in various applications and are therefore in high demand in the ongoing green transition. Altogether, this is a way to reduce the industry's emissions of greenhouse gases while the carbon dioxide itself can be utilised as a raw material. The Vivaldi project is a potentially important part of our efforts to further shrink our climate footprint, and can also lead to opportunities for product development in the long term.

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# Governance, certificates and compliance

At SunPine, we take pride in conducting our business ethically and transparently. Our work is guided in part by a number of internal policies and steering documents, recognised certifications, and Codes of Conduct for both employees and suppliers. This is how we work to ensure that we – and our suppliers – live up to our high standards.

## Codes of Conduct

SunPine strives to only do business with companies that operate according to the ethical rules and values that we ourselves stand by. This applies to all our business partners and most importantly to our suppliers. To reduce the risk of irregularities in the supply chain, our suppliers are required to follow our Supplier Code of Conduct, which you can read more about under the focus area Long-term planning.

On the employee side, SunPine has a Code of Conduct that clarifies our ambitions to counter all forms of discrimination, unequal treatment and harassment in the workplace.

## Purchasing & procurement

Larger purchases are carried out by SunPine's purchasing department. Risks linked to the purchase of raw materials, products and services are managed through our procedures for approving suppliers and writing contracts. We also follow the Code of Business Conduct established by the Swedish Anti-Corruption Institute, which specifies that all

benefits that influence behaviour are prohibited. SunPine also has a fully digitised invoicing system, with two-step invoice review and certification.

## Incident management

SunPine works systematically to identify, value, manage and follow up on risks at all levels of our operations. These risks and their impacts are important factors in our decision-making. SunPine's department heads and management team receive continuous reporting on non-conformance, observations and incidents. Every time there is an incident or an accident, a root cause analysis is performed.

Efforts to ensure that we comply with the new whistle blower law began in 2022. The goal was to develop a whistle blower system that enables reporting of suspected violations of laws or of SunPine's internal rules and regulations. The whistle blower service is now in place and in 2023 we worked to ensure that our employees know how the service works and what it should be used for.

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### Quality management system

SunPine is ISO 9001:2015-certified. The certification demonstrates that we conduct systematic quality work focused on our customers and continuous improvement. Our quality policy is the basis for the company's quality management work and it centres on matters like high quality products, customer satisfaction, continuous improvements in operations, good leadership and good supplier relations. The quality management system incorporates key performance indicators for all of the company's processes and these are followed up on a monthly basis. Regularly conducted internal audits are another effective tool. In 2023, the annual ISO 9001 audit was conducted with no non-conformities.

### Sustainability certificate and ISCC certification

The Sustainability Act is Sweden's implementation of the EU Renewables Directive (RED II). The Swedish Energy Agency issues sustainability certificates to companies that can demonstrate compliance with the Sustainability Act through their control programme. SunPine has been issued such a sustainability certificate.

In addition to the national Sustainability Act, there are also several voluntary sustainability certifications – including the global ISCC standard. ISCC certification is an effective and internationally recognised way of demonstrating compliance with the EU Renewables Directive. SunPine's Raw tall diesel became ISCC-certified in 2021.

### Policies and steering documents

At SunPine, there are a number of policies and steering documents relating to both daily operations and long-term strategies.

- IT policy
- Employee policy
- Workplace environment policy
- SunPine's values
- Salary policy
- Policy for risk consumption and harmful use of drugs and alcohol
- Quality policy
- Fire safety policy
- Rehabilitation policy
- Employee code of conduct
- Supplier code of conduct
- Sponsorship policy
- Policy for hybrid work
- Electricity policy
- Whistleblowing system



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# Director's report

The board of directors for SunPine AB, 556682-9122 with registered office in Piteå, may hereby submit the annual report for 2023.

## General information about the company

The company's business concept is to extract new products based on residual products from the forest industry. SunPine extracts five products. Raw tall diesel, which accounts for most of the turnover, is a raw material in the production of HVO (hydrogenated vegetable oil) and is processed into bio-diesel. Rosin is a raw material in the production of, for example, printing ink, paints and glue. Turpentine is a product used in the perfume industry and elsewhere. Bio-oil is an energy raw material used primarily for industrial heating. The fifth product is district heating – the excess energy generated in our production process is delivered via PiteEnergi as district heating to the surrounding industrial area. SunPine's operations are conducted in Piteå.

## Ownership

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

## Events during the financial year

SunPine is a company that is affected by external financial mechanisms. Both the price of oil and diesel and currency fluctuations (especially regarding USD/SEK) have a significant impact on the company's profitability. During 2023, both the diesel price and the USD exchange rate have been relatively volatile, with the USD rate being both above 11 USD/SEK and below 10 USD/SEK. The diesel price has fluctuated 30% between its lowest and highest level (see graph). Overall, this has had an effect on the company's financial result.

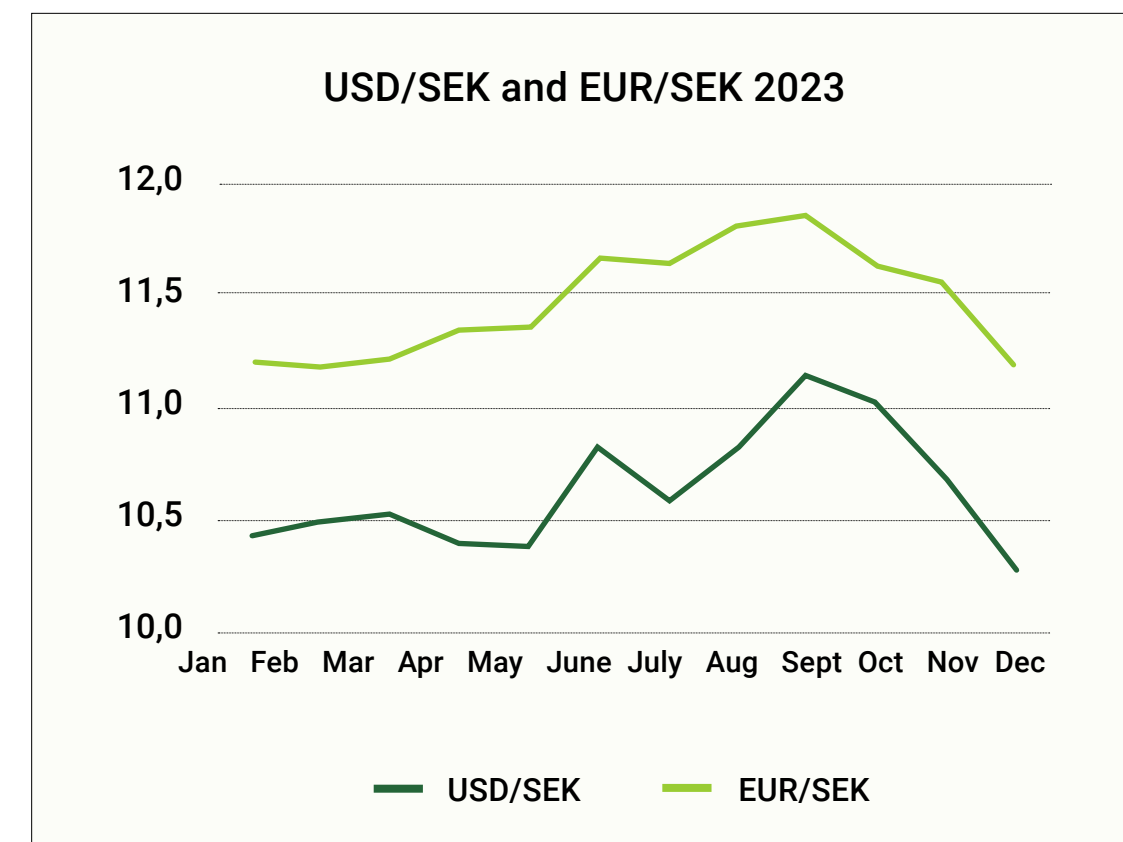
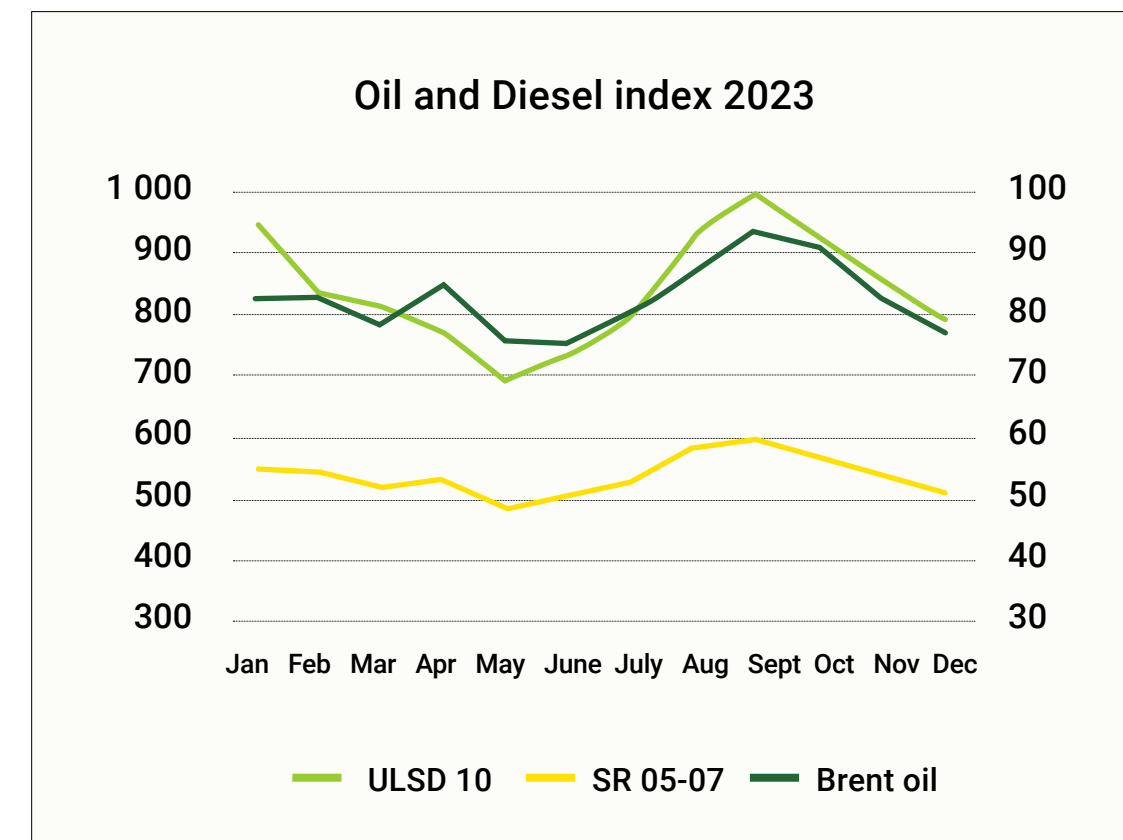
During 2023, the company has succeeded in attracting new customers within several product categories. This is an important development as it reduces business risk and strengthens the company's position in the various product markets.

Throughout the year, the market climate has generally been weak for biofuel, rosin and turpentine, which has affected the company's production mix in 2023. A lower demand for rosin and turpentine has resulted in lower production volumes for these products. The biofuel market's negative price trend and reduced demand have not significantly affected production, but the result has not been on par with the company's budget for the year.

In 2023, the company implemented a forecasting system to enable monthly financial forecasts. This is in turn an important step towards producing better decision-making material.

In April 2023, the government presented a proposal to lower the reduction mandate for biofuel in diesel from 30,5% to 6%. The proposal was adopted by the Swedish Parliament in November and entered into effect as of 1 January 2024. The decision affects the entire European biofuel market given that Sweden, in relation to its size, has accounted for a relatively large volume of Europe's total biofuel volume.

The interest rate increases implemented by the Sweden's central bank have not had any major effect on the company. On the last of March 2023, the last part of the loan of SEK 200 million taken out in 2020 in connection with the expansion of the factory was paid back. The higher interest rate has positively affected the deposit interest rates, which has resulted in a higher net interest compared to budget.



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### Development of the company's operations, results and position

	Amount in SEK thousand				
	2023-12-31	2022-12-31	2021-12-31	2020-12-31	2019-12-31
Net sales	3,945,797	3,041,751	2,106,205	1,361,209	1,425,497
Operating margin %	4	16	11	3	7
Profit after financial items	163,198	476,154	234,442	36,170	99,972
Balance sheet total	1,763,713	1,681,344	1,446,655	1,120,354	968,379
Return on capital employed%	13	38	26	6	14
Equity/assets ratio%	66	68	59	60	71

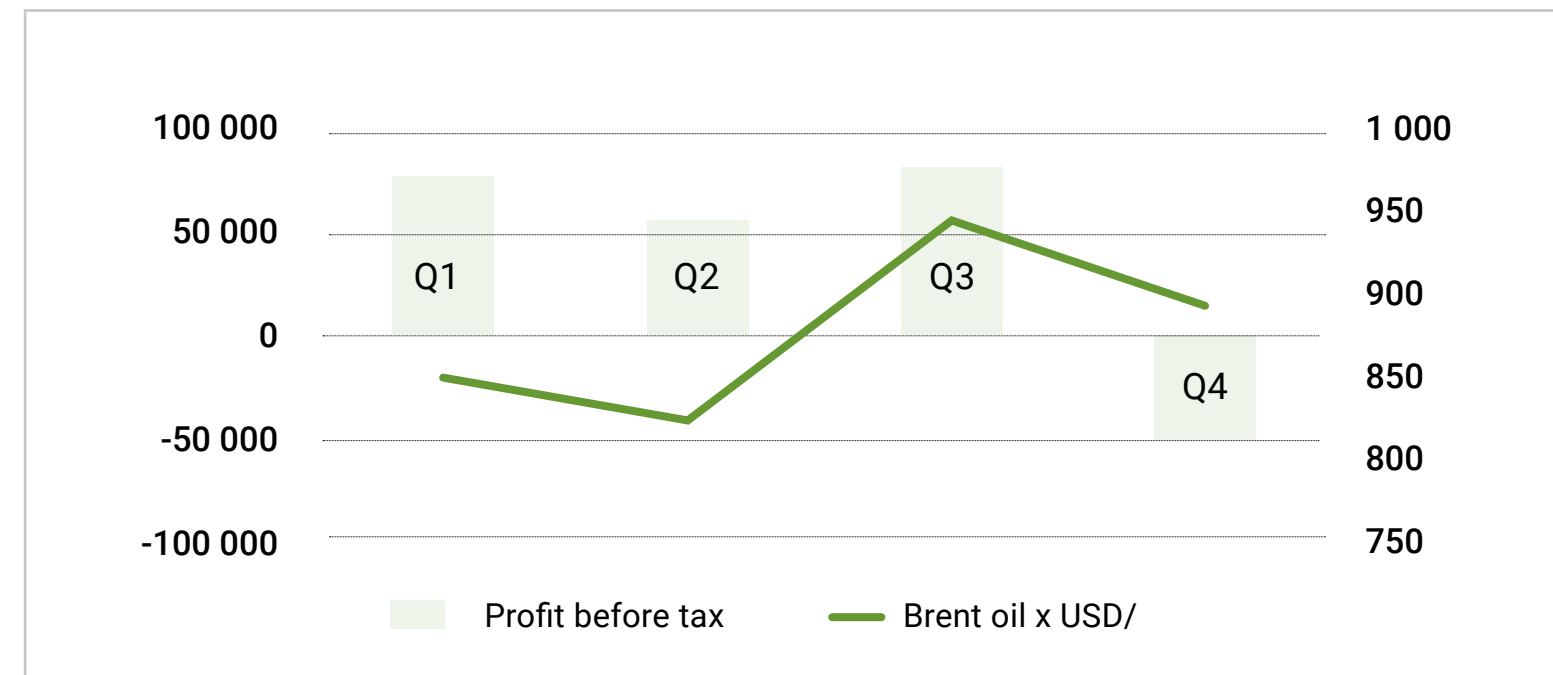
Definitions: see note 27

As previously mentioned, oil and diesel prices and the USD exchange rate have affected SunPine's results for 2023. The first quarter started strong with a profit before tax of SEK 76 million. The USD/SEK exchange rate was stable around SEK 10.50, while diesel and oil prices started the year at a high level and then fell over the quarter. Stored raw material from 2022 also strengthened the margin for the company in the first quarter, as crude tall oil prices were generally lower in 2022 compared to agreed prices for 2023.

During the second quarter, pre-tax profit decreased to SEK 57 million. Diesel and oil prices weakened, while the USD exchange rate remained at the same level as in the first quarter. Deteriorating market conditions, combined with the company's annual production stop, negatively affected the profit level during the second quarter compared to the first quarter.

The third quarter was the company's best with a profit before tax of SEK 82 million. Stable production and more favourable market conditions were the main reasons for the profit increase compared to the previous quarter.

During the last quarter, diesel and oil prices weakened along with the USD exchange rate. At the same time, more expensive raw materials were delivered to the factory, significantly increasing production costs for October and November. Production also suffered from some unplanned downtime that affected availability in the fourth quarter. The above-mentioned factors negatively impacted fourth quarter results, which amounted to SEK -51 million. See graph.



In terms of production, 2023 was a stable year. Availability was generally good, with few interruptions, and the yield for Raw tall diesel resulted in an annual average above the company's target. However, the total yield was reduced in 2023 as a result of decrease in demand for rosin and turpentine. Total production volumes increased by 15% compared to 2022.

Net sales rose by 30% compared to 2022, thanks to a combination of increased sales volume of Raw tall diesel and higher price levels, which in turn was linked to the rising cost of crude tall oil.

Gross profit decreased by 44% compared to 2022. The biofuel market experienced a negative trend throughout 2023, which meant that the customer market for Raw tall diesel was unable to absorb the price increase for crude tall oil. The increase in revenue and the decrease in gross profit caused the gross profit margin to decrease from 26% for 2022 to 11% for 2023.

Fixed costs in relation to the sales volumes produced decreased by 14% compared to 2022. This reduction is primarily linked to the higher production volumes. Overall, fixed costs decreased by around 7% compared to 2022, despite the sharp rise in inflation. Pre-tax profit totalled SEK 116 million, which was 66% lower than in 2022.

The year's investments amounted to SEK 44 million (SEK 25 million). The largest part of the company's accumulated investments stemmed from the investment project aimed at refining the turpentine into a product with a higher sales value – alpha-Pinene.

The company's liquidity saw a negative development during 2023 and the cash balance as of the end of December 2023 was SEK 78 million. The development is largely affected by a negative working capital related to trade receivables that were paid in 2024 instead of 2023.

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### Expected future development

In the short term, demand for biofuel appears to remain low which means continued price pressure on Raw tall diesel. During 2024, the company will receive continued deliveries of crude tall oil contracted in 2022. For 2024, this means a weakened gross profit margin and lower sales volumes, which will affect the result negatively.

Over the longer term, the forecasts in the company's longer business plan remain unchanged. The demand for biofuel will grow as both the aviation industry and the marine industry will begin to use biofuel to a greater extent, at the same time as more EU countries announce increased reduction mandates on vehicle fuel.

For the time being, demand for the company's raw material crude tall oil has cooled slightly, which has resulted in lower prices. But we maintain unchanged expectations on this market over the longer term. We see that demand will increase and competition will intensify, which will affect the pricing of crude tall oil.

The company is actively working on several interesting development projects. These projects aim to strengthen the profit margin and thereby make the business model more profitable compared to today – an important parameter when the market turns and competition intensifies.

### Sustainability statements

SunPine is covered by the rules on sustainability reporting under the Annual Accounts Act. The sustainability report is integrated into the annual report. The company conducts activity subject to a permit according to the Swedish Environmental Code.

### Equity

	Share capital	Amounts in SEK thousand	
		Profit brought forward	Profit for the year
At the beginning of the year	6 636	500 459	268 572
Dividend		-100 000	
Transfer of prior year's profit		268 572	-268 572
Earnings for the year			90 681
<b>At year-end</b>	<b>6 636</b>	<b>669 031</b>	<b>90 681</b>

*Unconditional shareholder contributions amounted to SEK 60,993 thousand (SEK 60,993 thousand).*

### Proposed allocation of the company's profit or loss

The board proposes that disposable funds:

	Amounts in SEK thousand
Share premium reserve	380,809
Retained earnings	288,221
Earnings for the year	90,681
<b>Total</b>	<b>759,711</b>
<i>be appropriated so that the shareholders receive a total of SEK 753,4773 per dividend-eligible share</i>	
	50 000
Carried forward	709 711
<b>Total</b>	<b>759 711</b>

*Considering the requirements that the company's business operations, scope and risks place on the size of the equity and taking into account the company's consolidation needs, liquidity and position in general, the Board of Directors considers that the proposed dividend for the year is compatible with the prudence rule in Chapter 17, Section 3 of the Swedish Companies Act. Regarding results and position in general, reference is made to the subsequent income statement and balance sheet with associated notes.*

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## Income statement

Amounts in SEK thousand	Not	01/01/2023–31/12/2023	01/012022–31/12/2022
Net sales		3,945,797	3,041,751
Other operating income	3	30,111	23,396
		3,975,908	3,065,147
<b>Operating expenses</b>			
Raw materials and consumables		-3,511,364	-2,259,712
Other external expenses	4, 5	-130,122	-139,354
Personnel costs	6	-69,174	-70,249
Depreciation/amortisation and impairment of tangible and intangible assets		-87,826	-90,732
Other operating expenses	7	-13,344	-27,352
<b>Operating profit</b>		<b>164,078</b>	<b>477,748</b>
<b>Profit from financial items</b>			
Interest income and similar profit items	8	9,374	2,762
Interest expenses and similar costs	9	-10,254	-4,355
<b>Profit after financial items</b>		<b>163,198</b>	<b>476,155</b>
Appropriations	10	-47,626	-139,945
<b>Profit before tax</b>		<b>115,572</b>	<b>336,210</b>
Tax	11	-24,891	-67,638
<b>Profit for the year</b>		<b>90,681</b>	<b>268,572</b>

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**Balance sheet**

Amounts in SEK thousand	Note	31/12/2023	31/12/2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Other intangible assets	12	13,357	10,900
		<b>13,357</b>	<b>10,900</b>
<b>Tangible fixed assets</b>			
Buildings and land	13	83,024	84,198
Plant and machinery	14	396,854	441,879
Equipment, tools, fixtures and fittings	15	28,154	32,050
Construction in progress and advance payments for property, plant and equipment	16	27,977	24,261
		<b>536,009</b>	<b>582,388</b>
<b>Financial assets</b>			
Deferred tax assets		45	-
Other long-term receivables		337	144
		<b>382</b>	<b>144</b>
<b>Total fixed assets</b>		<b>549,748</b>	<b>593,432</b>
<b>Current assets</b>			
<b>Inventories, etc</b>			
Raw materials and consumables		280,398	379,366
Finished goods and goods for sale		105,757	34,535
		<b>386,155</b>	<b>413,901</b>
<b>Current receivables</b>			
Accounts receivable		727,520	345,924
Current tax assets		2,983	-
Other receivables		6,032	1,106
Prepaid expenses and accrued income	17	13,500	9,852
		<b>750,035</b>	<b>356,882</b>
<b>Cash and bank balances</b>			
		77,775	317,129
Total current assets		1,213,965	1,087,912
<b>TOTAL ASSETS</b>		<b>1,763,713</b>	<b>1,681,344</b>

Amounts in SEK thousand	Note	31/12/2023	31/12/2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	18	6,636	6,636
		<b>6,636</b>	<b>6,636</b>
<b>Non-restricted equity</b>			
Share premium reserve	19	380,809	380,809
Profit or loss brought forward		288,221	119,650
Profit for the year		90,681	268,572
		<b>759,711</b>	<b>769,031</b>
<b>Total equity</b>		<b>766,347</b>	<b>775,667</b>
<b>Untaxed reserves</b>			
Accumulated excess depreciation	20	229,632	222,306
Tax allocation reserve	21	274,588	234,288
		<b>504,220</b>	<b>456,594</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations		365	143
Other provisions	22	26,000	24,975
		<b>26,365</b>	<b>25,118</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	23	-	-
		-	-
<b>Current liabilities</b>			
Loans from financial institutions		-	22,222
Accounts payable – trade		303,477	303,146
Tax liabilities		-	52,851
Other current liabilities		93,934	33,188
Accrued expenses and deferred income	25	69,370	12,558
		<b>466,781</b>	<b>423,965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,763,713</b>	<b>1,681,344</b>

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## Notes

### Note 1 Accounting principles

Amounts expressed in SEK thousand unless otherwise stated.

#### General accounting principles

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

#### Valuation principles, etc.

Assets, provisions and liabilities have been valued based on acquisition values unless otherwise stated below.

#### Intangible assets

Other intangible assets acquired by the company are recognised at acquisition value minus accumulated depreciation and impairment. Expenditure on internally generated goodwill and trademarks is recognised in the income statement as an expense when incurred.

#### Depreciation

The asset is depreciated on a straight-line basis over its estimated useful life. Depreciation is recognised as an expense in the income statement.

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

#### Tangible assets

Tangible fixed assets are recognised at acquisition value less accumulated depreciation. The acquisition cost includes not only the purchase price but also expenses directly related to the acquisition.

#### Additional expenses

Additional expenses that meet the asset criterion are included in the asset's recognised value. Expenditures for ongoing maintenance and repairs are recognised as costs when they arise.

#### Depreciation

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

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

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

The buildings consist of a number of components with different useful life terms. The main division is buildings and land. No depreciation takes place on the land component whose useful life is deemed to be unlimited. The buildings consist of several components whose useful life is the same.

#### Foreign currency

Monetary items (receivables and liabilities) in foreign currency have been translated at the exchange rate on the balance sheet date. Exchange rate differences on operating receivables and operating liabilities are included in operating profit, while differences on financial receivables and liabilities are recognised among financial items. Non-monetary items are recognised on the day of the business event.

#### Inventory

The inventory is recorded at the lower of the acquisition value and the net realisable value. This approach serves to account for obsolescence risk. The acquisition value is calculated according to weighted average prices. In addition to purchase expenses, the acquisition value also includes expenses for bringing the goods to their current location and condition.

In self-manufactured semi-finished and finished products, the acquisition value consists of direct manufacturing costs and the indirect costs that make up more than an insignificant part of the total cost of manufacturing. Normal capacity utilisation has been taken into account in the valuation.

Net realisable value is the estimated selling price in the going concern, after deducting estimated costs of completion and of making a sale.

#### Tax

Recognised income taxes include tax payable or receivable for the current year as well as adjustments for previous years' current tax.

Tax liabilities/assets are valued at what, according to the company's judgment, shall be paid to or received from the Swedish Tax Agency. The assessment is made according to the tax rules and tax rates that have been decided or that have been announced and are almost certain to be adopted.

Deferred tax assets are recognised for all deductible temporary differences and unused loss carry-forwards under the assumption that future taxable profits will be available and against which the temporary differences or unused loss carry-forwards can be utilised.

Deferred tax assets have been valued at a maximum of the amount that is likely to be recovered based on current and future taxable results. The valuation is reassessed every balance sheet date.

#### Income

The inflow of financial benefits that the company has received or will receive for its own account is recognised as income. Revenue is valued at the fair value of what has been received or will be received, less discounts.

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### **Sale of goods**

When selling goods, revenue is recognised when the following criteria are met:

- The financial benefits associated with the transaction are likely to accrue to the company.
- The income can be calculated reliably.
- The Company has transferred the substantial risks and rewards of ownership of the goods 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.
- The expenses incurred or expected to be incurred as a result of the transaction can be reliably calculated.

### **Leasing**

All leasing agreements where the company is the lessee are recognised as operational leasing (rental agreements), regardless of whether the agreements are financial or operational. The leasing fee recognised as an expense on a straight-line basis over the lease term.

### **Operating leases**

The leasing fees according to operational leasing agreements, including initial rent increases but excluding expenditure on services such as insurance and maintenance, are recognised as an expense on a straight-line basis over the lease term.

### **Employee benefits**

#### **Short-term employee benefits**

Short-term benefits in the group consist of salary, social security contributions, paid holiday, paid sick leave, medical care and bonuses. Short-term benefits are recognised as an expense and a liability when there is a legal or informal obligation to pay compensation.

### **Compensation after termination of employment**

The company only has defined contribution pension plans. In defined contribution plans, the company pays fixed fees to another company and has no legal or informal obligation to pay anything further even if the other company is unable to fulfil its commitment. The Group's results are charged for expenses as the employees' pensionable service is rendered.

### **Compensation in the event of termination**

Termination benefits are paid when a company decides to terminate an employment before the normal time of termination of employment or when an employee accepts an offer of voluntary resignation in exchange for such benefits. If the compensation does not provide a future economic benefit to the company, a liability and an expense are recognised when the company has a legal or constructive obligation to provide such compensation. The compensation is valued at the best estimate of the compensation that would be required to settle the obligation on the balance sheet date.

### **Financial assets and liabilities**

Financial assets and liabilities are recognised in accordance with chapter 11 (Financial instruments valued based on acquisition value) in BFNAR 2012:1.

Financial instruments recognised in the balance sheet include securities, accounts receivable and other receivables, short-term investments, trade payables, loan liabilities and derivative instruments.

The instruments are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all the risks and rewards associated with ownership.

Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise terminated.

### **Accounts receivable and other receivables**

Receivables are recognised as current assets with the exception of items due more than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are recognised at the amount expected to be paid after deduction for individually assessed bad debts. Receivables that are interest-free or that carry interest at a rate different from the market rate and have a maturity term exceeding twelve months are recognised at a discounted present value and the change in value over time is recognised as interest income in the income statement.

### **Short-term investments**

Securities that are acquired with the intention of being held over the short term are initially recognised at acquisition value and in subsequent valuations in accordance with the lowest value principle at the lower of acquisition value and market value. The item short-term investments includes shares held to invest excess liquidity in the short term.

### **Accounts payable – trade**

Short-term trade payables are recognised at acquisition value.

### **Offsetting of financial receivables and financial liabilities**

A financial asset and a financial liability are offset and recognised with a net amount in the balance sheet only when a legal right of set-off exists and when a settlement with a net amount is intended to take place or when a simultaneous disposal of the asset and settlement of the liability is intended to take place.

### **Provisions**

The company makes a provision when there is a legal or constructive obligation, and a reliable estimate of the amount can be made. The company recognises the present value of obligations that are expected to be settled after more than twelve months. The increase in the provision due to the passage of time is recognised as interest expense.

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**Public grants**

Government support is recognised at fair value when there is reasonable assurance that the support will be received and that the company will comply with all related conditions.

Government support related to expected costs is recognised as deferred income. The aid is recognised as revenue in the period in which the costs that the government support is intended to compensate are incurred.

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

**Cash flow statement**

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

**Note 2 Accounting estimates and judgments**

Inventories are a significant asset for the company and are assessed for obsolescence. An assessment of the amount is also made under the item Provisions.

**Note 3 Other operating income**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Insurance compensation	4,659	1,560
Grants received	385	95
Exchange rate gains	24,303	21,193
Other	764	548
<b>Total</b>	<b>30,111</b>	<b>23,396</b>

**Note 4 Operational leasing – lessee**

Future minimum lease payments regarding non-cancellable operating leases:

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Within one year	25,124	21,727
Between one and five years	47,679	53,407
Later than five years	21,241	26,193
	<b>94,044</b>	<b>101,327</b>

The financial year's expensed leasing fees regarding premises rentals, tank rentals, containers and passenger cars. 23,976 23,996

**Note 5 Remuneration and reimbursement of costs to auditors**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
<i>EY</i>		
Audit assignment	275	261
Other assignments	90	312
	<b>365</b>	<b>573</b>

**Note 6 Employees and personnel costs**

<i>Average number of employees</i>	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Men	48	49
Women	32	28
<b>Total</b>	<b>80</b>	<b>77</b>

<i>Presentation of gender distribution in company management</i>	31/12/2023	31/12/2022
Proportion of women		
Board	50%	50%
Other senior executives	33%	22%

<i>Salaries and other benefits as well as social security expenses, including pension costs</i>	31/12/2023	31/12/2022
Board and CEO	1,928	1,789
Other employees	43,622	44,357
<b>Total</b>	<b>45,550</b>	<b>46,146</b>
Social security expenses	20,961	21,382
(of which pension costs) 1)	4,819	5,242

1) Of the company's pension costs, SEK 531,000 (previous year: SEK 606,000) relates to the board and CEO. The company's outstanding pension obligations to these amount to 0 (prior year 0).

An agreement has been reached with the CEO on severance pay amounting to twelve months' salary. The agreement only applies in the event of termination by the company.

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**Note 7 Other operating costs**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Exchange rate losses on operating receivables/liabilities	13,344	27,352
<b>Total</b>	<b>13,344</b>	<b>27,352</b>

**Note 8 Interest income and similar profit items**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Interest income, other	9,374	2,762
<b>Total</b>	<b>9,374</b>	<b>2,762</b>

**Note 9 Interest expenses and similar profit items**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Interest expenses, other	272	1,640
Other credit expenses	599	602
Exchange rate differences	9,383	2,113
<b>Total</b>	<b>10,254</b>	<b>4,355</b>

**Note 10 Appropriations**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Difference between depreciation for tax and reporting purposes:		
Plant and machinery	7,326	27,357
Tax allocation reserve, this year's allocation	40,300	112,588
<b>Total</b>	<b>47,626</b>	<b>139,945</b>

**Note 11 Tax on profit for the year**

	01/01/2023– 31/12/2023	01/01/2022– 31/12/2022
Current tax expense	24,936	67,638
Deferred tax	-45	-
<b>Tax on profit for the year</b>	<b>24,891</b>	<b>67,638</b>

<i>Reconciliation of effective tax</i>	01/01/2023– 31/12/2023		01/01/2022– 31/12/2022	
Profit before tax	%	115,572	%	336,209
Tax per applicable tax rate	20.6	-23,808	20.6	-69,259
Non-deductible expenses	0.20	-177	0.05	-163
Non-taxable income		30	-	1
Adjustment of taxable depreciation		-45	-	-33
Flat rate interest on tax allocation reserve	0.80	-936	0.05	-125
Tax reduction for investments	-	-	0.6	1,941
<b>Recognised effective tax</b>	<b>21.6</b>	<b>-24,936</b>	<b>20.1</b>	<b>-67,638</b>

**Note 12 Concessions, patents, licenses, trademarks and similar rights**

	31/12/2023	31/12/2022
<i>Accumulated acquisition values</i>		
-At the beginning of the year	14,184	5,998
- Acquisition for the year	5,314	289
- Reclassifications	-	7,897
<b>At the end of the year</b>	<b>19,498</b>	<b>14,184</b>
<i>Accumulated depreciation</i>		
-At the beginning of the year	-3,284	-1,221
-Depreciation for the year	-2,857	-2,063
At the end of the year	-6,141	-3,284
<b>Carrying amount at year-end</b>	<b>13,357</b>	<b>10,900</b>

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**Note 13 Buildings and land**

	31/12/2023	31/12/2022
<i>Accumulated acquisition values</i>		
-At the beginning of the year	113,869	113,532
- Recent acquisitions	2,728	-
- Reclassifications	1,794	337
<b>At the end of the year</b>	<b>118,391</b>	<b>113,869</b>
<i>Accumulated depreciation</i>		
-At the beginning of the year	-29,671	-24,093
-Depreciation for the year	-5,696	-5,578
- At the end of the year	-35,367	-29,671
<b>Carrying amount at year-end</b>	<b>83,024</b>	<b>84 198</b>
<b>Of which land</b>		
Accumulated acquisition values	3,343	3,343
Carrying amount at year-end	<b>3,343</b>	<b>3,343</b>

**Note 14 Plant and machinery**

	31/12/2023	31/12/2022
<i>Accumulated acquisition values</i>		
-At the beginning of the year	954,618	912,372
- Recent acquisitions	14,767	879
- Reclassifications	13,425	41,366
<b>At the end of the year</b>	<b>982,810</b>	<b>954,617</b>
<i>Accumulated depreciation</i>		
-At the beginning of the year	-512,739	-436,185
- Reclassifications	1,159	1,163
-Depreciation for the year	-74,376	-77,716
At the end of the year	-585,956	-512,738
<b>Carrying amount at year-end</b>	<b>396,854</b>	<b>441,879</b>

**Note 15 Equipment, tools, fixtures and fittings**

	31/12/2023	31/12/2022
<i>Accumulated acquisition values</i>		
-At the beginning of the year	111,870	109,553
- Recent acquisitions	1,402	929
- Reclassifications	756	1,388
<b>Carrying amount at year-end</b>	<b>114,028</b>	<b>111,870</b>
<i>Accumulated depreciation</i>		
-At the beginning of the year	-79,820	-73,283
- Reclassifications	-1,159	-1,163
-Depreciation for the year	-4,895	-5,374
<b>Carrying amount at year-end</b>	<b>28,154</b>	<b>32,050</b>

**Note 16 Construction in progress and advances on tangible fixed assets**

	31/12/2023	31/12/2022
At the beginning of the year	24,261	52,201
Reclassifications	-15,974	-50,988
Investments	19,690	23,048
<b>Carrying amount at year-end</b>	<b>27,977</b>	<b>24,261</b>

**Note 17 Prepaid expenses and accrued income**

	31/12/2023	31/12/2022
Prepaid rents	5,887	5,376
Accrued transport subsidies	2,023	1,481
Accrued income	2,010	-
Prepaid expenses	2,600	2,266
Other items	980	729
<b>Carrying amount at year-end</b>	<b>13,500</b>	<b>9,852</b>

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**Note 18 Number of shares and quota value**

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

**Note 19 Disposition of profit or loss**

Proposal for disposition of the company's profit or loss

The board proposes that unrestricted equity, SEK 759,711,244, be allocated as follows:

	2023-12-31
Dividend	50,000
Carried forward	709,711
	<b>759,711</b>

**Note 20 Accumulated excess depreciation**

	31/12/2023	31/12/2022
Machinery and equipment	229,632	222,306
	<b>229,632</b>	<b>222,306</b>

**Note 21 Tax allocation reserves**

	31/12/2023	31/12/2022
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	7,800
Tax allocation reserve, allocation for tax year 2021	44,800	44,800
Tax allocation reserve, allocation for tax year 2022	112,588	112,588
Tax allocation reserve, allocation for tax year 2023	40,300	-
	<b>274,588</b>	<b>234,288</b>

Of tax allocation reserves, 20.6 % (20.6 %) is deferred tax.

**Note 22 Other provisions**

	31/12/2023	31/12/2022
Future costs for emptying sediment	26,000	24,975
<b>Total</b>	<b>26,000</b>	<b>24,975</b>
<b>Opening recognised value</b>	<b>24,975</b>	<b>22,775</b>
Provisions made during the year*	4,799	11,000
Amount requisitioned during the year	-3,774	-8,800
<b>Closing recognised value</b>	<b>26,000</b>	<b>24,975</b>

\*(incl. increases in existing provisions)

The provision refers to future costs for maintenance as well as emptying and disposal of sediments in tanks used by the company.

**Note 23 Long-term liabilities**

	31/12/2023	31/12/2022
Liabilities that fall due within one year from the balance sheet date	-	22,222
Liabilities that fall due later than five years - from the balance sheet date	-	-

**Note 24 Bank Overdraft facility**

	31/12/2023	31/12/2022
Granted credit limit	200,000	200,000
Unutilised portion	-200,000	-200,000
<b>Utilised credit amount</b>	<b>-</b>	<b>-</b>

**Note 25 Accrued expenses and deferred income**

	31/12/2023	31/12/2022
Personnel-related costs	10,539	10,664
Accrued cost of raw material purchases	57,554	-
Other accrued expenses	1,277	1,895
	<b>69,370</b>	<b>12,559</b>

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**Note 26 Other disclosures for cash flow statement**

	2023-12-31	2022-12-31
<b>Adjustment for non-cash items etc.</b>		
Depreciation	87,826	90,732
Other provisions	1,247	2,273
	<b>89,073</b>	<b>93,005</b>

**Note 27 Key ratio definitions**

*Operating margin:* Operating profit / net sales.

*Return on capital employed:* Operating profit / capital employed.

*Capital employed:* Total assets – non-interest-bearing liabilities.

*Non-interest-bearing liabilities:* Liabilities that do not bear interest. Pension liabilities are regarded as interest-bearing.

*Equity/assets ratio:* Adjusted equity / total assets.

**Note 28 Pledged assets and contingent liabilities**

<b>Pledged assets</b>	2023-12-31	2022-12-31
<i>Pledged collateral for own liabilities and provisions</i>		
Floating charges	150,000	150,000
<b>Total</b>	<b>150,000</b>	<b>150,000</b>

**Contingent liabilities**

*Contingent liabilities*

Other guarantees, County Council	8,600	8,600
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Piteå, \_\_-\_\_ 2024

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**Catrin Gustavsson**  
Chairperson of the Board

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**David Öquist**  
CEO

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**Malin Hallin**  
Board member

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**Anders Jakobsson**  
Board member

---

**Mikio Katayama**  
Board member

Our audit report has been submitted on \_\_-\_\_ -2024  
Ernst & Young Aktiebolag

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**Magnus Holmgren,**  
Authorised Public Accountant

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# Auditor's report

To the general meeting of the shareholders of Sunpine AB, corporate identity number 556682-9122 • *This is a translation from the Swedish original.*

## Report on the annual accounts

### Opinions

We have audited the annual accounts of Sunpine AB for the year 2023-01-01–2023-12-31. The annual accounts of the company are included on pages 37-51 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Sunpine AB as of 31 december 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Sunpine AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the sustainability report at pages 4-36.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our

responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing

standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence

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obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sunpine AB for the year 2023-01-01–2023-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Sunpine AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the com-

pany's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the

audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Piteå on the date specified by digital signature  
Ernst & Young AB

**Magnus Holmgren,**  
Authorized Public Accountant

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## Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Sunpine AB, corporate identity number 556682-9122.

### Engagement and responsibility

It is the board of directors that is responsible for the sustainability report for the year 2023 on pages 4-36 and that it is prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A statutory sustainability statement has been prepared.

Piteå on the date specified by digital signature  
Ernst & Young AB

**Magnus Holmgren,**  
Authorized Public Accountant

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