

# Annual Report 2022

CHANGE RUNS ON  
RENEWABLES

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# 2022 in brief

Neste creates solutions for combating climate change and accelerating a shift to a circular economy. We refine waste, residues and innovative raw materials into renewable fuels and more sustainable feedstock for polymers and chemicals.

The world has seen a volatile business environment throughout 2022. Neste's strategy reflects an understanding and mindset that we can be in charge of the changes to serve our purpose: to create a healthier planet for our children.

- Read more about key events in 2022 on [page 17](#) and sustainability highlights on [page 25](#).
- Watch [this video](#) to discover the highlights of the year.

**Revenue**  
**25,707 MEUR**

**Comparable EBITDA**  
**3,537 MEUR**

**Our maximum total dividend proposal for 2023 per share**  
**1.52 EUR**

**Comparable return on average capital employed after tax (ROACE)**  
**30.1%**

**Leverage ratio**  
**13.9%**

**Investments**  
**2,218 MEUR**

**Our renewable products helped reduce greenhouse gas emissions**  
**11.1 Mt CO<sub>2</sub>e**

**The share of waste and residues of Neste's total renewable raw material inputs globally**  
**95%**

**Safe days**  
**314**

**Average number of personnel**  
**5,244**

# Taking charge of change

The geopolitical and macroeconomic events that occurred in 2022 created challenges for many people, businesses and communities around the world. In a turbulent environment, we at Neste have continued to work diligently on our renewables growth strategy and transformation, creating solutions that aim at combating climate change to build a better future. In the process, Neste's people have demonstrated resilience, once again proving their ability to adapt to changes in the environment as well as to navigate volatile market dynamics. Thanks to this resilience, the year brought many significant advances for Neste. We celebrated a number of accomplishments, including new partnerships and acquisitions, the widening of our feedstock sourcing platform and good progress in the execution of our strategic initiatives.

## Progress in investments and acquisitions

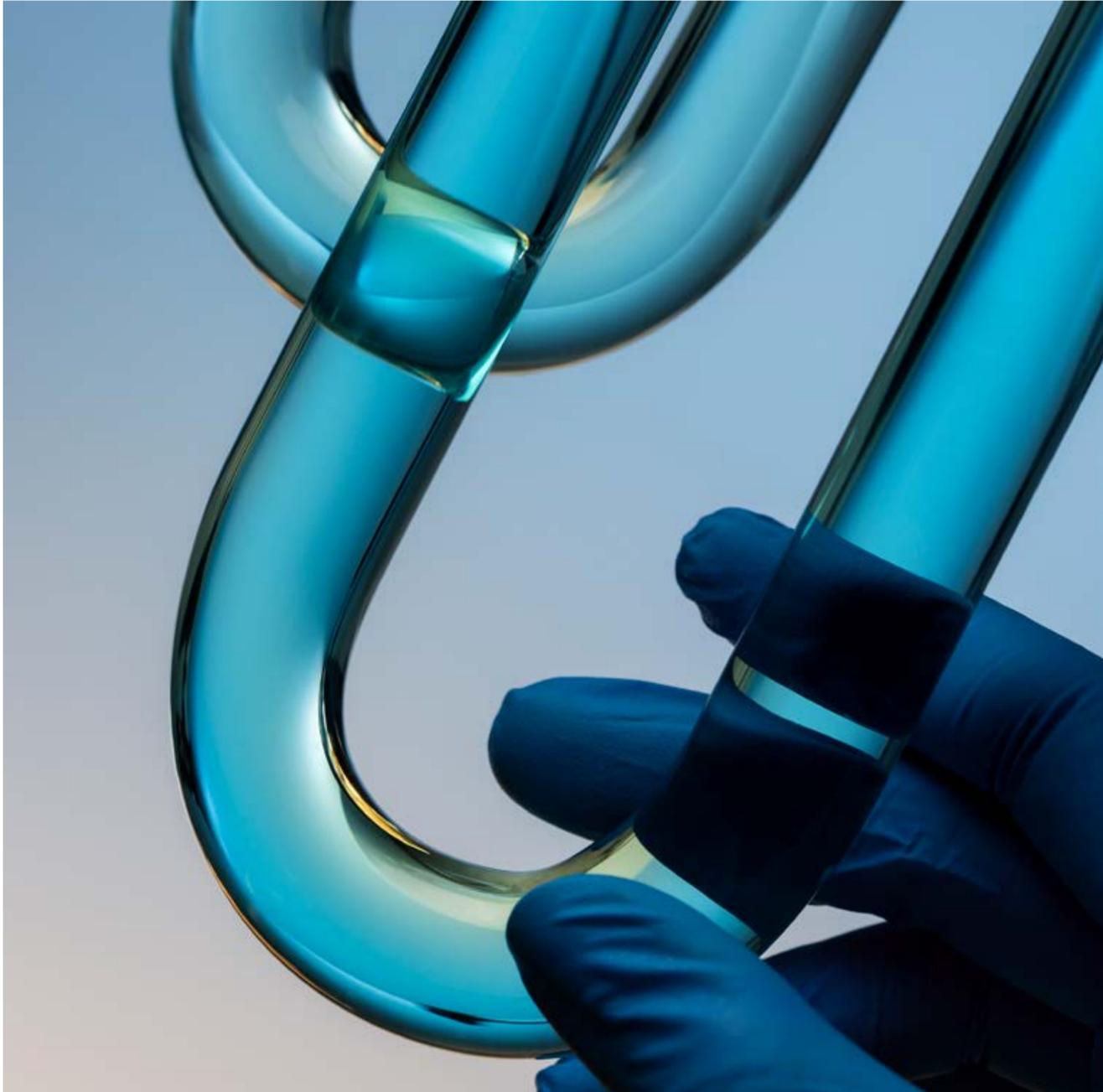
Growing in renewable and circular solutions is the core element of our strategy. In 2022, we continued to grow our production capacity and to strengthen and expand our renewable feedstock supply. We executed on three landmark initiatives that will see our global renewables production capacity – 3.3 million tons annually in 2022 – more than double by the end of 2026.

Our joint operation with Marathon Petroleum for the production of renewable diesel in Martinez, California was closed in 2022 and is set to commence operations in early 2023. The joint operation, Martinez Renewables, will boost Neste's renewable products capacity by over 1 million tons annually after a phased startup during 2023.

The expansion of Neste's Singapore refinery, meanwhile, is on track to begin commercial operations in 2023. The expansion, which is the result of a EUR 1.65 billion investment, will also add more than 1 million tons per annum to Neste's global renewables production capacity.

An additional investment decision was finalized in 2022 for the expansion of Neste's renewable refinery in Rotterdam. The approximately EUR 1.9 billion investment will see the refinery's capacity increase by 1.3 million tons annually and growing its total production capacity to 2.7 million tons per year, of which 1.2 million tons can be produced as sustainable aviation fuel (SAF).





We developed new partnerships to add new volumes of oil and fat wastes and residues supply, supported also through inorganic growth transactions. The acquisitions included Walco Foods, a leading animal fat and by-products trading company in Ireland, and a US-based used cooking oil (UCO) collection and aggregation business acquired from Crimson Renewable Energy Holdings.

With great excitement, Neste also launched a strategic study in 2022 regarding the long-term transition of our Porvoo refinery to a leading renewable and circular solutions site, with the ultimate target of replacing fully crude oil with renewable feedstocks.

All of these investments and transactions significantly strengthen Neste's position as a global leader in renewable and circular solutions, helping to ensure future competitiveness and execution of the company's growth strategy.

### **Growth in new and existing partnerships**

We continued to develop new partnerships in our Renewable Road Transportation business. Since January 2022, Neste MY Renewable Diesel has been used by Coca-Cola Europacific Partners Netherlands on up to 50,000 transport routes. We also partnered with Bosch, which has committed to using Neste MY Renewable Diesel on internal logistics routes between German production plants in the company's Powertrain Solutions division. Neste and Rolls-Royce Power Systems agreed to embark on a strategic partnership to promote the use of renewable diesel, and Neste signed an additional partnership contract with MAN and Altens to promote biofuels in France.

In the Renewable Polymers and Chemicals business, we also announced several important partnerships. These included a collaboration with coffee-maker

Tchibo and its partner Berry Global to provide Neste RE, a renewable feedstock for chemicals and polymers, for Tchibo's Qbo line of products. A similar partnership involving Neste, MAM Baby and Borealis brought a new infant pacifier to market, made with renewably sourced feedstock. Forming partnerships like these with brand owners who share our agenda of creating more sustainable solutions remains a foundational element of our strategy.

Neste also celebrated numerous key accomplishments in the aviation business during 2022, announcing several concurrent partnerships and making substantial inroads into the supply networks of major airports. These include:

- A purchase agreement with Air France-KLM Group to supply more than 1,000,000 tons of SAF beginning in 2023 – the largest such agreement so far in the aviation industry;
- A collaboration with ITOCHU and Fuji Oil Company on a project to demonstrate local blending of SAF in Japan;
- A delivery of SAF to Los Angeles International Airport (LAX) in cooperation with LAXFUEL;
- A partnership with CIM, part of NOVEN Group in France, to enable the supply of Neste MY Sustainable Aviation Fuel in France; and
- A partnership between Neste and Airbus to drive the development and uptake of SAF, stimulating the creation of a commercially viable market for renewable aviation fuels.

We continue to work tirelessly on ramping up production of Neste MY Sustainable Aviation Fuel because we firmly believe that renewable fuels are one of the most important near-term decarbonization solutions for the aviation industry.

### **Safety and values at the core of our culture**

As we do every year, in 2022 we focused on safety, which requires constant focus and improvements. We want to lead the way in creating a more sustainable future, and we can only do that if we put the safety of our people first. Simultaneously, we worked on maturing business processes and further driving their digitalization to enhance efficiency.

Reflecting on the year's activities and accomplishments, it is clear to see how commitment to our values – we care, we have courage, and we cooperate – has supported our transformation towards a truly global company. Our investments and partnerships represent bold optimism for the future of both Neste and the world, as they seek to identify and capitalize on opportunities to drive business in more innovative and sustainable ways.

### **Sustainability guides our path forward**

Our sustainability vision continues to guide us on our journey of growth and transformation. We are leading the transformation towards a carbon neutral value chain, and we have set ourselves aspirational targets for biodiversity, human rights and our supply chain and raw materials.

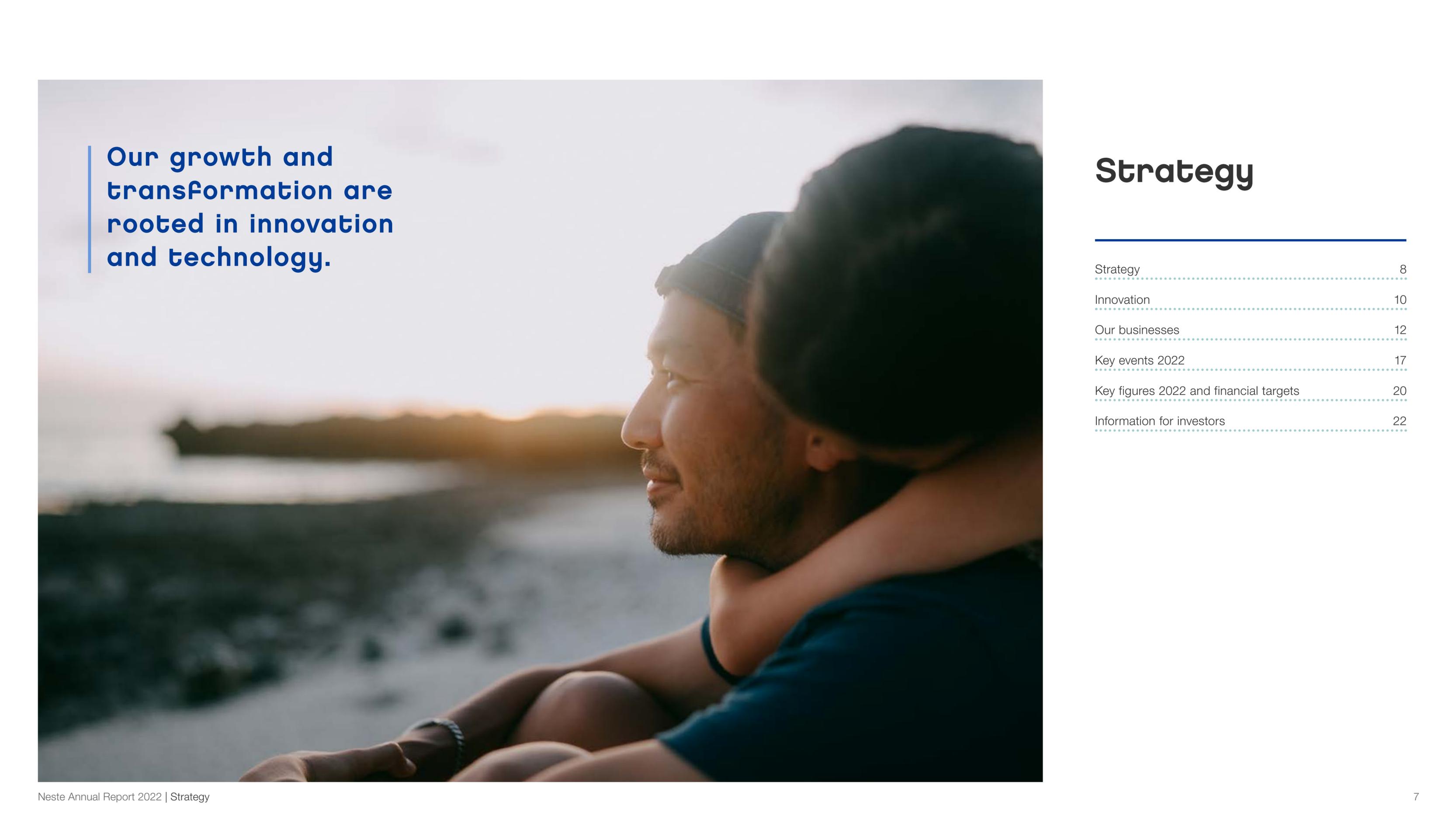
**We celebrated a number of significant accomplishments, including new partnerships and acquisitions.**

Reaching carbon neutral production by 2035 (scope 1 & 2) and reducing our customers' GHG emissions by at least 20 million tons CO<sub>2</sub>e annually by 2030 are among our ambitious goals. We have concrete targets to reducing the use phase emission intensity of sold products and work with our suppliers and partners to reduce the indirect GHG emissions from our entire value chain (scope 3) and are aiming for a carbon neutral and nature positive value chain by 2040. Thanks to a continued focus on cooperation and innovation, we remained on track to reach these targets during 2022.

We are extremely proud to have been recognized in 2022 for the 16th consecutive year as a global sustainability leader in both the Dow Jones Sustainability World and Europe Indices, while in the beginning of 2023, Corporate Knights Global 100 Index named Neste the 29th most sustainable company in the world, and first among industry peers. Our climate actions achieved Leadership level recognition for the sixth consecutive year by the CDP and were recognized by the CDP's Forests and Water Security assessments.

I would like to thank our employees and partners for their dedication to our goal of becoming a global leader in renewable and circular solutions. As we celebrate the momentous achievements of 2022, we look forward to the years to come. In 2023, we celebrate Neste's 75th anniversary and a great story of successful transformation. I am confident that Neste will continue to serve its stakeholders passionately while working towards its purpose to create a healthier planet for our children.



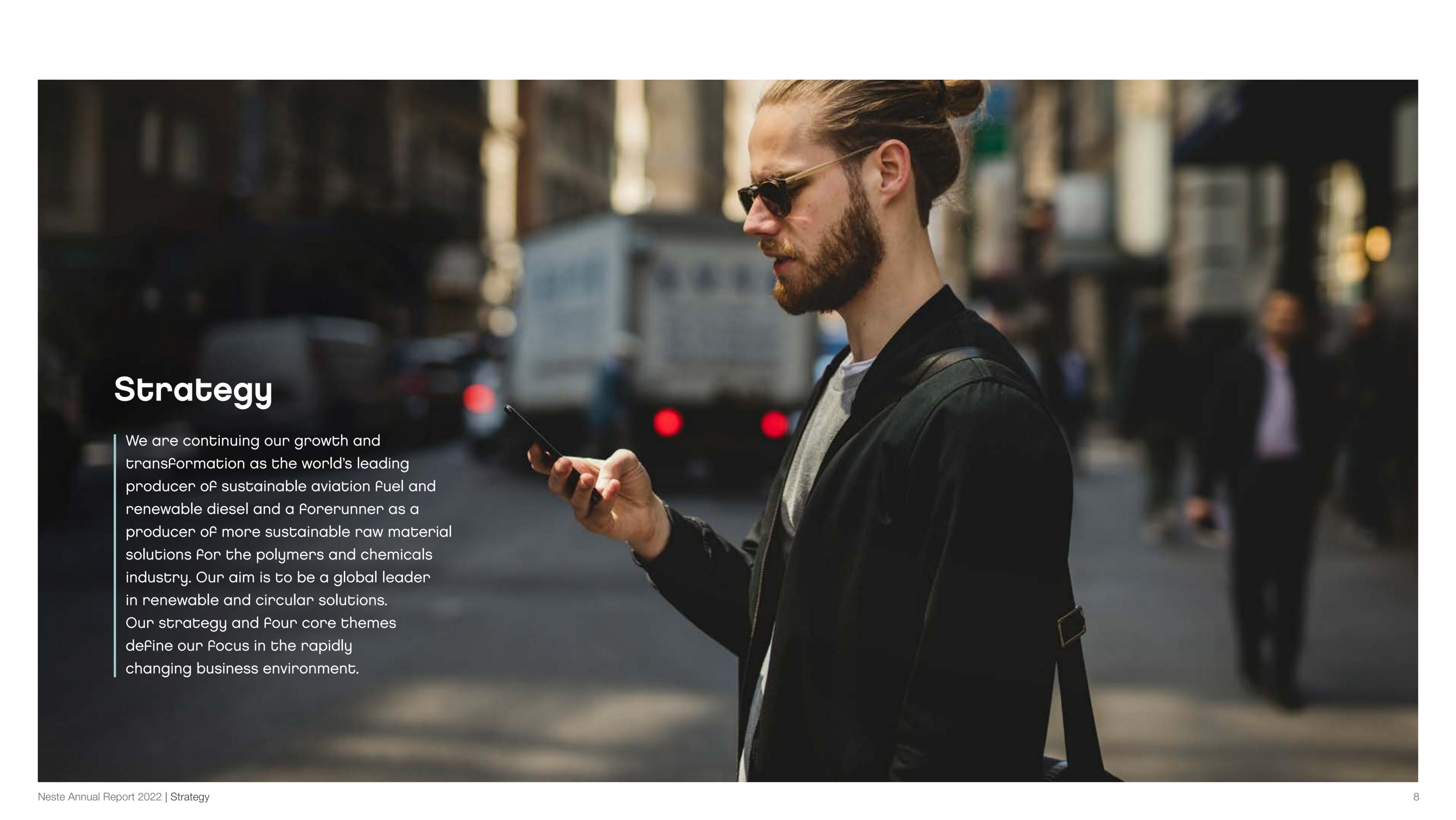


**Our growth and transformation are rooted in innovation and technology.**

## Strategy

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A man with a beard and sunglasses is looking at his phone on a city street. He is wearing a dark jacket and has his hair tied back. The background is a blurred city street with traffic lights and other people.

## Strategy

We are continuing our growth and transformation as the world's leading producer of sustainable aviation fuel and renewable diesel and a forerunner as a producer of more sustainable raw material solutions for the polymers and chemicals industry. Our aim is to be a global leader in renewable and circular solutions. Our strategy and four core themes define our focus in the rapidly changing business environment.

## Our growth strategy drives value for our customers, shareholders and the planet.

We help our customers improve their sustainability. To achieve this, we are developing and providing solutions to combat climate change and accelerate circular economy.

We are seeing increasing demand for renewable and circular solutions, with a strong long-term demand outlook both from businesses and consumers in different market segments. With our strategy, we are responding and adapting to the volatile business environment and increasing competition.

Neste's strategy reflects an understanding and mindset that we can be in charge of these changes to serve our purpose: to create a healthier planet for our children. Our strategy is built around four core themes:

- Grow renewable and circular solutions;
- Create new markets to drive long-term growth;
- Drive sustainable differentiation and value creation; and
- Strengthening the foundation.

With our strategy, values-led culture and talented employees, we will not only navigate through the changes but lead the way.

### Core themes of Neste strategy

#### Grow renewable and circular solutions

We continue to serve existing and new customers in the road transport, aviation and polymers and chemicals markets on our journey to create a healthier planet for our children. We will further grow our production capacity and continue to proactively develop and pilot new sustainable solutions. We will strengthen and expand our renewable and recycled raw material supply.

#### Create new markets to drive long-term growth

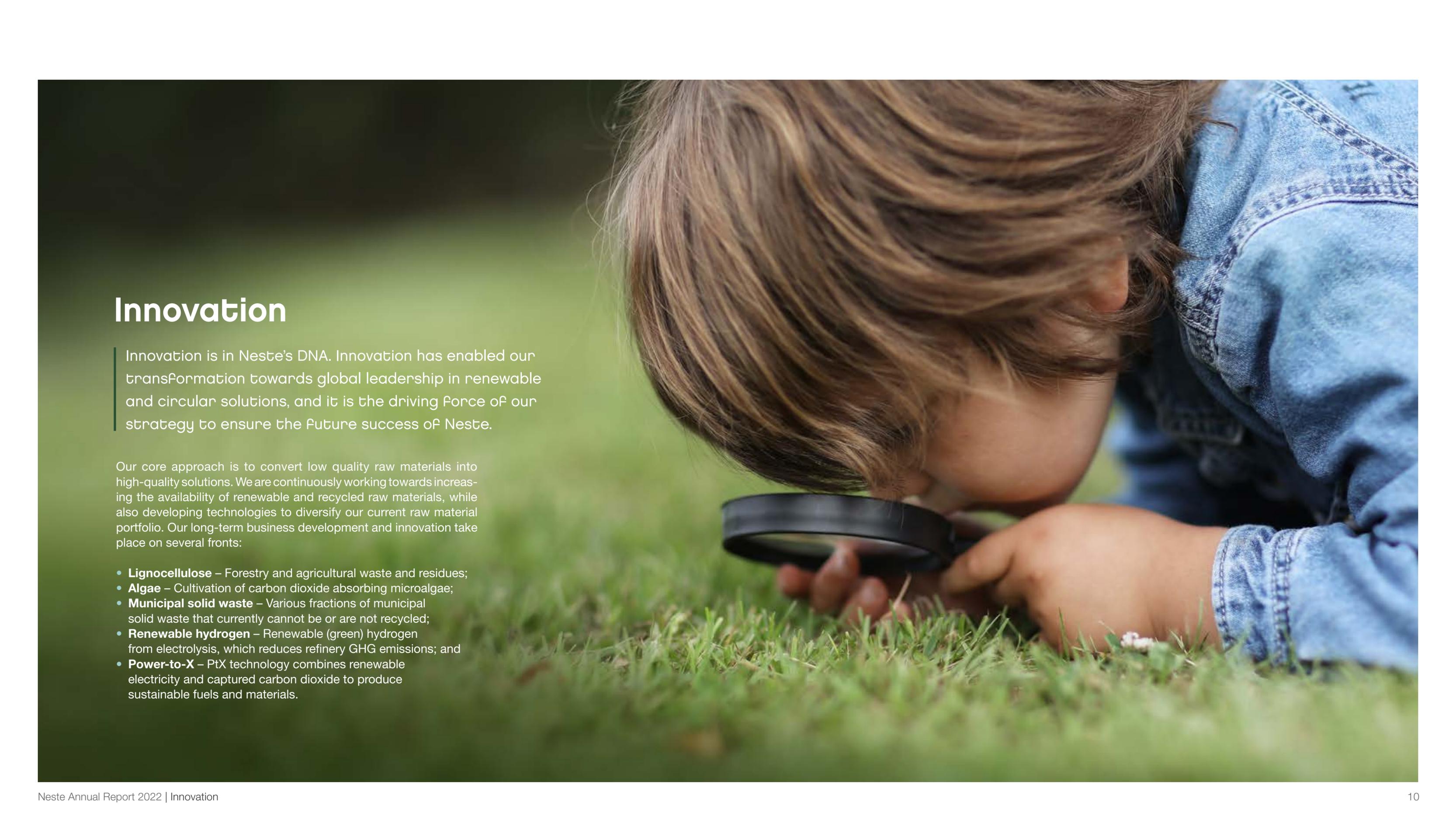
We innovate and commercialize new scalable renewable and circular solutions for the next phases of growth. We tap into new raw material sources and open up new avenues of growth for Neste. We continue having a strong presence in our key markets globally, while creating opportunities also in new markets, to serve our customers.

#### Drive differentiation and value creation

We continue to drive differentiation by developing our ability to source and process a wide variety of raw materials. We will develop next-generation technologies and solutions according to our vision of leading the way towards a sustainable future together. We will also develop our customer-facing activities for creating superior value for our customers.

#### Strengthen our foundation

We will further drive long-term competitiveness by ensuring scalability of our processes and efficiency of our operations. We will intensify efforts to ensure consistently safe operations, and we will drive our digital capabilities. We continue to ensure high standards in sustainability and strive towards our sustainability vision. Safety remains at the heart of our operations – every day, everywhere.



# Innovation

Innovation is in Neste's DNA. Innovation has enabled our transformation towards global leadership in renewable and circular solutions, and it is the driving force of our strategy to ensure the future success of Neste.

Our core approach is to convert low quality raw materials into high-quality solutions. We are continuously working towards increasing the availability of renewable and recycled raw materials, while also developing technologies to diversify our current raw material portfolio. Our long-term business development and innovation take place on several fronts:

- **Lignocellulose** – Forestry and agricultural waste and residues;
- **Algae** – Cultivation of carbon dioxide absorbing microalgae;
- **Municipal solid waste** – Various fractions of municipal solid waste that currently cannot be or are not recycled;
- **Renewable hydrogen** – Renewable (green) hydrogen from electrolysis, which reduces refinery GHG emissions; and
- **Power-to-X** – PtX technology combines renewable electricity and captured carbon dioxide to produce sustainable fuels and materials.

We are targeting industrial-scale operations in at least one platform by 2030. These globally scalable raw material pools, together with related technologies, will play an important role in further reducing dependence on crude oil and tackling climate change. Read more about [future raw materials](#).

In addition to exploring new growth opportunities, we constantly develop, test and analyze our existing renewable and circular solutions. Approximately 25% of our personnel work with topics related to innovation, research, product development and engineering. We have dedicated teams exploring and developing our Innovation business platforms towards commercialization.

We invest the majority of our annual R&D expenditure in innovation, research and development, and testing raw materials and the technologies that could enable their use. In 2022, our R&D expenditure was EUR 85 million.

### **Strengthening innovation to create new business**

We are focusing on scalable, sustainable raw materials and required technologies for their conversion to fuels, polymers and chemicals. Our twofold aim is to ensure the growth of our current businesses and to build new growth platforms for renewable and circular solutions.

To further strengthen our R&D and innovation capabilities globally, we established an Innovation Center in Singapore. Operational since early 2023, the center drives collaboration with partners in the Asia-Pacific region, especially in Singapore. Neste's Technology Center in Porvoo, Finland continues to serve as an R&D facility focusing both on existing and future raw materials.

Our engineering arm, Engineering Solutions plays a key role in enabling Neste's strategy implementation by participating in research and development programs with technology development, modeling and simulation, and scaling up process engineering expertise. Through the merger in 2022, all Engineering Solutions personnel in Finland transferred to the Neste Corporation.

Demonstrating renewable hydrogen production at our Rotterdam refinery in the Netherlands within the



MultiPLHY project is one of the initiatives enabling us to further drive the development of new sustainable technologies. Another renewable hydrogen project of the company, SHARC, focuses on investing in production capacity of renewable hydrogen and reducing GHG emissions from hydrogen production at the Porvoo refinery in Finland.

In July 2022, Neste became the first Finnish company to receive IPCEI (Important Project of Common European Interest) status from the European Commission for its hydrogen projects. In December 2022, Business Finland awarded Neste EUR 27.7 million of public funding for its renewable hydrogen projects at the Porvoo refinery.

We also received a positive grant decision from the EU Innovation Fund for the company's project to build chemical recycling capacities at the Porvoo refinery in Finland within project PULSE (Pretreatment and Upgrading of Liquefied waste plastic to Scale up circular Economy).

### **Extensive collaboration network**

Innovation requires partnering and cooperation. Neste is already collaborating with a network of 25 leading universities and research institutes and we continue to expand and intensify our cooperation with them. We work with technology companies, startups and value chain partners to introduce innovations in renewable and circular solutions to global-scale businesses. We have also established corporate venture activities to invest in technology startups.

In 2022, Neste made an equity investment into Netherlands-based Circularise, a supply chain traceability and transparency startup. We also continued to collaborate with technology companies we have made minority investments in: technology company Alterra Energy related to developing chemical recycling, as well as Sunfire GmbH related to renewable hydrogen demonstration (project MultiPLHY).

**Lignocellulose, algae, municipal solid waste, renewable hydrogen and Power-to-X are our promising growth platforms for new business.**

In Neste Veturi program, we aim to develop sustainable, globally scalable raw materials and technology solutions for transportation, and the production of chemicals and polymers. The Veturi ecosystem gathers over 90 Finnish companies, startups, universities and research institutes to jointly build the future capabilities needed to establish new technologies and value chains in renewable and circular solutions. The development work is supported by Business Finland.

The ecosystem was strengthened further during 2022. One example of a successful joint Veturi project is the E-fuel research project developing high temperature electrolysis, CO<sub>2</sub> capture and hydrocarbon synthesis technologies. In 2022, VTT and Neste agreed to build a technology demonstration facility at VTT Bioruukki Pilot Centre, Espoo, Finland. We also celebrated the achievements of joint development and built new initiatives in the Neste Veturi event with a large number of partners.

An aerial photograph of a winding asphalt road through rolling green hills. The road curves from the top left towards the bottom right. A single car is visible on the road, moving away from the viewer. The hills are covered in lush green grass with some patches of brownish vegetation. A wooden fence runs along the edge of the road.

## Our businesses

Neste refines waste, residues and innovative raw materials into renewable Fuels and renewable and recycled Feedstock for polymers and chemicals.

We are the world's leading producer of sustainable aviation fuel, renewable diesel and renewable feedstock solutions for various polymers and chemicals industry uses. We are also developing chemical recycling technologies and capacity to combat plastic waste challenge.



We produce renewable products at our refineries in Finland, the Netherlands and Singapore entirely from renewable raw materials with a current annual name-plate capacity of approximately 3.3 million tons. Neste's Singapore refinery expansion and our joint operation, Martinez Renewables, with Marathon Petroleum in Martinez, California, will increase Neste's total production capacity of renewable products to 5.5 million tons by the end of 2023. When completed, Neste's Rotterdam refinery capacity expansion project will further increase the company's total production capacity of renewable products to 6.8 million tons by the end of 2026. This will help us meet the increasing global demand for lower-emission products.

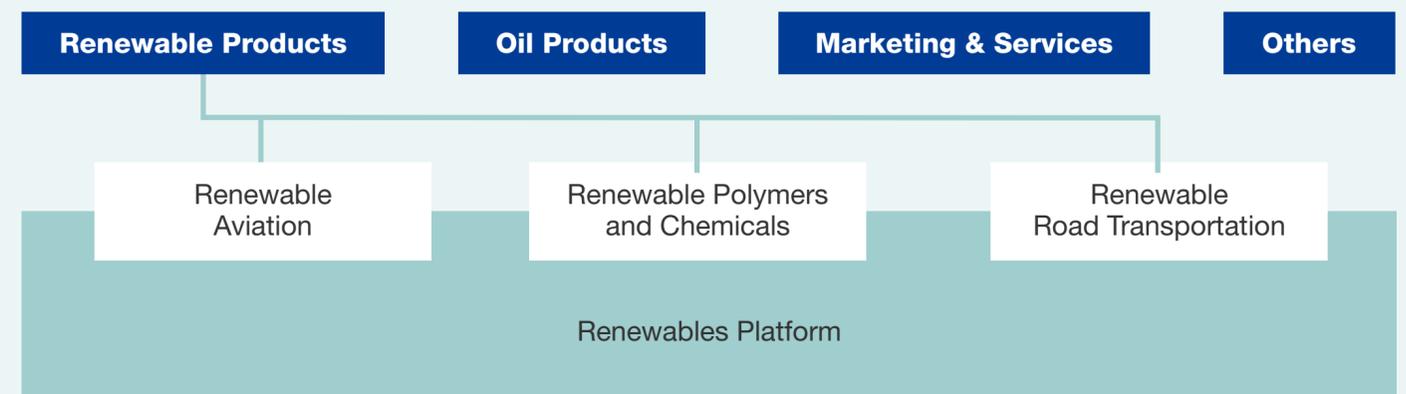
We are also a technologically advanced refiner of high-quality oil products with a commitment to reach carbon neutral production by 2035. We are introducing renewable and recycled raw materials such as liquefied waste plastic into our oil refinery in Porvoo, Finland. We have launched a strategic study on transforming Porvoo refinery to a renewable and circular site with 2-4 million tons annual capacity and ending of crude oil refining by the middle of 2030's.

Our own fueling station network of nearly 1,000 stations covers four countries in the Baltic Sea region: Finland, Estonia, Latvia and Lithuania.

Neste MY Renewable Diesel™ is also sold at more than 500 stations via channel partners in Sweden, Belgium, the Netherlands and the US.

We invest heavily in researching, testing and deploying new raw materials and technologies. Our engineering arm, Engineering Solutions delivers high-quality technology and engineering services for the group and its external customers.

### Neste's businesses are grouped into four reporting segments:





## Renewable Products

**Renewable Aviation** offers Neste MY Sustainable Aviation Fuel™, which in its neat form reduces greenhouse gas (GHG) emissions by up to 80% over the fuel's life cycle, compared to using fossil jet fuel (calculation method: CORSIA). The fuel provides an immediate solution for reducing the GHG emissions of air travel. We are actively working with partners through the aviation supply chain to grow the availability of Sustainable Aviation Fuel (SAF) for the aviation industry globally.

**Renewable Polymers and Chemicals** offers Neste RE™, a drop-in solution made entirely out of renewable and recycled raw materials to replace fossil feedstock in the production of polymers and chemicals. Neste RE produced from 100% renewable raw materials has a more than 85% smaller carbon footprint over its life cycle compared with conventional fossil raw materials for polymers and chemicals production (Life cycle assessment of environmental impacts of Neste RE, June 2021). The business unit is also developing chemical recycling technologies and capacity together with value chain partners to combat plastic waste pollution and enable higher recycling rates.

**Renewable Road Transportation** offers Neste MY Renewable Diesel™, enabling its customers to reduce their GHG emissions by as much as 75–95% compared to fossil diesel over the fuel's life cycle. The GHG emission reduction varies depending on the region-specific legislation that provides the methodology for the calculations (e.g. EU RED II 2018/2001/EU for Europe and US California LCFS for the US), and the raw material mix used to manufacture the product for each market. Neste MY Renewable Diesel is a drop-in solution, which means that it can be used in the existing diesel vehicles and fuel infrastructures as such or in a fuel blend.

**Renewables Platform** enables Neste's global renewables production, renewable raw material sourcing and transporting of our renewable products to our global customer base. We currently use a wide variety of globally-sourced renewable raw materials, and waste and residues account for over 90% of our global renewable raw material inputs. The capacity expansion in Singapore and our joint operation, Martinez Renewables, with Marathon Petroleum in Martinez, California, will increase the total production capacity of renewable products to 5.5 million tons by the end of 2023.

### Strengths:

- High-quality renewable diesel, sustainable aviation fuel, renewable feedstock for the polymers and chemicals industry, as well as other renewable products as solutions to significantly reduce greenhouse gas emissions through reducing reliance on fossil-based alternatives;
- An extensive global supply network for a wide variety of renewable raw materials, waste and residues accounting for 95% (92%) of Neste's renewable raw materials inputs globally in 2022;
- Capability to pretreat low-quality waste and residue raw materials to enable their use in the production of high-quality products;
- Global customer base extending over multiple sectors; and
- Capability to establish value chain partnerships to develop chemical recycling of hard-to-recycle plastic and to enable production of new high-quality polymers and chemicals from waste plastic.

### Main demand factors:

- Governments are increasingly introducing renewable energy requirements - or emission reduction targets – for the transport sector. This is especially the case in the European Union, where SAF will be mandated;
- Leading companies and brands want to reduce their own emissions and provide customers with more sustainable products based on renewable and circular solutions; and
- There is increasing societal pressure from consumers who want to see a reduction in fossil fuels and use products made of recycled materials. This is particularly related to the global plastic waste challenge.

### Nameplate capacity:

Ca. 3.3 million tons of renewable products annually, increasing to 6.8 million tons by the end of 2026.

### Main market areas:

Europe and North America, expanding in the Asia-Pacific region.

### Customers:

Retailers, wholesale customers such as transport service companies, municipalities and other fleet owners or operators, airports, airlines, aviation fuel suppliers and corporate business travelers, as well as polymers and chemicals producers.

### Market position:

Neste is the world's leading producer of sustainable aviation fuel, renewable diesel and renewable feedstock solutions for various polymers and chemicals industry uses. We are also developing chemical recycling to combat plastic waste pollution.

### Main competitors:

Other renewable diesel and sustainable aviation fuel producers, as well as producers of conventional biodiesel. Other providers of renewable and circular solutions for the polymers and chemicals sectors.



## Oil Products

Our offering includes high-quality oil products and related services for the road transportation, non-road uses, aviation and marine sectors, as well as products for the oil and petrochemical industries.

Neste has an ambition to make Porvoo the most sustainable refinery in Europe aiming to reach carbon neutral production by 2035. We have launched a strategic study on transforming Porvoo refinery to a renewable and circular site with 2–4 million tons annual capacity and ending of crude oil refining by the middle of 2030s.

### Strengths:

- Extensive selection of high-quality fossil and renewable solutions;
- Technologically advanced refinery enabling high value product yield; and
- Capability to pilot and scale-up the use of new technologies and innovative raw materials, such as liquefied waste plastic, in refining.

### Main demand factors:

- Increasing demand for solutions containing both fossil and renewable products;
- Customers' requirements for flexibility in the supply chain; and
- Supply security in turbulent market conditions.

### Refining capacity:

Crude oil refining capacity ca. 10 million tons annually, total refining capacity ca. 12 million tons annually.

### Market position:

Strong position in the Baltic Sea area wholesale markets.

### Main market areas:

Baltic Sea area, Europe and North America.

### Main competitors:

Refineries in Northwest Europe and market participants importing oil products to Northwest Europe.

### Customers:

Retailers and distributors, oil majors and trading companies, petrochemicals companies and companies marketing lubricants and solvents.



## Marketing & Services

Marketing & Services offers sustainable, low-emission and digital solutions for the needs of consumers, companies and partners in Finland and in the Baltic countries. We seek to develop a diverse range of services aiming to provide the most convenient customer experience.

### Strengths:

- Best customer experience with digitalization and new innovations;
- High-quality and sustainable solutions: Neste MY Renewable Diesel™, Neste MY Non-Road Diesel™ and Neste MY Sustainable Aviation Fuel™ as customers' preferred choices;
- Extensive electric vehicle charging solutions in Finland; B2B electric vehicles charging, a workplace charging solution and a public high power charging solution for light and medium-duty electric vehicles;
- Strong brand and extensive station network in Finland and in the Baltic countries; and
- Solutions like Neste Charge and Neste MY Carbon Footprint service that create additional value for B2B customers.

### Main demand factors:

- Developments in traffic and transportation volumes;
- Customers' growing expectations of services and more sustainable solutions; and
- Requirements by municipalities, cities, and industry for more sustainable energy solutions.

### Main market areas:

Finland, Estonia, Latvia and Lithuania. Station network consists of 720 stations in Finland and 222 stations in the Baltic countries. In Finland, Neste MY Renewable Diesel™ is available at 184 stations and in the Baltics at 30 stations.

### Customers:

Consumers, transport service, customers in the aviation, shipping, industrial and agricultural sectors, municipalities, heating customers and distributors.

### Market position:

Leading market position in Finland. Among the leading operators in Estonia, Latvia and Lithuania.

### Main competitors:

Other large retailers in Finland and in the Baltic countries.

# Key events 2022



## Reducing transport emissions with our partners

We continued and started partnerships with several global companies, like [Rolls-Royce](#), [Bolloré](#), [Coca-Cola Europacific Partners](#), [Liebherr](#), [Marr Contracting](#) and [LCL](#), to help them and their customers reduce their greenhouse gas emissions by replacing fossil fuels with Neste MY Renewable Diesel™.

We enabled the first-ever transport of renewable diesel by pipeline in France, marking the first of such transports in Europe.

We additionally gained two new partners, [EDi Energie-Direkt Hohenlohe GmbH](#) and [TOOL-FUEL Services GmbH](#), to sell Neste MY Renewable Diesel in Germany.



## Launching electric charging

In Finland, we introduced our first dedicated [charging service for logistics companies](#) to charge their fleet, as well as the vehicles of their subcontractors, at their own depot. We also introduced [public high power charging \(HPC\)](#) at our service stations in Finland for light and medium-duty electric vehicles.

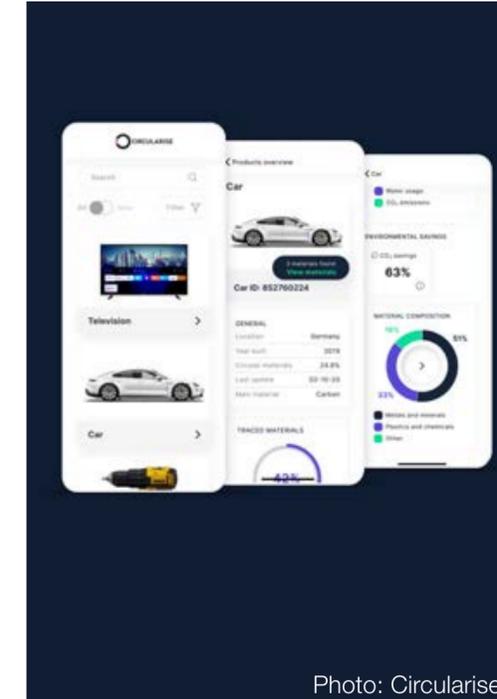


Photo: Circularise

## Enabling traceability along polymers and chemicals value chains

We started a partnership with Netherlands-based startup [Circularise](#) to bring its blockchain-based traceability software into polymers and chemicals supply chains. The aim is to increase traceability of renewable and recycled material flows to provide transparency along the value chain. We also invested [a combined EUR 11 million investment](#) into Circularise with three other investors.



Photo: Bugaboo

## Expanded Neste RE™ supply to new partners

Neste started several collaborations aimed at replacing fossil feedstocks with more sustainable ones in the production of polymers and chemicals.

We started cooperating with [Covestro](#) and [SK geo centric](#) to create a value chain for renewable MDI in APAC. Neste, [Idemitsu Kosan](#), [CHIMEI](#) and [Mitsubishi Corporation](#) agreed to build a renewable plastics supply chain utilizing Neste RE.

MAM launched [MAM Original Pure soother and its packaging](#) which are composed of renewable polyolefins, manufactured with our Neste RE produced entirely from renewable raw materials.

Bugaboo's, [DSM Engineering Materials'](#), [Fibrant's](#) and Neste's partnership enabled the launch of an entire [Bugaboo stroller portfolio](#) with plastic made with bio-based materials.

## Introducing new type of co-processed marine fuel

We started piloting a new [Neste Marine™ 0.1 Co-processed marine fuel](#) together with [Nordic Marine Oil](#) to help the maritime sector reduce greenhouse gas emissions. [ESL Shipping](#) became the world's first shipping company to start utilizing this new marine fuel.



## Partnering actively for a more sustainable aviation industry

Our Neste MY Sustainable Aviation Fuel™ (SAF) business continued to grow globally through numerous partnerships and collaborations with leading airlines, like [Air France-KLM](#), [Malaysia Airlines](#), [Etihad Airways](#), [United Airlines](#), [Viva Aerobus](#) and [Air New Zealand](#), as well as other partners such as [Airbus](#), [DHL Express](#), [ITOCHU](#), [World Fuel Services](#), [HELLENIC PETROLEUM](#), [CIM](#), [Victor](#), [Cargo Ai](#), [Sunweb](#) and [Nippon Cargo Airlines](#). We delivered the aviation industry's first ever [CORSA-certified SAF](#) to [American Airlines](#) and piloted the delivery of SAF using [existing petroleum pipelines](#) from Texas to New York. In addition, we enabled the [first-ever flight with 100% SAF](#) on a regional commercial aircraft and the first helicopter flights using SAF in [Southeast Asia](#) and [Finland](#).



# Key events 2022



## IPCEI status for Porvoo refinery hydrogen projects from European Commission

Neste was the first Finnish company to be granted IPCEI (Important Project of Common European Interest) status by the European Commission, enabling national public funding for our renewable hydrogen projects at Porvoo refinery. The projects develop solutions for the production and utilization of renewable hydrogen in our refinery processes.

In December 2022, Business Finland awarded Neste with a public funding of EUR 27.7 million for its green hydrogen projects at the Porvoo refinery.

## Projects on chemical recycling of waste plastic proceeding successfully

Our work on commercializing chemical recycling of waste plastic in Porvoo, Finland continued. The goal is to scale up capabilities to process liquefied waste plastic by implementing proprietary pretreatment and upgrading technologies and integrating the technologies into the refinery operations. Neste's project PULSE received a positive grant decision for up to EUR 135 million from the EU Innovation Fund in July. In addition, Neste acquired European rights to Alterra Energy's thermochemical liquefaction technology.



## Strategic study on ending crude oil refining in the mid-2030s in Porvoo

We launched a strategic study on transitioning our refinery in Porvoo, Finland to non-crude oil refining and into a globally leading renewable and circular solutions site. The transformation under study of both renewable and circular raw materials could continue with retrofits of existing units at a later stage, with a long-term capacity potential of 2 to 4 million tons per year.



## Replaced Russian crude oil with other qualities

At the start of the war, Neste decided to stop using Russian crude oil entirely and started replacing it with other qualities. The last of the crude oil cargoes from Russian origin arrived at the Porvoo refinery in July 2022 and the supply contracts ended. Supply contracts for other fossil feedstocks from Russia ended at the end of 2022. Neste condemns Russia's invasion of Ukraine, and we have witnessed strong support for Ukraine among Neste employees, our customers and the international community.



## Building an integrated Power-to-Liquids (e-fuels) demonstration facility together with VTT

Neste agreed with VTT to build a technology demonstration facility at VTT Bioruukki Pilot Centre in Espoo, Finland. This is a continuation of the Business Finland funded Veturi E-fuel research project developing high temperature electrolysis, CO<sub>2</sub> capture, and hydrocarbon synthesis technologies.

# Key events 2022



## Matti Lehmus became Neste's new President and CEO

Matti Lehmus started as President and CEO as of 1 May 2022. He holds a M. Sc. in chemical engineering and an eMBA. He joined Neste in 1998, and has held several key leadership positions during his career in both the oil products and renewables businesses.

## Strengthening our global raw materials sourcing

We agreed to acquire used cooking oil collection and aggregation business from Crimson Renewable Energy Holdings, LLC in the US. The acquisition was closed in January 2023. We also acquired Walco Foods, an Irish trader of animal fats, renamed as Neste Walco Limited.



## Published our very first Green Finance Report

We published our inaugural Green Finance Report following the establishment of our Green Finance Framework in 2021 to further integrate the company's sustainability ambitions into our financing. We also signed a EUR 500 million green term loan agreement to finance Eligible Assets and Projects in accordance with the framework.

## Neste's first credit rating

Moody's Investors Service assigned an A3 long-term issuer rating and a baseline credit assessment (bca) of baa1 with stable outlook to Neste.



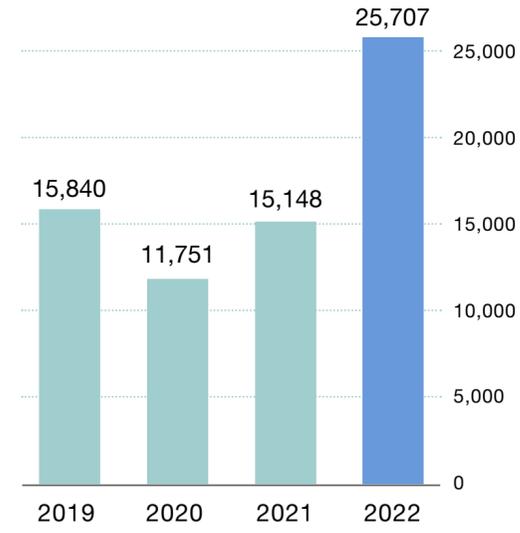
## Major investments to increase our renewables production capacity

While our ongoing Singapore refinery expansion stayed on track to completion by the end of the first quarter in 2023, we made the final investment decision to also expand renewables production capacity in Rotterdam by 1.3 million tons. The investment of approximately EUR 1.9 billion will bring the total renewable product capacity at our Rotterdam refinery to 2.7 million tons annually. Our target is to start up the new production unit during the first half of 2026.

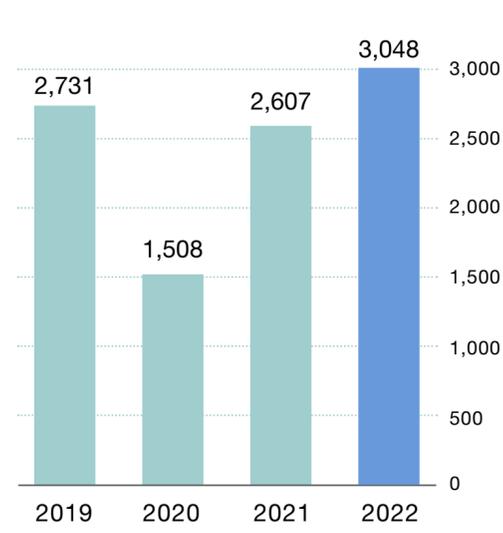
We established a 50/50 joint operation, Martinez Renewables, for production of renewable fuels with Marathon Petroleum in the US. By the end of 2023, it is expected to increase our renewables production capacity by slightly over 1 million tons annually.

# Key figures 2022

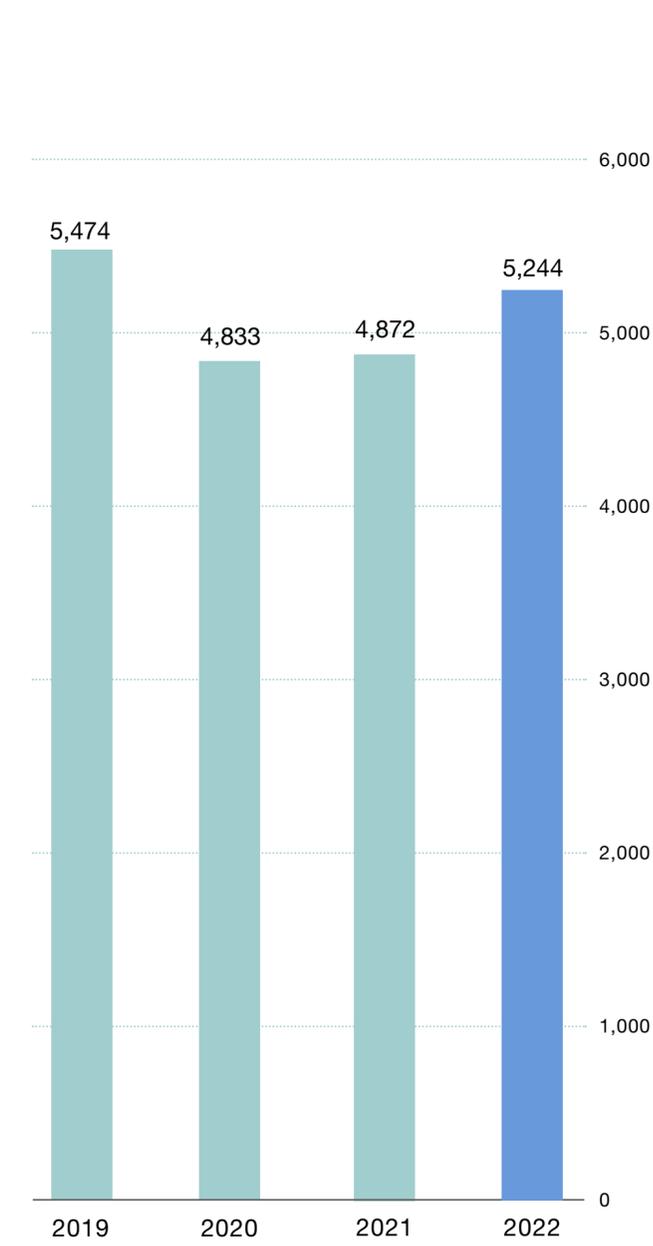
Revenue, EUR million



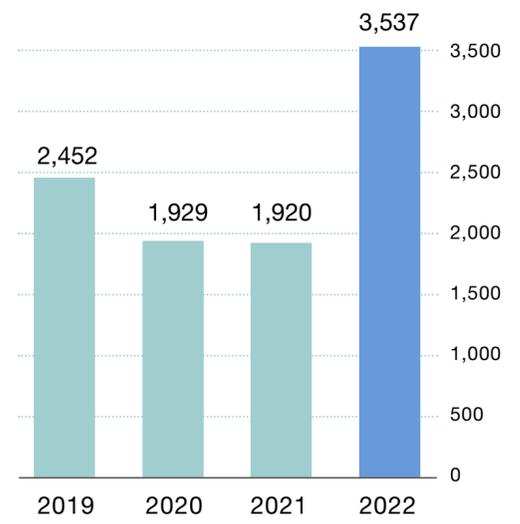
EBITDA, EUR million



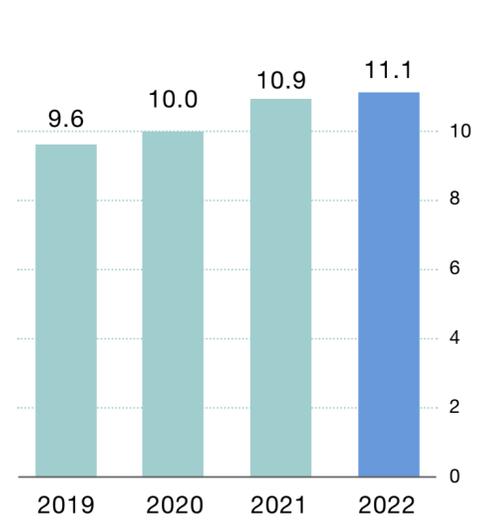
Personnel, on average



Comparable EBITDA, EUR million



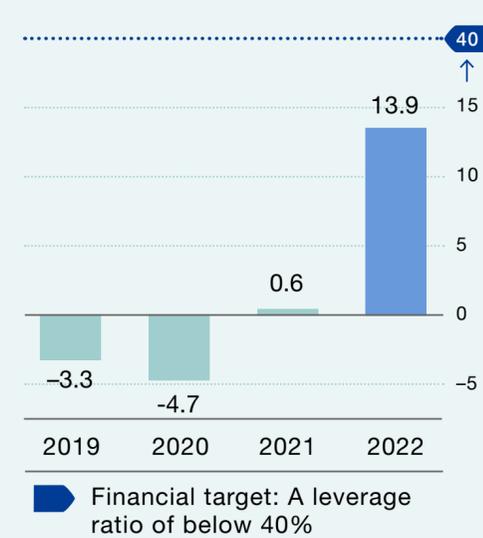
GHG reduction achieved with Neste's renewable products, million tons CO<sub>2</sub>e <sup>1)</sup>



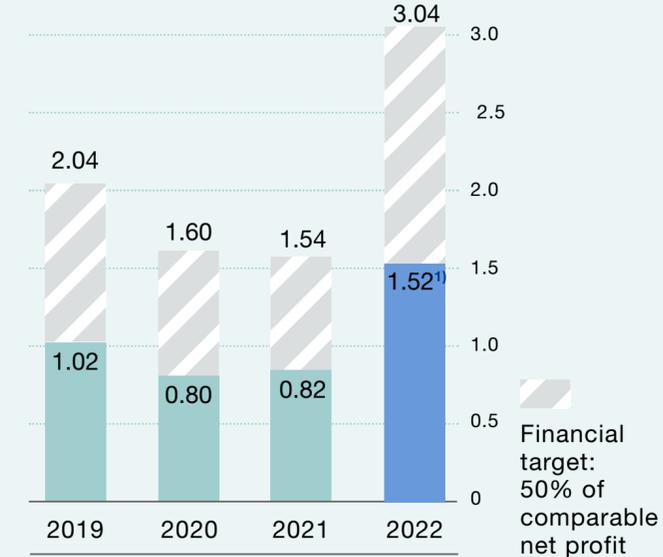
<sup>1)</sup> Compared to crude oil-based fuel.

## Financial targets

Leverage ratio, %

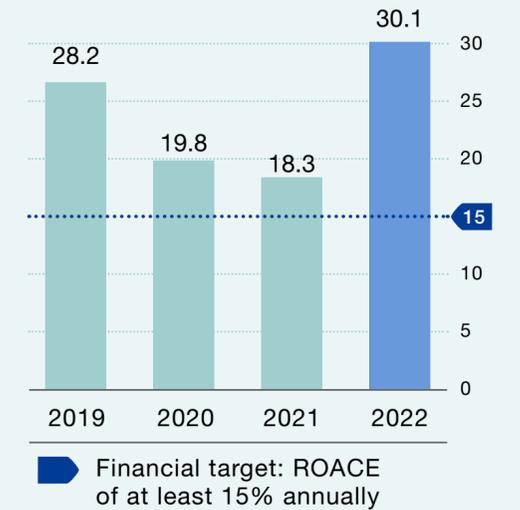


Dividend per share, €



<sup>1)</sup> Board's proposal the AGM. Consists of an ordinary dividend of EUR 1.02 per share, an extraordinary dividend of EUR 0.25 per share, and a discretionary second extraordinary dividend of EUR 0.25 per share.

Comparable return on average capital employed after tax (ROACE), % <sup>1)</sup>



<sup>1)</sup> The Comparable ROACE calculation formula has been adjusted in 2022 by excluding assets under construction average from the capital employed average. Comparison numbers have been restated accordingly.

**Our dividend policy is to distribute at least 50% of our comparable net profit as dividend**

# Key Figures 2022

	2022	2021	Change,%
<b>Income statement</b>			
Revenue, MEUR	25,707	15,148	70%
EBITDA, MEUR	3,048	2,607	17%
Operating profit, MEUR	2,410	2,023	19%
Profit before income taxes, MEUR	2,279	1,962	16%
Profit for the period, MEUR	1,891	1,774	7%
Comparable EBITDA, MEUR	3,537	1,920	84%
Comparable net profit, MEUR	2,336	1,179	98%
<b>Profitability,%</b>			
Return on equity (ROE),%	25.1	28.5	-12%
Comparable return on average capital employed after tax (ROACE),% <sup>1)</sup>	30.1	18.3	64%
<b>Financing and financial position</b>			
Total equity, MEUR	8,327	6,985	19%
Interest-bearing net debt, MEUR	1,344	41	-
Leverage ratio,%	13.9	0.6	-
Equity-to-assets ratio,%	56.3	56.6	-1%
Net debt to EBITDA,%	0.4	0	-
Net cash generated from operating activities, MEUR	1,197	1,994	-40%
<b>Other indicators</b>			
Capital employed, MEUR	10,942	8,742	25%
Net working capital in days outstanding	35.4	33.3	6%
Capital expenditure and investment in shares, MEUR	2,218	1,535	45%
Research and development expenditure, MEUR	85	67	27%
Average number of personnel	5,244	4,872	8%
Total refining margin, USD/bbl	23.42	8.99	161%
Total Recordable Injury Frequency per million hours worked (TRIF)	2.0	1.4	43%
Process Safety Events Rate (PSER)	1.4	1.4	0%

	2022	2021	Change,%
<b>Share-related indicators</b>			
Earnings per share (EPS), EUR	2.46	2.31	6%
Comparable earnings per share, EUR	3.04	1.54	98%
Equity per share, EUR	10.83	9.09	19%
Cash flow per share, EUR	1.56	2.60	-40%
Price / earnings ratio (P/E)	17.50	18.79	-7%
Dividend per share, EUR	1.52 <sup>2)</sup>	0.82	85%
Dividend payout ratio,%	61.8 <sup>2)</sup>	35.5	74%
Dividend yield,%	3.5 <sup>2)</sup>	1.9	87%
Dividend per comparable earnings per share,%	50.00	53.4	-6%
Share price at the end of the period, EUR	43.02	43.36	-1%
Average share price, EUR	42.26	50.99	-17%
Lowest share price, EUR	30.81	41.17	-25%
Highest share price, EUR	52.18	64.74	-19%
Market capitalization at the end of the period, MEUR	33,063	33,353	-1%

<sup>1)</sup> The Comparable ROACE calculation formula has been adjusted in 2022 by excluding assets under construction average from the capital employed average. 2021 comparison numbers have been restated accordingly.

<sup>2)</sup> Board of Directors proposal to the Annual General Meeting. 2022 key figures include an ordinary dividend of EUR 1.02 per share, an extraordinary dividend of EUR 0.25 per share, and a discretionary second extraordinary dividend of EUR 0.25 per share.

	2022	2021	Change,%
<b>GHG indicators</b>			
Avoided GHG emissions by Neste customers with Neste's products (compared to fossil fuel) in MtCO <sub>2</sub> e <sup>1)</sup>	11.1	10.9	2%
Neste's absolute GHG emissions in scope 1 and 2 (production) (tCO <sub>2</sub> e) <sup>2)</sup>	2.5	2.3	6%
Use phase emission intensity of sold fuel products (gCO <sub>2</sub> e/MJ) <sup>3)</sup>	57	55	4%

<sup>1)</sup> Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.

<sup>2)</sup> Market-based emissions for scope 2

<sup>3)</sup> Use phase emission intensity of sold fuel products is calculated by dividing the GHG emissions from the use of fuel products produced and sold by Neste with the total amount of energy released upon the use of those fuel products (gCO<sub>2</sub>e/MJ)

# Information for investors

Neste shares are listed on NASDAQ Helsinki under the trading code NESTE.  
The company had 118,906 (107,087) shareholders at the end of 2022.

## Capital Markets Day

Neste is hosting a Capital Markets Day on 20 June 2023 in London. The event can be followed also online as a webcast at [neste.com/investors](https://neste.com/investors).

## Annual General meeting

Neste Corporation's Annual General Meeting will be held on Tuesday, 28 March 2023 at 10 a.m. EET at Messukeskus at Messuaukio 1, Helsinki. Registration and the distribution of voting papers will begin at 9 a.m. Shareholders wishing to participate in the Annual General Meeting should inform the company by 4 p.m. EET on 20 March 2023 at the latest by:

- visiting [neste.com](https://neste.com) and following the instructions given there.
- calling by phone +358 (0)20 770 6862 (Monday–Friday, 9 a.m.–4 p.m. EET).
- writing to Neste Corporation, Annual General Meeting, P.O. Box 95, FI-00095 Neste.

Holders of proxies are requested to forward them when stating their wish to participate, ensuring that they reach the company by 4 p.m. EET on 20 March 2023 at the latest.

The AGM can also be followed via live webcast.

The Board of Directors proposes to the AGM that an ordinary dividend of EUR 1.02 per share be paid on the basis of the approved balance sheet for 2022 plus an extraordinary dividend of EUR 0.25 per share, i.e., EUR 1.27 per share in total. The ordinary dividend shall be paid in two installments. The Board furthermore proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second extraordinary dividend of EUR 0.25 per share, by 31 October 2023. The Board expects that this discretionary second extraordinary dividend will be paid, unless there is a significant deterioration in the business environment during 2023.

## Dividend payment in 2023

- 16 March 2023: AGM record date.
- 30 March 2023: Dividend payment record date for the first instalment.
- 6 April 2023: Dividend payable for the first instalment.
- 29 September 2023: Dividend payment record date for the second instalment.
- 6 October 2023: Dividend payable for the second instalment.

## Interim reports in 2023

Neste Corporation will publish financial reports in 2023 as follows:

- Interim Report January–March 2023: 28 April 2023
- Half Year Financial Report January–June 2023: 27 July 2023
- Interim Report January–September 2023: 26 October 2023

The Interim Reports are published in Finnish and English and can be downloaded at [neste.com/investors](https://neste.com/investors).

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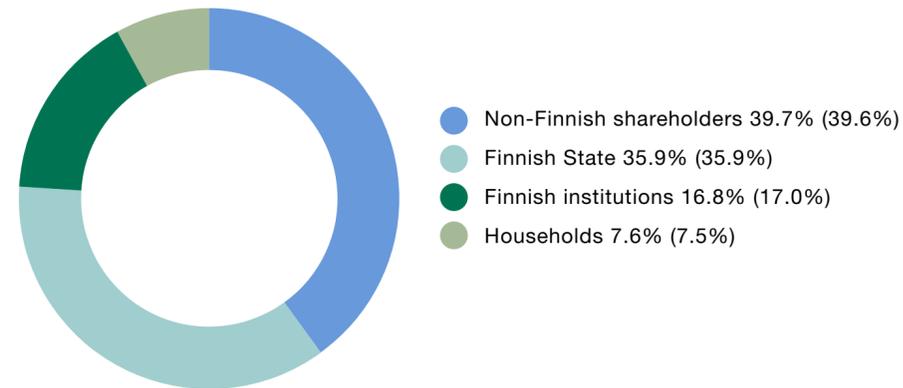
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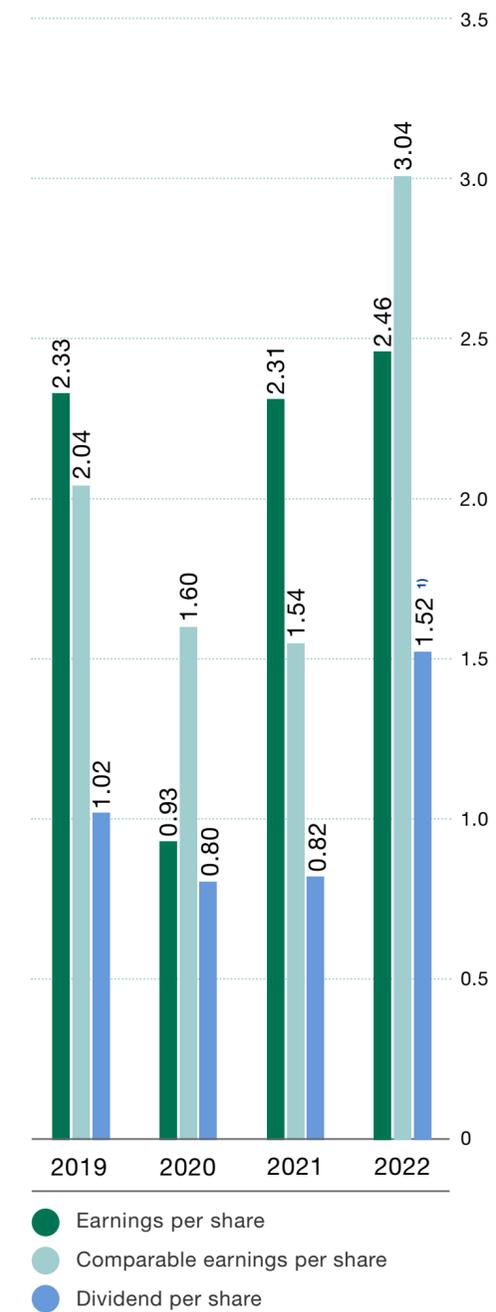
Shareholder structure on 31 December 2022, %



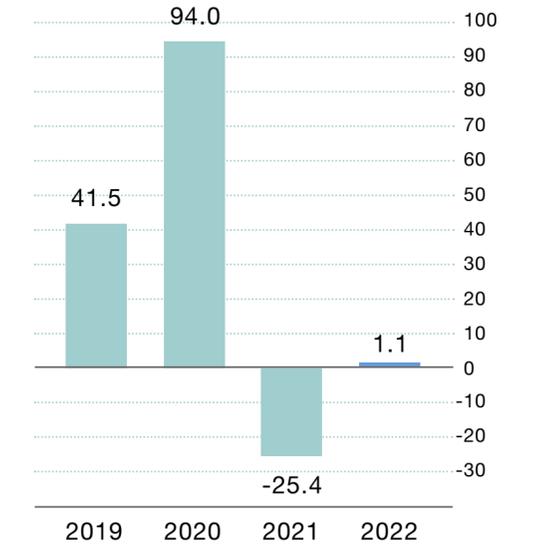
Shareholders' total return, indexed



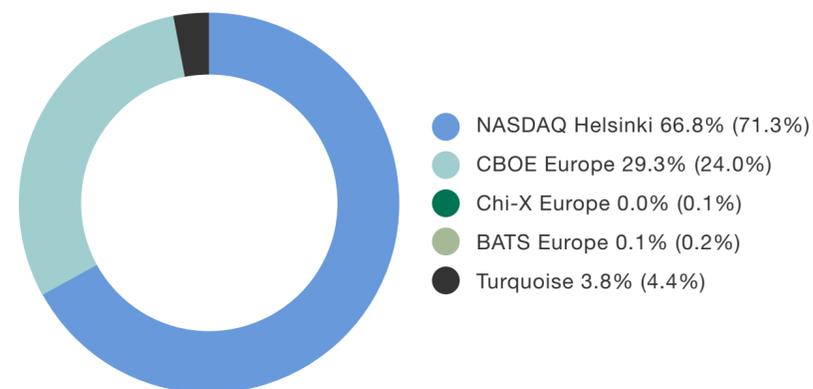
Earnings per share and dividend per share, EUR



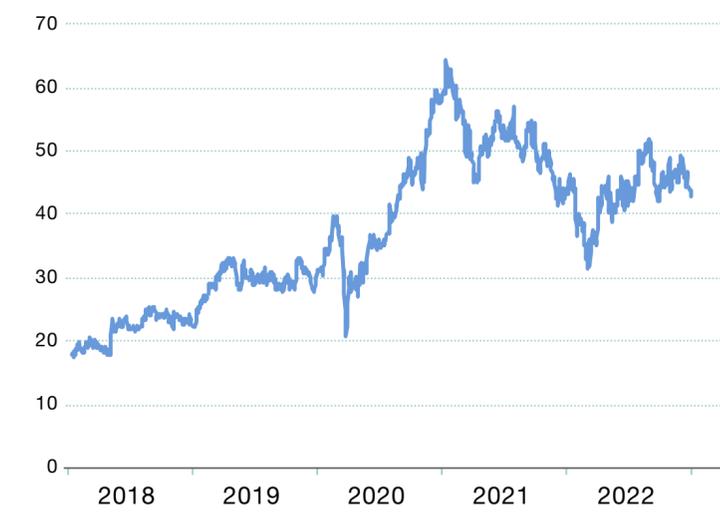
Total shareholder return, %



Neste share's trading volumes in 2022, %



Neste's share performance 2018–2022, EUR



<sup>1)</sup> 2022: Board's proposal to Annual General Meeting



**Our guiding principle:  
9+ billion people living  
well, within planetary  
boundaries, by 2050.**

# Sustainability

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# Sustainability highlights 2022

## OUR SUSTAINABILITY VISION



Climate



Biodiversity



Human rights



Supply chain and raw materials

The amount of greenhouse gas emissions our customers reduced with our renewable products in 2022:

**11.1Mt**



Equaling the annual emissions from 4.0 million passenger cars



or the annual carbon footprint of 1.8 million average EU citizens<sup>1)</sup>



The first time in aviation history a CORSIA certified batch of sustainable aviation fuel (SAF) was delivered to a commercial airline.



**5.5Mt**

expected annual renewables production capacity by the end of 2023.

The scope and methodology for net positive biodiversity impact for direct operations defined in 2022.



Biodiversity baseline defined for **1,270** hectares of our operational sites, covering Porvoo and Naantali refinery areas.



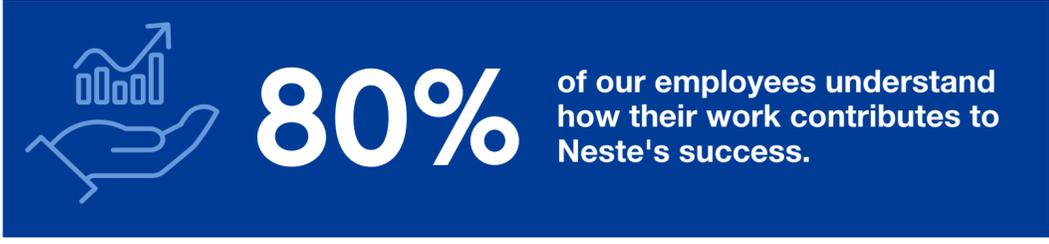
**1,390**

hours used for training employees on human rights policies and topics relevant to Neste's business.



**99%**

of our renewable raw material suppliers have committed to Neste Supplier Code of Conduct.

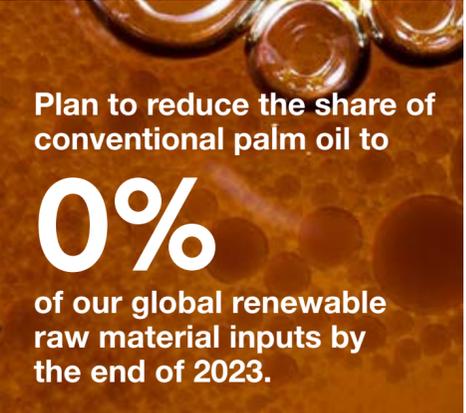


**80%**

of our employees understand how their work contributes to Neste's success.

**314** safe days (2021: 306)

**1,409** external recruitments (2021: 955)



Plan to reduce the share of conventional palm oil to

**0%**

of our global renewable raw material inputs by the end of 2023.

<sup>1)</sup> Source: World Bank

# Sustainability at Neste

Setting high standards for sustainability enables our growth and purpose: Creating a healthier planet for our children. It continues to be the cornerstone of our strategy.

We create solutions for combating climate change and accelerating a shift to a circular economy. We refine waste, residues and other innovative raw materials into renewable fuels and more sustainable feedstocks for plastics and other materials. We are the world's leading producer of sustainable aviation fuel and renewable diesel and develop chemical recycling technologies and capacity to combat the plastic waste challenge.

Today, we are operating in a complex business environment. In addition to the growing sustainability expectations of our stakeholders and demand for concrete actions, climate change and biodiversity loss are accelerating and the market situation is volatile around the world.



## Our success is built on collaboration and innovation

Together with our partners, we are scaling up our renewable and circular solutions, increasing innovation through extensive research and value chain partners, and establishing mutually beneficial partnerships committed to sustainability. While acting against the global climate challenge, we also acknowledge our social and economic role regionally and locally. We have an impact on people and environment within our own operations, but also throughout our value chain. We care for our own employees' health, safety and wellbeing, while also paying close attention to diversity, equity and inclusion, and to the welfare of the most vulnerable groups of individuals in our supply chain.

Economic responsibility; ethics, compliance and corporate governance; as well as supply chain and raw material sustainability are the cornerstones of everything we do. We have identified several environmental, social and governance topics as relevant for our business and our everyday sustainability work, relating also to the UN Sustainable Development Goals.

## Neste sustainability vision

Our sustainability vision, with four key focus areas, pushes our strategic actions forward. It is crucial especially in a world where issues are increasingly interlinked. Since the launch of our broadened sustainability vision in 2021, we have made progress on many fronts, and we continue to take concrete actions persistently.

We continue to pay attention to the increasing sustainability expectations from our stakeholders and strive to ensure that our performance meets and exceeds expectations.

## Neste sustainability vision



### Climate

Neste leads transformation towards a carbon neutral value chain by 2040.

#### We are committed to

- reduce our customers' greenhouse gas emissions by at least 20 million tons annually by 2030 with our renewable and circular solutions.
- reduce emissions in our own production (scope 1 & 2) by 50% by 2030 compared to 2019 level, and reach carbon neutral production by 2035.
- reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels.
- work with our suppliers and partners to reduce emissions across the entire value chain (scope 3).



### Biodiversity

Our vision is to drive a positive impact on biodiversity and achieve a nature positive <sup>1)</sup> value chain by 2040.

#### We

- aim at creating net positive impacts (NPI) for biodiversity from new own activities from 2025 onwards.
- target no net loss (NNL) of biodiversity from all ongoing own activities by 2035.

<sup>1)</sup> Nature positive aims at halting and reversing nature loss, positive impacts outweighing the adverse impacts.



### Human rights

Neste strives to create a more equitable and inclusive value chain by 2030 in which everyone works with dignity.

#### We

- commit to paying all of our employees at least a living wage, take action to promote living wages in Neste's supply chains, and require strategic contractors and suppliers to pay their employees a living wage by 2030.
- commit to and promote the Employer Pays Principle, with implementation in high-risk areas by 2030, to ensure that no worker pays for a job and the costs of recruitment are paid for by the employer, not the worker.
- work together with our stakeholders to increase children's access to education by 2030, and promote respect for children's rights by actively supporting and participating in initiatives aimed at keeping children in school.
- reduce inequalities across the value chain and address the root causes of systemic human rights issues by 2030.



### Supply chain & raw materials

Neste drives safe and healthy workplace, fair labor practices and increased sustainability commitment across the supply chain.

#### We

- require 100% of suppliers and other business partners to be committed to Neste Supplier Code of Conduct and have the best-in-class grievance processes.
- include human rights, biodiversity and climate targets as key criteria for suppliers as we drive diversification and increased availability of sustainable raw materials.

# Sustainability milestones in 2022



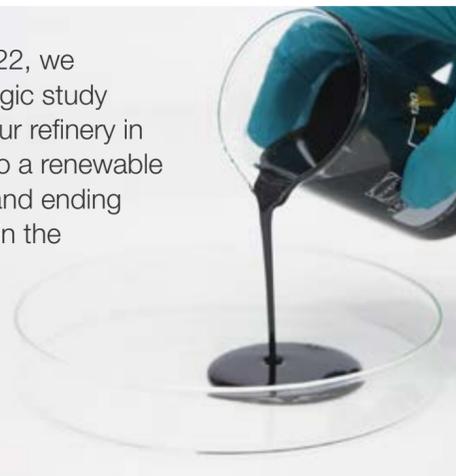
We reached our target of **100% renewable electricity** in Porvoo in January 2022.

We continued the biodiversity methodology development and conducted materiality analysis on biodiversity for our own operations.



We developed our donation management process throughout the organization, and allocated donations according to three themes: Innovation and education, Climate and environment and Diversity and inclusion.

In September 2022, we launched a strategic study on transitioning our refinery in Porvoo, Finland to a renewable and circular site and ending crude oil refining in the mid-2030s.



In 2022, we conducted a total of **118 sustainability audits** on our raw material suppliers, terminals and contractors.



We conducted sustainability materiality assessment, following the 'double materiality' approach, which combines impact materiality and financial materiality.

We conducted a major review and update of the Neste Human Rights Principle, following extensive consultation with both internal and external stakeholders.



# Material sustainability topics

Understanding the views and expectations of our stakeholders is crucial to the success of our company and the acceptability of our operations. In order to identify what topics we should particularly focus on in our sustainability efforts, we conduct a materiality assessment once every two years and engage our key stakeholders in the process.

The 2022 materiality assessment was conducted following the 'double materiality' approach, which combines impact materiality and financial materiality. The most material topics identified for Neste are based on their business and stakeholder influence, outward impact on economy, environment and people, as well as the estimated magnitude of their impacts. Our materiality assessment process is built on four stages: identification, evaluation, prioritization and integration of the most material sustainability topics.

## Identify

the sustainability issues significant to Neste's business and stakeholders

## Evaluate

the potential sustainability impacts, as well as key risks and opportunities

## Prioritize

the sustainability topics based on the importance to stakeholders and also Neste's business

## Integrate

the material sustainability topics into Neste's sustainability work

## Materiality assessment 2022

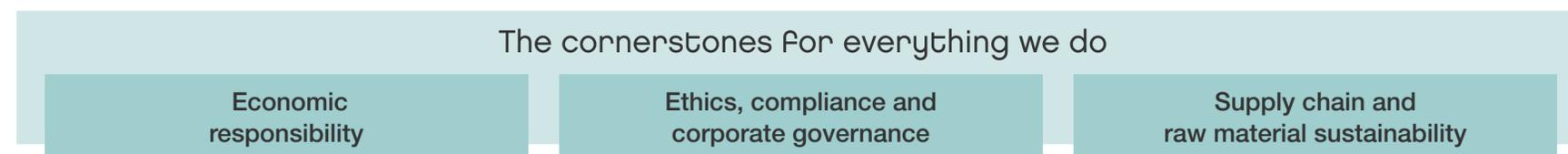
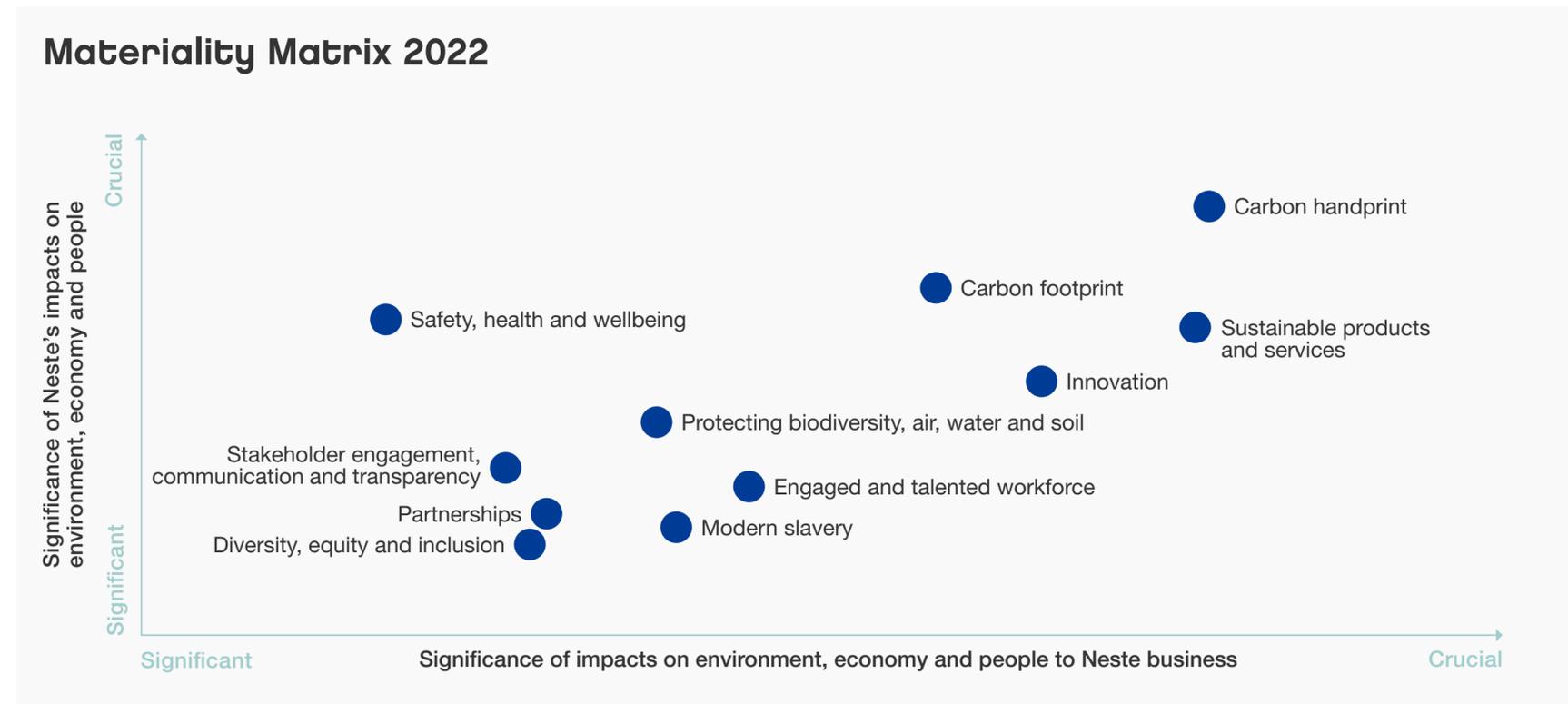
In the 2022 assessment, we reviewed and updated our material topics to account for impacts of immediate and future challenges arising from emerging trends, which influence the environmental, social and corporate governance (ESG) dimensions of sustainable development. The assessment used industry-specific aspects, external trends, stakeholder interviews, sustainability frameworks and standards, regulatory requirements as well as Nestlé's strategy and sustainability vision to review the identified material topics from the 2020 assessment.

Material topics were refined by identifying ESG aspects that are relevant to our business, as well as to our stakeholders. The topics were then evaluated based on actual and potential sustainability impacts and business-related key risks and opportunities. Topic owners were involved to sharpen the topics to fit for Nestlé's own operations.

Stakeholders involved in the materiality assessment process were grouped into categories (listed on [page 41](#)) and represent a large variety of key interest groups. Several people from different Nestlé departments are involved in the biannual process to update and identify key stakeholders. Both internal and external stakeholders were involved through interviews and surveys. The identified material topics were validated through an evaluation of stakeholder expectations with an online survey. The survey was also open for public input via our web channels. More in-depth interviews with several of our key stakeholders were conducted by our external partner.

Input both from the interviews and the survey enabled the evaluation of main current and future ESG risks and opportunities in order to obtain understanding of impact materiality and financial materiality. Based on the results, topic owners and subject matter experts participated in a workshop to provide final input to the results.

Based on the results from the assessment process, eleven material topics were prioritized. They are presented in the materiality matrix on this page. The horizontal axis represents the significance of financial materiality and the vertical axis displays the significance of impact materiality. Topic disclosures of Nestlé's



sustainability report provide further descriptions for topic specific material risks and opportunities, impacts, policies and commitments.

The material topics reflect Nestlé's business operations, as well as strategic ambitions in combating climate change and creating a healthier planet for our children. The material topics represent different sustainability aspects, and they are relevant throughout our value chain. Supply chain sustainability and raw materials, economic responsibility, as well as ethics, compliance and corporate governance are not seen as individual material topics but as underlying themes that need

to be taken into account when considering each of the eleven topics. These themes are the cornerstones of our sustainability agenda.

The materiality assessment results were presented to the Nestlé Advisory Council on Sustainability and New Markets in order to gain an objective round of external expert views for final evaluation. The renewed materiality topics and matrix were approved by the Nestlé Executive Committee.

A key element for the integration of the ESG factors throughout our value chain is by defining material indicators, which guide our operations and business decisions.

Nestlé is committed to measuring its performance on ESG issues in order to refine objectives underlying our strategy.

In addition to the materiality assessment, we conduct an annual Nestlé Brand Health Research study into the key trends and perceptions of the main global players in renewable and circular solutions, as well as on our sustainability topics, across Asia, Europe and the Americas representing a wide range of organizations. Findings from the research support the views stated in the materiality assessment and provide insight on our progress against our goals.

## Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a collection of 17 interconnected global goals to help achieve a better and more sustainable future for all. They represent an action plan for the planet and society to thrive by 2030, and explicitly call on businesses to help lead this transformation. We recognize the strategic importance of the SDGs to our business and the world and are committed to helping achieve them.

We have identified nine priority (highlighted on the right) SDGs as the goals we most significantly contribute to and have used the SDG Compass to determine them. To understand and prioritize the most relevant SDGs for Nestle, we have worked with external experts to assess both the positive and negative impacts our business has on the SDGs throughout our value chains. Our prioritization process is based on our sustainability materiality assessment, impact evaluation study, an external review as well as an internal expert analysis.

Our most relevant SDGs form a strong basis for our sustainability work. By identifying material sustainability topics and the relevant SDGs, we position Nestle as part of society as well as part of the global sustainability framework. Based on the identified material topics, we have formed relevant sustainability KPIs. This helps us integrate the renewed materiality assessment in our sustainability vision and to continue our sustainability work in a consistent and forward-looking way. We monitor, measure and follow up how our actions affect the broader context.

The sustainability KPIs can be found in the table on pages 35–39.



## How Neste contributes to the SDGs?

### 7 AFFORDABLE AND CLEAN ENERGY



#### Clean energy

- Neste increases the share of renewable energy in the global energy mix by producing and selling low-emission renewable fuels for example for road transportation and aviation.
  - » Starting in 2023, Neste will supply the Air France-KLM Group with more than 1 million tons of Neste MY Sustainable Aviation Fuel™ over a period of 8 years.
  - » Neste's partnership with Fly Victor allows Victor's customers to replace fossil fuel by purchasing Neste MY Sustainable Aviation Fuel for every private jet booking globally.
  - » In the next five years, Neste will supply DHL with approximately 320,000 tons of Neste MY Sustainable Aviation Fuel.
  - » Neste and Rolls-Royce agreed to build a strategic partnership on accelerating the use of renewable diesel as a lower-emission solution for diesel engines.
  - » Neste partnered with EDi Energie-Direkt Hohenlohe GmbH and TOOL-FUEL Services GmbH to sell Neste MY Renewable Diesel in Germany.
  - » Neste introduced co-processed marine fuel in partnership with Nordic Marine Oil – a new solution for the maritime sector enabling up to 80% GHG emission reduction.
- Neste aims for 100% renewable electricity use globally by 2023. This target was achieved ahead of schedule in Finland with the new hydropower agreement with Vattenfall. Neste has wind power agreements in place with Fortum, Ilmatar and Statkraft.



### 8 DECENT WORK AND ECONOMIC GROWTH



#### Decent work and economic growth

- We actively take steps to protect labor rights and promote safe and secure working environments for all workers, with special attention to vulnerable groups.
- The implementation of the new Safety Leadership Principle and updating the team safety commitments were key focuses in Neste's safety leadership and culture in 2022.
- Neste followed the Covid-19 pandemic situation globally by the Crisis Management team closely until summer 2022. The number of Covid-19 cases among Neste personnel and the effect on the operations were low.
- In 2022, more than 750 employees participated in company-wide development programs, such as the Neste leadership program, the Neste Reverse Mentoring Program and the Mission Possible program
- Neste is committed to implementing effective measures to eradicate forced labor, modern slavery, and child labor.
- Neste respects and supports children's rights and provides good-quality employment, education and training for young people. In 2022, we hired 405 summer trainees to work across different functions at Neste.

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



#### Industry, innovation and infrastructure

- Neste's growth and transformation is rooted in innovation and technology. We invest the majority of our annual R&D expenditure in research and testing future raw materials and technologies.
- Neste and the Climate, Infrastructure and Environment Executive Agency (CINEA) of the European Commission signed the EU Innovation Fund's grant agreement for the green hydrogen project 'SHARC' in Porvoo.
- Neste received a positive grant decision from the EU Innovation Fund for the PULSE project focusing on chemical recycling of waste plastic in Porvoo.
- Neste was awarded with public funding for Porvoo refinery hydrogen projects by Business Finland. The funding was made possible by the IPCEI status granted to Neste earlier the same year by the European Commission.
- VTT and Neste agreed on building an integrated Power-to-Liquids (e-fuels) demonstration facility at VTT Bioruukki Pilot Centre for CO<sub>2</sub> capture, green hydrogen and e-fuels production.

## 10 REDUCED INEQUALITIES



### Reducing inequalities

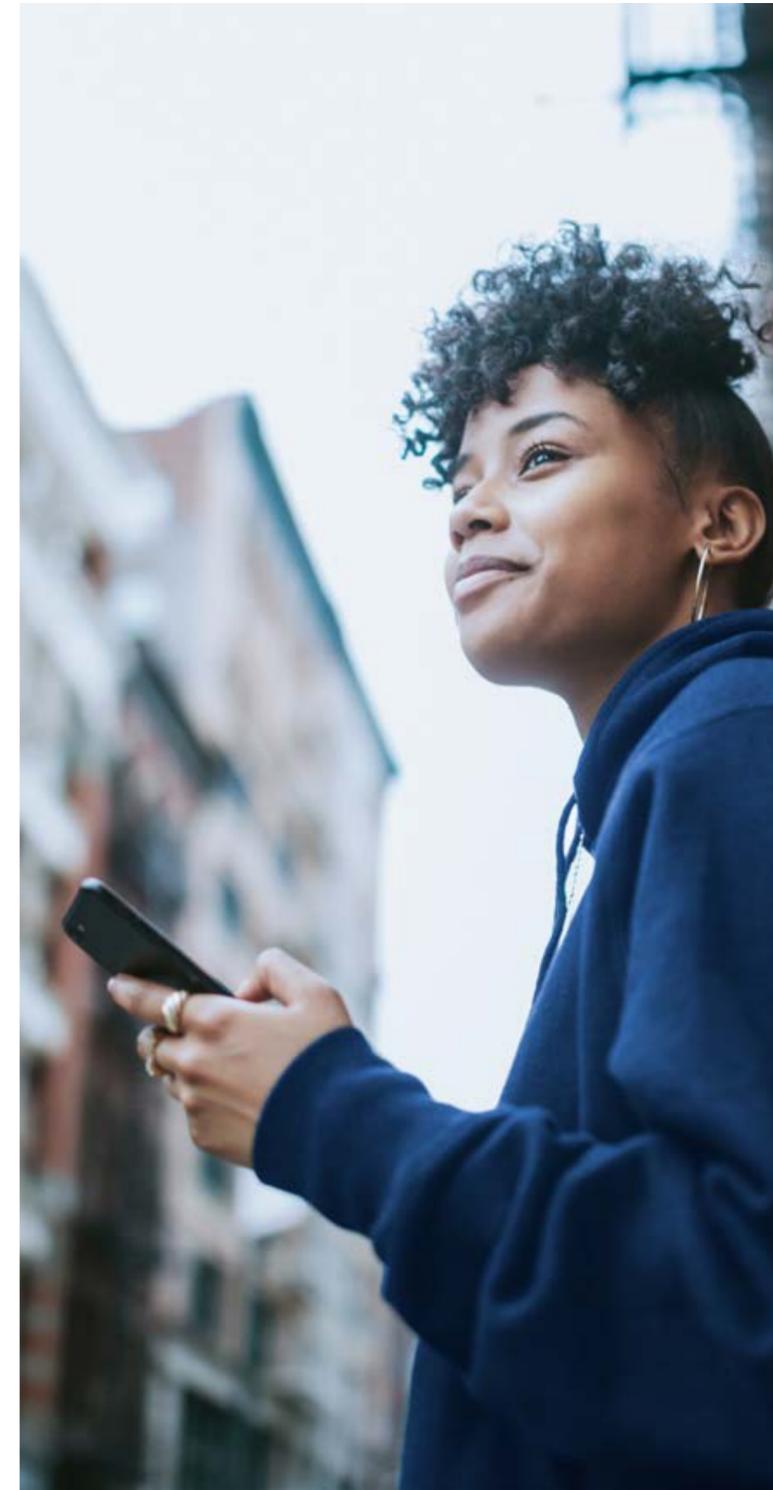
- Neste views inequality as a systemic risk that requires urgent action from business, and is taking actions to address inequality by creating a diverse, equitable and inclusive workplace and value chain, preparing our employees for the future of work, providing safe and secure employment, and paying and promoting living wages.
- Neste is an active member of the [WBCSD Business Commission to Tackle Inequality \(BCTI\)](#), a multi-stakeholder coalition of organizations who put addressing inequality at the heart of the business agenda for sustainable growth.
- Neste's [human rights ambition for 2030](#) is to create a more equitable and inclusive value chain, in which everyone works with dignity. This includes reducing inequalities across the value chain, paying a living wage to our own employees and requiring strategic contractors and suppliers to do the same, advancing responsible recruitment practices to ensure that no worker pays for a job, and increasing children's access to education.
- In 2022, Neste completed a living wage gap assessment for its own employees in Finland, using data provided by the Fair Wage Network. The results of this assessment enabled Neste to verify that all its employees working in Finland receive compensation above the local living wage benchmark. Neste also started using living wage data in sustainability audits for raw materials suppliers.
- In 2022, Neste partnered with Work Ahead to launch the use of a worker voice tool in Neste's supply chains. The worker voice tool is an audio-visual survey that enables direct and anonymous engagement with workers using mobile devices.
- Neste completed a major update of its Human Rights Principle in 2022, which covers a number of topics critical to addressing inequality.
- Neste is a signatory to the UN Women's Empowerment Principles (WEPs) and conducts an annual WEPs gender gap analysis.
- Neste has signed two Unilever Partner Promises – the Supplier Equity, Diversity and Inclusion Promise and the Living Wage/Living Income Promise.

## 11 SUSTAINABLE CITIES AND COMMUNITIES



### Sustainable cities and communities

- Neste creates value for the society and helps customers to reduce greenhouse gas emissions by offering lower-emission renewable fuels to aviation and road transportation. Neste's renewable products may also help reducing transportation-related local emissions and improving local air quality in urban areas.
  - » Neste's renewable diesel is used to power the fleets of major [Californian cities](#), e.g. [Twin Rivers Unified School District](#).
- Neste's sustainable aviation fuel was introduced at two of the largest Japanese international airports; [Tokyo Haneda and Narita](#).
- Neste introduces public [high power charging \(HPC\)](#) at its service stations in Finland for light and medium-duty electric vehicles.
- Neste participated in the nationwide energy saving campaign 'Down a Degree' in Finland by reducing energy consumption at its facilities.
- The Finnish Ham Trick encourages households in Finland to recycle Christmas waste fats into renewable diesel.



## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



### Responsible consumption and production

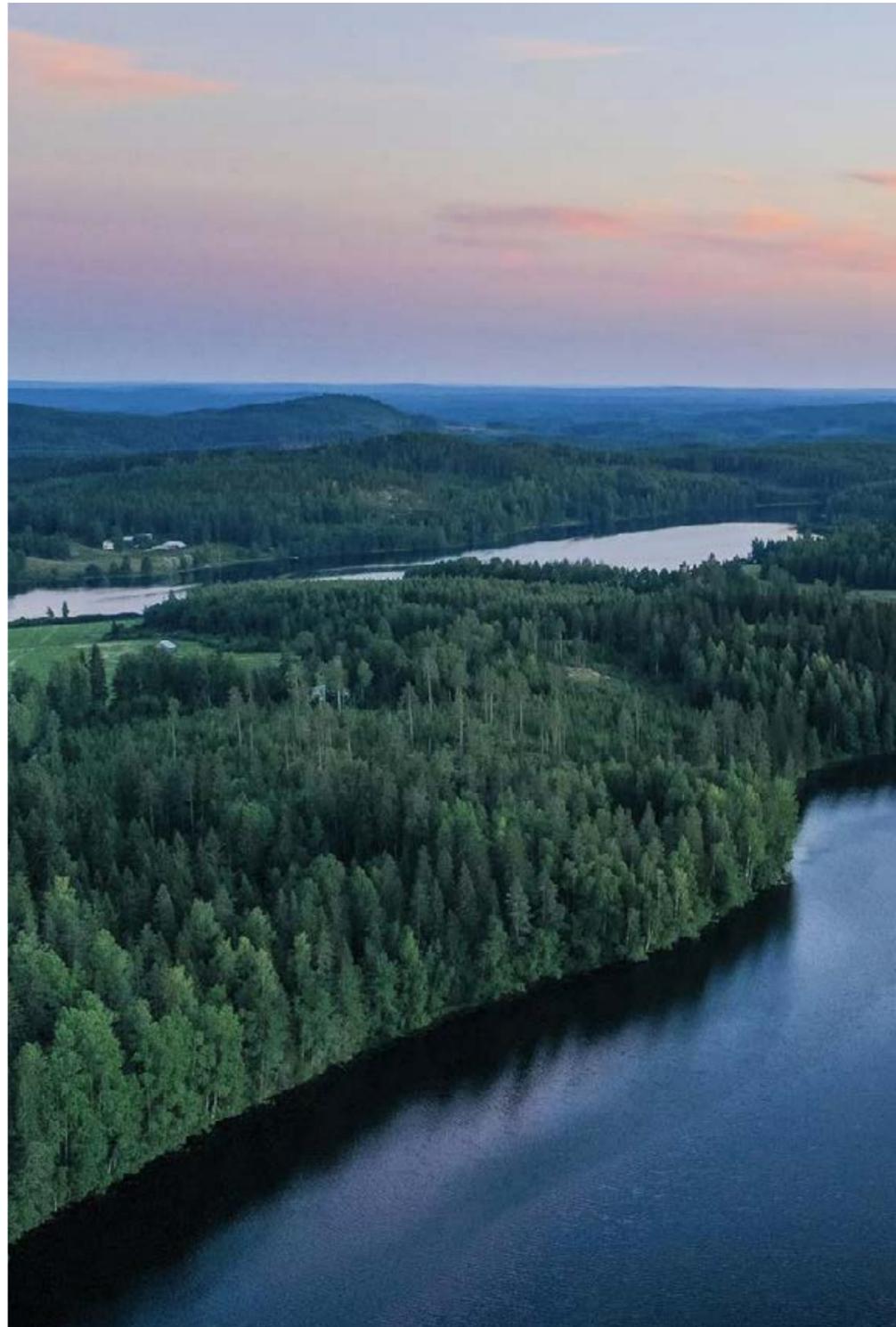
- Neste creates solutions for combating climate change and accelerating a shift to a circular economy. We refine waste, residues and innovative raw materials into renewable fuels and more sustainable feedstock for polymers and chemicals.
- Neste is conducting a feasibility study to [examine technologies to pretreat and upgrade liquefied waste plastic](#) at its refinery in Porvoo, Finland.
- [The Rotterdam refinery expansion](#) investment of approximately EUR 1.9 billion will expand Neste's overall renewable product capacity by 1.3 million tons per annum.
- Neste finalized a transaction to establish a [joint operation for production of renewable fuels](#) with Marathon Petroleum in the United States.
- Neste teamed up with [Circularise](#) to increase visibility along circular polymer and chemical value chains.
- Neste acquired European rights to [Alterra Energy's](#) thermochemical liquefaction technology.

## 13 CLIMATE ACTION



### Climate action

- Neste's climate vision is to lead transformation towards carbon neutral value chain by 2040. Our climate commitments cover the entire value chain (scopes 1, 2 & 3). Read more about our [commitments](#).
- In 2022, Neste launched a strategic study on [transitioning its Porvoo refinery to a renewable and circular site](#) and ending crude oil refining in the mid-2030s.
- Neste includes its climate commitments into long-term incentives for Neste's key personnel and its climate impact into the investment criteria.
- Neste uses internal carbon price as a strategic tool to support its climate commitments.
- [Neste and Aiotunti.fi](#) challenge driving schools to make climate-conscious driving a larger part of their instruction.
- Neste collaborated with [Coldplay](#) to support the band achieve a 50% emission reduction during their 2022 world tour.



## 15 LIFE ON LAND



### Life on land

- Neste is committed to protecting biodiversity with a vision to drive a positive impact on biodiversity and achieve a nature positive <sup>1)</sup> value chain by 2040. We aim to create net positive impacts for biodiversity from new activities from 2025 onwards.
- Neste is committed to [preventing deforestation](#) and requires the same from its suppliers.
- In 2022, Neste joined the Consumer Goods Forum (CGF) Forest Positive Coalition to strengthen our collaboration on preventing deforestation. We also initiated a project that focuses on deforestation prevention in the animal fat waste supply chain.
- Biodiversity and climate topics are key when assessing potential raw materials. Neste's raw material sourcing for renewable fuels is regulated by strict biodiversity criteria as outlined in the EU RED II ((EU) 2018/2001).
- Neste engages in ongoing local activities to protect [biodiversity](#), e.g. continuous environmental monitoring in the vicinity of the Porvoo refinery and Naantali terminal.
- Neste works closely with NGOs and research partners who have a strong understanding on biodiversity, e.g. with Fauna & Flora International.
- Neste joined the Science Based Targets Network's (SBTN) Corporate Engagement Program to develop and set science-based targets for nature.

<sup>1)</sup> Nature positive: aims at halting and reversing nature loss, positive impacts outweighing the adverse impacts

## 17 PARTNERSHIPS FOR THE GOALS



### Partnerships for the goals

- Partnerships are at the core of the SDGs and we see them as the key to advancing sustainable business. Recent examples of our partnerships, in addition to the aforementioned include:
  - » Neste made the aviation industry's first ever [CORSIA certified sustainable aviation fuel delivery](#) to American Airlines.
  - » Neste collaborated with [ATR and Braathens](#) to enable the first flight in history with 100% sustainable aviation fuel on a regional commercial aircraft.
  - » [ISCC and Circularise](#) piloted blockchain technology with 10 companies including Neste, to complement mass balance certification.
  - » Neste to support research on the Baltic Sea and climate change at the [CoastClim research center](#).
  - » [Neste, Bugaboo, DSM Engineering Materials, and Fibrant](#) [partnered up](#) to enable industry-first stroller portfolio with plastics made from bio-based materials.
  - » Collaboration between [Neste, Borealis and MAM](#) to bring new soother made with renewably-sourced feedstock to market.
  - » [Neste, Idemitsu Kosan, CHIMEI Corporation and Mitsubishi Corporation](#) joined forces to create a renewable plastics supply chain.
  - » [Neste, Covestro and SK geo centric](#) launched cooperation to create a value chain for renewable attributed MDI in APAC.
- Read more about our [engagement and commitments](#) as well as the work we do with our stakeholders on [pages 40–46](#).

# Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2022	SDG link
Carbon handprint	Helping our customers to reduce their GHG emissions	Avoided GHG emissions by Neste customers with Neste's products (compared to fossil diesel) in MtCO <sub>2</sub> e <sup>1)</sup>	20 MtCO <sub>2</sub> e annually by 2030	11.1 MtCO <sub>2</sub> e (10.9 MtCO <sub>2</sub> e)	
Carbon footprint	Leading transformation towards carbon neutral value chain and reaching carbon neutral production	Absolute GHG emissions in our own production (scopes 1 & 2)	50% reduction by 2030 in comparison to 2019 baseline 3.4 MtCO <sub>2</sub>	2.5 MtCO <sub>2</sub> e (2.3 MtCO <sub>2</sub> ) 28% reduction compared to baseline	
		Indirect value chain emissions (scope 3): Use phase emission intensity of sold fuel products (gCO <sub>2</sub> e/MJ)	50% reduction by 2040 in comparison to 2020 baseline of 58 gCO <sub>2</sub> e/MJ	57 gCO <sub>2</sub> e/MJ (55 gCO <sub>2</sub> e/MJ) 2% reduction compared to baseline	
		Energy consumption savings achieved during reporting year (GWh) and cumulative energy consumption savings during 2017–2025 compared to 500 GWh target (%)	2017–2025 target: 500 GWh	Energy consumption savings during reporting year 42.6 GWh (95.8 GWh) Cumulative savings 2017–2022 compared to target: 49% (41%) achieved	
		Share of renewable electricity of total purchased electricity (%) - scope 2 (market-based) measures (%) - additional measures <sup>2)</sup> (%)	Aiming for 100% renewable electricity by 2023	93.8% (36.5%) scope 2 (market-based) measures 5.9% additional measures <sup>2)</sup>	
Protecting biodiversity, air, water and soil	Driving a positive impact on biodiversity and achieve a nature positive value chain by 2040	Management of biodiversity impacts	Creating net positive impacts (NPI) for biodiversity from own direct new activities from 2025 onwards, and no net loss (NNL) of biodiversity from all own direct ongoing activities by 2035	Net positive and net loss impact methodology developed; Baseline evaluation in two of Neste largest sites in Porvoo and Naantali completed	
		Direct driver for biodiversity change: Freshwater use and effluents	Introducing own direct water impacts into the nature positive roadmap	Freshwater use and effluents defined as main pressures on nature from own direct operations within scope studied	
		Availability of pollution prevention technology	100% availability of pollution prevention technology at refineries and terminals	Availability of pollution prevention technology on average 98% (94%) at refineries and terminals	
		Number of permit violations	Zero permit violations for Oil Products (OP) and Renewable Products (RP)	Permit violations: 3 (2), of which 2 (2) in OP and 1 (0) in RP	

<sup>1)</sup> Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.

<sup>2)</sup> Additional measures include available market-based renewable electricity instruments, e.g. i-RECs in APAC/Singapore, which are not currently eligible for scope 2 market-based accounting

-  SDG7: Clean energy
-  SDG8: Decent work and economic growth
-  SDG9: Industry, innovation and infrastructure
-  SDG10: Reducing inequalities
-  SDG11: Sustainable cities and communities
-  SDG12: Responsible consumption and production
-  SDG13: Climate action
-  SDG15: Life on land
-  SDG17: Partnerships for the goals

Material topic	Objective	Key performance indicator	Target	Performance in 2022	SDG link
Safety, health and wellbeing	Ensuring the health and safety of employees and contractors in all Neste locations and supply chain	Total Recordable Incident Frequency (TRIF) <sup>3)</sup>	1.5 for 2022, long-term target: Zero accidents	TRIF 2.0 (1.4)	8
		Process Safety Event Rate (PSER) <sup>4)</sup>	1.5 for 2022, long-term target: Zero accidents	PSER 1.4 (1.4)	
		Safe days (including environmental permit violations)	318 for 2022, long-term target: Continuously increasing the number of Safe Days	314 (306) Safe Days	
	Strengthening Neste culture that supports the physical and mental wellbeing of our employees	Wellbeing index from employee engagement survey (Forward Survey) consisting of elements and scores in engagement, wellbeing, change adaptation	Baseline 2021 results: Engagement 66, wellbeing 59, change adaptation 60 Target is to maintain results on a good level	Engagement 66 (66), wellbeing 61 (59), change adaptation 62 (60) <sup>5)</sup>	
Modern slavery	Managing modern slavery risks in Neste operations and supply chains	Number of Neste employees who have received training on modern slavery	To increase the number of employees who have received training on modern slavery, prioritizing those involved in supply chains and procurement	Training on forced labor and vulnerable groups carried out for 2,689 (3,381) employees as part of Neste's Code of Conduct e-learning	8 9 10 17
		Human Rights Due Diligence (HRDD) <sup>6)</sup> carried out for key business areas/functions	To strengthen Neste's capacity to identify, assess, and address human rights risks in our operations and supply chains	Four major assessments/initiatives undertaken in 2022: 1) Company-wide assessment to review Neste's salient issues and their mitigation 2) Human Rights Risk Assessments completed for Neste indirect procurement 3) Living wage gap assessment completed for Neste's own employees in Finland 4) CGF human rights due diligence assessments completed for production (Singapore) and shipping	
		Improve HRDD maturity level for Neste own operations using the Consumer Goods Forum HRC assessment framework and KPIs. <sup>7)</sup>	Achieve CGF Leadership Level for 100% of own operations by 2025	75% of the "launched" maturity level achieved in 2022	

<sup>3)</sup> Number of cases per million hours worked. Includes both Neste's and contractors' personnel, except for Mahoney operations and Singapore expansion which have been internally reported and followed-up separately in 2022.

<sup>4)</sup> Number of cases per million hours worked.

<sup>5)</sup> Demeter and Mahoney not included.

<sup>6)</sup> HRDD refers to any activities carried out to identify, assess, address, prevent or mitigate forced labor risks, such as developing internal processes, carrying out impact assessments, risk mapping, gap assessments, etc

<sup>7)</sup> The Consumer Goods Forum HRDD maturity assessments for own operations have three achievement levels: Launched, Established, and Leadership.

SDG7: Clean energy

SDG8: Decent work and economic growth

SDG9: Industry, innovation and infrastructure

SDG10: Reducing inequalities

SDG11: Sustainable cities and communities

SDG12: Responsible consumption and production

SDG13: Climate action

SDG15: Life on land

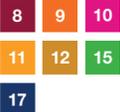
SDG17: Partnerships for the goals

Material topic	Objective	Key performance indicator	Target	Performance in 2022	SDG link
Diversity, equity and inclusion	Fostering a diverse and an inclusive workplace that ensures fair treatment and development of the skills base and innovation power needed for the company growth	Multi-country teams (%)	Increasing trend	15% (16%) are multi-country teams <sup>5)</sup>	8 10
		Women in staff (%), female representation in line manager positions (%) and senior management (%)	To increase women's representation in line manager positions and senior management close to the representation of females in staff (%)	Women in staff 32.2% (31.5%) 30.7% (29.8%) women in line manager positions 27.4% (25.8%) women in senior management	
		Response rate to employee engagement survey (%)	Maintain a high response rate of 80% or above	80% (81%) <sup>5)</sup>	
Engaged and talented workforce	Ensuring engaged, well led and competent employees Strengthening Neste culture that supports strong sense of belonging and versatile growth opportunities	Employee engagement score from employee engagement survey (Forward Survey)	Maintain a good level of employee engagement	Employee engagement score <sup>5)</sup> 66 (66), which was in line with global benchmark result. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 66% (65%) felt happy working at Neste, 80% (78%) understood how own work contributes to company's success, 75% (70%) thought Neste acts in a responsible way, 76% (79%) saw safety as a priority for Neste.	8 10
		Leadership score from employee engagement survey (Forward Survey) indicating the support received from the line manager	To maintain or exceed previous year's level	Manager support score 74 (75) <sup>5)</sup>	
		Training hours per employee	To maintain or exceed previous year's level	20.8 hours (17.8)	
		The external turnover for the year	To retain employees. Target is to keep the exits lower than the external benchmark level	Leaving rate of permanent employees 10.2% (13.0%) Hiring rate of permanent employees 18.3% (12.1%)	

<sup>5)</sup> Demeter and Mahoney not included.

Material topic	Objective	Key performance indicator	Target	Performance in 2022	SDG link
Stakeholder engagement, communication and transparency	Ensuring the appropriate scope and quality of information disclosure related to own operations and business practices in the supply chain and ensuring an ongoing, meaningful process of interaction and dialogue with our stakeholders	Monthly supply chain grievance log updates	To roll out 12x yearly updated supply chain grievance logs	12 (12) monthly logs	10 12 17
		Regular Supply Chain Transparency via Traceability Dashboard (Palm & PFAD)	To publish information twice yearly	2 (2) publications	
Innovation	Fostering innovative solutions for sustainable development	Research and development expenditure	Fostering innovative solutions for sustainable development	85 EUR million (67 EUR million)	7 8 9
		Number of granted patents Number of pending patent applications	An increasing trend	2,073 granted patents 683 pending patent applications	10 11 12 13 15 17
Partnerships	Initiating and fostering partnerships between Neste and its partners to address the challenges of and innovate solutions for sustainable development	Collaborations with research institutions and universities	Initiating and fostering partnerships between Neste and its partners	35 collaboration partnerships	7 8 9 10 11 12 13 15 17
Sustainable products and services	Ensuring that sustainability is integrated into Neste's product and service portfolio	Volume of liquefied waste plastic processed (t/a)	To process more than 1 Mt of liquefied waste plastics from 2030 onwards to increase circularity of plastics and to reduce crude oil dependence in refining and petrochemical processes	1,400 (400) tons of liquefied waste plastic	7 12 13 15 17
		Production of Neste Renewable Diesel and SAF, 1,000 ton	Increasing trend	2,988 (3,043) tons	
		Share of Clean Revenue from Group revenue, %; and Share of investments consisting of Clean CAPEX, Clean R&D and Clean M&A (Clean Investments), %	To maintain the annual share compared to previous year	Clean Revenue 38.9% (39.3%) Clean Investments 88.3% (68.5%)	

■ SDG7: Clean energy     
■ SDG8: Decent work and economic growth     
■ SDG9: Industry, innovation and infrastructure     
■ SDG10: Reducing inequalities  
■ SDG11: Sustainable cities and communities     
■ SDG12: Responsible consumption and production     
■ SDG13: Climate action     
■ SDG15: Life on land     
■ SDG17: Partnerships for the goals

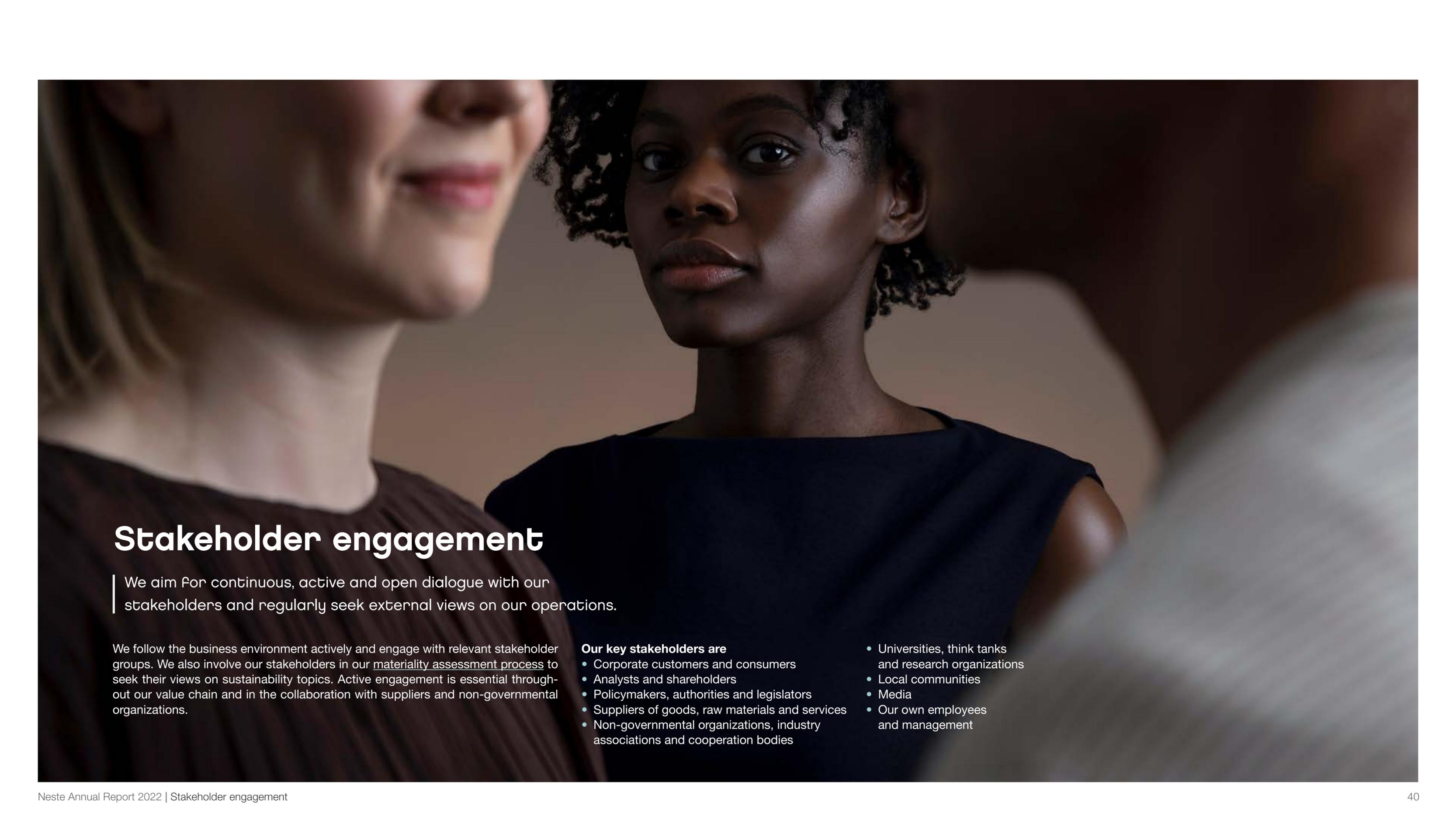
Material topic	Objective	Key performance indicator	Target	Performance in 2022	SDG link
Supply chain and raw material sustainability	Ensuring sustainability of Neste suppliers and business partners and raw materials' sustainability	Percentage of business partners who have committed to Neste's minimum sustainability requirements in the Supplier Code of Conduct (%)	100% of business partners committed	99% <sup>8)</sup> (99%) of the renewable raw material volumes, 84% (88%) of the crude oil and fossil raw materials volumes, and 73% of overall indirect contracted spend (87% of all indirect procurement supplier contracts commencing in 2022) were covered by Neste Supplier Code of Conduct or equivalent	
		The number of renewable raw material supplier's sustainability assessments and their outcome	To assess all new renewable raw material suppliers against sustainability criteria	Total: 325 (223), New approved suppliers: 223 (171), All approved: 236 (186), Pending: 74 (33), Rejected: 15 (4) <sup>9)</sup>	
		The percentage of new Oil Products suppliers undergone Sustainability Desktop Review	To assess all new Oil Products suppliers against sustainability criteria	100% (100%) of the new OP suppliers assessed	
		A total of sustainability audits conducted	To increase the number of sustainability audits conducted, prioritizing through a risk-based approach	118 (27) sustainability audits	
		Share of waste and residues of global renewable raw material inputs (%)	Growing the sourcing of waste and residue raw materials globally <sup>10)</sup>	95% (92%)	
Ethics, compliance and corporate governance	Ensuring good corporate governance practices in accordance with the laws and regulations applicable as well as to operate in an ethical way in the society	A total of suspected misconducts reported in person or via the whistleblowing line to the Investigations Group	To further encourage employees and external stakeholders to report observed or suspected misconduct	A total of 14 (18) suspected misconducts were reported in person or via the whistleblowing line to the Investigations Group in the following categories: HR 2 (4) reports, discrimination and harassment 2 (2), conflict of interest 0 (3), bribery, corruption and facilitation payment 1 (2) fraud 4 (0), theft, asset misuse & embezzlement 3 (0), supplier/business partner misconduct/unethical behavior 1 (0) and 1 (7) reports which fell outside of these categories in Other	
		Code of Conduct training rate	All Neste employees completed the training	95% have completed the Neste Code of Conduct e-learning. <sup>11)</sup>	
		Corporate governance reporting in the Corporate Governance Statement			
Economic responsibility		Reporting in the Financial Statements			

<sup>8)</sup> Agri Trading excluded.

<sup>9)</sup> Figures include existing suppliers, which undergo a sustainability assessment process every 3-5 years. Supplier data includes only main contractual parties, excluding sub-suppliers.

<sup>10)</sup> The share of waste and residue raw materials of Neste's renewable raw material inputs globally is expected to stay above 90% in the coming years, while in the longer term, the growth in novel vegetable oils' availability may increase the share of sustainably produced vegetable oils

<sup>11)</sup> 2021 and 2022 completions included as the training was launched in 2021 to office workers and in 2022 to blue-collars



## Stakeholder engagement

We aim for continuous, active and open dialogue with our stakeholders and regularly seek external views on our operations.

We follow the business environment actively and engage with relevant stakeholder groups. We also involve our stakeholders in our [materiality assessment process](#) to seek their views on sustainability topics. Active engagement is essential throughout our value chain and in the collaboration with suppliers and non-governmental organizations.

### Our key stakeholders are

- Corporate customers and consumers
- Analysts and shareholders
- Policymakers, authorities and legislators
- Suppliers of goods, raw materials and services
- Non-governmental organizations, industry associations and cooperation bodies
- Universities, think tanks and research organizations
- Local communities
- Media
- Our own employees and management

Key stakeholder	How we engage	Key topics of interest	How we respond
<b>B2B customers</b>	<ul style="list-style-type: none"> <li>Engaging through face-to-face and online meetings, newsletters and technical, marketing and sustainability-related training sessions</li> <li>Engaging at leadership level to drive sustainable actions across organizations</li> <li>Arranging and participating in webinars and events</li> <li>Gathering insight and managing satisfaction through surveys</li> <li>Developing joint communications and co-branding</li> <li>Arranging refinery site visits</li> </ul>	<ul style="list-style-type: none"> <li>Accelerating greenhouse gas emissions reduction with the use of renewable and circular solutions, vision and solutions for zero emission future, circular economy, waste plastic recycling, sustainability vision and climate commitments, sustainable and high-quality products and services, supply reliability, safety, timely distribution, customer relationships and cooperation, innovation and R&amp;D, local operations e.g. at Neste refinery sites</li> </ul>	<ul style="list-style-type: none"> <li>Forming partnerships which reduce customers' carbon footprints through renewable and circular solutions</li> <li>Co-creating new services, building brand value and interacting with our customers and their stakeholders</li> <li>Ongoing dialogue</li> <li>Arranging site visits for customers</li> <li>Supplying our renewable and circular solutions</li> </ul>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>Gathering insight through consumer surveys</li> <li>Providing fact sheets, press releases and news to our consumers regularly to best serve them with their needs</li> <li>Working together with local distributors to provide information to customers</li> <li>Doing advertising campaigns to create awareness</li> <li>Responding to questions via customer service or via social media</li> </ul>	<ul style="list-style-type: none"> <li>Product, service and operations sustainability and quality, customer relationships and cooperation, innovation and R&amp;D</li> <li>General information about products, pricing, raw materials and the value the products provide</li> </ul>	<ul style="list-style-type: none"> <li>Communicating proactively</li> <li>Responding promptly to questions and concerns via phone, email, social media and Neste website</li> </ul>
<b>Investors and equity analysts</b>	<ul style="list-style-type: none"> <li>Regular engagement through regulatory financial communications (financial reporting, stock exchange releases), conference calls, roadshows, individual or group meetings, and annual Capital Markets Day</li> </ul>	<ul style="list-style-type: none"> <li>Climate change mitigation as business opportunity and challenge, sustainability of raw materials and supply chain, availability of raw materials for renewables growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>Communicating about climate commitments, sustainability vision, sourcing and raw materials</li> <li>Transparent and regular reporting and disclosure</li> <li>Responding to questionnaires by rating companies and investors</li> </ul>
<b>Governmental organizations</b>	<ul style="list-style-type: none"> <li>Sharing views on policies, laws and regulations with officials and legislators through public consultations, meetings, as well as part of a larger stakeholder dialogue with policymakers</li> <li>Arranging site visits</li> </ul>	<ul style="list-style-type: none"> <li>Climate and emission reduction targets, renewable fuels in transport, renewable and recycled materials, plastics recycling, circular economy, sustainable finance</li> </ul>	<ul style="list-style-type: none"> <li>Replying to public consultations and providing insights and analysis to government officials and politicians</li> <li>Participating in the work of industry associations</li> <li>Arranging site visits</li> </ul>

Key stakeholder	How we engage	Key topics of interest	How we respond
<b>Suppliers and contractors</b>	<ul style="list-style-type: none"> <li>Counterparty compliance screening focused on economic sanctions and similar compliance issues alongside an extensive sustainability assessment</li> <li>Collecting information on our climate change impact annually</li> <li>Conducting both external and internal audits. Helping partners to perform corrective actions in cases of non-compliances</li> <li>Arranging annual supplier sustainability workshops, trainings and seminars to share information and support capacity building of the suppliers</li> <li>Collaborating closely with our contractors and suppliers to ensure high level of safety, efficiency and quality</li> <li>Regular meetings with our suppliers to, besides the regular commercial aspects, enhance collaboration, find common development avenues and monitor performance</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient volumes of raw materials, as well as other products and services, for Neste needs</li> <li>Sustainability of supply chains and suppliers, commitment to sustainability including areas of governance (e.g. ethical business practices), labor and human rights (e.g. forced labor and freedom of association), health &amp; safety, environment and biodiversity protection</li> <li>Potential avenues for enhanced collaboration and alignment on Neste and supplier performance on multiple dimensions</li> </ul>	<ul style="list-style-type: none"> <li>Contracts only with and sourcing only from those suppliers and contractors who meet our requirements (e.g. Neste Supplier Code of Conduct)</li> <li>Supplier Code of Conduct (SCoC) trainings and workshops for suppliers and contractors</li> <li>Practical SCoC information guide for suppliers and other business partners</li> <li>Providing health, safety and work wellbeing related information and instructions for contractors, suppliers and partners</li> <li>Continuous search for new renewable raw material suppliers</li> <li>Sustainability evaluation on our raw material suppliers</li> <li>Collaboration to enhance sustainability performance</li> <li>Monitoring sustainability performance of our suppliers and contractors through audits. The number of sustainability audits increased in 2022.</li> <li>Share information with contractors at Neste sites through regular meetings, info sessions, trainings and newsletters</li> </ul>
<b>NGOs</b>	<ul style="list-style-type: none"> <li>Continuous dialogue with NGOs, e.g. on biodiversity and human rights</li> <li>Collaboration in joint projects (e.g. projects aiming for transformative sustainability improvements regionally and to support the smallholders in improving their sustainability performance and certification)</li> <li>Ongoing dialogue e.g. transparent reporting on sustainability performance, including the status and progress of sustainability-related grievances linked to Neste's raw material sourcing</li> <li>Ongoing dialogue with the Neste Advisory Council on Sustainability and New Markets</li> </ul>	<ul style="list-style-type: none"> <li>Climate change mitigation, sustainability, human rights, biodiversity, sustainable sourcing (e.g. palm oil &amp; PFAD), circularity and recycling aspects</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability of supply chains and suppliers, commitment to sustainability, protecting biodiversity (e.g. preventing deforestation), and respecting human rights (e.g. forced labor and freedom of association)</li> </ul>
<b>Industry associations</b>	<ul style="list-style-type: none"> <li>Engaging in dialogue and working with and as members of industry associations</li> <li>Providing insight, analysis and our views on different topics</li> <li>Taking part in events and seminars</li> </ul>	<ul style="list-style-type: none"> <li>Climate change mitigation, transport emission reductions, circular economy, plastics recycling, industry competitiveness, sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Memberships in relevant organizations, e.g. Renewable Carbon Initiative (RCI), FuelsEurope, European Biodiesel Board, and Advanced Biofuels Association (US)</li> <li>The complete list of Neste's memberships is available on <a href="https://neste.com">neste.com</a></li> </ul>
<b>Cooperation bodies</b>	<ul style="list-style-type: none"> <li>Engaging in dialogue with cooperation bodies and supporting initiatives</li> <li>Participating in working groups for developing industry related matters within initiatives</li> <li>Ensuring the sustainability of our supply chain with certifications</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability, renewable products, plastics recycling, climate change mitigation, resource efficiency, circular economy, biodiversity, human rights, innovation, climate commitments, emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>Cooperating with, e.g. Task Force on Climate-Related Financial Disclosures (TCFD), Nordic Business Network for Human Rights, UN Global Compact, World Business Council for Sustainable Development (WBCSD), International Sustainability &amp; Carbon Certification (ISCC)</li> <li>The complete list of Neste's commitments and engagements is available on <a href="https://neste.com">neste.com</a></li> </ul>

Key stakeholder	How we engage	Key topics of interest	How we respond
<b>Universities and research organizations</b>	<ul style="list-style-type: none"> <li>Neste works closely with universities and research centers</li> <li>Engaging in dialogue with local and global universities, different research organizations as well as researchers all over the world</li> </ul>	<ul style="list-style-type: none"> <li>Innovation and R&amp;D, renewable and circular solutions, green hydrogen, e-fuels, industrial chemistry, catalyses, artificial intelligence, among others</li> </ul>	<ul style="list-style-type: none"> <li>Strategic cooperation with, e.g. Aalto University, Åbo Akademi and VTT (The Technical Research Centre Finland) and international partners mainly in Europe and in the US</li> <li>To further strengthen its global innovation and R&amp;D capabilities, Neste established an Innovation center in Singapore (operational in 2023)</li> <li>Neste has established a competence ecosystem in renewable and circular solutions by building a portfolio of R&amp;D&amp;I projects in cooperation with universities, research institutes and companies in Finland</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>Engaging in dialogue and collaboration with local communities and production site neighbors via newsletters, meetings, regional website and social media</li> <li>Arranging site tours for various interest groups</li> <li>Engaging and collaborating with local authorities and city representatives</li> <li>Volunteer initiatives from employees at local level (e.g. Food Bank, beach cleaning)</li> </ul>	<ul style="list-style-type: none"> <li>Employment and cooperation opportunities, safety and environmental concerns, site investments and development as well as impacts on the community and neighbors</li> </ul>	<ul style="list-style-type: none"> <li>Acting sustainably, since our environmental and safety performance affects the local communities</li> <li>Maintaining an open dialogue with local communities</li> <li>Engaging with specific local authorities on local matters of concern</li> <li>Employees volunteering for local charitable events</li> <li>At the Porvoo refinery, Neste conducts a stakeholder study bi-annually to assess the local community and authority perspectives on the refinery environmental and safety image and communications. The next study will be carried out in 2023</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Maintaining and developing relations with media globally, regionally and locally</li> <li>Regular distribution and proactive sharing of releases, news and topics to the media</li> <li>Actively responding to media inquiries</li> <li>Arranging interviews and media events</li> <li>Proactively sharing Neste news and topics to the media</li> </ul>	<ul style="list-style-type: none"> <li>Announcements, interim results and company news, mergers and acquisitions activities, different projects, customer stories and cooperations, societal and economic topics, innovation, research and development, sustainability topics, fuel taxing and pricing, oil price fluctuations, renewable and circular products and solutions (renewable fuels, renewable polymers and chemicals)</li> </ul>	<ul style="list-style-type: none"> <li>Press releases and other materials as well as company information materials</li> <li>Following and responding to media inquiries through media service by Neste's communications</li> <li>Connecting the media with the correct spokespersons at Neste</li> <li>Actively working together with media to best serve them</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Promoting cooperation by emphasizing the importance of social interaction and sharing thoughts and ideas</li> <li>Ensuring regular discussions around development, values and wellbeing through Forward Discussion process</li> <li>Employee engagement through several measures, e.g. employee feedback through regular pulse surveys, team and individual discussions, town hall meetings and team days</li> <li>Systematic support for health, safety and wellbeing of Neste personnel</li> <li>Active communication, dialogue and cooperation with internal stakeholders, including employees, line managers and employee representatives</li> </ul>	<ul style="list-style-type: none"> <li>Neste strategy and values, sustainability, climate commitments, health, safety and wellbeing, learning &amp; development, business ethics &amp; code of conduct, diversity, equity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Proactive and systematic communication and training regarding topics of interest, responsive communication and dialogue on topics raised by employees</li> <li>Individual development discussions, development tools and programs</li> <li>Flexible ways of working and tools to support, e.g. Smart Work</li> <li>Fit for purpose leadership development, e.g. tailored leadership program WeLead</li> <li>Team discussions on different topics, e.g. safety and employee survey results</li> <li>Support for leading ourselves and others through challenging times, ie. support material for people leaders, coaching</li> </ul>

We believe in collaboration and want to be actively involved in developing a more sustainable future. We participate in the development of our industry, relevant associations, NGOs and aim to actively engage in open dialogue with all our stakeholders.

## Global increase in efforts to combat climate change

Neste's commitment to limiting global warming by accelerating a shift to a circular economy means we engage actively with policymakers, regulators and the wider stakeholder community to drive and implement change.

## Main policy and legislative developments in Europe

The European Commission's Fit for 55 package aims to reduce greenhouse gas emissions by 55% by 2030 (compared to 1990 levels). Neste continued to work with all three European institutions throughout 2022 as the European Parliament and Council debated the Commission's proposals. The legislative package is part of the European Green Deal, which aims to make the European Union climate neutral by 2050.

Neste supported the process by meeting with policymakers to discuss technical aspects of the regulations, as well as how to support the rollout of climate technologies through legislation. In particular, Neste called for higher ambition in the Fit for 55 package with regards to decarbonizing the transport sector.

In September 2022, trilogue negotiations started for the ReFuelEU Aviation regulation proposal, which aims to increase production and use of sustainable aviation fuels (SAF) to lower greenhouse gas emissions in the aviation sector. Currently, the proposal puts obligations on fuel suppliers to distribute SAF at EU airports, and states that all flights departing from EU airports must carry a minimum amount of SAF – an amount that will increase periodically until 2050. As the world's leading producer of SAF Neste is committed to achieving an EU-wide obligation.

The revision of the Renewable Energy Directive (so called RED III) advanced to trilogue negotiations in October 2022. Under RED III, the EU would be obliged to

ensure that at least 40% of its energy consumption comes from renewable energy sources by 2030. During the legislative process both the European Parliament and the Council have recognized the need to increase the ambition for the transport sector. The negotiations have also been characterized by the demand for stricter sustainability criteria in the production of renewable energy.

Prompted by the war in Ukraine, in May 2022, the European Commission published its 'REPowerEU' plan outlining the EU's path to energy independence from Russian fossil fuels by 2027. The plan includes a 66% cut in Russian gas consumption by the end of 2022. Consequently the EU is accelerating its transition to renewable energy sources. As part of the REPowerEU plan the Commission proposes to further raise the EU's renewable energy target to 45% share by 2030. The combination of sustainability priorities and EU energy security and competitiveness agendas represents a significant moment for the shaping of EU policy.

Neste recognizes and supports the need to diversify renewable energy sources in order to substitute conventional fossil fuel imports, thereby establishing a future-proof energy system.

Although in the long term, the ambition to reduce the transport sector's emissions is increasing at EU level, concerns over high fuel prices led some Member States to review their renewable fuels obligation in 2022. The Finnish government decided to decrease the national distribution obligation of renewable transport fuels by 7.5% points in 2022 and 2023. The emission reductions lost in 2022–2023 will be compensated for by raising the distribution obligation between 2024–2030, with a target of 34% by 2030.

Other EU Member States raised their ambitions. Italy has included biofuels as part of its decarbonization strategy and been an active player in the Fit for 55 negotiations. Italy has promoted ambitious domestic policies,

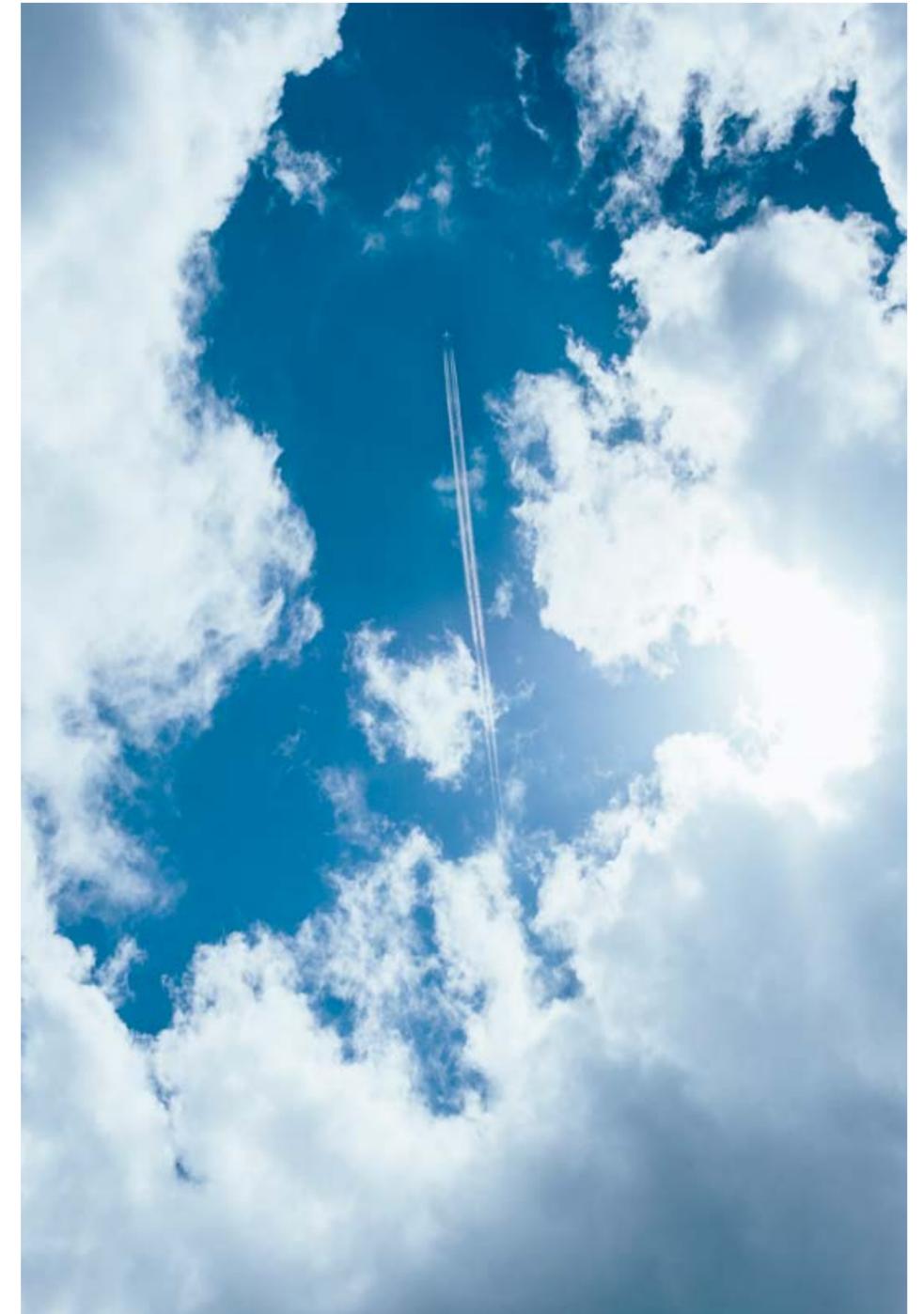
such as the forthcoming "neat" biofuel submandate, which is likely to foster a robust demand for biofuels across the market, contributing to a higher GHG emission reduction in road transportation.

There is an unprecedented and politically ambitious push to produce legislation, particularly as 2023 will be the final year of the current European Commission's mandate.

Multiple initiatives under the Green Deal that provide the legal framework for Renewable Polymers and Chemicals have been proposed, with different timelines for implementation:

- Mandatory requirements on recycled plastic content for key products such as packaging (2022). This will be followed by construction materials and vehicles (2023).
- A policy framework for bio-based plastics and biodegradable or compostable plastics (2022).
- A Regulation on substantiating environmental claims using the product/organization environmental footprint methods (2023).
- A Regulation on ecodesign for sustainable products, which will outline EU rules for regulating a number of goods and products in the coming years, including rules for recycled content, sustainability requirements, traceability and transparency (2023 for finalization and entry into force).

Other EU policies and legislative proposals include, but are not limited to, the Corporate Sustainability Due Diligence Directive, the Deforestation Regulation, and delegated acts under the Taxonomy Regulation.





### **Main policy and legislative developments in North America**

In the United States, climate initiatives were mostly implemented through the federal Inflation Reduction Act. This included an extension of the current Blenders Tax Credit for biofuels through 2024 and created a new Sustainable Aviation Fuel credit, also through 2024. Neste liaised closely with policymakers on the creation of this credit, which marks the first time the significance of SAF is recognized in federal climate policy. A Clean Fuels Production Credit was created for both road and aviation fuels that will be active from 2025. However it links the biofuel value to CI score and requires domestic US production. This narrowed eligibility is controversial and may be revisited by the new congress.

The Biden Administration launched the ‘SAF Grand Challenge’ and released its plans to promote the use of SAF to reduce emissions in aviation. Its three primary goals include achieving a minimum 50% reduction in the life cycle GHG emissions compared to conventional fuel; producing three billion gallons of SAF per year by 2030; and supplying sufficient SAF to meet 100% of aviation fuel demand by 2050.

The US Environmental Protection Agency finalized the renewable volume obligations (RVOs) for years 2020, 2021, and 2022, as well as denied 69 pending Small Refinery Exemptions (SREs). A draft of the Renewable Fuel Standard program “set rule” is expected in November 2022, which will establish future RVOs based on six statutory factors.

The states of California and Oregon are in the process of revising their Low Carbon Fuel Standard programs. The state of Washington is scheduled to finalize the rules to complement its Clean Fuel Standard in time for a January 2023 start date. California has declared a state policy of achieving net zero emissions no later than 2045 (AB 4279) and to achieve and maintain net negative GHG emissions thereafter. Its target is state-wide anthropogenic GHG emissions reduced to at least 85% below the 1990 levels by 2045. While the California

Governor vetoed a bill that would set goals for intrastate SAF use, the proposal may be considered administratively by California Air Resources Board.

Canada adopted a federal Clean Fuel Standard (CFS) after several years of deliberation. Its targets include reducing the carbon intensity of Canada’s fuel pool by 15% by 2030 from 2016 levels. Renewable fuels used in aviation (SAF) are allowed to contribute to the CFS via an opt-in provision. Federal credits can be earned, in addition to any credits earned from provincial programs. The government also released a federal Emissions Reduction Plan to reduce overall greenhouse gas emissions by 40–45% by 2030. Progress reports are required in 2023, 2025 and 2027, with additional targets and plans for 2035 to 2050. British Columbia is revising its Low Carbon Fuels Act and is now expected to finalize it in the first half of 2023.

This year Canada announced a nation-wide ban on select single use plastic items applicable from December 2022. It will be enforced incrementally up to 2025.

### **Main policy and legislative developments in Asia-Pacific**

Having announced a net zero emissions goal by 2050, New Zealand continues to take action to decarbonize road, marine and aviation transport. The government proposed the introduction of a Sustainable Biofuels Obligation for road transport and separately for marine. From 1 April 2024 onwards, fuel wholesalers are expected to reach a starting emissions reduction target of 2.4% and 3.5% in 2025.

Australia’s first Bioenergy Roadmap was published in November 2021. Australian Renewable Energy Agency’s (ARENA) modeling shows that biofuels could account for about 10% of the total diesel market by 2050. The government’s Climate Change Bill, which passed in August 2022, will enshrine into law an emissions reduction target of 43% from 2005 levels by 2030 and net zero emissions by 2050.

In April 2021, Japan announced plans to raise its GHG emission reduction target for 2030 from 26% to 46% (compared to 2013 levels) to meet the overall target of carbon neutrality by 2050. The Ministry of Land Infrastructure Transport and Tourism (MLIT) has also announced a 10% target for SAF blending by 2030 as well as a draft Basic Policy for Promoting Decarbonization of Aviation which aims for a 16% reduction of CO<sub>2</sub> emissions for domestic flights by 2030 and carbon neutrality by 2050. A key policy development will be the planned revision of the 3rd Ordinance on Biofuels (2023–2027).

Singapore, a forerunner in policy and regulatory development in the Asian region, has raised its national climate target to achieve net zero emissions by 2050, and will also reduce emissions to around 60 million tonnes of carbon dioxide equivalent (MtCO<sub>2</sub>e) from 65 MtCO<sub>2</sub>e as part of its revised 2030 Nationally Determined Contribution. The reduction of aviation and maritime emissions from travel and trade are part of its Green Plan 2030. An International Advisory Panel (IAP), which Neste was part of, has produced a report with a series of recommendations including the use of SAF which will feed into a government blueprint to make Singapore a Sustainable Air Hub.

South Korea plans to expand domestic biofuel use through the adoption of a marine biofuel mandate by 2025, a SAF mandate by 2026 and by raising its 2030 biofuels blending mandate in its diesel pool to increase its biofuels blending mandate to 8% (5% FAME and 3% HVO) by 2030 as part of its Eco-Friendly Biofuel Development Measures. The government has pledged carbon neutrality by 2050 and has some of the strongest restrictions on plastics in the Asian region, including a ban on single-use plastics and fines for not meeting government mandated plastic use targets.



### External recognitions in 2022

- [Dow Jones Sustainability Indices](#)
- [CDP Climate Change and Forests Assessment Leadership level, A-](#)
- [Corporate Knights Global 100](#): among the 100 most sustainable companies in the world for the 17th consecutive time
- [MSCI ESG Rating Index, AAA](#)
- [Ecovadis Platinum rating](#)
- [S&P Global Sustainability Yearbook](#)
- The European Chamber of Commerce in Singapore Travel & Transport category winner
- The best sustainability reporting in 2021 in two categories: Human rights and Stakeholders' Favorite by the Finnish Association of Authorized Public Accountants Sustainability Reporting competition
- German Sustainability Award finalist

### Research cooperation

In 2022, we continued to strengthen our cooperation with companies, startups, universities and research institutions:

- Neste's Veturi ecosystem brings together Finnish companies, startups, universities and research institutes to jointly build the future capabilities needed to establish new value chains in renewable and circular solutions.
- Strategic cooperation with VTT, which fosters the joint use and development of research infrastructures in Finland.
- Strategic cooperation with Aalto University and Åbo Akademi University with the aim of improving the competitiveness of parties while increasing Finnish chemical industry expertise, including in such fields as chemical and process engineering, bioeconomy, digitalization and circular economy.
- Neste, together with UPM and Borealis Polymers, is supporting a chemistry professorship specializing in circular economy at the University of Helsinki.
- A five-year sponsorship for [Helsinki University's Centre for Coastal Ecosystem and Climate Change Research \(CoastClim\)](#) was established, to further understand how the condition of the seas and climate change are linked.
- The cooperation also continued, for example, in our projects related to green hydrogen in Rotterdam and Porvoo.

In addition, we actively engage in dialogue with several universities and research institutes on collaboration opportunities.

[Read more about our research cooperation.](#)

### The Advisory Council on Sustainability and New Markets

The Advisory Council on Sustainability and New Markets, established in 2019, is an independent external council consisting of a group of carefully selected experts able to provide strategic insight, guidance and assistance on our sustainability work. They are committed to helping accelerate Neste's transformation and broadening its sustainability leadership activities. The council convenes three times a year and is chaired by John Elkington, one of the pioneers of the global sustainability movement.



From left to right:

**Geoffrey Weston**, Senior Partner and Global Head of Bain & Company's Global Airlines, Logistics and Transportation sector, Bain

**Bernice Lee**, Executive Director of the Hoffman Centre for Sustainable Resource Economy, Chatham House

**James Cameron**, Senior Adviser to Pollination Group and Adviser to COP26 Presidency

**Vanessa Perez Cirera**, Global Director for Economics at World Resources Institute

**John Elkington**, Founder & Chief Pollinator, Volans

**Louise Kjellerup Roper**, CEO, Volans

**Marcus Extavour**, EVP of Climate & Energy & Chief Scientist, XPRIZE

# Value creation

## Input

### Indirect upstream

- Number of suppliers in
  - » Renewable Products 557
  - » Oil Products 85 <sup>1)</sup>
  - » Indirect procurement 6,816
- Operations in 15 countries
- Production in 4 countries

### Direct upstream

- Total equity 8,327 MEUR
- R&D expenditure 85 MEUR
- Interest-bearing net debt 1,344 MEUR
- Material and services 21,648 MEUR
- Other expenses 522 MEUR
- Renewable raw material inputs 3.6 Mt
- Sourced crude oil and fossil feedstock 12.7 Mt
- Indirect procurement spend 4,177 MEUR
- Cash-out investments 1,757 MEUR

## Neste's business model



**We provide value for society by developing renewable, low-emission and circular solutions for the aviation, chemical and plastics industries, transport sector and cities.**

**We do this by taking the lead to transform towards a carbon neutral value chain by 2040, and setting ourselves aspirational targets for biodiversity, human rights, supply chain and raw materials.**

## Output

### Direct downstream

- Market cap 33,063 MEUR (at the end of 2022)
- Comparable EBITDA 3,537 MEUR
- Comparable ROACE 30.1%
- Dividends 1,167 MEUR from 2022
- Revenue 25,707 MEUR
- Share of Clean Revenue 38.9% <sup>2)</sup>
- Share of Clean Investments 88.3% <sup>2)</sup>
- Economic value retained 1,319 MEUR
- Neste MY Renewable Diesel sales 0.8 Mt
- Sales from in-house production, Oil Products 11.3 Mt
- 945 service stations in 4 countries
- Oil Products and Renewable Products in the wholesale market sold in 43 countries to approx. 237 customers <sup>3)</sup>
- 2,073 granted patents and 683 pending patent applications

### Indirect downstream

- Increase in the value of the shares and dividends
- New business opportunities
- Renewables help customers to reduce GHG emissions, reduce their reliance on fossil resources, and support UN SDGs
- Helping end users to avoid infrastructure and other investments with drop-in solutions
- M&S B2B Customer satisfaction: Net Promoter Score (NPS) 51%
- Taxes and tax-like fees paid and remitted by Neste EUR 4.6 billion

## Outcome

### Impact

- Creating new jobs and supporting the existing ones in the company's value chains
- Redirecting consumer expenditure towards sustainable solutions
- Supporting the development of customers' brand value and brand awareness

Economic/Governance

Social

Environment

- 99% of Neste's renewable raw material suppliers screened using social criteria

- Highly skilled employees
  - » Number of employees 5,244 <sup>4)</sup>
  - » Hiring rate of permanent employees 18.3%
  - » Leaving rate of permanent employees 10.2%
  - » Recorded average training hours per FTE 20.8 <sup>5)</sup>

- 100% of our palm oil <sup>8)</sup> use is certified and traceable to plantations
- 100% of our PFAD <sup>9)</sup> supply chain is mapped for palm oil mills and 86% to plantations
- 99% <sup>10)</sup> of the renewable raw material volumes, 84% of the crude oil and fossil raw materials volumes and 73% of overall indirect contracted spend in 2022 were covered by Neste Supplier Code of Conduct or equivalent.
- Scope 2 and 3 emissions from upstream value chain 6.3 Mt CO<sub>2</sub>e

- Use of waste and residues of global renewable raw material inputs 3.4 Mt, 95% of the total renewable feed <sup>11)</sup>
- Water intake 8,604,000 m<sup>3</sup>/a
- Energy consumption 10.9 TWh of which 17.8 % renewable energy.

- Wages and salaries 449 MEUR
- Other personnel expenses 95 MEUR including training costs 5 MEUR
- 67.8% men and 32.2% women
- 3/9 members of the Board of Directors and 3/12 members of the Executive Committee are women
- Employee safety TRIF 0.8 <sup>6)</sup>
- Safe days 314 <sup>7)</sup>

- Contractor TRIF 3.7 <sup>6)</sup>
- Charity work and sponsorship 1.9 MEUR
- Number of Neste employees, who participated in volunteer work 356

- Energy saving measures 42.6 GWh
- Waste generated 294,000 t of which 13% recycled
- Wastewater 7,899,000 m<sup>3</sup>/a
- Scope 1, direct CO<sub>2</sub> emissions 2.1 Mt CO<sub>2</sub>
- Scope 3 emissions from downstream value chain 35.7 Mt CO<sub>2</sub>e

- GHG emission reduction achieved with Neste's renewable products 11.1 Mt <sup>12)</sup>
- Neste MY Renewable Diesel enables on average 90% lower GHG emissions over the fuel's life cycle compared to fossil diesel <sup>12)</sup>
- Help fight the plastic waste challenge through developing chemical recycling to increase plastics recycling and circularity of materials

- Supporting social development and the services societies provide in countries of operation
- Enhancing competitiveness of employees in the labor market
- Wellbeing and safety of employees and suppliers
- Reducing transportation-related emissions in cities and communities
- Securing human and labor rights
- Improving gender equality

- Mitigating climate change
- Replacing fossil raw materials use with more sustainable alternatives
- Improving air quality
- Preventing deforestation
- Contributing to circular economy
- Influencing operating environment and regulation

<sup>1)</sup> Includes natural gas and industrial gas suppliers. <sup>2)</sup> See Principles for calculating the key indicators. <sup>3)</sup> Customers supplied with Base Oils in 2022 before the effective sale of Base Oil business are excluded  
<sup>4)</sup> Annual average number of employees. <sup>5)</sup> Full-time equivalent (FTE). <sup>6)</sup> Total Recordable Injury Frequency <sup>7)</sup> A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit, or traffic accident. <sup>8)</sup> Contains the use of conventional palm oil that we have processed into renewable products and sold to market. <sup>9)</sup> Palm fatty acid distillate <sup>10)</sup> Agri Trading excluded <sup>11)</sup> The volumes are presented in millions of tons. The share of the volumes are calculated from exact figures and consequently the rounded figures presented may deviate from the share of volumes disclosed. <sup>12)</sup> Compared to crude oil-based fuel. Calculation principles can be found on [page 115](#).



View Neste's tax footprint report [on our website](#)  
 Read more about Neste's value creation [on our website](#)



# Sustainability governance

Neste's sustainability work described in this report is managed by the Sustainability, Human Resources, and Health, Safety and Environment (HSSEQ) organizations.

The Executive Committee approves our sustainability priorities. Responsibility for individual corporate sustainability targets is shared between the members of the Executive Committee. The Vice President, Sustainability, is responsible for ensuring that relevant management processes and impact assessments relating to material corporate sustainability topics are being developed and implemented as part of our strategy. The relevant business units and functions will reserve the needed resources within their scope to implement the actions commonly agreed in the Executive Committee.



## Our sustainability impacts are reviewed and monitored frequently at many levels.

The Sustainability Leadership Team, chaired by the VP, Sustainability, has members from different functions, e.g. Climate Change and Circular Economy, Supply Chain Sustainability, Human Rights, Sustainability Reporting and Engagement, HSSEQ, Innovation and Communications. It prepares the sustainability priorities and proposals to be taken to the Executive Committee by EVP, Sustainability and Corporate Affairs, together with the relevant sustainability experts.

Sustainability vision is part of the Nestle strategy and goes through the same Nestle Executive Committee and Board review as any other strategic priority. The Board approves the long-term ambition and targets for the sustainability vision, based on the proposal from the Executive Committee and the Sustainability function, and regularly reviews the sustainability performance.

Significant factors concerning the composition of the Board of Directors include that the members should possess a variety of competences that complement the other members of the Board: education and experience in different professional and industrial fields, and in business operations and management, all of which include competencies on sustainability-related issues.

### **Sustainability risk management**

The most significant sustainability risks are identified and assessed as a part of the annual risk management cycle facilitated by Nestle's risk management team. The risk management team monitors the level of risks and ensures that the risks are identified and mitigated appropriately by Nestle's business units, functions and country units. Our risk-based approach and our sustainability risks are further described in our [Non-Financial Information \(NFI\) Statement](#).

Our sustainability impacts are reviewed and monitored frequently at many levels of the company in addition to the Board of Directors. Sustainability related work, including climate change-related work, is steered by the company's Executive Vice President, Sustainability and Corporate Affairs, who is a member of the Executive Committee and reports to the President and CEO.

# Compliance

We are committed to high ethical standards and conduct our business and operate in compliance with applicable laws and regulations. That means acting transparently, responsibly, with integrity and in accordance with our values.

Neste's Code of Conduct sets the framework for our company's global business operations and establishes the ethical practices to guide every Neste employee in their day-to-day business tasks. We also require our suppliers and other business partners to comply with applicable laws and expect them to follow equivalent ethical business standards as stated in the Code of Conduct, as further described in our [Supplier Code of Conduct](#).

Raising awareness of and training in the Code of Conduct and its topics are central elements of Neste compliance program. We regularly internally communicate on compliance-related topics and train our employees both through e-learning courses and face-to-face trainings.

In connection with the Code of Conduct renewal in 2021, we also renewed the Code of Conduct e-learning. The e-learning, mandatory for all Neste employees, was first issued to all office workers in 2021 and to the rest of the organisation in 2022. It achieved a completion rate of 95%.

We constantly develop our compliance program with special efforts in the defined key focus areas: competition law compliance, anti-corruption, trade

sanctions, privacy and anti-money laundering. In 2022, we further strengthened our trade sanctions compliance program and launched a new Basics of Trade Sanctions Compliance e-learning to support our training in the topic. The e-learning was issued to targeted employees in the end of 2022. As part of the regular compliance training efforts, we also re-issued the Anti-Corruption e-learning to all office workers in 2022.

Neste's Compliance Function is regularly issuing compliance newsletters on various compliance topics. In 2022, topics included, among others, the Code of Conduct, anti-corruption, gifts & hospitality, privacy and trade sanctions. Neste also has an Anti-Corruption Principle that provides more detailed guidance on responsible business practices and the prevention of corruption. More information on Neste's grievance process and the related Misconduct Investigation Standard is available in the Corporate Governance Statement and in the [Report of the Board of Directors](#).

Neste's compliance program and function is described in more detail as part of Neste's [Corporate Governance Statement](#) and in the [Report of the Board of Directors](#).



## Our people

At Nestle, it is the people who make the strategy happen. To carry out our strategy and business growth, our values-led culture guides our work and the decisions and choices we make.

We encourage everyone to be the driver of their own personal growth. As an employer, we want to offer a meaningful place to work for highly competent talents who share our values and are eager to join our journey towards a carbon neutral world.

We lead the way to accelerate both business and cultural transformation while driving high safety excellence. We want our work at Nestle to feel good and do good. At Nestle, we all have opportunity to contribute to our success and take part in driving Nestle forward.

## Transformation and growth offer new possibilities

In 2022, the average number of Neste personnel was 5,244 and about 1,400 employees were hired globally by the end of 2022. About 30% of the recruits were temporary. We set a lot of focus on onboarding and induction of the new joiners and people in new roles. According to the new joiner survey, 90% of new employees feel happy working at Neste. Company's transformation and growth offered our people many career opportunities and personal growth possibilities in new projects. Approximately 140 employees were working as expats in 8 different countries.

To support the company's transformation journey, we arranged a leadership summit and multiple other strategy events during the autumn 2022 to ensure clarity towards our strategic goals and to strengthen engagement and the feeling of belonging of our people. We lead the way with our strategy, values-led culture and talented employees.

We continue investing in sustainable refining and circular solutions. The planned transition of our Porvoo refinery into a renewable and circular site in the mid-2030s will provide new opportunities and learning possibilities to Oil Products personnel and also for many other Neste employees. One of the focus areas of the transformation is to ensure that people are capable of performing and adapting to changes.

In 2022, Neste Engineering Solutions (NES) in Finland was merged to Neste Corporation. The merger supports executing Neste's growth strategy to become a global leader in renewable and circular solutions, in which Engineering Solutions plays a key role. The entire NES personnel in Finland, approximately 800 professionals, transferred to Neste Corporation.

Having a strong focus on commercial and innovation capabilities is one of our keys to success at Neste. To support our innovation capabilities in the Asia-Pacific region, the new innovation center in Singapore is starting operations in 2023.

During 2022, we reorganized our HR operating model. A new talent acquisition hub was created to provide centralized recruitment consultancy. After a pilot phase it was expanded to serve recruitments in Finland, and later on there will be a scale up to offer global support. In addition, we launched a new people promise 'We are the creators of change' to support our employer branding work.



According to  
new joiner survey

**90%**  
of new employees  
Feel happy working  
at Neste



## 405 summer trainees were equipped with skills for the future

We recognize the importance of developing and supporting young people's growth for the skills they will need for the future. In 2022, we recruited 405 summer trainees of which approximately 47% continued with us. At Neste, summer trainees are paid employees, and we invest in their training and development to promote future employability under the transition to a carbon neutral society. We offer the summer trainees a program during the summer so they can network, get to know Neste as a company and learn about our business units, regardless of where in our organization they work during the summer. 81% of our summer trainees would recommend Neste as a great place to work.

[Read more about summer traineeships.](#)

### **Developing capabilities to deliver excellent customer experience**

During 2022, we broadened our approach in developing commercial capabilities in the Renewables business units. The joint capability development has two approaches: extending the existing capabilities developed by Renewable Road Transportation to Renewable Aviation and Renewable Polymers and Chemicals, and building completely new capabilities for all three customer-centric business units.

The prioritized development capabilities are strongly related to Neste's ambition and strategy to be more customer-centric in the future. During 2022, in close cooperation with business leaders, we have created a competence framework for our commercial organization, defined competence expectations for Renewables' commercial roles, piloted and implemented individual-level development planning for the strategic and role-based commercial competences, and are currently integrating the competencies into talent acquisition, recruitment and assessment and designing learning solutions for talent development.

### **Driving a values-led culture and developing leadership**

Leadership is one of the most important elements to drive company culture. Our leadership model is built around our values – it describes how we want to lead and how we should behave to be able to deliver upon our strategy and to ensure work at Neste does good and feels good. We believe that supporting our employees' individual development goals, developing our talent to meet business targets, and preparing our workforce for the growing and changing demands of future work makes working at Neste meaningful and inspiring. Line managers and employees have regular Forward discussions where development and career plans are annually updated.

## **We offered development programs aimed especially for young talents to further build their strategic thinking and leadership skills.**

We offer company-wide development programs and tools to support the needed strategic capabilities in the company. In addition, there are several development initiatives designed in the business units and functions. During 2022, our tailored leadership development programs gained a lot of interest: more than 750 employees participated in company-wide development programs and the average feedback from the programs was 4.3 (on a scale of 1–5). We offer the Neste leadership program We Lead both for line managers as well as for our experts. In 2022 we designed and launched a new project leadership program and offered development programs aimed especially for young talents to further build their strategic thinking and leadership skills, such as the Neste Reverse Mentoring Program and the Mission Possible program.

We engage with our employees in various ways, including a broader annual employee survey complemented with shorter pulses and other targeted employee surveys. The survey results are regularly discussed and measures agreed within teams at each level of the organization. Other forms of engagement include team and individual discussions, surveys gathering onboarding and offboarding experiences, internal info sessions, and town hall meetings. Topics include for example the Neste strategy and values, sustainability and climate commitments, health, safety and wellbeing.

### **Wellbeing is a key to success**

Wellbeing at work is a critical factor for us to succeed. At Neste, health, safety and wellbeing at work are interrelated. Neste's occupational healthcare aims at creating a healthy and safe working environment and a well-functioning work community. Occupational healthcare aims to promote employees' health, maintain work ability and functional capacity as well as prevent risk of occupational illnesses. In 2022, Neste's occupational healthcare organized, for instance, expert webinars for employees about mental wellbeing, ergonomics, nutrition, sleep and recovery skill.

To align the quality of our health services, we follow the Neste Occupational Health Principle in the whole organization, subject to local legislation and requirements.

Work-life balance has a significant effect on wellbeing at work. Depending on the job description, flexible working hours and remote working opportunities make work more meaningful. Smart Work is our common way of working that ensures we can succeed, and we believe teams know best how to get the job done most productively, together. In 2022, Neste also enabled remote work abroad to meet employee expectations, enable agile and flexible working and to support employees' wellbeing.





### Donations and voluntary work

We engage positively with all the communities close to our operations. Our goal is to have a positive impact through charitable donations to causes that align with our purpose, values and strategy. We make donations in line with three key themes: innovation and education; climate and environment; and diversity and inclusion.

In 2022, we made donations to Save the Children, WIRES and Food Bank Houston, among others. In 2022, Neste was one of key partners of John Nurminen Foundation which aims to save the Baltic Sea and its heritage for future generations.

During 2022, we witnessed strong support for Ukraine among our employees, our customers and the international community. We have provided humanitarian support by donating to two organizations, The Red Cross and UNICEF. Many of our employees have also chosen to use their dedicated time for voluntary work to support Ukrainian refugees.

We offer our employees a dedicated paid full day for voluntary work as we believe volunteering activities are a way to build closer ties to our society. In 2022, many of our employees opted to dedicate their time to charitable endeavors, including raising money for charity through sponsored sports challenges and waste collection. The number of Neste employees who participated in volunteer work increased to 356 volunteers (2021: 145).

[Read more about our donations.](#)

## Diversity, equity and inclusion form a key part of Neste's values-led culture, human rights work and sustainability vision.

### Advancing diversity, equity and inclusion

Diversity, equity and inclusion (DEI) form a key part of Neste's values-led culture, human rights work and sustainability vision. They are embedded in our values – we care, we have courage & we cooperate – as well as in our policies and principles such as our Code of Conduct, People Policy and Human Rights Principle.

We are committed to developing a values-led culture that leverages the benefits of diversity and inclusiveness, one in which all Neste employees are given equal opportunities to pursue and thrive in their career, and where everyone feels safe, respected and encouraged to be their unique true selves.

We believe that advancing diversity, equity and inclusion is essential for our business. We need different perspectives, backgrounds and insights in order to perform, innovate and execute our strategy while building new business opportunities globally. It also plays a crucial role in the wellbeing of our people and attracting and retaining the right talent.

Our DEI priorities for years 2022–2023 include:

- Building awareness and understanding of diversity, equity and inclusion across Neste
- Developing inclusive leadership both among our line managers and subject matter experts
- Embedding DEI further into our people practices

In 2022, key activities included developing a framework and priorities for diversity, equity and inclusion at Neste with the support of external experts. We also carried out preparations for a company-wide training initiative – to be cascaded in 2023 – to drive continuous learning and dialogue on DEI within all our teams and among senior management. The preparations during 2022 included training sessions, HR capability building, and a pilot program with selected teams.

Our Executive Committee follows the progress of our development work and efforts within the diversity, equity and inclusion on a quarterly basis, and the theme is also regularly discussed with the Board of Directors. As a signatory to the UN Women's Empowerment Principles, Neste's President and CEO Matti Lehmus participated in the UN Women Finland Diversity Roundtable together with other leaders from Finnish corporations and universities, discussing initiatives on advancing diversity and inclusion in Finland.

# Safety

Safety is at the core of everything we do. By improving safety and operational excellence we are able to achieve our strategic targets. With cooperation and commitment, we will achieve our safety vision of 'No harm. Together.'

For us, safety means excellence in risk management and being in full compliance with regulatory requirements at all times. It is about the existence and effectiveness of all safety barriers that help to manage risks, prevent incidents and mitigate adverse consequences.

We are determined to protect people and the environment as well as our operations, assets, information and brand from any harm and negative impacts. We believe that this can be achieved when everyone is truly committed to managing and improving safety. We understand all hazards related to our operations and have excellent ways to evaluate and manage risks.

## Our safety vision: No harm. Together.



### **Driving safety excellence through Neste Operations Excellence Management System**

The foundations for the safety excellence and continual improvement are defined by Neste's Operations Excellence Policy and Operations Excellence Management System (OEMS), which includes Operations Excellence Principles and supplementary detailed standards. The requirements of OEMS apply not only to own employees but also to external contractors.

In 2022, we continued to clarify and simplify the OEMS implementation process. The deployment of the new process started in 2022 and continues in 2023. The systematic OEMS self-assessments and audits continued in 2022 in order to ensure that the requirements are fulfilled. During 2022, altogether 16 OEMS audits were done.

In 2022, one of the safety priority areas was to improve the timely closure of the actions defined due to incidents, near-misses and audit findings. During the year, clear improvement was achieved. The topic was followed up monthly by the Neste Executive Committee.

As Neste operates in a safety critical business, one foundational driver for our safety management is to eliminate High Potential (HiPo) events in our operations. Focus on the reduction of HiPo events continued actively in our operations. The awareness was improved, but due to more systematic reporting, the number of cases remained on the same level as in 2021.

### **Safety leadership and culture**

The group and local level implementation of the new Safety Leadership Principle and updating the team safety commitments continued to be key issues when developing Neste's safety leadership and culture during 2022. The 2022 global safety awareness activities included the launch of a new safety video, update of the safety

visuals, new common safety communication channel and increased communication to the line managers.

In 2022, we restarted our face-to-face 'I Act Safe' learning workshops which were put on hold due to Covid-19. The workshops attracted a large number of participants, and for example in Finland and the Baltic states, all truck drivers participated in learning workshops focusing on personal safety leadership, awareness, and management.

Due to the unsatisfactory safety performance and in order to enhance the safety leadership, a safety engagement and communication program was initiated by the Neste President and CEO in the latter part of 2022. The purpose was to highlight the sense of urgency, to further improve visible leadership actions, and to drive concrete actions to meet the desired safety performance. The program will continue in 2023.

### **Process safety**

Process safety activities in 2022 included the improvement of the effectiveness of the Process Hazard Analysis (PHA) implementation, the utilization of the HSE design guideline for investments, the definition of the process safety design guidelines for new technologies in the Renewable Products business and Innovation units, and the first deployment of the new storage tank safety standard.

We started to define Neste Process Safety Fundamentals providing a set of basic principles for front-line workers, line managers, and managers that summarize the practices to prevent fatalities from Process Safety Events. The implementation of these fundamentals will start in 2023. In December 2022, the Rotterdam refinery was shut down due to a fire in a refinery unit. Injuries were avoided and the incident had no effect on the expansion project, however, the fire indicated the need to further improve the process safety performance.



### **Contractor safety**

In addition to our own employees, contractors who are not employed by Neste work at our sites. The types of work they perform include construction, maintenance, and electrical work, among others. All contractors are required to complete a site safety training prior to accessing the site.

We aim to continuously improve contractor safety performance with our contractors through auditing and thorough selection process, regular performance evaluation, mutual feedback and with higher focus on subcontracting. In 2022, the deployment of the contractor safety management model continued.

Approximately 2,200 contractor HSSEQ performance assessments and over 50 contractor safety management audits provided valuable information for the performance improvement.

In local organizations, activities continued to drive improvements in the targeted areas. Effective incident investigations, verification of the defined actions and the learning from incidents continued as a key activity. The process was further improved and the responsibilities better defined. Oil Products initiated a three-year 'No harm. Together' safety development program focusing on safety leadership, management of change, asset integrity and reliability, contractor HSE management, and operational safety. Short-term activities included the full deployment of the integrated safe system of work (ISSOW), a comprehensive work risk management practice.

Neste Renewables Platform focused on safety in turnarounds and in investments, as well as on improving safety in new acquisitions. Marketing & Services focused on process safety and change management in terminals, road safety and safety of loading and unloading sites, 'I Act Safe' trainings and on the new safety e-learning training.

### Product and chemical safety

Following chemical legislation and changing regulation, adapting to them and ensuring compliance requires continuous focus in all countries of our operations. Providing the required registrations and notifications and carefully compiled safety data sheets in local languages is the core to product safety at Neste. In 2022, we established a new internal Chemical Regulatory Affairs network to ensure information flow and competence in this area. We also renewed the Safety Data Sheet Register, covering all safety data sheets.

Occupational hygiene surveys have been conducted on Neste's sites since 1977. In 2022, approximately 30 surveys for chemical agents, noise and other occupational exposure agents were carried out in the Finnish operations. One highlight of 2022 was the continuing exposure assessment survey of liquefied waste plastic (LWP). Knowing the levels of hazardous substances in

the working environment is key to ensuring the safety of our own employees. This is especially important when a new raw material is taken into use. Occupational hygiene surveys are conducted as an integral part of the risk assessments and Personal Protective Equipment (PPE) guidance.

### Performance in the key projects during 2022

One of the focus areas of 2022 continued to be ensuring safety in different projects, such as investments, change projects and turnarounds. The Singapore expansion project continued at a good safety level. The project's Total Recordable Injury Frequency (TRIF) was well within our target and high-consequence work-related injuries were avoided. During the year, the project reached an accident free period of 12 million working hours. Key success factors in the project were active site observation reporting combined with fast corrective actions, systematic work management, and dedicated action focusing on the contractors who needed the most support.

During 2022, turnaround works in Singapore, Rotterdam and Porvoo were mostly completed with the targeted safety performance and no serious incidents occurred. The major investment projects at the Rotterdam refinery and the Neste terminal in the Netherlands continued within the targeted safety performance.

The biggest safety challenges were experienced in an Engineering Solutions project to an external customer, where several TRI accidents occurred. Several actions were done during the project but the overall performance remained worse than targeted. A thorough project post-evaluation was done, and key improvements and actions were defined. Actions will be done and verified before the next similar project, and the relevant learnings will also be implemented in the Neste internal projects.

Neste Renewables Platform business unit focused on ensuring safety in the turnarounds and investments,

and also integration of the new acquisition Bunge pre-treatment plant in the Netherlands. Moreover, the focus was on improving the safety performance of Mahoney Environmental and its further integration to Neste safety and OEMS practices. A long-term safety roadmap was defined for Mahoney. Focus areas for Mahoney in 2022 were improved leadership training, improvement incident management, effective safety meetings and HSE inspections and introduction of the Stop Work Authority practice.

### Covid-19 pandemic management

In 2022, Neste Crisis Management team continued to follow the global pandemic situation closely. Personnel and contractors working on sites were informed about the situation with regular info sessions and instruction updates. The number of Covid-19 cases among Neste personnel and the effect on the operations were low.

### Safety performance in 2022

In 2022, Neste's occupational safety performance rate (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) did not reach the target level (1.5) and was 2.0 (2021: 1.4). Biggest challenges were experienced in contractor safety where TRIF was 3.7.

The process safety performance rate (PSER, or the rate of process safety events per million hours worked) was in 2022 1.4 (1.4), which was in the 2022 target level (1.5).

We also measure the number of safe days, i.e. days without occupational accidents, process safety events, other fires and leaks, environmental non-compliances, marine safety incidents and traffic accidents. In 2022, the number of safe days was 314 (306), and the number of incidents was 56 (67).

### Process safety event rate (PSER)



### Total recordable injury Frequency (TRIF)



# Climate

Climate change is already affecting every country on every continent, and the responsibility for taking action is shared by us all. Climate science is clear: global warming should be limited to 1.5°C by the end of the century to mitigate the risk of the most severe consequences to human and natural systems<sup>1)</sup>. Prompt actions to reduce greenhouse gas emissions (GHG) globally are needed. Our vision is to lead the transformation towards a carbon neutral value chain.

As our growth strategy and transformation story continues, we remain highly committed to our sustainability targets and vision to become a global leader in renewable and circular solutions. Climate commitments are an integral part of the corporate strategy and sustainability vision.

<sup>1)</sup> Source: The Sixth Assessment Report by the International Panel of Climate Change (IPCC).

**Our vision is to lead transformation towards a carbon neutral value chain by 2040.**



**Footprint:**  
Reducing the GHG emissions across our value chain (scope 1–3)



Reduce emissions in our own production (scope 1 & 2) by 50% by 2030 and reach carbon neutral production by 2035



Reduce the use phase emission intensity<sup>1)</sup> of sold products by 50% by 2040 compared to 2020 levels (scope 3)



Work with our suppliers and partners to reduce emissions across our value chain (scope 3)

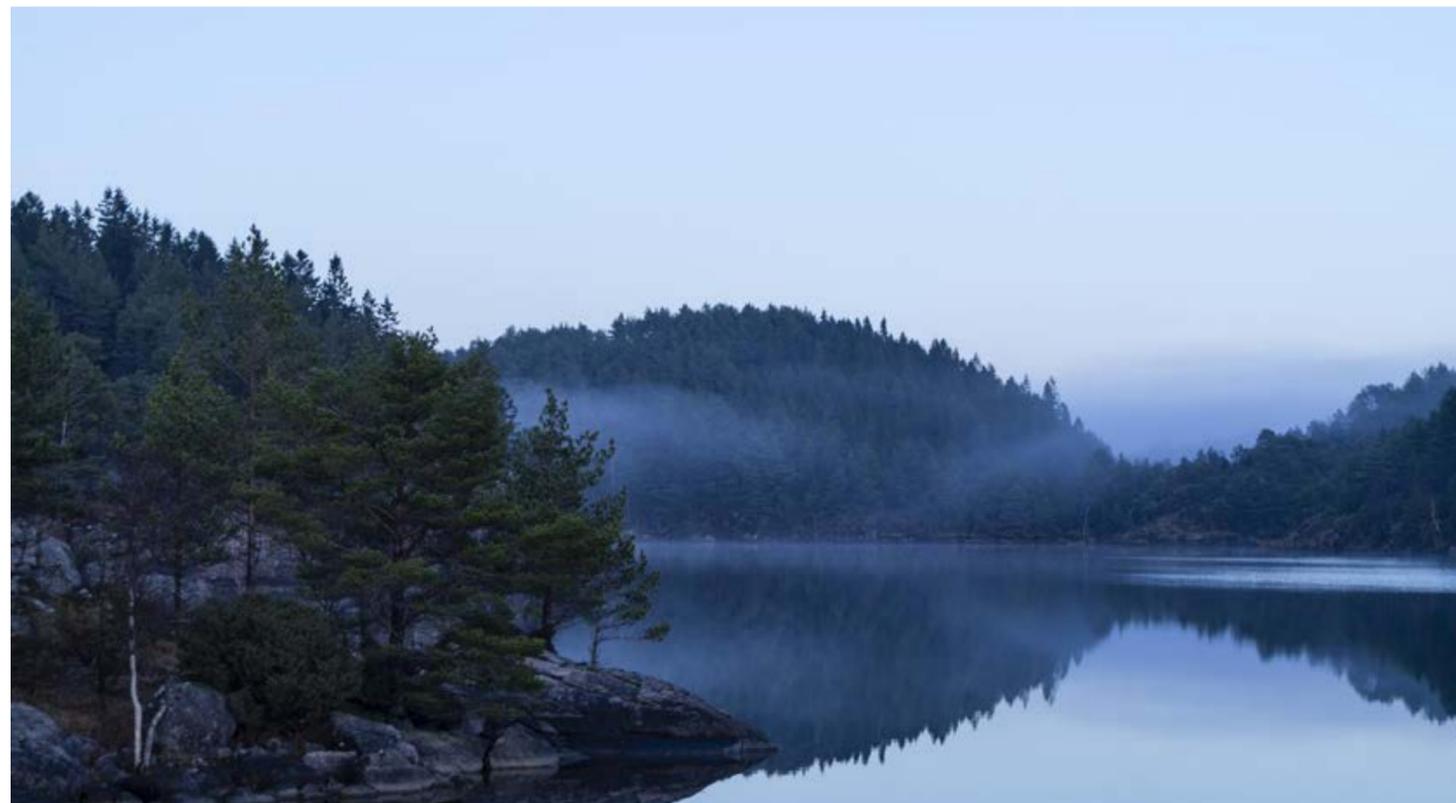


**Handprint:**  
Helping our customers to reduce their GHG emissions with our renewable and circular products



Offer solutions that help our customers reduce their emissions by at least 20 MtCO<sub>2</sub>e annually by 2030 and meet their climate targets

<sup>1)</sup> Use phase emission intensity is calculated by dividing the emissions from the use of products sold by Neste (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ).



## Climate commitments are an integral part of our corporate strategy and sustainability vision.

We enable our customers to reduce their greenhouse gas (GHG) emissions by offering renewable and circular products to replace fossil products. Our target is to help our customers reduce their GHG emissions by at least 20 million tons of CO<sub>2</sub>e annually by 2030. Our strategic initiatives are key driver to increasing our **carbon handprint**.

At the same time, we need to reduce our own **carbon footprint**. We are committed to reducing the GHG emissions from our production (scopes 1 & 2) and reach carbon neutral production by 2035. We are also committed to reducing the use phase emission intensity of sold products and work with our suppliers and partners to reduce the indirect GHG emissions from our entire value chain (scope 3). We have identified various measures to reach the targets, some of which are already well underway. We follow the progress regularly across the organization.

### Climate scenarios supporting Neste's strategy development

Climate change poses both business risks and opportunities to Neste. Therefore, Neste is committed to applying the Task Force for Climate-related Financial Disclosures (TCFD) reporting framework to understand and evaluate the potential implications of climate change.

Neste uses scenario analysis to assess the resilience and adaptability of Neste's strategy to climate change. We base our scenario analysis on the internationally acknowledged climate pathways that represent objective and well-established benchmarks for the energy industry, for example published by the International Energy Agency (IEA). We complement our scenarios by internal analysis and identification of trends and factors relevant to our business. In 2022, we analyzed the implications on Neste under three climate scenarios: Net Zero World 2050, which is in line with the 1.5°C pathways; Net Zero EU and North America by 2050, consistent with a 2°C trajectory; and Compromised climate targets, reflecting global warming of 3°C or more by the end of the century. We have identified and estimated the impact of the risks and opportunities to Neste in each scenario according to the TCFD framework.

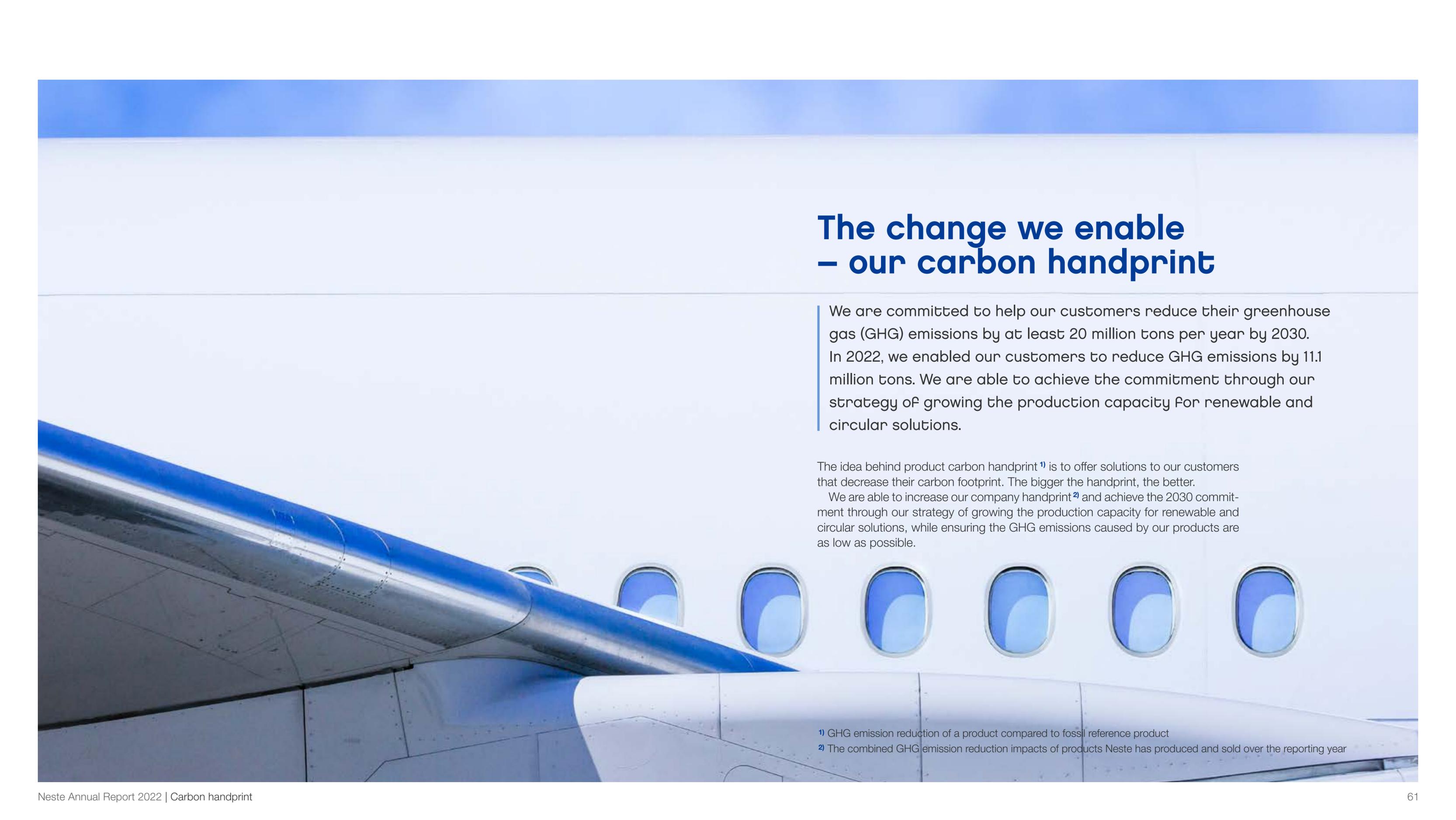
The focus in Neste's strategic planning is the next 10 years, with emphasis on transport, petrochemicals and refining sectors. In the scenario work, a time horizon until 2050 is used as the effects of climate change become more imminent in the longer term. Climate change, and actions to mitigate and adapt to climate change, pose both transition and physical risks and opportunities to companies. In the climate-context, topics such as energy transition, regulation, competition and customer preferences are relevant for Neste's business. Impact potential of such drivers on Neste are evaluated on short-, medium- and long-term time horizons, with varying degree of certainty.

Neste will continue to build on its climate actions so that they are in line with the 1.5°C emission scenarios but refers to the "most likely" scenario reflecting a trajectory of 2°C global warming by the end of the century as the base case. We calculate the impacts and test Neste's strategy resilience against the scenarios by for example estimating the impact on Neste's profitability compared to the base case. This is to ensure key drivers underlying our strategy are robust under the varying assumptions across the pathways.

Results of the scenario assessment provide valuable information on the adaptability and resilience of Neste's strategy. Results are used to support Neste's strategy development and financial planning. Identified climate risks are included in our Enterprise Risk Management (ERM) process and risk mitigation plans are implemented where appropriate.

The full TCFD recommendations set out eleven recommended disclosures around four core areas for companies to report material climate-related information to the market. You can navigate to all Neste disclosures in the annual report via the [TCFD index](#).

<b>Description</b>	Rapid and radical emission reductions globally to meet Net Zero emissions by 2050 and limit global warming to 1.5°C, building on the IEA Net Zero 2050 Scenario.	Advanced economies demonstrating strong climate action while developing economies follow slower, consistent with a 2°C trajectory, building on the IEA Announced Pledges Scenario.	Failure to take climate action leads to the continuation of the current trends, causing global warming of 3°C or more by the end of the century. Scenario is building on the IEA Stated Policies Scenario.
<b>Opportunities</b>	The accelerated global demand for renewable and circular products provides Neste opportunities to leverage global reach, expand to new markets, optimize across feedstocks, countries and customer sectors.	Continued demand growth in renewable and circular solutions; regulatory markets supported by voluntary climate ambitions.	Modest demand growth in renewable products due to less favorable regulatory framework gives room for differentiation and serving selected voluntary markets efficiently.
<b>Risks</b>	Accelerated global demand for renewable and circular products and supportive regulatory landscape may present transition risks related to stringent competition of key raw materials and in entering new markets.	Identified transition risks relate to regulation limiting the competitiveness of renewable fuels or narrowing the eligibility of key raw materials. A steep decline of fossil fuel demand could also be seen as a transition risk for Neste's current business. Risks related to accelerated alternative technology development have also been identified.	Transition risks include downscaled regulatory drivers, slowing down the demand growth for renewable products. In the long-term, physical risks related to chronic and acute climate change impacts can have significant negative effects on raw materials availability, supply chains and assets.
<b>Indicative financial impact to Neste</b>	Positive	Base case	Slightly negative



## The change we enable – our carbon handprint

We are committed to help our customers reduce their greenhouse gas (GHG) emissions by at least 20 million tons per year by 2030. In 2022, we enabled our customers to reduce GHG emissions by 11.1 million tons. We are able to achieve the commitment through our strategy of growing the production capacity for renewable and circular solutions.

The idea behind product carbon handprint <sup>1)</sup> is to offer solutions to our customers that decrease their carbon footprint. The bigger the handprint, the better.

We are able to increase our company handprint <sup>2)</sup> and achieve the 2030 commitment through our strategy of growing the production capacity for renewable and circular solutions, while ensuring the GHG emissions caused by our products are as low as possible.

<sup>1)</sup> GHG emission reduction of a product compared to fossil reference product

<sup>2)</sup> The combined GHG emission reduction impacts of products Nestlé has produced and sold over the reporting year

### Strategic investments to achieve our handprint target

Growing our renewable and circular solutions is a core theme of the Neste strategy. According to our strategic investments, our production capacity of renewable and circular solutions will expand significantly in the coming years. The expansion of our Singapore refinery will be



### Science-based partnerships to develop handprint methodology

- Since 2016, we have been developing the world’s first science-based method for environmental handprint calculation and communication with the VTT Technical Research Centre of Finland and LUT University.
- Neste continues the handprint methodology development in a research project “The carbon neutrality empowered by handprint” with VTT, LUT University, Business Finland and other companies.
- The two-year project, started in September 2021, is developing an unambiguous and internationally-approved concept of carbon neutrality and reliable indication of the environmental benefits (handprint) of circular economy solutions.

[Read more about the project.](#)

completed in 2023, which will bring the refinery’s renewable product capacity to 2.6 million tons per annum. In 2022, we announced our final investment decision to invest into new renewable products production capacity in Rotterdam, which will expand our overall renewable product capacity by another 1.3 million tons per annum, bringing the total renewable product capacity in Rotterdam to 2.7 million tons annually by 2026.

In addition to the Rotterdam and Singapore expansions, we will expand our production capacity through a joint operation with US-based Marathon Petroleum (Marathon). In 2022, we established Martinez Renewables that will produce renewable diesel following a conversion project of Marathon’s refinery in Martinez, California. The facility is expected to be capable of producing 2.1 million tons of renewable diesel per annum by the end of 2023. Through Martinez Renewables, Neste obtains a 50% interest in the Martinez Renewable Fuels project. Therefore upon completion, Martinez Renewables is expected to increase Neste’s renewable products capacity by slightly over 1 million tons per annum.

We are also exploring future options in Finland. In 2022, we launched a strategic study on transitioning our Porvoo refinery to a renewable and circular site and ending crude oil refining in the mid-2030s. The transformation under study includes a long-term renewable and circular production capacity potential of 2 to 4 million tonnes per year. Read more about the [Porvoo transformation study](#).

Growing our capacity for renewable and circular products is a key driver towards our carbon handprint target. At the same time, we need to ensure that our renewable and circular products have as low GHG emissions across their life cycle as possible. This requires for example careful GHG impact evaluation of the renewable raw materials we use, optimizing our supply chains, and ensuring that the GHG emissions caused by refining are minimized. Read more about minimizing our emissions across our value chain in the [carbon footprint section](#).

### Achieving our carbon handprint target by growing our renewable and circular solutions

We aim to help our customers reduce their GHG emissions by at least 20 million tons per year by 2030



Our strategic investments drive our growth in renewable and circular solutions – a key driver for reaching our handprint target.

### Our renewable and circular solutions enable our customers to reduce GHG emissions across industries



Neste MY Sustainable Aviation Fuel (SAF)



Neste MY Renewable Diesel



Neste RE, feedstock for plastics production made out of renewable and recycled raw materials



Neste Marine 0.1 Co-processed for marine, and also possible other solutions to new sectors



### Aviation industry's first ever CORSIA certified sustainable aviation fuel delivery to American Airlines

In 2022, for the first time in aviation history a CORSIA certified batch of sustainable aviation fuel (SAF) was delivered to a commercial airline. Neste delivered a batch of its Neste MY Sustainable Aviation Fuel to American Airlines at San Francisco International Airport. This was part of a pilot to certify SAF as a CORSIA eligible fuel that can be used by an airline to meet its emissions obligation under CORSIA.

The Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") is a carbon offset and carbon reduction scheme to lower CO<sub>2</sub> emissions for international flights, to curb the aviation impact on climate change. It was developed by the International Civil Aviation Organization (ICAO).

[Read more about the delivery of CORSIA certified SAF.](#)

### Calculating the GHG emission reductions achieved with our renewable products

Our renewable and circular products have significantly lower GHG emissions over the life cycle compared to fossil alternatives, which helps our customers reduce their GHG emissions and reach their climate targets.

We calculate the GHG emissions of our products over their entire life cycle: from the production of their raw materials to the end use of the final product. For renewable fuels, the life cycle ends in the use phase, and for other (non-fuel) products such as renewable feedstock for new polymers and chemicals, the life cycle ends in the end-of-life treatment and potential recycling.

The methodologies we use for calculating life cycle emissions and emissions reduction comply with e.g. the European Union's Renewable Energy Directive II ((EU) 2018/2001), CORSIA or ISO 14040, ISO 14044, ISO 14067, and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.

Neste's renewable products, such as Neste MY Renewable Diesel, Neste MY Sustainable Aviation Fuel, as well as Neste RE, our renewable feedstock for polymers and chemicals production, have 50-95% less GHG emissions over the life cycle compared to similar 100 % fossil products. When calculating Neste's handprint, we compare the life cycle emissions of our renewable products to the fossil comparator emission values as defined in the relevant regulation (e.g. EU RED II, LCFS) to evaluate the achieved GHG reductions for our customers.

### Solutions to reduce GHG emissions in aviation

Neste continues to help the aviation industry achieve its ambitious net zero carbon emissions by 2050 goal by providing an immediate solution for reducing the emissions from air travel. **Neste MY Sustainable Aviation Fuel™** is made from sustainably sourced, 100% renewable waste

In 2022, we started many new partnerships in aviation and continued developing the existing ones. Examples include:

#### Progress in establishing Neste as a partner or supplier to airlines and cargo carriers

- [Air France-KLM Group](#)
- [Virgin Atlantic](#)
- [All Nippon Airways \(ANA\)](#)
- [United Airlines](#)
- [WestJet](#)
- [Etihad Airways](#)
- [Air New Zealand](#)
- [Ryanair](#)
- [DHL Express](#)

#### Expanding partnerships along the supply chain to grow the availability of SAF

- [ITOCHU](#)
- [Airbus](#)
- [Signature Flight Support](#)
- [World Fuel Services](#)
- [Fuel distributors](#)

#### Expanding into the voluntary market with new partnerships

- [Victor](#)
- [CargoAi](#)
- [Sunweb](#)

#### Examples of other achievements

- First 100% SAF flight on a regional commercial aircraft with [ATR and Braathens](#)
- [SAF delivery](#) through the Colonial and Buckeye pipeline systems into New York (US)
- Aviation industry's first ever [CORSIA certified sustainable aviation fuel delivery](#) to American Airlines

and residue raw materials, such as used cooking oil and animal fat waste. In its neat form, Neste MY SAF reduces greenhouse gas emissions by up to 80% over the fuel's life cycle, compared to using fossil jet fuels (calculation method: CORSIA).

Neste MY SAF also significantly lowers non-CO<sub>2</sub> emissions compared to fossil jet fuel use. The fuel can be used as a drop-in fuel as it is compatible with existing aircraft engines and airport infrastructure, requiring no extra investment into these.

Our current annual SAF production capacity is 100,000 tons. With the ongoing expansion of our Singapore refinery and modification of our Rotterdam refinery, we will have an annual SAF production capacity of 1.5 million tons in the beginning of 2024. Furthermore, the upcoming Rotterdam refinery expansion will increase the capacity to over 2 million tons by the end of 2026.

We are actively working with partners in aviation's supply chain to grow the availability of SAF globally. The fuel is already used by leading commercial airlines in Europe, North America and Asia including Lufthansa, KLM, IAG, Finnair, American Airlines, United Airlines and cargo carriers such as DP-DHL, Cargolux and Amazon PrimeAir. It is available at an increasing number of major airports, including San Francisco International Airport, Dallas Fort Worth International Airport, Amsterdam Airport, Frankfurt Airport and Narita International Airport.

In addition, we offer businesses a tailored service to help them directly reduce the greenhouse gas emissions of their air travel by buying SAF; Neste MY SAF for Business. This solution delivers real and credible emission reductions that can be used to meet science-based targets.



### Neste and Rolls-Royce partner to accelerate the shift from fossil to renewable fuels

Neste and Rolls-Royce agreed to build a strategic partnership on accelerating the use of renewable diesel as a lower-emission solution for diesel engines. Both parties share a common vision of renewable fuels playing a key role in reducing greenhouse gas emissions in off-highway applications, such as construction and power generation.

[Read more about the partnership.](#)

### Expanding the availability of renewable solutions for road transportation

Neste MY Renewable Diesel™ is a drop-in solution for all diesel-powered vehicles, and its use does not require any changes to the existing engines or logistics. The use of our Neste MY Renewable Diesel helps reduce greenhouse gas emissions by as much as 50–95% compared to fossil diesel over the fuel's life cycle. The GHG emission reduction varies depending on the region-specific legislation that provides the methodology for the calculations (e.g. EU RED II (EU)2018/2001 for Europe and US California LCFS for the US), and the raw material mix used to manufacture the product for each market.

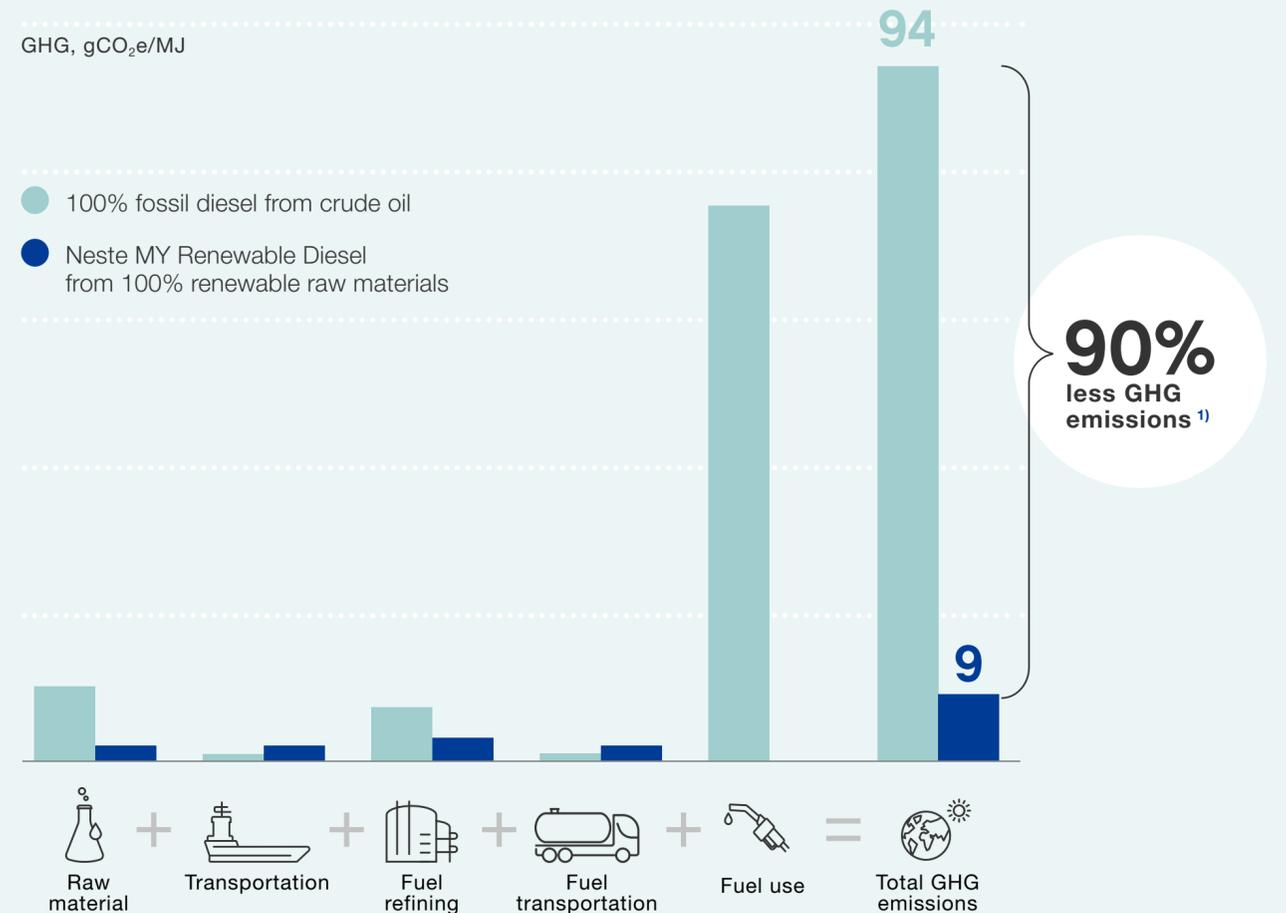
In 2022, we continued to expand the availability of renewable diesel by bringing it to new markets and by growing the station network. In Finland, we expanded the availability of Neste MY Renewable Diesel from 152 stations to 168 stations. In Estonia, Latvia, and Lithuania the number of stations selling the fuel grew with 17 stations, totalling 24. In Sweden, Neste MY Renewable Diesel was sold at almost 400 stations by the end of the year.

In Germany, we partnered with two channel partners to jointly enable the supply of Neste MY Renewable Diesel and contribute to reducing greenhouse gas emission in the transport sector. **EDi Energie-Direkt Hohenlohe GmbH** and **TOOL-FUEL Services GmbH** will distribute and sell the fuel in Germany, while Neste will ensure sufficient volumes of the fuel.

In March 2022, we enabled together with our partners **Altens and TRAPIL** the first-ever transport of renewable diesel by pipeline in Europe to help reduce emissions from fuel transports. Altogether 3.5 million liters of Neste-produced renewable diesel was transported by TRAPIL via the pipeline from Le Havre, located in north-western France, to Gennevilliers, close to Paris.

### Reduced emissions with Neste MY Renewable Diesel™

Comparing 100% fossil diesel to 100% Neste MY Renewable Diesel results on average 90% lower greenhouse gas emissions when evaluating the emissions over the fuels' life cycle.



Carbon emissions from the use of renewable diesel amount to zero, as the amount of bio-based carbon dioxide released upon combustion equals the amount that the renewable raw material has absorbed earlier.

<sup>1)</sup> Calculation method complies with the EU Renewable Energy Directive ((EU)2018/2001).



### Piloting new low-emission marine fuel

In 2022, to help shipping companies and their customers to reduce the GHG emissions in their supply chain we introduced as the first company in the world the Neste Marine™ 0.1 Co-processed marine fuel. The solution enables up to 80% <sup>1)</sup> GHG emission reduction over the life cycle compared to fossil fuels without compromising the product quality and performance. Together with our partner Nordic Marine Oil, we are piloting the Neste Marine 0.1 Co-processed marine fuel in Scandinavia. During the pilot phase, Finnish shipping company ESL Shipping became the world's first shipping company to start utilizing Neste Marine 0.1 Co-processed marine fuel in its vessels in Finland and Sweden.

[Read more about Neste Marine™ 0.1 Co-processed marine fuel.](#)

<sup>1)</sup> The method used to calculate life cycle emissions and emission reduction is guided by the EU Renewable Energy Directive II (EU)2018/2001.

### Sustainable solutions for marine

More than 90% of the world's trade is carried by sea, making maritime transport essential to the global economy. Neste helps shipping companies to reduce their emissions and respond to the tightening regulations on sulphur dioxide emissions with low-sulphur fuels. In addition, we provide solutions that enable GHG emission reductions in maritime, such as co-processed marine fuel, renewable diesel and drop-in bio-components for marine blending. We aim to develop new complementary solutions in order to widen Neste's low-emission offering for the maritime industry.

### Renewable and circular solutions for the polymers and chemicals industries

Neste provides the polymers and chemicals industries with renewable and circular solutions that help mitigate climate change, combat waste plastic pollution and reduce dependency on crude oil. Neste is already delivering renewable feedstock to be used as sustainable, drop-in raw solutions in the polymers and chemicals industries. It is made from renewable raw materials, primarily waste and residue oils and fats, such as used cooking oil. With our feedstock, the polymers and chemicals producers as well as global brands can manufacture lower carbon footprint products and reduce the use of fossil resources. We are also committed to becoming a solution provider for chemical recycling of waste plastic. Read more about chemical recycling on [page 95](#).

Our renewable polymers and chemicals business is built on partnerships and collaboration across the value chain. Downstream partners turn our renewable and circular hydrocarbons, sold under the brand Neste RE™, into high quality products. Neste RE can be used for plastics and chemicals in a wide range of applications such as toys, sports equipment and clothing, food and beverage packaging, home and personal care and medical devices. Neste RE is a drop-in solution that can be

<sup>1)</sup> The methodology for calculating life cycle emissions and emissions reduction is based on ISO 14040/44/67 standards.

**Neste provides renewable and circular solutions that help mitigate climate change, combat waste plastic pollution and reduce dependency on crude oil.**



used on its own or in a blend to manufacture products of identical quality to those made out of conventional feedstock based on virgin fossil resources. When 100% renewable Neste RE is used to replace conventional fossil feedstock in the chemical and polymers industry, it shows a GHG emission reduction of at least 85% <sup>1)</sup> over the life cycle. The LCA study has been critically reviewed by a third party panel and results published in [Journal of Cleaner Production](#).



## The change we make – our carbon footprint

Our commitment to reduce the climate impact in our own production, as well as across the value chain, is integrated into our corporate strategy and sustainability vision. The target is ambitious, but we are well on track to achieve it.

Neste's climate vision is to lead transformation towards a carbon neutral value chain. Reaching this ambition requires reducing greenhouse gas emissions (GHG) in Neste's operations and across our value chain — our carbon footprint work. We have set targets that cover both direct and indirect emissions from our production and value chain, referred to as scopes 1, 2 and 3 as defined by the GHG Protocol.

## Our vision is to lead transformation towards a carbon neutral value chain by 2040



Reduce GHG emissions in our own production (scopes 1 & 2) by 50% by 2030 and **reach carbon neutral production by 2035**



Reduce the **use phase emission intensity<sup>1)</sup> of sold products** by 50% by 2040 compared to 2020 levels (scope 3)



Work with our suppliers and partners to reduce GHG emissions across **our value chain** (scope 3)

<sup>1)</sup> Use phase emission intensity is calculated by dividing the emissions from the use of products sold by Neste (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ).

Firstly, our main focus remains unchanged: significantly reducing the greenhouse gas emissions from our production (scopes 1 & 2) through various means. We are committed to reducing our production emissions by 50% by 2030, and reaching carbon neutral production by 2035. In 2022, we continued to identify and implement emission reduction measures across all of our production sites.

Secondly, we have set a concrete target to reduce the use phase emission intensity of sold products (part of scope 3 emissions) by 50% by 2040 compared to 2020. The main driver to meet, and exceed, this target is to continue our transformation towards renewable and circular solutions.

Finally, we are committed to work with our suppliers and partners to reduce the indirect GHG emissions across our entire value chain (scope 3). We want to lead the transformation towards a carbon neutral value chain, and that requires actions beyond our own production and products.

Through our climate commitments to reduce the GHG emissions from our production, sold products as well as throughout the value chain, we want to show leadership and determination to do our part in limiting global warming to 1.5°C compared to pre-industrial levels and meeting the objectives of the Paris Agreement. We will continue to develop our climate commitments and actions to ensure that they are aligned with the 1.5°C emission scenarios.

## Our footprint: Neste's value chain GHG emissions

We use the scope framework defined in the Corporate Standard by GHG Protocol to assess the GHG emissions across our value chain. scope 1 and scope 2 cover the emissions related to our own production. scope 3 includes all other relevant emissions throughout our value chain.

### Scope 1

Direct emissions from refining

### Scope 2

Indirect emissions from purchased energy

### Scope 3

Other indirect emissions from value chain

Reported GHG emissions in 2022, MtCO<sub>2</sub>e<sup>1)</sup>



<sup>1)</sup> Scope 1 accounting and reporting based on CO<sub>2</sub>.

<sup>2)</sup> Includes Use of sold products and End-of-life treatment of sold products.

<sup>3)</sup> Including Purchased services, Waste generated in operations, and Fuel- and energy-related activities.

<sup>4)</sup> Use phase emission intensity is calculated by dividing the emissions from the use of fuel products sold by Neste (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ)

## Progress & highlights of the climate roadmap in 2022

Our commitment to reduce our climate impact remains strongly integrated into our corporate strategy. Neste is investing into growing its renewable and circular solutions, which means that we also need to understand the climate impact of our growth. In 2022, we made several strategic investment decisions, such as expanding our Rotterdam refinery and establishing a joint operation to produce renewable diesel in the US. In all of these cases, climate impact evaluation was part of the decision process, with focus on minimizing the impact on our production footprint.

In 2022, we focused on driving the implementation of the short-term actions on our climate roadmap for production, and we for example reached a significantly higher share of renewable electricity compared to year 2021. We have also progressed with the initiatives related to renewable hydrogen, which is a critical topic in the longer term. We also continued to make progress with scope 3 emissions through developing plans as well as

concrete actions. As an example of work done in 2022, we implemented tools to constantly monitor GHG emissions from marine logistics. We also continued with our Neste Flies with SAF commitment to cover our employee business flights with Sustainable Aviation Fuel (SAF).

As an important step, we launched a strategic study on transitioning our Porvoo refinery to a renewable and circular site and ending crude oil refining in the mid-2030s. The targeted transformation would contribute significantly to meeting Neste's climate commitments. Through this study, Neste shows an example of what leading the transformation towards a carbon neutral value chain could mean in practice.

In addition, we continued to increase the awareness and commitment across the company: our climate commitments are a performance measure in long-term incentives (LTIs) for Neste's key personnel. We also actively advocate for supportive policies needed to advance more innovative solutions to reduce emissions in our production and across the value chain.



## GHG emission impact evaluated in every investment decision with Neste internal carbon pricing

Since 2020, we have evaluated the GHG emission impact of every investment decision. Our investment criteria aims to make the GHG emission impact of all investments more transparent, and align our investment decisions with our climate commitments. In the investment evaluation process, the estimated GHG emission impact needs to be presented for the project to proceed towards the final investment decision. Furthermore, with growth investments, the possibilities to minimize the impact on production footprint need to be evaluated and integrated into the project plan.

To further align our investment we use our internal carbon price as a strategic tool to support reaching our climate commitments. Neste applies the internal carbon price in investment calculations, business case evaluations as well as in strategic planning. The development of Neste's internal carbon price is based on several external drivers and references, to reflect the

development in our operating environment. The references for our internal carbon price, for example the EU ETS allowance price, indicate that higher than previously expected carbon prices will be implemented already during this decade. In 2022, Neste's internal carbon price was 80 EUR/tCO<sub>2</sub>e, and it will increase to above 120 EUR/tCO<sub>2</sub>e by 2030. We review our internal carbon price regularly as part of our strategic planning process.

To support our internal carbon price, we see that effective, robust, reliable and fit for purpose carbon pricing instruments are important to facilitate cost-efficient investment paths to reach global climate ambitions. Such pricing instruments also create a stable and predictable investment environment for companies like Neste, who are committed to fighting the climate crisis. Therefore, Neste is also a signatory of the the global [Call on Carbon initiative](#).<sup>1)</sup>

<sup>1)</sup> Call on Carbon is an initiative by Climate Leadership Coalition, Haga Initiative and Skift to support ramping up climate investments and carbon pricing.



**Neste shows an example of what leading the transformation towards a carbon neutral value chain could mean in practice.**

### **Transitioning Porvoo refinery to a renewable and circular site and ending crude oil refining would have a significant climate impact**

In September 2022, Neste launched a strategic study on transitioning its Porvoo refinery in Finland to a renewable and circular site and ending crude oil refining in the mid-2030s. If implemented, the transformation will increase Neste's raw material flexibility and capacity of renewable and circular solutions, while also driving company profitability through asset optimization and new investments.

The targeted transformation would strongly contribute to reaching Neste's climate commitments across production, sold products and the entire value chain, thus driving Neste towards the vision of leading the transformation towards a carbon neutral value chain by 2040. As part of the study, Neste will continue to maximize the

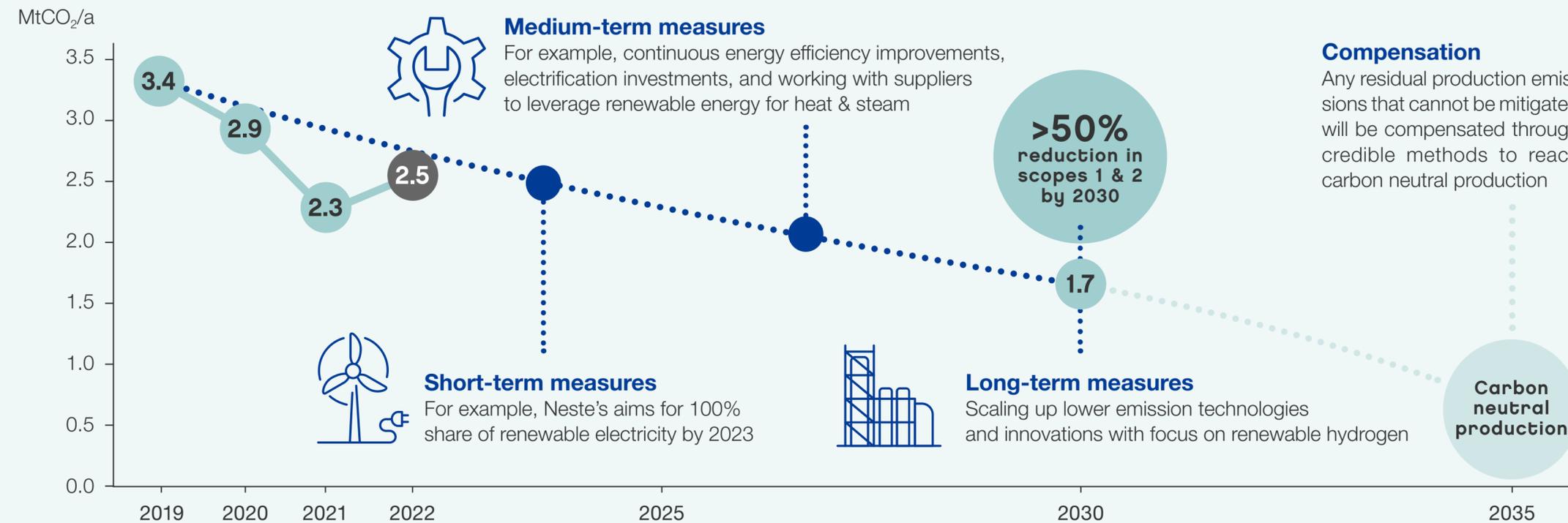
opportunities of renewable hydrogen and focus on building larger electrolyser capacity for the hydrogen production at the Porvoo refinery. Renewable hydrogen is a key element in the climate roadmap towards carbon neutral production by 2035. In addition, a change from fossil to renewable and circular raw materials would significantly reduce the GHG emissions caused by the refining process itself.

Discontinuation of crude oil refining at the Porvoo refinery would also have a significant impact on Neste's scope 3 GHG emissions. For Neste, the use phase emissions in scope 3 are caused mainly by the use of the fossil fuels produced and sold by Neste. Discontinuation

of crude oil refining would lead to Neste not producing fossil fuel products itself. This would then lead to significant reduction of both the use phase emission intensity as well as the absolute emissions caused by the use of products produced and sold by Neste. Furthermore, the targeted Porvoo refinery transformation would have an impact on the other scope 3 categories for Neste. The main impact would likely be on the emissions related to the purchased goods, where the production of the crude oil currently purchased by Neste is one of the main emission sources.

## Towards carbon neutral production by 2035

Our climate roadmap to reduce our production (scopes 1 & 2) emissions by 50% by 2030 and reach carbon neutral production by 2035.



### Our pathway to carbon neutral production by 2035

Our target is to reduce production (scopes 1 & 2) emissions by 50% by 2030 compared to 2019, and reach carbon neutral production by 2035. We believe that these commitments are in line with global climate ambitions and the Paris Agreement. We are well on track to reach our targets as in 2022, our production (scopes 1 & 2) emissions totalled to 2.5 MtCO<sub>2</sub>, which is 28% smaller than in 2019, which is our baseline year. The production footprint in 2022 was slightly higher than in 2021, as we performed the major turnaround at our Porvoo refinery in 2021, which had a one-off impact on our production emissions.

We have identified over 100 measures to reduce our production GHG emissions. In 2022, we continued progress with the short-term actions on our production climate roadmap, such as increasing the share of renewable electricity. In 2022, the share of renewable electricity was 93.8%, significantly higher than in 2021 (36.5%). In the short to medium term, we will also push towards a higher share of renewable steam with our partners. These measures focus on purchased energy (scope 2) and are estimated to have a reduction potential of around 20% by 2030 compared to our 2019 baseline.

Also in the medium term, the focus will be on continuous energy efficiency improvement and electrification measures. Many of these measures are in implementation planning, for example as part of the refinery turnarounds. Due to the exceptional market situation in 2022, energy efficiency improvements, especially related to reducing the use of natural gas, have been strongly highlighted. Many of the over 100 measures relate to energy efficiency, with an estimated emissions reduction potential of approximately 10% by 2030 compared to the 2019 baseline.

Longer term actions on our climate roadmap include scaling up new technologies and innovations. The focus is still clear: renewable hydrogen. The GHG emissions caused by the hydrogen production are the largest single source of production emissions in the fuel refining sector. Renewable hydrogen is one of Neste's main innovation topics, and we have been building partnerships to advance the commercialization of the technology. Renewable hydrogen and other new technologies are estimated to have a reduction potential of 20% or more by 2030 compared to 2019 baseline.



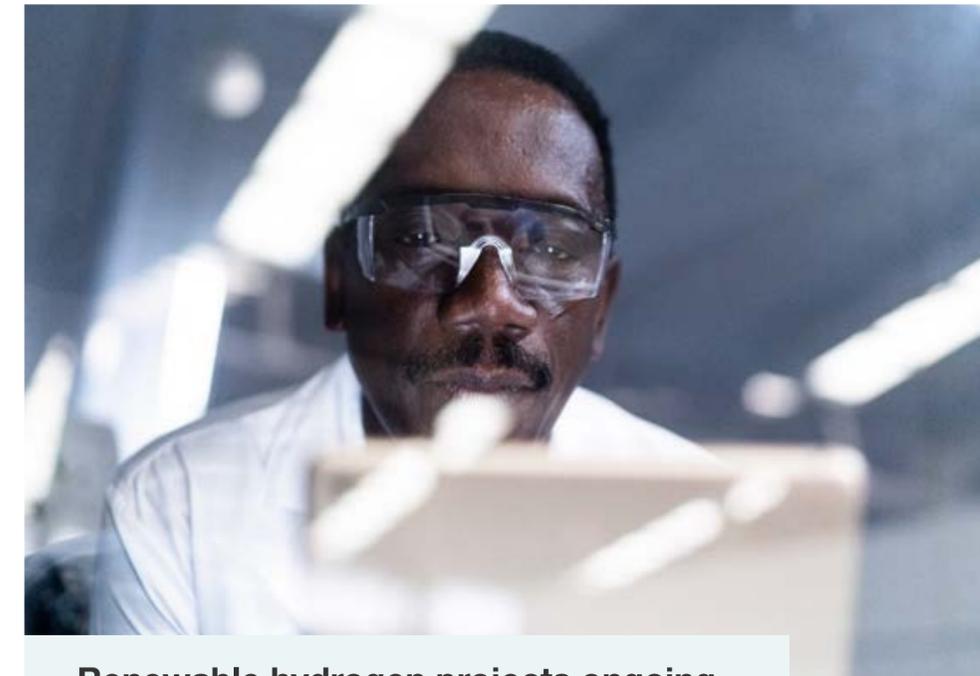
### Aiming for 100% renewable electricity use globally by 2023

Increasing the share of renewable electricity has been and still is one of the most important short-term actions on Neste's climate roadmap to reduce our production emissions. We aim for 100% renewable electricity use globally by 2023, and have made significant progress during the past years towards this ambition. In 2022, 93.8% of electricity purchased and used globally by Neste was of renewable origin with market-based measures (eligible for scope 2).

We have already achieved a share of 100% renewable electricity in Finland during 2022. This was enabled by

wind power deliveries from our partners Statkraft, Ilmatar and Fortum, as well as hydropower agreement with Vattenfall. For our operations in the Netherlands (including Rotterdam refinery), we were able to reach a share of 99% in 2022 through the use of Guarantees-of-Origin.

In Singapore, the availability of renewable electricity in the local grid remains challenging, and we have engaged in additional measures to contribute to the use of renewable energy to produce electricity in South-East Asia. Through these measures, we covered an additional 5.9% of Neste's total purchased electricity.



### Renewable hydrogen projects ongoing in Finland and the Netherlands

Neste has ongoing renewable hydrogen projects at its refineries in Porvoo, Finland and Rotterdam, the Netherlands. The projects are essential in Neste's efforts to reduce scope 1 & 2 emissions and to reach carbon neutral production by 2035.

At the Porvoo refinery, Neste's SHARC project focuses on developing the green hydrogen solutions for enabling a significant reduction of the refinery's greenhouse gas emissions. The project is in the feasibility phase with the planned start of the operations around the mid-2020s. The SHARC project aims to reduce Neste's production footprint by more than 4 MtCO<sub>2</sub>e during the first 10 years of operation, approximately 0.4 MtCO<sub>2</sub>e per year.

At our Rotterdam refinery, we are demonstrating renewable hydrogen production in the MultiPLHY project, which aims at the installation and integration of an electrolyser demonstration unit into the refinery. We expect to reach the commissioning and the startup stage in the project in 2023.

[Read more about our hydrogen projects on the innovation section and raw materials section.](#)

## Reducing the use phase emission intensity of sold products

The most relevant scope 3 emission category for Neste is the use phase emissions of the products produced and sold by Neste. These are the GHG emissions generated when the products that we sell are used – for fuels, this means combustion. The key performance indicator in this area is the use phase emission intensity of sold products – the total GHG emissions from the combustion of the products divided by the amount of energy in those products (gCO<sub>2</sub>e/MJ).

In 2022, the use phase emission intensity of fuel products was 57 gCO<sub>2</sub>e/MJ, which is 2% lower than the 2020 baseline (58 gCO<sub>2</sub>e/MJ). The reduction is mainly caused by the decision to end refining operations at Naantali in 2021, which has decreased our fossil products sales, and the increased sales of renewable products. The absolute GHG emissions related to the use of sold products in scope 3 were 33.6 MtCO<sub>2</sub>e in 2022, which is 13% lower than in 2020 (38.7 MtCO<sub>2</sub>e).

We have a target to reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020. To meet the target, we will further increase the share of renewable and circular products in our product portfolio. Carbon emissions from the use of renewable fuel amount to zero, as the amount of bio-based carbon dioxide released upon combustion equals the amount that the renewable raw material has absorbed earlier. Thus, no new carbon is added into the atmosphere by the combustion of biofuels. Read more about the accounting of the climate benefits of biofuels, such as Neste MY Renewable Diesel.

During this decade, a key driver for the reduction of the use phase emission intensity of sold products will be the increased sales of renewable products enabled by Singapore Expansion, Martinez Renewables and Rotterdam

Expansion projects. In addition, we are already working to replace a part of the fossil raw materials at the Porvoo refinery with renewable raw materials before 2030. With these initiatives, we estimate to be able to reduce the use phase emission intensity by over 30% already by 2030 compared to 2020.

Beyond 2030, the reduction of use phase emission intensity is driven by transitioning our Porvoo refinery to a renewable and circular site and ending crude oil refining by the mid-2030s. This is supported by our further growth in renewable solutions, such as utilizing new innovative raw materials.

## Working with suppliers and partners to reduce GHG emissions across the value chain

For other scope 3 areas, emissions related to purchased goods, such as raw materials, purchased services, transportation and logistics are important topics for Neste's value chain emissions.

Related to raw materials, Neste's strategic ambitions support the scope 3 ambitions as well. For example, we continue focusing on waste and residue in our renewable raw material sourcing, and plan to reduce the share of conventional palm oil to 0% of its global renewable raw material inputs by the end of 2023. We are innovating new types of raw materials, and are aiming to replace some of the crude oil used at our Porvoo refinery with renewable and recycled raw materials through co-processing. In addition, we will work even more closely with our suppliers to reduce emissions related to our **raw materials**. We have also carried out an assessment to enhance our understanding of the sustainability impacts and risks in Neste's indirect procurement supply chains.

Transportation of the raw materials and products is another key area. We are continuously looking for



opportunities to optimize our logistics network and gain more visibility to logistics emissions. Our ambition is to scale up the use of low-emission solutions and increase fuel efficiency with our logistics partners. As concrete examples, Neste's product distribution logistics in Finland has used almost entirely Neste MY Renewable Diesel since 2021. With our shipping assets and contracts, Neste has already renewed four vessels to more energy-efficient ones. Also, we explore opportunities to partner with ship owners to venture towards future fuels with next generation low carbon vessels.

In 2022, we also continued our **Neste Flies with SAF commitment**. In 2020, we made a forerunner commitment to mitigate GHG emissions from our employee business flights through the use of Neste MY SAF in

collaboration with our partner airlines. The first partnership was announced with Finnair and since we have also partnered with KLM Corporate SAF Program, Lufthansa Compensaid and Norwegian.

We recognize that leading the transformation across the entire value chain is a long-term ambition. Therefore, in 2022, we have worked with internal and external stakeholders to build understanding on scope 3 emissions baseline and hotspots, drivers affecting scope 3 emissions and developing action plans across different work streams to enable moving from scope 3 ambition to action. We will continue to strengthen our capabilities across the organization and build our action plan for scope 3 together with our suppliers and partners.



## Concrete actions to reduce scope 3 emissions

### Indirect procurement supplier assessment to strengthen understanding on scope 3 emissions

In 2022, we carried out an assessment to enhance our understanding of the sustainability impacts and risks in Neste's indirect procurement supply chains. Desktop assessments were carried out for 50 key suppliers to evaluate climate- and human rights related topics, practices and risks. This assessment provides valuable input for developing Neste's ambition and actions for its scope 3 emissions. Read more about the assessment from the [Supply chain & raw material section](#).

### Raising awareness on scope 3 emissions

People take Neste's climate commitments from ambition to action. Therefore, in 2022 we have focused on offering training and education for different teams. Our aim has been to increase Neste's employees' understanding on scope 3 emissions, their measuring and the drivers impacting Neste's scope 3 emissions. In the beginning of the year, we organized a company-wide sustainability seminar on scope 3 emissions.

We have developed an internal handbook on scope 3 accounting methodology and data, and throughout the year presented scope 3 to relevant teams in e.g. Procurement, Innovation and Logistics.

### Data and digitalization supporting logistics emissions monitoring and management

Digitalization and data are necessary enablers in managing GHG emissions across Neste's value chain. As an example of work done in 2022, we have tools to constantly monitor Neste marine logistics GHG emissions. This gives us a base to take actions and monitor the effectiveness of optimization of GHG emissions from shipping operations. These types of digital fleet optimization tools have made significant progress in the reduction of GHG. In 2022, a GHG emission reduction of 9 000 tCO<sub>2</sub>e was achieved by digitalisation of just-in-time arrivals. Development towards further automatized fleet usage optimization will further reduce the environmental impact of logistics.

## Our carbon compensation approach

Neste develops its climate commitments and roadmap by closely following the latest climate science and leading practice for corporate climate targets<sup>1)</sup>. Therefore, ambitious emission reductions in own production and across the value chain are the primary lever for achieving Neste's climate ambition.

However, there is an acknowledged need for companies to contribute in emission mitigation beyond their own value chains to counterbalance the impact of any remaining emissions<sup>2)</sup>. Any residual production emissions that cannot be mitigated will be compensated through credible methods. Therefore, to reach carbon neutral production, different compensation methods will be the final lever on our climate roadmap. In 2022, we continued developing and detailing our compensation approach to ensure projects we invest in lead to impactful additional climate benefits. We have followed the development of voluntary carbon compensation methodologies and markets through participation in the World Business Council for Sustainable Development Nature-Based Solutions works stream, continuous dialogue with leading compensation project developers and standard setters. We see that our compensation approach development has a potential to also support other areas of Neste's sustainability vision, for example Biodiversity.

<sup>1)</sup> Science-Based Targets initiative, Corporate Net Zero Standard, Version 1.0, October 2021.

<sup>2)</sup> Traditionally, this refers to companies procuring 'carbon credits' from projects in e.g. reforestation, land conservation or renewable energy investments. Carbon credits are traded on voluntary carbon markets, which are expected to grow exponentially over the next decade.

## Event compensation standard

In addition to absolute emission reductions in Neste's production (scopes 1 & 2) and across the value chain (scope 3), we also want to make concrete climate actions an element in everything we do. Neste Event Compensation Standard is the first area to pilot voluntary carbon compensation.

With Neste Event Compensation Standard, we commit to estimating, and minimizing GHG emissions in Neste's internal and external events.

To evaluate the GHG emissions of events, we use a third party developed calculator tool. Actions taken during the event planning include choices around energy consumption, responsible menu options, and using renewable fuels for transport. The remaining emissions will be compensated with compensation projects that meet best available quality criteria. The estimated GHG emissions covered by the event compensation standard in 2022 was 38 tCO<sub>2</sub>e (estimated with a third party calculator).

In 2022, we partnered with SouthPole, to invest in their projects Vichada and Rimba Raya Biodiversity Reserve. These projects include forest conservation and reforestation for sustainable timber production, while promoting biodiversity protection and ecosystem restoration.

Neste's event partner retired compensation credits on our behalf from these projects for 134 tCO<sub>2</sub>e. While the amount is small in the scale of Neste's climate commitments, we believe these are important actions to embed climate considerations across our operations and gain understanding of the voluntary carbon market mechanisms.



# Biodiversity

Biodiversity loss is the third most severe risk on a global scale over the next ten years<sup>1)</sup>. Natural ecosystems are impacted by effects of climate change, unsustainable water use, forestry and farming practices resulting in resource depletion.

Our business is dependent on natural resources. For our planet and our business to thrive and be resilient, the prerequisite is restoring and protecting healthy ecosystems. Biodiversity is one of the cornerstones of Nestlé's sustainability vision and we aim to drive a positive impact on biodiversity and achieve a nature positive value chain by 2040.

<sup>1)</sup> the World Economic Forum's 2022 Global Risks Report

Aligned with our purpose of creating a healthier planet for our children, we wanted to set an ambitious biodiversity vision, launched in 2021. We aim to achieve a nature positive value chain by 2040, meaning that the positive biodiversity impacts outweigh the negative ones.

We have also set the ambition level to support the vision:

- We aim at creating net positive impacts (NPI) for biodiversity from new activities from 2025 onwards.
- We target no net loss (NNL) of biodiversity from all ongoing activities by 2035.

Biodiversity neutral value chain means that the impacts to biodiversity are minimized and the caused negative impacts are compensated either in the direct value chain or elsewhere.

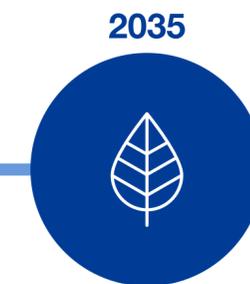
Nature positive business means that the overall business creates more benefits than causes adverse impacts to nature.

## Building the means and roadmap to achieve our biodiversity vision

In 2022, we defined the scope and developed methodology for net positive biodiversity impact for direct operations. Piloting and integration to processes will start in 2023.

### Net positive impacts

Aim at creating net positive impacts (NPI) for biodiversity from new activities from 2025 onwards



### No net loss

Target no net loss (NNL) of biodiversity from all ongoing activities by 2035

### Nature positive

Neste drives a positive impact on biodiversity and achieves a nature positive value chain by 2040.

Nature positive value chain means that throughout our value chain we are creating more positive impacts to nature than causing adverse ones.

*The scope of 'Net positive impact' (NPI) and 'No net loss' (NNL) goals is set to Neste's own direct operations. 'Direct' means activities where Neste owns the land or is owning the operations or activity. NPI and NNL aim to address impacts by avoiding and minimizing losses, by restoring affected areas and finally by compensating the residual impacts, so that no biodiversity loss remains or positive impact is created.*

*No net loss means net zero impact on biodiversity. It is required from all Neste own direct operations by 2035.*

## Building a strong foundation for our biodiversity work

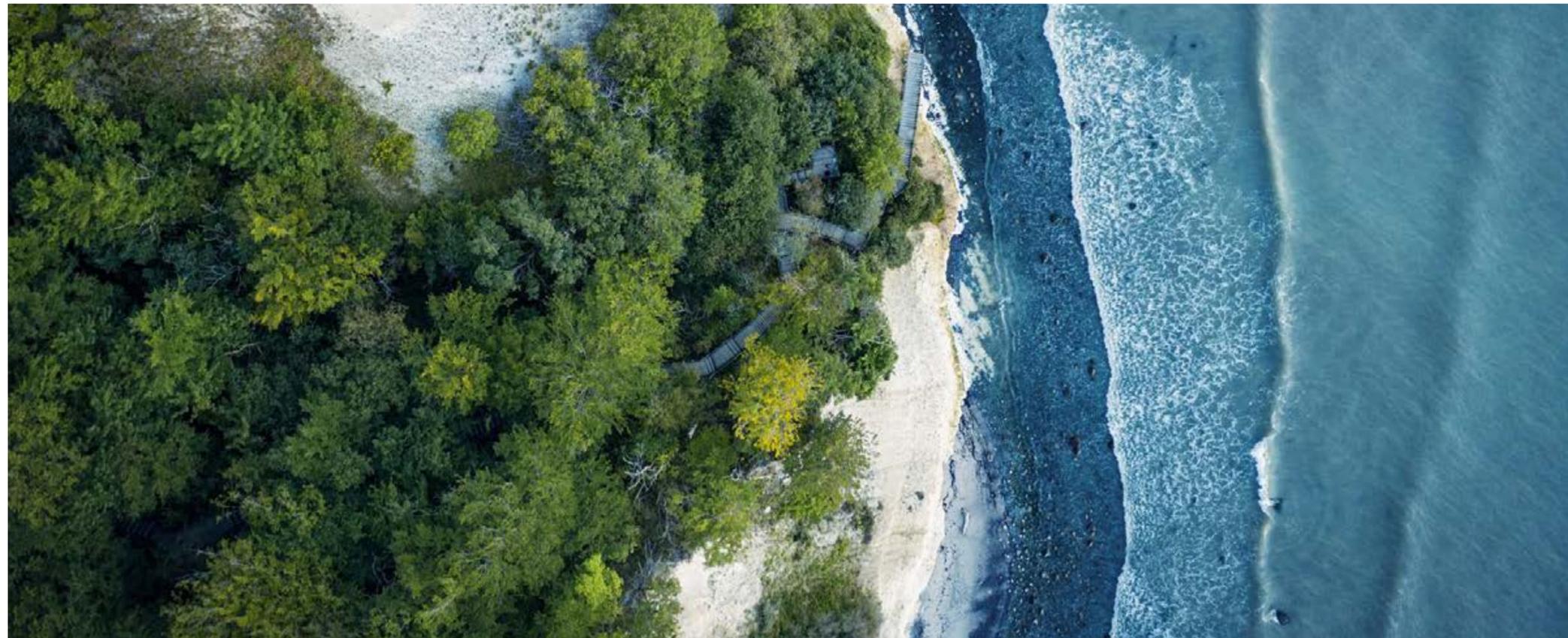
At Neste, we have started the development of a systematic, in-depth approach to building our biodiversity framework and roadmap towards our vision. Much more work is still needed to understand our impacts on nature as well as dependencies between climate, social and biodiversity topics.

In 2022, the biodiversity work focused on developing our understanding of our current impacts. We conducted materiality analysis for our direct operations (scope 1) and biodiversity inventory projects in Porvoo and Naantali operational areas in Finland to define the focus areas in our own operations. We concluded the water aspects to be significant in regards to biodiversity and nature. We also continued value chain materiality analysis, which we aim to complete in 2023 for selected raw materials.

We created definitions on Net Positive impact for Neste and created a net positive impact (NPI) methodology for biodiversity to guide our work towards our vision. We will pilot the methodology in 2023 with chosen new initiatives.

In the longer term, we are looking for potential new renewable raw materials to turn into renewable hydrocarbons and fuels. We are currently assessing raw materials like algae, lignocellulosic waste and residues and novel vegetable oils. In studying the new raw material opportunities and innovations, biodiversity has been integrated into criteria from the beginning. For example, with novel vegetable oils, Neste is exploring regenerative agriculture practices, such as intermediate cropping, that maximize greenhouse gas savings while promoting soil health, sustainable water and land use and biodiversity.

Neste's raw material sourcing for renewable fuels is strictly regulated by the sustainability criteria of, e.g.,



the EU Renewable Energy Directive. It defines no-go areas and restricts the use of materials originating from land with high biodiversity value. Similar restrictions are applied in the US and other markets as well, ensuring that raw material sourcing for renewables is environmentally sound. Read more about our [supply chain and raw materials](#).

We acknowledge that by actively listening to stakeholders, following the work of the key organisations and collaborating with top specialists, we are able to develop a systematic approach and metrics to take into account the biodiversity, soil and water issues related to our business. The backbone of our biodiversity work in 2022 has been our partnership with Fauna & Flora International. Currently, internationally recognized methodologies for

biodiversity impact mitigation across value and supply chains are only just under development. Similarly, disclosure frameworks are updating their biodiversity requirements. We are closely following the development of these methodologies and frameworks to help build a roadmap towards our vision.

### Biodiversity risks

Biodiversity loss including a destruction of natural capital, ranging from reductions in the genetic diversity to the collapse of entire ecosystems, is mainly the result of human activities causing deforestation and soil degradation. Biodiversity loss is a global concern that has an effect also on Neste's stable and secure operations and supply of raw materials.

The risk could materialize on raw material acceptability by the stakeholders or regulatory limitations that lead to lack of sufficient volumes of raw materials. Future requirements for e.g. restoring and protecting biodiversity may also have impacts towards our operations and value chains.

We gain more understanding on biodiversity related risks and opportunities when we finalize the holistic materiality analysis including our direct operations and the value chain impacts. During 2022, we conducted a materiality analysis for our own operations (scope 1), and water was highlighted as a key topic. There are risks related to freshwater ecosystems, water scarcity and marine ecosystems that we might impact through our freshwater withdrawal and release of effluents.

## Progress and highlights in 2022



### Materiality analysis

In 2022, we continued the materiality analysis of the key aspects related to biodiversity and nature in our value chain (scope 3) and conducted an analysis for our direct (scope 1) aspects including sites that are owned or operated by Neste. The analysis was conducted according to the current draft methodology by Science Based Targets Network (SBTN) that recognizes the same biodiversity pressures as [The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services \(IPBES\)](#).

The methodology is still under development by SBTN and the application of the draft methodology remains limited. This has an impact on the first results achieved with the methodology. Neste closely follows the methodology and its applicability.

The initial results for our direct impacts indicated that fresh water use and water pollutants are among the most material impacts we have on biodiversity and nature. Our Porvoo refinery is the major user of fresh water. In each of our locations we are closely monitoring and mitigating the effluents release to avoid impacts on marine ecosystems.

For our value chain, we continued the work to better understand our impacts on biodiversity from raw materials to end products. We find that our supply chain is a key asset especially for our renewable businesses, and having an impact and taking care of biodiversity in our supply chain is highly important.

In 2023, we will continue the work with defining materiality for the selected raw materials (scope 3).

### Defining positive impact

In 2022, we focused on building the means and roadmap towards our biodiversity vision. We defined the scope and methodology for creating no net loss (NNL) and net positive impact (NPI) for biodiversity in our direct operations together with Fauna & Flora International's experts.

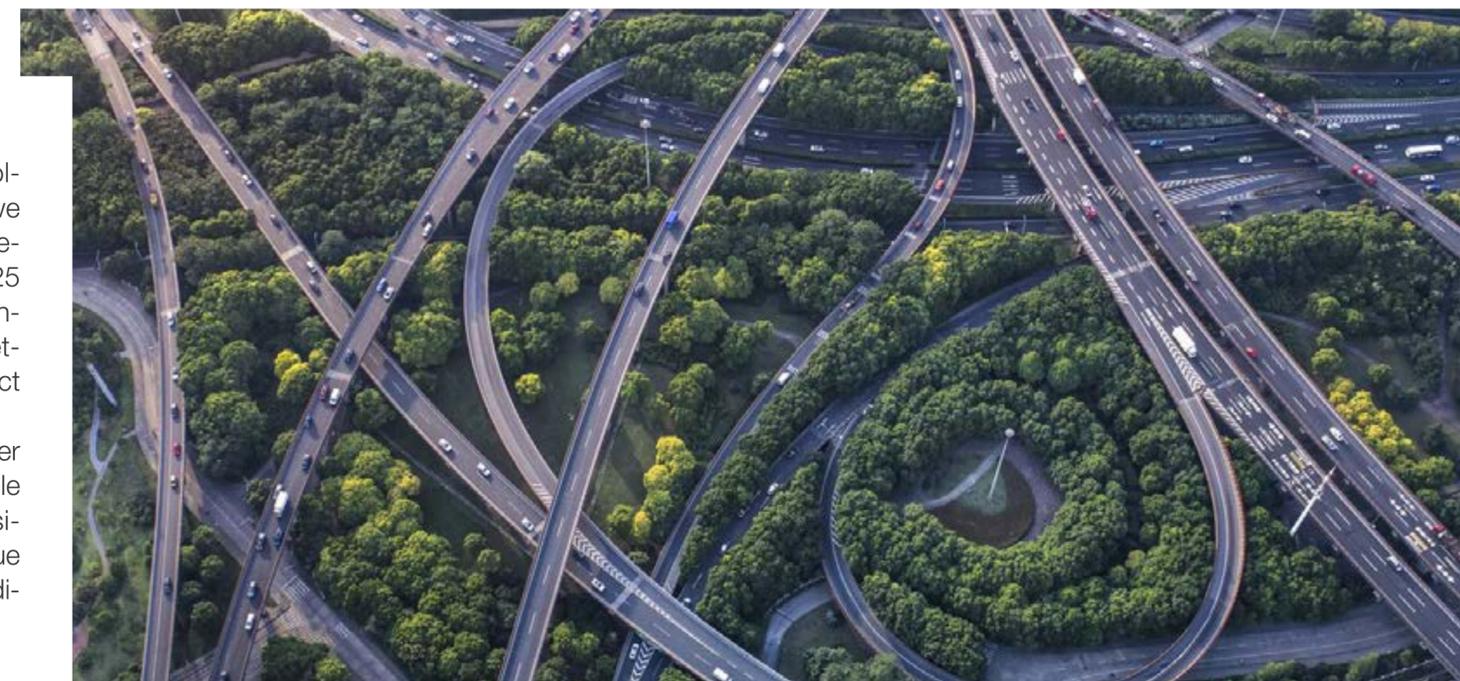
Neste is aiming to create net positive impacts (NPI) for biodiversity from new activities from 2025 onwards and no net loss (NNL) of biodiversity from all ongoing activities by 2035. The scope of these targets are our own direct operations.

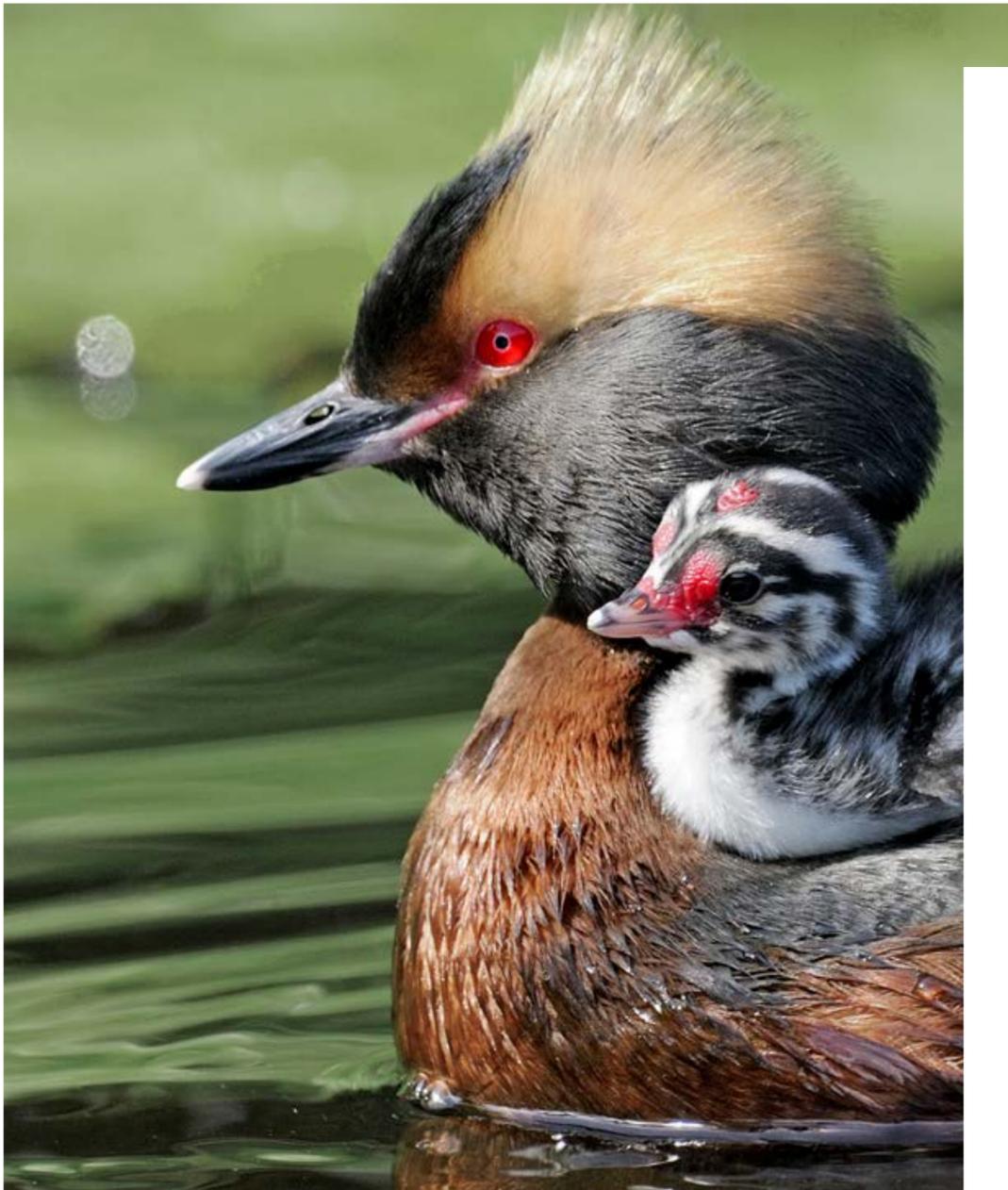
Both NPI and NNL aim to address impacts through the mitigation hierarchy by avoiding and minimizing losses, by restoring affected areas and finally by compensating the residual impacts, so that no biodiversity loss remains

or positive impact is created.

We are planning to start to pilot the NPI methodology in selected new activities in 2023. Through pilots we gain more understanding to further develop the framework to be implemented in all new activities from 2025 forward. We also initiated the integration of the methodology to the investment process and criteria to better guide investment planning from a biodiversity impact perspective.

The work done during 2022 helped us to gain further understanding of the collaborations needed to be able to mitigate the negative impacts and create the positive ones for biodiversity. The work will further continue in 2023 by creating an approach and framework dedicated to the value chain.





### Biodiversity inventory project

We began piloting practical methods for measuring biodiversity and better understanding our opportunities to protect biodiversity. We carried out a biodiversity inventory project at our Porvoo and Naantali sites in Finland. We utilized a specific Biodiversity Metric method for biodiversity baseline assessment and comparison purposes.

Porvoo and Naantali refinery areas were chosen for the assessment as both locations are large and include natural areas, such as forest. Information on the current biodiversity state helps us in identifying opportunities and forms a baseline for the sites to reach our biodiversity vision and understand impact of any land use change.

Results indicated that we have some vulnerable species and habitats to protect within our lands in Porvoo and Naantali, even though the lands are mainly not considered as areas of high biodiversity value. Within the Naantali refinery area we have some areas that we have protected in the past. The area is forest voluntarily protected under national legislation. The protected area is three hectares of the total 300 hectares. Other operational sites we own are located in more industrial areas, with a lower likelihood of impacting areas of high biodiversity value.

The results serve as a baseline for biodiversity status in Porvoo and Naantali refinery areas and will be utilized in piloting the newly-created NPI methodology and in assessing the most impactful mitigation actions for biodiversity in our direct operations.

Going forward we are looking for ways to improve the biodiversity around our direct operations (scope 1) aligned with the Net Positive and No Net Loss methodologies currently under development.

### Developing a conservation stewardship program

Neste's Mahoney Environmental site in Mendota, Illinois, US is developing a conservation stewardship program to manage their land in order to protect Illinois' limited environmental resources. As part of the process a wetland to handle storm water runoff and provide increased natural habitat has been completed. Wetlands are among the most productive ecosystems in the world, comparable to rainforests and coral reefs. Wetlands protect and improve water quality, providing wildlife habitats, storing floodwaters and maintaining surface water flow during dry periods. In addition, wetlands help to moderate global climate conditions because they store carbon within their plant communities and soil instead of releasing it to the atmosphere as carbon dioxide.

A next step in the process is to create a pollinator habitat. Pollinators are vital to creating and maintaining the habitats and ecosystems that many animals rely on for food and shelter. Worldwide, over half the diet of fats and oils comes from crops pollinated by animals. More than 3,500 species of native bees help increase crop yields.

### Established collaborations

- **Fauna & Flora International:** Neste is partnering with [Fauna & Flora International](#) to develop a biodiversity approach for Neste and a roadmap towards our biodiversity vision. The collaboration was established in 2021.
- **Science Based Targets Network (SBTN):** Neste joined the Corporate Engagement Programme in 2021 to take part in the development of methods and guidance for science-based targets for nature. Programme will continue in 2023.
- **World Business Council for Sustainable Development (WBCSD):** Neste participates in the WBCSD's Nature Positive project to follow the global development of nature and biodiversity related corporate frameworks and policy development. The project aims for consistent and credible Nature-Positive business actions such as nature-based climate solutions.
- **Consumer Goods Forum (CGF):** In 2022, Neste joined the CGF's Forest Positive Coalition to strengthen our collaboration on preventing deforestation and creating common metrics and definitions to disclose supply chain related biodiversity impacts.

## Examples of long-term and ongoing biodiversity projects in the locations where Neste operates

Even though we acknowledge that we are at the beginning of the biodiversity journey, we have a long history of working with other areas of environmental protection. Below we highlight some of our key activities in different Neste locations.

### Biological indicators show decreased impacts on nature

Neste has conducted continuous ambient air quality monitoring in the vicinity of the Porvoo refinery since 1970. We have three automatic ambient air quality measurement stations in Porvoo residential areas. The generated air quality data is part of the national data, which is verified and published by the Finnish Meteorological Institute on its air quality portal website, open to all. The air quality monitoring has demonstrated that sulphur dioxide and nitrogen oxides emissions to the air have significantly declined over the past decades. Reduced sulphur dioxide and nitrogen oxides emissions are due to successful pollution control investments and refining technology improvements since the 1980s and 1990s, respectively.

In addition, Neste has been monitoring biological indicators since the 1980s. According to the monitoring results, Porvoo refinery impacts to nature have decreased. For example, the radius from the refinery to lichens impacted by air pollution has reduced from 10 kilometers to less than 3 kilometers. Currently, tree needle nutrient levels are at the same level as in natural forests, and tree growth has not been significantly influenced by refinery emissions.



### Preventing deforestation in our supply chains

Neste is committed to preventing deforestation and avoiding the conversion of habitats with valuable biodiversity for biomass production, while requiring the same from its suppliers globally. We source renewable raw materials only from known sources providing us with visibility into the raw material supply chain. Raw material traceability helps us ensure that raw material production does not infringe human rights or put forests, carbon-rich areas or biodiversity at risk.

In 2022, we joined the Consumer Goods Forum (CGF) Forest Positive Coalition to strengthen our collaboration on preventing deforestation. We also initiated a project that focuses on deforestation prevention in our existing animal fat waste supply chain. Read more about [how Neste combats deforestation](#).

### Supporting pollination in the area of Neste headquarters

As we aim at creating net positive impacts (NPI) for biodiversity from new activities from 2025 onwards, we believe that smaller concrete actions can also have a notable effect at raising awareness and work as a call to action for many individuals. One example is supporting the pollinators that have a crucial role in the growth of a diverse nature globally.

At Neste headquarters in Espoo, Finland we have four beehives that accommodate approximately 50,000 bees each, creating a positive impact on the surrounding environment locally. The beehives were provided by Korpikuusikko Honey.

Pollinators contribute to the growth of a diverse nature and at the same time secure the food production, as various species of bees pollinate about 80% of the world's plants.

## Material and energy efficiency

Our aim is to use energy, as well as other utilities, as efficiently as possible. Energy efficiency plays a key role particularly in our production and logistics.

In Finland, we have made a commitment to the national voluntary energy efficiency agreement scheme. During the agreement period 2017–2025, we aim to save 500 GWh compared to the 2014 level. In 2022, our energy saving measures totaled 42.6 (95.8) GWh.

Neste is continuously developing ways to use materials more effectively and finding solutions to minimize the amount of waste and recover the waste generated. Reducing the amount of waste and improved material efficiency also has an impact on our climate performance.

We are using mainly waste and residue raw materials in our renewable products. Waste and residue raw materials are more difficult to refine in the process than pure vegetable oils and they need specific pretreatment processes. This also has an impact on the amount of waste and wastewater generated. To respond to increasing production volumes, we have invested in new wastewater treatment plants in our Rotterdam and Singapore refineries.

Waste in our own operation is handled by contracted third parties locally and our waste reporting is based on data provided by them. We are following the local waste regulations and legislations in our operations and are as well continuously looking for new opportunities to minimize the waste sent to landfill and finding new solutions to recover waste.



### Environmental monitoring

Continuous ambient air quality monitoring and other environmental programs, like marine and groundwater monitoring, continued in the vicinity of the Porvoo refinery and Naantali terminal.

In 2022, an odour assessment was conducted at the Porvoo refinery by engaging closest surrounding inhabitants to odour monitoring. This qualitative survey clarified further that refinery related odour nuisance has decreased during the past decades.

Furthermore, according to the long-term ambient air quality monitoring stations results, we expect to meet even the most stringent air quality guideline values by the WHO (2021) in the vicinity of the Porvoo refinery under normal operations. The EU is currently revising the Ambient Air Quality Directive's limit values in which the long-term ambition is to meet the WHO (2021) guideline values as a part of the zero pollution vision for 2050.

### Water

Water is essential for life, and people and nature are dependent on fresh water. Humanity depletes the available freshwater supply at a rate that is not sustainable. According to the World Economic Forum, water crises have been among the top five global risks in the last seven years. Climate change is also directly linked to water scarcity.

Neste relies on water and we recognize our role in working to protect freshwater ecosystems and improve water access and efficiency. We believe that by implementing water stewardship, we can also build more resilient operations.

In 2022, we conducted a biodiversity materiality assessment for our own operations and water related aspects have been identified as a material topic for us. Based on the results, we initiated the work to update our approach to water and related targets to complement our vision towards the nature positive value chain by 2040.

Majority of Neste's Porvoo refinery operations in Finland use water mainly for cooling the refining processes. Cooling water is withdrawn from the sea. Most of the water used for cooling is brackish water. Cooling water is circulated back to the source in a similar condition as when withdrawn, only at a slightly elevated temperature. Neste does not currently have water withdrawal from ground water. New wastewater treatment units were installed in Porvoo in 2019 and similar investments are under construction in Singapore and Rotterdam and are expected to be completed by the end of 2023. In Singapore, majority of used process water is discharged into a public sewer system for purposes of purification and further re-use.

### Water risks

We follow the current water risk status with several tools. The most recent water risk evaluation of our operational sites was done in 2022, based on the WWF water risk filter tool that enables both a site-specific and global review of the water risks at the physical, regulatory and reputational levels.

Neste has been evaluating the water stress status of our own sites with a conservative approach. The results indicate that there are several separate risk indicators related to Neste locations that are at an elevated level. These indicators include risks such as flooding, water quality, ecosystem services and biodiversity importance. However, the physical risks are at a low or moderate level in all Neste locations.

The risks related to operations have been assessed to be low, but the potential pressure caused in pricing of water resources, both water intake and wastewater treatment, has been taken into consideration in operational financial planning in the long term.

According to our company-wide environmental principle, all investment projects include an Environmental Compliance Analysis and a compliance review in case of building new production capacity or increasing the current capacity. Water risk assessment is included in the investment projects.

In Neste's supply chain water is mostly used in raw material extraction and cultivation and in raw material processing. On top of the operational site evaluations, the water risk evaluations covered the raw material supply chains when water risks were included in the biodiversity impact evaluations that were started in 2021.

### Environmental permit related incidents

In 2022, we had 3 minor environmental permit-related incidents in our operations. In the Rotterdam refinery, we identified elevated H<sub>2</sub>S concentration in one of the air emission outlets. NO<sub>x</sub> and SO<sub>2</sub> emission at one of the energy production boilers in the Porvoo refinery exceeded an allowed daily average limit.

Regarding the timeline for installation of an off gas treatment system in Rotterdam, the environmental authority has confirmed an order to have the system installed and taken into use, subject to a threatened penalty payment. To solve the installation timeline issue and to reduce air emissions, an off-gas treatment system was taken into use in November 2022 at the site.

# Human rights

In line with the United Nations Guiding Principles on Business and Human Rights, our [Human Rights Principle](#), updated in 2022, sets the path and standards for a rights-based approach in all of Nestlé's business decisions.

We expect all of our suppliers and business partners to respect internationally-recognized human rights, and to comply with the minimum human rights requirements set out in Nestlé's [Supplier Code of Conduct](#).

## Our vision for a sustainable future

One of the cornerstones of Nestlé's [sustainability vision](#) is our human rights ambition to create a more equitable and inclusive value chain by 2030, in which everyone works with dignity. The four priority areas for action under this ambition are:



### Living wages

Pay all of our employees at least a living wage, take action to promote living wages in Nestlé's supply chains, and require strategic contractors and suppliers to pay their employees a living wage by 2030.



### Responsible recruitment

Commit to and promote the Employer Pays Principle, with implementation in high risk areas by 2030, to ensure that no worker pays for a job and the costs of recruitment are paid for by the employer, not the worker.



### Children & education

Work together with our stakeholders to increase children's access to education by 2030, and promote respect for children's rights by actively supporting and participating in initiatives aimed at keeping children in school.



### Reducing inequality

By 2030, reduce inequalities across the value chain and address the root causes of systemic human rights issues.



### Policy commitment

- Neste Code of Conduct
- Neste Human Rights Principle, supported by operational policies and procedures

**Example:** Our Neste Human Rights Principle applies to the entire Neste Group. It describes how Neste meets its responsibilities to respect human rights and conduct human rights due diligence. The Human Rights Principle was updated in 2022, with extensive input from internal and external stakeholders and recognized subject matter experts.



### Identify actual & potential impacts

- Ongoing practice of reviewing Neste's salient issues and understanding the gaps in our mitigation activities.
- Human Rights Impact Assessments, Gap Assessments and/or Risk Assessments integrated into the early phases of all major business development and investment projects.
- Collaboration with independent third parties.
- Country and sector risk assessments.
- Supplier Sustainability Portal used for supplier management and traceability throughout the business relationship, supported by regular and ongoing desktop audits and direct supplier engagement.

**Example:** In 2022, we carried out a detailed human rights risk assessment for Neste's indirect procurement. In the first stage, we assessed the risks associated with different sourcing categories and sourcing countries. In the second stage, we evaluated the human rights practices of suppliers selected based on risk and spend, taking into consideration the results from the first assessment. Read more about the indirect procurement assessments on [page 90](#).



### Prevent & mitigate adverse impacts

- Supplier Code of Conduct approval by suppliers and business partners
- Counterparty pre-screening for potential business partners, escalated to manual review if any issues are found.
- Supplier Sustainability Survey and desktop audit for all new renewable raw material suppliers.
- Regular personnel surveys for all Neste employees.
- Human rights training included in e-learning rolled out globally to all employees, with targeted in-person training for specific teams and functions.
- Dedicated human rights specialists stationed on the ground for high-risk projects.
- Capacity building with suppliers in high-risk geographies and supply chains.
- Sustainability audits with strong human rights criteria.
- Multi-stakeholder collaboration and partnerships to jointly address root causes and systemic issues.

**Example:** In 2022, Neste partnered with the The European Institute for Crime Prevention and Control (HEUNI) as a third-party expert to host two seminars for training Neste employees on modern slavery and to raise awareness on the risks across Neste's own operations globally. Read more on [page 85](#).



### Remedy adverse impacts

- Anyone can file a report through our company-wide grievance mechanism, Ethics Online, which is accessible to all of our employees, internal and external stakeholders, and the general public via Neste's website.
- Operational-level complaints mechanisms designed for individual sites and projects.

**Example:** In 2022, we set up an operational-level local complaints and feedback mechanism at our Singapore refinery, providing a channel for all onsite workers, including contractors' employees, to be able to raise local complaints directly to Neste and access effective remedy.

## Embedding human rights due diligence at Neste

Neste has put in place ongoing management processes to identify, prevent, mitigate and remedy adverse human rights impacts. We continuously monitor and track the effectiveness of our response, with transparent reporting and communication on how impacts are addressed.

Policy commitment

→ Identify actual & potential impacts

← Prevent & mitigate adverse impacts

← Remedy adverse impacts

### Human rights due diligence: a people-first approach

In recognizing that our human rights impacts may change over time as our operations and value chains continue to evolve, we are committed to embedding human rights due diligence across our business as an ongoing, iterative process.

We achieve this by building human rights due diligence into our existing systems and processes, and creating new processes when needed.

When assessing human rights risks, we engage with affected stakeholders and pay special attention to vulnerable groups such as women, children, migrant workers and Indigenous peoples. In all cases, we consider our rights-holders<sup>1)</sup> and ensure a people-first approach.

<sup>1)</sup> Rights-holders are all the individuals or social groups whose human rights may be impacted or affected by Neste's business activities, operations, products or services.

## Our most salient human rights issues



### Embedding respect for human rights across the business

In order to meet our responsibility to respect human rights, we implement an ongoing process of human rights due diligence to identify, prevent, mitigate and account for how we address adverse human rights impacts. We ensure that respect for human rights is driven across our organization by **expecting** all our personnel to be aware of Neste's human rights commitments and understand the implications for how they act and conduct their work. Below we highlight some of our key activities and engagements to advance respect for human rights throughout 2022.

### Focusing on salient issues

Our Human Rights Principle outlines seven priority areas for human rights at Neste: Fair employment, Health & safety, Equity, diversity & non-discrimination, Children & young workers, Modern slavery, Fair treatment, and Economic, social & cultural rights. These are Neste's salient human rights issues, that is, those issues that are at risk of the most severe negative impacts through our activities or business relationships.

We regularly analyze the saliency of our human rights impacts based on severity and likelihood. This enables us to actively monitor our progress in addressing our salient human rights issues, and to account for any new risks resulting from changes in our business. It also ensures that we accurately focus and prioritize our work to address human rights risks. In 2022, we expanded our saliency assessments to evaluate the effectiveness of the measures we have in place to address our salient issues. This encompassed determining which adverse impacts Neste could cause, contribute or be directly linked to, and evaluating whether our existing practices are adequate in scale and complexity to address these. The results of this assessment were taken into account for our 2022 Human Rights Principle update.

### Human Rights Principle update

Understanding that our impacts on human rights have evolved with changes in our business and the world around us, in 2022 we conducted a major review and update of the Neste Human Rights Principle <sup>2)</sup>, informed by extensive consultation with both internal and external stakeholders. Key updates to the principle include

a new section on respecting the rights of human rights defenders, a greater focus on the importance of stakeholder engagement, and enhanced clarity on how we act to implement the principle in practice.

During the external consultation process, we received recommendations for improvements to the principle from a range of recognized topic experts, including human rights NGOs, government representatives and trade union experts. Our internal consultations at Neste included discussion and feedback from multiple teams, such as Sustainability, Human Resources, Health & Safety (HSSEQ), Public Affairs, Compliance and Legal.

As part of the update process, we also incorporated the results of our annual human rights saliency assessment and reviewed current industry-leading practices and expected requirements under upcoming human rights due diligence legislation in various countries and at the EU level.

The Human Rights Principle received final review and approval by Neste's President and CEO, based on the endorsement of the Neste Executive Committee. It forms part of Neste's Management System (NMS) and is publicly available on our [website](#).

### Impact assessments and social audits

We are committed to assessing and monitoring our human rights impacts in both our own operations and our supply chains. Neste Supplier Code of Conduct defines minimum human rights requirements for all of our suppliers and business partners, who are also required to undergo a robust human rights assessment before they can partner with Neste. Our sustainability audits have a strong human rights focus and prioritize assessing impacts on people. In 2022, we also integrated these human rights criteria into the audits we conduct for our raw material and end product terminals. Read more about the audits carried out in 2022, including a summary of results and key findings on human rights topics on [page 88](#).

We continue to use human rights criteria and assessments to inform decision making on strategic business development, investments and innovation projects. In 2022, we strengthened our ability to identify and assess human rights risks in the early stages of these projects, by developing a new framework for integrating a human rights approach into our stakeholder engagement activities, to ensure that we evaluate how our business may impact local people and communities.

<sup>2)</sup> The Neste Human Rights Principle was first published in 2017, following Neste's 2015 Human Rights Commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights.

We actively monitor and assess risks to people working onsite at our refineries. In 2022, we focused on strengthening our ability to understand, assess and mitigate human rights risks during refinery turnarounds. We also began planning contractor audits and key actions to ensure we will be able to hear worker voices during our Rotterdam refinery expansion, for example, implementing a local complaints mechanism and carrying out worker voice surveys.



### Worker voice

As Neste's global business continues to grow, so does the reach of our supply chains and the number of workers impacted by our business activities worldwide. This means that we also need to grow our ability to capture these workers' voices in a systematic manner. For this reason, in 2022, we partnered with Work Ahead to launch the use of a worker voice tool in Neste's supply chains. The worker voice tool is an audiovisual survey that enables direct and anonymous engagement with workers using mobile devices. In May 2022, we piloted the tool with a Neste raw material supplier in Asia, and will roll this out for wider use in 2023.

The survey will provide insights on various topics impacting workers in Neste's supply chains, for example, inequality, living wages, recruitment fees and children's access to education – priority areas of focus under our human rights ambition for 2030. It will be used to complement, but not replace, worker interviews during Neste sustainability audits, as a way to scale up the number of workers we engage with and improve our overall understanding of workers' experiences.

### Living wages

In 2022, we initiated an internal living wage gap assessment for Neste's own employees in Finland, using data provided by the Fair Wage Network. The results of this assessment enabled us to verify that all Neste employees working in Finland receive compensation above the local living wage benchmark. In May 2022, The Fair Wage Network provided living wage training sessions for relevant specialists on our Sustainability and Human Resources teams. We also started using living wage data in sustainability audits for raw material suppliers, with the dual aim of gaining a better understanding of our supplier wage practices and raising awareness to build supplier knowledge on this topic. In 2023, we plan to expand and complete the living wage gap assessments for our own employees across our global locations and take further steps to promote living wages in our supply chains.

### Modern slavery

Neste supports the elimination of all forms of modern slavery. We recognize that modern slavery is a growing global issue from which no industry is immune, and we are committed to taking the appropriate steps to identify vulnerable workers and mitigate modern slavery risks in our operations and supply chains. Read more about the steps we are taking to address modern slavery risks in our annual [Modern Slavery Statement](#).

### Children & youth

We are committed to respecting and supporting children's rights, and to implementing the [Children's Rights and Business Principles](#) throughout our business and value chains. At the end of 2022, we started a partnership with SOS Children's Villages for a three year project to support children in high-risk communities where Neste has supply chains. Read more about our broader activities to advance respect for children's rights throughout our business on [our website](#).

In 2022, we initiated an internal living wage gap assessment for Neste's own employees in Finland, using data provided by the Fair Wage Network.





### Training and capacity building

Understanding that impact assessments and social audits alone are not sufficient for tackling human rights risks, we are also committed to training our employees on our policies, and engage in training and capacity building with suppliers.

In 2022, we completed the roll out of our new Code of Conduct e-learning to all Neste employees, which includes topics on advancing respect for human and labor rights, and highlights our basic expectation for all employees to be aware of how their work impacts the human rights of people in our operations, value chain and communities. Human rights trainings, including topics related to modern slavery, are also integrated into our global induction for all new employees who join Neste, as well as our Supplier Code of Conduct e-learning.

In line with our KPI to increase the number of Neste employees who have received training on modern slavery, in 2022 we carried out customized training for our Indirect procurement team on the minimum human rights requirements in our Supplier Code of Conduct.

The training highlighted specific risks to be aware of in different procurement categories, with recommendations for complying with minimum requirements and advancing best practices with suppliers. Read more about the category risk assessments for indirect procurement on [page 90](#).

In 2022, we also enhanced our understanding of modern slavery and labor exploitation risks by partnering with the The European Institute for Crime Prevention and Control (HEUNI). HEUNI trained Neste employees on the prevalence of modern slavery in all countries and sectors around the world, and shared information on the occurrence of labor exploitation in the regions and sectors connected to our business and value chains. HEUNI also provided bespoke training for members of our production, supply and procurement teams with practical guidance on how to identify, prevent and mitigate risks of labor exploitation.

In 2022, we organized a seminar with all of Neste's contractors audited during the Singapore Expansion project to share information on best practices and our overall learnings from the audits, with the aim of promoting the

## We believe that human rights are best advanced through collaboration.

continued uptake of positive human rights practices in the wider construction industry beyond Neste's operations. The seminar covered topics such as forced labor, responsible recruitment and living wages. Read more about the seminar [here](#).

We host annual sustainability workshops for our palm oil and PFAD suppliers to advance capacity building on human rights topics and engage in open dialogue on prevailing sustainability issues in the supply chain. Read more about the sustainability workshops on [page 93](#).

In 2022, we also carried out global online human rights capacity building training for our medium and high risk renewable raw materials suppliers and sub-suppliers across Asia, Oceania, Americas, and the EMEA region. Topics covered in the workshops included human rights due diligence, forced labor, recruitment fees, children's rights, living wages and more. Read more about the workshops on [page 89](#).

### Collaborating to advance business respect for human rights

We believe that human rights are best advanced through collaboration. We actively seek out opportunities to work with our stakeholders to collaboratively advance positive systemic change and together enhance our leverage to address the root causes of adverse human rights impacts. Below you can find examples of our key collaborative engagements in 2022:

Neste is an active member of the [Nordic Business Network for Human Rights \(NBNHR\)](#), a professional network of global companies who work with human rights impacts in their organizations or supply chains, chaired by the Danish Institute for Human Rights. In 2022, Neste continued to participate in the network meetings, which enable us to stay updated on the most recent knowledge and trends in business and human rights, and provide us with a space to share various dilemmas with experts and peers.

We are a member of the [Consumer Goods Forum's \(CGF\) Human Rights Coalition on Working to End Forced Labour](#). Members of the coalition are committed to helping achieve fair and decent working conditions worldwide by driving individual and collective action in their own operations and supply chains. In 2022, as part of our work under the coalition we carried out human rights due diligence assessments for two selected areas within our own operations: production and shipping, following the [CGF Maturity Journey Framework](#). We also worked collectively through the coalition to advance positive human rights practices in palm supply chains and on the publication of a [guide](#) on the repayment of recruitment fees.

Read more about our initiatives to promote social sustainability and respect for human rights in the palm sector on [page 93](#).

At Neste, we view inequality as a systemic risk that requires urgent action from business. In 2021, we joined the World Business Council for Sustainable Development (WBCSD) [Business Commission to Tackle Inequality \(BCTI\)](#), a cross-sector, multi-stakeholder coalition representing business, civil society, intergovernmental institutions, academia, the labor movement, and the investor community. In 2022, Neste actively contributed to BCTI working groups focused on defining the actions that businesses should take to reduce inequality, as published in the [BCTI Introductory Report](#). Moving into 2023, we plan to continue contributing to the work under the BCTI and its associated workstreams.

### Reporting

Since 2021, we have been reporting in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP) Reporting Framework. Read more about the framework index for 2022 on [page 114](#).



# Supply chain and raw materials

Our vision is to drive a safe and healthy workplace, fair labor practices and increased commitment to sustainability across the supply chain.

We continue to require all our suppliers to be committed to Nestle Supplier Code of Conduct with criteria on human and labor rights, occupational health and safety, climate, environment and ethical business conduct. All our raw material suppliers are subject to additional sustainability due diligence.

## Ensuring sustainable supply chain

Ensuring responsible and ethical business depend not only on our own actions but also upon forming relationships with business partners who are committed to our sustainability criteria. We expect all our business partners and suppliers to uphold **Neste's policies and principles**, including our **Supplier Code of Conduct**, a key element in Neste's supplier management system. Additionally, our renewable raw material suppliers are expected to meet the requirements of **Neste's Responsible Sourcing Principle**.

## Neste Supplier Code of Conduct

Neste Supplier Code of Conduct, updated and implemented in 2020, outlines the basic requirements Neste expects its suppliers and their own first tier suppliers, contractors and business partners to adhere to and implement throughout their businesses.

The Supplier Code of Conduct is included in the terms of contracts with all suppliers, contractors and other business partners participating in the delivery of any raw materials, products, components, materials or services to Neste, covering both direct and indirect procurement. Companies consolidated through mergers and acquisitions are also expected to implement Neste Supplier Code of Conduct in their sourcing.

To support the implementation of the Neste Supplier Code of Conduct, we carry out training and provide a **guide** with practical recommendations to help our suppliers meet their obligations to comply with the Supplier Code of Conduct. The guide for suppliers was updated in 2022. In addition, we further enhanced internal guidance on supply chain sustainability. We also carried out a training to support the implementation of Supplier Code of Conduct in Neste's Indirect Procurement function.

We have an e-learning for our employees outlining the main elements of the Supplier Code of Conduct and describing how to report potential violations.

In 2022, 99% (99%) <sup>1)</sup> of the renewable raw material volumes, 84% (88%) of the crude oil and fossil raw materials volumes and 73% of overall indirect contracted spend were covered by Neste Supplier Code of Conduct or equivalent. <sup>2)</sup>

## Sustainability risk assessment in our supply chain

Identifying and selecting good partners are crucial to the sustainability of supply chains. Ensuring sustainability of Neste's supply chains begins before agreements have been signed or raw materials, products, components, materials or services are delivered.

Neste has undertaken several initiatives to identify and understand the risks that may be present in our operations and supply chains. To ensure our suppliers' compliance with the Supplier Code of Conduct, Neste has implemented systematic controls for counterparty screening and monitoring during which potential business partners undergo automated screening, escalated to a manual review if any issues are found or the counterparty's business case matches predefined criteria.

While the screening is predominantly focused on economic sanctions and similar compliance issues, counterparties are also screened for selected ethical concern categories in third-party enforcement databases and major news outlet sources.

## Neste's suppliers and business partners are expected to comply with requirements set by Supplier Code of Conduct For five elements:



<sup>1)</sup> Agri Trading excluded

<sup>2)</sup> In certain situations Neste may, after the assessment of the supplier's or business partner's own policies and principles, agree that compliance with their own code of conduct is sufficient for the purpose of complying with the Neste Supplier Code of Conduct.

### Sustainability due diligence for renewable raw material suppliers

Assessing country risk is a key element contributing to our understanding of sustainability risks in our renewable raw material supply chains. We use a bespoke, industry leading country risk assessment methodology to map sustainability risks for the countries in which we operate and have supply chains. Our categorization also includes a list of no-go countries and regions based on considerations including trade sanctions, conflicts and sustainability risks. In addition to assessing country risks, our risk assessment includes mapping of supply chains and operations, desk-based research, supplier self-assessment questionnaires, supplier engagement and discussions with expert stakeholders.

Our renewable products' raw material suppliers are subject to rigorous sustainability due diligence as part of our supplier sustainability approval process under the Neste Principle on Renewable Products Supplier Sustainability Approval. The Principle applies worldwide to any Neste company which is establishing a business relationship with a supplier of renewable raw material for Neste's renewable products. It sets the minimum sustainability requirements for approving suppliers through a five-step sustainability due diligence process.

The sustainability review encompasses a comprehensive range of topics that include governance, labor standards and practices, human rights, environment as well as health and safety.

We continue commercial negotiations only with approved parties that meet our sustainability requirements, and all partners must continue to meet these criteria and commit to developing their operations in the future. Our overall approach to advancing sustainability due diligence throughout the supplier relationship is to work with our suppliers to drive positive practices and mutually enhance sustainability performance through continuous engagement, collaboration, and improvement.

The validity period of the sustainability approval for a supplier is three or five years depending on e.g. country risk, raw material volumes supplied to Neste, and the outcome of the sustainability review. Once the validity period expires, the supplier will undergo a new review.

In addition to understanding the sustainability performance of our direct suppliers, we also want to gain visibility in practices throughout the entire renewable raw material supply chain, including our second-tier suppliers. During the supplier onboarding, we require our renewable raw material suppliers to disclose their supply

chain actors and locations as determined by market requirements – and even go beyond that in some cases. For palm oil we, for example, need to know the exact coordinates of the plantations.

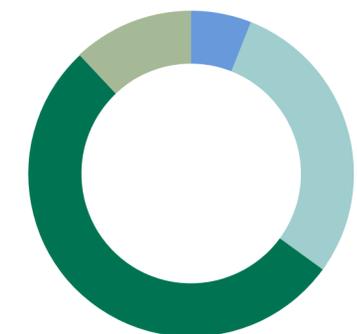
Neste's sustainability due diligence process is mainly managed on Neste's Supplier Sustainability Portal (SSP), a digital platform that is used to facilitate our evaluation of potential and existing renewable raw material suppliers, to support performance monitoring and to enable active supplier engagement. The portal was brought fully into use in 2020. In 2022, the total number of renewable raw material suppliers onboarded against sustainability criteria was 325. In 2022, we started to develop SSP to support a more risk-based approach. This work will continue in 2023.

### Sustainability audits

Neste carries out sustainability audits to mitigate the risks in the supply chain. When selecting suppliers to be audited, we pay special attention to raw materials or countries with the highest sustainability risks. Based on the supplier risk assessment, we are better able to prioritize sustainability audits, conducted either by our own local sustainability specialists or a third-party auditor. The purpose of Neste sustainability audits is to verify that our suppliers comply with Neste Supplier Code of Conduct and local regulatory requirements. After the audit, we follow up cases of non-compliance and require our suppliers to remediate significant open issues within a specified timeframe. The Neste Sustainability Audit Standard, which was published in 2021, sets out the overall requirements for sustainability audits at Neste.

In 2022, we conducted a total of 118 sustainability audits: 26 on renewable and recycled raw materials, 35 on terminals, and 57 contractor audits. Out of the total number 24 audits were carried out for renewable raw material suppliers, of which 8 were onsite, 7 were virtual and 9 were third party audits. Where possible, we also

**Audit Findings – different sustainability categories, renewable raw material suppliers, %**



- Ethical Business Practices 6%
- Human and Labor Rights 28%
- Health & Safety 53%
- Environment 12%

conduct audits on our second-tier suppliers. In 2022, 19 audits were conducted to our direct and 5 to our second-tier renewable raw material suppliers. The majority of the audit findings recorded in renewable raw material supplier audits in 2022 were related to health & safety.

In 2023, we aim to strengthen our due diligence practices by increasing the number of third party sustainability audits with the key focus on high-risk suppliers and countries.



### Supplier engagement

Understanding that risk assessments and sustainability audits alone are not sufficient for tackling sustainability issues, we are also committed to training our employees on our policies and organizing capacity building training for our suppliers operating in high-risk sectors and geographies.

In 2022, we conducted capacity building training on implementing human rights due diligence for our renewable raw material suppliers in Asia, Oceania, Americas and EMEA region. Direct suppliers and certain second-tier suppliers were invited for the training from countries having a medium or high risk for violating human rights and labor standards.

Read more about our engagement with the palm oil and PFAD suppliers on [page 93](#).

### Neste's grievance process

We take all allegations of suspected sustainability violations and shortcomings seriously and investigate the cases.

Upon learning about serious allegations concerning our suppliers, we put all further purchases from those suppliers or supply chains on hold. If the sustainability criteria and requirements included in our contracts have been verifiably breached, the nature of these is considered serious and progress to resolve those issues is not made in a reasonable time, we terminate our contract with the supplier in question. We publish monthly grievance log updates on our website, and track and publicly disclose the number and type of grievances that have been raised in person or via our [whistleblowing channel](#).

Engagement and cooperation with our suppliers are the primary ways of action to address any shortcomings.

Ending purchases does not necessarily solve the problem, while by working together with our suppliers we can work towards improvements. We have a proven track record of collaborating with our suppliers and external sustainability organizations, such as locally operating NGOs, to make a positive sustainability impact in the supply chain. We engage regularly with our suppliers on sustainability policy development, due diligence, traceability, training and workshops as well as grievance management, among others.

We address shortcomings once we become aware of them by:

- Requiring the supplier to report the situation as part of Neste's grievance mechanism.
- Engaging and cooperating with suppliers. This is our primary way of action.
- Providing an assessment and, if necessary, conducting supply chain audits by our own local sustainability specialists or a third-party auditor.
- Requiring a detailed plan with a timeline for corrective actions from the supplier.
- Cooperating with the supplier and other stakeholders to help develop operations and perform necessary corrective actions.
- Monitoring and reporting on the progress online.
- Ending purchases if we do not see adequate progress or if the supplier loses relevant certifications.
- Reviewing, improving and adjusting our processes where needed.

[Read more about our renewable raw material grievances.](#)



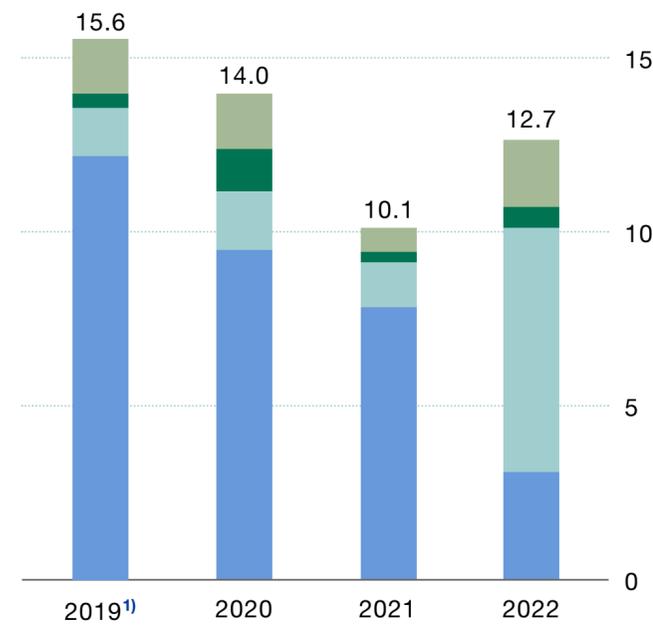
### Crude oil and other fossil raw material suppliers

As we are transforming from a traditional oil refiner into a provider of renewable and circular solutions, we continue to produce high-quality oil products from crude oil and condensates. We are committed to make our Porvoo refinery the most sustainable refinery in Europe by 2030 and to reach carbon neutral production by 2035. In 2022, we announced a strategic study on transitioning our Porvoo refinery to a renewable and circular site and ending crude oil refining in the mid-2030s. Read more about the Porvoo refinery transformation on [page 69](#).

Neste is purely a buyer of crude oil; we do not own shares in any company producing crude oil, nor are we engaged in oil exploration or drilling. Additionally, we do not purchase crude oil from Arctic sea areas, sanctioned countries or conflict areas. At the start of the war in Ukraine, Neste decided to stop using Russian crude oil entirely and started replacing it with other qualities. The last crude oil cargo with Russian origin was supplied to Neste in July 2022 and the supply contracts ended. Supply contracts for other fossil raw materials from Russia ended at the end of 2022.

The due diligence process for our crude oil and other fossil raw material suppliers includes a country risk assessment and counterparty risk assessment. We also assess all new suppliers based on publicly available information regarding topics such as governance, labor standards and practices, human rights, environment, health and safety as well as crude oil production specific issues, such as flaring. This sustainability review was developed in 2021 to complement the existing due diligence process for our fossil raw material suppliers. In 2022, a total of 24 such suppliers were assessed.

### Crude oil and Fossil Feedstock sources by region, million tons



- Other countries
- USA
- Norway
- Russia<sup>1)</sup>

<sup>1)</sup> At the start of the war in Ukraine, Neste decided to stop using Russian crude oil entirely and started replacing it with other qualities. The last crude oil cargo with Russian origin was supplied to Neste in July 2022 and the supply contracts ended. Supply contracts for other fossil raw materials from Russia ended at the end of 2022.

The sustainability review is renewed every three years for fossil raw material suppliers. In 2023, we will focus on further improving the sustainability due diligence process and are committed to continue assessing all new suppliers. Read more about Neste’s sustainability due diligence on [page 88](#).

In 2022, we also decided to adopt more stringent onboarding requirements for ethanol suppliers from higher risk countries as we seek supplies from new areas. The process includes evaluating production plant details and raw material origins, and draws inspiration from the renewable raw material supplier onboarding.

As we have noted increasing focus and efforts in the oil industry on decarbonizing the upstream sector, we have started to monitor the carbon intensity (CI) of different crude oils we purchase. We will monitor how the data becomes more transparent and reliable, for example with industry analysts developing independent valuation methods, and how crude oil carbon intensity can be a factor in evaluating different crude oils.

### Indirect procurement

Neste’s indirect procurement covers purchasing of goods and services that are not included in the sourcing and delivery of refined crude oil or renewable and recycled raw materials. It is responsible for sourcing, contract management, purchasing and supplier management. Prior to a commercial relationship with a supplier, Neste carries out an initial analysis, including ensuring approval of the Neste Supplier Code of Conduct, as well as counterparty screening and the supplier’s financial status check. Sustainability, security, safety, quality, reliability, technical, financial and legal aspects are core requirements and used as criteria in supplier selection.

In 2022, we carried out two assessments to enhance our understanding of the sustainability risks in Neste’s indirect procurement supply chains.

In the first assessment, we completed a comprehensive study of all the products and services purchased as indirect procurement from 2019–2022, and used this to establish a country/sector human rights risk level for each of our procurement categories, identifying priority areas of focus for enhanced human rights due diligence. In total, the assessment covered 152 different types of products and services across our nine procurement categories: chemicals, professional services, logistics, IT, research & development, technical services, technical materials, utilities and real-estate management. This built on the findings from category risk assessments completed for indirect procurement at the end of 2020.

In the second assessment, we designed and piloted a new framework for evaluating the human rights and climate-related practices of Neste’s indirect procurement suppliers. The goal of the assessment was to enhance visibility on supplier practices and improve our overall understanding of the sustainability risks in indirect procurement supply chains. Desktop assessments were carried out for 50 key suppliers. The suppliers selected for assessments were chosen based on risk and spend, taking into consideration the results from the first assessment. We are incorporating lessons learned and considering options for carrying these assessments forward at scale. For example, the assessment provides valuable input for developing Neste’s ambition and actions for its scope 3 emissions.

## Renewable raw materials

Neste uses a wide variety of sustainably-produced renewable raw materials each year to produce our renewable products, such as renewable fuels for aviation and road transportation, as well as feedstock for the production of renewable polymers and chemicals. In 2022, the share of waste and residues was 95% of Neste's total renewable raw material inputs globally.

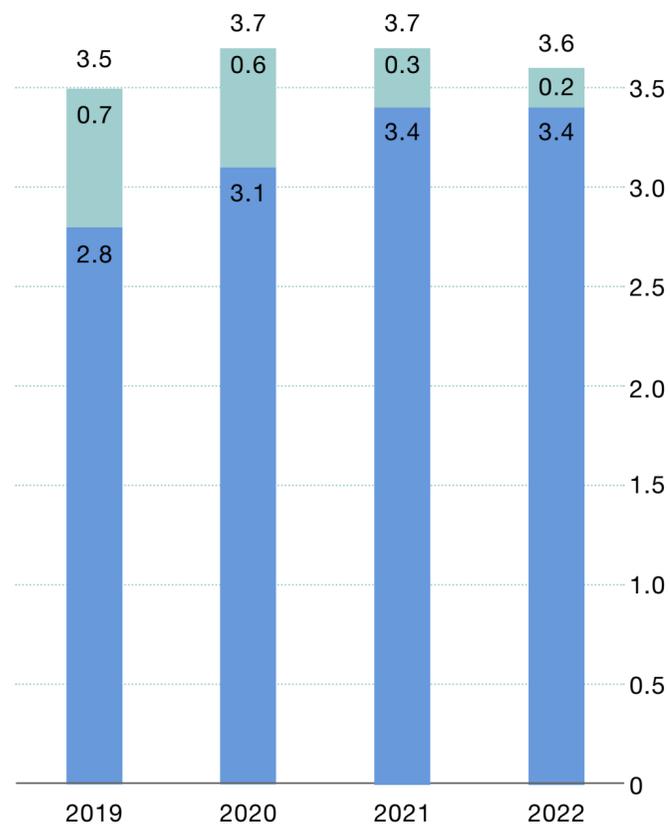
## Extensive portfolio provides flexibility

Animal fat from food industry waste, used cooking oil and various wastes and residues from vegetable oils processing represent the top three waste and residue raw material categories we use, based on their current and estimated shares of Neste's total annual renewable raw material inputs. Proportions of individual raw materials in Neste's refining, however, vary from year to year, depending on their availability, price and specific market requirements, for example. Other waste and residue raw materials we have in our portfolio include fish fat from fish processing waste, tall-oil-based raw materials, technical corn oil (TCO) and acid oils. In addition to waste and residues, Neste also uses small amounts of sustainably-produced vegetable oils as renewable raw materials. The share of vegetable oils of our renewable material inputs in 2022 was 5%, with palm oil representing around 4%.

An extensive portfolio of globally-sourced renewable raw materials provides flexibility and allows us to respond to the needs of different markets and customers. None of the raw materials in our portfolio individually represent the majority share of the total annual inputs.

Altogether we used 3.6 million tons of renewable raw materials, with a continued focus on developing new sources of raw materials and technologies enabling the use of these new types of raw materials, while growing the existing raw material pool towards lower-quality grades.

## Renewable raw material inputs globally, million tons



- Waste and residues (e.g. animal fat from food industry waste, used cooking oil)
- Vegetable oils

The volumes are presented in millions of tons. The share of the volumes are calculated from exact figures and consequently the rounded figures presented may deviate from the share of volumes disclosed.

## Strengthening our sourcing capability

We source renewable raw materials globally for our renewables refineries located in Finland, the Netherlands and Singapore. One of our competitive advantages is our capability to efficiently source, transport and flexibly use various mixes of renewable raw materials to produce a wide range of high-quality renewable products with our proprietary NEXBTL™ refining technology. Another advantage is our unique capability to pretreat low-quality raw materials to remove impurities. This enables us to use primarily waste and residue raw materials.

Neste's renewable raw material supply was substantially strengthened in 2022, despite the uncertainties caused by the volatile raw material market. We continued to expand our renewable raw material sourcing capability in our existing markets and new markets, such as in Eastern Europe and South America. We are focusing on waste and residue raw materials in these markets, such as animal fat waste and used cooking oil.

In 2022, Neste engaged in acquisitions and partnerships to ensure growth and increasing availability of raw materials in our existing sourcing markets. For example, we acquired Walco Foods, an Irish trader of animal fats, nowadays known as Neste Walco Limited.

We also announced an agreement to acquire the used cooking oil collection and aggregation business from Crimson Renewable Energy in the United States. In addition, the successful integration and continuous expansion of activities of Mahoney Environmental, a leading collector and recycler of used cooking oil, and Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the United States, both acquired by Neste in 2021, has helped us gain access to a substantial volume of used cooking oil and grow our raw material supply chain in North America.

In 2022, we established a 50/50 joint operation for production of renewable fuels with Marathon Petroleum in the United States. The joint operation called Martinez



## NEXBTL™ technology patent received 25 years ago

2022 marked two key anniversaries at Neste: 25 years since receiving the patent for our proprietary NEXBTL technology and 15 years since the inauguration of the first NEXBTL unit at our Porvoo refinery.

NEXBTL, which stands for “next generation biomass to liquid”, is Neste's unique technology that allows us to convert a wide range of renewable raw materials into premium-quality renewable products. It has been the backbone of Neste's transformation enabling customers and partners across the globe to switch to renewable products with a lower carbon footprint.

[Read more about NEXBTL](#)

[Watch the video](#)

Renewables is expected to commence production in Martinez, California, in early 2023. In the initial phase, the Martinez Renewables refinery will process primarily vegetable oils from the US and Canada, such as soybean oil, and some volumes of higher-quality waste and residues.

In 2022, the share of waste and residues was 95% of Neste's total renewable raw material inputs globally.

### Used cooking oil (UCO)

UCO consists of oils and fats of a vegetable or animal origin that have been used by the food industry or restaurants to cook food for human consumption. UCO is considered a waste as it is no longer fit for human consumption for food hygiene reasons.

[Read more about used cooking oil.](#)

### Animal fat from food industry waste

Animal fat is derived from the food industry's meat processing waste. Neste sources mixed animal fat waste that is unsuitable for human consumption.

[Read more about animal fat waste.](#)



## Extensive portfolio of renewable raw materials

### Vegetable oil processing waste and residues

Many vegetable oil processing wastes and residues can be used as raw materials to produce Neste's renewable products, including palm fatty acid distillate (PFAD), spent bleaching earth oil (SBEO) and palm oil mill effluent (POME).

[Read more about vegetable oil processing waste and residues](#)

### Other waste and residues

Our raw material portfolio also includes fish fat from fish processing waste, tall oil based raw materials and technical corn oil.

### Vegetable oils

In 2022, the share of conventional vegetable oils of our global renewable raw materials inputs was approximately 5%, with 100% certified palm oil representing about 4%. Neste plans to reduce the share of conventional palm oil to zero of its global renewable raw material inputs by the end of 2023.

The share of waste and residue raw materials is expected to stay above 90% of Neste's global renewable raw material inputs globally in the coming years, while in the longer term, the growth in **novel vegetable oils**' availability may increase the share of sustainably produced vegetable oils.

[Read more about the vegetable oils we have in our portfolio.](#)



## Sustainability criteria for our renewable raw materials

- We select our renewable raw material suppliers carefully, based on our sustainability due diligence process. We source only sustainably-produced renewable raw materials from suppliers who meet our strict criteria for sustainability. These criteria are embedded into our policies and principles, as well as the regulatory requirements in our key markets.
- We only accept renewable raw materials that are traceable to the point of origin.
- All the renewable raw materials we use meet the sustainability criteria defined in the EU RED II (EU) 2018/2001 for the European markets or Renewable Fuel Standard (RFS), California/Oregon/BC Low Carbon Fuel Standard (LCFS) requirements, as applicable, for North America. The raw material mixes used for products in specific markets additionally meet local market-specific and/or industry-specific regulatory requirements.
- We are committed to avoiding conversion of habitats with valuable biodiversity for biomass production. We ensure that the production of our raw materials has not caused deforestation and that human rights have been respected.
- We ensure that the renewable raw materials that we use in refining enable us to produce renewable fuels that always provide the required greenhouse gas emissions savings - at least 50% reduction as per EU RED II (EU) 2018/2001 over the fuels' life cycle compared to similar emissions from 100% fossil alternatives.
- All the renewable raw materials we use are either certified or their compliance with applicable laws and regulations is verified according to the legislation of the country to which the end product will be supplied.

## Engaging with the palm oil and PFAD suppliers

We participate in collaborative efforts to advance positive social and environmental impacts in the palm sector. Neste is a member of the Palm Oil Collaboration Group (POCG) and has participated in its **Social Issues Working Group (SIWG)** since the initiative was launched in 2020. In 2022, Neste continued to participate in SIWG subgroups advancing action on Responsible Recruitment in Malaysia, and Human Rights Due Diligence in Supplier Management Systems.

We cooperate particularly with palm oil producing smallholders to support the development of their sustainability awareness and expertise. The adoption of sustainable practices enables smallholders to achieve a certification. Neste requires a commitment to certification from all its palm oil suppliers.

Neste continues to collaborate with the Siak government, Daemeter and Proforest, along with global brands, in the Siak Pelalawan Landscape Programme, a private-sector driven initiative in the districts of Siak and Pelalawan in the Riau province of Indonesia. Through this collaborative effort at a landscape level, Neste aims to ensure positive sustainability impact in the region by addressing environmental and social issues, such as tackling deforestation, maintaining and enhancing key conservation areas, preventing exploitation, and improving smallholder livelihoods beyond palm oil production,

and also for multiple commodities such as rubber and pineapple. The Village Support Programme in 2022 focused on involving all types of village stakeholders to boost ecosystem conservation and improve community livelihoods by working towards nature-positive and socially inclusive solutions. Improved engagement at the mill level supported them in fulfilling their No Deforestation, Peat and Exploitation (NDPE) commitments. Increased engagement at both the village and mill level in the program has not only helped in forest and biodiversity conservation, but also trained the farming community on good and sustainable management practices. Read more about [the program](#).

In November 2022, we also organized an annual sustainability workshop for our palm oil and PFAD suppliers. The workshop was curated especially for our suppliers with the objective of raising awareness and advancing on topics such as human rights due diligence and strategies to achieve 100% traceability to plantation (TTP). New topics, such as greenhouse gas emissions tackling scope 3, were also introduced and discussed during the workshop. 35 participants from 16 existing and new supplier companies attended the workshop. Sustainability workshops are crucial to ensuring our suppliers' active involvement in improving sustainability in their own operations and the whole supply chain.

### Progress in PFAD supply chain traceability

Within the European Union, biofuel producers are required by law to use only raw materials that are traceable to the point of origin. We meet the traceability requirements among other legal sustainability requirements in all of the markets where our products are sold. This also means that if PFAD is classified as a residue within a specific market for example, we ensure traceability to the palm oil refineries where PFAD is removed during production of food-grade palm oil. If PFAD is classified as a co-product, traceability is ensured to the palm oil plantations.

Since 2017, we have been working towards a target of developing traceability for our entire PFAD supply chain to palm oil plantations. Working towards the target has required us to map large parts of previously unmapped palm oil supply chains and we have made significant progress.

During 2022, we were able to independently map and validate 100% (100%) of our PFAD supply chain to the supplying palm oil mills and 86% (85%) all the way to plantations. This significantly surpasses the fuel industry's current regulatory requirement for residue raw materials, or in the case of PFAD, traceability to the palm oil refinery. When mapping the supply chain to the plantations, publicly available data (e.g. on RSPO, ISCC, ISPO certifications) and supplier reporting have been used.

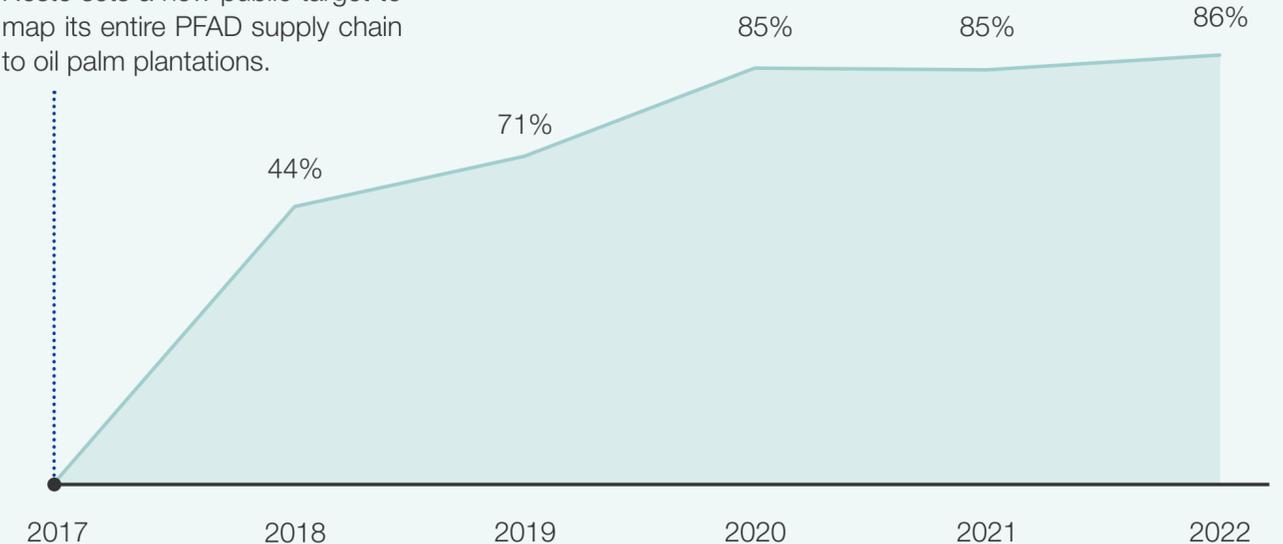
### Traceability to plantations

Our aim is to develop a commonly accepted and adopted approach to tracing palm oil-based waste and residues, such as PFAD. For this, we have continued to develop the "Traceability to plantations" (TTP) approach. Building industry-wide acceptance for the TTP approach could significantly improve the overall transparency of palm oil supply chains for all industries.

The TTP approach gathers data from suppliers and prioritizes those sourcing raw materials in higher-risk areas, such as those in close proximity to forests, uncultivated peat and protected areas. We have engaged with palm oil and PFAD suppliers to introduce the approach and promote alignment within the industry, and continue the same with new suppliers.

### % of Neste's PFAD supply traceable to plantation <sup>1)</sup>

Neste sets a new public target to map its entire PFAD supply chain to oil palm plantations.



<sup>1)</sup> Based on Risk-calibrated Traceable to Plantation approach. Figures are weighted by refinery volumes supplied to Neste.

## Recycled raw materials

Neste is advancing chemical recycling, also known as advanced recycling, to speed up the transition to a circular economy for plastics. Neste's development of chemical recycling technologies and capacity with value chain partners supports Neste's strategic target of becoming a global leader in circular solutions, while also supporting Neste's ambition to replace its fossil raw materials with alternative, more sustainable renewable and recycled raw materials at its refinery in Porvoo, Finland. It is also aligned with our aim of reducing GHG emissions and reducing crude oil dependency in the society. Read more about our renewable and circular solutions for the polymers and chemicals industries on [page 65](#).

## Accelerating circular economy through chemical recycling

Chemical recycling complements mechanical recycling by transforming waste plastic back into a raw material similar to crude oil. Through chemical recycling, hard-to-recycle plastic waste such as colored, multi-layer and mixed-material plastics can be turned into high-quality feedstock for polymers and chemicals that can be used even for demanding applications.

The development of chemical recycling is crucial to enabling a circular economy for polymers and increasing recycling rates for waste plastic. It thereby also helps tackle the plastic waste pollution challenge and reduces the need for virgin fossil resources.

## Progress with strategic partners

Neste has developed several partnerships to collect, sort and process plastic waste, as well as to develop chemical recycling technologies to enable their commercialization and to speed up their adoption. One of these partnerships is with Ravago, with which we aim to establish a joint operation to build an industrial facility for chemical recycling in North Sea Port in Vlissingen, the Netherlands. In 2022, we acquired the European rights

to US-based Alterra Energy's liquefaction technology, which would also be the technology of choice for the joint operation with Ravago.

We aim to increase the volumes of liquefied waste plastic processing gradually to continue learning and developing the value chains and processing technologies. Neste's ambitious goal is to process over one million tons of plastic waste annually from 2030 onwards. To achieve that goal, we have announced a feasibility study to build pretreatment and upgrading capacities for liquefied waste plastic at our Porvoo refinery (Project PULSE). The project received a positive grant decision by the EU Innovation Fund for up to 135 million euros in July 2022. Investment decision readiness is targeted for 2023 and gradual implementation is expected to start in 2024. The targeted processing capacity of this project is 400,000 tons of liquefied waste plastic per year.

## Sustainability criteria for liquefied waste plastics

In 2022, we continued defining the sustainability criteria for our liquefied waste plastic suppliers, and conducted our first pilot audit on one of the suppliers.

In addition to requiring our liquefied waste plastic suppliers to fulfil the requirements in Neste Supplier Code of Conduct, policies and principles, we only accept liquefied waste plastic that is traceable and complies with the ISCC Plus certificate requirements. Read more about Neste's supplier requirements on [page 88](#).

## Liquefied waste plastic processed at the Porvoo refinery

Neste successfully continued its processing runs with liquefied waste plastic at industrial scale at its Porvoo refinery in Finland in 2022. In the course of the runs, Neste was able to upgrade gradually increasing volumes of liquefied waste plastic into drop-in raw materials for plastic production and develop related processing capabilities at industrial scale.

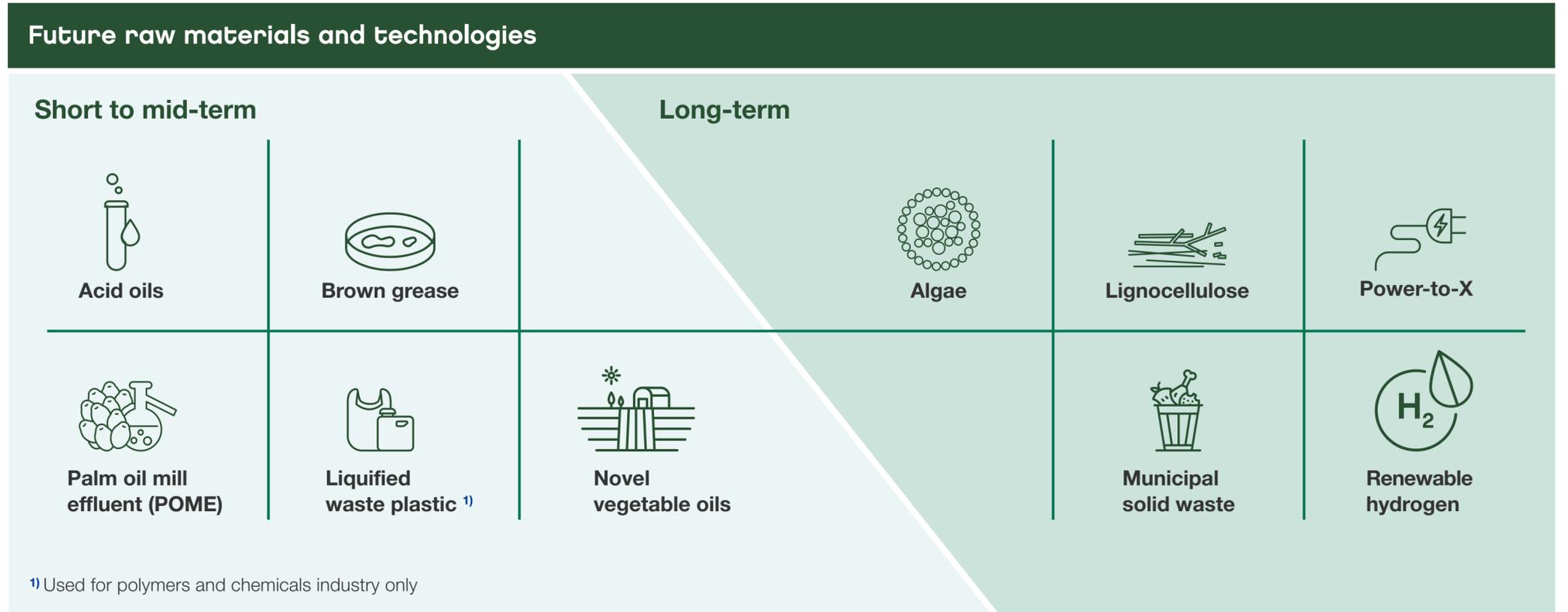
With the latest runs in Porvoo, we are laying the foundation for replacing crude oil based raw materials with liquefied waste plastic and accelerating the transition to a circular economy for plastics together with our customers. Our decades of experience in oil refining, combined with refining expertise in upgrading low-quality raw materials, provide a solid foundation for the rapid demonstration and scaling up of chemical recycling.

**Neste's renewable and circular solutions helped to replace 3.1Mt of non-renewable resource in transport, aviation and polymers and chemicals sectors in 2022.**

### Future raw materials

We continue to work towards increasing the availability of renewable and recycled raw materials while also developing technologies to diversify our current portfolio with new scalable raw materials. This will help us ensure access to sufficient volumes of raw materials to support our growing production capacity, which enables us to maximize our positive carbon handprint.

We continuously search for even lower-quality wastes and residues to be used in the production of fuels, chemicals and materials. In the short to mid-term, we aim at increasing the availability of emerging lower-quality waste and residues such as acid oils, palm oil mill effluent (POME), wastewater-derived grease (i.e. “brown grease”) and liquefied waste plastic. We are also exploring novel vegetable oils from advanced agricultural concepts. In the long term, renewable hydrogen, lignocellulosic waste and residues, algae, and municipal solid waste are all viable sustainable raw material alternatives.





### Lignocellulose

Waste and residue streams from agriculture and forestry practices provide viable and sustainable solutions for renewable chemicals, fuels and materials. Our focus is on resources that are currently underutilized, including waste and residue streams from forestry, the forest industry or agriculture.

Neste has a development project aimed at converting forestry-based waste and residue raw materials into advanced biofuels at our Porvoo refinery in Finland. We are also exploring other site locations to fully develop the potential of producing advanced biofuels from locally-sourced forestry waste. In 2022, we also started to develop internal sustainability criteria for lignocellulose-based raw materials.

[Read more about lignocellulose.](#)

### Novel vegetable oils (NVO) from advanced agricultural concepts

As part of our renewable raw material development efforts, we have been exploring advanced, sustainable agricultural concepts, with the objective of fulfilling increasing demand for sustainable renewable raw materials while not competing with food production. These concepts, such as silvopasture or intermediate cropping, strive to maximize greenhouse gas savings and carbon sequestration, can improve soil health and biodiversity and create alternative income to farmers. They do not create additional demand for agricultural land. With these concepts, the existing crops are not replaced and the indirect land use change (ILUC) risk is minimized.

These novel cultivation methods aim at providing additional new volumes of vegetable oils from

a variety of crops and geographies. In 2022, we made significant progress in accelerating our efforts by exploring potential concepts and partnerships to drive our development work which will continue in the years to come.

Once available, the use of these additional volumes of raw materials in biofuels production will fully comply with all the sustainability requirements and criteria included in the EU RED II (EU) 2018/2001. Besides being used in the road transportation and aviation sectors, NVOs could be used to produce our renewable feedstock for the polymers and chemicals sectors.

[Read more about novel vegetable oils.](#)

### Microalgae

Photosynthetic microalgae may be cultivated wherever there is water and sunlight, including salt water and land areas unsuitable for other types of cultivation. Microalgae may have a high oil yield, and they are usually rich in proteins and other valuable compounds. Through photosynthesis, microalgae contribute up to 50% of the breathable air on our planet.

Neste has explored and developed the use of algae for over 15 years. Neste has been involved in several international algae research projects, such as in the Netherlands and Australia, and continues to explore algae as a potential future raw material.

[Read more about microalgae.](#)



### Municipal solid waste

Neste explores various fractions of municipal solid waste that currently cannot be or are not recycled. These vary from market to market.

Together with its partners, Neste is evaluating several technologies and potential further partners with a target of converting suitable fractions of municipal solid waste to fuels and chemicals.

[Read more about municipal solid waste.](#)



### Renewable hydrogen

Renewable hydrogen made with electrolysis makes it possible to reduce the refinery greenhouse gas (GHG) emissions.

Neste is a minority owner of Sunfire, a technology developer and producer of alkaline and solid oxide electrolyzers (SOEC). We are demonstrating green hydrogen production based on SOEC technology at our Rotterdam refinery with CEA, Sunfire, Paul Wurth and Engie in a project called MultiPLHY. The project aims to install and integrate the world's first multi-MW high-temperature electrolyser demonstration unit into the refinery.

We are also developing large-scale green hydrogen supply to our Porvoo refinery. The project SHARC focuses on investing in production capacity of renewable hydrogen, reducing GHG emissions from hydrogen production and providing even more sustainable refinery products. The project is currently in the feasibility phase and the target is to start the first phase of operations (120 MW) around mid 2020s.

In the long term, Neste's hydrogen projects will also build a foundation for the use of Power-to-X (PtX) technologies, which aim at utilizing carbon dioxide emissions together with green hydrogen to produce fuels and raw materials for the petrochemical industry.

[Read more about renewable hydrogen.](#)



## Sustainability reporting in 2022

Our 2022 Sustainability Report has been prepared in accordance with the GRI (Global Reporting Initiative). We use the GRI Universal Standards 2021, GRI Sector Standards For Oil and Gas Sector 2021, as well as Topic Standards with Standard versions indicated in the GRI Index.

An independent third party, KPMG Oy Ab, has assured the topic-specific GRI disclosures for economic, social, and environmental indicators as well as General GRI disclosures 2–7 and 2–30. Also information presented on the Sustainability highlights, Material sustainability KPIs, Neste creates value, and Performance in figures pages of the report have been assured. In our report, we have aimed to focus on the most essential, based on our materiality assessment conducted biannually, latest in 2022. Our Sustainability Report is published only in English.

We are committed to the UN Global Compact (UNGC), United Nations Guiding Principles on Human Rights (UNGP) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Neste follows the OECD Guidelines for Multinational Enterprises and guidelines for good governance. Neste has been a signatory of the UNGC Principles since 2014. Our Annual Report includes information corresponding to the reporting requirements as we are committed to complying to the Ten Principles in each of the UNGC areas for human rights, labor, environment, and anti-corruption. Our Communication of Progress with Global Compact Principles for 2022 information will be reported via the new UNGC portal.

Neste is committed to apply the Task Force on Climate-related Financial Disclosures (TCFD) reporting principles from 2019, in order to disclose climate-related financial risks and opportunities in the reporting. In addition to the Sustainability Report, part of our TCFD reporting takes place within Non-Financial Information Statement in the Review by the Board of Directors. Our Sustainability Report includes the TCFD index for navigation purposes between these sections in the Annual Report. Our intention is to extend our reporting within the recommended TCFD implementation time frame.

We are actively following various sustainability reporting framework developments, especially with the global sustainability reporting standardization in the EU, such as the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), as well as with the coming standards from the International Sustainability Standards Board (ISSB), in order to keep our reporting methodologies up to date proactively. In addition to GRI, in the 2022 Sustainability Report we report according to SASB Oil & Gas Refining and Marketing Standards where applicable, as Neste is

categorised under this sector standard by SASB. However, we aim at reporting also according to SASB Biofuels Standards in the future as we see that being an even more relevant sector standard for Neste.

We support the principles of World Economic Forum's (WEF) Stakeholder Capitalism. Our reporting based on GRI, SASB and TCFD fulfils the requirements for most of the WEF Stakeholder Capitalism Metrics (SCM). Hence, we are continuing reporting with the GRI supported by SASB and TCFD, yet paying close attention to any additional SCM requirements.

Our reporting meets the requirements of the EU Directive on disclosure of non-financial and diversity information and the Finnish Accounting Act as well as the information in accord with the current requirements of EU Taxonomy regulation. The information is disclosed in the Non-financial Information Statement. The required non-financial information is disclosed in the Corporate Governance Statement and the Review by the Board of Directors, whereas in our Sustainability Report, we respond to broader stakeholder expectations and respond to many requirements of international indices. The Board reviews and approves the sustainability reporting before it is published. We published our 2021 Annual Report and the included Sustainability Report on March 4, 2022 in PDF format on our website.

### Reporting principles and guidelines

Our financial reporting complies with the international IFRS accounting standards, and governance-related reporting complies with the legislation on listed companies and the Finnish Corporate Governance Code. The disclosure of environmental costs and liabilities is based on the Finnish Accounting Act. The reported financial indicators are based on audited information. The general guideline issued by the Accounting Board on the



preparation of review by the Board of Directors is followed in calculating the personnel-related figures. Calculations related to safety-related accident frequency rates comply with the calculation principles of Concawe (the oil companies' European association for environment, health and safety in refining and distribution). Changes to information disclosed in previous years or calculation principles are communicated in connection with the relevant indicators. In case restatements of information were made, these are communicated in connection with the relevant indicators. The definitions, calculation principles, and formulas of reported indicators are presented separately under "Principles for calculating the key indicators".

### Scope of the report

Similarly to the Annual Report, the reporting period of the Sustainability Report is our financial reporting year, January 1–December 31, 2022. The Sustainability Report is published annually. The safety and environmental reporting for 2022 covers the refineries in Finland and abroad in which the company has a holding of 50% or more. In addition, safety and environmental reporting covers

the company's terminals, offices, and country-specific retail companies in alignment with the financial reporting scope. The company does not report environmental information on sites in which the company only has a minor part of the premises of an office building in its use. The reporting of safety information also covers service providers and contractors. The average number of personnel includes all operations and acquisitions. Except for that, the reporting indicators do not cover Walco Foods due to ongoing integration process. Currently some of the employee indicators only partly cover Mahoney and Neste Demeter B.V. Individual exceptions are communicated in connection with the relevant indicators.

### Reporting systems

Neste collects environmental and safety information with the HSEQ reporting tool, which supports Neste's monthly and annual reporting. Personnel-related indicators are derived from the HR systems. The company also has other reporting tools for collecting information required for sustainability reporting.

# Performance in Figures Climate and the environment

	2022	2021	2020
Emission limits and overruns:			
Deviations from environmental permits	3	2	2
<b>Emissions into the air, tons <sup>1)</sup></b>			
Direct CO <sub>2</sub> emissions (scope 1)	2,075,000	1,828,000	2,149,000
Indirect GHG emissions (scope 2, location-based)	427,000	519,000	625,000
Indirect GHG emissions (scope 2, market-based)	391,000	509,000	736,000
Other indirect GHG emissions (scope 3)	42,000,000	35,000,000	48,000,000
Purchased goods and services	5,000,000	4,900,000	5,900,000
Fuel- and energy-related activities <sup>2)</sup>	<50,000	100,000	100,000
Upstream transportation and distribution <sup>3)</sup>	900,000	700,000	700,000
Waste generated in operations	400,000	200,000	100,000
Downstream transportation and distribution <sup>4)</sup>	700,000	500,000	700,000
Use of sold products	33,600,000	27,600,000	38,700,000
End-of-life treatment of sold products	1,100,000	1,300,000	1,600,000
VOC	3,160	3,170	3,430
NOX	1,150	1,090	1,410
SO <sub>2</sub>	2,430	2,850	3,470
Particulate matter	78	64	90
<b>Energy use</b>			
Total energy consumption, TWh	10.9	10.1	12.2
Fuels and natural gas, %	72.7	72.0	72.9
Purchased electricity, %	12.9	13.1	11.8
Purchased heat, %	14.3	14.9	15.3
Share of renewable energy of total energy consumption, %	17.8	11.6	7.2
Energy efficiency, energy saving measures, GWh	42.6	95.8	33
Energy intensity, total energy consumption per revenue, GWh/MEUR	0.4	0.7	1.0
<b>Water, m<sup>3</sup>/a</b>			
Total water withdrawal by source	8,604,000	9,263,000	8,557,000
Process water & other water use			
Surface water	7,839,000	7,927,000	8,283,000
Third-party water (municipal)	765,000	1,336,000	274,000
Total water discharge by destination	7,899,000	8,522,000	8,880,000
Surface water	141,000		
Seawater	7,241,000		
Third-party water (municipal)	517,000		

	2022	2021	2020
<b>Effluents to water, tons</b>			
Effluents of oil to water	0.5	0.6	1
Chemical oxygen demand	348	240	240
Effluents of nitrogen to water	19	31	68
Effluents of phosphorus to water	1	1.0	1.4
<b>Waste generated, tons <sup>5)</sup></b>			
Non-hazardous <sup>5)</sup>	35,000	23,900	36,352
Preparation for reuse	150	-	-
Recycling	3,000	-	-
Other recovery operations	23,000	-	-
Incineration (with energy recovery)	2,000	-	-
Incineration (without energy recovery)	550	-	-
Landfill	4,300	-	-
Other disposal operations	2,000	-	-
Hazardous <sup>5)</sup>	259,000	160,600	75,610
Preparation for reuse	160	-	-
Recycling	7,300	-	-
Other recovery operations	4,500	-	-
Incineration (with energy recovery)	70,700	-	-
Incineration (without energy recovery)	3,000	-	-
Landfill	11,500	-	-
Other disposal operations	162,000	-	-
Number and magnitude of significant releases	3 pc/1146 m <sup>3</sup>	3 pc/45m <sup>3</sup> + 10 tons	0
Carbon dioxide recovered, tons	126,600	130,400	134,200
Washing lye sold, tons	11,100	7,900	7,500

Calculation principles can be found on [page 115](#).

<sup>1)</sup> Scope 1 emissions reporting covers CO<sub>2</sub> emissions. Scope 2 and 3 emissions reporting covers GHG emissions and is reported as CO<sub>2</sub>e.

<sup>2)</sup> Only natural gas related emissions included.

<sup>3)</sup> Part of upstream transportation emissions are accounted in other categories.

<sup>4)</sup> Part of downstream transportation emissions are accounted in category 4.

<sup>5)</sup> Waste data is not fully comparable to last year's data as categories are updated to latest GRI standard. Total amount of waste increased due to amount of demolition waste from our Naantali site.

# Performance in Figures Climate and the environment

	2022	2021	2020
<b>Supply chain and raw materials</b>			
Use of global renewable raw material inputs, million tons <sup>6)</sup>	3.6	3.7	3.7
Share and use of waste and residues of global renewable raw material inputs <sup>6)</sup>	95% 3.4 Mt	92% 3.4 Mt	83% 3.1 Mt
GHG emission reduction achieved with Neste's renewable products compared to crude oil-based diesel, million tons <sup>7) 8)</sup>	11.1	10.9	10
GHG emission reduction with Neste's renewable diesel compared to crude oil-based diesel <sup>7) 8)</sup>	50–95%	50–90%	50–90%
Number of all renewable raw material suppliers	557	389	405
Share and use of certified palm oil from all palm oil use <sup>9)</sup>	100% 135kt	100% 236 kt	100% 454 kt
The number of CPO smallholders <sup>10)</sup>	0	13 227	14 403
The number of palm oil suppliers	4	6	6
The number of plantations	28	69	110
The number of palm oil mills	12	29	38
Average GHG emission reduction of palm oil based products <sup>7)</sup>	80%	80%	77%
The number of renewable raw material suppliers' sustainability assessments and their outcome <sup>11)</sup>	Total: 325 New approved suppliers: 223 All approved: 236 Pending: 74 Rejected: 15	Total: 223 New approved suppliers: 171 All approved: 186 Pending: 33 Rejected: 4	Total: 219 New approved suppliers: 120 All approved: 133 Pending: 65 Rejected: 21
Crude oil and fossil feedstock sources by region, million tons	12.7	10.1	14.0
Norway	7.1	1.3	1.7
Russia <sup>12)</sup>	3.1	7.8	9.5
USA	0.6	0.04	0.2
Other countries	1.9	1.0	2.6

Calculation principles can be found on [page 115](#).

<sup>6)</sup> The volumes are presented in millions of tons. The share of the volumes are calculated from exact figures and consequently the rounded figures presented may deviate from the share of volumes disclosed.

<sup>7)</sup> Calculation principle changed in 2022.

<sup>8)</sup> Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.

<sup>9)</sup> Contains the use of conventional palm oil that we have processed into renewable products and sold to market.

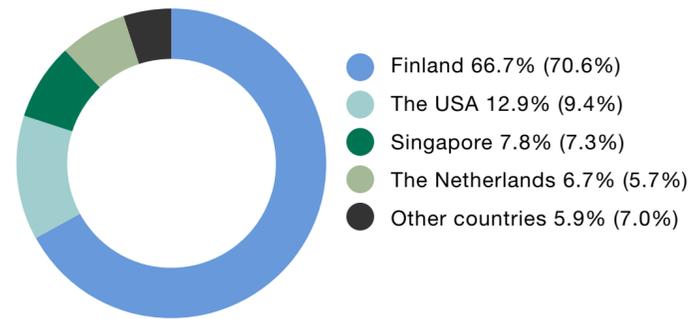
<sup>10)</sup> As we move towards our target of reducing the share of palm oil down to zero of our global renewable raw material input, there were no crude palm oil smallholders in our supply chain in 2022.

<sup>11)</sup> Figures include existing suppliers, which undergo a sustainability assessment process every 3–5 years. Supplier data includes only main contractual parties, excluding second-tier suppliers.

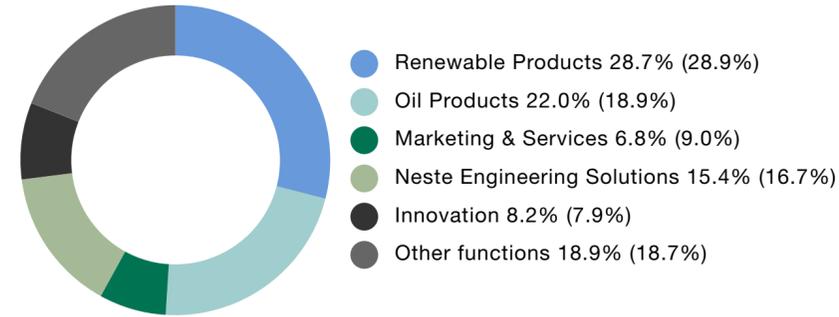
<sup>12)</sup> At the start of the war in Ukraine, Neste decided to stop using Russian crude oil entirely and started replacing it with other qualities. The last crude oil cargo with Russian origin was supplied to Neste in July 2022 and the supply contracts ended. Supply contracts for other fossil raw materials from Russia ended at the end of 2022.

# Performance in Figures **People**

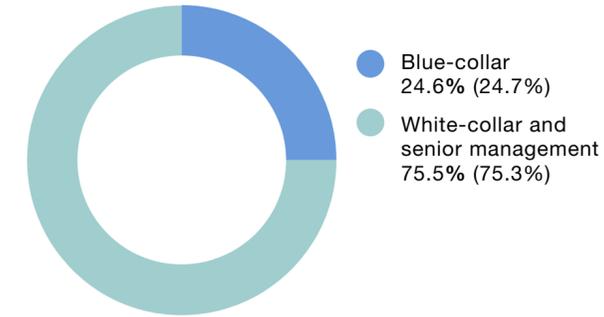
**Personnel by country**  
as of 31 December 2022, %



**Personnel by segment**  
as of 31 December 2022, %

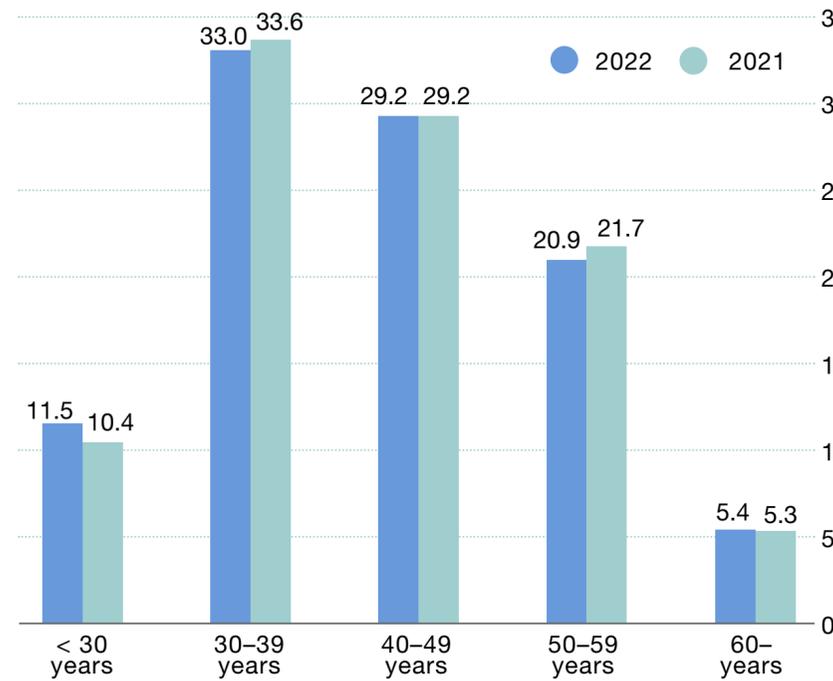


**Personnel by personnel group**  
as of 31 December 2022, %

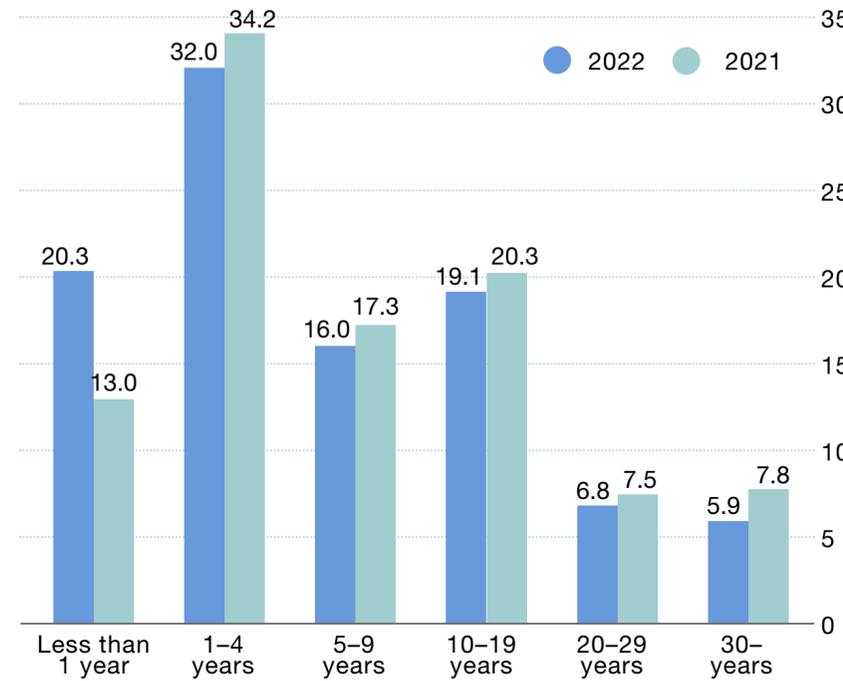


**Average number of personnel**  
**5,244**  
(4,872)

**Employee breakdown by age**  
as of 31 December 2022, %



**Employment length of employees**  
as of 31 December 2022, %



**Neste Personnel and Contractor Safety Performance**  
as of 31 December 2022

	2022	2021	2020
Total recordable injury frequency (TRIF) total	2.0	1.4	1.3
- TRIF own employees	0.8	1.1	1.1
- TRIF contractors	3.7	1.6	1.6
Lost workday injury frequency (LWIF) total	1.9	1.0	1.2
- LWIF own employees	0.7	1.1	1.0
- LWIF contractors	3.6	0.7	1.6
Process safety event rate (PSER) total	1.4	1.4	1.6
- PSER 1	0.6	0.6	1.0
- PSER 2	0.9	0.8	0.6
Safe Days	314	306	325
Fatalities	0	0	0

**Average training hours per employee**  
as of 31 December 2022

	Women	Men
All employees	15.2	22.6
Blue-collar	36.8	35.1
White-collar and senior management	14.3	16.1
Managers	22.2	20.9
Senior managers	5.8	10.3
Permanent	15.3	22.7
Temporary	13.5	20.5
Full-time	15.3	22.6
Part-time	12.9	27.1

# Performance in Figures **People**

## Employee distribution and turnover as of 31 December 2022, %

	Total		Finland		USA		Singapore		The Netherlands		Other countries	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
All employees	32.2	67.8	34.7	65.3	24.3	75.8	27.8	72.2	17.7	82.3	44.1	55.9
- under 30	4.2	7.3	4.6	7.3	3.1	9.8	4.7	5.7	1.7	8.3	4.7	2.8
- 30–50	19.9	42.3	20.9	40.5	14.7	43.7	19.5	53.4	11.9	47.2	28.4	39.4
- over 50	8.2	18.2	9.2	17.5	6.4	22.3	3.5	13.2	4.1	26.8	10.9	13.8
Hiring rate of permanent employees, all	20.5	17.33	15.4	10.8	47	39.8	35	21.6	34.9	26.2	14	11.8
Proportion of permanent hires	35.9	64.1	43.1	56.9	27.2	72.8	38.7	61.3	22.2	77.8	47.5	52.5
- under 30	3.8	6.7	4.1	6.4	3.2	9.9	4.8	5.7	1.7	8.4	4.1	2.9
- 30–50	20.1	42.8	21.3	41.1	14.6	43.7	19.9	53.8	11.8	47.1	28.3	39.8
- over 50	8.3	18.4	9.4	17.8	6.3	22.4	3.4	12.4	4.2	26.9	10.8	14
Leaving rate of permanent employees, all	9.7	10.5	8.8	8.2	15.5	23.2	6.8	9.6	7.9	6.1	14	10.7
Proportion of permanent leavers	30.4	69.6	36.3	63.7	17.5	82.6	21.6	78.4	21.7	78.3	50	50
- under 30	3.7	8.1	4.1	3.7	3.4	17.5	5.4	8.1	0	8.7	2.6	5.3
- 30–50	17.9	42.1	21	39.3	8.1	43	13.5	62.2	17.4	65.2	36.8	26.3
- over 50	8.9	19.4	11.2	20.7	6	22.2	2.7	8.1	4.4	4.4	10.5	18.4
Permanent employees	31.5	66.4	33.8	63.6	24	75.6	27.5	70.8	17.4	81.2	42.5	55.6
Temporary employees	0.8	1.4	0.9	1.7	0.3	0.1	0.2	1.4	0.3	1.1	1.6	0.3
Full-time employees	30.9	67	33.3	64.6	23.8	75.3	27.8	72	14.1	79.3	42.2	55.6
Part-time employees	1.4	0.7	1.4	0.7	0.4	0.4	0	0.2	3.6	3	1.9	0.3

## Information on employees and governance bodies by gender ratio as of 31 December 2022, %

	Women		Men	
	2022	2021	2022	2021
All employees	32.2	31.5	67.8	68.5
Blue-collar	1.3	1.2	23.3	23.6
White-collar and senior management	30.9	30.3	44.5	45.0
Managers	31.1	30.3	68.9	69.7
Senior managers	27.7	25.9	72.3	74.1
Neste Executive Committee	25.0	25.0	75.0	75.0
Board of Directors	33.3	25.0	66.7	75.0
Permanent	31.5	30.6	66.4	67.0
Temporary	0.8	0.9	1.4	1.6
Full-time	30.9	30.1	67.0	67.7
Part-time	1.4	1.3	0.7	0.9

# GRI Content Index

Neste Oyj has reported in accordance with the GRI Standards for the period 1 January–31 December 2022.

GRI Standards Disclosure	Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 1 Foundation			
GRI 11 Oil & Gas Sector Standard			
GRI 2: General Disclosures 2021			
1. The organization and its reporting practices			
2-1 Organizational details	<a href="#">22–23</a>	HQ in Espoo, Finland. Countries of operations: Finland, Australia, Belgium, China, Estonia, Germany, Ireland, Italy, Latvia, Lithuania, the Netherlands, Singapore, Sweden, Switzerland, the USA (R)	
2-2 Entities included in the organization’s sustainability reporting	<a href="#">98–99</a>		
2-3 Reporting period, frequency and contact point	<a href="#">98–99</a>	Sustainability, Safety and Environment contacts	
2-4 Restatements of information	<a href="#">98–99</a>		
2-5 External assurance	<a href="#">117–118</a>		
2. Activities and workers			
2-6 Activities, value chain and other business relationships	<a href="#">8–9</a> , <a href="#">86–97</a> , <a href="#">155–158</a>	In 2022 Neste acquired Walco Foods. Neste now holds all their shares. Neste's wholly-owned subsidiary Neste Engineering Solutions Oy was merged into Neste Corporation. The transaction to establish a joint operation with Marathon Petroleum in the United States was finalized. The divestment of Neste's base oils business to Chevron was completed. (R)	
2-7 Employees	<a href="#">102–103</a> , <a href="#">116</a>	Neste reports only total number of employees. (O)	
2-8 Workers who are not employees	<a href="#">56</a>	The consolidation of worker information is being reviewed. (O)	
3. Governance			
2-9 Governance structure and composition	<a href="#">48–49</a> , <a href="#">120–127</a> , <a href="#">131–134</a>		
2-10 Nomination and selection of the highest governance body	<a href="#">120–123</a>		
2-11 Chair of the highest governance body	<a href="#">124</a> , <a href="#">125</a>		
2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">48–49</a>		
2-13 Delegation of responsibility for managing impacts	<a href="#">48–49</a> , <a href="#">157</a>		
2-14 Role of the highest governance body in sustainability reporting	<a href="#">48–49</a> , <a href="#">157</a>	The Sustainability Report is reviewed by the senior executives and the highest governance body. Sustainability information, including the material topics, are also disclosed in the Board Review's Non-Financial Information statement. (R)	
2-15 Conflicts of interest	<a href="#">120–123</a>		
2-16 Communication of critical concerns	<a href="#">39</a> , <a href="#">50</a> , <a href="#">170</a>		
2-17 Collective knowledge of the highest governance body	<a href="#">48–49</a> , <a href="#">106</a>		
2-18 Evaluation of the performance of the highest governance body	<a href="#">123</a>		
2-19 Remuneration policies	<a href="#">140–146</a>		
2-20 Process to determine remuneration	<a href="#">140–146</a>		
2-21 Annual total compensation ratio	<a href="#">146</a>		

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
4. Strategy, policies and practices				
2-22	Statement on sustainable development strategy	4–6		
2-23	Policy commitments	48–49, 81–85, 86–97, 98–99, 157–170, <u>Neste Policies and Principles</u>		
2-24	Embedding policy commitments	48–49, 81–85, 86–97, 98–99, 157–170, <u>Neste Policies and Principles</u>		
2-25	Processes to remediate negative impacts	81–85, 157–170		
2-26	Mechanisms for seeking advice and raising concerns	50, 82, 89, 131–132, 167, 170		
2-27	Compliance with laws and regulations		No significant instances. (R)	
2-28	Membership associations	41–43, <u>Involvement in organizations and joint projects</u>		
5. Stakeholder engagement				
2-29	Approach to stakeholder engagement	29–30, 40–46		
2-30	Collective bargaining agreements		3,743 persons, 69% (R)	
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	29–30		
3-2	List of material topics	29–34		
3-3	Management of material topics	40–46, 48–49, 50, 51–54, 55–57, 61–65, 66–73, 74–80, 81–85, 86–97, 165		11.1.1, 11.2.1, 11.3.1, 11.4.1, 11.5.1, 11.6.1, 11.7.1, 11.8.1, 11.9.1, 11.10.1, 1.11.1, 11.12.1, 11.13.1, 11.14.1, 11.15.1, 11.16.1, 11.17.1, 11.18.1, 11.19.1, 11.20.1, 11.21.1, 11.22.1
GRI 200: Economic				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	47, <u>Value creation</u>		11.14.2 & 11.21.2
201-2	Financial implications and other risks and opportunities due to climate change	58–73, 165–166, 182–183		11.2.2
201-4	Financial assistance received from government	153, 200		11.21.3
GRI 202: Market Presence 2016				
202-2	Proportion of senior management hired from the local community		Neste is currently assessing the materiality of this indicator. Neste provides equal employment opportunities for all applicants and employees. This applies to all areas of employment. (O)	11.11.2 & 11.14.3
GRI 203: Indirect Economic Impacts 2016				
203-1	Infrastructure investments and services supported	32, 46, 47, 208–209		11.14.4
203-2	Significant indirect economic impacts	47		11.4.5

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 204: Procurement practices 2016				
204-1	Proportion of spending on local suppliers		Data undisclosed due to business sensitivity. Neste is committed to operating with integrity towards its suppliers and treating them fairly, and equally, always based on objective factors and excluding personal preferences or interest. Neste aims for long-term and mutually beneficial business relationships with our key suppliers. Neste welcomes innovations and are always open for feedback from suppliers. (O)	11.14.6
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	<u>170</u>	Neste regularly assesses its operations' risks including ia. risks of corruption and bribery. Numeric data not applicable. (R/O)	
205-2	Communication and training about anti-corruption policies and procedures	<u>50, 87–88, 170</u>	Neste Board Audit Committee receives regular updates on Neste compliance program and compliance activities, including such related to anti-corruption. In 2022, all members of Neste Board of Directors completed the Code of Conduct (CoC) e-learning. Neste's Anti-corruption Principle and related guidance is available in Neste's global intranet and further communicated and trained via anti-corruption e-learning issued to all office workers, and regular newsletters. Neste ExCo members and targeted employees are required to complete an Annual Compliance Acknowledgement confirming their compliance with i.a. the CoC and Anti-corruption Principle. In connection with the CoC renewal in 2021, we also renewed the CoC e-learning. The e-learning, mandatory for all Neste employees, was first issued to all office workers in 2021 and to the rest of the organization in 2022. It achieved a completion rate of 95% by the end of 2022. The CoC e-learning is part of global induction training and therefore, the completion fluctuates. We also require our suppliers and other business partners to comply with applicable laws and expect them to follow equivalent ethical business standards as stated in the CoC (including zero tolerance to corruption), as further described in our Supplier Code of Conduct. We are continuously developing our anti-corruption training processes and aspire to extend the reporting with the remaining indicator requirements related to training when applicable. (R/O)	11.20.3
205-3	Confirmed incidents of corruption and actions taken	<u>39, 50,170</u>	No confirmed incidents during the reporting period. (R)	11.20.4
GRI 206: Anti-competitive Behaviour 2016				
206-1	Legal actions for anticompetitive behavior, anti-trust, and monopoly practices		No cases during the reporting period. (R)	11.19.2
GRI 207: Tax 2019				
207-1	Approach to tax	<u>Neste's tax footprint</u>		11.21.4
207-2	Tax governance, control, and risk management	<u>Neste's tax footprint</u>		11.21.5
207-3	Stakeholder engagement and management of concerns related to tax	<u>Neste's tax footprint</u>		11.21.6
207-4	Country-by-country reporting	<u>Neste's tax footprint</u>	Neste discloses tax information for countries representing 90% of the external revenue of the group. (O)	11.21.7
GRI 300: Environmental				
GRI 301: Materials				
Neste indicator	Volume of liquefied waste plastic processed (t/a)	<u>38, 95</u>		
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	<u>35, 79, 100, 115</u>		11.1.2
302-2	Energy consumption outside of the organization		Neste is assessing potential relevant energy consumptions in the value chain. Across Neste's value chain, the majority of energy use outside the organization is estimated to occur through the use of products sold by Neste. (R/O)	11.1.3
302-3	Energy intensity	<u>100, 115</u>		11.1.4
302-4	Reduction of energy consumption	<u>35, 79, 100, 115</u>	Energy savings consist of different initiatives in our production covering steam and cooling. (R)	

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 303: Water and effluents 2018				
303-1	Interactions with water as a shared resource	<a href="#">80</a>		11.6.2
303-2	Management of water discharge-related impacts	<a href="#">80</a> , <a href="#">115</a>		11.6.3
303-3	Water withdrawal	<a href="#">80</a> , <a href="#">100</a> , <a href="#">115</a>	Neste is reviewing the GRI reporting on water categories including certain amount of total dissolved solids (O).	11.6.4
303-4	Water discharge	<a href="#">80</a> , <a href="#">100</a> , <a href="#">115</a>		11.6.5
303-5	Water consumption	<a href="#">80</a> , <a href="#">100</a> , <a href="#">115</a>		11.6.6
GRI 304: Biodiversity 2016				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<a href="#">25</a> , <a href="#">74–79</a>	Protected areas owned within Naantali production area in Finland. The protected area is 3 hectares of high biodiversity value. (R)	11.4.2
304-2	Significant impacts of activities, products, and services on biodiversity	<a href="#">74–79</a>	Neste is developing its biodiversity work consistently, and will be proceeding with the company's biodiversity vision in the following years. Details in accordance with the indicator requirements will be reported as the work is progressing and impacts are further mapped. (O)	11.4.3
304-3	Habitats protected or restored	<a href="#">25</a> , <a href="#">74–79</a>		11.4.4
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	<a href="#">74–79</a>	The information on species not disclosed due to ongoing review of the reporting requirements globally. (O)	11.4.5
GRI 305: Emissions 2016				
305-1	Direct (scope 1) GHG emissions	<a href="#">35</a> , <a href="#">98–99</a> , <a href="#">100</a> , <a href="#">115</a>		11.1.5
305-2	Energy indirect (scope 2) GHG emissions	<a href="#">35</a> , <a href="#">98–99</a> , <a href="#">100</a> , <a href="#">115</a>		11.1.6
305-3	Other indirect (scope 3) GHG emissions	<a href="#">100</a> , <a href="#">115</a>		11.1.7
305-4	GHG emissions intensity	<a href="#">35</a> , <a href="#">72</a>	Emissions used in the calculation: scope 3 Use of sold products. (R)	11.1.8
305-5	Reduction of GHG emissions	<a href="#">35</a> , <a href="#">58–73</a>		11.2.3
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<a href="#">100</a> , <a href="#">115</a>	Neste considers the reported emissions as significant. (R/O)	11.3.2
GRI 306: Effluents and Waste 2016				
306-3	Significant spills	<a href="#">80</a> , <a href="#">100</a>	No significant environmental impacts identified. (R)	11.8.2
GRI 306: Waste 2020				
306-1	Waste generation and significant waste-related impacts	<a href="#">79</a>		11.5.2
306-2	Management of significant waste-related impacts	<a href="#">79</a> , <a href="#">95</a> , <a href="#">100</a>		11.5.3
306-3	Waste generated	<a href="#">100</a> , <a href="#">115</a>		11.5.4
306-4	Waste diverted from disposal	<a href="#">100</a>		11.5.5
306-5	Waste directed to disposal	<a href="#">100</a>		11.5.6
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	<a href="#">86–90</a>	99.4 % of Neste's renewable raw material suppliers and all oil product suppliers screened using environmental criteria. Indirect procurement proportions reporting development proceeding. More on their screening processes in the report. (R/O)	
GRI 400: Social				

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	<a href="#">37</a> , <a href="#">47</a> , <a href="#">52</a> , <a href="#">103</a>		11.10.2
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Neste's temporary and part-time employees are not excluded from the benefits that are provided to the full-time employees in Finland. Reporting will be extended to other significant locations in the coming years. Neste complies with minimum local regulations and with local variations most often beyond. (R/O)	11.10.3
401-3	Parental leave		All Neste employees are entitled to parental leave at a minimum according to the local legislation. All together 268 employees took parental leave in 2022. Other data not disclosed due to developing the data needs for the new indicator. (R/O)	11.10.4 & 11.11.3
GRI 402: Labor/Management Relations 2016				
402-1	Minimum notice periods regarding operational changes		Neste follows the local laws and when applicable, bargaining agreements regarding operational changes. (R)	11.7.2 & 11.10.5
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	<a href="#">55–57</a>		11.9.2
403-2	Hazard identification, risk assessment, and incident investigation	<a href="#">55–57</a>	Neste Hazard Identification and Risk Assessment Principle includes processes and policies for workers to report hazardous situations and also instructions how to remove themselves from these types of situations. The principle describes minimum safety requirements for operating and maintenance procedures as well as safe work practises. Key common requirements include the Process Hazard analysis standard consisting of standards for process risk classification, process safety information and work risk management. (R)	11.9.3
403-3	Occupational health services	<a href="#">55–57</a>		11.9.4
403-4	Worker participation, consultation, and communication on occupational health and safety		OEMS Safety Leadership Principle sets requirements for Businesses to engage workforce for Health and Safety issues in various groups, development of work practices, investigation of incidents and risk assessments throughout Neste globally. Practices and fulfilling of requirements are followed through OEMS audit practices. In addition to Safety Leadership Principle the local statutory requirements are identified and followed to engage personnel in Health and Safety issues. (R)	11.9.5
403-5	Worker training on occupational health and safety	<a href="#">55–57</a>		11.9.6
403-6	Promotion of worker health	<a href="#">41–43</a> , <a href="#">53</a>		11.9.7
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">55–57</a>		11.9.8
403-8	Workers covered by an occupational health and safety management system	<a href="#">56</a>		11.9.9
403-9	Work-related injuries	<a href="#">56</a> , <a href="#">102</a> , <a href="#">115–116</a>	We have defined our Life Saving Rules based on the high-risk activities which have caused fatalities and serious injuries at Neste and in the Industries. The purpose of the Life Saving Rules (Working at heights, Confined spaces, Equipment isolation, Work permit and Traffic hazards) is to help save lives and prevent serious injuries. In addition to Life Saving Rules related injuries we monitor comprehensively factors related injuries such as lenght of absence, injury types etc. In 2022 we had TRIF 2.0 which was way above our target. Majority (23 of 30) of injuries happened to contractors. In 2022 we did not have any injury that would have resulted permanent effect on health. All together we had four cases which resulted in long absences from work. Main injury types slips, strips and falls, cuts and scratches or overexertions caused by single straining motion at work, are the same both in employees and contractors. Total amount of working hours was circa 8 600 000 hours for employees and 6 170 000 hours for contractors. (R)	11.9.10
403-10	Work-related ill health	<a href="#">56</a> , <a href="#">102</a> , <a href="#">115–116</a>	Neste records all work-related injuries. Occupational diseases are recorded separately. Neste has defined and implements practices in the Operations Excellence Management System (OEMS) to minimize hazards and to mitigate risks relating to any work-related ill health or injuries. (R/O)	11.9.11

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 404: Training and Education 2016				
404-1	Average hours of training per year per employee	<a href="#">102</a>		11.10.6 & 11.11.7
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">41–43</a> , <a href="#">47</a> , <a href="#">52–53</a>		11.7.3 & 11.10.7
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	<a href="#">37</a> , <a href="#">47</a> , <a href="#">54</a> , <a href="#">103</a> , <a href="#">123</a>		11.11.4
405-2	Ratio of basic salary and remuneration of women to men		Women's mean basic salary in relation to men's by pay grade and employee category in Finland: blue-collars 92%-100% and whitecollars 86%-103%. Finland is reported as it is significant with over 67% weight of employees in total personnel. (R)	11.11.5
GRI 406: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	<a href="#">39</a> , <a href="#">170</a>		11.11.6
GRI 407: Freedom of Association and Collective Bargaining 2016				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">Neste Human Rights Commitment</a> <a href="#">Human Rights Principle</a> <a href="#">Neste Supplier Code of Conduct</a> <a href="#">Neste Modern Slavery Statement</a>	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks to freedom of association and collective bargaining. The Neste Supplier Code of Conduct includes a minimum requirement to recognise and respect employees' right to organize freely and bargain collectively. Specific operations and geographic areas not disclosed publicly. (R)	11.13.2
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk of incidents of child labor	<a href="#">81–85</a> <a href="#">Neste Human Rights Commitment</a> <a href="#">Human Rights Principle</a> <a href="#">Neste Supplier Code of Conduct</a> <a href="#">Neste Modern Slavery Statement</a>	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks of child labor. The Neste Supplier Code of Conduct includes minimum requirements regarding child labor. Further details regarding management approach, high risk operations and supply chains, and measures taken by Neste to assess and address child labor risks available in Neste's annual Modern Slavery Statement. (R)	
GRI 409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	<a href="#">81–85</a> <a href="#">Neste Human Rights Commitment</a> <a href="#">Human Rights Principle</a> <a href="#">Neste Supplier Code of Conduct</a> <a href="#">Neste Modern Slavery Statement</a>	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks of forced labor. The Neste Supplier Code of Conduct includes minimum requirements regarding forced and compulsory labor. Further details regarding management approach, high risk operations and supply chains, and measures taken by Neste to assess and address forced labor risks available in Neste's annual Modern Slavery Statement. (R)	11.12.2
GRI 410: Security Practices 2016				
410-1	Security personnel trained in human rights policies or procedures		100% of Neste group security personnel have received formal training on Neste human rights policies through Neste's Code of Conduct e-learning. (R)	11.11.6

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 411: Rights of Indigenous Peoples 2016				
411-1	Incidents of violations involving rights of indigenous peoples		Neste respects the rights of Indigenous Peoples set out in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and carries out due diligence to avoid infringing on human rights. In 2022, there were 0 incidents of violations involving the rights of Indigenous peoples reported via Neste's available reporting channels, including Ethics Online. (R)	11.17.2
GRI 412: Human Rights Assessment 2016				
(412-1)	Operations that have been subject to human rights reviews or impact assessments		All Neste operations reviewed as part of our 2022 corporate-wide human rights saliency assessments to evaluate the risk of Neste being associated with or complicit in adverse human rights impacts. We assess country risk using a bespoke, industry leading, country risk assessment methodology from Maplecroft to map sustainability risks for the countries in which we operate and have supply chains. (R)	
(412-2)	Employee training on human rights policies or procedures		In 2022, 1,390 (1,076) hours were used for training on human rights policies and processes relevant to Neste's business operations and supply chains. 51% (77%) of Neste employees were trained on topics related to Neste's human rights policies and processes during 2022. 86% of the new employees hired in 2022 were trained on topics related to Neste's human rights policies and processes. (R)	
GRI 204: Procurement Practices 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	<a href="#">43</a> , <a href="#">75–80</a> , <a href="#">81–85</a> Human Rights Principle	Neste is developing its community impact and engagement mechanisms in line with commitments set out in our Human Rights Principle. Details in accordance with the indicator requirements will be reported as the work progresses. (O)	11.15.2
413-2	Operations with significant actual and potential negative impacts on local communities	<a href="#">43</a> , <a href="#">75–80</a> , <a href="#">81–85</a> Human Rights Principle	Neste is developing its community impact and engagement mechanisms in line with commitments set out in our Human Rights Principle. Details in accordance with the indicator requirements will be reported as the work progresses. (O)	11.15.3
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	<a href="#">47</a> , <a href="#">86–90</a>	99.4 % of Neste's renewable raw material suppliers and all oil product suppliers screened using social criteria. Indirect procurement proportions reporting development proceeding. More on their screening processes in the report. (R/O)	11.10.6 & 11.12.3
414-2	Negative social impacts in the supply chain and actions taken		102 actions initiated to advance supply chain workers' human and labor rights in Neste raw material supplier sustainability audits. (R)	11.10.9
GRI 415: Public Policy 2016				
415-1	Political contributions		Neste does not make political contributions. (R)	11.22.2
GRI 416: Customer Health and Safety 2016				
416-1	Assessment of the health and safety impacts of product and service categories	<a href="#">57</a>	Neste has assessed all (100%) of its products according to health and environmental impacts. This is a regulatory requirement for chemicals. Results of these assessments are documented in eg. the chemical safety data sheet that is supplied to customers. Also the feedstock used in manufacturing of Neste products are assessed for health and safety impacts. (R)	11.3.3
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents of non-compliance with the indicator requirements (R)	
GRI 417: Marketing and Labeling 2016				
417-3	Incidents of non-compliance concerning marketing communications		Four legal actions in Lithuania of which two were closed during 2022 and resulted in no fines. The remaining two cases have been responded to and are pending. A RCC complaint in the Netherlands was dismissed by the Advertising Code Committee during 2022. (R)	
Innovation and Partnerships				
Neste indicator	Research and development expenditure	<a href="#">38</a> , <a href="#">172</a>		11.22.2
Neste indicator	Number of granted patents and pending patent applications	<a href="#">38</a> , <a href="#">47</a>		
Neste indicator	Collaborations with research institutions and universities	<a href="#">38</a>		

# TCFD Recommendations Disclosure

TCFD Recommendations Disclosure		Location in the report
<b>Governance</b> Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate related risks and opportunities.	<a href="#">48–50</a> , <a href="#">137</a> , <a href="#">157</a>
	b) Describe management's role in assessing and managing climate related risks and opportunities.	<a href="#">48–50</a> , <a href="#">137</a> , <a href="#">157</a>
<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<a href="#">58–60</a> , <a href="#">138–139</a> , <a href="#">165–166</a> , <a href="#">182–183</a>
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<a href="#">8–9</a> , <a href="#">12–16</a> , <a href="#">47</a> , <a href="#">58–60</a> , <a href="#">165–166</a> , <a href="#">182–183</a>
	c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	<a href="#">58–60</a> , <a href="#">165–166</a> , <a href="#">182–183</a>
<b>Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	<a href="#">49</a> , <a href="#">136–139</a> , <a href="#">157</a> , <a href="#">165–166</a>
	b) Describe the organization's processes for managing climate-related risks.	<a href="#">49</a> , <a href="#">136–139</a> , <a href="#">157</a> , <a href="#">165–166</a>
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<a href="#">49</a> , <a href="#">136–139</a> , <a href="#">157</a> , <a href="#">165–166</a>
<b>Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<a href="#">25</a> , <a href="#">35–39</a> , <a href="#">47</a> , <a href="#">58–73</a> , <a href="#">79–80</a> , <a href="#">100–101</a> , <a href="#">115–116</a> , <a href="#">140</a> , <a href="#">158–164</a>
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	<a href="#">100</a> , <a href="#">35</a> , <a href="#">66–73</a> , <a href="#">115–116</a>
	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	<a href="#">25</a> , <a href="#">35–39</a> , <a href="#">47</a> , <a href="#">58–73</a> , <a href="#">79–80</a>

# SASB Content Index

Neste disclosure of SASB Sustainability Accounting Standards for Oil and Gas Refining and Marketing

Code	Accounting metric	Unit of measure	Location in the report or our webpage	Additional SASB reporting information Reporting (R) / Omission (O)
<b>GHG Emissions</b>				
EM-RM-110a.1	Gross global scope 1 emissions, percentage covered under emissions-limiting regulations	Metric tons (t) CO <sub>2</sub> e, Percentage (%)	<a href="#">100</a> , <a href="#">115</a>	98% covered under EU ETS. (R)
EM-RM-110a.2	Discussion of long-term and short-term strategy or plan to manage scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	n/a	<a href="#">35</a> , <a href="#">58–73</a>	
<b>Air Quality</b>				
EM-RM-120a.1	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) particulate matter (PM <sub>10</sub> ), (4) H <sub>2</sub> S, and (5) volatile organic compounds (VOCs)	Metric tons (t)	<a href="#">100</a> , <a href="#">115</a>	
EM-RM-120a.2	Number of refineries in or near areas of dense population	Number		All 3 Neste refineries in 2022 located in near areas (within 49km) of an urbanized area. (R)
<b>Water management</b>				
EM-RM-140a.1	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	<a href="#">100</a> , <a href="#">115</a>	Neste's water withdrawal from areas with water stress is not significant and seen as not material. Percentage for recycled water is not calculated separately, as most of the water withdrawn for cooling is discharged back to the source in similar condition as when withdrawn. (R)
EM-RM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	<a href="#">80</a>	No incidents of non-compliance associated with water quality permits, standards, and regulations.
<b>Hazardous Materials Management</b>				
EM-RM-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	<a href="#">100</a>	259,000 metric tons (t), recycled 5% (R)
EM-RM-150a.2	(1) Number of underground storage tanks (USTs), (2) number of UST releases requiring cleanup, and (3) percentage in states with UST financial assurance funds	Number, Percentage (%)		25 underground storage tanks for petroleum products. No UST releases. Reporting based on Neste's environmental permits. (R)
<b>Workforce Health and safety</b>				
EM-RM-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Rate	<a href="#">57</a> , <a href="#">102</a> , <a href="#">115–116</a>	(1) and (2) Neste reports the most relevant OHS performance figures in its own operations (TRIF, LWIF, PSEER, Safe Days, Fatalities). (3) NMFR 127. (R)
EM-RM-320a.2	Discussion of management systems used to integrate a culture of safety	n/a	<a href="#">55–57</a> , <a href="#">108</a>	
<b>Product Specifications &amp; Clean Fuel Blends</b>				
EM-RM-410a.1	Percentage of Renewable Volume Obligation (RVO) met through: (1) production of renewable fuels, (2) purchase of separated renewable identification numbers (RIN)	Percentage (%)		(1) 0%, (2) 100%. (R)
EM-RM-410a.2	Total addressable market and share of market for advanced biofuels and associated infrastructure	Reporting currency, Percentage (%)	<a href="#">14</a> , <a href="#">150</a>	
<b>Pricing Integrity &amp; Transparency</b>				

<b>Code</b>	<b>Accounting metric</b>	<b>Unit of measure</b>	<b>Location in the report or our webpage</b>	<b>Additional SASB reporting information Reporting (R) / Omission (O)</b>
EM-RM-520a.1	Total amount of monetary losses as a result of illegal proceedings associated with price fixing or price manipulation	Reporting currency, Percentage (%)		No legal proceedings.
<b>Management of the Legal &amp; Regulatory Environment</b>				
EM-RM-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	n/a	44–45, 60, 65, 66–73, 81–85, 92–93, 114, 138, 157, 165–166, position statement	
<b>Critical Incident Risk Management</b>				
EM-RM-540a.1	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1) and lesser consequence (Tier 2)	Rate	102, 115–116	Neste reports PSER1 and PSER2 rates as described in Principles for calculating the key indicators
EM-RM-540a.2	Challenges to Safety Systems indicator rate (Tier 3)	Rate		Rate 71.2. Tier 3 Challenges to Safety Systems indicator are included in Neste's PSE3 that we report. (R)
EM-RM-540a.3	Discussion of measurement of Operating Discipline and Management System Performance through Tier 4 Indicators	n/a	55–57	Process safety management system weaknesses that may cause in the future PSE1 or PSE2 events. They are reported as part of PSE4 indicator at Neste.
<b>Code</b>	<b>Activity metrics</b>	<b>Unit of measure</b>	<b>Location in the report or our webpage</b>	<b>Additional SASB reporting information</b>
EM-RM-000.A	Refining throughput of crude oil and other feedstocks	Barrels of oil equivalent (BOE)		Oil Products 88 MMBOE (R)
EM-RM-000.B	Refining operating capacity	Million barrels per calendar day (MBPD)	15	Oil Products 0.25 MBPD (R)

# UN Guiding Principles Reporting Framework Index

Section of the Framework	Location in annual report or website	Page location in 2021 Modern Slavery Statement <sup>1)</sup>
<b>PART A: Governance of Respect for Human Rights</b>		
A1 Policy Commitment		
A1	p. 81–83; <u>Neste Human Rights Principle</u> .	7
A1.1	p. 83; In 2022 we conducted a major review and update of the <u>Neste Human Rights Principle</u> , informed by extensive consultation with both internal and external stakeholders. It received final review and approval by Neste's CEO, based on the endorsement of the Neste Executive Committee.	7
A1.2	All of Neste's rights-holders as defined on p.13 of the <u>Neste Human Rights Principle</u>	
A1.3	p. 36, 85; 87; 89; 110; <u>Neste Human Rights Principle</u> is published on our company website and internally accessible on the Neste intranet. It is communicated to employees via e-learning, and to business partners via <u>Neste's Supplier Code of Conduct Guidance</u> and capacity building workshops.	9, 17, 18
A2 Embedding Respect for Human Rights		
A2	p. 27, 48–49, 81–85, <u>NBNHR Joint Statement</u> , <u>Neste Human Rights Principle</u> (p.9–10)	3, 7, 19, 20
A2.1	Described under section 6.1 of the <u>Neste Human Rights Principle</u> (p.9–10)	7
A2.2	p. 48–49, 83, <u>Neste Human Rights Principle</u> (p. 9–10)	22
A2.3	p. 85, 87, 89, <u>Neste Code of Conduct</u> (p. 7)	7, 9, 16–18
A2.4	p. 81–85, 87–90, <u>Neste's Supplier Code of Conduct Guidance</u> (p. 13–21)	9, 12–15, 17–18
A2.5	p. 81–85, 88, 90	p. 7–9, 11–12, 14, 16–19, 21–22
<b>PART B: Defining the Focus of Reporting</b>		
B1 Statement of salient issues	p. 83; <u>Neste Human Rights Principle</u> (p. 2–9)	p. 8
B2 Determination of salient issues	p. 83	p. 8
B3 Geographical focus	N/A	p. 10–11
B4 Additional severe impacts	N/A	N/A

## UN Guiding Principles Reporting Framework Index

The UN Guiding Principles Reporting Framework provides comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights. For full details on the framework, please visit [www.ungpreporting.org](http://www.ungpreporting.org)

Section of the Framework	Location in annual report or website	Page location in 2021 Modern Slavery Statement <sup>1)</sup>
<b>PART C: Management of Salient Human Rights Issues</b>		
C1 Specific Policies		
C1	Neste Human Rights Principle, Code of Conduct, Supplier Code of Conduct, Sustainability Policy, Sustainability Principle, Responsible Sourcing Principle, People Policy, Equality and Non-Discrimination Principle, Misconduct Investigation Standard, Neste Life Saving Rules, Operations Excellence Policy, Operational Safety Principle, Occupational Health Principle, Reproductive Health Standard, Privacy Principle, Cyber Security Principle	p.7–9
C1.1	p. 53–54, 56–57, 82–85	p. 17–18
C2 Stakeholder Engagement		
C2	p. 29–30, 40–43, 46, 53, 56, 82–85, 93 <u>Neste Human Rights Principle</u> (p.11)	p. 16, 19–21
C2.1	p. 29–30, 40–43, 46, 53, 56, 82–85, 93 <u>Neste Human Rights Principle</u> (p.11)	p. 16, 19–21
C2.2	p. 29–30, 40–43, 46, 53, 56, 82–85, 93	p. 16, 19–21
C2.3	p. 29–30, 37, 40–43, 46, 53, 56, 82–85, 93	p. 10–11, 16, 19–21
C3 Assessing Impacts		
C3	p. 36–39, 56–57, 82–85, 88–89, 90, 131	p. 8, 10–14, 21
C3.1	p. 36–39, 56–57, 82–85, 88–89	p. 14, 16
C3.2	p. 39, <u>Renewable Raw Material Grievance Log</u>	
C4 Integrating Findings and Taking Action		
C4	p. 82	p. 10–16
C4.1	Cross-functional collaboration e.g. 48–49, 54, 81–85	p. 7, 11
C4.2	p. 82, 89, <u>Neste Human Rights Principle</u> sec.5.7.1 (p .8)	p. 11,15
C4.3	p. 56, 81–91	p. 7–21
C5 Tracking Performance		
C5	p. 36–39, 56–57, 81–85, 88–89, 90	p. 14, 16, 21
C5.1	p. 36–39, 56–57, 81–85, 88–89, 90	p. 14, 16, 21
C6 Remediation		
C6	p. 82, 84, 89, 131–132, <u>Neste Human Rights Principle</u> (p. 7)	p. 9, 15, 16, 21
C6.1	p. 82, 84, 89, 131–132	p. 9, 15, 16, 21
C6.2	p. 39, <u>Singapore Expansion</u> , <u>Renewable Raw Material Grievance Log</u>	p. 16, 21
C6.3	p. 39, 82, 89, 131–132 <u>Grievance Process</u> ; <u>Singapore Expansion</u> , <u>Renewable Raw Material Grievance Log</u> , <u>Neste Human Rights Principle</u> (p. 7)	p. 9, 15, 16, 21
C6.4	p. 39, <u>Renewable Raw Material Grievance Log</u>	p. 16
C6.5	p. 39, <u>Renewable Raw Material Grievance Log</u>	p. 16

<sup>1)</sup> Page numbers provided for 2021 Modern Slavery Statement, as the 2022 statement will only be published in Q2, 2023.

# Principles for calculating the key indicators

## General disclaimer

The figures in the sustainability report may be subject to rounding, which may cause some differences in aggregate totals calculated from exact figures.

## Environment

**Energy:** The energy consumption figures cover Neste's refineries, terminals, offices, the company's own station business and time-chartered ships. The figures are based on the data provided by these units. Consumption is calculated based on invoicing and meters. Standard conversion factors are used (SI). Neste follows the Energy Efficiency Agreement for Industries which is an agreement between the Government and industrial associations on the efficient use of energy, providing also guiding methodology for energy efficiency calculations.

Energy intensity is calculated as the ratio of total energy consumption to Neste's revenue.

**Carbon dioxide (CO<sub>2</sub>) or Greenhouse gas emissions (GHG):** Neste applies a financial control approach for consolidating the CO<sub>2</sub> or GHG emission indicators. For the scope 1 emissions, the emission factors compliant with the fuel classification published by Statistics Finland were used in addition to Neste's in-house laboratory measurement data. scope 2 covers emissions from indirect purchased electricity, steam and heat production. Market-based scope 2 emissions are based on energy supplier-specific or residual grid mix emission factors. Location-based scope 2 emissions are based on country-specific emission factors (e.g. IEA, Motiva). scope 1 accounting and reporting is based on CO<sub>2</sub>, scope 2 includes other GHGs where available (the estimated share of other GHG is negligible compared to CO<sub>2</sub>).

Scope 3 calculation is based on the principles of the GHG protocol. The calculation of scope 3 emissions is based on internal data sources (e.g. sales and supply data), information available from public sources (e.g. Renewable Energy Directive) and Neste's accredited in-house calculation data have been used as the emission factors. scope 3 emissions reporting covers GHG emissions and is reported as CO<sub>2</sub>e. Only relevant scope 3 categories are included in the report.

**GHG emission reduction calculation method** complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022. Neste regularly updates its GHG emission factors in line with the updates in legislation and the certification schemes. Average GHG emission reduction of sourced palm oil contains the use of conventional palm oil that we have sold within the year 2022.

**VOC, NO<sub>x</sub>, SO<sub>2</sub>, PM:** Other emissions to air (excluding CO<sub>2</sub>) are measured with direct measurements (on-line or periodic) or with indirect monitoring methods. On-line measurement is typically done on major emission points. Both direct measurements and indirect monitoring is based on the site environmental permit or other local environmental regulation. Relevant process parameters linked to pollutant emissions are monitored too. All emission monitoring is done in accordance with standards. If EN standards are not available, ISO, national or other international standard/method is used to ensure the provision of data of high scientific quality.

**Water withdrawal:** The water withdrawal volumes are based on the company's own measurements or on invoicing. Neste's water risk assessment is based on WWF Water Risk Filter. Neste annually updates the risk assessment.

**Wastewater discharges:** Neste reports the wastewater volumes, chemical oxygen consumption, as well as the oil, nitrogen, and phosphorus releases. The figures are calculated on the basis of refinery- or terminal-specific data based on sampling or continuous metering. The figures do not include the loading values of wastewater treated in municipal or other external wastewater treatment plants. Neste operates according to local discharge permits and requirements. Our process waters are always treated to meet the requirements before they are safely discharged.

**Waste generated:** The waste volumes are based on the invoicing data.

**Non-renewable resource use:** The amount of non-renewable resource use that Neste's renewable and circular solutions helped replace in transport, aviation and polymers and chemicals sectors. Calculations include fossil resource usage over renewable and circular production life cycles. An energy-based comparison is made with relevant fossil references. The difference is expressed as the energy content of crude oil.

## Safety

**Total Recordable Injury Frequency (TRIF):** Accidents at work resulting in absence from work, restriction to work, or medical treatment are included in the accident frequency figures. The formula for calculating accident frequency (number of accidents at work per million working hours): total number of accidents at work × 1,000,000 / hours worked. The calculation includes in-house personnel, contractors and service providers working at Neste's sites.

**Workplace accidents:** Accidents that occur at work/while performing work duties.

**Safe Day:** A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit, or traffic accident.

**Hours worked:** The hours worked by the whole personnel and the service providers during the period under review. When recording the working hours of service providers, an estimate (e.g. accounting hours) can be used if the accurate number of hours is not known. Workplace accidents: Accidents that occur at work/while performing work duties.

**TRI (Total Recordable Injuries):** All recorded accidents at work: the number of accidents at work resulting in absence from work, restriction to work or medical treatment.

**LWIF (Lost Workday injury frequency):** The number of accidents at work resulting in lost workdays, relative to a million hours worked.

**Process safety event rate (PSER):** Rate of process safety events per million hours worked.

**PSE1 (Process Safety Event):** An unplanned and uncontrolled release of any material, including nontoxic and non-flammable materials from a process, resulting in consequences according to the PSE1 classification.

**Possible consequences:**

- Workplace accident leading to absence (LWI, RWI) or fatality.
- Fires or explosions with direct expenses (excluding loss of production) higher than EUR 25,000.
- Evacuation or taking cover indoors.
- A leak exceeding the reporting threshold during a certain period, threshold according to Concawe (European Oil Company Organisation for Environment, Health and Safety).
- A pressure relief device (PRD) discharge with above-mentioned consequences.

The Group-level performance indicators include the parent company and companies where the parent company holds more than 50% of shares. The associate companies are not included in the calculations.

**PSE2 (Process Safety Event):** An unplanned and uncontrolled release of any material, including nontoxic and non-flammable materials from a process, resulting in consequences according to the PSE2 classification.

**Possible consequences:**

- Workplace accident requiring medical treatment (MTC).
- Fires or explosions with direct expenses (excluding loss of production) higher than EUR 2,500.
- A leak exceeding the reporting threshold during a certain period, threshold according to Concawe.
- A pressure relief device (PRD) discharge with above-mentioned consequences.

**HSEQ:** Health, safety, environment and quality.

## Personnel

**Reporting of personnel numbers:** The personnel numbers are calculated as numbers of employees, and include, as a rule, all personnel with active contracts of employment or employees on leave. Hourly paid employees are not included as their numbers of working hours vary greatly, and their number in proportion to other employees is very small. Unless otherwise specified, the personnel numbers are reported as at December 31.

**Number of permanent employees leaving the company:** The number of employees leaving a permanent contract of employment from Jan 1 to Dec 31/the number of permanent employees on Dec 31 (including all reasons for ending the employment).

**Number of permanent employees joining the company:** The number of employees entering a permanent contract of employment from Jan 1 to Dec 31/the number of permanent employees on Dec 31.

**Training costs:** The training costs include external training-related costs, such as the fees of external trainers, and the participation fees for external training events, but not, for example, the salaries of participants or the company's own trainers

## Innovation

Clean revenue means revenue from all goods and services which have a clear environmental and/or social benefits. Clean investments are investments in such benefits consisting of Clean CAPEX, Clean R&D and Clean M&A. Clean Revenue and Clean Investments include for example revenue from, and investments in, clean transition as well as low-carbon and circular economy solutions.

**Clean Investments (%):** Clean CAPEX+Clean R&D+-Clean Acquisitions/Total CAPEX+R&D+Acquisitions.

**Clean Revenue (%):** Clean Revenue/Total Revenue.

# Independent Assurance Report

## To the Management of Neste Corporation

We have been engaged by the Management of Neste Corporation (hereafter “Neste”) to provide limited assurance on selected numerical sustainability disclosures presented in the “Sustainability section” of Neste’s Annual Report 2022 (hereafter “Selected Numerical Sustainability Information”) for the year ended 31 Dec 2022.

The Selected Numerical Sustainability Information consists of selected economic, social and environmental sustainability closures listed within the Topic-Specific Disclosures and General Disclosures 2–7 and 2–30 as well as information presented in the “Sustainability highlights 2022”, “Sustainability KPIs”, “Value creation”, and “Performance in figures” sections in Neste’s Annual Report 2022.

## Management’s responsibilities

The Management of Neste is responsible for the preparation and presentation of the Selected Numerical Sustainability Information in accordance with the reporting criteria, i.e. GRI Sustainability Reporting Standards, and the information and assertions contained within it. The Management is also responsible for determining Neste’s objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

## Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our limited assurance engagement on the Selected Numerical Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Numerical Sustainability Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our multi-disciplinary team of sustainability and assurance specialists possesses the needed skills and experience within financial and non-financial assurance,

sustainability strategy and management, social and environmental issues, as well as the relevant industry knowledge, to undertake this assurance engagement.

## Procedures performed

A limited assurance engagement on Selected Numerical Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Numerical Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of Neste’s senior management and relevant staff responsible for providing the Selected Numerical Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Selected Numerical Sustainability Information;
- Assessed data management processes, information collecting and working methods used to gather and consolidate the Selected Numerical Sustainability Information;
- Reviewed the presented Selected Numerical Sustainability Information and assessed its quality and reporting boundary definitions and;
- Assessed of the Selected Numerical Sustainability Information’s data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### **Inherent limitations**

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Numerical Sustainability Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

#### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the limited assurance engagement is not presented, in all material respects, in accordance with the GRI Sustainability Reporting Standards.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Numerical Sustainability Information has been prepared for Neste Corporation in connect with reporting to Neste Corporation and for no other purpose or in any other context.

#### **Restriction of use of our report**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Neste Corporation for any purpose or in any other context. Any party other than Neste Corporation who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Neste Corporation for our work, for this independent assurance report, or for the conclusions we have reached.

Our report is released to Neste Corporation on the basis that it shall not be copied, referred to or disclosed, in whole (save for Neste Corporation's own internal purposes) or in part, without our prior written consent.

Helsinki, 2 March 2023

**KPMG Oy Ab**

**Leenakaisa Winberg**

Authorised Public  
Accountant, KHT

**Tomas Otterström**

Partner, Advisory



We are committed to high ethical standards and conduct our business and operate in compliance with applicable laws, regulations and generally accepted practices for good corporate governance.

## Governance

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# Corporate Governance Statement 2022

This Corporate Governance Statement has been prepared pursuant to the 2020 Corporate Governance Code, Chapter 7, Section 7 of the Securities Markets Act, as well as Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and it can be found, in addition to the Annual Report, at [neste.com/investors](https://neste.com/investors).

## Regulatory framework

Neste Corporation ("Neste" or the "Company") observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2020 Corporate Governance Code. The Corporate Governance Code can be found at [cgfinland.fi/en/](https://cgfinland.fi/en/). Neste also complies with the rules of Nasdaq Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

Neste's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, KPMG Oy Ab, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

Neste issues Consolidated Financial Statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Market Act, as well as the appropriate Financial Supervisory Authority standards, and Nasdaq Helsinki Ltd's rules. The Review by the Board of Directors and the Parent Company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

## Neste's Governance Bodies



Neste's businesses are grouped into four reporting segments: Renewable Products, Oil Products, Marketing & Services, and Others.

## Governance Bodies

The control and management of Neste is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President and Chief Executive Officer (President and CEO). Ultimate decision-making authority lies with shareholders at the AGM which appoints the members of the Board of Directors and the Auditor. The Board of Directors is responsible for Neste's

strategy and overseeing and monitoring the Company's business. The Board of Directors appoints the President and CEO. The President and CEO, assisted by the Executive Committee (ExCo), is responsible for managing the Company's business and implementing its strategic and operational targets.

Neste's headquarters are located in Espoo, Finland.

## Annual General Meeting

Under the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings of Shareholders, and attend meetings in person or through an authorized representative. Each share entitles the holder to one vote.

Shareholders at the AGM make decisions on matters including:

- the approval of the Financial Statements;
- the distribution of profit for the year detailed in the Balance Sheet;
- discharging the members of the Board of Directors and the President and CEO from liability;
- if necessary, the approval of the Remuneration Policy;
- the approval of the Remuneration Report; and
- the election and remuneration of the Chair, the Vice Chair, and the members of the Board of Directors and the Auditor.

The AGM is held annually before the end of June. An Extraordinary General Meeting of Shareholders addressing specific matters can be held, when considered necessary by the Board of Directors, or when requested in writing by the Company's Auditor or by shareholders representing at least one-tenth of all Company shares.

Under the Articles of Association, an invitation to a General Meeting of Shareholders shall be delivered to shareholders by publishing it on the Company's website [neste.com](http://neste.com) no earlier than two months, and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company may, if the Board of Directors decides so, publish details on the date and time and location of the meeting, together with the address of the Company's website, in one or more newspapers.

Neste is not aware of any shareholders' agreements regarding the Company's shares.

## 2022

Neste's Annual General Meeting (AGM) was held 30 March 2022 under special arrangement at the Company's headquarters in Espoo. In order to prevent the spread of the Covid-19 pandemic, the AGM was held without shareholders' or their proxy representatives' presence at the venue of the meeting. Shareholders and their proxy representatives had the possibility to participate in the meeting and exercise their shareholder rights by voting in advance and by making counter-proposals and presenting questions in advance.

The AGM supported all the proposals presented to the meeting and approved the remuneration report. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2021 and discharged the Board of Directors and the President & CEO from liability for 2021.

The AGM approved the Board of Directors' proposal that a dividend of EUR 0.82 per share will be paid on the basis of the approved balance sheet for 2021. The dividend was paid in two installments.

The first installment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which was 1 April 2022. The first dividend installment was paid on 8 April 2022.

The second installment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which was 30 September 2022. The second dividend installment was paid on 7 October 2022.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the number of members of the Board of Directors at nine. The AGM decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Auditor. The AGM also approved the Board's proposals to the AGM.

## Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Shareholders' Nomination Board to be responsible for drafting and presenting proposals covering the remuneration and number of members of the Company's Board of Directors and for presenting candidates as potential Chair, Vice Chair, and members at the Board to the AGM and to an Extraordinary General Meeting of Shareholders when needed. The Shareholders' Nomination Board shall also be responsible for identifying successors for existing Board Members.

The Shareholders' Nomination Board shall consist of four members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member. The Shareholders' Nomination Board elects a Chair among its members.

The Company's largest shareholders entitled to elect members to the Shareholders' Nomination Board shall be annually determined on the basis of the registered holdings in the Company's list of shareholders held by Euroclear Finland Ltd as of the first weekday in September in the year concerned. The Chair of the Company's Board of Directors shall request each of the three largest

shareholders established on this basis to nominate one member to the Shareholders' Nomination Board. In the event that a shareholder does not wish to exercise his or her right to appoint a representative, the right shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Shareholders' Nomination Board shall serve until further notice, unless a General Meeting of Shareholders decides otherwise. Its members shall be appointed annually and their term of office shall end when new members are appointed to replace them.

The Shareholders' Nomination Board shall forward its proposals for the AGM to the Company's Board of Directors annually by 31 January, prior to the holding of the AGM. Proposals intended for a possible Extraordinary General Meeting of Shareholders shall be forwarded to the Company's Board of Directors in time for them to be included in the invitation to the meeting sent out to shareholders.

### Composition of the Shareholders' Nomination Board prior to the 2023 AGM

On 6 September 2022, the following members were appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Timo Sallinen, Senior Vice President, Investments of Varma Mutual Pension Insurance Company; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors. As of 23 December 2022, Senior Ministerial Adviser, Financial Affairs Maija Strandberg of the Ownership Steering Department in the Prime Minister's Office of Finland, was appointed as the Chair.

### Activities

The Shareholders' Nomination Board makes proposals for the next AGM on the following:

- the number of members of the Board of Directors;
- the Chair, the Vice Chair and the members of the Board of Directors; and
- the remuneration to be paid to the Chair, the Vice Chair, and the members of the Board of Directors.

The nomination process of the Shareholders' Nomination Board, its composition, and activities are detailed in its Charter.

### Shareholders' Nomination Board members

#### Maija Strandberg

M.Sc. (Econ.), Chair of the Shareholders' Nomination Board, as of 23 December 2022. Born in 1969

Senior Ministerial Adviser, Financial Affairs of the Ownership Steering Department in the Prime Minister's Office of Finland. Member of the Board and Audit Committee of SSAB Ab. Member of the Board and People and Remuneration Committee of Finnair Oyj. Chair of the Nomination Committee of Fortum Oyj. Member of the Nomination Committee of Kuntarahoitus Oyj.

Holdings in Neste Corporation on 31 December 2022: no holdings. <sup>1)</sup>

Prime Minister's Office: 276,213,495 shares. <sup>2)</sup>

#### Kimmo Viertola

Chair of the Shareholders' Nomination Board between 18 September 2019 and 22 December 2022. Director General of the Ownership Steering Department at the Prime Minister's Office of Finland.

Holdings in Neste Corporation on 31 December 2022: no holdings. <sup>1)</sup>

#### Timo Sallinen

M.Sc. (Econ.), Member of the Shareholders' Nomination Board. Born in 1970

Senior Vice President, Investments of Varma Mutual Pension Insurance Company. Member of the Shareholders' Nomination Board of Nokian Renkaat, Alma Media, Finnair, Atria, Raisio, Robit and Componenta.

Holdings in Neste Corporation on 31 December 2022: no holdings. <sup>1)</sup>

Varma Mutual Pension Insurance Company 10,918,435 shares. <sup>2)</sup>

#### Jouko Pölönen

eMBA, M.Sc. (Econ. & Bus. Adm.), Member of the Shareholders' Nomination Board Born in 1970

President and CEO, Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors of Nokian Tyres plc. Chair of the Board of Directors of the Finnish Pension Alliance TELA. Chair of the Board of The Finnish Foundation for Share Promotion. Member of the Board of Directors of Excellence Finland Ltd. Member of the Employment Pension Executive Committee, Finance Finland FFI.

Holdings in Neste Corporation on 31 December 2022: 2,400 shares. <sup>1)</sup>

Ilmarinen Mutual Pension Insurance Company 6,611,500 shares. <sup>2)</sup>

#### Matti Kähkönen

M.Sc. (Engineering), Member of the Shareholders' Nomination Board. Born in 1956

Senior Advisor, Metso Corporation 2017–2019. Chair of the Board of Neste Oyj. Chair of the Board of Directors at Kemira. Chair of the Board of Directors at the Finnish Fair Corporation. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2022: 13,080 shares. <sup>1)</sup>

Holdings in Neste Corporation on 31 December 2022:

<sup>1)</sup> Own holdings and controlled entities.

<sup>2)</sup> Shareholder's holdings represented by the member of the Shareholders' Nomination Board.

The Shareholders' Nomination Board convened 10 times between 31 January 2022 and 31 January 2023, and the members of the Shareholders' Nomination Board attended such meetings as follows:

	<b>Attendance</b>
Maija Strandberg	2/2
Timo Sallinen	7/7
Jouko Pölönen	6/6
Matti Kähkönen	10/10
Kimmo Viertola	8/8
Outi Antila	4/4
Reima Rytsölä	3/3

Decisions on the proposals for the 2023 AGM were made by the members of the Shareholders' Nomination Board in a manner set out in more detail in the stock exchange release published on 27 January 2023.

### Composition of the Shareholders' Nomination Board prior to the 2022 AGM

On 20 September 2021, the following members were appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors. The Shareholders' Nomination Board convened nine times between the 2021 AGM and 31 January 2022. The Shareholders' Nomination Board presented its proposal covering the members of the Board of Directors on 28 January 2022.

## Board of Directors

In accordance with Neste's Articles of Association, the Board of Directors has between five and ten members, who are elected at the AGM for a period of office that extends to the following AGM.

### Diversity of the Board of Directors

In planning the composition of a skilled, competent, experienced, and effective Board of Directors, the Shareholders' Nomination Board also follows the following diversity principles defined by the Company. A cooperative and functional Board of Directors requires diversity for it to be able to respond to the requirements set out in Neste's business and strategic objectives and to support and challenge the company's operational management in a proactive and constructive manner.

Significant factors concerning the composition of the Board of Directors include a variety of competences that complement the other members of the Board, education and experience in different professional and industrial fields and in business operations and management existing in different development phases, as well as the personal qualities of each member, all of which add diversity to the Board of Directors. The diversity of the Board of Directors is also supported by experience in industrial fields and markets that are strategically significant for Neste, experience and abilities in technologies and the international operating environment, and a diverse age and gender distribution so that both genders are always adequately represented in the Board of Directors. In considering the composition of the Board of Directors, it is important to pay attention to Neste's current and evolving needs, and to ensure that the Board of Directors, as a whole, enables the current and future business development of Neste, which diversity also supports.

Neste's Board of Directors was composed of nine members after the 2022 AGM, all of whom hold a university-level degree, and two of whom have a doctorate. These degrees are from different fields, with technical

fields being in the majority. Each member of the Board of Directors has international work experience in different types of positions, and has worked or is working in the Board of Directors or management of listed or unlisted companies. Three members have worked in managerial positions at major international petrochemical companies. The Board of Directors is also diverse in terms of cultural backgrounds: its members come from five different countries and speak five different native languages. Women comprise 33% of all members of the Board of Directors. With regard to age, the members of the Board of Directors are divided evenly between 49 and 66 years of age. The duration of the terms of office of the Board members is divided as follows: four members have been on the Board of Directors for more than four years, while five members have been on the Board of Directors for less than four years.

### Activities of the Board of Directors

The Board shall have at least eight regular meetings annually, all scheduled in advance, with extraordinary meetings when necessary. Extraordinary meetings, if requested by a Board Member or the President and CEO, shall be convened by the Chair, or, if the Chair is prevented from attending, by the Vice Chair, or if deemed necessary by the Chair. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively after the end of each financial year.

### Duties of the Board of Directors

The Board's responsibilities and duties are defined in detail in the Charter approved by the Board. A member of the Board of Directors may not take part in decision-making

in matters regarding (i) agreements between such member and any entity within the Neste Group, (ii) agreements between any entity within the Neste Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste Group and a legal entity which such member may represent, either individually or together with any other person; provided however, that this point (iii) does not apply where the party contracting with Neste is a company within the Neste Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

## 2022

The 2022 AGM confirmed the membership of the Board of Directors at nine members, and the following were re-elected to serve until the end of the next AGM: Mr. Matti Kähkönen, Mr. John Abbott, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén. Mr. Just Jansz and Ms. Eeva Sipilä were elected as new members. Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair.

The Board convened 16 times in 2022. The attendance rate at the meetings was 99.2%. In addition to the process resulting in Matti Lehmus being appointed as the President and CEO of the Company as of 1 May 2022, the Board focused in 2022 on the Company's long-term strategy by means of e.g. the continued scale-up of the Company's renewables businesses as well as the expansion of the Company's renewables feedstock platform and production

capabilities, including the decision to establish the Martinez Renewables joint operation in the US, the final investment decision concerning the Rotterdam expansion project and continuous monitoring of the on-going Singapore expansion project. Feedstock growth related M&A and other investment topics were also on the Board agenda in 2022. In addition to the above and matters set out in the Board Charter, the Board further supervised strategy execution as well as evaluated the changes in the long-term operational environment and their impact on the Company's business operations from e.g. a sustainability perspective. Leadership matters, including changes in senior management announced during 2022, and talent management were also dealt with by the Board. The Board continuously monitored the Company's safety, financial and operational performance as well as risk management.

## Board of Directors, 31 December 2022

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings	
									Board	Committees
Matti Kähkönen	Chair	1956	M.Sc. (Eng.)	Non-Executive Director	•	•	•		16/16	8/8
John Abbott	Member	1960	B.Sc. (Chem. eng.)	Non-Executive Director	•	•	•		16/16	8/8
Nick Elmslie	Member	1957	B.Sc. (Chem.)	Non-Executive Director	•	•		•	16/16	7/7
Martina Flöel	Member	1960	Ph.D. (Chem.)	Non-Executive Director	•	•	•		16/16	8/8
Just Jansz	Member	1957	Ph.D. (Chemical Metallurgy)	Independent board member and advisor, Managing Director of Expertise Beyond Borders	•	•		•	11/11	6/6
Jari Rosendal	Member	1965	M.Sc. (Eng.)	President and CEO of Kemira	•	•		•	16/16	7/7
Eeva Sipilä	Member	1973	M.Sc. (Econ.), CEFA	Chief Financial Officer, Deputy to CEO, Metso Outotec Corporation	•	•		•	10/11	6/6
Johanna Söderström	Member	1971	M.Sc. (Econ.)	EVP, Chief Human Resources Officer at Tyson Foods Inc	•	•	•		16/16	8/8
Marco Wirén	Member	1966	M.Sc. (Econ.)	Chief Financial Officer at Nokia Corporation	•	•		•	16/16	7/7

The shareholdings of the members of the Board of Directors are presented below their CVs. The remuneration paid to the members of the Board of Directors is detailed in the Remuneration Report.

# Members of the Board of Directors



**Matti Kähkönen** (born in 1956)  
M.Sc. (Engineering)  
Chair of the Board since 2018  
Member of the Board since 2017  
Independent member

Senior Advisor, Metso Corporation 2017–2019. President and CEO, Metso Corporation 2011–2017. Executive Vice President and Deputy to the CEO, Metso Corporation 2010–2011. President, Mining and Construction Technology, Metso Corporation 2008–2011. President, Metso Minerals 2006–2008. President, Metso Automation, 2001–2006. President, Metso Automation, Field Systems Division, 1999–2001. Prior to 1999, various managerial and development positions in Neles-Jamesbury and Rauma-Repola. Chair of the Board of Directors at Kemira, 3/2022–. Vice Chair of the Board of Directors at Kemira 2021–3/2022. Chair of the Board of Directors at the Finnish Fair Corporation 2020–. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2022: 13,080 shares.<sup>1)</sup>

**John Abbott** (born in 1960)  
B.Sc. First Class Honours, Chemical Engineering  
Member of the Board since 2021  
Independent member

Downstream Director and a Member of the Executive Committee of Royal Dutch Shell plc, 2013–2019. Executive Vice President of Global Manufacturing at Shell, 2012–2013. Executive Vice President of Shell's Upstream Americas Heavy Oil business, based in Calgary, Canada, 2008–2012. Vice President Manufacturing (Refining and Chemicals) Excellence and Support at Shell based in Houston, USA, 2006–2008. Various positions at Shell in the UK, Singapore, Thailand, the Netherlands, Canada, and the USA, predominantly in the areas of Global Manufacturing (Refining and Chemicals) as well as Supply, Trading and Distribution, 1981–2006. (In 1994, he was also seconded to the British Government for a short assignment). Non Executive Director of the Intercontinental Exchange (ICE) Futures Europe 2021–. Advisor and participant at Mobility Impact Partners (MIP) 2020–. Mentor in the FTSE 100 cross-company mentoring foundation 2013–. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2022: 374 shares.<sup>1)</sup>

**Nick Elmslie** (born in 1957)  
B.Sc. (Chemistry)  
Member of the Board since 2020  
Independent member

Chief Executive, BP Global Petrochemicals based in Shanghai 2011–2015. Controller, Head of Finance Function, BP Downstream 2006–2011. Various directorial positions at BP plc., including Chief Executive, Acetyls Business and Business Unit Leader, Head of Chemicals Strategy and CFO, Polymers & Olefins 1992–2006. Various positions at BP plc 1978–1992. Member of the Board and Investor at 3fbio Ltd 2017–. Member of the Supervisory Board of OTI Greentech AG 2017–. Member of the Board of Fosroc Group Holdings Limited 2009–. Chair of i-Keg Ltd 2021–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2022: 2,374 shares.<sup>1)</sup>

**Martina Flöel** (born in 1960)  
M.Sc. (Chemistry), Ph.D. (Chemistry)  
Member of the Board since 2017  
Independent member

CEO of Oxea 2007–2016. Managing Director and EVP, Europe of European Oxo in 2003–2007. Vice President Oxo Chemicals, Celanese Chemicals 2000–2003. Plant Manager Böhlen, Celanese Chemicals 1998–2000. Prior to 1998, various managerial and directorial positions in the Hoechst Group. Member of the Board of Directors of Sasol 2018–. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2022: 374 shares.<sup>1)</sup>

**Just Jansz** (born in 1957)  
Ph.D. (Chemical Metallurgy), M.Sc. (Mineral Engineering)  
Member of the Board since 2022  
Independent member

Independent board member and advisor 2011–. Managing Director of Expertise Beyond Borders 2011–. President Technology Business, Basell / LyondellBasell 2004–2010. Senior Vice President, Advanced Polyolefins, Basell 2001–2004. Various managerial positions at Shell affiliate companies 1989–2000. Member of the Board at Circular Plastics NL (Dutch National Growth Fund) 2022–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2022: 374 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.

# Members of the Board of Directors



## Jean-Baptiste Renard

(born in 1961)

M.Sc. (Eng.) and an engineering diploma in petroleum economics from the French Petroleum Institute (IFP)

Member of the Board since 2014

Independent member

– Member of the Board until 30 March 2022

## Jari Rosendal (born in 1965)

M.Sc. (Eng.)

Member of the Board since 2018

Independent member

President and CEO at Kemira since 2014. Various divisional President and Directorial positions, including Member of the Executive Board, at Outotec Oyj in 2001–2014. Various managerial and expert positions in the Outokumpu Group in Finland and the United States 1989–2001. Member of the Board of Directors of Chemical Industry Federation of Finland 2015–, Chair of the Board of Directors 2017–2018 and Vice Chair of the Board of Directors 2019–2020. Member of the Board of Directors of CEFIC, 2014–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2022: 374 shares.<sup>1)</sup>

## Eeva Sipilä (born in 1973)

M.Sc. (Econ.), CEFA

Member of the Board since 2022

Independent member

Chief Financial Officer, Deputy to CEO, Metso Outotec Corporation 2020–. Chief Financial Officer, Deputy to CEO, Metso Corporation 2016–2020. Executive Vice President, Chief Financial Officer, Cargotec Corporation 2008–2016. Senior Vice President, Communications and Investor Relations, Cargotec Corporation 2005–2008. Various positions at Metso Corporation, Mandatum Stockbrokers part of Sampo Group and Arkwright AB 1997–2005. Supervisory Board Member, Varma, 2021–. Board Member, Outokumpu Corporation, 2017–2022, Vice Chair of Board 2020–2022, Chair of Audit Committee 2019–2022. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2022: 1,354 shares.<sup>1)</sup>

## Johanna Söderström (born in 1971)

M.Sc. (Econ.)

Member of the Board since 2020

Independent member

Executive Vice President, Chief People Officer at Tyson Foods Inc. 2020–. Senior Vice President, Chief Human Resources Officer at the Dow Chemical Company 2014–2019. Vice President, Center of Expertise Human Resources at the Dow Chemical Company 2012–2014. Various directorial HR positions at Dow Chemical Company, Dow Europe GmbH and Dow Chemical Handels- und Vertriebsgesellschaft mbH 2007–2012. Head of Global Compensation & Benefits at Huhtamäki Oyj 2006–2007. Various specialist and managerial positions at Dow Europe GmbH, Dow Chemical Handels- und Vertriebsgesellschaft mbH and Dow Suomi Oy 1999–2006. Prior to 1999, various specialist positions at Oy L M Ericsson Ab. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2022: 3,374 shares.<sup>1)</sup>

## Marco Wirén (born in 1966)

M.Sc. (Econ.)

Vice Chair of the Board since 2019

Member of the Board since 2015

Independent member

Chief Financial Officer, Nokia Corporation 2020–. President, Wärtsilä Energy & Executive Vice President, Wärtsilä Corporation 2018–2020. Executive Vice President and Chief Financial Officer Wärtsilä 2013–2018. SSAB, Executive Vice President and CFO 2008–2013. SSAB, Vice President Business control 2007–2008. Eltel Networks, CFO and Vice President Business Development 2002–2007; NCC, Vice President Business Development and Group Controller 1995–2001. Chair of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2022: 3,537 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.

### Board Committees

The Board has established an Audit Committee, which has five members, and a Personnel and Remuneration Committee, which has four members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their Charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. In addition, the Board of Directors can appoint committees as needed, for instance, for significant investment projects or other special tasks. Committees meet at least twice a year. Each committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

#### Audit Committee

Under its Charter, the Audit Committee shall consist of a minimum of three Board members that are independent of the Company and its subsidiaries, and at least one of whom shall be independent of Neste's major shareholders. Members are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

#### Duties

The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board.

### 2022

Starting from 30 March 2022, the Audit Committee comprised Marco Wirén (Chair), Nick Elmslie, Just Jansz, Jari Rosendal and Eeva Sipilä. In 2022, the Audit Committee convened 7 times, and the attendance rate was 100.0%. As part of the tasks specified in its Charter, the Audit Committee supervised and reviewed external and internal audit activities, and the Company's financial and other reporting. The Audit Committee also focused on risk and compliance management, including in relation to financial, market and geopolitical risks but also certain other risk areas, such as IT systems, segregation of duties and cyber security. Moreover, the Audit Committee also monitored e.g. legal and tax matters.

### Personnel and Remuneration Committee

The Personnel and Remuneration Committee consists of the Chair of the Board and at least two non-executive members of the Board.

#### Duties

The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in the Charter approved by the Board.

### 2022

Starting from 30 March 2022, the Personnel and Remuneration Committee comprises Matti Kähkönen (Chair), John Abbott, Martina Flöel and Johanna Söderström. The Personnel and Remuneration Committee convened 8 times in 2022, and the attendance rate was 100.0%. During 2022, the Personnel and Remuneration Committee continued to focus on reviewing and developing Neste's total remuneration and talent management and

development to support the Company's operational and strategic targets. In line with duties coming from its Charter, the Personnel and Remuneration Committee also followed up the ongoing performance period 2022 and outcomes of the rewarding based on 2021 results. To further ensure the implementation of our strategy, international growth and leadership in sustainability the Committee led the special project on developing both short-term-incentive (STI) and long-term incentive (LTI) at Neste. In addition, the Personnel and Remuneration Committee has followed up the personnel engagement level based on the Company's Forward survey and Pulse survey results.

### President and CEO

Neste's President and CEO since 1 May 2022, Matti Lehmus (b. 1974, eMBA, M.Sc., Chemical Technology and Polymer Technology), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors, and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Neste's former President and CEO (2018–2022) Peter Vanacker (b. 1966, M.Sc., Chemical Engineering, Polymers Engineering) resigned from the company as of 30 April 2022 to continue his career outside Neste.

The President and CEO is appointed by the Board of Directors, which evaluates the performance of the President and CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee. Information on the remuneration of the President and CEO can be found in the 2022 Remuneration report.

### Executive Committee

The Executive Committee assists the President and CEO in managing the company and in the deployment of the Company's strategic and operational goals. Members are appointed by the Board of Directors. The Executive Committee meets regularly, on average once a month. Information on the remuneration of the members of the Executive Committee can be found at [neste.com](https://www.neste.com).

### 2022

Matti Lehmus was appointed President and CEO of the Company as of 1 May 2022. The Executive Committee had 11 meetings during the year, and also met regularly outside such meetings in relation to specific themes. In addition to supporting the President and CEO in the fulfillment of his general duties, the Executive Committee continued during 2022 to work with the development and execution of the Company's strategy aiming at global leadership in renewable and circular solutions. In such context, the strategic focus areas included, among others, the continued scale-up of the Company's renewables businesses as well as the expansion of the Company's renewables feedstock platform and production capabilities, including the Martinez Renewables joint operation in the US, the Rotterdam expansion project and the Singapore expansion project. The Company's M&A and investment activities as well as development of the Company's innovation business platforms were also closely followed by the Executive Committee. In addition, a number of other matters were given special attention during the year, including geopolitical and other risks, the ongoing Porvoo transformation study as well as IT and cybersecurity matters. The Company's safety, financial and operational performance as well as sustainability and compliance matters were regularly monitored by the Executive Committee.

# Members of the Executive Committee



**Matti Lehmus** (born 1974)  
President and CEO,  
Chair of the Executive Committee  
eMBA, M.Sc. (Chemical Technology  
and Polymer Technology)  
President and CEO since 2022

Joined the company in 1998. Previously responsible for the Renewables Platform 2019–2022 and for the Oil Products business area 2014–2019. Has also served as Executive Vice President of the Oil Products and Renewables business area 2011–2014, Executive Vice President of the Oil Products business area 2009–2010, Vice President of the Base Oils business in the Specialty Products Division 2007–2009, Vice President of Oil Refining Business Development in 2007 and Gasoline Exports and Trading Manager 2004–2007 in the Oil Refining Division. Member of the National Emergency Supply Council 2018–.

Holdings in Neste Corporation on 31 Dec 2022: 21,471 shares.<sup>1)</sup>

**Martti Ala-Härkönen** (born 1965)  
Executive Vice President<sup>2)</sup>, Chief Financial Officer,  
Strategy and IT  
Dr.Sc. (Econ.), Lic.Sc. (Tech.)  
Member of the Executive Committee since 2022

Joined the company in 2022. Served previously as Executive Vice President, Chief Financial Officer (Finance, M&A and IT) at Caverion Corporation 2016–2022, Chief Financial Officer (Finance & Development) at Cramo Plc 2006–2016, Senior Vice President, Finance and Administration (CFO) at WM-data Ltd 2004–2006, Chief Financial Officer (Finance & Development) and Senior Vice President Business Development at Novo Group Plc 1998–2004 and as Finance Manager and Corporate Finance Manager at Postipankki Plc 1995–1998. Member of the Supervisory Board of Mutual Pension Insurance Company Ilmarinen 2022–. Member of the Board of Directors of Digia Plc 2016–. Member of the Board of Directors of Martinez Renewables 2022–.

Holdings in Neste Corporation on 31 Dec 2022: 2,000 shares.<sup>1)</sup>

**Mercedes Alonso** (born 1966)  
Executive Vice President,  
Renewable Polymers and Chemicals  
M.Sc. (Chem)  
Member of the Executive Committee since 2019

Joined the company in 2019. Responsible for the Renewable Polymers and Chemicals business unit. Previously served as Marketing Director Advanced Polymer Solutions Europe in LyondellBasell in 2019, Managing Director Eng. Composites Europe 2016–2019, and Global Director Corporate Marketing in A. Schulman Inc. 2013–2016, as well as Global Business Excellence Leader, Advanced Materials in Dow Chemical Inc. Europe GmbH 2010–2013. Member of the Executive Board and Executive Committee 2020– and Chair of the Sustainability Advisory Forum 2022– at CEFIC. Member of the Board of Directors and member of the Human Resources Committee of Huhtamäki Oyj 2022–.

Holdings in Neste Corporation on 31 Dec 2022: 4,187 shares.<sup>1)</sup>

**Panu Kopra** (born 1972)  
Executive Vice President,  
Marketing & Services  
BBA, MBA  
Member of the Executive Committee since 2016

Joined the company in 1996. Responsible for the Marketing & Services business unit. Previously served as Vice President in Oil Retail Sales in Finland and Baltic Rim 2014–2015, Vice President in Oil Retail Russia and Baltic Rim 2010–2014, General Manager in St. Petersburg Russia in 2009, Business Development Manager in Renewable Products 2007–2008, Sales Director in 2006, General Manager in Latvia 2003–2005 and in several other positions in the company.

Holdings in Neste Corporation on 31 Dec 2022: 13,555 shares.<sup>1)</sup>

**Markku Korvenranta** (born 1966)  
Executive Vice President,  
Oil Products  
M.Sc. (Eng)  
Member of the Executive Committee  
since December 2021

Joined the company in December 2021. Responsible for the Oil Products business unit. Served previously as SVP, Group Portfolio Development at Marquard & Bahls, in Germany, 2019–2021. EVP, Base Chemicals & Member of Executive Board at Borealis in Austria, 2010–2018. Before that had several directorial and managerial roles at Borealis in Austria, Finland, Denmark and Belgium 1994–2010. Has also served in various roles at Neste Chemicals in Finland, 1990–1994. Member of the Board of Directors of Oiltanking in Germany, 2021–.

Holdings in Neste Corporation on 31 Dec 2022: 0 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.

<sup>2)</sup> The titles of the functions' leaders have been changed to Executive Vice President as of 1 January 2023.

# Members of the Executive Committee



**Thorsten Lange** (born 1963)  
Executive Vice President, Renewable Aviation  
M.Sc. (Banking and Auditing)  
Member of the Executive Committee since 2020

Joined the company in 2020. Responsible for the Renewable Aviation business unit. Previously served as Head of Fuel Procurement (global) at Lufthansa Group 2001–2019. Has also served as Product Manager, Automotive Lubricants at FUCHS DEA Schmierstoffe GmbH&Co KG 1999–2001, Director Industry Lubricants at DEA Mineraloel AG 1998–1999 as well as Marketing Manager and Pricing Groundfuels at DEA Mineraloel AG 1992–1997. Member of the IATA Fuel Steering Group.

Holdings in Neste Corporation on 31 Dec 2022: 2,585 shares.<sup>1)</sup>

**Carl Nyberg** (born 1979)  
Executive Vice President, Renewables Platform  
M.Sc. (Economics and Business Administration)  
Member of the Executive Committee since 2019

Joined the company in 2005. Responsible for the Renewables Platform unit. Previously responsible for the Renewable Road Transportation business unit 2019–2022. Served in various positions at Neste, most recently as Vice President of Sales Scandinavia of the Renewable Products business area 2016–2019, Vice President, Supply, Oil Products at Neste Geneva 2014–2016 and Trading Manager, Crude Oil 2013–2014. Managing Director of Neste AB 2017–2019. Member of the Board of eFuel Alliance e.V. 2021–. Member of the Board of Martinez Renewables 2022–.

Holdings in Neste Corporation on 31 Dec 2022: 8,597 shares.<sup>1)</sup>

**Katja Wodjereck** (born 1976)  
Executive Vice President, Renewable Road Transportation, as of 1 April 2023  
eMBA, M.Sc. (Business Administration, European Business Management)  
Member of the Executive Committee as of 1 April 2023

Will join the company 1 April 2023 as Executive Vice President, Renewable Road Transportation. Served previously as the President D/A/CH, Italy & Commercial Director, Industrial Solutions EMEA 2022–, Commercial Director EMEA, Industrial Solutions 2018–2021, and Commercial Director EMEA, Energy and Microbial Technologies, Dow Europe GmbH, Switzerland 2017–2018, Sales Director Northern Europe, Packaging & Specialty, Belgium 2015–2017, Product Manager - Packaging & Specialties Plastics EMEA, Switzerland 2012–2015, Asset Manager Polyethylene (LDPE, LLDPE) for Latin America, Brazil 2011–2012, and several managerial positions in Dow Chemical 2002–2010. Member of the Board of American Chamber of Germany (Amcham), Member of the Board of EPCA The European Petrochemical Association.

**Minna Aila** (born 1966)  
Executive Vice President<sup>2)</sup>,  
Sustainability and Corporate Affairs  
LL.M.  
Member of the Executive Committee since 2020

Joined the company in 2020. Responsible for Sustainability and Corporate Affairs. Served previously as the EVP Marketing & Corporate Affairs at Konecranes 2018–2020, VP, Corporate Affairs at Nokia 2015–2018, SVP, Marketing, Communications & Corporate Responsibility at Outotec 2012–2015 as well as Head of Communications, Federation of Finnish Financial Services 2010–2012. Various roles in global communications, investor relations, corporate responsibility and government relations at Elcoteq 2004–2009. Various roles at European Commission 1992–2004. Chair of the EU and Trade Policy Committee at the Confederation of Finnish Industries EK. Vice Chair of the Business at OECD Trade Committee. Member of the Board at National Defense Course Association and Savonlinna Opera Festival. Member of the Board of Directors and member of the Nomination and Remuneration Committees at DFDS A/S 2022–.

Holdings in Neste Corporation on 31 Dec 2022: 4,502 shares.<sup>1)</sup>

**Hannele Jakosuo-Jansson** (born 1966)  
Executive Vice President, Human Resources and HSSEQ<sup>3)</sup>  
M.Sc. (Eng.)  
Member of the Executive Committee since 2006

Joined the company in 1990. Responsible for Human Resources and HSSEQ. Previously responsible for the Group's Procurement, Human Resources and Safety corporate functions. Served as Vice President, Human Resources at Oil Refining 2004–2005 and Laboratory and Research Manager at the Technology Center 1998–2004. Chair of the Skills and Competence Committee of the Chemical Industry Federation of Finland. Vice Chair of the Skilled workforce Committee at the Confederation of Finnish Industries EK. Member of the Board of Directors of Finnair, Chair of the People and Remuneration Committee of the Finnair Board Plc 2021–.

Holdings in Neste Corporation on 31 Dec 2022: 34,979 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.

<sup>2)</sup> The titles of the functions' leaders have been changed to Executive Vice President as of 1 January 2023.

<sup>3)</sup> As of 1 January 2023, Senior Vice President of Human Resources, HSSEQ and Procurement until 31 December 2022.

# Members of the Executive Committee



**Bart Leenders** (born 1969)  
Executive Vice President, Investment Management and Execution, as of 1 January 2023  
M.Sc. (Mechanical Engineering)  
Member of the Executive Committee starting 1 January 2023

Joined the company in 2010. Responsible for Investment Management and Execution function, including Engineering Solutions, and procurement as of 1 January 2023. Served previously as Vice President, Global Production, Renewable Platform 2015–2022, Interim Managing Director, Neste Singapore 2015, Managing Director, Neste Netherlands, Renewables Business unit 2010–2015 and Manufacturing Manager Downstream Operations, Huntsman 2005–2010. Member of the Circular Task Force of the Economic Board Zuid-Holland, Member of Executing Committee national Climate Agreement Mobility and Executing Committee national Aviation Agreement, Chair of the Dutch Association for Sustainable Biofuels (NVDB), and Board member of Deltalinqs, Enterprise Association for Mainport Rotterdam, representing Renewables and Chair of the safety domain.

**Lars Peter Lindfors** (born 1964)  
Executive Vice President<sup>2)</sup>, Innovation  
Ph.D. (Tech.), MBA  
Member of the Executive Committee since 2009

Re-joined the company in 2007. Responsible for Innovation, including research, development and technology as well as new business platforms. Previously responsible also for Investment Management, Information Technology, Procurement, Business Processes and Strategy. Served previously as Senior Vice President, Technology 2013–2019, Senior Vice President Technology and Strategy 2009–2012, and Vice President for the company's Research and Technology unit 2007–2009. Previously served as Executive Vice President, Renewal and Development and Member of the Executive Team at Perstorp Group 2001–2007. Prior to that has served as R&D Manager and in various other positions at Neste 1989–2001. Chair of the Board of the Fortum and Neste Foundation.

Holdings in Neste Corporation on 31 Dec 2022: 19,406 shares.<sup>1)</sup>

**Christian Ståhlberg** (born 1974)  
General Counsel  
LL.M.  
Member of the Executive Committee since 2017

Joined the company in 2017. Responsible for the Group's legal affairs and compliance. Secretary to the Executive Committee, the Board of Directors, the Audit Committee, the Shareholders' Nomination Board and to the Stakeholder Advisory Panel. Served previously as General Counsel of Rettig Group Ltd 2015–2017, Director, Legal in Pohjola Bank plc 2011–2014, Senior Legal Counsel in Neste Oil Corporation 2007–2011 and Senior Associate in Roschier Attorneys Ltd 1998–2007.

Holdings in Neste Corporation on 31 Dec 2022: 4,401 shares.<sup>1)</sup>

## Peter Vanacker

(born 1966)  
M.Sc. (Chemical Engineering, Polymers Engineering)  
President and CEO, Chair of the Executive Committee from 2018 until 30 April 2022.  
- resigned from the company as of 30 April 2022 to continue his career outside Neste.

## Jyrki Mäki-Kala

(born 1961)  
M.Sc. (Econ.)  
Chief Financial Officer, Strategy and IT  
Member of the Executive Committee from 2013 until May 2022  
- retired in May 2022

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.

<sup>2)</sup> The titles of the functions' leaders have been changed to Executive Vice President as of 1 January 2023.

## Company Auditor

The AGM elects the Auditor annually. The Auditor's term of office ends at the end of the next AGM following election.

The Auditor is responsible for auditing the Company's accounts, its financial statements, and Neste's administration. The Auditor's Report covers the Consolidated Financial Statements and the Parent Company's Financial Statements, and can be found in the Financial Statements section of the Annual Report.

### 2022

The 2022 AGM elected KPMG Oy Ab as the Company's auditor, and Authorized Public Accountant Leenakaisa Winberg acted as the auditor with principal responsibility.

The statutory audit fees in 2022 were EUR 1.6 million, and other fees charged amounted to EUR 0.9 million.

## Internal Audit

Neste's Internal Audit provides independent and objective assurance and advisory services designed to add value and improve the operations of Neste. As a component in the corporate governance process, it supports the organization by bringing a systematic approach to evaluating and improving the effectiveness of risk management and control and governance processes.

Internal Audit's activities encompass objective examinations for the purpose of providing assessments to the Neste's Board Audit Committee and management on the adequacy and effectiveness of governance, risk management and control processes at Neste. The scope of Internal Audit assessments include, among others, evaluating that risk management practices are

in place, significant risks are appropriately identified and managed, key policies and guidelines exist and are documented and effectively implemented, organizational structures and governance models enable efficient decision making and steering system, roles and responsibilities are clear, and results of operations and programs are consistent with established goals and objectives.

Internal Audit work is carried out based on an annual Internal Audit Plan. Neste's strategic objectives, key projects and identified risks are key elements in the audit planning process. The Vice President of Internal Audit reports periodically to the senior management and the Board Audit Committee Internal Audit's activities relative to the annual plan, including audit recommendations and action plans established by organizations aiming for the continuous improvement and mitigation of risks.

Internal Audit is also responsible for conducting special assignments on behalf of management or the Board Audit Committee. As a member of Neste's Investigation Group, the Vice President of Internal Audit participates in the investigation of suspected misconduct and breaches of Neste's policies, principles and applicable laws and regulations. To assure an effective, efficient and value adding process, Internal Audit cooperates actively with other Neste's assurance service functions (Corporate Risk Management, Internal Control and Compliance) and top management and shares best practices from a process and governance point of view.

Internal Audit follows the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Professional Practice of Internal Auditing. The Internal Audit reports directly to the Board of Directors' Audit Committee and administratively to the President and CEO. The Board of Directors is responsible for approving the Internal Audit Charter and the annual Internal Audit Plan. Internal Audit Charter includes the determination regarding Internal

Audit position, operational model, process and reporting lines. Internal Audit has at least annually a non-executive meeting with the Audit Committee members and the Audit Committee Chair. The Vice President of Internal Audit is responsible for the internal audit activities specified in the Internal Audit Charter.

### 2022

Internal Audit performed internal audits set out in the Internal Audit Plan 2022, and reported audit results to the senior management and the Board Audit Committee. The Internal Audit function continued to strengthen cooperation with other Neste assurance functions such as compliance, risk management and internal controls with an aim to integrate activities and reporting to the management.

Neste's strategic investments, top risks and key business processes were in focus during the year 2022, including for example the Rotterdam Capacity Growth Project, credit management process and cyber attack preparedness.

## Compliance function

Neste is committed to high ethical standards and conducts its business and operates in compliance with applicable laws, regulations and generally accepted practices for good corporate governance. Neste's Code of Conduct sets the framework for Neste's global business operations, and establishes the ethical practices to guide Neste employees in their day-to-day business activities and decisions. Neste also requires suppliers and other business partners to comply with applicable laws and expects them to follow equivalent ethical business standards as stated in the Code of Conduct, as further described in our Supplier Code of Conduct.

More info on Neste's Code of Conduct in [Neste's Sustainability Report](#) and on [Neste's external web pages](#).

The purpose of Neste's Compliance function is to develop, establish, facilitate and oversee compliance procedures and programs aimed at ensuring that Neste's global organizations have effective systems and processes in place for identifying, preventing, detecting and correcting non-compliance with applicable laws, regulations and Neste's internal rules. The function supports Neste's management in their responsibility for overall compliance risk management, as well as Neste's organizational unit management in their responsibilities to identify and manage compliance risks related to their operations. The compliance function works in close collaboration with Neste's business units, functions and other internal assurance organizations, in particular the Risk Management, Internal Control and Internal Audit functions. The compliance function is headed by the Chief Compliance Officer (CCO), who reports to Neste's General Counsel. The CCO reports on compliance activities on a regular basis to the ExCo and to the Board of Directors' Audit Committee. Neste also has an Ethics and Compliance Committee, which oversees and steers the management of the ethics and compliance program in Neste. Reports on suspected misconducts received via the company's externally operated and via other reporting channels are investigated in accordance with applicable laws and Neste's internal Misconduct Investigation Standard.

In addition to other reporting channels, Neste also has an externally operated misconduct reporting system, Ethics Online, available to all Neste's internal and external stakeholders, including various actors in its supply chains. Ethics Online serves as a grievance mechanism and enables Neste's stakeholders to raise concerns related to alleged misconduct in Neste's practices. Neste's Investigation Group is responsible for evaluating

and investigating such reported cases. Neste has a non-retaliation policy for concerns reported in good faith. Neste's main principles and policy followed in internal misconduct investigations is described in the company's internal Misconduct Investigation Standard. The possible irregularities or misconducts are reported regularly to the Board of Directors' Audit Committee.

### **Insider administration procedures**

Neste complies with the EU Market Abuse Regulation (596/2014), including related regulation, as well as Nasdaq Helsinki Ltd's Insider Guideline as a minimum standard on insider matters. In addition, the Board of Directors has approved the Company's own Guidelines for Insiders.

The Company's General Counsel is responsible for the coordination and supervision of insider matters, along with the insider register manager, the insider communication manager and individuals responsible as heads of project-specific registers. All the above individuals have their own deputies. In addition, the head of each organizational unit is responsible for supervising insider matters within his or her organization. The Company arranges training related to the insider guidelines.

The creation and maintenance of a project-specific insider register is the responsibility of the head of such register, who is named in the relevant project-specific insider register.

The Company has defined, as persons discharging managerial responsibilities, the members of the Board of Directors and its secretary, the President and CEO, as well as the members of the ExCo and its secretary. These managerial persons and their closely associated persons must report their own transactions conducted with the Company's financial instruments or financial derivatives to the Company and the Financial Supervisory Authority

without delay, and no more than three business days of completing the business transaction. Reports to the Company and the Financial Supervisory Authority can be made by following the instructions on [neste.com/trading](https://neste.com/trading).

The Company has also named certain other persons as core persons as they have better or more information about the Company than the market. These individuals are typically those who prepare the Company's Interim Reports and Financial Statements, persons responsible for the Company's finances, financial reporting or communication, or persons who have access to said information, as well as certain individuals in executive positions.

Persons discharging managerial responsibilities and core persons may not trade with or conduct business with the Company's financial instruments for themselves or a third party, directly or indirectly during the period from the closing date of an interim or annual accounting period to the date of publication of the interim report or financial statements for that period. The minimum period concerned is always a minimum period of 30 days prior to the date of publication of the interim report or the financial statements, including the date of publication ("closed window").

The Company also maintains a project- or event-specific list of insiders for all individuals that have access to insider information and that are employed by the Company or otherwise perform tasks that provide them access to insider information. Individuals who participate in the development and preparation of projects or events that involve insider information, such as mergers and acquisitions, are considered project- or event-specific insiders. Project-specific insiders may not trade or conduct other business using the Company's financial instruments during the project.

### **Related party transactions**

Neste has identified its related parties and it is regularly engaged in transactions with some of these parties. These transactions relate to the Company's normal business operations and shall be in line with the purpose of the company and executed on market or market equivalent terms and practices generally observed and accepted within the industry in question.

The related party transactions are monitored in cooperation with Finance and Legal functions as a part of the Company's normal reporting and control procedures. The Board of Directors is responsible for overseeing the processes established for monitoring related party transactions. Information on material transactions concluded between the Company and its related parties is disclosed annually in the notes on the Company's consolidated financial statements. When required under the applicable laws and regulations, material transactions conducted with related parties are also published via stock exchange release.

### **Controls over Financial Reporting**

#### **Objectives**

The objective of internal controls at Neste is to provide a reasonable assurance with regard to the financial reporting and the preparation of financial statements in accordance with the applicable laws and regulations and the internal requirements. Additionally, internal controls support the business in the achievement of its operational and strategic objectives by acting as performance accelerators in business processes.

The system of internal controls at Neste is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management sets its level of risk appetite by defining the Group-level control objectives. Control objectives state the Group's minimum control requirements for the control activities in financial and business processes in order to mitigate the underlying key risks and establish the desired level of assurance for correct financial reporting, adherence with the regulations and policies, and prevention of fraud. Group level control objectives are endorsed by the Executive Committee and Audit Committee and reflect the top management guidelines, auditor reports, policies and regulations Neste complies with. Neste internal control requirements are defined in Neste Internal Control Principle, Neste Access Risk Management Principle and standards on Controls over Financial Reporting (COFR), Segregation of Duties, etc.

#### **Control environment**

Under the Finnish Companies Act, the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances. Responsibility for arranging this control is delegated to the President and CEO, who is required to ensure that the Company's accounts are in compliance with the law and that its financial management has been arranged in a reliable manner.

The internal control at Neste is based on the corporate structure whereby the operations are organized into organizational units. The heads of business units and finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate controls over financial reporting. Operational management owns the risks and controls and is responsible that controls and deficiency related corrective actions are implemented.

In order to provide additional assurance, Neste has established an Internal Control function, which is responsible for coordinating the Group-wide internal control development and monitoring. The Head of Internal Control reports on its activities on a regular basis to the Executive Committee and to the Board of Directors' Audit Committee which monitors the effectiveness of the Company's Internal Control. Internal Control follows up and verifies that actions are taken by the respective operational management.

Internal Control Principle emphasizes the importance of internal controls and clarifies the responsibilities of the Three Lines for establishing effective controls in business processes. Neste's values and management system containing the formal Code of Conduct are the foundation of the control environment. The President and CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting.

#### **Risk assessment**

As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly. The assessment of risk includes risks related to fraud.

Additional information on risk management principles is available in the Risk Management section of the Annual Report.

#### **Control activities**

Neste control activities include instructions, guidelines and procedures to ensure that the actions identified by management to address the relevant risks are carried out effectively. The most important guidelines related to financial reporting systems and practices are documented in Neste Internal Control Principle, Access Risk Management Principles, the Controls over Financial Reporting standard (COFR), Process charts, month end workflows and detailed Finance Instructions.

Key control activities are documented in a global control catalog covering each business or financial process. Group-level policies and guidelines are documented in the Neste Management System.

#### **Communication**

Neste corporate-level communication practices support the completeness and correctness of financial reporting. Neste personnel have access to adequate information and communication regarding accounting and reporting principles and guidelines. The main means of communicating the relevant matters for appropriate financial reporting consist of internal control training, detailed Finance Instructions containing accounting principles and guidelines for forecasting and reporting, info sessions, on-the-job training, process walk-throughs, and postings on internal channels and pages.

Neste business units prepare regular financial and management reports for the management review, including analysis and comments of financial performance. The Executive Committee and the Board of Directors receive financial reports monthly. Interim Reports and Financial Statements are reviewed in Audit Committee meetings, and thereafter by the Board of Directors.

### Monitoring

Management regularly monitors the effectiveness of the controls, as a control that was initially effective can become ineffective due to changes in the operating environment. Changes can also take place in the controls due to changed processes, IT systems or personnel.

The Board of Directors and the Audit Committee regularly review the financial performance including reviewing whether there is an adequate level of process to evaluate the risks and effectiveness of controls related to the financial reporting process at all levels of the organization. The Audit Committee oversees the Company's finances, financial reporting, risk management, as well as the Internal Control and Internal Audit functions, as part of the Company's corporate governance. Internal control deficiencies are communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board's Audit Committee as appropriate.

Corporate Internal Audit assesses annually the operational model and practices of internal control over Neste's financial reporting as part of business and process-level audits.

The Internal Control function also conducts separate tests to assess the adequacy of internal controls in business processes, recommends corrections and reports the gaps to the respective management teams.

### 2022

In 2022, the internal control activity focus has been on three key areas:

First, establishing a renewal business remediation program under direct supervision of the renewable business EVPs and with the aim at addressing control improvements that not only mitigate risks, but also bring advancement in business processes. Concrete improvements have been made in pricing accuracy of contracts with customers.

The second focus area has been on bringing all core business process controls to the internal control platform, consisting of SAP GRC Process Control (PC) and GRC Access Control (AC) modules. A significant number of automated controls have been built and are functioning. Continuous Control Monitoring is used also for mitigating residual SoD risks, when needed.

The third focus area has been on revising and identifying control improvements in the ESG areas, mainly relating to Bio Compliance. Plan is to cover the majority of operations by the end of 2023.

The Executive Committee is monitoring closely the status of internal controls company-wide.

Deep dives and cooperation with the external auditor, KPMG, have been performed and analysis results are being followed up by the Audit Committee.

## Building effective Internal Control is an ongoing process driven by strategy and control objectives

### Remediation

Internal Control follows up and supports the implementation of management actions identified by its own testing or auditor findings and that relate to strengthening the control environment.

### Scope

Defined based on Regulatory environment, Strategic Objectives, Assessment of Risks, Audit Committee priorities, change programs and Remediation actions.



### Monitoring, testing and reporting

Internal Control employs tools, such as RPA, Celonis and SAP GRC, and it conducts separate tests to assess the performance of the internal controls and detect gaps and areas for improvement. Findings are reported to relevant stakeholders.

### Control development

In partnership with business and process owners, define and enhance the controls. Increase control automation and monitoring capabilities. Keep up-to-date control catalogs. Create and update requirements and guidelines.

### Training and communication

Clarify Control Requirements and tools. Support operational management and process owners in deploying controls in the organization. Perform an active role in communication with both personnel and stakeholders on important updates.

**Performance Management Process**

Neste's Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset. Neste has taken a step change in developing its performance leadership towards a more agile model supporting daily operations.

Performance management comprises daily leadership, through which individuals, teams, units and the Company can achieve selected strategic priorities and develop organizational capability. Performance leadership is used to ensure that everyone knows the values and objectives of the Company, and their short and long-term objectives, and what kind of competence is needed and developed to achieve these objectives.

Individual and team objectives are based on Neste's strategy and way of working. There is a clear link between wellbeing at work and good leadership performance.

The key elements in the Neste daily performance leadership approach are:

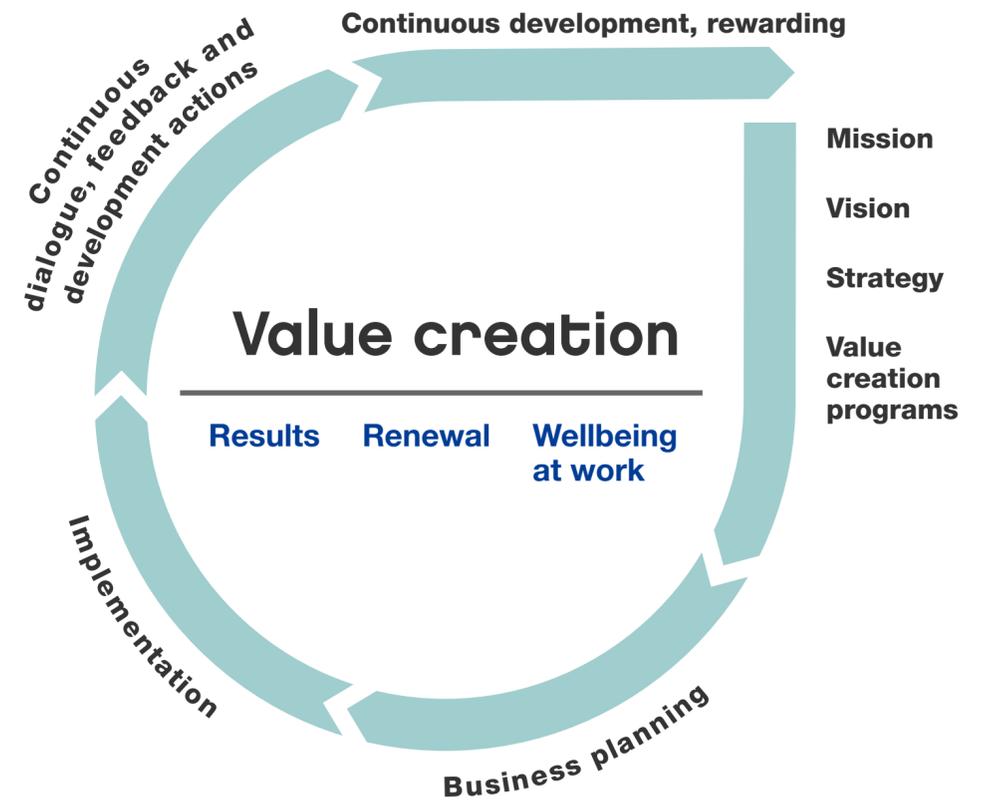
- setting challenging objectives and following them through;
- supporting the achievement of objectives with up-to-date feedback;
- evaluating one's own performance and results;
- developing ways of working and taking responsibility for one's own competence development; and
- holding regular personal development discussions and check-in discussions that support day-to-day work.

From a financial outlook and reporting point of view, the Neste Performance Management Process consists of long-term financial projections based on the strategy and Performance Planning covering the midterm (3 years) outlook. During the year, performance is evaluated in weekly Management Reporting, the monthly Business Review, and the bi-annual Common Functions Review.

Financials and KPIs related information is evaluated against the strategic goals and business plans, and required actions are steered and followed throughout the year.



**Performance Management Process**



# Risk management

## Risk management objectives and scope

Neste recognizes risk management as an integral part of sound management practice and an essential element of good corporate governance. Risk as an element of uncertainty (opportunity or threat) is an inevitable component of running the business. Systematic risk management practices are the means to ensure that Neste is successful in achieving the set strategic goals and business objectives and is able to maintain continuous operations in a changing business environment.

Neste's risk management practices can be characterized by the following statements:

- The company emphasizes risk aware culture and proactive management of risks;
- Risk management is a continuous process that is subject to improvement to reflect changes in the external and internal environment;
- The purpose of risk management is to analyze and manage all opportunities and threats that the company may encounter. By exploiting opportunities and reducing threats, Neste gains a competitive advantage;
- Risks are managed as an integrated part of planning, decision making, and operational processes with a defined structure of roles and responsibilities; and
- Sufficiency of risk treatment actions and controls is monitored systematically.

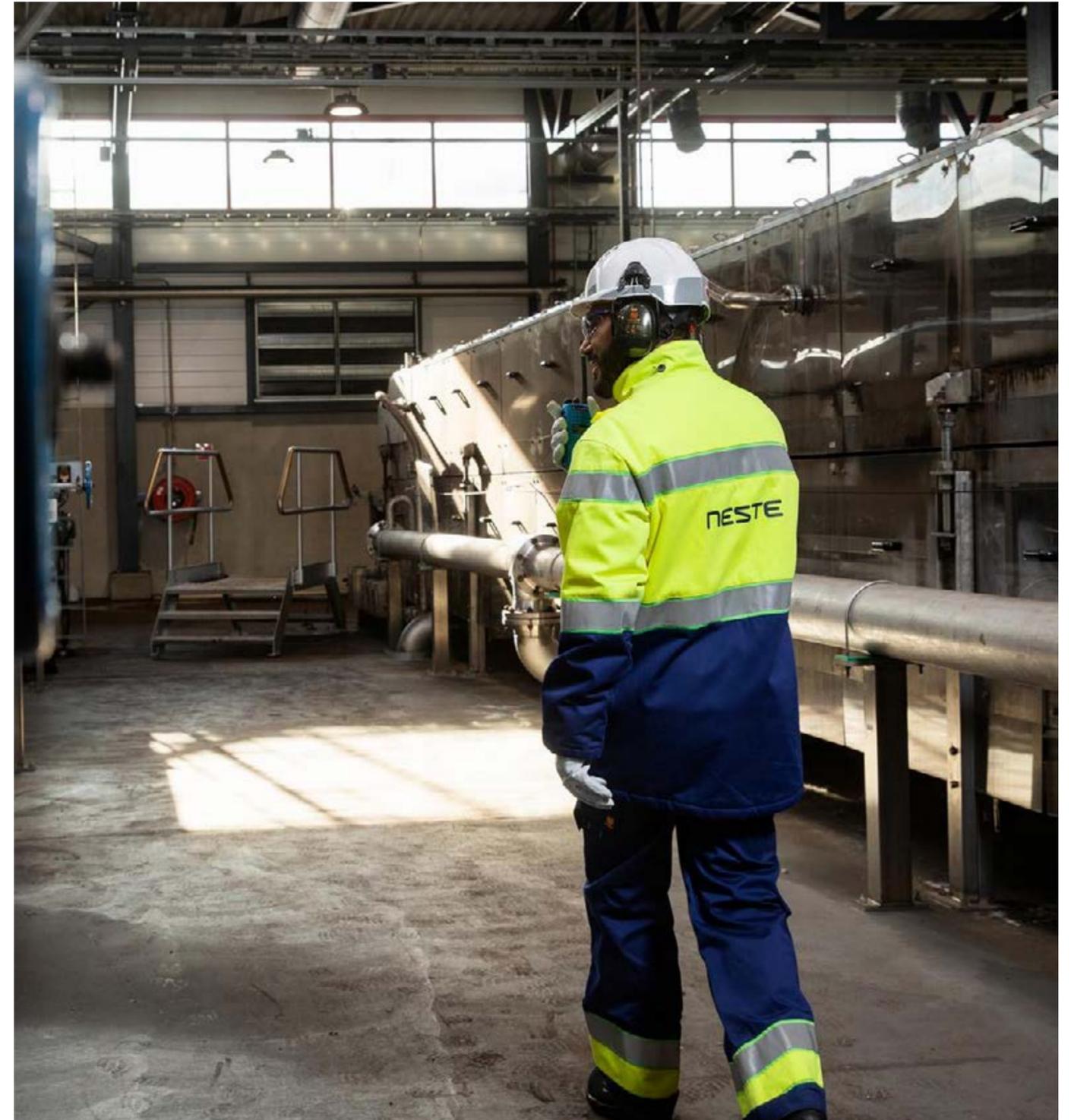
## Risk management framework and principles

Framework and principles for risk management have been defined in the Neste Corporate risk management policy, which has been approved by the Board of Directors. The policy is supplemented by risk management principles, guidelines, and instructions for specific risk disciplines.

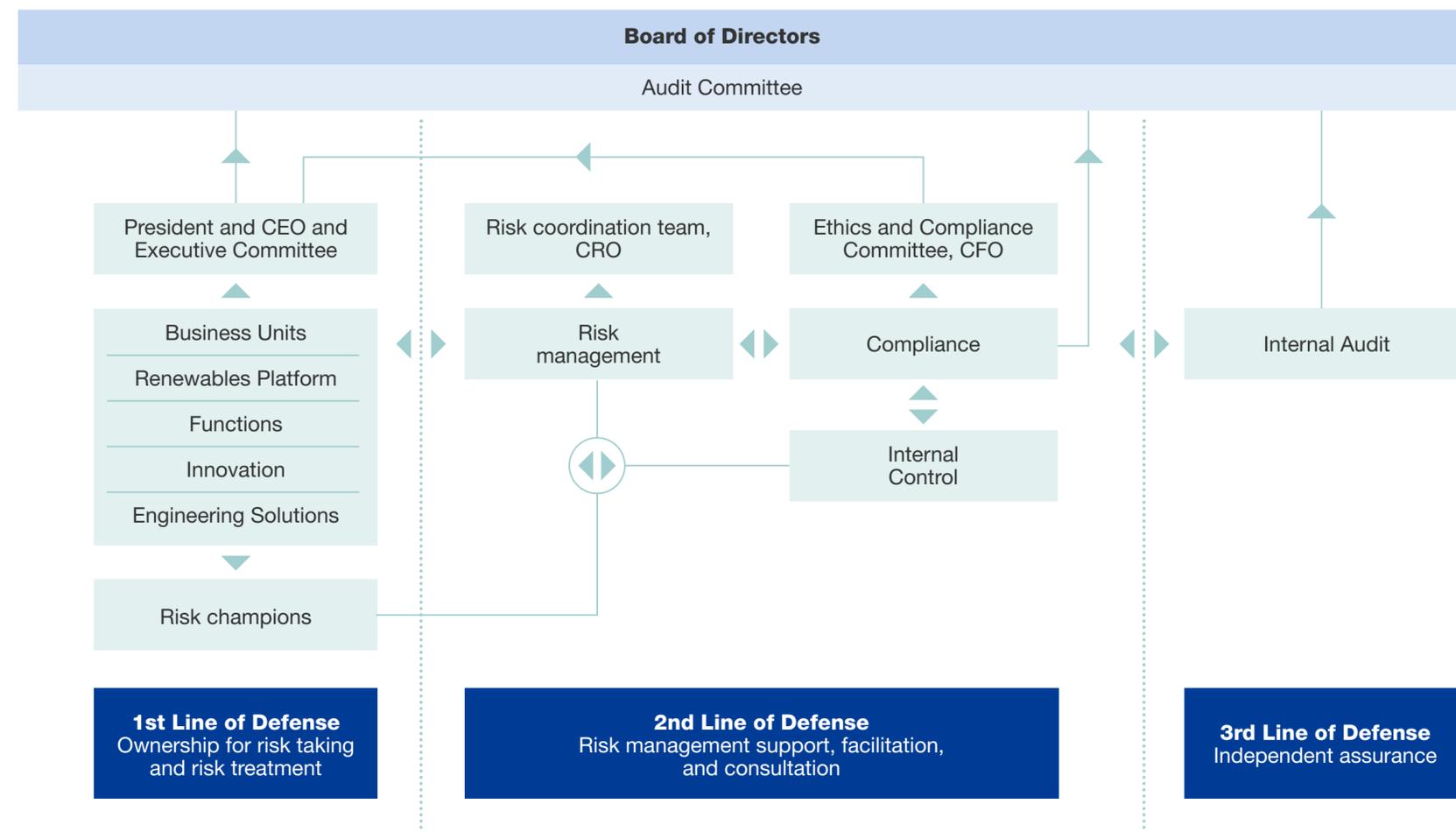
Neste's risk management framework and processes are aligned with the internationally recognized best practices for risk management (COSO: Enterprise Risk Management – Integrating with Strategy and Performance; and ISO 31000:2009 standard).

In Neste's risk model, risks are classified into external, strategic, and preventable risks that are more operational in nature.

- External risks are exposures that cannot be fully influenced or controlled by Neste. The main risk classes are changes in the external environment and risks in the extended enterprise;
- Strategic risks relate to strategic choices, strategy implementation and risks in the planning and execution of major projects (e.g. refinery turnarounds). Strategic risks are not inherently undesirable as they typically contain both upside and downside risk potential; and
- The third category of risks, preventable risks, consists of various risk classes that arise within the organization and are mostly controllable. In general, Neste does not gain strategic benefits from taking these risks.



## Risk governance



### Risk governance

The Neste Board of Directors has the ultimate accountability for risk oversight. Among other duties the Board is in this role responsible for setting the Group's risk appetite and for approving the Risk Management Policy.

The practical implementation, development and monitoring of risk management processes is based on the three lines of defense model. The model distinguishes between:

#### 1st Line of Defense

The first line of defense is responsible for setting the objectives, managing day-to-day performance and reinforcing risk responses in order to achieve the set targets. At Neste, the first-line actors include Business Units and Functions in their first-line roles. As a part of the first line of defense, Neste's President and CEO and the Neste Executive Committee have the overall accountability for appropriate risk management practices.

In practice, Business Units and Functions own and manage risks with the help of a dedicated network of risk champions and coordinators. The role of the risk champions/coordinators is to represent different risk disciplines and to ensure that risk discussions are embedded in everyday management routines.

#### 2nd Line of Defense

The role of the actors in the second line of defense is to provide guidance, support, facilitation and consultation for risk management. The second line of defense needs to have some degree of independence from the first line of defense in order to be able to challenge the first line in managing performance and making risk-informed decisions.

At Neste, the second line of defense includes Functions in their second-line roles and specialist teams (corporate risk management, compliance and internal controls). In addition, Neste has established a separate Ethics and Compliance Committee that aims at increasing management oversight of compliance- and ethics-related issues within the Group. The Committee also ascertains the adequacy of mitigation actions in higher risk compliance areas.

The corporate risk management team has the overall responsibility to confirm that risk management activities are carried out consistently throughout Neste Group and all risk classes. Corporate risk management also drives the overall development of risk management practices and tools. The team is supported by the network of risk champions and coordinators.

#### 3rd Line of Defense

Internal Audit as an independent team evaluates the effectiveness and efficiency of the corporate-level risk governance model and related risk management processes, including the effectiveness of internal controls and other risk treatment actions in the scope of each audit. Internal Audit also provides recommendations for improvement areas.

## Risk reporting

Risk reporting aims at the transparent, consistent, and comprehensive communication of risk status in different areas. As a result of risk reporting, the Company's risk profile can be compared with the defined risk appetite and it can be concluded whether additional risk treatment actions are needed.

Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle.

Formal risk reporting is directed to the Business Unit and Function management teams, the Neste Executive Committee, the Audit Committee and the Board of Directors. The Corporate risk management team is responsible for aggregating risk information for reporting to different internal and external audiences.

## Risks relating to Neste's business

In the pursuit of its objectives and targets, Neste is exposed to different risk factors that stem from the external environment, internal decision making, operating processes and systems in use. The most significant risk factors relate to the areas mentioned below. Any one of the risks, either singly or in the aggregate, may have a material adverse effect on Neste's business, financial condition, operating results and future prospects.

### External risks – Economic conditions, Geopolitics, Pandemic

Year 2022 was marked with slowing economic growth and several crises - war in Ukraine, rising inflation and exceptional price hikes in the energy market. Following the war in Ukraine, major European refiners not connected to the Druzhba pipeline shifted away from using Russian crudes. This combined with the OPEC+ supply control measures has strongly supported non-Russian crude prices this year. Russia will likely curtail its crude production upon the introduction of the G7 price cap and the EU's embargo on Russian oil trading. Especially

if the price cap is set at a too low level, additional cuts to Russian crude oil production are expected. Meanwhile, China's Covid policies and economic fundamentals could cast uncertainties towards the other direction.

Oil refining margins in 2022 were impacted by a hike in operating costs. This is due to a combination of overall heightened oil supply risks, and the significant increase in refineries' utility costs. The latter was primarily driven by skyrocketing natural gas prices in Europe caused by Russia's substantial reduction of natural gas exports to Europe.

With an embargo on Russian oil products coming into force in the EU in early February 2023, uncertainties related to the oil product availability, subsequent cost development for natural gas in Europe and macro-economic developments impacting demand make the exact direction for refining margins going forward difficult to predict.

The renewable fuel market in 2022 was also impacted by the war in Ukraine, in two major ways. Firstly, by driving up prices for vegetable oils, and in turn other waste and residue feedstocks, in the months after the start of the war. Price levels have meanwhile declined substantially from their peak in early summer. Secondly, through driving up the cost of fossil transport fuels, which led a few EU member states, including Finland and Sweden, to freeze or even lower their biofuel blending obligations in 2022 and the following years. However, the impact on biofuel demand was overall limited, as demand continued to grow in many markets in the EU, North America and around the world.

### External risks – Environment

Neste's strategic ambition is to be the global leader in renewable and circular solutions. Growing pressure to combat climate change and reduce greenhouse gas emissions is therefore primarily a positive driver for Neste's business. However, political and societal focus on the low-carbon transition and the energy sector's

carbon footprint also create risks. Indirect economic and political consequences of climate change may contribute to the general uncertainty in the business environment and hence have an adverse effect on Neste's business. In addition, changes in carbon emission trading schemes or similar initiatives on EU-, US- or individual Member State-level may have a significant effect on Neste's business.

### External risks – Laws and regulation

Changing regulation presents both an opportunity and a threat to Neste's business. Neste's refining operations and products are subject to extensive regulation (incl. environmental, health and safety, sustainability). General regulatory requirements in areas like commodity trading and data protection have also contributed to the formalization of operating procedures.

Neste's business units mainly benefit from increased support for biofuels and renewable fuels (for example requirements that relate to renewable content in diesel and gasoline). However, changes in regulation especially in the European Union and the United States also create uncertainties as these may influence the speed at which the demand for renewable products develops, and new raw materials sources are brought into use. For the renewable products, a significant source of uncertainty is fragmented regulation around the acceptability and use of waste and residue feedstock.

### Risks relating to strategic choices and strategy implementation

The majority of strategic risks relate to the viability of strategic choices and risks in strategy implementation. Opportunities and threats may arise from changes in the competitive landscape or from internal decision making and use of technology.

Neste's competitive position in the selected key markets is good. Neste's proprietary NEXBTL production technology is a proven technology for producing

high-quality diesel from renewable raw materials. However, there is no assurance that this competitive position will continue as new players enter the market, current competitors develop their technologies or customer preferences for clean mobility change. In addition to the development of alternative feedstocks and production technologies for liquid fuels, the evolution of engine technologies and introduction of alternative powertrains can be faster than expected.

Staying ahead of competition requires continuous improvement, the ability to challenge current business models and a strong focus on innovations such as new production technology and feedstock platforms. In addition, Neste's products and services must continuously meet customer requirements relating e.g. to product quality and sustainability. Evolving customer requirements together with more complex sourcing and logistics networks and production methods increase the exposure to quality risks that need to be managed well in order to maintain the high-quality brand image. As risk mitigation, Neste has implemented systematic quality management measures both in its own operations and in partner networks.

Strong governance practices and the continued contributions of Neste's senior management, personnel and partners are vital for the company's success. Due to fierce competition for talent, there is a risk that Neste may not be able to recruit and retain the highly skilled employees that are needed for strategy deployment and successful operations in the future. There is also a risk that Neste will not be able to build and manage strategic partnerships that contribute to future success.

### Project risks

Successful projects play a key role in Neste's strategy deployment, operational development and the digitization of processes. Significant delays in project planning or execution may reduce operational efficiency or impair Neste's ability to secure its competitive position.

### Business continuity risks

During the last few years, widespread implications from Covid-19 pandemic have pushed many industries and companies towards more systematic continuity management practices. While the pandemic still continues to restrict economic activity in some areas, more significant pressures for contingency planning during 2022 have come from geopolitical tensions, energy market volatility and high inflation rates. While governments have shifted attention towards mitigation of higher cost of living, the market has seen temporary reductions in climate ambition and targets as well as slowed down implementation of climate policies that would also support demand for Neste's solutions. Neste has continued implementation of strategic and operational business continuity measures. On the company level also scenario work has played an important role.

On the operational level Neste's business performance is very much dependent on the continuous reliability of refining activities in Finland (Porvoo), Singapore and the Netherlands (Rotterdam). In addition to the planned maintenance turnarounds, for example disruptions in the supply of utilities or breakdown of critical machinery could cause unexpected shutdowns that would affect Neste's ability to fulfill demand for end products.

The vessels chartered to Neste or owned by Neste are subject to inherent risks like maritime disaster, damage to the environment and loss of or damage to cargo and property. Such events can be caused by multiple factors, such as adverse weather conditions or mechanical failures.

Neste has insurance in place to reduce the financial impact of property damage, business interruption, and maritime disasters. However, insurance does not cover all potential losses and Neste could therefore be seriously harmed by operational catastrophes or deliberate sabotage.

### Market risks

In 2022, the oil and energy market as a whole experienced unforeseen hikes in energy and utility prices. Despite market stabilization there is a continuing risk of market volatility and increasing prices. This could have direct impacts on Neste's operating and project costs. In addition, high inflation could also have an indirect impact on the demand for Neste's products as governments try to balance the cost of climate actions with the need to manage the generally increased cost of living. On the feedstock side, it is expected that the high demand and high pricing for different waste and residue feedstock streams continues as competitors are increasing their production capacity for renewable products.

The financial results of Neste are primarily affected by the price differential, or margin, between refined petroleum and renewable product prices; and the prices for crude oil, different vegetable oils and other feedstock used. Historically, refining margins have been volatile and they are likely to continue to be so in the future. The main factors that may affect the refining margins include:

- Changes in aggregate demand for and supply of raw materials and products;
- Changes in demand for and supply of specific raw materials and products;
- Raw materials and product price fluctuations; and
- Evolution of worldwide refining capacity, and in particular development of refining capacity that relates to petroleum and renewable products similar to Neste.

As a part of risk management, Neste uses derivative instruments to protect its position against fluctuations in commodity prices.

Neste is exposed to foreign exchange risks because most of the sales are denominated in US dollars, whereas operating expenses (except the purchase of raw materials) are recorded in euros. Neste limits the uncertainties relating to changes in foreign exchange rates by hedging its currency risks in contracted and forecasted cash flows and balance sheet exposures.

More information on market risks can be found in the [Financial Statements Note 3](#) section of the Annual Report.

### Counterparty and credit risk

Counterparty risk arises from all business relationships, where Neste is exposed to the counterparty's failure to perform according to Neste's requirements and contractual commitments. The extent of counterparty risk has increased along the continued diversification of Neste's supply base and customer segments. In order to manage the risk, Neste has implemented systematic controls for counterparty screening and monitoring.

Especially on the sales side, Neste is also exposed to credit risk i.e. the potential failure of a counterparty to meet its contractual payment obligations. Risk magnitude is dependent on the size of the exposure concerned and counterparty's creditworthiness, which is assessed systematically both during onboarding and during the relationship.

### Sustainability risks

The most significant sustainability risks that relate to Neste's own operations or to the extended enterprise have been reported in line with the requirements of the Non-Financial Reporting Directive as a part of [the review by the Board of Directors](#).

### ICT and cyber risks

Digitalization and emerging technologies (for example the use of artificial intelligence and robotics) offer opportunities to automate dangerous or error-prone tasks and increase the efficiency of operations. At the same time, the increasing sophistication of cyber threats and generally rising frequency of attacks targeted at oil and gas companies is also a concern for Neste. Cyber risks multiply the impact of other risks and as individual risks could also have a major negative impact on Neste's reputation or continuity of business operations.

The reliability of the key IT systems and partnerships is essential for continuous business operations. Prolonged disruption in the availability of the key systems, data or interfaces could limit Neste's ability to conduct its business operations in a profitable, efficient and controlled manner.

### Risk management focus in 2022

In 2022, special risk management initiatives focused on risk support for major investments, M&A transactions and business model changes. Also implementation of business continuity plans continued.

# Neste Remuneration Report 2022

## Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2022 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year of 2022 and describing how the Remuneration Policy approved by the 2020 Annual General Meeting of Shareholders (AGM) has been implemented in practice. This Remuneration Report has been prepared in accordance with the Finnish Corporate Governance Code 2020, and the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the Decree of the Ministry of Finance. The report will be presented at the 2023 AGM of Neste for an advisory shareholder vote.

### Our approach to remuneration and link to sustainability

Our purpose as a Personnel and Remuneration Committee is to ensure that remuneration programs at Neste reflect our longstanding remuneration principles of supporting the business strategy, paying for performance, encouraging value-based behavior and individual accountability and paying competitively and fairly.

Based on our remuneration principles we have designed our remuneration policies, practices and processes to ensure that we are able to compete and retain the best workforce, talents and senior management in the diverse markets in which we operate. We believe that our performance-based remuneration programs together with selecting the right individuals for key positions, versatile career progression, proactive succession planning and appropriate market competitive rewarding are key to our success also in the future.

Neste's safety culture has been developed systematically for several years and the measures related to the improvement in both process and personnel safety constitute 20% of the short-term incentives' measures. Similarly, Neste's commitment to our strategic sustainability targets is also reflected in our long-term incentives plan where 20% of measures are based on our combined Greenhouse Gas impact.

Our remuneration structure aims to reinforce and support our key strategic target to become a global leader in renewable and circular solutions, which will support sustainable, long-term value creation for all stakeholders. For our President and CEO a significant proportion of remuneration is derived from variable pay to ensure that there is strong alignment between sustainable value creation for shareholders, company performance and reward. The Board of Directors sets the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational, ESG and strategic measures.

### Neste performance in 2022

The challenges and turbulency in the world have had significant impacts on global energy markets, and energy prices have risen to high levels. However, Neste was able to deliver a comparable EBITDA of EUR 3,537 million and take important steps in executing its growth strategy.

The performance measure for Performance Share Plan (PSP) 2020–2022 has been relative Total Shareholder Return (relative TSR) of Neste share compared to the STOXX Europe 600 index between 2020 and 2022. Neste Total Shareholder Return was at the 84.9<sup>th</sup> percentile compared to the index.

### Application of the Remuneration Policy in 2022

The remuneration for the Board of Directors and the CEO during the financial year 2022 was executed in accordance with the 2020 Remuneration Policy. No deviations from the Remuneration Policy have been made and no remuneration of the Board of Directors or the CEO has been reclaimed or restated during the financial year 2022.

### Advisory Shareholder vote regarding the Remuneration Report 2021 and shareholder engagement

At the Annual General meeting in 2022, 95.82% of the Neste Shareholders supported the Neste Remuneration Report 2021.

### Looking ahead to 2023

During 2022, the Personnel and Remuneration Committee of Neste focused on the renewal of both long-term incentive (LTI) and short-term incentive (STI) plans to strengthen our pay for performance approach on total remuneration and to ensure the competitiveness and attractiveness as an employer in the international markets where Neste operates. Neste President and CEO Peter Vanacker stepped down in April 2022 and Matti Lehmus started as a President and CEO in May 2022. The remunerations of the new and the outgoing President and CEO are in accordance with the Remuneration Policy 2020 adopted by shareholders at the Annual General meeting in 2020.

### Matti Kähkönen

Chair of the Personnel and Remuneration Committee

## Neste Personnel and Remuneration Committee



### Matti Kähkönen

Chair of the Personnel and Remuneration Committee

Committee members during 2022:

- **John Abbott** from 30 March 2022
- **Martina Flöel**
- **Jean-Baptiste Renard** until 30 March 2022
- **Johanna Söderström**

# Remuneration of the Board of Directors For the previous financial year

The Annual General Meeting decides on the remuneration to the members of the Board, based on the proposal of the Shareholders' Nomination Board, for one period at a time until the closure of the next AGM. On 30 March 2022, the 2022 AGM confirmed the following annual fees for the members of the Board of Directors. 98.89% of the votes cast were in favor of the proposal of the Shareholders' Nomination Board.

Chair	78,100 EUR per annum
Vice Chair	54,400 EUR per annum
Member	37,900 EUR per annum
Chair of Audit Committee <sup>1)</sup>	54,400 EUR per annum

<sup>1)</sup> If he or she does not simultaneously act as Chair or Vice Chair of the Board

The AGM confirmed that 40% of the annual fixed fee will be paid in the form of Neste shares and the remainder in cash.

In addition, the AGM decided that the following fixed annual committee fees are paid:

- Member of the Audit Committee EUR 3,000;
- Chair of the Personnel and Remuneration Committee EUR 5,000 and Member of the Personnel and Remuneration Committee EUR 2,000; and
- the Chair of another committee established based on Board decision will, for such position, be paid EUR 5,000, and its members will, for such position, be paid EUR 2,000.

Following meeting fees were paid based on attendance, plus compensation for expenses in accordance with the Company's travel guidelines:

- Meeting held in the member's home country EUR 800;
- Meeting held in the same continent as the member's home country EUR 1,600; and
- Meeting held outside the same continent as the member's home country EUR 2,400.

The meeting fee for meetings held over the telephone or through other means of data communication was paid according to the fee payable for meetings held in each member's home country. The meeting attendance fees include meeting fees paid due to special tasks set by the Board of Directors, but not travel expenses.

Details of the shareholdings of the Board of Directors are shown in the web pages. These shares are personally acquired.

### Remuneration paid to the members of the Board in 2022

In 2022, the remuneration of the members of the Board exceptionally consisted of two separate Board annual membership fees (three month fee of the Board membership 2021–2022 and the full annual fee of the Board membership 2022–2023), due to the structural change of the fee payments for the membership 2022–2023 decided by the AGM 2022. The AGM 2022 decided that 40% of the fixed annual fee is to be paid in the form of shares and the remainder in cash. The shares were purchased directly on behalf of the Board members within two weeks after the publication of the interim report for the period 1 January to 31 March 2022 from the market at a price formed in public trading. The Company has paid all costs and transfer tax related to the purchase of Company shares. The total cash part of the annual Board fee and committee fees for the Board membership period 2022–2023 were paid in May 2022. Meeting fees were paid during the year after the meetings.

	Annual fee for the period 1–3/2022 in cash (EUR)	Annual fee for the period 4/2022–3/2023 (EUR) <sup>1)</sup>	Committee and meeting fees (EUR) <sup>2)</sup>	Total (EUR)
Matti Kähkönen, Chair	16,975	78,100	29,200	124,275
Marco Wirén, Vice Chair	12,400	54,400	27,600	94,400
John Abbott	8,925	37,900	27,800	74,625
Nick Elmslie	8,925	37,900	29,000	75,825
Martina Flöel	8,925	37,900	28,600	75,425
Just Janz <sup>3)</sup>	-	37,900	21,400	59,300
Jean-Baptiste Renard <sup>4)</sup>	8,925	-	4,800	13,725
Jari Rosendal	8,925	37,900	22,600	69,425
Eeva Sipilä <sup>3)</sup>	-	37,900	17,400	55,300
Johanna Söderström	8,925	37,900	36,000	82,825

<sup>1)</sup> The total annual fee for the Board membership 2022–2023 was paid in May 2022 and 40% of the annual fee was paid in shares and 60% in cash. Neste has paid the transfer tax for share purchase and it has been handled as a taxable income for each member.

<sup>2)</sup> Meeting fees include annual committee fee and fees based on attendance.

<sup>3)</sup> Member of Board since 30 March, 2022

<sup>4)</sup> Member of the Board until 30 March, 2022

Remuneration has been paid from the parent company.

# Remuneration of the President and CEO in 2022

Neste's Board of Directors decides on the remuneration of the President and CEO based on the proposal by the Board's Personnel and Remuneration Committee. The available remuneration elements are defined in the Neste's Remuneration Policy and aligned with market practices. The remuneration of the CEO consists of fixed annual remuneration, such as base salary and fringe benefits and variable remuneration, such as short- and long-term incentives plans and supplementary pension.

President and CEO Matti Lehmus did not receive any share-based payments during his CEO period, starting from May 2022 onwards. As previous President and CEO Peter Vanacker had given notice of his resignation from the company in December 2021, the share allocation to him was canceled.

The supplementary pension of the President and CEO is a defined contribution plan with an annual contribution of 16% of the fixed annual salary and retirement age of 62 years. This supplementary pension benefit is originally based on his previous positions and a member of Neste Executive Committee. For those Executive Committee members who have started in their position after 1 January 2009 but before 31 August 2018, are eligible for a defined contribution (DC) pension scheme (based on retirement age of 62, 63 or as prescribed under Finnish pension legislation). No other financial benefits were paid to the President and CEO in 2022.

The table below includes the taxable value of the remuneration:

		Fixed Annual Remuneration	Variable Remuneration			Supplementary pension	Total Remuneration	Proportion of fixed and variable remuneration
		Fixed Annual Salary <sup>1)</sup>	Short-term incentive plan	Long-term incentive plans			Total Annual Compensation	
				Cash	Shares			
<b>Matti Lehmus</b> (from 5/2022)	Paid during 2022 (based on financial year 2021 performance)	636,773.98	-	-	-	94,666.67	731,440.65	100% and 0%
<b>Peter Vanacker</b> (until 4/2022)	Paid during 2022 (based on financial year 2021 performance)	443,285.70 <sup>2)</sup>	261,179.08	-	-	-	704,464.78	63% and 37%

<sup>1)</sup> Benefits and vacation pay included in fixed remuneration.

<sup>2)</sup> This includes vacation compensation of EUR 106,303.92 paid at the end of employment.

Remuneration has been paid from the parent company.

## Short-term incentives

The President and CEO's short-term incentives, including the terms and conditions for these plans, are determined by Neste's Board of Directors. The Board of Directors annually sets and evaluates targets for the President and CEO. The maximum short-term incentive for the President and CEO was 40% of annual base salary in 2021 and 80% of annual base salary in 2022. The President and CEO's Peter Vanacker's achievement ratio for the short-term incentives for the year 2021 paid in March 2022 was 26.6%.

Details of the short-term incentive plan award for the President and CEO, Peter Vanacker for 2021 paid in March 2022:

<b>President and CEO 2021 STI</b>		<b>2021 results</b>
<b>Weighting</b>	<b>Measures</b>	<b>Level of achievement</b>
60%	Group comparable EBIT	Between threshold and target
20%	Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	At maximum
	Total	Between target and maximum

The achievement ratio for the year 2022 to be paid in 2023 is 61.6% and the incentive payment of EUR 369,219 (prorated to CEO time 5–12/2022) will be paid in March 2023. Comparable ROACE was introduced into measures to measure how efficiently Neste uses its capital to generate profits from its current active operations.

Details of the short-term incentive plan award for the President and CEO; Matti Lehmus for May–December 2022 to be paid in March 2023:

<b>President and CEO 2022 STI</b>		<b>2022 results</b>
<b>Weighting</b>	<b>Measures</b>	<b>Level of achievement</b>
50%	Group comparable EBITDA	At maximum
20%	Free Cash Flow	Between target and maximum
10%	Comparable ROACE	At maximum
10%	Group Safety (TRIF)	Below threshold
10%	Group Process Safety (PSER)	Between target and maximum
	Total	Between target and maximum

Details of the short-term incentive plan award for the President and CEO for 2023, potential reward payment in March 2024:

<b>President and CEO 2023 STI</b>	
<b>Weighting</b>	<b>Measures</b>
50%	Group comparable EBITDA
20%	Free Cash Flow
10%	Comparable ROACE
10%	Group Safety (TRIF)
10%	Group Process Safety (PSER)

## Long-term incentives

The Board of Directors decides on and implements Neste's long-term incentive plans and the earning opportunity for the President and CEO. The purpose of these plans is to drive Neste's long-term performance and success. As previous President and CEO Peter Vanacker had given notice of his resignation from the company, the share allocation to him has been canceled and no shares were delivered.

President and CEO Matti Lehmus is entitled to following long-term incentive plans:

<b>Performance Share Plan</b>	<b>Measure</b>	<b>Weight</b>	<b>Grant date</b>	<b>Number of shares originally granted</b>	<b>Vesting date</b>
PSP 2022–2024	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	9 Feb. 2022	26,400	31 Mar. 2025
	Combined Greenhouse Gas Impact 2022–2024	20%			
PSP 2023–2025	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	13 Dec. 2022	23,600	31 Mar. 2026
	Combined Greenhouse Gas Impact 2023–2025	20%			

Based on Matti Lehmus' previous role as Executive Vice President, Renewables Platform he is also entitled to PSP 2020–2022 and PSP 2021–2023 share plans which will vest in 2023 and in 2024.

# Remuneration and company performance over the last five financial years

<b>Average compensation, EUR</b>		<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Average compensation of Members of the Board <sup>1)</sup>		53,283	50,272	44,386	51,368	72,512
President and CEO (taxable value of the remuneration in each year)	Matti Lievonen (until 10/2018)	2,497,774	-	-	-	-
	Peter Vanacker (from 11/2018 until 4/2022)	150,040	2,131,983	1,804,816	2,046,357	704,465
	Matti Lehmus (from 5/2022)	-	-	-	-	731,441
Average compensation of Neste employee <sup>2)</sup>		57,258	57,906	70,751 <sup>3)</sup>	77,529 <sup>4)</sup>	86,367 <sup>5)</sup>
<b>Company performance</b> Comparable EBITDA (MEUR)		1,838	2,452	1,929	1,920	3,537

<sup>1)</sup> Average compensation of members of the Board includes all fees paid to the members (annual board fees, meeting fees, committee fees).

<sup>2)</sup> Average Neste employee includes all wages and salaries incl. incentive payments (LTI based on accounting value) without indirect employee costs (social security costs, pension costs, other costs) divided by the average number of personnel during the year.

<sup>3)</sup> Cost provision for personnel arrangements relating to the Naantali refinery closure of EUR 22 million has been eliminated from wages and salaries before calculating the average.

<sup>4)</sup> The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of EUR 11 million has been eliminated from wages & salaries before calculating the average. The average compensation between 2019 and 2020 has increased partly due to the divestment of Neste operations in Russia in 2019 covering 1,133 employees, and between 2020 and 2021 due to personnel decreases related to the closure of Naantali refinery. Simultaneously, strategic headcount increase has focused on white collar and higher employee cost markets.

<sup>5)</sup> The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of EUR 500,000 has been eliminated from wages & salaries before calculating the average. The average compensation has increased partly due to strategic headcount increase on higher employee cost markets. Simultaneously, short-term incentive provision is higher than in previous year.



## Review by the Board of Directors

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# Review by the Board of Directors 2022

Neste ended the year 2022 with a strong performance in all its business units. The war in Ukraine had a significant impact on international energy markets in 2022. In the exceptional market environment, the full year comparable EBITDA reached an all-time high EUR 3,537 million compared to EUR 1,920 million in the previous year. All businesses improved their performance in 2022. Despite the higher feedstock costs and increasing production costs, Renewable Products was able to further increase its comparable sales margin. In Oil Products, the main product margins improved significantly during the year and the rising production costs were successfully mitigated by optimizing the supply and use of utilities. Also, Marketing & Services was able to improve its performance compared to the previous year. As to the Group's financial targets, Neste reached a Comparable ROACE of 30.1% over the last 12 months and a leverage ratio of 13.9% at the end of the year, both clearly meeting the financial target levels. Cash flow before financing activities was at EUR -390 million in a year of significant investments and M&A transactions. The solid financial position enables the continued implementation of our growth strategy going forward.

During the year Neste continued to execute its growth strategy in our three renewables businesses – Aviation, Polymers and Chemicals and Road Transportation. A strategic decision was made to invest into new renewable products' production capacity in Rotterdam. The Rotterdam refinery expansion investment of approx. EUR 1.9 billion will expand Neste's overall renewable product capacity by 1.3 million tons per annum, bringing the total renewable product capacity in Rotterdam to 2.7 million tons annually, of which sustainable aviation fuel (SAF) production capability will be 1.2 million tons. Neste also established a 50/50 joint operation with US-based Marathon Petroleum. The joint operation will produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California. Neste's total investment will amount to approx. EUR 0.9 billion (USD 1.0 billion). The project is expected to increase Neste's renewable products capacity by slightly over 1 million tons per annum by the end of 2023. Our Singapore renewables capacity expansion investment project reached mechanical completion at the end of 2022 and is currently on schedule for start-up by the end of the first quarter 2023.

At the same time, Neste continued to implement its sustainability vision in the fields of climate, biodiversity, human rights, our supply chain and raw materials. All these actions support the strategic transformation. Neste is making good progress in its journey to become a global leader in renewable and circular solutions. Board of Directors proposes a maximum dividend of EUR 1.52 per share (0.82 per share), consisting of an ordinary dividend of EUR 1.02 per share, an extraordinary dividend of EUR 0.25 per share and a discretionary second extraordinary dividend of EUR 0.25 per share, totaling a maximum of EUR 1,167 million (EUR 630 million).

Figures in parentheses refer to the financial statements for 2021, unless otherwise noted.

## The Group's results for 2022

Neste's revenue in 2022 totaled EUR 25,707 million (15,148 million). The growth in revenue resulted from higher market and sales prices, which had a positive impact of approx. EUR 7.5 billion, and higher sales volumes which had a positive impact of approx. EUR 2.1 billion on the revenue. Additionally, a stronger US dollar had a positive impact of approx. EUR 1.2 billion on the revenue. Also, the revenue was negatively impacted by lower trading volumes and the divestment of the Base Oils business, total impact approx. EUR -0.2 billion.

The Group's comparable EBITDA was EUR 3,537 million (1,920 million). Renewable Products' comparable EBITDA was EUR 1,762 million (1,460 million), higher than in 2021, mainly due to a higher sales margin and stronger US dollar offsetting higher fixed costs. Oil Products reached a comparable EBITDA of EUR 1,654 million (353 million) in the improved refining market and with increased sales volumes. Marketing & Services' comparable EBITDA was EUR 126 million (103 million) as a result of higher sales volumes and unit margins. The Others segment's comparable EBITDA was EUR -4 million (11 million).

The Group's EBITDA was EUR 3,048 million (2,607 million), which was impacted by inventory valuation losses of EUR 352 million (gains of 573 million) and changes in the fair value of open commodity and currency derivatives totaling EUR -131 million (106 million). Profit before income taxes was EUR 2,279 million (1,962 million), and net profit EUR 1,891 million (1,774 million). Comparable earnings per share were EUR 3.04 (1.54), and earnings per share EUR 2.46 (2.31).

Group key figures, MEUR	2022	2021
<b>Comparable EBITDA</b>	3,537	1,920
- inventory valuation gains/losses	-352	573
- changes in the fair value of open commodity and currency derivatives	-131	106
- capital gains/losses	10	3
- other adjustments	-16	5
<b>EBITDA</b>	3,048	2,607

Revenue	2022	2021
Renewable Products	9,905	5,895
Oil Products	14,596	7,810
Marketing & Services	5,876	3,803
Others	147	170
Eliminations	-4,816	-2,530
Total	25,707	15,148

<b>Comparable EBITDA</b>	<b>2022</b>	<b>2021</b>
Renewable Products	1,762	1,460
Oil Products	1,654	353
Marketing & Services	126	103
Others	-4	11
Eliminations	-1	-6
Total	3,537	1,920

<b>Operating profit</b>	<b>2022</b>	<b>2021</b>
Renewable Products	1,046	1,723
Oil Products	1,337	263
Marketing & Services	98	77
Others	-70	-34
Eliminations	-1	-6
Total	2,410	2,023

### Financial targets

Comparable return on average capital employed after tax (Comparable ROACE) and leverage ratio are Neste's key financial targets. The company's long-term Comparable ROACE target is 15%, and the leverage ratio target is below 40%. At the end of December 2022, Comparable ROACE calculated over the last 12 months was 30.1%, and leverage ratio remained well within the targeted area at 13.9%.

	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
Comparable return on average capital employed after tax (ROACE) <sup>1)</sup> , %	30.1	18.3
Leverage ratio (net debt to capital), %	13.9	0.6

<sup>1)</sup>Last 12 months. Calculation formula adjusted effective 1 January 2022; figures for 2021 restated.

### Cash flow, investments, and financing

The Group's net cash generated from operating activities totaled EUR 1,197 million (1,994 million) in 2022 reflecting the increase in net working capital. Cash flow before financing activities was EUR -390 million (511 million), mainly due to the higher capital expenditure compared to 2021. The Group's net working capital in days outstanding was 35.4 days (33.3 days) on a rolling 12-month basis at the end of 2022.

	<b>2022</b>	<b>2021</b>
EBITDA	3,048	2,607
Capital gains/losses	0	0
Other adjustments	-55	-118
Change in net working capital	-1,357	-362
Finance cost, net	-42	-39
Income taxes paid	-398	-95
Net cash generated from operating activities	1,197	1,994
Capital expenditure	-1,757	-1,298
Other investing activities	170	-186
Free cash flow (Cash flow before financing activities)	-390	511

Cash-out investments excluding M&A and asset acquisitions were EUR 990 million (976 million), and totaled EUR 1,757 (1,298 million) including M&A and asset acquisitions in 2022. Maintenance investments accounted for EUR 249 million (411 million) and productivity and strategic investments for EUR 1,509 million (888 million). Renewable Products' total investments were EUR 1,553 million (877 million), mainly related to the Singapore refinery capacity expansion project, and the asset acquisitions in the segment. Oil Products' investments amounted to EUR 130 million (380 million). Marketing & Services' investments totaled EUR 21 million (13 million). Investments in the Others segment were EUR 55 million (29 million), concentrating on Innovation and business IT infrastructure upgrades.

Interest-bearing net debt was EUR 1,344 million at the end of December 2022, compared to EUR 41 million at the end of 2021. The average interest rate of borrowing at the end of December was 2.3% (1.2%) and the average maturity 2.5 (3.7) years. At the end of the year the Net debt to EBITDA ratio was 0.4 (0.0).

The leverage ratio was 13.9% at the end of December 2022 (31 Dec 2021: 0.6%). The Group's strong financial position enables Neste to continue with the implementation of its growth strategy going forward while maintaining a healthy dividend distribution.

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 2,871 million at the end of December 2022 (31 Dec 2021: 3,066 million). There are no financial covenants in the Group companies' existing loan agreements.

In accordance with the hedging policy, Neste hedges a large part of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar. At the end of December 2022, the Group's foreign currency hedging ratio was approx. 55% of the sales margin for the next 12 months.

<b>US dollar exchange rate</b>	<b>2022</b>	<b>2021</b>
EUR/USD, market rate	1.05	1.18
EUR/USD, effective rate <sup>1)</sup>	1.11	1.18

<sup>1)</sup> The effective rate includes the impact of currency hedges.

## Segment reviews

Neste's businesses are grouped into four reporting segments: Renewable Products, Oil Products, Marketing & Services, and Others.

### Renewable Products

<b>Key financials</b>	<b>2022</b>	<b>2021</b>
Revenue, MEUR	9,905	5,895
EBITDA, MEUR	1,328	1,950
Comparable EBITDA, MEUR	1,762	1,460
Operating profit, MEUR	1,046	1,723
Net assets, MEUR	6,433	4,748
Return on net assets <sup>1)</sup> , %	18.6	40.9
Comparable return on net assets <sup>1)</sup> , %	26.6	29.4

<sup>1)</sup> Last 12 months

<b>Key drivers</b>	<b>2022</b>	<b>2021</b>
Comparable sales margin, USD/ton	804	715
Biomass-based diesel (D4) RIN, USD/gal	1.69	1.50
California LCFS Credit, USD/ton	99	178
Palm oil price <sup>1)</sup> , USD/ton	1,116	999
Waste and residues' share of total feedstock, %	95	92

<sup>1)</sup> CPO BMD 3<sup>rd</sup>, Crude Palm Oil Bursa Malaysia Derivatives 3<sup>rd</sup> month futures price

The feedstock market was highly volatile in 2022. Vegetable oil prices increased significantly in the beginning of the year due to the war in Ukraine. Especially rapeseed oil (RSO) and sunflower oil (SFO) experienced severe shortages and the low palm oil (PO) production especially in Malaysia increased prices. Also, Indonesia was restricting exports from March 2022, and this further tightened the market. Prices remained unusually high until May but towards the end of the year 2022 vegetable oil prices decreased. A further decrease was seen particularly at the end of the fourth quarter as a response to the US Environmental Protection Agency's (EPA) blending mandate proposal.

Waste and residue feedstock prices followed the same pattern as vegetable oil prices. However, animal fat (AF) still showed a yearly net gain particularly in the US due to the strong pull from growing Renewable Diesel sector. While Australian AF price also showed a strong increase, European AF prices increased less as certain sectors switched to less costly feedstocks. In contrast, Used Cooking Oil (UCO) ended up lower than end of 2021 particularly in the EU which received large imports especially from China in the latter part of the year.

The Renewable Identification Number (RIN) D4 price first increased but dropped significantly in December in response to the EPA blending mandate proposal. The California Low Carbon Fuel Standard (LCFS) credit price has been gradually decreasing from 148 USD/ton to the level of approx. 67 USD/ton, which reflects an increasing supply of renewables solutions to the Californian market.

Renewable Products' full-year comparable EBITDA was EUR 1,762 million (EUR 1,460 million). The comparable sales margin was USD 804/ton (715/ton), supported by a successful sales performance. The higher sales margin had a positive impact of EUR 195 million on the comparable EBITDA year-on-year. The BTC contribution was EUR 312 million (295 million) in 2022. Sales volumes were 3.03 million tons in 2022 (3.02). Higher sales volumes had a positive impact of EUR 4 million on the comparable EBITDA compared to 2021. During 2022 approx. 67% (65%) of sales volume went to Europe and 33% (35%) to North America. The share of 100% renewable diesel delivered to end-users was 28% (27%) of total volumes in full-year 2022. The feedstock mix optimization continued, and the average proportion of waste and residue inputs increased to 95% (92%). A stronger USD had a positive impact of EUR 286 million on the segment's comparable EBITDA compared to 2021. In 2022, the fixed costs in Renewable Products were EUR 183 million higher than in the previous year, as Neste continued to build up its capabilities for future growth.

<b>Production</b>	<b>2022</b>	<b>2021</b>
Renewable Diesel and SAF, 1,000 ton	2,988	3,043
Other products, 1,000 ton	249	247
Utilization rate, %	91	95

<b>Sales</b>	<b>2022</b>	<b>2021</b>
Renewable Diesel and SAF, 1,000 ton	3,032	3,021
Share of sales volumes to Europe, %	67	65
Share of sales volumes to North America, %	33	35

## Oil Products

<b>Key financials</b>	<b>2022</b>	<b>2021</b>
Revenue, MEUR	14,596	7,810
EBITDA, MEUR	1,619	546
Comparable EBITDA, MEUR	1,654	353
Operating profit, MEUR	1,337	263
Net assets, MEUR	2,652	2,045
Return on net assets <sup>1)</sup> , %	46.6	11.9
Comparable return on net assets <sup>1)</sup> , %	48.0	3.2

<sup>1)</sup> Last 12 months

<b>Key drivers</b>	<b>2022</b>	<b>2021</b>
Total refining margin, USD/bbl	23.42	8.99
Urals-Brent price differential, USD/bbl	-25.28	-1.87
Urals' share of total refinery input, %	18	65

Crude oil prices were extremely volatile during 2022, and Brent dated traded between USD 76/bbl and USD 138/bbl. The war in Ukraine caused a rapid increase to the crude price during the first months of the war to 138 USD/bbl level. By summer however, the global recession fears, central banks' monetary tightening and high fuel pump prices started to drive weaker demand outlook for crude oil and the year ended at USD 81/bbl – close to the level where the year started.

Overall, the European refining margins were volatile but strong during 2022. Margins were still lower in the first quarter of the year but increased sharply after the Ukraine war started as many of the refineries changed their supply away from Russia. High natural gas prices impacted negatively on the refinery utilization and drove product margins higher. At the same time global demand for fuels was still healthy as economic recovery from Covid-19 had only begun and especially middle distillate inventories were tight.

Gasoline cracks were exceptionally good during the summer driving season but came down clearly towards the end of the year as high pump prices started to impact demand. Diesel margins remained strong throughout the year as the availability of diesel was tight in Europe and the shift to diesel away from natural gas in power generation and industrial use created extra demand. Strikes in France in November tightened them further and drove diesel margins temporarily to all-time high levels. High utility and hydrogen prices pressured refining economics in Europe for refineries dependent on natural gas.

Oil Products' full-year comparable EBITDA was EUR 1,654 million (353 million). The total refining margin averaged USD 23.4/bbl (9.0/bbl) in 2022. The higher total refining margin had a positive impact of EUR 1,237 million on the comparable EBITDA year-on-year. Due to the Porvoo refinery major turnaround in 2021, our sales volumes were higher in 2022.

The higher sales volumes had a positive impact of EUR 62 million on the comparable EBITDA year-on-year. Stronger USD exchange rate had a positive impact of EUR 60 million on the EBITDA compared to 2021. During the year 2022 the segment's fixed costs were EUR 10 million higher than in the previous year due to an increase in personnel and development costs. The divestment of Base Oils business has a negative impact on comparable EBITDA year-over-year.

<b>Production</b>	<b>2022</b>	<b>2021</b>
Refinery		
Production, 1,000 ton	11,176	9,504
Utilization rate, %	85	72
Refinery production costs, USD/bbl	7.5	6.8

<b>Sales from in-house production, by product category (1,000t)</b>	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Middle distillates <sup>1)</sup>	5,403	48	4,823	48
Light distillates <sup>2)</sup>	4,438	39	3,420	34
Heavy fuel oil	930	8	1,000	10
Base oils	296	3	386	4
Other products	244	2	421	4
Total	11,310	100	10,051	100

<sup>1)</sup> Diesel, jet fuel, heating oil, low sulphur marine fuels

<sup>2)</sup> Motor gasoline, gasoline components, LPG

<b>Sales from in-house production, by market area (1,000t)</b>	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Baltic Sea area <sup>1)</sup>	6,843	61	6,264	62
Other Europe	2,897	26	2,485	25
North America	943	8	864	9
Other areas	627	6	438	4

<sup>1)</sup> Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

## Marketing & Services

Key financials	2022	2021
Revenue, MEUR	5,876	3,803
EBITDA, MEUR	127	106
Comparable EBITDA, MEUR	126	103
Operating profit, MEUR	98	77
Net assets, MEUR	227	212
Return on net assets <sup>1)</sup> , %	40.8	38.1
Comparable return on net assets <sup>1)</sup> , %	40.5	36.6

<sup>1)</sup> Last 12 months

Marketing & Services segment's full-year comparable EBITDA was EUR 126 million (103 million). The road transportation fuel demand followed a normal seasonality pattern during the year. Aviation fuel demand remained below 2019 levels. Our sales volumes were slightly higher than in the year 2021, which had a positive impact of EUR 3 million on the comparable EBITDA. Average unit margins were supported by inventory gains and the higher margins had a positive impact of EUR 32 million year-on-year. The segments' fixed costs were EUR 11 million higher, reflecting a more normal level of activity.

Sales volumes by main product categories, million liters	2022	2021
Gasoline, station sales	600	612
Diesel, station sales	1,620	1,629
Heating oil	907	663

Net sales by market area, MEUR	2022	2021
Finland	4,601	2,896
Baltic countries	1,275	908

## Others

Key financials	2022	2021
Comparable EBITDA, MEUR	-4	11
Operating profit, MEUR	-70	-34

The Others segment consists of Neste's Engineering Solutions, and common corporate costs. The full-year comparable EBITDA of the Others segment totaled EUR -4 million (11 million), due to increased costs related to strategy execution.

## Shares, share trading, and ownership

Neste's shares are listed at NASDAQ Helsinki Ltd. The share price closed the year at EUR 43.02, down by 0.8% compared to the end of 2021. The total shareholder return (TSR) was 1.1% (-25.4%) in 2022. At its highest during 2022, the share price reached EUR 52.18, while the lowest price was EUR 30.81. Market capitalization was EUR 33.1 billion as of 31 December 2022. An average of 1.01 million shares were traded daily, representing 0.1% of the company's shares.

At the end of December 2022, Neste held 1,127,888 treasury shares. Neste's share capital registered with the Trade Register totaled EUR 40 million, and the total number of shares was 769,211,058.

The Board of Directors has no authorization to issue convertible bonds or share options.

As of 31 December 2022, the State of Finland owned directly 35.9% (35.9% at the end of 2021) of outstanding shares, foreign institutions 39.7% (39.6%), Finnish institutions 16.8% (17.0%), and households 7.6% (7.5%).

## Largest shareholders as of 31 December 2022

Shareholder	Shares	% of shares
State of Finland / Prime Minister's Office	276,213,495	35.91%
The Finnish Climate Fund	63,894,123	8.31%
Varma Mutual Pension Insurance Company	10,918,435	1.42%
Ilmarinen Mutual Pension Insurance Company	6,611,500	0.86%
The Finnish Social Insurance Institution	6,100,272	0.79%
City of Kurikka	4,652,625	0.60%
Elo Mutual Pension Insurance Company	3,437,000	0.45%
The State Pension Fund	2,400,000	0.31%
OP-Finland	1,759,902	0.23%
Danske Invest Finnish Equity Fund	1,284,187	0.17%
Neste Corporation	1,127,888	0.15%
Nordea Pro Finland Fund	954,040	0.12%
Stiftelsen för Åbo Akademi	912,514	0.12%
Samfundet Folkhälsan i Svenska Finland	911,300	0.12%
Nordea Nordic Fund	910,157	0.12%
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	850,146	0.11%
Alhopuro Eero Sakari	732,150	0.10%
Evli Finland Select Fund	714,922	0.09%
OP-Henkivakuutus Ltd.	711,967	0.09%
Säästöpankki Kotimaa Mutual Fund	671,370	0.09%
20 largest shareholders total	385,767,993	50.15%
Nominee registered	304,780,690	39.62%
Others	78,662,375	10.23%
Number of shares, total	769,211,058	100.00%

## Breakdown of share ownership as of 31 December 2022

### By the number of shares owned

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1–100	60,170	50.6	2,151,057	0.3
101–500	34,255	28.8	8,858,305	1.2
501–1,000	10,858	9.1	7,934,962	1.0
1,001–5,000	11,509	9.7	23,890,137	3.1
5,001–10,000	1,299	1.1	8,840,486	1.1
10,001–50,000	685	0.6	12,645,731	1.6
50,001–100,000	61	0.1	4,348,561	0.6
100,001–500,000	40	0.0	8,380,938	1.1
500,001–	29	0.0	692,160,881	90.0
Total	107,087	100.0%	769,211,058	100.0%
of which nominee registered	12		304,780,690	39.6%

### By the owner sector

	% of shares
Central government <sup>1)</sup>	44.2%
Non-Finnish shareholders	39.7%
Households	7.6%
General government	4.5%
Financial and insurance companies	1.6%
Corporations	1.0%
Non-profit organizations	1.3%
Total	100.0%

<sup>1)</sup> Includes both State of Finland and The Finnish Climate Fund.

## Corporate governance

The control and management of Neste Corporation is divided between shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO). The General Meeting of Shareholders appoints the Board of Directors based on a proposal made by the Shareholders' Nomination Board. The term of office of the Board of Directors will expire at the end of the next Annual General Meeting of Shareholders (AGM) following its election. Neste's President and CEO is appointed and expelled by the Board of Directors.

Changes to the company's Articles of Association can be made at the General Meeting of Shareholders based on a proposal by the Board of Directors.

Neste Corporation's Annual General Meeting (AGM) was held on 30 March 2022 under special arrangement at the Company's headquarters in Espoo. In order to prevent the spread of the Covid-19 pandemic, the AGM was held without shareholders' or their proxy representatives' presence at the venue of the meeting. Shareholders and their proxy representatives had the possibility to participate in the meeting and exercise their shareholder rights by voting in advance and by making counter-proposals and presenting questions in advance.

The AGM supported all the proposals presented to the meeting and approved the remuneration report. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2021 and discharged the Board of Directors and the President & CEO from liability for 2021.

## Dividend of EUR 0.82 per share paid in two instalments

The AGM approved the Board of Directors' proposal that a dividend of EUR 0.82 per share will be paid on the basis of the approved balance sheet for 2021. The dividend was paid in two instalments.

The first instalment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend instalment, which was 1 April 2022. The first dividend instalment was paid on 8 April 2022.

The second instalment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend instalment, which was 30 September 2022. The second dividend instalment was paid on 7 October 2022.

## Composition and remuneration of the Board of Directors

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the number of members of the Board of Directors at nine.

The AGM decided that the following were re-elected to serve until the end of the next AGM: Mr. Matti Kähkönen, Mr. John Abbott, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén. Mr. Just Jansz and Ms. Eeva Sipilä were elected as new members.

Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. Board member introductions can be found at the company's web site.

Convening right after the AGM, Neste's Board of Directors elected the members of its two Committees. Matti Kähkönen was elected as Chair and John Abbott, Martina Flöel and Johanna Söderström as members of the Personnel and Remuneration Committee. Marco Wirén was elected as Chair and Nick Elmslie, Just Jansz, Jari Rosendal and Eeva Sipilä as members of the Audit Committee.

The AGM decided on the remuneration to the Board as follows:

- Chair: EUR 78,100 per annum
- Vice Chair: EUR 54,400 per annum
- Member: EUR 37,900 per annum
- Chair of Audit Committee: EUR 54,400 per annum if he or she does not simultaneously act as Chair or Vice Chair of the Board

The AGM decided on the remuneration for committee work as follows:

- other members of the Audit Committee than its Chair will, for such position, be paid EUR 3,000
- the Chair of the Personnel and Remuneration Committee will, for such position, be paid EUR 5,000, and its members will, for such position, be paid EUR 2,000
- the Chair of another committee established based on Board decision will, for such position, be paid EUR 5,000, and its members will, for such position, be paid EUR 2,000.

In addition to the annual fee, members of the Board of Directors receive a meeting fee of EUR 800 for each meeting held in the member's home country, EUR 1,600 for meetings held in the same continent as the member's home country, and EUR 2,400 for meetings held outside the same continent as the member's home country plus compensation for expenses pertaining to the Company's travel guidelines. The meeting fee for meetings held over the telephone or through other means of data communication is paid according to the fee payable for meetings held in each member's home country.

The AGM decided that a portion of 40% of the fixed annual fee will be paid in the form of shares and the remainder in cash. Committee and meeting fees will be paid in cash. The shares will be purchased directly on behalf of the Board members within two weeks after the publication of the interim report for the period 1 January to 31 March 2022. If the shares are not purchased and/or delivered based on a reason pertaining to the Company or the Board member, the fee will be in cash in its entirety. The Company is responsible for any transfer tax potentially levied on the purchase.

## Company Auditor

In accordance with a proposal by the Board of Directors, KPMG Oy Ab, Authorized Public Accountants, were appointed as the company's Auditor, with Authorized Public Accountant Leenakaisa Winberg as the principally responsible auditor for Neste Corporation, until the end of the next AGM. Payment for their services shall be made in accordance with their invoice approved by the Company.

## Authorizing the Board of Directors to decide the buyback of Company shares

The AGM approved the authorization, under which the Board is authorized to decide the purchase of and/or take as security a maximum of 23,000,000 Company shares using the Company's unrestricted equity. The number of shares shall be equivalent to approximately 2.99% of the Company's total shares.

Shares may be purchased in one or more lots. The purchase price shall be at least the lowest price paid for Company shares in regulated trading at the time of purchase and no more than the highest price paid for Company shares in regulated trading at the time of purchase. In connection with the buyback of Company shares, derivative, share lending, or other agreements that are normal within the framework of capital markets may take place in accordance with legislative and regulatory requirements and at a price determined by the market. The authorization shall allow the Board to decide to purchase shares otherwise than in proportion to shareholders' current holdings (directed buyback).

Shares so purchased can be used as consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, as part of the Company's incentive program, or be retained, conveyed, or cancelled by the Company.

The Board of Directors shall decide the other terms related to the buyback of Company shares. The buyback authorization shall remain in force for eighteen (18) months from the decision taken by the AGM. The authorization shall revoke the buyback authorization granted to the Board of Directors by the AGM on 30 March 2021.

## Innovation

Neste's innovation expenditure totaled EUR 85 million (67 million) in 2022. The growth was largely driven by further boosting efforts in developing Innovation business platforms for new sustainable and scalable feedstock pools and by higher R&D investments to support the renewables growth. In 2022 the establishment of a new APAC Innovation center in Singapore progressed as planned, achieving readiness to operate.

In spring 2022 the R&D organization also supported the major change in the Porvoo refinery crude oil portfolio to stop and entirely replace the use of Russian crude oil with other crude oils.

Developing co-operations and preparing for technology demonstrations for scalable sustainable feedstock sources continued in the Innovation business platforms, focusing on feedstock pools such as lignocellulosic feedstocks, algae, municipal waste, carbon dioxide and renewable electricity utilization for green hydrogen production. The MultiPLHY project at the renewable products refinery in Rotterdam completed during 2022 installations with the intention to integrate and operate the world's first high-temperature electrolyzer system to demonstrate production of green hydrogen for the refinery's processes. Another project for introducing a large electrolyzer for green hydrogen production at Porvoo refinery entered the feasibility study phase. In 2022 Neste received IPCEI (Important Project of Common European Interest) status for its hydrogen projects, including a Business Finland award of EUR 27.7 million.

Expanding the use of renewable waste and residue feedstock continued in 2022, and about 3.5 million tons (3.3 million) of waste and residue feedstock was used during the year. Development of advanced technology for feedstock pretreatment progressed well, with continued focus on Renewable Energy Directive (RED) II Annex IX A and other challenging waste and residue feedstock. In addition to increased feedstock flexibility, development efforts were also targeted at the growing product portfolio, supporting growth of sustainable aviation fuels as well as renewable polymer and chemicals businesses from a technical and sustainability assessment perspective.

Neste announced a study on the long-term transformation of its Porvoo refinery to renewable and circular feedstocks. In summer 2022 Neste received a EUR 135 million grant from the Innovation Fund for an investment at its Porvoo refinery into pretreating and upgrading liquefied waste plastic into high-quality petrochemical feedstock. R&D work for substituting fossil crude oil with renewable and circular feeds made significant progress in 2022 both in laboratory and at commercial scale. Both biofeeds and liquefied waste plastic feeds were studied extensively.

Research cooperation was conducted with several universities and research institutes in Europe, USA and Asia. In Finland, strategic cooperation continued particularly with Aalto University, Åbo Akademi and VTT, the Technical Research Centre of Finland, with joint research activities. Overall, Neste continued to grow competences in the area of novel sustainable and scalable solutions both internally and with partners, also through building Business Finland funded ecosystems in this field.

## Main events published during 2022

On 28 January, Neste announced that the Shareholders' Nomination Board had forwarded to the Board of Directors of the Company its proposals to the 2022 AGM. The Nomination Board proposed that Matti Kähkönen be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board, John Abbott, Nick Elmslie, Martina Flöel, Jari Rosendal, Johanna Söderström and Marco Wirén were proposed to be re-elected for a further term of office. The Nomination Board proposed that Marco Wirén shall be re-elected as the Vice Chair of the Board. Further, the Nomination Board proposed that the Board shall have nine members and that Just Jansz and Eeva Sipilä shall be elected as new members.

On 16 February, Neste announced that Neste and ITOCHU Corporation have expanded their partnership to grow the availability of Sustainable Aviation Fuel (SAF) in Japan. In the expanded partnership, ITOCHU acts as the branded distributor of Neste MY Sustainable Aviation Fuel™ in Japan making Neste MY Sustainable Aviation Fuel available first at the two largest Japanese international airports; Tokyo Haneda and Narita.

On 1 March, Neste announced that it had signed definitive agreements for the establishment of a 50/50 joint venture with US-based Marathon Petroleum. The joint venture will produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California. The closing of the joint venture is subject to customary closing conditions and regulatory approvals, including obtaining the necessary permits, which depend upon certification of a final Environmental Impact Report. Neste's total investment will amount to approx. EUR 0.9 billion (USD 1.0 billion), inclusive of half of the total project development costs projected through the completion of the project. The project is expected to increase Neste's renewable products capacity by slightly over 1 million tons per annum. Production of renewable diesel is expected to come online in the second half of 2022. The facility is planned to reach its full annual nameplate capacity of 2.1 million tons by the end of 2023.

On 21 March, Neste and DHL Express announced a significant step towards decarbonizing aviation logistics by expanding their existing cooperation with a new strategic collaboration. In the next five years, Neste will supply DHL with approx. 320,000 tons of Neste MY Sustainable Aviation Fuel. The agreement is Neste's largest for Sustainable Aviation Fuel to date and one of the largest SAF agreements in the aviation industry. Neste and DHL have been working together since 2020 making Neste MY Sustainable Aviation Fuel available for DHL's operations.

On 23 March, Neste announced that Neste Corporation's Board of Directors had appointed Matti Lehmus (born 1974) as President and CEO as of 1 May 2022. He succeeds Peter Vanacker, who will hold the position until 30 April 2022. Matti Lehmus holds a M. Sc. in chemical engineering and an eMBA. He joined Neste in 1998, and has held several key leadership positions during his career in both the oil products business and renewables. He has been a member of the Neste Executive Committee since 2009, and currently serves as Executive Vice President, Renewables Platform.

On 29 March, Neste announced that to proceed on the target of commercializing chemical recycling of waste plastic, it is conducting a feasibility study to examine investing in capacity for processing liquefied waste plastic at its refinery in Porvoo, Finland. The goal is to scale up processing capabilities for liquefied waste plastic by implementing proprietary technologies to pretreat and upgrade liquefied waste plastic and integrating the technologies into the refinery operations. The targeted pretreatment and upgrading capacity of this first step is 400,000 tons per year. This development would be a major step towards Neste's target to process over 1 million tons of waste plastic per year from 2030 onwards. To develop and build up the capabilities at its Porvoo refinery, Neste will evaluate possible options for innovation funding and work together closely with local authorities supervising environmental aspects of the investment. Following the feasibility study, investment decision readiness is targeted for 2023 and the gradual implementation is expected to start in 2024.

On 1 April, Neste announced that the divestment of its base oils business to Chevron had been completed. The transaction includes the NEXBASE™ brand, associated qualifications and approvals, and related sales and marketing business. As part of the divestment, the parties also agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. The transaction had been approved by regulatory authorities, and was completed on 1 April 2022. Neste also completed the exit of its base oils joint venture with Bahrain Petroleum Company and Nogaholding.

On 29 April, Neste announced that Neste's Board of Directors had approved a merger plan according to which the company's wholly-owned subsidiary Neste Engineering Solutions Oy will be merged into Neste Corporation. The merger is expected to take place on 30 September 2022 and it will only affect the Finnish operations.

On 10 May, Neste announced that Neste and United Airlines had signed a new purchase agreement that provides United the right to buy up to 160,000 metric tons of Neste MY Sustainable Aviation Fuel™ over the next three years to fuel United flights at Amsterdam Airport Schiphol, and potentially other airports, as well.

On 17 May, Neste announced that Neste introduces co-processed marine fuel in partnership with Nordic Marine Oil – a new solution for the maritime sector enabling up to 80% GHG emission reduction. Neste Marine 0.1 Co-processed marine fuel is produced at Neste's refinery in Porvoo, Finland, where renewable raw materials are co-processed with fossil raw materials in the conventional refining process. The drop-in fuel can be taken in use without any fleet modifications as it has a similar composition to conventional bunker fuels.

On 31 May, Neste announced that Carl Nyberg, M.Sc. (Economics and Business Administration), had been nominated as Executive Vice President, Renewables Platform and member of the Neste Executive Committee. He started in this position on 1 June 2022, and reports to President and CEO Matti Lehmus. In this role he succeeds Matti Lehmus, who was appointed as Neste's President and CEO as of 1 May 2022.

On 1 June, Neste announced about a change in the composition of Neste's Shareholders' Nomination Board. The following members were appointed on 20 September 2021 to the Shareholders' Nomination Board of Neste Corporation: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors. As Mr. Rytsölä will assume duties for a new employer, Timo Sallinen, Senior Vice President, Investments of Varma Mutual Pension Insurance Company, has been appointed as member of the Nomination Board as of 1 June 2022.

On 3 June, Neste announced that it had signed a EUR 500 million green term loan agreement. The proceeds of the loan will be used to finance Eligible Assets and Projects in accordance with Neste's Green Finance Framework. The loan has a tenor of 3 years with two 1-year extension options. Danske Bank A/S and OP Corporate Bank plc acted as coordinating mandated lead arrangers and bookrunners of the loan.

On 14 June, Neste announced that it raises its second quarter 2022 outlook. While the oil markets have been very volatile, impacted by the war in Ukraine, the Northwest European gasoline and diesel margins have increased to exceptionally high levels. In addition, Neste's successful mitigation actions to replace Russian crude oil and natural gas have enabled the company to retain high utilization rates at its Porvoo refinery. Oil Products' second-quarter total refining margin is expected to more than double from the level seen in the first quarter of 2022. Previously, the company estimated Oil Products' second-quarter total refining margin to be at a roughly similar level as in the first quarter of 2022 (USD 10.3/bbl). The increase in the total refining margin is expected to improve the Group's and Oil Products' second-quarter comparable EBITDA significantly compared to the first quarter.

On 27 June, Neste announced that it had made the final investment decision to invest into new renewable products production capacity in Rotterdam. The decision is based on demand for renewable products growing substantially with customers' higher climate ambitions. Neste's current 1.4 million ton capacity for renewable products in Rotterdam is the largest in Europe. The Rotterdam refinery expansion investment of approx. EUR 1.9 billion will expand Neste's overall renewable product capacity by 1.3 million tons per annum, bringing the total renewable product capacity in Rotterdam to 2.7 million tons annually, of which sustainable aviation fuel (SAF) production capability will be 1.2 million tons. The company's target is to start up the new production unit during the first half of 2026.

On 13 July, Neste announced that it had received a positive grant decision for up to EUR 135 million from the EU Innovation Fund for the company's project to build chemical recycling capacities at its Porvoo refinery in Finland. The PUS project aims to implement Neste's proprietary technologies to pretreat and upgrade liquefied waste plastic and integrate the technologies into the refinery operations. The project targets pretreatment and upgrading capacities of 400,000 tons per year, contributing to Neste's goal of processing over 1 million tons of waste plastic per year from 2030 onwards. A feasibility study evaluating the investments related to PUS was announced in March 2022. Investment decision readiness is targeted for 2023 and gradual implementation is expected to start in 2024.

On 26 July, Neste announced that it had agreed to acquire 100% of Walco Foods, an Irish trader of animal fats. Walco Foods was established in 1996 as a family-run business. The in-depth knowledge and market understanding developed over the years has helped Walco Foods become a leading animal fat and by-products trading company in Ireland. Together with the previously announced acquisitions of IH Demeter, Bunge Lodders Croklaan and Count Terminal in the Netherlands, and Mahoney Environmental and Agri Trading in the United States, Walco Foods will enhance Neste's supply of global waste and residue raw materials. The transaction was subject to the fulfillment of customary closing conditions and regulatory approval, and it was closed on 1 September.

On 6 September, Neste announced that the following members had been appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Timo Sallinen, Senior Vice President, Investments of Varma Mutual Pension Insurance Company; President and CEO Jouko Pölonen of Ilmarinen Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors.

On 19 September, Neste announced that it launches a strategic study on transitioning its Porvoo refinery to a renewable and circular site and ending crude oil refining in the mid-2030s. Through co-processing and retrofitting of units, and benefiting from available refining assets, experience and know-how, Neste targets to significantly grow its renewables and circular production in Porvoo long term. The transformation under study would start with the co-processing of both renewable and circular feedstock and could continue with retrofits of existing units at a later stage, with a long-term capacity potential of 2 to 4 million tons per year. The targeted transformation would lead to a discontinuation of crude oil refining in Porvoo in the mid-2030s. Neste will also continue to actively study opportunities of green hydrogen at its Porvoo refinery. These developments would significantly contribute to the realization of Neste's climate commitments, and make Neste a global frontrunner in the transformation of the fossil fuel industry.

On 21 September, Neste announced that it had finalized the transaction to establish a joint venture for production of renewable fuels with Marathon Petroleum in the United States. On 1 March 2022, Neste and Marathon Petroleum Corporation announced an agreement to establish a 50/50 joint venture to produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California. All required closing conditions have been met, and Neste and Marathon have closed the transaction for the establishment of the joint venture to be called Martinez Renewables. Martinez Renewables is expected to commence production in early 2023. Pretreatment capabilities are expected to come online in the second half of 2023 and the facility is expected to be capable of producing 2.1 million tons per year by the end of 2023.

On 25 October, Neste announced that it has agreed to supply the Air France-KLM Group with more than 1,000,000 tons (approx. 1.26 billion liters) of Neste MY Sustainable Aviation Fuel™ over a period of 8 years starting in 2023. This SAF agreement is one of the largest of its kind in the aviation industry and supports the Air France-KLM Group's commitment to a more sustainable aviation sector. Using Neste MY Sustainable Aviation Fuel™ reduces greenhouse gas emissions by up to 80%\* over the fuel's life cycle compared to using fossil jet fuel.

On 17 November, Neste announced that it has agreed to acquire the used cooking oil (UCO) collection and aggregation business and related assets in the United States from Crimson Renewable Energy Holdings, LLC. The transaction includes shares in SeSequential Environmental Services, LLC, and Pure, LLC, as well as a UCO processing plant in Salem, Oregon. Together with the previous acquisitions of Mahoney Environmental and Agri Trading in the United States, IH Demeter in the Netherlands, and Walco Foods in Ireland, the transaction continues to enhance Neste's global raw materials sourcing platform. The transaction is subject to the fulfillment of customary closing conditions and regulatory approval.

On 22 November, Neste announced that it delivered over 500,000 gallons (1,500 metric tons) of Neste MY Sustainable Aviation Fuel™ to Los Angeles International Airport (LAX). This SAF delivery was made possible by a close cooperation with LAXFUEL, the consortium of the airlines operating at LAX providing the jet fuel supply infrastructure for the planes at the airport. It is the first time SAF is delivered into LAXFUEL's supply infrastructure using barges for transport.

On 23 November, Neste announced that Moody's Investors Service has assigned an A3 long term issuer rating and a baseline credit assessment (bca) of baa1 to Neste Corporation. Neste's outlook is stable. Moody's rating rationale highlights Neste's strong business profile with high profitability as a global producer of renewable products, the competitive advantage in sourcing waste and residues as main feedstock, and growing end market demand for renewable fuels and renewable raw materials for polymers and chemicals supported by both mandated and voluntary demand in Europe and North America.

On 8 December Neste announced that it has appointed Katja Wodjereck Executive Vice President, Renewable Road Transportation and a member of Neste Executive Committee. She will report to President and CEO Matti Lehmus, and take up the position on 1 April 2023. Katja will transfer to Neste from Dow. She will be following Carl Nyberg in this role as he was appointed EVP, Renewable Platform earlier this year. Neste also announced that in parallel, a new Executive Committee

role is established to lead Neste's Investment Management and Execution and Bart Leenders has been appointed Executive Vice President, Investment Management and Execution and a member of Neste's Executive Committee. He will report to President and CEO Matti Lehmus, and take up the position on 1 January 2023. Bart Leenders currently holds the position of Vice President, Production at Neste.

On 22 December Neste announced that the Chair of the Shareholders' Nomination Board of Neste Corporation changes. Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland has been the Chair until 22 December 2022 and as of 23 December 2022, the Chair will be Senior Ministerial Adviser, Financial Affairs Maija Strandberg of the Ownership Steering Department in the Prime Minister's Office of Finland. In line with the stock exchange release published on 6 September 2022, the other members of the Shareholders' Nomination Board are: Timo Sallinen, Senior Vice President, Investments of Varma Mutual Pension Insurance Company; President and CEO Jouko Pölonen of Ilmarinen Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors.

### Events published after the reporting period

On 13 January 2023, Neste announced that its earlier announced acquisition of used cooking oil collection and aggregation business from Crimson Renewable Energy in the United States is completed. The acquisition has been approved by regulatory authorities, and the transaction has been closed.

On 27 January 2023, Neste announced that the Shareholders' Nomination Board had forwarded to the Board of Directors of the Company its proposals to the 2023 AGM. The Nomination Board proposes that Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board, John Abbott, Nick Elmslie, Martina Flöel, Just Jansz, Jari Rosendal, Eeva Sipilä and Johanna Söderström are proposed to be re-elected for a further term of office. The Nomination Board proposes that Eeva Sipilä shall be elected as the Vice Chair of the Board. Further, the Nomination Board proposes that the Board shall have ten members and that Heikki Malinen and Kimmo Viertola shall be elected as new members.

### Risk Management

Neste considers risk management an integral part of daily management processes and good corporate governance. Systematic risk management practices are the means to ensure that Neste is successful in achieving its set strategic targets and business objectives and can maintain continuous operations in the changing business environment. Neste's risk management framework and processes are aligned with internationally recognized best practices: the COSO Enterprise Risk Management framework; and the International Standard for risk management, ISO 31000:2009.

Neste's risk management framework and risk management principles have been defined in the Corporate Risk Management Policy which has been approved by the Board of Directors. The Risk Management Policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines. Communication regarding the most important risk issues takes place during the strategic planning and performance management cycle. Formal risk reporting is directed to the business management and function management teams, the Neste Executive Committee, the Audit Committee, and the Board of Directors.

### Risks related to Neste's business

Neste's growth and financial performance may be impacted by macroeconomic and political uncertainties, which include exceptional inflation in Europe and the US, high interest rates, tightening central bank measures, the continuing war in Ukraine and regulatory changes at the European Union or individual member state level or in North America. Other risks potentially affecting Neste's financial results in the next 12 months include regulatory risks, changes in market prices and the competitive situation, counterparty risks, any scheduled or unexpected shutdowns at Neste's refineries, potential strikes, cyber and IT-related risks, and the outcome of legal proceedings.

### Sustainability risks

The Neste Corporate Risk Management Policy and supporting principles, requirements and processes also apply to sustainability risks, which are managed as a specific risk category in quarterly risk reviews. The assessment considers short-, medium- and long-term perspectives. In addition to the more regular sustainability risks, the assessment also takes into account emerging topics like inequality and just transition; as well as land use and biodiversity, which are discussed in the related sections below.

Sustainability risks, including risks related to climate change, are identified and assessed twice a year to determine which risks and opportunities could have a substantive financial, strategic or reputational impact. Communication regarding the most important sustainability risk issues takes place during the strategic planning and performance management cycle.

For more detailed information on Neste's risks and risk management, please refer to Risk Management in the Annual Report's Governance chapter and the Notes to the Financial Statements. For more information on Neste's sustainability risks, please see risk chapters in the following Non-Financial Information Statement below.

### Non-Financial Information Statement

Neste fulfills the requirements of the EU Directive on the disclosure of non-financial and diversity information, and the changes made in the Finnish Accounting Act. Information in accordance with the current requirements of the EU Taxonomy Regulation is disclosed in this non-financial information statement. In addition, Neste 2022 Sustainability Report has been prepared in accordance with the GRI (Global Reporting Initiative) and includes SASB Oil & Gas Refining and Marketing indicators where applicable. Neste is committed to applying the Task Force on Climate-Related Financial Disclosures (TCFD) reporting principles in disclosing climate-related financial risks and opportunities in the reporting. Part of Neste's TCFD reporting takes place within this Non-Financial Information (NFI) Statement in addition to the Sustainability Report, which also includes the TCFD index for navigation purposes between these sections. Neste's Sustainability Report information is assured by a third-party in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board, IAASB. For more on Neste's sustainability, see [Neste's Sustainability Report](#) and [Neste's website](#).

### Business model

Neste employed an average of 5,244 (4,872) employees during 2022, of whom 1,642 (1,309) were based outside Finland. At the end of December, the company had 5,428 (4,845) employees, of whom 1,810 (1,461) were based outside Finland.

Neste is the world's largest producer of sustainable aviation fuel and renewable diesel refined from waste and residues. The company is also introducing renewable solutions to the polymers and chemical industries. Neste is also a technologically advanced refiner of high-quality oil products, exploring ways to start using waste plastics as a raw material to produce new plastics, and developing chemical recycling to combat the plastic waste challenge.

Neste's businesses are grouped into four reporting segments: Renewable Products (RP), Oil Products (OP), Marketing & Services (M&S), and Others. The renewables businesses are Renewable Aviation, Renewable Polymers and Chemicals, and Renewable Road Transportation. Neste has integrated sustainability into its business strategy to secure the long-term success of its business.

The Renewable Products segment produces, markets, and sells renewable diesel, sustainable aviation fuel, renewable solvents, and feedstock for bioplastics to domestic and international wholesale markets. Neste's renewable products' refineries in Finland, the Netherlands, and Singapore produce renewable products entirely from renewable raw materials. The raw material supply chains for Neste's renewable products are extensive and global. Neste procure raw materials from suppliers across Europe, North America, South America, Asia, Africa, and Australia.

The Oil Products segment produces, markets, and sells high-quality oil products and related services for the road transportation, non-road uses, aviation and marine sectors, as well as products for the oil and petrochemical industries. The product range includes diesel, gasoline, aviation and marine fuels, light and heavy fuel oils, gasoline components, and special fuels such as small engine gasoline, solvents, liquid gases and bitumens. Neste's oil products are refined in Neste's

refinery in Porvoo, Finland. Neste Shipping chartering operations are included in the Oil Products segment. The company's major crude oil and fossil feedstock sources have been Russia, Norway, and Kazakhstan. At the start of the war in Ukraine, Neste decided to stop using Russian crude oil entirely and started replacing it with other qualities. The last crude oil cargo with Russian origin was supplied to Neste in July 2022 and the supply contracts ended. Supply contracts for other fossil raw materials from Russia ended at the end of 2022.

Marketing & Services offers sustainable solutions for the needs of consumers via its station network and a wide variety of B2B customers and partners. Neste seeks to develop a diverse range of services as part of the offering and to be where the customers are – in the mobile sphere. The Marketing & Services segment markets and sells petroleum products and associated services directly to end-users predominantly private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste's own service station network and direct sales.

Neste's purpose is to create a healthier planet for our children, with a vision to lead the way towards a sustainable future together. At Neste, we set high standards for sustainability. The company's broadened sustainability vision is an integral part of the new wave of Neste's transformation: we lead the transformation towards a carbon neutral value chain, and have set aspirational targets for biodiversity, human rights, supply chain and raw materials.

Sustainably-produced solutions are Neste's most significant contribution to the implementation of the Paris Agreement, as well as the United Nations' Sustainable Development Goals (SDG). Neste is also developing chemical recycling to combat the plastic waste challenge. The company is introducing renewable and recycled raw materials such as liquefied waste plastic as refinery raw materials. Neste has an ambition to make its Porvoo refinery the most sustainable refinery in Europe aiming to reach carbon neutral production by 2035. A strategic study has been launched on transforming Porvoo refinery to a renewable and circular site with 2–4 million tons annual capacity and ending of crude oil refining by the middle of 2030s.

Neste creates value for society by helping its customers reduce greenhouse gas emissions by sustainably developing lower-emission solutions for road transportation, aviation, and marine uses, as well as renewable and circular solutions for the chemical and plastics industries. Neste's NEXBTL refining technology enables the flexible use of various renewable raw materials, including low-quality waste and residue oils and fats. Renewable waste and residue fats and oils will be indispensable in delivering greenhouse gas emission reductions in the near future and over the longer term. Novel vegetable oils (such as cover crops cultivated on existing agricultural land during the off-season) will be an increasingly important source of raw material for further scaling up solutions such as renewable diesel, as well as sustainable aviation fuel production. In addition, new conversion technologies will enable the use of currently untapped raw material pools such as municipal solid waste and lignocellulosic biomass. In the long term, fuel produced from electricity and waste CO<sub>2</sub>, so-called e-fuels (or power-to-liquids), will also increasingly play a role. The potential of these technologies could be substantial if innovation activities successfully enhance technology maturity and bring down costs. Securing the supply of renewable raw materials is considered essential for the success of Neste's growth strategy. Neste also focuses on providing excellent customer service, as well as flexible and reliable customer solutions.

Neste's value creation is also based on its high-quality products, a global business model for raw material sourcing and product sales, in-depth knowledge of regulations and global customer requirements for both renewable and fossil products, and continuous innovation and development of products and solutions. In 2022, we had refineries in Porvoo, Rotterdam and Singapore. Non-financial assets, e.g. production, sales and sourcing expertise, are an essential part of Neste's value creation. A substantial effort is made to maintain and develop the skills base within the company. Neste is investing in developing corporate culture to deeply ingrain customer satisfaction, safety, and operational efficiency to the day-to-day operations. Please see Neste's value creation map in the [Sustainability Report](#).

See also: [Outlook](#)

## EU Taxonomy

### Proportion of taxonomy-aligned economic activities

The EU taxonomy is a classification system for sustainable economic activities. It aims to provide robust definitions and transparent reporting to support increased finance for activities that substantially contribute to solving the climate and environmental crisis.

Large undertakings such as Neste that are required to publish non-financial information pursuant to the Non-Financial Reporting Directive (NFRD) are required to disclose information about how and to what extent business activities are associated with environmentally sustainable economic activities as defined in the taxonomy regulation. The EU taxonomy is reported in financial terms as the proportion of economic activities that are determined non-eligible, eligible and aligned in turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx).

Taxonomy eligibility for an activity is determined by the activity description in Annex I of the climate delegated act related to climate change mitigation in the taxonomy regulation. Taxonomy alignment for an activity is evaluated by the technical screening criteria for substantial contribution and "do no significant harm" (DNSH) as set out in Annex I. An activity is taxonomy-aligned when it substantially contributes to at least one environmental objective while doing no significant harm to the other environmental objectives as set out by the technical screening criteria. Additionally, an entity needs to comply with the minimum safeguards.

The taxonomy Regulation is not complete as only the technical screening criteria for the two climate-related objectives are in force so far. The technical screening criteria for the remaining four environmental objectives will be published in the second delegated act. Neste's figures therefore represent taxonomy alignment solely in that respect and will be re-evaluated simultaneously with the legislative development. Neste is committed to the transformation towards a carbon neutral value chain and contributes substantially to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system, consistent with the Paris Agreement's long-term temperature goal. Neste has operations that contribute towards the climate change mitigation objective.

### Assessment of compliance with the taxonomy regulation

Neste has carried out an internal assessment to identify the activities within the scope of the taxonomy. The assessment was coordinated by the Sustainability Reporting and Finance teams and was supported by several functions in the organization. The assessment included all Neste's business units and innovation platforms. Eligible activities were identified based on the description of the activity in the annex of the climate delegated act of the taxonomy regulation. The substantial contribution and do no significant harm criteria were evaluated for each activity identified according to the technical screening criteria laid out after the description of the relevant economic activity, to recognize the share of taxonomy-aligned economic activities. The identified economic activities have been evaluated based on their contribution to the climate change mitigation objective set out in the Climate Delegated Act. Based on this process, the following activities in the taxonomy have been identified as relevant for Neste:

#### 4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids

- Manufacture of renewable fuels
- Bio co-processing of fuels

#### 6.15 Infrastructure enabling low-carbon road transport and public transport

- Electric vehicle charging services

#### 9.1 Close to market research, development and innovation

- R&D activities in Neste's innovation business platforms, such as renewable hydrogen, Power-to-X and municipal solid waste

Neste also has economic activities that are currently not covered by the EU taxonomy. For example, Neste provides circular economy solutions, for which the criteria are currently under development by the Commission and hence are not yet covered by the EU taxonomy. Moreover, the activities covered in the climate delegated act do not yet accommodate all operations that contribute to significant emission savings. Since the regulation is under development, the resulting figures do not represent the absolute value of our taxonomy-aligned activities. Neste is engaged in further developing the taxonomy framework and supports its role in enabling the transition to a climate neutral and circular economy. As the EU taxonomy continues to develop, Neste will also continuously re-evaluate whether its activities have a substantial contribution to the other environmental objectives under the taxonomy.

### Substantial contribution of our core business

The EU taxonomy refers to the manufacture of biofuels for use in transport as a sustainable activity, and we have assessed Neste's manufacturing of renewable fuels for the road transport and aviation sectors, as well as the bio co-processing of fuels to be taxonomy-relevant economic activities based on the climate delegated act of the regulation. Renewable Road Transportation and Renewable Aviation businesses offer renewable fuels for the road transport and aviation sectors. Renewables Platform enables Neste's renewable raw materials sourcing, global renewables production and delivery of renewables to our global customer base. Bio co-processing is aimed at replacing crude oil input in the production of fuels used in various transport sectors. Our taxonomy-relevant activities represent climate change mitigation solutions and are well in line with our ambitious climate commitments.

The EU taxonomy technical screening criteria for the climate Delegated Act including climate change mitigation establishes criteria for the "Manufacture of biogas or biofuels for use in transport and of bioliquids" activity. The recognized activities, manufacturing biofuels and bio co-processing of fuels, make a substantial contribution to climate change mitigation. The substantial contribution criteria sets the threshold for greenhouse gas (GHG) emission savings from the manufacture of biofuels and biogas for use in transport to at least 65% in relation to the GHG emission saving methodology and the relative fossil fuel comparator in accordance with Directive (EU) 2018/2001. Additionally, the criteria requires that no food and feed crops are used in the manufacturing. The share of manufacturing from waste and residue raw materials is therefore included in our alignment figures for this activity. The alignment figures for biofuel sales outside the EU are reported separately because the GHG emission calculation and verification methodologies differ. Neste complies with local legislation and the sales of biofuels meet the GHG emission saving and other sustainability requirements for each market, such as the Low Carbon Fuel Standard in California, US.

The activity "Infrastructure enabling low-carbon road transport and public transport" includes our electric vehicle charging services. The electric charging stations serve both companies and consumers, and are another solution in Neste's portfolio to support the transition to low-emission transport. The figures for the activity are reported as eligible for the taxonomy, as the evaluation of the relevant "Do no significant harm" criteria is ongoing.

Neste's Innovation unit is focused on scalable, sustainable raw materials and required technologies for their conversion to fuels, polymers and chemicals. The R&D activities reported under the "Close to market research, development and innovation" activity meet the activity specific taxonomy alignment criteria and include projects in our portfolio related to renewable hydrogen, Power to X and municipal solid waste. Innovations and R&D which support our taxonomy-eligible and -aligned activities are accounted for in the taxonomy figures of the activity which they support. Neste's innovation portfolio contains several projects that are developing towards economic activities relevant to the taxonomy.

The relevant activity-specific "Do no significant harm" criteria from Annex I have been evaluated for each taxonomy-aligned economic activity. Neste has established and implemented procedures to minimize any adverse impacts of our operations on the environment and complies with all relevant environmental requirements applicable to our operations. Neste complies with the minimum safeguards as determined in our Code of Conduct, which includes the topics of human rights, including workers' rights, bribery and corruption, taxation and fair competition. We respect internationally recognized human rights as set out in the International Bill of Human Rights and the principles concerning fundamental rights set out in the ILO Declaration on Fundamental Principles and Rights at Work. Neste implements an ongoing process of human rights due diligence to identify, prevent, mitigate and account for how it addresses adverse human rights impacts on people in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.

### Accounting policy

The definitions of taxonomy key performance indicators (KPIs) are based on Neste's interpretation of the disclosure delegated act, which supplements the taxonomy regulation and follows requirements that apply for the disclosures under Article 8(2) of Regulation (EU) 2020/852. The taxonomy reporting scope covers Neste's global operations and calculations follow general materiality principles. Taxonomy KPIs are calculated using financial information presented in Notes to the Consolidated Financial Statements in Neste's annual report 2022. To avoid double counting in the reported figures, allocations were made for each activity separately based on reporting structures and a reconciliation has been carried out for the final figures.

Based on Neste's taxonomy alignment evaluation in 2022, previous taxonomy reporting for 2021 is specified, and changes in figures are largely due to a more in-depth assessment of taxonomy-relevant activities both within and outside the Renewable Products segment.

### Turnover

In calculating the proportion of turnover from products associated with taxonomy-eligible and -aligned economic activities, Neste includes revenue from goods and services which have a clear relationship with the identified economic activities. Turnover for the manufacture of biofuels and co-processing includes sales of bio-based fuels, biofuel credits related to the physical product, and exchange rate hedges. Turnover for infrastructure enabling low-carbon road transport activity includes sales from electric charging services. The denominator is Neste's total sales and it covers revenue recognised pursuant to International Accounting Standard (IAS) 1 and refers to Note 5 Revenue in the consolidated financial statements.

Based on the taxonomy alignment evaluation in 2022, changes in the eligibility turnover reporting for 2021 excludes figures such as the production of renewable and recycled products for material uses and third-party raw material trading. Changes also include addition of taxonomy-eligible renewable fuels, which had not been accounted for previously. The restated taxonomy-eligible turnover for 2021 is 36%.

## Proportion of turnover

Codes	Absolute turnover	Proportion of turnover	SUBSTANTIAL CONTRIBUTION CRITERIA							DNSH CRITERIA					Minimum safeguards	Taxonomy-aligned proportion of turnover in 2022	Taxonomy-aligned proportion of turnover in 2021	Category (enabling activity)	Category (transitional activity)	
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems						
	MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>Economic activities</b>																				
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	4,758	19	100	0	-	-	-	-	-	Y	Y	Y	Y	Y	Y	19	19	-	-
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	4.13	2,817	11	100	0	-	-	-	-	-	Y	Y	Y	Y	Y	Y	11	14	-	-
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned)</b>		<b>7,575</b>	<b>29</b>	<b>100</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>29</b>	<b>32</b>	<b>-</b>	<b>-</b>
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	672	3																	
Infrastructure enabling low-carbon road transport and public transport	6.15	0	0																	
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>		<b>673</b>	<b>3</b>														<b>3</b>	<b>3</b>		
Total (A.1 + A.2)		8,248	32														32	36		
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>																				
<b>Turnover of Taxonomy-non-eligible activities</b>		<b>17,459</b>	<b>68</b>																	
Total (A+B)		25,707	100																	

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU

## Capital Expenditure

The Capital Expenditure (CapEx) includes investments related to activities identified as taxonomy-eligible or -aligned. The CapEx figures consist mainly of investments enabling Neste's renewable production capacity growth. To provide an accurate allocation of CapEx for taxonomy-aligned activities, Neste has used the share of taxonomy-aligned production volumes to allocate the proportion to the CapEx alignment figures. For example, allocations for the manufacture of biofuels activity are made based on production volumes which fulfill the GHG emission savings and raw material criteria outlined in the technical screening criteria for the activity.

The breakdown of the CapEx figures is based on the disclosure delegated act and includes taxonomy-eligible and -aligned CapEx. These taxonomy CapEx figures refer to additions in Note 13 Intangible assets (IAS38) and Note 14 Property, plant and equipment (IAS16) and Right-of-use assets refer to Note 30 Leases (IFRS16) in the consolidated financial statements. However, the taxonomy figures only include the proportion of the investments which are within the scope of the EU taxonomy regulation and thus cannot be directly derived from the Notes. CapEx also covers additions to tangible and intangible assets resulting from business combinations. According to the current interpretation of the taxonomy regulation, goodwill is excluded from the CapEx calculations. The CapEx eligibility figure for 2021 has also been restated to reflect this interpretation. The restated taxonomy-eligible CapEx for 2021 is 61%.

<b>Breakdown of the CapEx KPI</b>	<b>Taxonomy-aligned activities (A.1)</b>	<b>Taxonomy-eligible but not taxonomy-aligned activities (A.2)</b>
Additions to property, plant and equipment	1,419	192
Additions to intangible assets	1	1
Additions to capitalized right-of-use assets	227	30
Additions related to acquisitions <sup>1)</sup>	4	0
<b>Total CapEx (A.1 + A.2)</b>	<b>1,651</b>	<b>223</b>

<sup>1)</sup> Goodwill excluded 30 MEUR

## Proportion of CapEx

	Codes	Absolute CapEx	Proportion of CapEx	SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA						Minimum safeguards	Taxonomy-aligned proportion of CapEx in 2022	Taxonomy-aligned proportion of CapEx in 2021	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
Economic activities		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	528	24	100	0 %	-	-	-	-	-	Y	Y	Y	Y	Y	Y	24	29	-	-
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	4.13	1,122	51	100	0 %	-	-	-	-	-	Y	Y	Y	Y	Y	Y	51	25	-	-
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned)</b>		<b>1,651</b>	<b>75</b>	<b>100</b>	<b>0 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>75</b>	<b>54</b>	<b>-</b>	<b>-</b>
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	223	10																	
Infrastructure enabling low-carbon road transport and public transport	6.15	1	0																	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>		<b>223</b>	<b>10</b>														<b>10</b>	<b>7</b>		
Total (A.1 + A.2)		1,874	85														85	61		
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>																				
<b>CapEx of Taxonomy-non-eligible activities</b>		<b>318</b>	<b>15</b>																	
Total (A+B)		2,192	100																	

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU

## Operating Expenses

The taxonomy-eligible and -aligned Operating Expenses (OpEx) cover direct non-capitalized expenses related to research and development, short-term leases (IFRS 16) and maintenance and repair. OpEx figures also include costs related to personnel, identified as other direct expenses relating to the day-to-day servicing required to maintain tangible fixed assets. The allocation of OpEx for activities that are partially taxonomy-aligned follows the same methodology as Neste uses in the taxonomy CapEx calculation and the expenses are thus allocated by using the share of taxonomy-aligned production volumes.

Neste's taxonomy OpEx figures include expenses presented in Note 9 Other expenses, although the figures only include the proportion of expenses which are within the scope of the EU taxonomy regulation. Changes in the OpEx eligibility figure for 2021 are mostly due to certain R&D activities being excluded as they cannot be directly allocated to a specific taxonomy-activity. The restated taxonomy-eligible OpEx for 2021 is 29%.

<b>Breakdown of the OpEx KPI</b>	<b>Taxonomy-aligned activities (A.1)</b>	<b>Taxonomy-eligible but not taxonomy-aligned activities (A.2)</b>
Costs of R&D	37	6
Costs of short-term leases	5	1
Costs of maintenance and repair	38	5
<b>Total OpEx (A.1 + A.2)</b>	<b>80</b>	<b>12</b>

## Proportion of OpEx

	Codes	Absolute OpEx	Proportion of OpEx	SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA						Minimum safeguards	Taxonomy-aligned proportion of OpEx in 2022	Taxonomy-aligned proportion of OpEx in 2021	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
Economic activities		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	48	17	100	0	-	-	-	-	-	Y	Y	Y	Y	Y	Y	17	15	-	-
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	4.13	22	8	100	0	-	-	-	-	-	Y	Y	Y	Y	Y	Y	8	9	-	-
Close to market research, development and innovation	9.1	10	4	100	0	-	-	-	-	-	Y	Y	Y	Y	Y	Y	4	2	E	-
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned)</b>		<b>80</b>	<b>28</b>	<b>100</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>28</b>	<b>26</b>	<b>-</b>	<b>-</b>
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	12	4																	
Infrastructure enabling low-carbon road transport and public transport	6.15	0	0																	
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>		<b>12</b>	<b>4</b>														<b>4</b>	<b>3</b>		
Total (A.1 + A.2)		92	32														32	29		
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITIES</b>																				
<b>OpEx of Taxonomy-non-eligible activities</b>		<b>194</b>	<b>68</b>																	
Total (A+B)		285	100																	

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU

## Materiality

This NFI Statement focuses on the most material sustainability topics for Neste and its stakeholders in relation to value creation and risk management. Neste conducts a materiality assessment once every two years. The most recent assessment was conducted in 2022. The materiality assessment was conducted following the “double materiality” approach, which combines impact materiality and financial materiality. The most material topics identified for Neste are based on their business and stakeholder influence, outward impact on the economy, environment and people, as well as the estimated magnitude of their impacts. The materiality assessment identified eleven material topics that provide the framework for Neste’s sustainability agenda. The eleven topics are: Carbon handprint; Carbon footprint; Protecting biodiversity, air, water and soil; Stakeholder engagement, communication and transparency; Innovation; Partnerships; Sustainable products and services; Safety, health and wellbeing; Modern slavery; Diversity, equity and inclusion; and Engaged and talented workforce. Several of the material topics are relevant in both our own operations, and in our value chain. Hence, the supply chain and raw material sustainability are seen as an underlying theme that needs to be considered for each of the eleven topics’ impacts. Similar underlying themes are economic responsibility and ethics, compliance and corporate governance. These three themes are the cornerstones of our sustainability agenda. Our materiality matrix describes the significance of sustainability topics from the perspective of our business operations and stakeholders.

Neste’s eleven material topics are related to all four themes in non-financial reporting requirements: environmental matters; social and employee matters; respect for human rights; and anti-corruption and anti-bribery.

Neste’s sustainability policies and principles apply to the company as a whole and guide all its operations. In addition, international conventions and commitments underlie Neste’s work. In 2022, Neste was included in the Dow Jones Sustainability Index for the 16th consecutive time. Neste was included in both the DJSI World and DJSI Europe. The industry’s best scores in materiality, environmental and social reporting, human rights and human capital development contributed to the company’s inclusion among the top performers. Neste achieved an AAA rating in 2022 in the MSCI ESG Rating Index measuring companies’ resilience to long-term ESG risks. In the 2022 CDP Climate Change and Forests assessments, Neste achieved the Leadership level, with an A- rating and for Water Security, Neste received a B rating.

## Climate and Environment

### Policies and principles

Neste’s climate commitments are a key part of the company strategy. They are discussed at the Executive Committee at least twice a year and by the Board of Directors at least once a year. The decision to strengthen the governance with regular reviews was made by the Neste Executive Committee in 2019. Key risks related to climate change are presented to the Audit Committee in connection with the risk reviews. Responsibility for climate issue management belongs to the EVP Sustainability and Corporate Affairs, who is responsible for managing climate-related risks and opportunities and presenting them to the Board as part of the meetings, together with the sustainability organization.

Climate and biodiversity are two of the cornerstones of Neste’s sustainability vision. Our key policies and principles concerning environmental matters related to our own operations are our Sustainability Policy and Sustainability Principle. All Neste’s refineries and the company-managed security stockpiles have been certified in accordance with the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards. All Neste’s renewable product refineries have EU-compliant International Sustainability and Carbon Certification (ISCC) certificates. In the United States, the sustainability of Neste’s renewable fuels is monitored based on the Environmental Protection Agency’s (EPA) sustainability requirements. We have committed to preventing deforestation in our supply chains, and to avoiding the conversion of habitats with valuable biodiversity for biomass production. We require the same from all our suppliers.

We have reported relevant climate- and environment-related metrics in the 2022 Sustainability Report. For climate, the metrics include GHG emission reduction by our customers with our renewable products, scopes 1, 2, and 3 GHG emissions and the use phase emission intensity of sold products. For biodiversity, the reporting is aligned with our vision to achieve a nature positive value chain by 2040 and the shorter term ambition levels to develop net positive impacts (NPI) and no net loss (NNL) for our own operations. In addition, metrics include more specific environmental topics like the availability of pollution prevention technology, and the number of permit violations.

### Climate-related risks and opportunities

Climate change poses both business risks and opportunities to Neste. Neste is therefore committed to applying the Task Force for Climate-Related Financial Disclosures (TCFD) reporting framework to understand and evaluate the potential implications of climate change.

Neste uses scenario analysis to assess the resilience and adaptability of Neste’s strategy to climate change. We base our scenario analysis on the internationally acknowledged climate pathways that represent objective and well-established benchmarks for the energy industry, for example published by the International Energy Agency (IEA). We complement our scenarios by internal analysis and identification of trends and factors relevant to our business. In 2022, we analyzed the implications for Neste in three climate scenarios: Net Zero World 2050, which is in line with the 1.5°C pathways; Net Zero EU and North America by 2050, consistent with a 2 °C trajectory; and Compromised climate targets, reflecting global warming of 3 °C or more by the end of the century.

The focus in Neste’s strategic planning is the next 10 years, with an emphasis on the transportation, petrochemicals, and refining sectors. In the scenario work, a time horizon until 2050 is used as the effects of climate change become more imminent in the longer term. Climate change and actions to mitigate and adapt to it, pose both transition and physical risks and opportunities to companies. In the climate context, topics such as energy transition, regulation, competition and customer preferences are relevant for Neste’s business. The impact potential of such drivers on Neste are evaluated on short-, medium- and long-term time horizons, with a varying degree of certainty.

Neste will continue to build on its climate actions so that they are in line with the 1.5°C emission scenarios but refers to the “most likely” scenario reflecting a trajectory of 2°C global warming by the end of the century as the base case. For example, we calculate the impacts and test Neste’s strategy resilience against the scenarios by estimating the impact on Neste’s profitability compared to the base case. This is to ensure the key drivers underlying our strategy are robust under the varying assumptions across the pathways.

Risks associated with the transition to a lower-carbon economy may entail changes for Neste to address. Policy and legal risks include for example unfavorable development of greenhouse gas emissions pricing or unforeseen regulatory development for GHG reductions, or the acceptability of reduction technologies. Technology risks include for example lower than expected availability or higher than expected cost for key GHG reduction technologies. Market risks such as stakeholder and customer attitudes moving in a less favorable direction, shifts in our products’ supply and demand and services and raw materials, increased raw material or utilities costs, or scarcity of renewable raw materials are seen as relevant risks. Both acute physical risks, such as extreme weather events, or chronic physical risks, such as changes in precipitation patterns or rises in sea level, may cause disruptions in our supply chain and the availability of different raw materials, as well as operating issues or damages to Neste’s sites. The identification of physical risks like extreme weather events also takes the long-term scenario into account, with different probabilities evaluated for different climate scenarios.

The adaptability and resilience of Neste’s strategy to climate change also creates opportunities by contributing to the transition to a lower-carbon economy. Our strategy has been influenced by opportunities related to renewable and circular products, and we see that increasing global climate ambitions and related regulations continue to increase the demand for our renewable and circular products.

Results of the scenario assessment provide valuable information on the adaptability and resilience of Neste's strategy. Results are used to support Neste's strategy development and financial planning. Identified climate risks are included in our Enterprise Risk Management (ERM) process, and risk mitigation plans are implemented where appropriate.

### Biodiversity- and environment-related risks and opportunities

Biodiversity loss including a destruction of natural capital, ranging from reductions in the genetic diversity to the collapse of entire ecosystems, is mainly the result of human activities like deforestation and soil degradation. Biodiversity loss is a global concern that also effects on Neste's stable and secure operations and supply of raw materials. The risk could be materialized in feedstock acceptability by the stakeholders or regulatory limitations that lead to lack of sufficient volumes of feedstock. There could also be an impact on our operations with potentially increasingly high requirements for biodiversity. During 2022, we conducted a biodiversity materiality analysis for our own operations, and water was highlighted as a key biodiversity topic. Risk is related to freshwater ecosystems and marine ecosystems that we might impact through our freshwater withdrawal and release of effluents. We are in the process of mapping the main potential adverse impacts relating to biodiversity in our value chain.

Neste is subject to a wide array of laws and regulations targeting safe operations and reduced environmental impact. In addition, transitioning to a lower-carbon economy entails additional requirements that affect Neste's approach to managing refining assets and place more emphasis on the efficient use of different utilities such as water and energy. To ensure continuous compliance with the applicable laws and regulations, Neste has implemented certified management systems that reflect the international standards issued by the ISO. During 2022, a comprehensive set of leading environmental performance indicators was in use in business units to reduce the risk of environmental permit violations or emissions and incidents.

Due to their nature, Neste's operations carry an inherent risk of fires, explosions, leaks and releases of hazardous materials or other hazards that can result in soil, groundwater, air, or seawater contamination. At worst, maritime accidents would have a catastrophic impact on the surrounding environment. Neste has implemented systematic risk management actions to minimize the probability of chemical hazards. Actions taken include ship vetting, systematic safety procedures, partner selection and performance management, and training in Neste's own operations.

### Outcomes and key performance indicators

We are well on track with our commitment to help our customers reduce their greenhouse gas emissions by at least 20 million tons of CO<sub>2</sub>e annually by 2030. Neste's performance against this target is reported in the table below. Neste is committed to reduce its production (scopes 1 & 2) emissions by 50 % by 2030 (compared to 2019) and reach carbon neutral production by 2035. As part of this commitment, Neste aims for 100% renewable electricity use globally by 2023.

These two climate performance indicators' GHG emission reduction achieved by our customers with our renewable products ("GHG handprint") and our scopes 1 & 2 emissions ("production GHG footprint") are included in the long-term incentives for Neste's key personnel.

Neste has also set a concrete target for scope 3 emissions to reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels. The main driver for reducing the use phase emission intensity of sold products for Neste is to continue increasing the share of renewable products in our portfolio through strategic investments.

We are also committed to work with suppliers and partners to reduce the GHG emissions across our entire value chain (scope 3). We are in the process of building action plans across the relevant scope 3 categories, including raw materials and logistics.

Emissions from operations at Neste's refineries were in substantial compliance at all sites in 2022. A total of 3 minor non-compliance cases occurred in Neste's operations, with very limited local environmental impact.

Regarding the timeline for the installation of an off gas treatment system in Rotterdam, the environmental authority has confirmed an order to have the system installed and taken into use, subject to a threatened penalty payment. To solve the installation timeline issue and reduce exhaust emissions, an off gas treatment system was taken into use at the site.

Other climate-related metrics for GHG emissions (scopes 1, 2, and 3 emissions, as well as the use phase of the emission intensity of sold products) are reported in the 2022 Sustainability Report, and their associated risks are discussed in the climate-related risks above.

Key figures	2022	2021
Energy efficiency, energy saving measures GWh. Target: Reduce Neste's energy consumption by 500 GWh during 2017–2025	42.6 GWh	95.8 GWh
GHG emissions reduction achieved with Neste's renewable fuels compared to crude oil based diesel, million tons <sup>1)</sup> Target: 20 MtCO <sub>2</sub> e annually by 2030.	11.1 MtCO <sub>2</sub>	10.9 MtCO <sub>2</sub>
Emission limits and overruns: All deviations from environmental permits Long-term target for OP and RP: zero permit violations	Permit violations: 3, of which 2 in OP and 1 in RP	Permit violations: 3, of which 2 in OP and 1 in RP

<sup>1)</sup> Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directive II (EU) 2018/2001 and the California LCFS methodology, which has been applied in the GHG reporting for volumes sold in the US since the beginning of 2022.

Neste's biodiversity vision was launched a year ago: We aim to achieve a nature positive value chain by 2040, meaning that the positive biodiversity impacts outweigh the negative ones. We have also set the ambition level to support the vision: We aim at creating net positive impacts (NPI) for biodiversity from new activities from 2025 onwards and we target no net loss (NNL) of biodiversity from all ongoing activities by 2035.

In 2022 the biodiversity work focused on developing our understanding of our current impacts. We conducted materiality analysis for our direct operations (scope 1) and biodiversity inventory projects in Porvoo and Naantali to define the focus areas. We concluded the water aspects to be significant regarding biodiversity and moving forward we will develop our water approach and set targets. We also continued value chain materiality analysis, which we aim to complete in 2023 for selected feedstocks. We created definitions of net positive impact for Neste and created a net positive impact (NPI) methodology for biodiversity to guide our work towards our vision. We will pilot the methodology next year with chosen new initiatives.

## Sustainable Supply Chain

### Policies and principles

We expect all our business partners and suppliers to uphold Neste's policies and principles, including our Supplier Code of Conduct, a key element in Neste's supplier management system. Neste's Supplier Code of Conduct was updated and implemented in 2020. The Supplier Code of Conduct is included in the terms of contract with all suppliers, contractors and other business partners participating in the delivery of products, components, materials or services to Neste, covering both direct and indirect procurement. Additionally, our renewable raw material suppliers are expected to meet the requirements of Neste's Responsible Sourcing Principle.

Neste has undertaken several initiatives to identify and understand how risks may be present in our operations and supply chains. To ensure our suppliers' compliance with the Supplier Code of Conduct, Neste has implemented systematic controls for counterparty screening and monitoring in which potential business partners undergo automated pre-screening. A key

element in understanding sustainability risks in our renewable raw materials supply chains is assessing country risk. Our overall approach to sustainability due diligence is to work with our suppliers to drive positive practices and mutually enhance sustainability performance through continuous engagement, collaboration and improvement.

Our renewable products' raw material suppliers are subject to rigorous sustainability due diligence as part of our supplier sustainability approval process under the Neste Principle on Renewable Products Supplier Sustainability Approval. The Principle applies worldwide to any Neste company which is establishing a business relationship with a supplier of renewable raw material for Neste's renewable products. It sets the minimum sustainability requirements for approving suppliers. We continue commercial negotiations only with approved parties who meet our sustainability requirements, and all partners must continue to meet these criteria and commit to developing their operations in the future.

The due diligence process for our crude oil and other fossil raw material suppliers includes a country risk assessment and counterparty risk assessment. We also assess all new suppliers based on publicly available information regarding environmental, social and governance (ESG) topics that include governance, labor standards and practices, human rights, environment, health and safety and crude oil production-specific issues, such as flaring. This sustainability review was developed in 2021 to complement the existing due diligence process for our fossil raw material suppliers.

Neste's key policies and principles concerning environmental matters related to the sourcing of renewable raw materials are the Neste Supplier Code of Conduct, Sustainability Principle, and Responsible Sourcing Principle. All Neste's palm oil suppliers are committed to No-Deforestation policies. Since 2015, this has also been extended to cover their third-party suppliers. All the palm oil we have used has been fully traceable to the plantation level since 2007 and 100% certified since 2013.

### Supply chain risks

The main raw materials used in Neste's refineries include animal fats, used cooking oils, and wastes and residues from vegetable oil processing, as well as some vegetable oils and crude oils. In recent years, the use of palm oil has created a reputational risk, as the sustainability of palm oil sourcing has given rise to public discussion and concerns from NGOs and customers, for example. Neste is committed to ensuring sustainable palm oil sourcing and has implemented several measures to improve transparency in its supply chain, as described above in Climate and Environmental matters. Neste plans to reduce the share of conventional palm oil to zero of its global renewable raw material inputs by the end of 2023.

We assess and monitor our human rights impacts in both our own operations and our supply chains. To effectively prioritize our activities, our risk assessment includes the mapping of supply chains and operations, country risk assessments, desk-based research, supplier self-assessment questionnaires, supplier engagement, and discussions with expert stakeholders. Our Sustainability Audits have a strong human rights focus and prioritize the assessment of impacts on people. Read more in the Human Rights section below.

### Outcomes and key performance indicators

Neste continues to focus on waste and residues and the share of waste and residue raw materials is expected to stay above 90% of Neste's global renewable raw material inputs globally in the coming years, while in the longer term, the growth in novel vegetable oils availability may increase the share of sustainably produced vegetable oils.

In 2022, we updated our Neste Traceability Dashboard to provide the latest data regarding our palm and palm fatty acid distillate (PFAD) supply chains. By the end of 2022, we had mapped our PFAD supply chain to the palm oil mills supplying the palm oil refineries where PFAD is extracted during vegetable oil refining. In 2022, we continued our PFAD supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialists from the Consortium of Resource Experts (CORE). With CORE, we continued to conduct risk assessments of palm oil mills supplying palm oil to refineries and engaged with suppliers to further enhance their No-Deforestation, Peat and Exploitation (NDPE) pledge. We continued to develop our Supplier Sustainability Portal to digitalize renewable raw material supplier evaluation, monitoring and engagement.

Recognizing the need for sustainable raw materials in the supply chain, Neste has improved its procedures for tracking and processing grievances. This includes establishment of a cross-functional team to ensure speed and consistency in how we

manage grievance cases and maintaining a publicly available log of grievances raised in our raw materials supply chains on our website. The grievance log is updated on a monthly basis to include new grievances, as well as to provide status updates on the remediation of existing grievances, and how they are being addressed or monitored by Neste. These raw material supply chain-related external grievances are reported separately by the Sustainability team on the Neste website. Today, these are mostly palm oil industry-related cases but the system is one that Neste uses for all renewable raw materials.

Key figures	2022	2021		
The number of renewable raw material supplier's sustainability assessment and their outcome <sup>1)</sup>	Total:	325	Total:	223
	New approved suppliers:	223	New approved suppliers:	171
	All approved:	236	All approved:	186
	Pending:	74	Pending:	33
	Rejected:	15	Rejected:	4

<sup>1)</sup> Figures include existing suppliers, which undergo a sustainability assessment process every 3–5 years. Supplier data includes only main contractual parties, excluding second-tier suppliers.

## Safety and our employees

### Policies and principles

Safety is integral to our values. Improving safety and more broadly operational excellence covering occupational health and safety, process and marine safety, environment management, chemical compliance, quality, security, productivity, reliability, and efficiency enables us to achieve our strategic targets. For us, safety means excellence in risk management. This concerns the existence and effectiveness of every safety barrier that helps manage risks, prevent incidents and mitigate adverse consequences. We are determined to protect people and the environment, as well as our operations, assets, information and brand, from any harm. We believe this can be achieved when everyone working for and with us is truly committed to managing and improving safety, understands every hazard related to our operations and has excellent ways of evaluating and managing risks. Moreover, we strive to learn from experience and continuously improve our capabilities of understanding and managing hazards.

The foundations for the safety excellence and continuous improvement are defined by Neste's Operations Excellence Policy and Operations Excellence Management System (OEMS), which includes Operations Excellence Principles and supplementary detailed standards. The requirements of OEMS apply not only to Neste's own employees but also to external contractors. In 2022, we continued to clarify and simplify the OEMS implementation process. The deployment of the new process started in 2022 and continues in 2023. The systematic OEMS self-assessments and audits continued in 2022 to ensure that the requirements were fulfilled.

In 2022, one of the safety priority areas was to improve the timely closure of the actions defined due to incidents, near-misses and audit findings. A significant improvement was achieved during the year. The Neste Executive Committee followed up the topic every month.

Other focus areas in 2022 were ensuring safety in investment projects and turnarounds with a high focus on contractor safety. Most of the projects were done with targeted safety levels. If the targets were not met, a systematic analysis was made and improvement activities were defined. We aim to continuously improve contractor safety performance with our contractors through auditing, regular performance evaluation, mutual feedback and great focus on subcontracting. In 2022, the implementation of the contractor safety management model continued.

The integration of the new acquisitions with Mahoney Environmental, Agri Trading and Neste's Rotterdam terminal continued and was partly completed. Part of the activities will continue in the coming years, for example the full implementation of the Mahoney safety roadmap.

Neste's key principles concerning social and employee matters are included in our People Policy. All the human resources (HR) principles and standards meet the Neste Management System (NMS) requirements, as well as the needs of the changing business environment, international growth and employment compliance. NMS combines unified policies, principles, standards and work procedures in one transparent structure. Globally, Neste now has one HR policy, ten HR principles and 17 HR standards in use.

The key principles included in the People Policy are: emphasizing the importance of the continuous development of leadership and corporate culture; acting in line with the company's values and underlining everyone's responsibility for their professional development as a means of achieving excellent results; guaranteeing equal rights and opportunities regardless of gender, ethnic origin, age, religion, political convictions, and other similar issues; promoting a workplace in which everyone understands the importance of their work in achieving common goals; and providing equal and fair compensation based on individual and team performance. One of Neste's central principles is to abide by all laws, statutes and official regulations wherever the company operates and in all aspects of its operations, and to follow clear ethical standards and good practices.

Diversity, equity, and inclusion form a key part of Neste's values-led culture, human rights work and sustainability vision. We are committed to developing an inclusive workplace that fully leverages the benefits of diversity, one in which all Neste employees are given equal opportunities to pursue and thrive in their careers.

### Risk of safety incidents and social matters

In process safety, Neste has implemented and is continuously developing comprehensive safety rules, procedures and practices covering leadership, competence development, performance management and learning from experience. Considerable investments are carried out annually to improve the process safety of Nestes' assets. In 2022, the focus was on the effectiveness of the Process Hazard Analysis (PHA) implementation and utilization of the HSE design guideline in the investments and, the definition of the process safety design guidelines for new technologies.

Rising inequality is a systemic issue that creates risks for business and the climate transition goals. It threatens the social and economic stability on which business depends to operate, innovate and grow. It erodes trust in political and economic systems, fuels civil and political unrest, limits economic growth and undermines companies' collective capacity to tackle complex global challenges. Diversity, equity, and inclusion form a key part of Neste's values-led culture, human rights work and sustainability vision. Neste is committed to reducing inequalities across the value chain and addressing the root causes of systemic human rights issues eg. by paying and promoting living wages, preparing people for the future of work, providing safe and secure employment, and creating an equitable and inclusive workplace and value chain

### Outcomes and key performance indicators

In 2022, Neste's occupational safety performance (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) was 2.0 (1.4 in 2021) which did not meet the target for 2022 (1.5) and was worse than in 2021. The reason for the poorer performance was the higher number of contractor accidents. Several actions were taken in the projects and operations, and also improvements were defined for the Neste contractor safety management process. In 2022, process safety performance (PSER, or the rate of process safety events per million hours worked) was 1.4 (1.4 in 2021) which was better than the 2022 target level (1.5) and in the same level as in 2021.

Safety is a foundation in everything we do in Neste. Achieving a significantly better safety performance remains a top priority. The focus areas will be safety commitment and leadership, safety competence, process safety, contractor safety and safety in each operational activity. The key process safety items are investments in asset integrity, ensuring comprehensive and effective process hazard analysis and mitigation actions in all operations, continuous development of safety-critical operations and further improvement of process safety competence.

Neste fosters diversity as the business grows globally. Neste drives equality and non-discrimination and provides career and development opportunities to the employees who are most qualified without allowing any personal attribute to play any part in decision making. To benefit from increasing diversity and make people feel valued and supported, Neste pursues the development of inclusive leadership and a values-led culture.

We measure our employee engagement in various ways. In addition to a broader employee engagement survey conducted at the beginning of the year, we measure change through shorter pulse surveys and other surveys targeted at specific groups. Our employee engagement index score increased to 69 according to the Pulse survey conducted in October 2022.

Other forms of engagement include many types of development programs, team and individual discussions, surveys gathering onboarding and offboarding experiences, internal info sessions, and town hall meetings. Topics include the Neste strategy and values, sustainability and climate commitments, and health, safety and wellbeing.

Key figures	2022	2021
TRIF <sup>1)</sup>	2.0	1.4
Process safety event rate PSER <sup>2)</sup>	1.4	1.4
New employee hires and employee turnover	Leaving rate of permanent employees 10.2%. Hiring rate of permanent employees 18.3%.	Leaving rate of permanent employees 13.0%. Hiring rate of permanent employees 12.1%.
Employee engagement Target: Maintain a good level of employee engagement.	According to the employee engagement survey conducted early 2022, the employee engagement index score was 66. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 66% felt happy working at Neste, 80% understood how own work contributes to company's success, 75% thought Neste acts in a responsible way, 76% felt safety is never compromised at Neste.	According to the engagement survey conducted in early 2021, the employee engagement index score was 66. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 65% felt happy working at Neste, 78% understood how own work contributes to company's success, 70% thought Neste acts in a responsible way, 79% saw safety as a priority for Neste.

<sup>1)</sup> Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel, except for Mahoney operations and Singapore expansion which have been internally reported and followed-up separately in 2022.

<sup>2)</sup> Process Safety Event Rate, number of cases per million hours worked. The figure includes all operations in Neste's facilities.

See also: [Diversity of the Board of Directors](#)

## Human Rights

### Policies and principles

Neste has made a commitment to respect human rights and remediate adverse human rights impacts throughout its business operations and value chains. Neste demonstrates and meets this commitment by implementing, and acting in accordance with, the United Nations Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises.

The Neste Human Rights Principle applies to the entire Neste Group. It describes how Neste meets its responsibilities to respect human rights and conduct ongoing human rights due diligence. It outlines seven priority areas for human rights at Neste: Fair Employment, Health & Safety, Equity, Diversity & Non-Discrimination, Children & Young Workers, Modern Slavery, Fair Treatment, and Economic, Social & Cultural Rights – including respect for the rights of minority groups and Indigenous Peoples. These are Neste’s salient human rights issues, that is, those issues that are at risk of the most severe negative impacts through our activities or business relationships.

In 2022, we conducted a major review and update of the Neste Human Rights Principle, informed by extensive consultation with both internal and external stakeholders. The Human Rights Principle received final review and approval by Neste’s CEO, based on the endorsement of the Neste Executive Committee. It forms part of Neste’s Management System (NMS) and is publicly available on our website.

The minimum human rights requirements for Neste’s business partners including suppliers, contractors and service providers, are set out in the Neste Supplier Code of Conduct. Neste encourages and supports its business partners to continuously improve and develop beyond the minimum, to reach the human rights standards and expectations set out in the Neste Human Rights Principle.

The Neste Code of Conduct applies to the entire Neste Group and contains key human rights requirements and expectations with which all Neste employees are to comply in their daily work. For example, all employees are expected to be aware of how their work impacts the human rights of people in Neste’s operations, value chain and communities, understand how to recognize potential human rights risks in their daily work and decision making, and know how to recognize and report signs of modern slavery.

Neste supports the elimination of all forms of modern slavery. We recognize that modern slavery is a growing global issue from which no industry is immune, and we are committed to taking the appropriate steps to identify vulnerable groups and mitigate modern slavery risks in our operations and supply chains. Our Modern Slavery Statement, updated annually, details the actions we are taking to prevent modern slavery and human trafficking in our businesses.

We are committed to respecting and supporting children’s rights, and to implementing the Children’s Rights and Business Principles throughout our business and value chains, including in our workplace, marketplace and communities. More information on specific measures we take and the projects in which we are involved is available on our website.

### Risk of adverse human rights impacts

Neste has undertaken several initiatives to ensure the proper management of human rights related risks across our business. To embed respect for human rights throughout our business operations and value chains, we carry out ongoing human rights due diligence to identify and assess risks to human rights, take action to prevent and mitigate them, track the effectiveness of our measures, and provide a remedy when required. In assessing human rights risks, we engage with affected stakeholders and pay special attention to vulnerable groups such as women, children, migrant workers and Indigenous People.

We regularly assess the saliency of our human rights impacts based on severity and likelihood. This enables us to actively monitor our progress in addressing our salient human rights issues, and to account for any new risks resulting from changes in our business. It also ensures that we accurately focus and prioritize our work to address human rights risks. In 2022, we expanded our saliency assessments to evaluate the effectiveness of the measures we have in place to address our salient issues.

In 2022, we carried out a detailed human rights risk assessment for Neste’s indirect procurement. In the first stage, we assessed the risks associated with different sourcing categories and sourcing countries. In the second stage, we evaluated the human rights practices of suppliers selected based on risk and spend, taking into consideration the results from the first assessment.

In 2022, as part of our work under the Consumer Goods Forum’s (CGF) Human Rights Coalition we carried out human rights due diligence assessments for two selected areas within our own operations: production and shipping, following the CGF

Maturity Journey Framework. We also worked collectively through the coalition to advance positive human rights practices in palm supply chains and on the publication of a guide on the repayment of recruitment fees.

We actively monitor and assess risks to people working onsite at our refineries. In 2022, we began to plan contractor audits and key actions to ensure we will be able to hear worker voices during our upcoming 2023 Rotterdam refinery expansion, for example, implementing a local complaints mechanism and carrying out worker voice surveys.

Human rights topics are integrated into our global induction for all new employees who join Neste, as well as our Code of Conduct and Supplier Code of Conduct e-learning courses. In 2022, we organized for the European Institute for Crime Prevention and Control (HEUNI) to train Neste employees on modern slavery and labor exploitation in the regions and sectors connected to our business and value chains. In 2022, we also carried out customized training for our Indirect procurement team on the minimum human rights requirements in our Supplier Code of Conduct.

We engage in capacity building with suppliers and contractors in high-risk sectors and geographies to drive positive human rights impacts throughout the supply chain.

### Outcomes and key performance indicators

In recognizing that our human rights impacts may change over time as our operations and value chains continue to evolve, we are committed to embedding human rights due diligence across our business as an ongoing, iterative process. This year, we continued to conduct human rights due diligence within our supply chains and operations to prevent, mitigate and where necessary, remediate adverse human rights impacts.

Key figures	2022	2021
Human Rights Due Diligence carried out for key business areas/ functions.	Four major assessments/initiatives undertaken in 2022: 1) Corporate-wide assessment to review Neste’s salient issues and their mitigation. 2) Human Rights Risk Assessments completed for Neste Indirect Procurement. 3) Living wage gap assessment completed for Neste’s own employees in Finland. 4) CGF human rights due diligence assessments completed for Production (Singapore) and Shipping.	Four major assessments/initiatives undertaken in 2021: 1) Corporate-wide assessment to review Neste’s salient issues and understand gaps in mitigation activities. 2) Human Rights Risk Assessment completed for potential Rotterdam Refinery Expansion Project 3) Human rights risk assessments completed for Lignocellulose and Algae Innovation platforms 4) Development and implementation of a new channel for all onsite workers to raise grievances and access effective remedy during the 2021 Turnarounds.
Target: To strengthen Neste’s capacity to identify, assess, and address human rights risks in our operations and supply chains.		

## Anti-Corruption

### Policies and principles

Neste and its management are committed to conducting the company's global operations ethically and with integrity. As stated in the company's Code of Conduct, Neste has zero tolerance of corruption of any kind in connection with Neste's operations, whether committed by Neste employees or third parties acting on behalf of Neste. Neste also requires that its external business partners acting for or on behalf of the company to be aware of and share the commitment to zero tolerance of corruption. Neste's key policies and principles concerning anti-corruption and anti-bribery are the Code of Conduct, Anti-Corruption Principle, and Supplier Code of Conduct. More information on the Code of Conduct can be found in the [Sustainability Report](#).

### Risk of corruption and bribery

Risks of corruption and bribery are typically treated as inherent risks in the oil and gas sector due to its global nature, contractual relationships with local governments, and involvement in complex networks with various suppliers and contractors. Neste regularly assesses its operations' risks including ia. risks of corruption and bribery. Neste has zero tolerance of any form of corruption and bribery. As a preventive measure, Neste has developed a compliance program which includes policy statements (Code of Conduct, Anti-Corruption Principle), dedicated eLearning packages, annual compliance acknowledgement, regular communication, and Ethics Online for the reporting of suspected misconduct. Neste's counterparties are required to comply with the Supplier Code of Conduct and/or their own equivalent principles and undergo a compliance clearance and counterparty risk assessment. As stated in the Code of Conduct, Neste has processes in place to carry out due diligence on its business partners. The Compliance clearance and counterparty risk assessment covers the following risks: trade sanctions, politically exposed persons, money laundering, corruption and bribery.

### Outcomes and key performance indicators

In addition to the Code of Conduct, Neste has an Anti-Corruption Principle, which sets the rules for preventing corruption in connection with Neste's business operations and providing more detailed guidance on responsible business practices. Anti-Corruption topics are regularly communicated to and trained for in the organization, including an Anti-Corruption e-learning course re-issued to office workers in 2022 as further described in the Sustainability Report's Compliance chapter. The e-learning course also includes a requirement for employees to report observed or suspected violations of Neste's Anti-Corruption Principle to their own manager, Neste's HR, and the Compliance or Internal Audit functions. Employees may also report their concerns anonymously via Neste's externally operated misconduct reporting system, Ethics Online, which can be used by phone or via the website. Ethics Online is available for both employees and external stakeholders. More information on Neste's grievance process and the related Misconduct Investigation Standard is available in the Corporate Governance Statement.

Neste has also issued an Anti-Money Laundering and Counter-Terrorist Financing (CTF) Standard detailing Neste's guidance and process in relation to preventing money laundering risks.

Neste renewed its Code of Conduct in 2021. A related Code of Conduct e-learning course was issued as a first step for all office workers in 2021, and the course was issued to the rest of the organization in 2022. The e-learning course also covers anti-corruption topics and how to report observed or suspected violations of Neste's Code of Conduct. The e-learning course is included in the training package for all new employees.

A total of 14 suspected misconduct incidents was reported during 2022, and 6 of these reports came via the EthicsOnline system. Confirmed misconduct by Neste employees was identified in 2 of the completed investigations, and misconduct by

third parties in Neste's supply chain was confirmed in one investigation, all leading to further action and process improvements. No confirmed misconduct was related to corruption or bribery. Furthermore, no misconduct was found in 7 completed investigations. Four investigations are pending. Neste's Investigation Group investigated the received reports and reported the number of reported cases per category to the Board of Directors' Audit Committee and to the Ethics and Compliance Committee, consisting of Neste Executive Committee members, the Chief Compliance Officer, and the VP, Internal Audit. In five investigations in 2022, the Neste Investigation Group retained independent external forensic and/or legal expertise to conduct the investigation.

Targeted training on anti-corruption, anti-money laundering, competition law compliance, trade sanction compliance and privacy was conducted with defined target groups.

Key figures	2022	2021
<p>Number of suspected misconducts reported in person or via the whistleblowing system to the Investigations Group.</p> <p>Target: To further encourage employees and external stakeholders to report observed or suspected misconducts.</p>	<p>Number of suspected misconducts reported in person or via the available reporting channels including EthicsOnline to the Investigation Group was in total 14 of which employment matters 2 reports, discrimination and harrasment 2, fraud 4, bribery, corruption and facilitation payment 1, theft, asset misuse &amp; embezzlement 3, supplier/business partner misconduct/unethical behavior 1 and 1 report belongs to category "other". Misconduct by Neste employees confirmed in 2 cases, related to manager conduct, substance abuse and/or inappropriate behavior. Misconduct by a third party confirmed in 1 case, related to attempted fraud. All leading to further actions and process improvements. Four investigations are pending. The confirmed cases of misconduct were not related to corruption, bribery or facilitation payments. Renewable raw material Supply chain related external grievances are reported separately by the Sustainability team on the Neste website.</p>	<p>Number of suspected misconducts reported in person or via the available reporting channels including EthicsOnline to the Investigation Group was in total 18 of which HR 4 reports, discrimination and harrasment 2, conflict of interest 3, bribery, corruption and facilitation payment 2, and 7 reports belong to category "other". Two reported suspected misconducts linked, leading to a total of 17 investigations. Misconduct by Neste employees confirmed in 3 cases, related to asset misuse, manager conduct, substance abuse and/or inappropriate behavior. Misconduct by a third party confirmed in 3 cases, related to inappropriate, discriminative and/or non-professional behaviour. All leading to further actions and process improvements. One investigation was pending during the reporting and resolved after that. The confirmed cases of misconduct were not related to corruption, bribery or facilitation payments. Renewable raw material Supply chain related external grievances are reported separately by the Sustainability team on the Neste website.</p>

## Outlook

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. The war in Ukraine has had significant impacts on the global energy markets, and energy prices have risen to a high level. We expect volatility in the oil products and renewable feedstock markets to remain high, making the forecasting of margins challenging in both Renewable Products and Oil Products.

Renewable Products' first-quarter sales volumes are expected to be lower than in the previous quarter as sales volume is affected by a one-month shutdown at the Rotterdam refinery due to an occurrence of a fire in a process unit in late December. The expected sales volume also includes first volumes from our joint operation company Martinez Renewables in the USA. Waste and residue markets are anticipated to remain tight and volatile as demand continues to be robust. Our first-quarter comparable sales margin is currently expected to be within the range USD 825–925/ton, supported by attractive waste and residue prices in the beginning of the year. The segment's first-quarter fixed costs are expected to be approx. EUR 10 million higher than in the previous quarter, driven by the build-up of capabilities related to the upcoming start-up of our growth projects.

The utilization rates of our renewables production facilities are forecasted to remain high, except for the one-month shutdown at Rotterdam. The Rotterdam shutdown is expected to have a negative impact of approx. EUR 85 million on the segments' full-year comparable EBITDA based on the estimated production losses and repair costs, mainly affecting the first quarter.

The market in Oil Products remains volatile and impacted by the war in Ukraine. Based on the current forward market, our first-quarter total refining margin is expected to remain solid, but somewhat lower compared to the fourth quarter of 2022. The first-quarter sales volumes are forecasted to be at approximately the same level as in the previous quarter.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern in the first quarter. The slowing economy is expected to have some negative impact on the overall demand.

Based on our current estimates and a hedging rate of approx. 85%, Neste's effective EUR/US dollar rate is expected to be within the range of 1.05–1.07 in the first quarter of 2023.

Neste estimates the Group's full-year 2023 cash-out capital expenditure to be approx. EUR 1.8 billion. Possible M&A is excluded from the figure.

## Dividend distribution proposal

Neste's dividend policy is to distribute at least 50% of its comparable net profit in the form of a dividend. The parent company's distributable funds as of 31 December 2022 amounted to EUR 3,824 million, and there have been no material changes in the company's financial position since the end of the financial year.

The Board of Directors proposes to the AGM that an ordinary dividend of EUR 1.02 per share be paid on the basis of the approved balance sheet for 2022 plus an extraordinary dividend of EUR 0.25 per share, i.e. EUR 1.27 per share in total. The ordinary dividend shall be paid in two instalments. The Board furthermore proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second extraordinary dividend of EUR 0.25 per share, by 31 October 2023. The Board expects that this discretionary second extraordinary dividend will be paid, unless there is a significant deterioration in the business environment during 2023.

The first instalment of the ordinary dividend, EUR 0.51 per share, and the extraordinary dividend of EUR 0.25 per share, i.e. altogether EUR 0.76 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the dividend payment, which shall be Thursday, 30 March 2023. The Board proposes to the AGM that the first instalment of the ordinary dividend and the extraordinary dividend would be paid on Thursday, 6 April 2023.

The second instalment of the ordinary dividend, EUR 0.51 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second instalment of the ordinary dividend, which shall be Friday, 29 September 2023. The Board proposes to the AGM that the second instalment of the ordinary dividend would be paid on Friday, 6 October 2023. The Board of Directors is authorized to set a new dividend record date and payment date for the second instalment of the ordinary dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The Board notes to the AGM that if the Board decides to pay the second extraordinary dividend by virtue of the authorization, the intention of the Board is to set the record date and payment date for the second extraordinary dividend payable on the basis of the authorization so that the dates are the same as for the second instalment of the ordinary dividend.

The proposed maximum total dividend of EUR 1.52 per share represents a yield of 3.5% (at year-end 2022 share price of EUR 43.02) and 50% of Neste's comparable earnings per share in 2022. The proposed maximum total dividend in 2023 amounts to approximately EUR 1,167 million. In the event the discretionary second extraordinary dividend of EUR 0.25 per share is not paid, the dividend totals EUR 1.27 per share and represents a yield of 3.0% (at year-end 2022 share price of EUR 43.02) and 42% of Neste's comparable earnings per share in 2022, totaling approximately EUR 975 million.

# Key Figures

<b>Income statement</b>		<b>2022</b>	<b>2021</b>	<b>2020</b>
Revenue	EUR million	25,707	15,148	11,751
EBITDA	EUR million	3,048	2,607	1,508
- of revenue	%	11.9	17.2	12.8
Operating profit	EUR million	2,410	2,023	828
- of revenue	%	9.4	13.4	7.0
Profit before income taxes	EUR million	2,279	1,962	786
- of revenue	%	8.9	13.0	6.7
Profit for the period	EUR million	1,891	1,774	714
- of revenue	%	7.4	11.7	6.1
Comparable EBITDA	EUR million	3,537	1,920	1,929
Comparable net profit	EUR million	2,336	1,179	1,229
<b>Profitability</b>				
Return on equity (ROE)	%	25.1	28.5	11.8
Comparable return on average capital employed, after tax (ROACE)	%	30.1	18.3	19.8
<b>Financing and financial position</b>				
Interest-bearing net debt	EUR million	1,344	41	-265
Leverage ratio	%	13.9	0.6	-4.7
Equity-to-assets ratio	%	56.3	56.6	61.1
Net Debt to EBITDA	%	0.4	0.0	-0.2
<b>Other indicators</b>				
Capital employed	EUR million	10,942	8,742	7,236
Net working capital in days outstanding		35.4	33.3	35.0
Capital expenditure and investments in shares	EUR million	2,218	1,535	1,197
- of revenue	%	8.6	10.1	10.2
Research and development expenditure	EUR million	85	67	61
- of revenue	%	0.3	0.4	0.5
Average number of personnel		5,244	4,872	4,833

<b>Share-related indicators</b>		<b>2022</b>	<b>2021</b>	<b>2020</b>
Earnings per share (EPS)	EUR	2.46	2.31	0.93
Comparable earnings per share	EUR	3.04	1.54	1.60
Equity per share	EUR	10.83	9.09	7.72
Cash flow per share	EUR	1.56	2.60	2.68
Price / earnings ratio (P/E)		17.50	18.79	63.75
Dividend per share	EUR	1.52 <sup>1)</sup>	0.82	0.80
Dividend payout ratio	%	61.8 <sup>1)</sup>	35.5	86.2
Dividend yield	%	3.5 <sup>1)</sup>	1.9	1.4
<b>Share prices</b>				
Closing price	EUR	43.02	43.36	59.16
Average price	EUR	42.26	50.99	37.49
Lowest price	EUR	30.81	41.17	20.37
Highest price	EUR	52.18	64.74	60.14
Market capitalization	EUR million	33,063	33,353	45,507
<b>Trading volumes</b>				
Number of shares traded	1,000	270,643	246,647	340,904
- of weighted average number of shares	%	35	32	44
Weighted average number of shares outstanding		768,060,103	767,643,112	767,370,423
Number of shares outstanding at the end of the period		768,083,170	767,969,396	767,836,640

<sup>1)</sup> Board of Directors' proposal to the Annual General Meeting. 2022 key figures include an ordinary dividend of EUR 1.02 per share, an extraordinary dividend of EUR 0.25 per share, and a discretionary second extraordinary dividend of EUR 0.25 per share.

## Reconciliation of key figures to IFRS Financial Statements

Reconciliation between comparable EBITDA, EBITDA and operating profit is presented in Note 4, Segment information.

### Reconciliation between comparable EBITDA and comparable net profit

EUR million	2022	2021	2020
Comparable EBITDA	3,537	1,920	1,929
IS Depreciation, amortization and impairments	-638	-584	-680
Items in depreciation, amortization and impairments affecting comparability	27	5	167
IS Total financial income and expenses	-131	-61	-41
IS Income tax expense	-388	-188	-72
IS Non-controlling interests	-3	-2	-2
Tax on items affecting comparability	-68	89	-71
Comparable net profit	2,336	1,179	1,229

### Reconciliation of comparable return on average capital employed, after tax (ROACE), %

EUR million	2022	2021	2020
Comparable EBITDA, last 12 months	3,537	1,920	1,929
IS Depreciation, amortization and impairments	-638	-584	-680
Items in depreciation, amortization and impairments affecting comparability	27	5	167
IS Financial income	9	4	4
IS Exchange rate and fair value gains and losses	-80	-10	0
IS Income tax expense	-388	-188	-72
Tax on other items affecting comparable ROACE	-76	82	-77
Comparable net profit, net of tax	2,391	1,229	1,271
Capital employed average	9,823	7,952	7,326
Assets under construction average	-1,880	-1,250	-898
Return on comparable average capital employed, after tax (ROACE), % <sup>1)</sup>	30.1	18.3	19.8

<sup>1)</sup> The comparable ROACE calculation formula has been adjusted in 2022 by excluding assets under construction average from the capital employed average. Comparison numbers have been restated accordingly.

### Reconciliation of equity-to-assets ratio, %

EUR million	2022	2021	2020
BS Total equity	8,327	6,985	5,929
BS Total assets	14,917	12,417	9,815
Advances received	-138	-86	-104
Equity-to-assets ratio, %	56.3	56.6	61.1

### Reconciliation of net working capital in days outstanding

EUR million	2022	2021	2020
Operative receivables	1,902	1,561	1,179
BS Inventories	3,648	2,618	1,829
Operative liabilities	-3,057	-2,795	-1,883
Net working capital	2,494	1,384	1,125
IS Revenue	25,707	15,148	11,751
Net working capital in days outstanding	35.4	33.3	35.0

# Calculation of key figures

Neste presents Alternative Performance Measures to enhance comparability between financial periods as well as to reflect operational performance and financial risk level. These indicators should be examined together with the IFRS-compliant performance indicators.

Key figure		Calculation	Reason for use
EBITDA	=	Operating profit + depreciation, amortization and impairments	EBITDA is an indicator to measure the operational performance and cash flow generation.
Comparable EBITDA	=	EBITDA +/- inventory valuation gains/losses +/- changes in the fair value of open commodity and currency derivatives +/- capital gains/losses - insurance and other compensations +/- other adjustments	Comparable EBITDA describes underlying operational performance and cash flow generation. <sup>1)</sup>
Items affecting comparability	=	Inventory valuation gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations, impairments and other adjustments	Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. <sup>1)</sup>
Comparable net profit	=	Comparable EBITDA - depreciation, amortizations and impairments +/- items in depreciation, amortization and impairments affecting comparability - total financial income and expense - income tax expense - non-controlling interests - tax on items affecting comparability	Comparable net profit is the basis for Neste's dividend policy. Dividend distribution is one element in the company's cash allocation.
Return on equity (ROE), %	= 100 x	$\frac{\text{Profit before income taxes - income tax expense, last 12 months}}{\text{Total equity average, 5 quarters end values}}$	Return on equity provides additional information on the profitability of operations.
Comparable return on average capital employed, after-tax (ROACE), %	= 100 x	$\frac{\text{Comparable EBITDA - depreciation, amortizations and impairments +/- items in depreciation, amortization and impairments affecting comparability + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting comparable ROACE, last 12 months}}{\text{Capital employed average - assets under construction average, 5 quarters end values}}$	Comparable return on average capital employed after-tax (ROACE) is one of Neste's key financial targets. It is a long-term over the cycle indicator measuring Neste's profitability and efficiency of capital usage.
Capital employed	=	Total equity + interest bearing liabilities	Capital employed is primarily used to determine the comparable return on average capital employed (ROACE) which is Neste's key financial target.
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents - current investments	Interest-bearing net debt is an indicator to measure the total external debt financing.
Leverage ratio, %	= 100 x	$\frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$	Leverage ratio is one of Neste's key financial targets. It provides useful information regarding Neste's capital structure and financial risk level.

Key figure		Calculation	Reason for use
Equity-to-assets ratio, %	= 100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$	Equity-to-assets ratio provides useful information regarding financial risk level.
Net working capital in days outstanding	= 365 x	$\frac{\text{Net working capital}}{\text{Revenue, last 12 months}}$	Net working capital in days outstanding measures efficiency in turning net working capital into revenue.
Net Debt to EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$	Net debt to EBITDA measures capital structure and ability to cover debt.
Return on net assets, %	= 100 x	$\frac{\text{Segment operating profit, last 12 months}}{\text{Average segment net assets, 5 quarters end values}}$	Neste uses return on net assets to follow the operational performance of its operating segments.
Comparable return on net assets, %	= 100 x	$\frac{\text{Segment comparable EBITDA, last 12 months - depreciation, amortization and impairments} \pm \text{items in depreciation, amortization and impairments affecting comparability}}{\text{Average segment net assets, 5 quarters end values}}$	Neste uses comparable return on net assets to follow the underlying operational performance of its operating segments.
Segment net assets	=	Property, plant and equipment + intangible assets + investments in associates and joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment	Segment net assets are primarily used to determine the return on net assets and comparable return on net assets.

#### Calculation of share-related indicators

Earnings per share (EPS)	=	$\frac{\text{Profit for the period attributable to the owners of the parent}}{\text{Weighted average number of shares outstanding during the period}}$
Comparable earnings per share	=	$\frac{\text{Comparable net profit}}{\text{Weighted average number of shares outstanding during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity attributable to the owners of the parent}}{\text{Number of shares outstanding at the end of the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Weighted average number of shares outstanding during the period}}$
Price / earnings ratio (P/E)	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$

Key figure		Calculation	Reason for use
Dividend payout ratio, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	
Dividend yield, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$	
Average share price	=	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$	
Market capitalization	=	Number of shares at the end of the period x share price at the end of the period	

#### Calculation of key drivers

Oil Products total refining margin (USD/bbl)	=	$\frac{\text{Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield}}{\text{Refined sales volume x standard barrels per ton}}$	Oil Products total refining margin measures the segment's comparable sales margin per refined unit sold. USD/bbl is a standard unit used in the oil industry.
Renewable Products comparable sales margin (USD/ton)	=	$\frac{\text{Comparable sales margin}}{\text{Renewable diesel sales volume}}$	Renewable Products comparable sales margin measures the sales margin per unit sold.

<sup>1)</sup> In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and operating profit. Comparable EBITDA eliminates both the inventory valuation gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in operating profit caused by inventory valuation is mostly compensated by changing net working capital. Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. They include among others impairment losses and reversals, gains and losses associated with the combination or termination of businesses, restructuring costs, and gains and losses on the sales of assets. Only items having an impact of more than EUR 1 million on Neste's result will be classified as items affecting comparability.



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## Consolidated Statement of Income

EUR million	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Revenue</b>	4, 5	25,707	15,148
Other income	6	54	48
Share of profit (loss) of associates and joint ventures	15	2	-3
Materials and services	7	-21,648	-11,751
Employee benefit costs	8	-545	-431
Depreciation, amortization and impairments	4	-638	-584
Other expenses	9	-522	-403
<b>Operating profit</b>		2,410	2,023
<b>Financial income and expenses</b>	10		
Financial income		9	4
Financial expenses		-60	-55
Exchange rate and fair value gains and losses		-80	-10
<b>Total financial income and expenses</b>		-131	-61
<b>Profit before income taxes</b>		2,279	1,962
Income tax expense	11	-388	-188
<b>Profit for the period</b>		1,891	1,774
<b>Profit attributable to</b>			
Owners of the parent		1,888	1,771
Non-controlling interests		3	2
		1,891	1,774
<b>Earnings per share from profit attributable to owners of the parent (in euro per share)</b>	12		
Basic earnings per share		2.46	2.31
Diluted earnings per share		2.46	2.30

## Consolidated Statement of Comprehensive Income

EUR million	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Profit for the period</b>	1,891	1,774
<b>Other comprehensive income net of tax</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements on defined benefit plans	18	-30
Net change of other investments at fair value	-5	11
Total	13	-19
<b>Items that may be reclassified subsequently to profit or loss</b>		
Translation differences	-56	24
Cash flow hedges		
recorded in equity	19	-99
transferred to income statement	90	-9
Share of other comprehensive income of investments accounted for using the equity method	17	4
Total	70	-80
<b>Other comprehensive income for the period, net of tax</b>	82	-98
<b>Total comprehensive income for the period</b>	1,973	1,675
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	1,970	1,673
Non-controlling interests	3	2
	1,973	1,675

The notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	570	516
Property, plant and equipment	14	6,570	5,152
Investments in associates and joint ventures	15	63	60
Non-current receivables	17	103	63
Deferred tax assets	11	59	45
Derivative financial instruments	16, 19	5	11
Other financial assets	17	44	48
<b>Total non-current assets</b>		7,413	5,894
<b>Current assets</b>			
Inventories	18	3,648	2,618
Trade and other receivables	17	2,178	1,677
Derivative financial instruments	16, 19	406	243
Current investments	17	0	135
Cash and cash equivalents	17	1,271	1,581
<b>Total current assets</b>		7,504	6,253
<b>Assets classified as held for sale</b>	28	0	270
<b>Total assets</b>		14,917	12,417

EUR million	Note	31 Dec 2022	31 Dec 2021
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the parent</b>			
	20		
Share capital		40	40
Other equity		8,282	6,941
<b>Total</b>		8,322	6,981
<b>Non-controlling interests</b>			
<b>Total equity</b>		8,327	6,985
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	21	1,964	1,378
Deferred tax liabilities	11	336	309
Provisions	22	200	210
Pension liabilities	23	119	146
Derivative financial instruments	16, 19	12	1
Other non-current liabilities	21	43	43
<b>Total non-current liabilities</b>		2,674	2,087
<b>Current liabilities</b>			
Interest-bearing liabilities	21	651	379
Current tax liabilities		43	12
Derivative financial instruments	16, 19	200	161
Trade and other payables	21	3,022	2,761
<b>Total current liabilities</b>		3,916	3,313
<b>Liabilities related to assets held for sale</b>	28	0	32
<b>Total liabilities</b>		6,590	5,432
<b>Total equity and liabilities</b>		14,917	12,417

The notes are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

EUR million	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Cash flows from operating activities</b>			
Profit before income taxes		2,279	1,962
Adjustments for			
Share of profit (loss) of associates and joint ventures	4, 15	-2	3
Depreciation, amortization and impairments	4	638	584
Other non-cash income and expenses		-53	-121
Financial expenses - net	10	131	61
Profit / loss from disposal of fixed assets and shares		0	0
Cash flow before change in net working capital		2,994	2,490
Change in net working capital			
Decrease (+) / increase (-) in trade and other receivables		-322	-401
Decrease (+) / increase (-) in inventories		-1,037	-795
Decrease (-) / increase (+) in trade and other payables		2	835
Change in net working capital		-1,357	-362
Cash generated from operations		1,637	2,127
Interest and other finance cost paid		-59	-52
Interest income received		6	1
Realized foreign exchange gains and losses		11	12
Income taxes paid		-398	-95
Finance cost and income taxes paid		-440	-133
<b>Net cash generated from operating activities</b>		<b>1,197</b>	<b>1,994</b>

EUR million	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		-1,670	-929
Purchases of intangible assets	13	-73	-48
Acquisitions of subsidiaries		-14	-322
Proceeds from sales of shares in subsidiaries, joint arrangements and business operations		157	8
Proceeds from capital repayments in joint arrangements	15	13	0
Proceeds from sales of property, plant and equipment		30	6
Changes in long-term receivables and other investments		-31	-200
<b>Cash flows from investing activities</b>		<b>-1,588</b>	<b>-1,483</b>
<b>Cash flow before financing activities</b>		<b>-390</b>	<b>511</b>
<b>Cash flows from financing activities</b>			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		260	111
Proceeds from non-current interest-bearing liabilities		899	618
Repayments of non-current interest-bearing liabilities		-407	-345
Repayments of lease liabilities		-157	-144
Dividends paid to the owners of the parent		-630	-614
Dividends paid to non-controlling interests		-2	-2
<b>Cash flows from financing activities</b>		<b>-37</b>	<b>-377</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>		<b>-427</b>	<b>134</b>
Cash and cash equivalents at beginning of the period		1,696	1,552
Exchange gains (+) / losses (-) on cash and cash equivalents		3	9
<b>Cash and cash equivalents at end of the period</b>	<b>17</b>	<b>1,271</b>	<b>1,696</b>

The notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
<b>Total equity at 1 January 2022</b>		40	19	16	-6	-22	-96	-10	7,040	<b>6,981</b>	4	<b>6,985</b>
Profit for the period									1,888	<b>1,888</b>	3	<b>1,891</b>
Other comprehensive income for the period, net of tax						120	18	-56		<b>82</b>	0	<b>82</b>
Total comprehensive income for the period		0	0	0	0	120	18	-56	1,888	<b>1,970</b>	3	<b>1,973</b>
Transactions with the owners in their capacity as owners												
Dividend decision									-630	<b>-630</b>	-2	<b>-632</b>
Share-based compensation					1				-1	<b>0</b>		<b>0</b>
Transfer from retained earnings			-12					0	12	<b>0</b>		<b>0</b>
<b>Total equity at 31 December 2022</b>	20	40	7	16	-5	98	-78	-66	8,309	<b>8,322</b>	5	<b>8,327</b>
<b>Total equity at 1 January 2021</b>		40	20	16	-7	71	-66	-35	5,886	<b>5,925</b>	4	<b>5,929</b>
Profit for the period									1,771	<b>1,771</b>	2	<b>1,774</b>
Other comprehensive income for the period, net of tax						-93	-30	24		<b>-98</b>	0	<b>-98</b>
Total comprehensive income for the period		0	0	0	0	-93	-30	24	1,771	<b>1,673</b>	2	<b>1,675</b>
Transactions with the owners in their capacity as owners												
Dividend decision									-614	<b>-614</b>	-2	<b>-617</b>
Share-based compensation					1				-4	<b>-3</b>		<b>-3</b>
Transfer from retained earnings			0					0		<b>0</b>		<b>0</b>
<b>Total equity at 31 December 2021</b>	20	40	19	16	-6	-22	-96	-10	7,040	<b>6,981</b>	4	<b>6,985</b>

The notes are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 General information

Neste Corporation is a Finnish public limited liability company domiciled in Espoo, Finland. Neste Corporation is listed on the NASDAQ Helsinki Oy. The address of its registered office is Keilaranta 21, P.O. Box 95, 00095 Neste, Finland.

Neste Corporation and its subsidiaries (together referred to as Neste) create sustainable solutions for transport, business, and consumer needs. Neste's wide range of renewable and circular solutions enable its customers to reduce climate emissions. Neste is the world's largest producer of renewable diesel and sustainable aviation fuel refined from waste and residue, developing chemical recycling to combat the plastic waste challenge. Sustainably-produced solutions are Neste's most significant contribution to the implementation of the Paris Agreement, as well as the United Nations' Sustainable Development Goals (SDG). Neste is also a technologically advanced refiner of high-quality oil products. Neste wants to be a reliable partner with widely valued expertise, research, and sustainable operations.

Neste's customers benefit not only from the high-quality products, but also from the comprehensive supply and logistics services that Neste can provide in Finland and abroad. Neste's refineries are located in Finland, the Netherlands and Singapore. Additionally, during 2022 Neste has established a joint operation together with Marathon Petroleum to produce renewable diesel following a conversion project of Marathon's refinery in the United States. Neste has a network of service stations and other retail outlets in Finland and the Baltic countries.

The Board of Directors has approved these consolidated financial statements for issue on 7<sup>th</sup> of February 2023.

## 2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union. The consolidated financial statements also include compliance with Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the Neste's accounting policies.

The consolidated financial statements are presented in million euros unless otherwise stated. The figures in the tables are subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

Neste discloses its accounting policies in conjunction with each note to provide enhanced understanding of each accounting area. The following symbols **IS**, **OCI**, **BS**, and **CF** are used to show which amounts in the notes can be reconciled to consolidated statement of income (**IS**), consolidated statement of comprehensive income (**OCI**), consolidated statement of financial position (**BS**) or consolidated cash flow statement (**CF**).

### New standards, significant amendments and interpretations adopted by Neste

Neste applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. These amendments did not have a material impact on the consolidated financial statements of Neste. Neste has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as of 1 January 2022 (unless otherwise stated):

- Onerous Contracts: Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- Annual Improvements to IFRS Standards 2018–2020: the annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify among others IFRS 9 and IFRS 16 Standards.
- Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment.
- Reference to the Conceptual Framework: Amendments to IFRS 3 Business Combinations.

### New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. Neste intends to adopt these standards when they become effective.

There are no IFRS or IFRIC interpretations that are not yet effective and that would be expected to have a material impact on Neste.

### Estimates and judgements requiring management estimation

The preparation of consolidated financial statements in conformity with the International Accounting Standard requires Neste's management to make estimates and assumptions which have an impact on reported assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. In addition, management judgement may be required in applying the accounting principles, for example, classifying assets as held for sale.

These estimates, assumptions and judgements are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ significantly from the estimates used in the financial statements.

Neste follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

The sources of uncertainty which have been identified as most significant estimates by Neste are presented in connection to the items considered to be affected.

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. The war in Ukraine has had significant impacts on the global energy markets, and energy prices have risen to high levels. We expect volatility in the oil products and renewable feedstock markets to remain high. Neste has assessed the impacts of war in Ukraine by reviewing the carrying values of the balance sheet items, which did not indicate a need for asset impairments. Neste does not have fixed assets in Russia nor in Ukraine. Neste's financial position remained strong. Changes in the macroeconomic environment have been taken into account by updating the interest rate, discount rate and inflation assumptions to reflect the current situation. More information can be found in the notes 3 Financial risk management, 13 Intangible assets and 23 Employee benefit obligations.

### Climate related topics

Climate commitments are part of Neste's corporate strategy. We have a two-pronged approach to combating climate change: on the one hand we enable change, a carbon handprint, with our renewable and recycled products. On the other hand, we ourselves make a change by reducing our own carbon footprint. These two climate performance indicators are included in the long-term incentives for Neste's key personnel. More information in Note 24 Share-based payments.

The financial impacts of the climate-related matters have been booked in the financial statements in accordance with accounting policies. For example investments to the Renewable Products segment are mainly EU taxonomy aligned capital expenditure.

Climate change poses both business risks and opportunities to Neste.

Risks associated with the transition to a lower-carbon economy include for example unfavorable development of greenhouse gas emissions pricing or unforeseen regulatory development for GHG reductions, or the acceptability of reduction technologies. Market risks are also seen as relevant risks.

The adaptability and resilience of Neste's strategy to climate change also creates opportunities by contributing to the transition to a lower-carbon economy. Our strategy has been influenced by opportunities related to renewable and circular products, and we see that increasing global climate ambitions and related regulations continue to increase the demand for our renewable and circular products.

The risks and opportunities described above have been taken into account in the goodwill impairment testing of the Renewable Products Cash Generating Unit. More information in Note 13 Intangible assets.

Climate-related matters do not have material impact on provisions. More information in Note 22 Provisions.

## Consolidation

### Subsidiaries

The consolidated financial statements cover the parent company, Neste Corporation, and all those companies over which Neste has control. Neste controls an entity when Neste is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Neste, and are no longer consolidated when this control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at their fair value on their date of acquisition. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value on their acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is re-measured at its fair value at the end of each reporting period and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently re-measured. The consideration transferred does not include any transactions accounted for separately from the acquisition. Acquisition-related costs are expensed as incurred.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within Neste, are eliminated in the preparation of consolidated financial statements.

The result for the period and items recognized in other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the statement of income and statement of other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the equity holders of the company. Other comprehensive income is allocated to the equity holders of the company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed the non-controlling interests' investment in the company.

When Neste ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if Neste had directly disposed of the related assets or liabilities.

### Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control, and in which the sharing of control has been contractually agreed between the parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Neste has assessed the nature of its joint arrangements and determined them to be either joint ventures or joint operations.

Joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

During 2022 Neste finalized a transaction to establish a joint arrangement, called Martinez Renewables, for production of renewable fuels together with Marathon Petroleum. Through the transaction, Neste obtained a 50% interest in Martinez Renewables. Production is expected to commence in early 2023 following a conversion project of Marathon's refinery in Martinez, California. Pretreatment capabilities are expected to come online in the second half of 2023 and the facility is expected to be capable of producing 2.1 million tons per year by the end of 2023. As a result, Martinez Renewables is expected to increase Neste's renewable products capacity by slightly over 1 million tons per annum.

At the time of making the investment, Neste made the interpretation to treat the establishment and initial investment into the joint arrangement as an asset acquisition. After the initial investment, Neste classified the joint arrangement as a joint operation as Neste and Marathon Petroleum have a joint control over the arrangement's relevant activities, and the production output will be divided evenly between Neste and Marathon Petroleum. As a result of the joint operation classification, Neste recognises its 50% share of Martinez Renewables' assets, liabilities, revenues and expenses.

The investments into Martinez Renewables in 2022 resulted in EUR 753 million capital expenditure in investing cash flow. The impact to Neste's balance sheet at year-end 2022 is presented in note 14 Property, plant and equipment, note 18 Inventories and note 30 Leases. Martinez Renewables did not have other material impacts to Neste's balance sheet or income statement.

Joint ventures are accounted for using the equity method. Joint operations are consolidated for its share of the assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize Neste's share of the post-acquisition profits or losses and movements in other comprehensive income. When Neste's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of Neste's net investment in the joint ventures), Neste does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between Neste and its joint arrangements are eliminated to the extent of Neste's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset being transferred.

### Associates

Associated companies are entities over which Neste has significant influence but not control, and generally involve a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method as described above in the "Joint arrangements" paragraph.

### Structured entities

Neste engages in business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entities are consolidated when the substance of the relationship between Neste and the structured entities indicate that the structured entities are controlled by Neste. The extent of Neste's interests in unconsolidated structured entities will vary depending on the type of structured entities. Entities are not consolidated because Neste does not control them through voting rights, contract, funding agreements, or other means.

Management uses judgement when determining the accounting treatment of the structured entities. In addition to the voting rights or similar rights, the management considers other factors such as the nature of the arrangement, contractual arrangements and level of influence with the structured entities.

## Foreign currency translation

### (a) Presentation currency

Items included in the financial statements of each of Neste's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the company's presentation currency.

### (b) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

### (c) Group companies

The results and financial position of all Neste entities (none of which uses a hyperinflationary economy currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and currency instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is partially disposed of, sold, or liquidated, translation differences accrued in equity are recognized in the income statement as part of the gain or loss on the sale/liquidation. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity in question and translated at the closing rate.

## 3 Financial risk management

### Financial risk management principles

The Neste Board of Directors has approved the Corporate risk management policy. This policy together with the related principles and instructions defines the framework for financial risk management within Neste. Mandates and limits that are applicable to financial risks have been defined in the risk management policy.

For more information regarding Neste's risk management principles and key risk areas, please refer to the risk management section in the annual report.

### Market risks

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. For Neste, the main types of market risks are commodity price risk, foreign exchange risk and interest rate risk. These are specified in more detail in the following sections. In accordance with the Corporate risk management policy, various derivatives transactions are executed to mitigate exposure to risk. The positions are monitored and managed on a daily basis.

#### 1. Commodity price risks

The main commodity price risks Neste faces in its businesses are related to market prices for crude oil, renewable feedstocks, and other feedstocks, as well as refined petroleum and renewable products. These prices are subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand.

Neste's results of operations in any given period are principally driven by the demand for and prices of renewable and oil products relative to the supply and cost of raw materials. These factors, combined with Neste's own consumption of raw materials and output of refined products, drive operational performance and cash flows in Renewable Products and Oil Products, which are Neste's largest segments in terms of revenue, profits and net assets.

Neste divides the commodity price risks affecting Neste's revenue, profits and net assets into two main categories: inventory price risk and refining margin risk.

#### Inventory price risk

From a price risk management perspective, Neste's refinery inventory consists of two components. The first and largest component remains relatively constant over time and is referred to as the 'base inventory'. The second and daily fluctuating component is the amount of inventories differing from the base inventory level and at Neste it is called 'transaction position'.

The base inventory is the minimum level that can reasonably assure the continuous operation of the refineries and prevent deliveries from being compromised. It comprises inventories at the refineries and within the supply chain. The base inventory includes the minimum level of stocks that Neste is required to maintain under Finnish laws and regulations.

The base inventory creates a risk in Neste's income statement and balance sheet since Neste applies the weighted average method for measuring the cost of goods sold, raw materials and inventories. Hedging operations related to price risk do not target the base inventory. Instead, Neste's inventory risk management policies target the 'transaction position' in as much as these stocks create cash flow risks depending on the relationships between feedstock purchases, refinery production and refined petroleum product sales over any given period. According to the Neste risk management policy, any open exposures of the transaction position are hedged without delay when the underlying pricing-in or pricing-out occurs.

In hedging the transaction position, derivative financial instruments are used. Because of the differences between the quality of the underlying feedstocks or end products for which derivative financial instruments can be sold and purchased and the actual quality of Neste's feedstocks and end products, the business will remain exposed to some degree of basis risk. Basis risk is typically higher in the Renewables business compared to the fossil fuel refining due to the nature of the feedstock pool and limited availability of hedging instruments.

If crude or oil product markets are in contango where current forward prices are higher than current spot prices, Neste has the capability to build physical contango storages from time to time. These storages are excluded from the transaction position and are hedged separately.

### Refining margin risk

Neste is exposed to a greater margin volatility in the Renewable Products segment compared to that of fossil fuel refining. In the Renewables business, the refining margin is mainly an outcome of the renewable product sale price received and the cost of feedstocks used. The underlying indices used in renewable diesel pricing are primarily related to oil products. Premiums over pricing indices fluctuate regionally depending on the nature of bio mandates and incentives, local supply and demand, and fossil fuel prices. In North America, Soy Methyl Ester (SME) is an important price driver through its link to Renewable Identification Number (RIN) prices. The cost of feedstocks depends on feedstock selection and is typically derived from different vegetable oils and fats. Feedstock prices are mainly driven by supply and demand balances, crop forecasts and regional weather. In Renewable Products segment, operational activities and margin hedges are the primary means of mitigating margin volatility.

Refining margin is an important determinant of Oil Products segment's earnings. Its fluctuations constitute a significant risk. The refining margin risk is a result of the revenue from sold petroleum products and the cost of raw materials together with other costs. Neste's exposure to low refining margins in traditional oil refining is partly offset by its high-conversion refinery capacity.

With the aim of securing its margin and cash flow, Neste has defined margin hedging principles for its main refining businesses. In the Renewable Products segment, the targeted hedge ratios are typically higher and can be expected to fluctuate over time. In the fossil fuel business, the hedge ratios are typically moderate.

Both Oil and Renewable Product segments' margins are also exposed to utility price risk that mainly arises from consumption of electricity and natural gas. Neste has also defined principles for hedging these exposures. In hedging the refining margin and utility price risks, commodity derivatives are used. Just as in transaction hedging, also when hedging the refining margin and utility risks, the business will remain exposed to a certain degree of basis risk that comes from the differences between actual qualities of feedstocks and products and qualities of available hedging arrangements.

The exposure to open positions of commodity derivative contracts is summarized in Note 19 Derivative financial instruments. Neste does not apply IFRS hedge accounting for commodity hedging positions.

## 2. Foreign exchange risk

As the underlying currency of Neste's main markets is the US dollar, and Neste operates and reports in Euro, this factor is one that exposes Neste's business to currency risk. The objective of foreign exchange risk management in Neste is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the balance sheet. Generally, foreign exchange risk can be managed by hedging currency risks in contracted and forecast cash flows and balance sheet exposures (referred to as transaction exposure) as well as the equity of non-euro-based subsidiaries (referred to as translation exposure).

### Transaction exposure

In general, all reporting segments hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecast over a 12-month period on a rolling basis and hedged on average 70% for the first six months and 30% of the next six months for the Renewable business and on average 80% for the first six months and 40% for the following six months for the fossil fuel businesses. Deviations from the benchmark position are allowed in line with the limits set by treasury principles. The most important hedged currency is the US dollar. Other currencies to which Neste is exposed are the Swedish crown (SEK), the Chinese renminbi (CNY), the Singapore dollar (SGD), the Australian dollar (AUD) and the Malaysian ringgit (MYR). Neste's net exposure is managed through the use of forward contracts and options. All transactions are made for hedging purposes and the majority is also hedge-accounted for according to IFRS. Segments are responsible for forecasting net foreign currency cash flows, while Group Treasury & Risk Management is responsible for implementing hedging transactions. In addition to the above mentioned foreign currency hedging programs Neste has continued to hedge the Singapore expansion project related currency exposures until the end of the investment. Both currency forwards and currency options can be used in order to manage this position.

Neste has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess of the base inventory. Open exposures are allowed based on risk limits set by treasury principles. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Neste's business transactions, sales of products and services and purchases of crude oil and other feedstock are linked to the US dollar, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2022, the daily balance sheet exposure fluctuated between approximately USD 1,346 million and 3,429 million (2021: USD 1,209 million and 2,274 million). Group Treasury & Risk Management is responsible for consolidating various balance sheet items and carrying out hedging transactions.

The exposure to open positions of foreign exchange derivative contracts is summarized in Note 19 Derivative financial instruments.

### Translation exposure

Group Treasury & Risk Management is responsible for managing Neste's translation exposure. This consists of net investments in foreign subsidiaries and joint ventures. Although the main principle is to leave translation exposure unhedged, Neste may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Any hedging decisions are made by Group Treasury & Risk Management. At the end of 2022, the most important translation exposures were: US dollar EUR 2,747 million and Swedish Crown EUR 89 million (2021: US dollar EUR 571 million, Swedish Crown EUR 76 million). Neste has not hedged the exposures in 2022 or 2021.

### 3. Interest rate risk

Neste is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the interest rate risk management is to limit the volatility of interest expenses in the income statement. The benchmark duration for the debt portfolio is 12 months, and the duration can vary between six and 96 months. As of 31 December 2022, the duration was 29 months (2021: 44 months). In addition to duration, Neste has defined a flow risk limitation.

Interest rate derivatives are used to adjust the duration of the debt portfolio. Neste's interest rate risk management is handled by Group Treasury & Risk Management. Neste has not used interest rate derivatives in 2022 or 2021.

The re-pricing period of interest-bearing debt occurs 2022	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	776	0	0	776
Other loans	34	0	0	34
Financial instruments with fixed interest rate				
Bonds	0	400	495	895
Commercial paper liabilities	346	0	0	346
Lease liabilities	111	135	289	535
Other loans	0	30	0	30
	1,266	565	784	2,616

The re-pricing period of interest-bearing debt occurs 2021	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	258	0	0	258
Other loans	131	0	0	131
Financial instruments with fixed interest rate				
Bonds	0	399	494	893
Lease liabilities	111	141	192	444
Other loans	0	30	0	30
	501	570	686	1,757

### 4. Key sensitivities to market risks

#### Sensitivity of operating profit to market risks arising from the Group's operations

Due to the nature of its operations, Neste's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Neste's key price and currency exposures would have on its operating profit for 2023 (2022), assuming normal market and operating conditions and with following assumptions on sensitivities:

- Hedging transactions are excluded
- The sensitivity of each factor in the table is individual, assuming other factors to remain constant, i.e., the ceteris paribus principle
- The sensitivity in the EUR/USD exchange rate is based on exposure forecast
- The sensitivity in the Oil Product totals refining margin is based on forecast volumes, representing an impact from change of 1 USD/barrel
- The sensitivity in the Oil Products crude oil price is based on impacts through inventory gains / losses and changes in utility and freight costs
- The sensitivity in the Renewable Products raw material price is based on impacts through inventory gains / losses
- The sensitivity in the Renewable Products refining margin is based on nameplate capacity at end of 2022, representing an impact from a change of 50 USD/ton

Approximate impact on operating profit, excluding hedges		2022	2021
+/- 10% in the EUR/USD exchange rate	EUR million	-534/+653	-289/+353
+/- USD 1.00/barrel in Oil Products total refining margin	USD million	+/-90	+/-90
+/- USD 10/barrel in crude oil price for Oil Products <sup>1)</sup>	USD million	+/-115	+/-85
+/- USD 100/t in Renewable Products raw material price <sup>1)</sup>	USD million	+/-180	+/-150
+/- USD 50/t in Renewable Products refining margin <sup>2)</sup>	USD million	+/-170	+/-160

<sup>1)</sup> Inventory gains/losses excluded from comparable EBITDA

<sup>2)</sup> Based on name-plate capacity

## Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of Neste's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2022 (2021). Financial instruments affected by the above market risks include net working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, liquid funds, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

The following assumptions were made when calculating the sensitivity to the change in oil prices:

- The flat price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 20%
- The sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument
- The sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation

The following assumptions were made when calculating the sensitivity to changes in the EUR/USD exchange rate:

- The variation in the EUR/USD-rate is assumed to be +/- 10%
- The position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, trade and other payables, and liquid funds, as well as derivative financial instruments
- The position excludes USD-denominated future cash flows

The following assumptions were applied when calculating the sensitivity to changes in interest rates:

- The variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve
- The interest rate risk position includes interest-bearing liabilities (excluding leases), interest-bearing receivables, and interest rate swaps, however liquid funds are excluded
- The income statement is affected by changes in the interest rates of floating-rate financial instruments except derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity

The sensitivity analysis presented in the following table may not be representative, since the Neste's exposure to market risks also arises from balance sheet items other than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which Neste hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items which are recorded directly in equity. Items affecting the income statement are not included in equity.

Sensitivity to market risk arising from financial instruments as required by IFRS 7		2022		2021	
		Income statement	Equity	Income statement	Equity
+/- 20% change in oil price <sup>1)</sup>	EUR million	-/+27	+/-0	-/+2	+/-0
+/- 10% change in EUR/USD exchange rate	EUR million	+175/-214	+219/-218	+100/-122	+132/-138
+/- 1% parallel shift in interest rates	EUR million	-/+6	+/-0	-/+2	+/-0

<sup>1)</sup> Includes crude oil, refined oil products and vegetable oil derivatives

## Liquidity and refinancing risks

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times.

Neste's principal source of liquidity is expected to be cash generated from operations. In addition, Neste seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. Certain other limits have also been set to minimize liquidity and refinancing risks. The amount of short-term financing is limited to the greater of the following: EUR 500 million or 30% of total interest-bearing liabilities. Unused committed credit facilities together with cash must always be at a minimum EUR 700 million and sufficient to cover all forecasted negative free cash flows and interest bearing liabilities maturing within the next 12-month period.

The average loan maturity as of 31 December 2022 was 2.5 years (2021: 3.7 years). The most important financing programs in place are committed revolving multicurrency credit facility of EUR 1,200 million, committed single currency revolving credit agreement of EUR 250 million, committed overdraft facilities of EUR 150 million and uncommitted domestic commercial paper program of EUR 400 million.

Liquid funds and committed unutilized credit facilities	31 Dec 2022	31 Dec 2021
Liquid funds	1,271	1,716
Overdraft facilities, expiring within one year	150	150
Revolving credit facility, expiring beyond one year <sup>1)</sup>	1,450	1,200
Total	2,871	3,066
In addition: unused commercial paper program (uncommitted)	54	400

<sup>1)</sup> EUR 1,200 million revolving credit facility dated 18 December, 2019 for general corporate purposes. The facility has tenor of five years with two one-year extension options. The margin under the facility will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target. EUR 250 million single currency revolving credit agreement dated 23 December 2022 for general corporate purposes with a tenor of three years and two one-year extension options.

<b>Maturity profile of financial liabilities based on contractual payments 31 Dec 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028–</b>	<b>Total</b>
Trade payables and other liabilities	2,879	13	13	1	1	14	2,922
Interest-bearing liabilities							
Bonds <sup>1)</sup>	0	400	0	0	0	500	900
Loans from financial institutions	162	6	506	6	98	0	777
Commercial paper liabilities	346	0	0	0	0	0	346
Lease liabilities <sup>2)</sup>	111	72	37	16	10	289	535
Other loans	34	30	0	0	0	0	64
Interest of lease liabilities	30	27	24	22	21	282	405
Interest of other liabilities	36	32	14	7	7	4	99
<b>Total</b>	<b>3,597</b>	<b>580</b>	<b>594</b>	<b>52</b>	<b>136</b>	<b>1,089</b>	<b>6,048</b>
Commodities	157	12	0	0	0	0	169
Gross settled forward foreign exchange contracts							
- inflow (-)	-7,014	-3	0	0	0	0	-7,017
- outflow	6,837	3	0	0	0	0	6,840
Derivatives total	-20	12	0	0	0	0	-8

<sup>1)</sup> Refer to Note 21 Financial liabilities for further information

<sup>2)</sup> Refer to Note 30 Leases for further information

<b>Maturity profile of financial liabilities based on contractual payments 31 Dec 2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027–</b>	<b>Total</b>
Trade payables and other liabilities	2,656	9	9	9	1	16	2,699
Interest-bearing liabilities							
Bonds <sup>1)</sup>	0	0	400	0	0	500	900
Loans from financial institutions	137	6	6	6	6	98	258
Lease liabilities <sup>2)</sup>	111	62	39	27	13	192	444
Other loans	131	0	30	0	0	0	161
Interest of lease liabilities	22	20	18	16	14	204	293
Interest of other liabilities	15	12	13	5	5	8	57
<b>Total</b>	<b>3,073</b>	<b>109</b>	<b>514</b>	<b>62</b>	<b>39</b>	<b>1,018</b>	<b>4,814</b>
Commodities	85	1	0	0	0	0	86
Gross settled forward foreign exchange contracts							
- inflow (-)	-3,909	-10	0	0	0	0	-3,919
- outflow	3,947	10	0	0	0	0	3,957
Derivatives total	123	1	0	0	0	0	124

<sup>1)</sup> Refer to Note 21 Financial liabilities for further information

<sup>2)</sup> Refer to Note 30 Leases for further information

## Credit and counterparty risk

Counterparty risk arises from all business relationships, where Neste is exposed to the counterparty's failure to perform according to Neste's requirements and contractual commitments. The risk arises especially from sales, supply, hedging and trading transactions as well as from cash investments. Risk magnitude depends on the size of the business exposure and creditworthiness of the counterparty. The objective of counterparty and credit risk management is to prevent and minimize the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for counterparty and credit risk are covered in the Corporate risk management policy and separate principle and instruction-level documents. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste's reporting segments, which are responsible for counterparty risk management within these limits.

When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent company guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services. In addition, Neste may reduce its counterparty risks by selling trade receivables to a third party, e.g., the bank.

Neste risk management policy divides credit lines for counterparties into following categories according to contract type: physical sales contracts, derivative contracts and financial transactions. In each of the categories counterparty credit limits and decision making mandates are determined separately for counterparties rated by general rating agencies and unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste has negotiated framework agreements in the form of the ISDA (International Swaps and Derivatives Association) master agreement with the main counterparties concerning commodity, emission allowance, currency and interest rate derivative financial instruments. These contracts permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events. Some of these agreements include Credit Support Annexes (CSA) with the aim of reducing credit and counterparty risk by requiring margin call deposits in the form of cash or letter of credit for balances exceeding the mutually agreed limit. At the end of December 2022, Neste had received EUR 34 million in cash collateral (2021: EUR 120 million) and EUR 0 million letter of credit (2021: EUR 0 million) due to CSA agreements. Neste had issued EUR 27 million in cash collateral (2021: EUR 0 million) and EUR 0 million letter of credit (2021: EUR 0 million) due to CSA agreements.

	31 Dec 2022				31 Dec 2021			
	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	Derivatives	Trade receivables	Derivatives	Trade payables	Derivatives	Trade receivables	Derivatives	Trade payables
<b>Financial impact of netting for instruments subject to an enforceable master netting agreement (or similar)</b>								
Gross amount of recognized financial instruments	411	51	211	8	254	30	162	2
Related liabilities or assets subject to master netting agreements	165	0	165	0	98	0	98	0
CSA agreements	34	0	27	0	120	0	0	0
Net exposure	212	51	19	8	36	30	64	2

Neste subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis in order to provide sufficient visibility and management of Neste's cash balance and risks associated with it.

As for counterparty risk management, the minimum credit rating requirement for companies providing insurance for Neste Group is defined in the insurance principles.

Neste has a large number of different international counterparties. As to the range of counterparties, the most significant types are primarily large international oil companies and financial institutions. Neste's exposure to unexpected credit losses within one reporting segment may increase with the concentration of credit risk through a number of counterparties operating in the same industry sector or geographical area, which may be adversely affected by changes in economic, political or other conditions. These risks are reduced by taking concentration risks into consideration in credit decisions.

Counterparties to contracts comprising derivative financial instruments exposure on 31 December 2022: over 85 % of the counterparties or their parent companies related to commodity derivative contracts have investment-grade rating from an established international credit rating agency. Respectively, Group Treasury & Risk Management had an exposure for currency and interest rate derivative contracts as of 31 December 2022 with banks, of which all have investment-grade rating at a minimum. Commodity derivative transactions are also done through exchange, which reduces credit risk.

Neste assesses expected credit losses and calculates impairment loss from trade receivables based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. Analysis is conducted utilizing industry outlook and economic forecasts from various data sources. Neste has chosen a cautious expected credit loss calculation as indicated by the low level of actual historical credit losses compared to the loan loss provision. The receivables have been divided in aging buckets and segments depending on business area and geographic region, in addition to which they are assessed case by case. Impairment loss from trade receivables for the period is EUR 12 million (2021: EUR 9 million). Recognized credit loss of trade receivables amounts to EUR 8 million (2021: EUR 1 million).

<b>Analysis of trade receivables by age</b>	<b>31 Dec 2022</b>	<b>Probability of Credit Loss, %</b>	<b>31 Dec 2021</b>	<b>Probability of Credit Loss, %</b>
not past due	1,552	0–0.04%	1,253	0–0.04%
1–30 days overdue	89	0.01–4%	76	0.01–4%
31–60 days overdue	6	5–43%	4	5–43%
61–90 days overdue	3	10–55%	1	10–55%
91–180 days overdue	8	25–100%	3	25–100%
more than 180 days overdue <sup>1)</sup>	31	100%	74	100%
Trade receivables total	1,688		1,412	
Impairment loss	-12		-9	
Trade receivables – Net	1,675		1,403	

<sup>1)</sup> Blender's Tax Credit receivables from the US tax authorities on 31.12.2022 were total EUR 53 million, of which EUR 17 million more than 180 days overdue. Due to the low risk nature, no credit loss is recognized on these receivables

Financial assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery may be, e.g., a debtor failing to engage in a repayment plan with the company, or a debtor failing to make contractual payments more than 180 days past due. However, the write-offs are interpreted case by case and thus if there is a high probability that the receivable is still paid, no write-off is made. For all bankruptcies and debt restructurings, Neste makes an immediate write off. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Of the trade receivables portfolio exposure, 38% (2021: 56%) is from counterparties or their parent companies having an investment-grade credit rating; 62% (2021: 44%) consists of trade receivables from counterparties that do not have an investment-grade credit rating, most of it comprising from a large number of corporate and private customers.

## Capital risk management

Neste's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which Neste operates. Neste seeks to maintain a capital structure equivalent to a strong investment-grade rating. The capital structure of Neste is reviewed by the Board of Directors on a regular basis.

Neste monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less liquid funds. Over the cycle, Neste's leverage ratio is likely to fluctuate, and it is Neste's objective to maintain the leverage ratio below 40%.

The leverage ratio	31 Dec 2022	31 Dec 2021
Total interest-bearing liabilities	2,615	1,757
Liquid funds	1,271	1,716
Interest-bearing net debt	1,344	41
Total equity	8,327	6,985
Interest-bearing net debt and total equity	9,671	7,026
Leverage ratio	13.9%	0.6%

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2022	-1,581	-135	444	1,313	41
Cash flows	440	135	-157	754	1,173
New lease liabilities	0	0	253	0	253
Acquisitions and disposals	-2	0	0	6	3
Foreign exchange differences	-14	0	12	8	6
Other non-cash movements <sup>1)</sup>	-115	0	-17	0	-132
Net debt as at 31 December 2022	-1,271	0	535	2,080	1,344

<sup>1)</sup> Refer to Note 28 Assets held for sale for further information.

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2021	-1,552	-20	403	904	-265
Cash flows	-117	-115	-144	397	22
New lease liabilities	0	0	141	0	141
Acquisitions and disposals	-5	0	22	22	38
Foreign exchange differences	-22	0	12	-10	-19
Other non-cash movements <sup>1)</sup>	114	0	10	0	125
Net debt as at 31 December 2021	-1,581	-135	444	1,313	41

<sup>1)</sup> Refer to Note 28 Assets held for sale for further information.

## 4 Segment information

### Accounting policy

Neste's operations are divided into four operating segments: Renewable Products, Oil Products, Marketing & Services, and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision-maker, Neste's President & CEO, to assess performance and to decide on allocation of resources. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The segments' operating results are measured based on comparable EBITDA and comparable return on net assets. The accounting policies applicable to the segment reporting are the same as those used for establishing the Neste consolidated financial statements. All inter-segment transactions are on an arm's length basis and are eliminated in consolidation. Segment operating profit includes realized gains and losses from foreign currency and commodity derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the consolidated statement of income.

Segment operating assets and liabilities consist of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, intangible assets, investments in associates and joint ventures, inventories and operative receivables. They exclude deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operative liabilities consist of operative liabilities, pension liabilities, short-term and long-term lease liabilities and provisions; and exclude items such as current and deferred taxes, interest-bearing liabilities, and derivative financial instruments designated as hedges of forecasted future cash flows.

### Neste's business structure

Neste's operations are built around three business areas and six common functions. The business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Renewable Products, Oil Products, and Marketing & Services. The common functions are: Finance, Human Resources, HSSEQ and Procurement, Sustainability and Corporate Affairs, Innovation, Legal, and Engineering Solutions. The common functions are responsible for supporting business areas and other organizations, and ensure their cost efficiency, transparency, and harmonization of procedures across the company, and for overseeing the use and sufficiency of Neste's resources.

## Operating segments

Operating segments are engaged in the following key business activities:

**The Renewable Products segment** produces, markets and sells renewable diesel, renewable jet fuels and solutions, renewable solvents as well as raw material for bioplastics based on Neste's proprietary technology to domestic and international wholesale markets. Renewable diesel is currently produced at the Porvoo, Singapore, and Rotterdam refineries, which have a combined capacity of 3.3 million tons per year. Upon completion, Martinez Renewables is expected to increase Neste's renewable products capacity by slightly over 1 million tons per annum. The Renewable Products segment is assessed to contain taxonomy-eligible and -aligned economic activities based on the climate delegated act of the taxonomy regulation. These Taxonomy-relevant activities represent solutions for climate change mitigation and are well in line with Neste's ambitious climate commitments.

Neste's calculations for climate related key indicators and the EU Taxonomy eligibility and alignment figures are mainly based on Renewable Products segment figures. More information about sustainability in Neste including climate related matters can be found both in Sustainability report and Non-Financial Information Statement in Review by the Board of Directors.

**The Oil Products segment** produces, markets and sells an extensive range of low-carbon solutions that are based on high-quality oil products and related services to a global customer base. The product range includes diesel fuel, gasoline, aviation and marine fuels, light and heavy fuel oils, gasoline components, special fuels, such as small-engine gasoline, solvents, liquid gases, and bitumens. Oil products are refined at the Neste Finland Refinery in Porvoo. Crude oil refining capacity is ca. 10 million tons per year. Neste has an ambition to make its Porvoo refinery the most sustainable refinery in Europe aiming to reach carbon neutral production by 2035. A strategic study has been launched on transforming Porvoo refinery to a renewable and circular site with 2–4 million tons annual capacity and ending of crude oil refining by the middle of 2030s. Neste Shipping's chartering operations are included in the Oil Products segment.

**The Marketing & Services segment** markets and sells cleaner fuels and oil products and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste's own service station network and direct sales.

**The Others segment** consists of the Engineering Solutions and common corporate costs.

The operating segments presented above do not include any segments which are formed by aggregating two or more smaller segments.

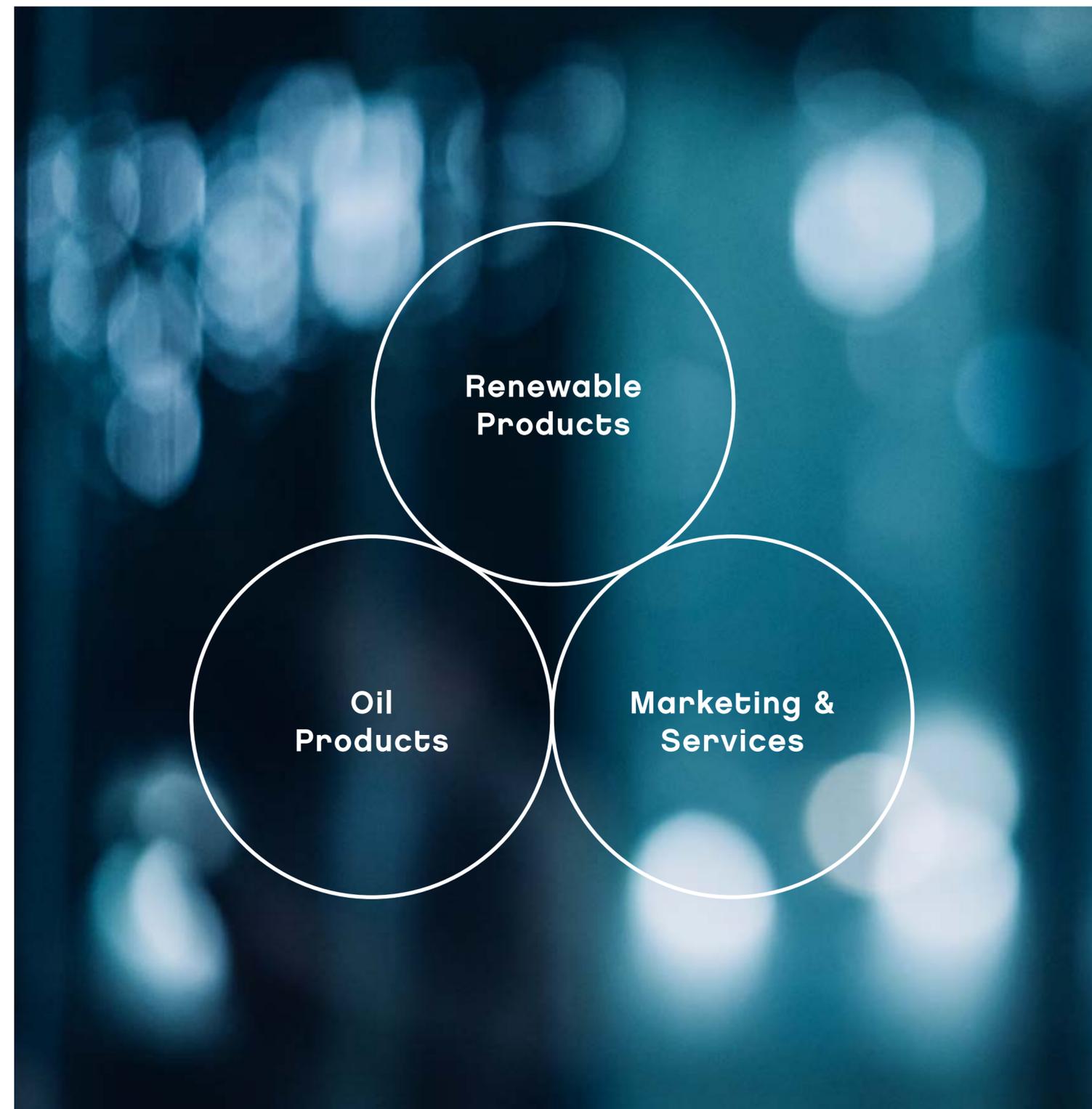
The 'other expenses' included in the consolidated statement of income for each business segment includes the following major items:

**Renewable Products:** repairs and maintenance, planning and consulting services, rents and other property costs, travel-, HSE- and marketing costs, and insurance premiums.

**Oil Products:** repairs and maintenance, planning and consulting services, rents and other property costs, travel- and HSE costs and insurance premiums.

**Marketing & Services:** repairs and maintenance, rents and other property costs and marketing costs.

Neste's customer structure in 2022 and 2021 did not result in any major concentration in any given geographical area or operating segment.



Information about Neste's operating segments as of and for the years ended December 31, 2022 and 2021 is presented in the following tables:

<b>2022</b>	<b>Renewable Products <sup>1)</sup></b>	<b>Oil Products</b>	<b>Marketing &amp; Services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>	<b>Note</b>
<b>IS</b> External revenue	9,640	10,223	5,818	26	0	25,707	
Internal revenue	265	4,373	58	120	-4,816	0	
<b>IS</b> Total revenue	9,905	14,596	5,876	147	-4,816	25,707	5
<b>IS</b> Other income	14	21	5	32	-19	54	6
<b>IS, CF</b> Share of profit (loss) of associates and joint ventures	-5	6	0	0	0	2	15
<b>IS</b> Materials and services	-8,025	-12,657	-5,651	-48	4,733	-21,648	7
<b>IS</b> Employee benefit costs	-200	-125	-29	-193	2	-545	8
<b>IS, CF</b> Depreciation, amortization and impairments	-282	-282	-29	-46	0	-638	
<b>IS</b> Other expenses	-362	-222	-75	38	98	-522	9
<b>IS</b> Operating profit <sup>1)</sup>	1,046	1,337	98	-70	-1	2,410	
<b>IS</b> Financial income and expense						-131	10
<b>IS</b> Profit before income taxes						2,279	
<b>IS</b> Income tax expense						-388	11
<b>IS</b> Profit for the period						1,891	
Comparable EBITDA	1,762	1,654	126	-4	-1	3,537	
inventory valuation gains/losses	-299	-53	0	0	0	-352	
changes in the fair value of open commodity and currency derivatives	-135	4	0	0	0	-131	
capital gains and losses	0	10	0	0	0	10	
other adjustments	0	4	1	-20	0	-16	
EBITDA	1,328	1,619	127	-24	-1	3,048	
<b>IS, CF</b> Depreciation, amortization and impairments	-282	-282	-29	-46	0	-638	
<b>IS</b> Operating profit	1,046	1,337	98	-70	-1	2,410	

<sup>1)</sup> The US Blender's Tax Credit (BTC) contribution was EUR 312 million on the Renewable Products' operating profit in 2022.

<b>2022</b>	<b>Renewable Products</b>	<b>Oil Products</b>	<b>Marketing &amp; Services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>	<b>Note</b>
Capital expenditure and investments in shares	1,952	180	24	62	0	2,218	
Segment operating assets	7,856	4,469	704	351	-458	12,922	
<b>BS</b> Investments in associates and joint ventures	38	25	0	0	0	63	15
<b>BS</b> Deferred tax assets						59	11
Unallocated assets						1,873	
<b>BS</b> Total assets	7,894	4,493	704	351	-458	14,917	
Segment operating liabilities	1,909	1,866	529	221	-444	4,081	
<b>BS</b> Deferred tax liabilities						336	11
Unallocated liabilities						2,174	
<b>BS</b> Total liabilities	1,909	1,866	529	221	-444	6,590	
Segment net assets	6,433	2,652	227	141	-14	9,440	
Return on net assets, %	18.6	46.6	40.8	55.2			
Comparable return on net assets, %	26.6	48.0	40.5	39.0			

<b>2021</b>	<b>Renewable Products <sup>1)</sup></b>	<b>Oil Products</b>	<b>Marketing &amp; Services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>	<b>Note</b>
<b>IS</b> External revenue	5,658	5,690	3,772	28	0	15,148	
Internal revenue	237	2,120	31	142	-2,530	0	
<b>IS</b> Total revenue	5,895	7,810	3,803	170	-2,530	15,148	5
<b>IS</b> Other income	10	18	9	31	-20	48	6
<b>IS, CF</b> Share of profit (loss) of associates and joint ventures	-3	0	0	0	0	-3	15
<b>IS</b> Materials and services	-3,576	-6,948	-3,616	-53	2,442	-11,751	7
<b>IS</b> Employee benefit costs	-132	-103	-25	-174	3	-431	8
<b>IS, CF</b> Depreciation, amortization and impairments	-227	-283	-29	-46	0	-584	
<b>IS</b> Other expenses	-243	-232	-66	37	100	-403	9
<b>IS</b> Operating profit <sup>1)</sup>	1,723	263	77	-34	-6	2,023	
<b>IS</b> Financial income and expense						-61	10
<b>IS</b> Profit before income taxes						1,962	
<b>IS</b> Income tax expense						-188	11
<b>IS</b> Profit for the period						1,774	
Comparable EBITDA	1,460	353	103	11	-6	1,920	
inventory valuation gains/losses	409	164	0	0	0	573	
changes in the fair value of open commodity and currency derivatives	81	25	0	0	0	106	
capital gains and losses	0	-2	5	0	0	3	
other adjustments	0	6	-2	1	0	5	
EBITDA	1,950	546	106	12	-6	2,607	
<b>IS, CF</b> Depreciation, amortization and impairments	-227	-283	-29	-46	0	-584	
<b>IS Operating profit</b>	1,723	263	77	-34	-6	2,023	

<sup>1)</sup> The US Blender's Tax Credit (BTC) contribution was EUR 295 million on the Renewable Products' operating profit in 2021.

<b>2021</b>	<b>Renewable Products</b>	<b>Oil Products</b>	<b>Marketing &amp; Services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>	<b>Note</b>
Capital expenditure and investments in shares	1,023	451	22	39	0	1,535	
Segment operating assets	5,689	3,967	588	350	-328	10,266	
<b>BS</b> Investments in associates and joint ventures	35	25	0	0	0	60	15
<b>BS</b> Deferred tax assets						45	11
Unallocated assets						2,045	
<b>BS</b> Total assets	5,724	3,992	588	350	-328	12,417	
Segment operating liabilities	1,327	1,990	429	281	-315	3,712	
<b>BS</b> Deferred tax liabilities						309	11
Unallocated liabilities						1,411	
<b>BS</b> Total liabilities	1,327	1,990	429	281	-315	5,432	
Segment net assets	4,748	2,045	212	78	-13	7,069	
Return on net assets, %	40.9	11.9	38.1	29.6			
Comparable return on net assets, %	29.4	3.2	36.6	30.1			

## Geographical information

Neste operates production facilities in Finland, Singapore and the Netherlands and its retail sales network in Finland, Estonia, Latvia and Lithuania. The following table provides information on Neste's revenue, which is allocated based on the country of destination, irrespective of the origin of the goods or services, and non-current assets and capital expenditure, which are allocated based on where the assets are located.

Non-current assets consist of intangible assets, property, plant and equipment and investments in associates and joint ventures. 'Other Nordic countries' includes Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania, Russia and Poland. Neste's activities in this geographical area consists mainly of retail activities in the aforementioned countries.

<b>2022</b>	<b>Finland</b>	<b>Other Nordic countries</b>	<b>Baltic rim</b>	<b>Other European countries</b>	<b>North and South America</b>	<b>Other countries</b>	<b>Group</b>
<b>IS</b> Revenue by destination	8,459	4,348	1,850	5,131	5,685	234	25,707
Non-current assets	2,504	0	79	1,360	1,353	1,906	7,203
Capital expenditure	239	0	9	424	1,077	468	2,218

<b>2021</b>	<b>Finland</b>	<b>Other Nordic countries</b>	<b>Baltic rim</b>	<b>Other European countries</b>	<b>North and South America</b>	<b>Other countries</b>	<b>Group</b>
<b>IS</b> Revenue by destination	4,877	2,603	1,155	3,122	3,230	162	15,148
Non-current assets	2,666	2	78	1,027	371	1,583	5,727
Capital expenditure	828	2	7	115	142	441	1,535

## 5 Revenue

### Accounting policy

Revenue from contracts with customers is recognized when or as Neste satisfies a performance obligation by transferring control of a promised good or service to a customer. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service, either over time or at a point in time. Neste principally satisfies its performance obligations at a point in time. The amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, Neste recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which Neste expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on the standalone selling prices of the goods or services promised.

Timing for revenue recognized at a point in time is typically when control has been transferred based on the delivery terms used. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue recognized over time is measured in accordance with the input method (progress measured based on costs incurred) when the outcome of the contract can be estimated reliably. Neste uses an input method in measuring progress of the services because there is a direct relationship between Neste's effort and the transfer of service to the customer. When the outcome cannot be reliably determined, the costs arising are expensed in the same financial period in which they occur, but the revenue is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately.

Some of Neste's contracts may involve elements of variable considerations, such as rebates, bonuses or penalties. The variable consideration is estimated by using either the expected value or the most likely amount -method, depending on the type of variable element and related contractual terms and conditions. Amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue does not occur later.

Neste provides its customers with standard payment terms. If extended payment terms exceeding one year are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Revenue is presented net of indirect sales taxes such as value added tax and statutory stockpiling fees, penalties and discounts.

Low Carbon Fuels Standard credits (LCFS) and Renewable Identification Numbers (RINs) are recognized in revenue. Blender's Tax Credit (BTC) impacts Revenue and Materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, all or some of the BTC credit value is included in the sale price and recognized in revenue. The Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in materials and services.

Revenue by category	2022					2021				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
<b>External revenue</b>										
Fuels <sup>1)</sup>	8,629	9,570	5,679	0	23,879	5,517	4,882	3,667	0	14,065
Light distillates	162	4,736	1,116	0	6,013	138	2,325	876	0	3,339
Middle distillates	8,467	3,899	4,559	0	16,925	5,379	2,090	2,786	0	10,255
Heavy fuel oil	0	936	5	0	941	0	467	5	0	471
Other products	1,008	573	129	0	1,710	141	767	97	0	1,005
Other services	4	80	9	26	119	0	41	9	28	78
<b>IS Total</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>	<b>5,658</b>	<b>5,690</b>	<b>3,772</b>	<b>28</b>	<b>15,148</b>

<sup>1)</sup> Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha, and biopropane. Middle distillates comprise diesel, jet fuels, low sulphur marine fuels, heating oil, renewable fuels, and renewable jet fuels. RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) are included in the corresponding fuel categories in the Renewable Products segment.

Fuels category includes product sales from the Neste's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products amounting to EUR 1,575 million (2021: EUR 1,517 million) are included in the Middle distillates amount. The corresponding amount is included in the purchase price of petroleum products and included in Materials and Services, in Note 7.

Oil trading included in the Fuels category comprise of revenue from physical trading activities conducted on international and regional markets by taking delivery of and selling petroleum products and raw materials within a short period of time for the purpose of generating a profit from short-term fluctuations in product and raw material prices and margins.

Net gains/losses on financial instruments related to sales designated as cash flow hedges are included in revenue amounting to EUR -250 million (2021: EUR 6 million).

Revenue from services mainly comprises revenue from the chartering services and Engineering Solutions, which is included in the Others segment.

Timing of revenue recognition	2022					2021				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
<b>External revenue</b>										
Goods transferred at point in time	9,637	10,143	5,809	0	25,589	5,658	5,649	3,764	0	15,070
Services transferred at point in time	4	80	9	1	93	0	41	9	1	51
Services transferred over time	0	0	0	25	25	0	0	0	27	27
<b>IS Total</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>	<b>5,658</b>	<b>5,690</b>	<b>3,772</b>	<b>28</b>	<b>15,148</b>

Revenue by operating segment 2022	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	9,640	10,223	5,818	26	0	25,707
Internal revenue	265	4,373	58	120	-4,816	0
<b>IS Total revenue</b>	<b>9,905</b>	<b>14,596</b>	<b>5,876</b>	<b>147</b>	<b>-4,816</b>	<b>25,707</b>

Revenue by operating segment 2021	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	5,658	5,690	3,772	28	0	15,148
Internal revenue	237	2,120	31	142	-2,530	0
<b>IS Total revenue</b>	<b>5,895</b>	<b>7,810</b>	<b>3,803</b>	<b>170</b>	<b>-2,530</b>	<b>15,148</b>

## Revenue by operating destination

Revenue by operating destination	2022					2021				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
<b>External revenue</b>										
Finland	352	3,547	4,536	24	8,459	402	1,604	2,848	22	4,877
Other Nordic countries	2,930	1,416	2	0	4,348	1,723	878	2	0	2,603
Baltic Rim	73	500	1,278	0	1,850	44	190	921	0	1,155
Other European countries	2,399	2,729	2	1	5,131	1,329	1,789	2	2	3,122
North and South America	3,685	2,000	0	1	5,685	2,111	1,115	0	4	3,230
Other countries	202	31	0	1	234	48	114	0	0	162
<b>IS Total</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>	<b>5,658</b>	<b>5,690</b>	<b>3,772</b>	<b>28</b>	<b>15,148</b>

## 6 Other income

### Accounting policy

Revenue from activities outside normal operations is reported in other income. This includes items such as capital gains on disposal of other non-current assets and rental income.

	2022	2021
Gain on sale of subsidiaries and business operations	9	5
Capital gains on disposal of other non-current assets	2	0
Rental income	14	13
Government grants	16	8
Insurance compensations	0	8
Other	13	14
<b>IS Other income</b>	<b>54</b>	<b>48</b>

Government grants relate mainly to innovation subsidies, and grants to shipping operations, which are entitled to apply for certain grants based on Finnish legislation. More information on sales of subsidiaries, joint arrangements and business operations is presented in Note 27 Acquisitions and disposals.

## 7 Materials and services

### Accounting policy

Blender's Tax Credit (BTC) impacts revenue, and materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, all or some of the BTC credit value is included in sales price and recognized in Revenue. The Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in Materials and services.

	2022	2021
Materials and supplies	22,530	12,491
Change in inventories	-963	-820
External services	81	80
<b>IS Materials and services</b>	<b>21,648</b>	<b>11,751</b>

Materials and supplies include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,575 million (2021: EUR 1,517 million). The corresponding amount is included in Revenue in Note 5.

The net result of non-hedge accounted commodity and foreign exchange derivatives amounted to EUR -581 million (2021: EUR 66 million). Net gains/losses on derivative instruments related to purchases designated as cash flow hedges amounted to EUR 0 million (2021: EUR 0 million). Both above-mentioned items are included in Materials and supplies.

Materials and supplies also include EUR 38 million (2021: 11 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 30 Leases for further information.

## 8 Employee benefit costs

	2022	2021
Wages and salaries <sup>1)</sup>	449	365
Social security costs	24	21
Share-based payments	5	4
Pension costs - defined contribution plans	60	49
Pension costs - defined benefit plans	5	6
Wages and salaries capitalized in fixed assets	-15	-23
Other costs	17	9
<b>IS Employee benefit costs</b>	<b>545</b>	<b>431</b>

<sup>1)</sup> Includes reversed unused provision EUR 11 million in 2021 relating to the Naantali refinery closure.

Wages, salaries and other compensation for key management are presented in Note 25 Related party transactions. Share-based payments are described in Note 24 Share-based payments and defined benefit plans in Note 23 Employee benefit obligations.

<b>Number of personnel (average)</b>	2022	2021
Renewable Products	1,528	1,245
Oil Products	1,217	1,328
Marketing & Services	398	392
Others	2,101	1,907
	5,244	4,872

## 9 Other expenses

	2022	2021
Repairs and maintenance	130	127
Services	201	145
Rents and other property costs	39	30
Insurances	36	32
Other	117	69
<b>IS Other expenses</b>	<b>522</b>	<b>403</b>

Services include planning and consulting services, IT services, research and lab services and other services. Rents and other property costs include EUR 27 million (2021: EUR 9 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 30 Leases for further information. Other expenses include travel expenses, HSE and advertising costs. Research expenditure is recognized as an expense as incurred and included in other expenses in the consolidated statement of income.

<b>Fees charged by the statutory auditor</b>	2022	2021
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	1.6	1.3
Tax advisory	0.4	0.6
Other advisory services	0.5	0.4
	2.5	2.3

The statutory audit fees of KPMG Oy Ab included fees of 638 thousand euros for audit and 43 thousand euros for auditor's statements. Non-audit services to entities of Neste Group were 935 thousand euros (2021: 835 thousand euros) in total during the financial year 2022. These services included 410 thousand euros (2021: 486 thousand euros) of tax advisory and 526 thousand euros (2021: 349 thousand euros) of other advisory services.

## 10 Financial income and expenses

	2022	2021
<b>Financial income</b>		
Income from financial assets at fair value through profit or loss	0	0
Interest income from financial assets at amortized cost	9	3
	9	4
<b>Financial expenses</b>		
Interest expenses for financial liabilities/receivables at amortized cost		
Lease liabilities	-24	-21
Other liabilities	-29	-26
Write-downs of loan receivables	-3	-4
Other financial expenses	-4	-4
	-60	-55
<b>Exchange rate and fair value gains and losses</b>		
Financial instruments at amortized cost	-8	11
Financial instruments at fair value through profit or loss	-72	-21
	-80	-10
<b>IS Total financial income and expenses</b>	<b>-131</b>	<b>-61</b>
<b>Net gains/losses on financial instruments included in operating profit and fixed assets</b>	<b>2022</b>	<b>2021</b>
Foreign exchange derivatives, hedge accounted <sup>1)</sup>		
Included in revenue	-250	6
Included in materials and services	0	0
Included in fixed assets	118	3
Foreign exchange derivatives, non-hedge accounted		
Included in materials and services	-84	-68
Commodity derivatives, non-hedge accounted		
Included in materials and services	-495	134
	-711	76

<sup>1)</sup> The recognized ineffectiveness was EUR 0.9 million due to Singapore expansion (2021: EUR 0.2 million).

# 11 Income taxes

## Accounting policy

Neste's income tax expenses include taxes of group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. In respect of the deferred tax liability on undistributed foreign earnings, the amount recorded is based on expected circumstances and management expectations regarding the profit distribution. For items recognized directly in equity or other comprehensive income, the income tax effect is similarly recognized.

If adjustments regarding uncertain tax positions (IFRIC 23) are made in situations where it is not likely that the tax authority and/or the court would accept a certain tax treatment, Neste will choose a method of recording the liability that better describes the realization of the uncertainty.

Deferred income taxes are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates that are in force on the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets are recognized for tax loss carryforwards and other unused tax credits to the extent that the utilization of the related tax benefit through future taxable profits is probable.

## Estimates and judgements requiring management estimation

Liabilities and assets are recognised with respect to income tax amounts when management is expecting to pay and recover, respectively. Management has chosen not to discount non-current tax balances.

Neste has deferred tax assets and liabilities which are expected to be realized through the income statement over extended periods of time in the future. Neste management has made certain assumptions regarding future tax consequences and used certain estimates when calculating differences between carrying amounts of assets and liabilities and their tax bases. Key assumptions underlying tax calculations include e.g. likelihood that recoverability periods for tax loss carryforwards will not change, and that existing tax laws and rates remain unchanged into the foreseeable future. At each balance sheet date deferred tax assets are assessed for recoverability and when circumstances indicate that it is no longer probable that deferred tax assets can be recovered, balances are reduced to their recoverable amounts.

The Council of the European Union has confirmed the adoption of a Pillar Two directive concerning minimum taxes. The directive will have to be transposed into member states' national law by the end of 2023. Neste follows the legislative development and its impact on tax compliance accordingly.

<b>The major components of income tax expense</b>	<b>2022</b>	<b>2021</b>
Current tax	405	94
Adjustments recognized for current tax for prior periods	-1	0
Change in deferred taxes	-16	94
<b>IS</b> Income tax expense	<b>388</b>	<b>188</b>

<b>The reconciliation of income taxes</b>	<b>2022</b>	<b>2021</b>
<b>IS</b> Profit before income taxes	<b>2,279</b>	<b>1,962</b>
Hypothetical income tax calculated at Finnish tax rate 20%	-456	-392
Differences in tax rates in other countries	71	195
Non-deductible expenses and other permanent differences	-3	-1
Tax exempt income	0	2
Tax on undistributed earnings	-1	0
Taxes for prior periods	1	0
Net results of joint ventures	0	-1
Realisability of deferred tax assets	0	11
Other	-1	-1
<b>IS</b> Income tax expense	<b>-388</b>	<b>-188</b>
Effective tax rate, %	17	10

Neste's effective tax rate was lower than the Finnish statutory tax rate (20%) mainly due to lower taxation in Estonia, Lithuania, Singapore and Switzerland, where Neste has business operations. The most significant portion of the lower tax rate relates to Singapore and the Renewable Products' profitability. Neste's manufacturing investment in Renewable Products during 2008–2010 in Singapore is subject to tax exemption for 2010–2023 under the applicable Singapore legislation. In 2021 the realisability of deferred taxes includes EUR 9 million impact of tax losses utilized in Bahrain, of which deferred tax asset has not been previously booked. In 2022 Neste divested base oils business, including all operations in Bahrain.

<b>Changes in deferred tax assets and liabilities 2022</b>	<b>On 1 Jan 2022</b>	<b>Charged to Income Statement</b>	<b>Charged in Other comprehensive income</b>	<b>Acquisitions / Disposals</b>	<b>Exchange rate differences, assets held for sale and other changes</b>	<b>On 31 Dec 2022</b>
Tax loss carried forward	5	55	0	0	0	61
Provisions	35	-2	0	0	0	33
Pensions	30	-1	-4	0	0	24
Fixed assets	14	5	0	0	0	19
Derivative financial instruments	8	1	-8	0	0	2
Other temporary differences	13	12	0	0	0	25
Total deferred tax assets	105	70	-12	0	0	162
Netting against liabilities	-60	-44	0	0	0	-103
<b>BS</b> Deferred tax assets	45	26	-12	0	0	59
Tax on undistributed earnings	9	0	0	0	0	9
Fixed assets	341	15	0	0	0	356
Derivative financial instruments	15	-13	16	0	0	17
Investments in partnerships	0	50	0	0	0	50
Other temporary differences	4	1	0	2	0	7
Total deferred tax liabilities	369	53	16	2	0	439
Netting against assets	-60	-44	0	0	0	-103
<b>BS</b> Deferred tax liabilities	309	9	16	2	0	336

<b>Changes in deferred tax assets and liabilities 2021</b>	<b>On 1 Jan 2021</b>	<b>Charged to Income Statement</b>	<b>Charged in Other comprehensive income</b>	<b>Acquisitions / Disposals</b>	<b>Exchange rate differences, assets held for sale and other changes</b>	<b>On 31 Dec 2021</b>
Tax loss carried forward	1	5	0	0	0	5
Provisions	44	-9	0	0	0	35
Pensions	22	0	8	0	0	30
Fixed assets	13	1	0	0	0	14
Derivative financial instruments	1	0	8	0	0	8
Other temporary differences	9	5	0	0	-2	13
Total deferred tax assets	90	1	16	0	-2	105
Netting against liabilities	-55	-5	0	0	0	-60
<b>BS</b> Deferred tax assets	35	-4	16	0	-2	45
Tax on undistributed earnings	9	0	0	0	0	9
Fixed assets	249	81	0	11	0	341
Derivative financial instruments	16	15	-16	0	0	15
Other temporary differences	3	-1	3	0	-1	4
Total deferred tax liabilities	277	95	-13	11	-1	369
Netting against assets	-55	-5	0	0	0	-60
<b>BS</b> Deferred tax liabilities	222	90	-13	11	-1	309

There are in total EUR 26 million (2021: EUR 84 million) of tax loss carryforwards and other unused tax credits for which no deferred tax asset is recognized. Expiry dates are between 2022 and 2026 for EUR 2 million (2021: EUR 3 million) and no expiry for EUR 24 million (2021: EUR 81 million). The decrease in tax losses for which no deferred tax asset is recognized relates mainly to divestment of Base Oils business in Bahrain.

The increase in tax losses, where deferred tax asset is recognized, relates mainly to start-up phase of Martinez Renewable Fuels Joint Operations and its accelerated tax depreciations. Investments in partnerships includes temporary differences in Martinez Renewable Fuels Joint Operations.

A deferred tax liability has been recognized for undistributed earnings of subsidiaries where income taxes would be payable upon distribution.

Deferred tax recognized relating to components of other comprehensive income:

	2022		
	Before tax	Tax (charge) / credit	After tax
<b>OCI</b> Remeasurements of defined benefit plans	22	-4	18
<b>OCI</b> Net change of other investments at fair value	-5	0	-5
<b>OCI</b> Translation differences	-56	0	-56
Cash flow hedges			
<b>OCI</b> recorded in equity	1	18	19
<b>OCI</b> transferred to income statement	131	-41	90
<b>OCI</b> Share of other comprehensive income of investments accounted for using the equity method	17	0	17
<b>OCI</b> Other comprehensive income	110	-28	82

	2021		
	Before tax	Tax (charge) / credit	After tax
<b>OCI</b> Remeasurements of defined benefit plans	-37	7	-30
<b>OCI</b> Net change of other investments at fair value	14	-3	11
<b>OCI</b> Translation differences	24	0	24
Cash flow hedges			
<b>OCI</b> recorded in equity	-122	23	-99
<b>OCI</b> transferred to income statement	-10	1	-9
<b>OCI</b> Share of other comprehensive income of investments accounted for using the equity method	4	0	4
<b>OCI</b> Other comprehensive income	-127	29	-98

## 12 Earnings per share and dividend per share

### Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year. The dilutive effect of equity settled share-based payments is included in the computation of diluted earnings per share.

	2022	2021
<b>IS</b> Profit for the period attributable to owners of the parent, EUR million	1,888	1,771
Weighted average number of shares outstanding during the year (thousands)	768,060	767,643
<b>IS</b> Basic earnings per share (euro per share)	2.46	2.31
Effect of share-based incentive plans (thousands)	486	890
Diluted weighted average number of shares during the year (thousands)	768,546	768,533
<b>IS</b> Diluted earnings per share (euro per share)	2.46	2.30

### Dividend per share

The dividends paid in 2022 were EUR 0.82 per share, totaling EUR 630 million (2021: EUR 0.80 per share, totaling EUR 614 million). A ordinary dividend of EUR 1.02 per share, totaling approximately EUR 783 million and an extraordinary dividend of EUR 0.25 per share, totaling approximately EUR 192 million are proposed at the Annual General Meeting on 28 March 2023. In addition, the Board proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second extraordinary dividend instalment of EUR 0.25 per share totaling approximately EUR 192 million by 31 October 2023. The proposed maximum total dividend in 2023 amounts to approximately EUR 1,167 million. This dividend is not reflected in the financial statements.

# 13 Intangible assets

## Accounting policy

Intangible assets, except goodwill, are stated at historical cost and amortized in a straight-line method over expected useful lives. Intangible assets comprise the following:

### Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and introduce the software in question. The costs include the software development employee costs and professional fees arising directly bringing the asset to its working condition. Capitalization also depends on the technology used, e.g., cloud services are not capitalized. Costs are amortized over their estimated useful lives (three to five years). Costs associated with updates or maintaining computer software programs are recognized as an expense.

### Trademarks and licenses

Trademarks and licenses have a definite useful life and are carried at cost less accumulated amortization. They are amortized over their estimated useful lives (three to ten years).

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Neste's share of the net identifiable assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested for impairment and carried at cost, less accumulated impairment losses. Impairment testing is done annually and whenever there is an indication that the asset may be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing, using those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The discount rates used in impairment testing of goodwill represent the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. WACC rates are specified for each of the cash generating units separately. WACC% and growth rate are used purely for the impairment testing.

The key assumption used for the estimated cash flows in Renewable Products is sales margin.

### Emission allowances

Emission allowances, which are purchased to cover future periods deficit, are recorded in intangible assets and measured at cost, and emission allowances received free of charge are recorded in their nominal value, i.e., at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as any change in the probable amount of the provision, are reflected in the operating profit.

## Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Estimates and judgements requiring management estimation

Intangible assets as well as property, plant and equipment are always tested for impairment, when there is any indication that an asset may be impaired. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognized as an expense immediately and the carrying amount is reduced to the asset's recoverable amount.

The amounts recoverable from cash-generating units' operating activities are determined based on value in use calculations. These calculations are based on estimated future cash flows approved by Neste's management, covering a period of three years. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the sales margin and discount rates.

The climate related assumptions in the calculations include the demand increase in the Renewable Products, which is positively affecting the sales margin and nominal growth rate assumptions.

<b>2022</b>	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Gross carrying amount on 1 January	362	410	772
Exchange rate differences	11	2	14
Acquisitions	7	4	10
<b>CF</b> Additions	22	51	73
Disposals	0	-9	-9
Reclassifications	1	13	14
Gross carrying amount on 31 December	402	470	873
Accumulated amortization and impairment losses on 1 January	0	256	256
Exchange rate differences	0	0	0
Disposals	0	-5	-5
Reclassifications	0	0	0
Amortization and impairments for the period	2	50	52
Accumulated amortization and impairment losses on 31 December	2	301	303
<b>BS</b> Carrying amount on 1 January 2022	362	154	516
<b>BS</b> Carrying amount on 31 December 2022	401	169	570

<b>2021</b>	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Gross carrying amount on 1 January	120	363	483
Exchange rate differences	10	2	12
Acquisitions	206	24	230
<b>CF</b> Additions	25	23	48
Disposals	0	-1	-1
Reclassifications	0	0	0
Gross carrying amount on 31 December	362	410	772
Accumulated amortization and impairment losses on 1 January	0	219	219
Exchange rate differences	0	0	0
Disposals	0	-1	-1
Reclassifications	0	0	0
Amortization for the period	0	39	39
Accumulated amortization and impairment losses on 31 December	0	256	256
<b>BS</b> Carrying amount on 1 January 2021	120	144	264
<b>BS</b> Carrying amount on 31 December 2021	362	154	516

### Impairment test of goodwill

Goodwill is allocated to Neste's cash-generating units (CGUs). From identified CGU's goodwill is allocated to the Renewable Products cash-generating unit which is equal with the Renewable Products segment. Goodwill of Oil Products segment was disposed in 2022.

A segment-level summary of the goodwill allocation is presented below:

	<b>WACC%</b>	<b>2022</b>	<b>2021</b>
Renewable Products	7.6	401	359
Oil Products		0	2
		401	362

A decrease of 20% in sales margin or 3%-points increase in the discount rate would not create a situation in which the carrying amounts of the cash-generating units would exceed their recoverable amounts. Cash flows beyond the three-year period are extrapolated by using 2.5% nominal growth rate.

# 14 Property, plant and equipment

## Accounting policy

Property, plant, and equipment mainly comprise oil refineries and other production plants and storage tanks, marine fleet, and retail station network infrastructure and equipment. Neste owns station network infrastructure with the exception of dealer stations. Property, plant, and equipment are stated at historical cost in the balance sheet, less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items in question and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges related to foreign currency purchases of property, plant, and equipment. Assets acquired through the acquisition of a new subsidiary are stated at their fair value on the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Neste and the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3–5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e., the time between shutdowns. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land areas are not depreciated. The bottom of crude oil rock inventory and precious metals in catalysts used in production process are included in other tangible assets and are depreciated according to possible usage. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and structures, including terminals	20–40 years
Machinery and equipment:	
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Retail station network infrastructure and equipment	5–15 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years

The residual values and useful lives of assets are reviewed and adjusted where appropriate at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the former amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in 'Other income' or 'Other expenses' in the consolidated statement of income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, a major initial investment, such as a new production facility, form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Expenditure on development activities is capitalized only when it fulfills strict criteria e.g., development relates to new products that are both technically and commercially feasible. The majority of Neste's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

## Leases

Neste assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, Neste recognizes the right-of-use asset on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment, intangible assets, and goodwill (see Note 13 Intangible assets).

Refer to Note 30 Leases for further information.

<b>2022</b>	<b>Land</b>	<b>Buildings and constructions</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Assets under construction</b>	<b>Total</b>
Gross carrying amount on 1 January	287	2,679	5,593	518	1,310	10,387
Exchange rate differences	0	1	-31	5	-36	-62
Additions	91	32	264	100	1,654	2,141
Acquisitions	0	0	0	0	0	0
Disposals	-15	-80	-594	-89	-4	-780
Reclassifications	0	22	304	1	-328	-2
Assets held for sale	0	0	21	31	0	52
Gross carrying amount on 31 December	363	2,654	5,557	567	2,595	11,736
Accumulated depreciation and impairment losses on 1 January	38	1,287	3,715	186	10	5,235
Exchange rate differences	0	0	0	2	0	3
Disposals	-7	-85	-564	-38	0	-694
Reclassifications	3	2	3	0	0	8
Depreciation and write downs for the period	12	96	367	89	22	586
Assets held for sale	0	0	6	22	0	28
Accumulated depreciation and impairment losses on 31 December	46	1,300	3,527	262	32	5,166
<b>BS</b> Carrying amount on 1 January 2022	249	1,392	1,879	332	1,300	5,152
<b>BS</b> Carrying amount on 31 December 2022	318	1,354	2,030	305	2,563	6,570

Property, plant and equipment includes an increase of EUR 853 million from joint operation Martinez Renewables on 31 December 2022 and it mainly included assets under construction and machinery and equipment. The carrying amount of assets under construction included additionally mainly assets related to the ongoing Singapore and Netherlands expansion projects. Property, plant and equipment include right-of-use (ROU) assets where Neste is a lessee as specified in Note 30 Leases.

<b>2021</b>	<b>Land</b>	<b>Buildings and constructions</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Assets under construction</b>	<b>Total</b>
Gross carrying amount on 1 January	280	2,529	4,971	453	1,166	9,399
Exchange rate differences	0	1	3	9	1	14
Additions	7	33	443	183	499	1,164
Acquisitions	8	66	58	4	1	136
Disposals	-7	-7	-195	-99	-7	-315
Reclassifications	0	57	303	0	-350	11
Assets held for sale	0	0	10	-31	0	-22
Gross carrying amount on 31 December	287	2,679	5,593	518	1,310	10,387
Accumulated depreciation and impairment losses on 1 January	28	1,205	3,523	162	4	4,922
Exchange rate differences	0	0	1	4	0	5
Disposals	-4	-6	-184	-43	0	-237
Reclassifications	2	2	7	0	0	11
Depreciation and write downs for the period	12	85	358	85	6	545
Assets held for sale	0	0	11	-22	0	-12
Accumulated depreciation and impairment losses on 31 December	38	1,287	3,715	186	10	5,235
<b>BS</b> Carrying amount on 1 January 2021	252	1,324	1,448	291	1,162	4,477
<b>BS</b> Carrying amount on 31 December 2021	249	1,392	1,879	332	1,300	5,152

Property, plant and equipment include right-of-use (ROU) assets where Neste is a lessee as specified in Note 30 Leases.

### Capitalized borrowing costs

During 2022 borrowing costs amounting to EUR 2.8 million (2021: EUR 1.9 million) were capitalized related to the Singapore and Netherlands expansion projects. They are included in property, plant and equipment. Neste's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 1.3% (2021: 1.5%).

## 15 Investments in associates and joint ventures

Carrying amount	2022	2021
On 1 January	60	56
<b>IS, CF</b> Share of profit (loss) of associates and joint ventures	2	-3
<b>OCI</b> Share of other comprehensive income of investments accounted for using the equity method	17	4
Translation differences	1	4
<b>CF</b> Capital repayments	-13	0
Dividends	-15	0
Investments	12	0
Other changes	-1	0
<b>BS</b> On 31 December	63	60

Neste's interest in its principle associates and joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Country of incorporation	Nature of the relationship	2022 % interest held	2021 % interest held
Alterra Energy LLC	USA	Note 1	40.00	40.00
Glacia Limited	Bermuda	Note 2	0.00	50.00
Kilpilahti Power Plant Ltd	Finland	Note 3	40.00	40.00

**Note 1:** Alterra Energy LLC is a US-based, chemical recycling technology company. The cooperation between Neste and Alterra includes joint technology development and commercialization of the technology.

Management has classified Alterra as an associated company due to the considerable influence that Neste has in the company.

**Note 2:** Glacia Limited was a joint venture company owned on a 50/50 basis by Neste and Stena Maritime AG (part of the Stena Group). The company owned an Aframax-size crude tanker, which joined the Neste fleet in January 2007. The company was liquidated in 2022. The liquidation did not have a material impact on Neste's financials.

**Note 3:** Kilpilahti Power Plant Ltd is a joint venture company that produces and supplies steam and other utilities to Neste's refinery and Borealis' petrochemical plant in Porvoo, Finland. The joint venture is owned 40% each by Neste and Veolia and 20% by Borealis.

Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, the legal form of which separates its assets and liabilities of its shareholders and it is directed so that the relevant activities of the company require unanimous consent from all parties sharing control. The new power plant's capacity is also meant to serve external customers in addition to Neste and Borealis and thus optimize the returns of all shareholders in form of net profit. Management has also taken into account that Kilpilahti Power Plant Ltd plans and executes the power plant operations as its own business decisions which are operated by Veolia.

Associates and joint ventures have been consolidated using the equity method.

The Martinez Renewables joint arrangement together with Marathon Petroleum has been classified as a joint operation, and more information has been presented in note 2 Accounting Policies, note 14 Property, plant and equipment, note 18 Inventories and note 30 Leases.

Summarized financial information in respect of Neste's associates and joint ventures are set out in the following table:

	Alterra Energy LLC		Glacia Limited		Kilpilahti Power Plant Ltd	
	2022	2021	2022	2021	2022	2021
<b>Non-current assets</b>	37	29	0	15	518	471
<b>Current assets</b>						
Cash and cash equivalents	10	2	0	29	23	38
Other current assets (excl. cash and cash equivalents)	0	1	0	0	116	150
<b>Total current assets</b>	10	3	0	29	139	188
<b>Non-current liabilities</b>						
Non-current financial liabilities (excl. trade payables and provisions)	7	0	0	0	500	444
Other non-current liabilities	0	0	0	0	17	14
<b>Total non-current liabilities</b>	7	0	0	0	517	458
<b>Current liabilities</b>						
Current financial liabilities (excl. trade payables and provisions)	0	0	0	0	31	31
Other current liabilities	2	1	0	1	92	141
<b>Total current liabilities</b>	2	1	0	1	123	171
<b>Net assets</b>	38	31	0	43	17	29
<b>Revenue</b>	34	1	2	5	458	257
Depreciation, amortization and impairments	2	2	1	3	8	8
Interest income	0	0	0	0	0	0
Interest expense	0	0	0	0	8	6
Income tax expense	0	0	0	0	0	92
<b>Profit/loss</b>	-20	-8	0	-2	-6	-4

## Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates and joint ventures.

	Alterra Energy LLC		Glacia Limited		Kilpilahti Power Plant Ltd	
	2022	2021	2022	2021	2022	2021
<b>Opening net assets 1 January</b>	86	87	43	41	10	0
Investment in associate/joint venture	30	0	0	0	0	0
Profit for the period	-11	-8	6	-2	9	2
Other comprehensive income	6	7	-3	2	43	9
Capital repayments	-15	0	-15	0	0	0
Dividends	0	0	-30	0	0	0
Other changes	0	0	0	0	-1	-1
<b>Closing net assets 31 December</b>	96	86	0	43	61	10
Interest in joint venture	38	35	0	21	24	4
<b>Carrying value</b>	38	35	0	21	24	4

The share of profits of associates and joint ventures are consolidated based on the companys' preliminary results for the financial period.

Transactions carried out with associates and joint ventures are disclosed in Note 25 Related party transactions. Contingent liabilities relating to the Neste's interest in the associates and joint ventures are disclosed in Note 29 Contingencies and commitments.

## 16 Financial assets and liabilities by measurement categories

Neste classifies financial assets and liabilities according to IFRS 9. Accounting policies, classification criterias and other information relating to financial assets and liabilities can be found in Notes 17 Financial assets and 21 Financial liabilities.

Derivative financial instruments under Fair value through OCI -category meet criteria for hedge accounting. Derivative financial instruments are initially recognized at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. The fair values of the foreign exchange forward and the interest rate swap contracts are calculated as the present values of the future cash flows and the fair values of foreign exchange options by using the Black and Scholes option pricing model. The fair value of the exchange traded commodity derivatives is based on exchange market quotations and the fair value of over-the-counter commodity derivative contracts is based on the net present value of cash flows. The fair value of all derivatives is calculated using the observable market inputs for currency and interest rates, volatilities and commodity price quotations on the closing date. Derivative contracts are included in current assets or liabilities, except derivatives maturities greater than 12 months after the balance sheet date, which are classified as non-current assets or liabilities. More information relating to derivative financial instruments can be found in Note 19 Derivative financial instruments.

31 Dec 2022 Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
BS Non-current receivables			103	103	103			
BS Derivative financial instruments		5		5	5		5	
BS Other financial assets	37	7		44	44			44
Current financial assets								
Trade and other receivables <sup>1)</sup>			2,101	2,101	2,101			
BS Derivative financial instruments	120	287		406	406	17	389	
BS Current investments			0	0	0			
BS Cash and cash equivalents			1,271	1,271	1,271			
Financial assets	157	298	3,475	3,930	3,930			
Non-current financial liabilities								
BS Interest-bearing liabilities			1,964	1,964	1,880	811	1,070	
BS Derivative financial instruments	0	12		12	12		12	
Other non-current liabilities <sup>1)</sup>			43	43	43			
Current financial liabilities								
BS Interest-bearing liabilities			651	651	651		651	
BS Derivative financial instruments	29	170		200	200	41	159	
Trade and other payables <sup>1)</sup>			2,879	2,879	2,879			
Financial liabilities	29	182	5,537	5,749	5,665			

<sup>1)</sup> Excluding non-financial items

Financial instruments that are measured at fair value in the balance sheet and the interest-bearing liabilities are presented according to fair value measurement hierarchy:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

**Level 3:** inputs for the assets or liability that is not based on observable market data.

Interest-bearing liabilities at level 1 consist of listed bonds. Derivative financial instruments at level 1 consist of commodity derivatives which are directly valued based on exchange quotations. Other financial assets in fair value through profit and loss category include unlisted other investments of EUR 7 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 37 million. Fair values are determined in accordance of IFRS 13. During the year 2022 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

<b>31 Dec 2021</b> <b>Balance sheet item</b>	<b>Fair value through OCI</b>	<b>Fair value through profit or loss</b>	<b>Amortized cost</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Non-current financial assets								
<b>BS</b> Non-current receivables		2	60	63	63			
<b>BS</b> Derivative financial instruments	0	11		11	11		11	
<b>BS</b> Other financial assets	42	6		48	48			48
Current financial assets								
Trade and other receivables <sup>1)</sup>			1,664	1,664	1,664			
<b>BS</b> Derivative financial instruments	20	224		243	243	1	242	
<b>BS</b> Current investments			135	135	135			
<b>BS</b> Cash and cash equivalents			1,581	1,581	1,581			
Financial assets	62	243	3,440	3,744	3,744			
Non-current financial liabilities								
<b>BS</b> Interest-bearing liabilities			1,378	1,378	1,393	909	484	
<b>BS</b> Derivative financial instruments		1		1	1		1	
Other non-current liabilities <sup>1)</sup>			43	43	43			
Current financial liabilities								
<b>BS</b> Interest-bearing liabilities			379	379	379		379	
<b>BS</b> Derivative financial instruments	59	102		161	161	25	136	
Trade and other payables <sup>1)</sup>			2,656	2,656	2,656			
Financial liabilities	59	103	4,456	4,618	4,634			

<sup>1)</sup> Excluding non-financial items

During the year 2021 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

# 17 Financial assets

## Accounting policy

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are classified as non-current assets. Purchases and sales of financial assets are recognized on the settlement date (excluding derivatives, Note 19 Derivative financial instruments). Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Amortized cost category consists of liquid funds, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest. Financial assets recognized at amortized cost are valued using the effective interest method.

Assets at fair value through profit or loss consists of equity investments (and derivatives which do not meet the criteria for hedge accounting). The investments in unlisted companies are measured at their fair value according to IFRS 13. Gains or losses of the equity investments are included in financial income and expenses.

Other financial assets in fair value through other comprehensive income category include unlisted shares which are not held for trading. These are strategic investments and Neste considers this classification to be more relevant.

## Liquid funds

Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents includes cash in hand, deposits held at banks, and other highly liquid investments with original maturities of three months or less. Current investments includes deposits held at banks and other liquid investments with original maturities from 3 to 12 months.

## Impairment

The general expected credit loss model is used for debt instruments carried at amortized cost and the impairment is recognized through profit or loss. The credit loss is recognized based on individual assessment of receivable. The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Every business area uses a specific provision matrix for the trade receivables due to the different nature of the businesses. The business area impairment process is based on historical credit loss experience combined with current conditions and forward looking macroeconomic analysis. The impairment or credit loss is recognized in the consolidated statement of income within other expenses.

Liquid funds	2022	2021
<b>BS</b> Current investments	0	135
<b>BS, CF</b> Cash and cash equivalents	1,271	1,696
Classified as assets held for sale	0	-115
Liquid Funds	1,271	1,716

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note 3 Financial risk management sets out more information about credit risk. The impairment of liquid funds has not been recognized because the amount is immaterial.

Trade and other receivables	2022	2021
Trade receivables	1,675	1,403
Other receivables	422	294
Advances paid	4	1
Accrued income and prepaid expenses	77	43
Classified as assets held for sale	0	-64
<b>BS</b> Trade and other receivables	2,178	1,677
Trade and other receivables excluding non-financial items	2,101	1,664

Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note 3 Financial risk management, section 'credit and counterparty risk'.

Non-current financial assets	2022	2021
Non-current interest-bearing receivables	82	40
Other non-current receivables	20	23
<b>BS</b> Non-current receivables	103	63
<b>BS</b> Other financial assets	44	48

The fair value of non-current financial receivables is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables. Other financial assets consist of unlisted shares.

## 18 Inventories

### Accounting policy

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognized in profit or loss as consumed. RIN (Renewable Identification Number) and LCFS (Low Carbon Fuels Standard) credits are accounted for as government grants upon receipt of the product inventory in the USA and are accounted for as inventory. RINs and LCFSs are included in Finished products and goods -category.

### Estimates and judgements requiring management estimation

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

	2022	2021
Materials and supplies	1,560	1,044
Finished products and goods	2,085	1,637
Other inventories	3	1
Classified as assets held for sale	0	-64
<b>BS</b> Inventories	3,648	2,618

Additions to inventories included EUR 48 million from joint operation Martinez Renewables on 31 Dec 2022. Write-downs included the inventories at the end of the period were EUR 245 million (2021: EUR 80 million).

## 19 Derivative financial instruments

### Accounting policy

The derivative instruments are mainly held for economic hedging purposes although most of the derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item. Impact to the income statement from the derivatives is presented in Note 10 Financial income and expenses.

When hedge accounting is applied to the derivative contracts, the method of recognizing any resulting gain or loss depends on the nature of the item being hedged. Neste designates certain derivative financial instruments as either hedges of highly probable forecast transactions (cash flow hedges); or hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or hedges of net investments in foreign operations.

The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity. Amounts accumulated in equity hedging future sales are recorded within revenue, or in case of capital expenditure as part of acquisition cost, when future cash flows of the hedged item occur. Forward points in currency forwards and time value of options are transaction related and thus recognized in equity and reclassified either to the income statement or adjusting the hedged item according to hedging relationship. In cash flow hedges the critical terms in hedged item and hedging instruments are the same and hedge ratio is 1:1. Any potential gain or loss relating to the ineffective portion is recognized immediately in the income statement. Accrued interest of interest rate swaps hedging floating rate interest-bearing liabilities is recognized in the income statement within financial expenses. If a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of interest rate swaps that are designated and qualified as fair value hedges are recorded in the income statement in financial income and expenses, together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk compensating the effect. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Neste documents at the inception of the transaction the relationship between hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Neste also documents its assessment, both at hedge inception and on an ongoing basis quarterly, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

	31 Dec 2022					31 Dec 2021				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
<b>Foreign exchange rate derivatives</b>										
Foreign exchange derivatives, forwards	3,754	3	115	29	86	2,216	10	20	55	-35
Foreign exchange options										
Purchased	84	0	5	0	5	159	0	0	0	0
Written	84	0	0	0	0	159	0	0	5	-5
Derivatives designated as cash flow hedges	3,922	3	120	29	90	2,534	10	20	59	-39
Foreign exchange derivatives, forwards	3,083	0	104	13	91	1,730	0	14	17	-3
Non-hedge accounting derivatives	3,083	0	104	13	91	1,730	0	14	17	-3
<b>Commodity derivatives</b>										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	25	0	65	67	-2	23	0	29	57	-29
Purchased forwards, million bbl	19	0	59	67	-8	19	0	100	15	86
Electricity and gas derivatives										
Sold forwards, GWh	18	0	2	0	2					
Purchased forwards, GWh	1,996	620	62	36	26	2,966	940	91	14	77
Non-hedge accounting derivatives			188	169	18			220	86	134
<b>Derivatives Total</b>			411	211	200			254	162	92
of which										
<b>BS</b> Non-current derivative financial instruments			5	12	-7			11	1	10
<b>BS</b> Current derivative financial instruments			406	200	207			243	161	82

Neste uses foreign exchange, interest rate and commodity derivatives to manage market risks (Note 3 Financial risk management). Hedge accounting is not applied to commodity derivatives, although these are mainly held for economic hedging purposes. Commodity derivatives include oil, vegetable oil, freight, electricity and gas contracts. Neste uses forwards as hedging instruments for commodities.

Neste has designated certain foreign currency and interest rate derivatives as hedges of future transactions i.e., as cash flow hedges. Such contracts are, e.g., foreign exchange derivatives hedging USD- and SEK-sales for the next twelve months according to the Corporate risk management policy or hedging investment costs in Singapore refinery (Note 3 Financial risk management). On 31 December 2022, there were no interest rate swaps.

## 20 Equity

### Share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2022 totalled EUR 40,000,000, divided into 769,211,058 shares of equal value. Neste Oyj has one class of shares and each share entitles a shareholder to one vote at the Annual General Meeting. The nominal value of one share is not determined. The share capital is fully paid. There have been no changes in share capital in 2022 or 2021.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2022	769,211	-1,242	767,969
Transfer of treasury shares	0	114	114
31 December 2022	769,211	-1,128	768,083
1 January 2021	769,211	-1,374	767,837
Transfer of treasury shares	0	133	133
31 December 2021	769,211	-1,242	767,969

### Treasury shares

On 15 March 2022 a total of 113,774 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the Performance Share Plan 2019–2021 and in the Restricted Share Plan 2019–2021 of the share-based incentive program 2019 in accordance with the terms and conditions of the program. The directed share issue without payment is based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the directed share issue is 1,127,888 shares.

On 15 March 2021 a total of 132,756 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the earning period 2018–2020 of the share-based incentive program 2016 according to the terms and conditions of the program. The directed share issue without payment is based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the directed share issue is 1,241,662 shares.

### Other reserves

Reserve fund comprises of restricted reserves other than share capital.

The reserve of invested unrestricted equity includes other equity-related investments and that part of the share subscription price that has not specifically been allocated to share capital.

Fair value and other reserves include the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges, amounts recognized directly in equity concerning other financial assets, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the consolidated statement of income.

Actuarial gains and losses includes the remeasurements of defined benefit plans and net change of other investments at fair value, which are recognised in other comprehensive income.

Translation differences include exchange differences arising from the translation of the net investment in foreign entities on consolidation, change in the fair value of currency instruments designated as hedges of the net investment, and exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates.

## 21 Financial liabilities

### Accounting policy

Financial liabilities are classified at amortized cost (except derivative financial liabilities whose accounting policy is presented at Note 19 Derivative financial instruments). Financial liabilities measured at amortized cost are recognized initially at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method. Liabilities are recognised on the date when the entity becomes a party to the contractual provisions of the instrument. Any difference between net proceeds and nominal amount is recognized as interest cost over the period of the borrowing using the effective interest method. Financial liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date, which are included in current liabilities. A financial liability is derecognized when the related obligation is discharged, cancelled or expires.

Bank overdrafts are recorded in current liabilities on the balance sheet. Fees of revolving credit facility are capitalized and amortized over the period of the facility.

The fair values of the listed bonds are driven from market quotations. The fair values of other interest-bearing liabilities at amortized cost are determined by using the discounted cash flow method employing market interest rates at the balance sheet date.

<b>Non-current financial liabilities</b>	<b>2022</b>	<b>2021</b>
Bonds <sup>1)</sup>	895	893
Loans from financial institutions <sup>2)</sup>	615	121
Lease liabilities <sup>3)</sup>	425	333
Other loans	30	30
Other non-current liabilities	43	43
<b>Total</b>	<b>2,007</b>	<b>1,420</b>
<b>BS</b> of which interest-bearing	<b>1,964</b>	<b>1,378</b>
Other non-financial items included to other non-current liabilities	0	1

<b>Current financial liabilities</b>	<b>2022</b>	<b>2021</b>
Loans from financial institutions	161	137
Commercial paper liabilities	346	0
Lease liabilities <sup>3)</sup>	110	111
Other loans	34	131
Advances received	119	67
Trade payables	2,021	1,829
Other current liabilities	738	760
<b>Total</b>	<b>3,530</b>	<b>3,036</b>
<b>BS</b> of which interest-bearing	<b>651</b>	<b>379</b>
Other non-financial items included to trade and other payables	144	105

- <sup>1)</sup> Neste issued a EUR 500 million green bond in March 2021. The 7-year bond carries a coupon of 0.75 per cent. The bond represents the first issuance under the Green Finance Framework established in February 2021. The proceeds from the issue are allocated in accordance with the Green Finance Framework to investments into the development, operations, maintenance and expansion of the renewable and circular solutions with the objective to mitigate climate change globally by reducing greenhouse gas emissions.
- <sup>2)</sup> Neste has signed a EUR 500 million green term loan agreement in June 2022. The proceeds of the loan will be used to finance Eligible Assets and Projects in accordance with Neste's Green Finance Framework. The loan has a tenor of 3 years with two 1-year extension options.
- <sup>3)</sup> Refer to Note 30 Leases.

The fair values of financial liabilities can be found in Note 16. Re-pricing periods of interest-bearing liabilities are disclosed in Note 3, Financial risk management, section 'Market risk'.

### Listed bond issues

<b>Issued/Maturity</b>	<b>Interest basis</b>	<b>Interest rate, %</b>	<b>Currency</b>	<b>Nominal amount</b>	<b>Carrying amount</b>
2017/2024	Fixed	1.50	EUR	400	400
2021/2028	Fixed	0.75	EUR	500	495
Total				900	895

## 22 Provisions

### Accounting policy

The nature of certain Neste's businesses exposes Neste to risks of environmental costs and potential contingent liabilities. The risks arise from the manufacture, use, storage, disposal and maritime and inland transport as well as sale of materials that may be considered to be contaminants when released into the environment. Liability may also arise through the acquisition, ownership or operation of properties or businesses.

A provision is recognized in the consolidated statement of financial position when Neste has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the conditions referred to above are met. Neste has asset retirement obligations recorded in the consolidated statement of financial position.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

### Estimates and judgements requiring management estimation

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation. In addition to the provisions recognized, there are some off-balance-sheet contingent liabilities for which the future potential outcome (timing, costs) cannot be estimated reliably.

The most significant provisions in the consolidated statement of financial position relate to environmental liabilities. Environmental provisions are based on management's best estimate of remediation costs. The restructuring provision is recognized when Neste has prepared a detailed restructuring plan and published it.

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
<b>BS On 1 January 2022</b>	199	2	0	9	210
Additions	5	0	57	9	71
Amounts used during the period	-7	-1	-58	-2	-68
Reversed unused provisions	-1	-1	2	-3	-3
Changes in the discount rate and inflation assumption	-10	0	0	0	-10
<b>BS On 31 December 2022</b>	187	0	0	13	200

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
<b>BS On 1 January 2021</b>	204	23	0	5	232
Additions	5	0	17	5	27
Amounts used during the period	-7	-10	-17	-1	-35
Reversed unused provisions	-1	-11	-1	0	-12
Changes in the discount rate and inflation assumption	-3	0	0	0	-3
<b>BS On 31 December 2021</b>	199	2	0	9	210

Environmental provisions consists mostly of Neste's asset retirement obligations (ARO) that are related to retail stations and refineries. In the next five years is expected EUR 105 million of ARO obligations to be realised and the rest of the obligations are mainly expected to be realised in 30–50 years. Neste recognizes a provision for the decommissioning costs of an oil installation to the extent that Neste is obliged to rectify damage already caused. The provisions are to be discounted, where the effect of the time value of money is material.

The exchange rate difference relating to Neste's provisions is immaterial.

### Emission allowances

Neste Finland Refinery in Porvoo comes under the European Union's greenhouse gas emission trading system, and was granted a total of 2.0 million tons emission allowances for 2022. In addition to refinery operations Neste purchases allowances to cover certain emissions of the local partners who provide utility services to Neste. A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

As at 31 December 2022 there was no obligation to purchase emission allowances in the balance sheet of Neste (31.12.2021 EUR 0 million). The actual amount of CO<sub>2</sub> emissions in 2022 were 2.8 million tons (2021: 2.6 million tons). Neste has traded emission allowances for net amount of 0.7 million tons during the financial period ended 31 December 2022 (2021: 0.4 million tons).

## 23 Employee benefit obligations

### Accounting policy

Neste has pension arrangements in different countries, which are generally funded through insurance companies. Pension cover is based on the legislation and agreement in force in each country. Pension schemes consist of both defined benefit and defined contribution plans. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, Neste has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfill these conditions are considered defined benefit plans.

In defined benefit plans, after Neste has paid the amount for the period, an excess or deficit may result. The defined benefit obligation represents the present value of future cash flows from payable benefits, which are calculated for by using the projected unit credit method. The discount rate assumed in calculating the present value of the pension obligation is based on the market yield of high-quality corporate bonds (AA-rated) with appropriate maturities. Pension costs are recognized in the consolidated statement of income so as to spread the current service cost over the service lives of employees based on actuarial calculations. The net interest is included as part of the finance cost in the consolidated statement of income.

The liability (or asset) recognized in the consolidated statement of financial position is the pension obligation at the closing date less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Actuarial valuations for Neste's defined benefit pension plans are performed annually.

### Estimates and judgements requiring management estimation

Accounting for defined benefit pensions and other long-term employee benefits involves making significant estimates when measuring Neste's pension expenses and obligations. The assumptions that are the most significant to the amounts reported are the discount rate, the rate of salary increase and future benefit increase. Changes in these assumptions could result in significant changes to the carrying amount of Neste's pension liability and future pension expenses.

Neste has defined benefit pension plans in Finland, Switzerland and the Netherlands. The largest plans are in Finland, which account for 95% (2021: 95%) of Neste's total defined benefit pension obligation and 94% (2021: 96%) of Neste's total plan assets. The voluntary pension plan in Finland accounting for most of this has been closed since 1 January 1994. The insured supplementary pension scheme consists of defined benefit group pension insurances, which are very similar in structure, with the exception of retirement age and pension accrual rules.

Other long-term employee benefits are long-service remunerations, which are accounted for as an unfunded defined benefit plan in accordance to IAS 19.

### Characteristics of the post-employment defined benefit plans in Finland

In Finland, Neste has a voluntary pension plan for a certain group of employees to fulfill an aggregated benefit after retirement. The voluntary pension plan is managed in an insurance company.

The voluntary plan's benefit is based on the aggregated benefits determined by the insurance contract. The voluntary benefit is the difference between aggregated benefits and compulsory benefits calculated at the age 63 in the old age plan. The aggregated benefits are at most 60% or 66% of the supplementary pension salary depending on the plan. The supplementary pension salary is calculated based on the last 10 years' salaries prior to the pension event adjusted by the index level. The benefits in the plans are old age and disability pensions, survivors' pensions for widows and children, and funeral grants. Old-age pension ages are 60, 62 and 65 years. In some pension schemes the pension cover also includes the right to early old-age pension retirement ages.

The insurance company collects premiums on a yearly basis from the employer. The future premiums are adjusted so that the old-age pension will be fully funded until retirement. The disability and survivor's pension are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 1.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees the same interest yield to the assets in the plan, as the one they have used in calculating the premiums.

The employer finances the index-linkage by paying an additional premium covering the index increase during the year. Discretionary bonuses from the insurance company will lower the index premium. The insurance company decides the amount of the bonus annually.

Neste has insured the benefits index increases each year as the benefits have been increased. If the insurance company's granted bonus index does not cover the annual index increase, the insurance company collects a premium from the employer to cover the increase. The insurance company's bonus index varies on yearly basis.

## Risks associated with defined benefit plans

Through its defined benefit pension plans Neste is exposed to a number of risks. The employer's defined benefit obligations pension liability depends on the discount rate which is determined to a yield of corporate bonds as at the reporting date. A decrease in used discount rates increase the defined benefits obligations. However, a decrease in the used discount rate yield also increases the fair value of the assets partially offsetting the total impact of change in yield on the net defined benefit pension liability.

The benefit of the plans is tied to the future benefit increase, which depends on inflation and common salary index. Higher inflation increases the benefit increase, which leads to an increase in liabilities and annual payments to the insurance company.

If the active employee's salary increases more than the common salary index, the amount of promised benefit and the benefit obligation increases together with annual payments to life insurance company.

The longevity risk is borne by the insurance company in case the actual mortality differs from the assumed. Possible adjustments in mortality assumption have an effect on the employer's liability according to IFRS. The insurance company completely bears the mortality risk on accrued benefits. The employers have a mortality risk only if the insurance company will raise its future benefit accruals premiums because of mortality adjustment.

## Defined benefit plans

<b>Cost of defined benefit plans</b>	<b>2022</b>	<b>2021</b>
Service cost	5	6
Net interest (+expense/-income)	1	0
Remeasurements related to other long-term remunerations	0	0
Defined benefit cost recognized in the consolidated statement of income	6	6

<b>Remeasurements of defined benefit plans</b>	<b>2022</b>	<b>2021</b>
Actuarial gains/losses		
Changes in demographic assumptions	-3	0
Changes in financial assumptions	105	-17
Return on plan assets, excluding amounts included in net interest expense	-70	-25
Experience adjustments	-11	4
Total remeasurements recognized in other comprehensive income	22	-38

<b>Amounts recognized in the consolidated statement of financial position</b>	<b>2022</b>	<b>2021</b>
Present value of funded defined benefit obligations	385	488
Present value of unfunded defined benefit obligations	7	8
Fair value of plan assets	-273	-350
<b>BS</b> Net defined benefit liability	119	146

<b>Changes in fair value of plan assets</b>	<b>2022</b>	<b>2021</b>
January 1	350	388
Interest income	3	1
Return on plan assets (excluding amounts included in net interest expense)	-71	-25
Employer contributions	11	8
Benefits paid	-20	-19
Assets held for sale	0	-3
December 31	273	350

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution within categories is not possible to provide.

Changes in the present value of the defined benefit obligation	2022		2021	
	Funded	Unfunded	Funded	Unfunded
January 1	488	8	492	7
Current service cost	4	1	5	1
Interest cost	4	0	1	0
Actuarial gains (-)/ losses (+)	-92	-1	12	1
Settlements	0	0	0	0
Benefits paid	-18	-1	-18	-1
Liabilities related to assets held for sale	0	0	-5	0
December 31	385	7	488	8

The expected contributions to be paid to the defined benefit plans in 2023 are EUR 12 million.

Significant actuarial assumptions (presented as weighted average)	2022	2021
Discount rate, %		
Finland	3.20%	0.80%
Other countries	1.83%	0.31%
Future salary increase, %		
Finland	3.74%	3.45%
Other countries	1.11%	1.11%
Future benefit increase, %		
Finland	2.78%	2.26%
Other countries	0.00%	0.00%

### Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Assumptions	Change in assumption	Impact on the defined benefit pension obligation		
		2022	2021	
Discount rate	0.50% increase	EUR million	-20	-34
	0.50% decrease	EUR million	22	38
Future salary increase	0.50% increase	EUR million	1	3
	0.50% decrease	EUR million	-1	-3
Future benefit increase	0.50% increase	EUR million	20	31
	0.50% decrease	EUR million	-19	-28

- 0.50% increase /decrease in the discount rate would lead to a decrease /increase of 5.1% /5.7% in the defined benefit obligation.

- 0.50% increase /decrease in the rate of salary increase would lead to a increase /decrease of 0.4% /0.4% in the defined benefit obligation.

- 0.50% increase /decrease in the rate of pension index would lead to a increase /decrease of 5.2% /4.7% in the defined benefit obligation.

The above sensitivity analysis may not be representative of the actual impact of change. If more than one assumption is changed simultaneously, the combined impact of changes would not necessarily be the same as the sum of the individual change. If the assumptions change to a different level compared to that presented above, the effect on the defined benefit obligation may not be linear.

### Maturity profile of the undiscounted defined benefit obligation

	2022
Within the next 12 months	23
Between 1 and 5 years	95
Between 5 and 10 years	108
Beyond 10 years	390
Total	616

The average duration of the defined benefit pension obligation at the end of the reporting period is 12 years.

## 24 Share-based payments

### Accounting policy

Neste's share-based incentive plans include a net settlement feature, i.e., share-based payments are settled net in shares after withholding taxes, and thus they are accounted for as fully equity settled plans. The compensation expense for the shares is recognized as an employee benefit expense evenly during the required service period whereas the compensation expense resulting from the cash portion is recognized as an employee benefit expense on accrual basis between grant and payment date. The entire transaction is measured at fair value prevailing on the grant date of the share-based incentive plan and the amounts recognized in the consolidated statement of income are accumulated in equity. The difference realized upon the settlement date is also accounted for against equity.

The purpose of Neste's share-based long-term incentive plans is to drive long-term sustainable growth and align the interests of executives with shareholders. The Board annually selects the members of Neste's senior management and other key employees to participate in the long-term incentive plans.

Neste applies a share ownership policy to the members of the Neste Executive Committee (ExCo). According to the policy, each member of the ExCo is expected to retain in his/her ownership at least half of the shares received under the share-based incentive programs of Neste until the value of his/her share ownership in Neste corresponds to at least his/her annual gross base salary.

The amount of rewards payable to participants based on Neste's long-term incentive scheme is limited by a share price development-based pay cap, the level of which the Board of Directors sets. The level of the pay cap in the ongoing plans is two times the share price which prevailed at the beginning of the plan period. If Neste share price more than doubles during the plan, the exceeding value of the payable rewards will not be paid to the plan participants.

### Share-based incentive plan as of 1 January 2022

The Board of Directors of Neste Corporation decided on 9 February 2022 to establish a new share-based long-term incentive scheme for selected members of Neste's management and key employees. The decision includes a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

The Performance Share Plan consists of three annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The three plans commence as of the beginning of the years 2022, 2023 and 2024. The commencement of each individual plan is, however, subject to a separate Board approval in each case.

The plan PSP 2022–2024 commences effective as of the beginning of 2022 and the potential share reward thereunder will be paid during H1 2025. The payment of the reward is conditional on the achievement of the performance targets the Board of Directors has set for the plan. The potential reward will be paid in listed shares of Neste Corporation (deducted with the applicable payroll tax). The performance targets based on which the potential share reward under PSP 2022–2024 will be paid are the Relative Total Shareholder Return relative to the STOXX Europe 600 index and Combined Greenhouse Gas Impact.

The plan RSP 2022–2024 within the Restricted Share Plan scheme commences effective as of the beginning of 2022 and the potential share reward thereunder will be paid during H1 2025 at the latest. The Restricted Share Plan consists of annually commencing individual restricted share plans, each comprising a restriction period with an overall length of three years. The company may during the plan period grant fixed share rewards to individually selected key employees. The rewards are paid at the latest after the end of the restriction period during H1 of the fourth year of the individual plan. The rewards are paid in listed shares of Neste Corporation (deducted with the applicable payroll tax). A precondition for the payment of the share reward based

on the Restricted Share Plan is that the employment or service of the individual with Neste continues until the payment date of the reward.

### Share-based incentive plan as of 1 January 2019

The Board of Directors of Neste Corporation decided on 12 December 2018 to establish a new share-based long-term incentive scheme for selected members of Neste's management and key employees. The decision included a Performance Share Plan as the main structure and a Restricted Share Plan as a complementary structure for specific situations.

The Performance Share Plan consists of three annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The three plans commence in the years 2019, 2020 and 2021. The commencement of each individual plan is, however, subject to a separate Board approval.

The potential reward will be paid in shares of Neste (deducted with the applicable payroll tax), provided that the performance target set by the Board of Directors is achieved. For award plan cycles commenced in 2019 (PSP 2019–2021) and 2020 (PSP 2020–2022), relative total shareholder return of Neste's share compared to STOXX Europe 600 index is set as a performance measure. In the PSP 2021–2023 plan, in addition to the relative total shareholder return of Neste's share, Neste's combined greenhouse gas (GHG) impact is also set as a performance measure. The combined GHG impact includes GHG emission reductions achieved with Neste renewable products by customers and GHG emissions from Neste production.

The Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Neste (deducted with the applicable payroll tax). The commencement of each individual plan is subject to a separate Board approval. A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Neste continues until the payment date of the reward.

The first plan (RSP 2019–2021) within the Restricted Share Plan started in the beginning of 2019 and the share reward thereunder was paid in the spring 2022. The second plan (RSP 2021–2023) started in the beginning of 2021 and the potential share reward thereunder will be paid in the spring 2024.

For the 2019–2021 LTI plan cycle a gross reward of 246,390 shares equaling EUR 9.8 million were awarded to the participants of the plan. The net amount of shares delivered totalled 113,774 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date was 39.76 euros (15.3.2022). The members of Neste's Executive Committee received a gross reward equaling to 62,515 shares.

### Share-based incentive plan as of 1 January 2016

The Board of Directors of Neste Corporation decided on 14 December 2015 to establish a new long-term share-based incentive plan for Neste's senior management and nominated key personnel. The plan included three individual share plans, each with a three-year earning period. The plans began in 2016, 2017 and 2018, respectively.

The earning criteria for the earning periods 2016–2018, 2017–2019 and 2018–2020 were Neste's cumulative comparable free cash flow (75%) and total return by Neste's share compared to STOXX Europe 600 index (25%). In plan 2016–2018 the target long-term incentive for the President & CEO and the other members of the Neste Executive Committee (ExCo) was around 40% of individuals' annual fixed salary. In plans 2017–2019 and 2018–2020 the target long-term incentive for the President & CEO and the other members of the ExCo was around 30% of individuals' annual fixed salary. The maximum long-term incentive for the President & CEO was 100% of his annual fixed salary and 80% for the other members of the ExCo. The combined amount of incentives paid based on earnings under the long-term incentive program together with the incentive paid on the annual short-term program, could not exceed 120% of participants' annual fixed salary in any given year.

Participants were not entitled to sell or transfer the shares they received as incentives during a restriction period following the end of the earning period. The length of this period was three years in the 2016–2018 plan. In 2017–2019 and 2018–2020 plans the restriction period was one year.

For the 2016–2018 LTI plan cycle the net amount of shares were delivered in 2019 while simultaneously the rest of the reward was paid in cash to cover taxes. For the 2017–2019 LTI plan cycle the net amount of shares were delivered in 2020 while simultaneously the rest of the reward was paid in cash to cover taxes.

For the 2018–2020 LTI plan cycle, the maximum target set in December 2017 for Neste's cumulative comparable free cash flow were exceeded and Neste generated a total shareholder return clearly out performing the Europe Stoxx 600 Market Index. A gross reward of 273,079 shares equaling EUR 14.7 million were awarded to the participants of the plan. The net amount of shares delivered totalled 132,756 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date was 53.8 euros (15.3.2021). The members of Neste's Executive Committee received a gross reward equaling to 50,879 shares.

More specific information on the share-based incentive plans is presented in the following tables.

Plan	Long-Term Incentive Plan 2022		Long-Term Incentive Plan 2019					Long-Term Incentive Plan 2016	
Type	Share allocation		Share allocation					Share allocation	
Instrument	PSP 2022–2024	RSP 2022–2024	PSP 2021–2023	RSP 2021–2023	PSP 2020–2022	PSP 2019–2021	RSP 2019–2021	PSP 2018–2020	PSP 2016–2018
Grant dates	11 Feb 2022	11 May 2022	13 Jan 2021	21 Jan 2021	20 Feb 2020	6 May 2019	26 Jun 2019	11 Jan 2018	1 Feb 2016
Grant prices, euros	35.14	36.58	57.81	59.82	35.72	26.70	27.98	16.87	8.70
Share price as at grant date, euros	37.97	39.40	60.94	62.64	38.91	28.94	30.08	18.82	9.58
Beginning of earnings period	1 Jan 2022	1 Jan 2022	1 Jan 2021	1 Jan 2021	1 Jan 2020	1 Jan 2019	1 Jan 2019	1 Jan 2018	1 Jan 2016
End of earnings period	31 Dec 2024	31 Mar 2025	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2018
End of restriction period	31 Mar 2025	31 Mar 2025	31 Mar 2024	31 Mar 2024	31 Mar 2023	31 Mar 2022	31 Mar 2022	31 Mar 2022	30 Apr 2022
<b>Changes during the period, share allocation</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
Outstanding at the beginning of the reporting period, pcs	0	0	222,454	12,500	288,825	342,352	10,100	239,037	316,252
Granted during the period	357,570	89,500	1,216	8,500	9,600	0	0	0	0
Forfeited during the period	11,300	0	26,636	0	44,608	104,596	1,466	15,961	0
Exercised during the period	0	0	0	0	0	237,756	8,634	223,076	316,252
Outstanding at the end of the period, pcs	346,270	89,500	197,034	21,000	253,817	0	0	0	0
Number of persons at the end of the reporting year	132	49	122	10	107	0	0	0	0
Share price at the end of the reporting period, euros	43.02	43.02	43.02	43.02	43.02	39.76	39.76	53.77	31.61
Estimated rate of realization of the earnings criteria, %	35%	100%	41%	100%	61%	57%	100%	100%	100%
Estimated termination rate before the end of the restriction period, %	10%	10%	10%	0%	10%	0%	0%	0%	0%

### Fair value determination

The fair value of share-based incentives have been determined at grant date and the fair value is expensed until vesting. The grant price, i.e., fair value as of the grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the earning period. For plans under the Long-Term Incentive Plan 2019 and 2022, which include market based criteria, the fair value estimation is calculated using the Monte Carlo simulation with Geometric Brownian Motion. The simulation requires some parameters, such as volatility and the risk-free rate to be estimated.

The expense included in the income statement is specified in the following table:

	2022	2021
Expense arising from equity-settled share-based payment transactions	5	4
Total expense arising from share-based payment transactions	5	4

At the end of the period the estimated future cash payments to be paid to the tax authorities from share-based payments are EUR 10 million (2021: EUR 11 million).

## 25 Related party transactions

Neste is controlled by the State of Finland, which owns 44.2% of the company's shares. The remaining 55.8% of shares are widely held.

Neste has a related party relationship with its subsidiaries, associates, joint arrangements and the entities controlled by Neste's controlling shareholder, the State of Finland. Related parties also include the members of the Board of Directors, the President and CEO and other members of the Neste Executive Committee (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families.

Subsidiaries, associates and joint arrangements are presented in Note 26 Group companies.

Parent company of Neste is Neste Corporation. The transactions between Neste, its subsidiaries and joint operations, which are related parties of the company, have been eliminated during consolidation and are not disclosed in this note. Details of transactions between Neste and other related parties are disclosed below. All transactions between Neste and other companies controlled by the State of Finland are on an arm's length basis.

### Transactions carried out with related parties

2022	Sales of goods and services	Purchases of goods and services	Financial income and expense	Receivables	Liabilities
Joint ventures	314	260	3	158	22
Other related parties	116	243	0	3	0
	430	503	3	160	22

2021	Sales of goods and services	Purchases of goods and services	Financial income and expense	Receivables	Liabilities
Joint ventures	189	121	2	159	17
Other related parties	40	50	0	3	0
	229	171	2	162	17

There were no material transactions with key management persons or entities controlled by them.

The major part of business between Neste and its joint ventures was with Kilpilahti Power Plant Ltd. Neste's transactions with Kilpilahti Power Plant Ltd consisted mainly of steam purchases and sales of heavy fuel oil, water and asphaltene. The steam supply agreement includes a fixed annual fee of EUR 45 million until 2037.

## Board of Directors and key management compensation

EUR thousand	2022	2021
Salaries and other short-term employee benefits	5,259	5,346
Statutory pensions	819	745
Supplementary pensions	416	416
Share-based payments	1,961	2,736
Total (Including statutory pensions)	8,455	9,243

Key management consists of President and CEO and other members of the Neste Executive Committee. There were no outstanding loan receivables from key management on 31 December 2022 or 31 December 2021.

## Compensation to President and CEO and members of the Neste Executive Committee

EUR thousand	President and CEO			Members of the Neste Executive Committee		
	Matti Lehmus	Peter Vanacker	Total 2022	2021	2022	2021
Annual remuneration						
Base salary	626	443	1,069	972	2,892	2,788
Taxable benefits	11	0	11	0	110	130
Annual incentive (STI plan)	0	261	261	216	826	778
Total annual remuneration	637	704	1,341	1,188	3,829	3,696
Vested long term remuneration			0			
Supplementary pension (insurance contributions)	95	0	95	0	416	416
Share-based incentive plan	0	0	0	858	1,961	1,878
Total remuneration	731	704	1,436	2,046	6,205	5,990

## Compensation to the Board of Directors

EUR thousand	2022	2021
Board of Directors at 31 December 2022		
Matti Kähkönen	124	80
John Abbott, since 30 March 2021	75	40
Nick Elmslie	76	51
Martina Flöel	75	53
Just Jansz, since 30 March 2022	59	0
Jari Rosendal	69	47
Eeva Sipilä, since 30 March 2022	55	0
Johanna Söderström	83	48
Marco Wirén	94	63
Former Board members		
Sonat Burman-Olsson, until 21 July 2021	0	27
Jean-Baptiste Renard, until 30 March 2022	14	52
Board of Directors, all members total	725	462

Compensation to the Board of Directors include annual remuneration and meeting fee paid to each member of the Board for each meeting attended as well as for any meetings of the Board committees attended. Board members are not covered by the company's remuneration systems and do not receive any performance or share related payments. Compensation to the Board of Directors in 2022 includes three months of annual remuneration related to Board membership 2021–2022 and entire annual remuneration for Board membership 2022–2023. Hence, the compensation in 2022 is not completely comparable to the compensation in 2021.

The CEO's notice of termination period is 6 months on both sides. Should the company decide to give notice of termination, the President & CEO shall be entitled to his salary during the 6 months period of notice, together with a severance payment equivalent to 6 months' salary. The supplementary pension of the President and CEO is a defined contribution (DC) plan with an annual contribution of 16% of the annual fixed salary and retirement age of 62 years.

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2022 were EUR 1,692 thousand (2021: EUR 1,757 thousand).

## 26 Group companies

Subsidiaries	Group holding %	Country of incorporation
Agri Trading Fats & Oils, LLC	100.00%	USA
B J B, LLC	100.00%	USA
B J B, Properties of Hutchinson, LLC	100.00%	USA
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Mahoney Environmental Solutions, LLC	100.00%	USA
Mahoney Transportation Services LLC	100.00%	USA
Navidom Oy	50.00%	Finland
Neste (Shanghai) Trading Company Limited	100.00%	China
Neste (Suisse) S.A.	100.00%	Switzerland
Neste AB	100.00%	Sweden
Neste Affiliate B.V.	100.00%	The Netherlands
Neste Asia Pacific Pte. Ltd	100.00%	Singapore
Neste Australia Pty Ltd	100.00%	Australia
Neste Belgium NV	100.00%	Belgium
Neste Canada Inc.	100.00%	Canada
Neste Components B.V.	100.00%	The Netherlands
Neste Demeter B.V.	51.00%	The Netherlands
Neste Eesti AS	100.00%	Estonia
Neste Engineering Solutions B.V.	100.00%	The Netherlands
Neste Engineering Solutions Pte. Ltd.	100.00%	Singapore
Neste Germany GmbH	100.00%	Germany
Neste Insurance Limited	100.00%	Guernsey
Neste Italy S.R.L.	100.00%	Italy
Neste Markkinointi Oy	100.00%	Finland
Neste Netherlands B.V.	100.00%	The Netherlands
Neste Pretreatment Rotterdam B.V.	100.00%	The Netherlands
Neste Renewable Products Inc. (new)	100.00%	USA
Neste Renewable Solutions US, Inc.	100.00%	USA
Neste RPC Solutions US, Inc.	100.00%	USA
Neste Shipping Oy	100.00%	Finland
Neste Singapore Pte. Ltd.	100.00%	Singapore
Neste Spain S.L. (new)	100.00%	Spain
Neste Terminal Rotterdam B.V.	100.00%	The Netherlands

Subsidiaries	Group holding %	Country of incorporation
Neste US, Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA
Neste Walco Limited (new)	100.00%	Ireland
SIA Neste Latvija	100.00%	Latvia
Sterling Logistics, LLC	100.00%	USA
UAB Neste Lietuva	100.00%	Lithuania

Associates	Group holding %	Country of incorporation
Alterra Energy LLC	40.00%	USA
Neste Arabia Co. Ltd. (inactive)	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Classification	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Joint Operation	Finland
Kilpilahti Power Plant Ltd	40.00%	Joint Venture	Finland
Martinez Renewables LLC (new)	50.00%	Joint Operation	USA
Tahkoluodon Polttoöljy Oy	31.50%	Joint Operation	Finland

## Specification of financial information on subsidiaries with material non-controlling interests

	Neste Demeter B.V.		Navidom Oy	
	2022	2021	2022	2021
Proportion of shares held by non-controlling interests	49.00%	49.00%	50.00%	50.00%
Current assets	209	155	0	0
Non-current assets	0	0	0	0
Current liabilities	199	147	0	0
Non-current liabilities	0	0	0	0
Revenue	1,281	868	1	1
Profit for the period	7	5	0	0
Dividends paid to non-controlling interests	-2	-2	0	0
Cash flows from operating activities	8	9	0	0
Cash flows from investing activities	-1	-6	0	0
Cash flows from financing activities	-5	-4	0	0

## Unconsolidated structured entities

In 2015, Neste sold its shares of Aurora Kilpilahti Oy (former Kilpilahden Sähkönsiirto Oy). After the sale Neste does not have direct or indirect investment in the company. Aurora Kilpilahti Oy is responsible for high- and medium-voltage electricity distribution in the Kilpilahti industrial area where Neste Finland Refinery in Porvoo is situated. In addition to Neste, Aurora Kilpilahti Oy's customers include other companies operating in the area.

Under the contractual arrangements with Aurora Kilpilahti Oy Neste has been supplying small and decreasing part of the operating services needed in electricity distribution. It can be considered that Neste has the possibility to influence only limited development investments made by Aurora Kilpilahti Oy. Aurora Kilpilahti Oy distributes electricity to Neste and Neste remains to be the main user of the capacity of the electricity distribution network. Aurora Kilpilahti Oy operates on land leased from Neste for 30 years with an option to extend the lease. Neste has not provided any financial support or other significant support to Aurora Kilpilahti Oy without contractual obligation.

Based on the factors described above Neste has determined that it has limited influence though no control over Aurora Kilpilahti Oy and treats the company as unconsolidated structured entity in its consolidated financial statements. Management has assessed the company's exposure to losses by considering the nature of Neste's involvement in Aurora Kilpilahti Oy, and the company's significance to Neste from an operative perspective. Neste's exposure is mainly dependent upon the efficient operation of the distribution network.

## Consolidated structured entities

Since 2014, Neste has treated the sold vessels' long-term agreements made with Ilmarinen Mutual Pension Insurance Company and Finland's National Emergency Supply Agency as structured entities. As a part of these arrangements, Neste guarantees the vessels' residual value and certain return on the investors' investments.

## 27 Acquisitions and disposals

### Acquisitions

#### 2022

No major acquisitions took place in financial period 2022.

#### Other business combinations

In year 2022 Neste has made smaller business combinations that are immaterial individually. These business combinations also include the previously published acquisition of Walco Foods in 2022. The collective fair values of the acquired net assets are presented in the table below. Based on purchase price allocations, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The business combinations do not have a material impact to Neste's revenue nor result. The purchase prices were paid fully in cash.

<b>Values of acquired assets and liabilities at time of acquisition</b>	<b>Fair value</b>
Intangible assets	13
Property, plant and equipment	3
Inventories	0
Trade and other receivables	14
Cash and cash equivalents	2
<b>Total assets</b>	<b>33</b>
Interest-bearing liabilities	6
Provisions	0
Trade and other payables	4
<b>Total liabilities</b>	<b>11</b>
<b>Fair value of acquired net assets</b>	<b>22</b>
Consideration transferred	51
Fair value of contingent consideration	0
Fair value of acquired net assets	-22
<b>Goodwill</b>	<b>30</b>
<b>Cash flows of acquisition</b>	<b>2022</b>
Consideration, paid in cash	-51
Transaction costs of the acquisition	0
<b>Net cash flow on acquisition</b>	<b>-51</b>

## 2021

### Bunge Loders Croklaan's refinery plant

On 1 March 2021 Neste acquired Bunge Loders Croklaan's refinery plant located in Rotterdam, the Netherlands. The refinery plant is located next to Neste's existing biorefinery and it consists of a pretreatment facility, tank farm, jetties, and has a pipeline connection to Neste's site. The name of the acquired company was changed from Bunge Loders Croklaan Oils B.V. to Neste Pretreatment Rotterdam B.V. The transition of operations and employees will be implemented in phases with the refinery plant's full and modified pretreatment capacity available for processing Neste's feedstock by the end of 2024. The acquisition is consolidated into the Renewable Products segment.

The acquisition of the refinery plant supports Neste's global growth strategy in renewables. It allows Neste to accelerate the scaling up of renewable raw material pretreatment capacity, which is an important driver for expanding the use of waste and residue feedstocks and increasing Neste's feedstock flexibility.

The fair values of the acquired net assets are presented in the table below. Based on the purchase price allocation, a portion of the purchase price was allocated to property, plant & equipment. Goodwill represents synergies arising from expanding the use of waste and residue feedstocks, increasing feedstock flexibility, and the plant's location next to Neste's existing refinery. Goodwill is not deductible in taxation.

The transaction costs of the acquisition are included in other expenses in the consolidated statement of income. The acquisition does not have a material impact on the Group's revenue nor profit. The purchase price was paid fully in cash and material adjustments to purchase price are not expected.

<b>Values of acquired assets and liabilities at time of acquisition</b>	<b>Fair value</b>
Intangible assets	1
Property, plant and equipment	104
Inventories	1
<b>Total assets</b>	<b>107</b>
Interest-bearing liabilities	10
Deferred tax liabilities	11
Current tax liabilities	3
Trade and other payables	1
<b>Total liabilities</b>	<b>25</b>
<b>Fair value of acquired net assets</b>	<b>81</b>
Consideration transferred	255
Fair value of acquired net assets	-81
<b>Goodwill</b>	<b>173</b>
<b>Cash flows of acquisition</b>	<b>2021</b>
Consideration, paid in cash	-255
Transaction costs of the acquisition	-2
<b>Net cash flow on acquisition</b>	<b>-257</b>

## Agri Trading

On 1 November 2021 Neste acquired 100% of Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the United States. The acquisition is consolidated into the Renewable Products segment.

Neste's feedstock strategy is focusing on waste and residues growth and the development of new feedstock sources. Agri Trading is an important partner for Neste as an industry leader in trading animal fat waste, used cooking oil, technical corn oil, and other vegetable oils in North America. The completion of this transaction is an important step forward in delivering on Neste's growth strategy in renewables and in strengthening our global renewable raw material platform. Additionally, Agri Trading's established logistics networks and assets will enable Neste to source and transport raw material efficiently with a lower carbon footprint and, ultimately, enable Neste to maintain its leadership position in the global raw material market.

The fair value of acquired net assets, based on preliminary assessment, are presented in the table below. Based on preliminary purchase price allocation, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. Transaction costs of the acquisition have been recognized as other expenses in the consolidated statement of income. Agri Trading contributed revenue of EUR 103 million to Neste's revenue during the two months under Neste's ownership during 2021. If the acquisition had occurred on 1 January 2021, the management estimates that consolidated revenue would have been EUR 415 millions more in 2021. The acquisition does not have a material impact on Neste's result.

Purchase price was paid fully in cash and as part of the purchase agreement with the previous owners of Agri Trading, a contingent consideration has been agreed. There will be additional cash payments to the previous owners if they meet certain predefined financial targets for 2022–2024. The additional cash payments will be paid during 2023–2025. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 23 million. The future changes in the fair value of contingent consideration are recognized through profit or loss. The purchase price was also adjusted by net working capital and other provisional adjustments amounting to EUR 3 million, which Neste received during 2022. In connection with the closing of the acquisition, the interest bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

<b>Values of acquired assets and liabilities at time of acquisition</b>	<b>Fair value</b>
Intangible assets	23
Property, plant and equipment	32
Inventories	28
Trade and other receivables	27
Cash and cash equivalents	5
<b>Total assets</b>	<b>115</b>
Interest-bearing liabilities	33
Provisions	1
Trade and other payables	23
<b>Total liabilities</b>	<b>56</b>
<b>Fair value of acquired net assets</b>	<b>59</b>
Consideration transferred	72
Adjustment to consideration in 2022	-3
Fair value of contingent consideration	23
Fair value of acquired net assets	-59
<b>Goodwill</b>	<b>33</b>
<b>Cash flows of acquisition</b>	<b>2021</b>
Consideration, paid in cash	-72
Cash and cash equivalents in acquiree	5
Acquiree's liabilities paid off at closing	-21
Transaction costs of the acquisition	-4
<b>Net cash flow on acquisition</b>	<b>-91</b>

### Other business combinations

In year 2021 Neste has made smaller business combinations that are immaterial individually. The collective fair values of the acquired net assets are presented in the table below. Based on purchase price allocations, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The business combinations do not have a material impact to Neste's revenue nor result. The purchase prices were paid fully in cash.

<b>Values of acquired assets and liabilities at time of acquisition</b>	<b>Fair value</b>
Intangible assets	4
Property, plant and equipment	3
Inventories	0
Trade and other receivables	0
<b>Total assets</b>	<b>7</b>
<b>Fair value of acquired net assets</b>	<b>7</b>
Consideration transferred	30
Fair value of contingent consideration	2
Fair value of acquired net assets	-7
<b>Goodwill</b>	<b>26</b>
<b>Cash flows of acquisition</b>	<b>2021</b>
Consideration, paid in cash	-30
Transaction costs of the acquisition	0
<b>Net cash flow on acquisition</b>	<b>-31</b>

## Disposals

### 2022

On 1 April 2022 Neste sold its existing base oils business to Chevron Global Energy Inc., a wholly owned subsidiary of Chevron Corporation. The transaction includes the NEXBASE™ brand, associated qualifications and approvals, and related sales and marketing business. As part of the divestment, the parties also agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. In connection with the divestment, Neste has also completed the exit of its base oils joint arrangement with Bahrain Petroleum Company and Nogaholding. Base oils business was consolidated as part of the Oil Products segment.

Assets and liabilities	Recognized values
Property, plant and equipment	9
Deferred tax assets	2
Inventories	83
Trade and other receivables	70
Cash and cash equivalents	21
<b>Total assets</b>	<b>185</b>
Deferred tax liabilities	1
Pension liabilities	2
Interest-bearing liabilities	8
Current tax liabilities	3
Trade and other payables	3
<b>Total liabilities</b>	<b>18</b>
<b>Sold net assets</b>	<b>167</b>
Total consideration <sup>1)</sup>	176
Sold net assets	-167
<b>Gain on sale</b>	<b>9</b>
Cash consideration received	176
Cash and cash equivalents disposed of	-21
<b>Net cash flow</b>	<b>156</b>

<sup>1)</sup> Transaction costs are included in total consideration

### 2021

On 15 January 2021 Neste sold its liquefied petroleum gas (LPG) cylinder business and its 50 percent shareholding in the bottling plant Oy Innogas Ab to Oy Linde Gas Ab (formerly AGA). Liquefied petroleum gas (LPG) cylinder business and Oy Innogas Ab were part of the Marketing & Services segment. The divestment does not have a material impact on the Group's revenue nor profit.

Sale of LPG cylinder business and stake in Oy Innogas Ab	Recognized values
Total consideration	9
Sold net assets	-4
<b>Gain on sale</b>	<b>5</b>
Cash consideration received	9
Cash and cash equivalents disposed of	-1
<b>Net cash flow of the disposal</b>	<b>8</b>

## 28 Assets held for sale

### Accounting policy

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value, less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use and sale is considered highly probable. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The assets are not depreciated after being classified as held for sale.

### 2022

There were no assets classified as held for sale on 31 December 2022.

### 2021

#### Futura and Mastera tankers

The assets classified as held for sale as of 31 Dec 2021 related to the sale of the tankers Futura and Mastera. The vessels were consolidated into the Oil Products segment.

<b>Assets classified as held for sale</b>	<b>Futura and Mastera vessels</b>	<b>2021</b>
Property, plant and equipment		15
Total		15

### Base oils business

The assets held for sale at 31 Dec 2021 related to an agreement to sell its existing base oils business to Chevron Corporation. As part of the divestment, the parties agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. In connection with the divestment, Neste signed an agreement to exit its base oils joint arrangement with Bahrain Petroleum Company and Nogaholding. Base oils business was consolidated as part of the Oil Products segment.

<b>Assets classified as held for sale</b>	<b>Base Oils business</b>	<b>2021</b>
Property, plant and equipment		9
Deferred tax assets		2
Inventories		64
Trade and other receivables		64
Cash and cash equivalents		115
Total		255

<b>Liabilities related to assets held for sale</b>	<b>2021</b>
Non-current interest-bearing liabilities	3
Deferred tax liabilities	1
Pension liabilities	2
Current interest-bearing liabilities	7
Trade and other payables	18
Total	32

## 29 Contingencies and commitments

	Value of collateral 2022	Value of collateral 2021
<b>Contingent liabilities</b>		
On own behalf for commitments		
Real estate mortgages	26	26
Other contingent liabilities	49	59
Total	75	85
On behalf of joint arrangements		
Pledged assets	89	44
Total	89	44
On behalf of others		
Guarantees	1	1
Total	1	1
	164	130

The pledged assets on behalf of joint arrangements are granted to the secured creditors as continuing security for due and punctual payment, discharge and performance of all or any part of the secured obligations of Kilpilahti Power Plant Ltd. The pledged assets mean all shareholder loan receivables, all contribution loan receivables and the shares of Kilpilahti Power Plant Ltd. The security period ends on the date on which all the secured obligations have been unconditionally and irrevocably paid and discharged in full.

	2022	2021
<b>Commitments</b>		
Commitments for purchase of property, plant and equipment and intangible assets	810	289
Other commitments	8	9
Total	818	298

Capital commitments are mainly related to the expansion projects in Netherlands, USA and Singapore which will extend Neste's renewable products overall capacity.

### Take-or-pay contracts

Neste has long-term supply agreements related to hydrogen, nitrogen, steam, natural gas and electricity. These agreements are generally take-or-pay by nature. In addition to minimum purchase obligations, agreements normally include termination fees if the contract is being terminated early. The probability of such circumstances is considered to be low.

## 30 Leases

### Accounting policy

Neste assesses at contract inception whether a contract is, or contains, a lease, i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Neste as a lessee

Neste has lease contracts for various land areas, vessels, tanks, containers, facilities and other equipment used in its operations. Lease contracts are made for fixed periods of 1 to 60 years. Some leases include an option to extend the lease for an additional period after the end of the contract term or terminate the contract during the lease term.

Neste recognises a leased asset and a lease liability at the lease commencement date, except for short-term leases and leases of low-value assets.

### i) Right-of-use assets

Neste recognises right-of-use assets on the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any restoration obligations and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to Neste at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Neste's right-of-use assets are included in Property, plant and equipment (see Note 14 Property plant and equipment).

### ii) Lease liabilities

At the commencement date of the lease, Neste recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by Neste and payments of penalties for terminating the lease, if the lease term reflects Neste exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Neste uses interest rate implicit in the lease if readily determinable and if not, Neste uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Neste's lease liabilities are included in Interest-bearing liabilities (see Note 21 Financial liabilities).

### iii) Short-term leases and leases of low-value assets

Neste applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Neste as a lessor

At inception of a lease contract, Neste makes an assessment whether the lease is a finance lease or an operating lease. If the lease substantially transfers all the risks and rewards incidental to ownership of the asset, it is considered to be a finance lease; if not, the lease is considered to be an operating lease. Neste has a minor amount of operating lease contracts, whereby the lease payments are recognised on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

### Estimates and judgements requiring management estimation

Neste determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Neste has several lease contracts that include extension and termination options. Neste's management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, Neste's management reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Neste's management applies judgement also for estimating the term of lease agreements in effect until further notice. The management's estimates are based on the company's strategic situation and market conditions, as well the costs that would incur if the leased asset would be replaced by another asset.

### Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Note	2022	2021
<b>Right-of-use assets</b>			
Land		249	183
Buildings and constructions		45	22
Machinery and equipment		152	102
Other tangible assets		108	127
<b>Total assets included in property, plant and equipment</b>	14	553	434
<b>Lease liabilities</b>			
Non-current interest-bearing liabilities		425	333
Current interest-bearing liabilities		110	111
<b>Total liabilities included in interest-bearing liabilities</b>	21	535	444

Additions to the right-of-use assets during the 2022 financial year were EUR 300 million (2021: EUR 213 million) and it included EUR 111 million from joint operation Martinez Renewables on 31 December 2022.

The maturity analysis of lease liabilities is disclosed in Note 3 Financial risk management.

### Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Note	2022	2021
<b>Depreciation charge of right-of-use assets</b>			
Land		14	14
Buildings and constructions		13	9
Machinery and equipment		48	47
Other tangible assets		87	81
	14	163	151
Interest expense (included in finance cost)	10	24	21
Expense relating to short-term leases (included in materials and services)	7	38	11
Expense relating to short-term leases (included in other expenses)	9	5	5
Expense relating to leases of low-value assets (included in other expenses)	9	0	0
Variable lease payments not included in lease liabilities (included in materials and services)	7	0	1
Variable lease payments not included in lease liabilities (included in other expenses)	9	21	4

The total cash outflow for leases in 2022 was EUR 157 million (2021: EUR 144 million) which is presented in the line item 'Repayments of lease liabilities' under the cash flows from financing activities in the consolidated cash flow statement.

## 31 Disputes and potential litigations

Neste is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

## 32 Events after the balance sheet date

### Acquisition

The acquisition of shares in Sequential Environmental Services, LLC, and Pure, LLC, as well as a UCO processing plant in Salem, Oregon has been approved by regulatory authorities, and the transaction has been closed 13.1.2023. Through the transaction, Neste acquired a leading used cooking oil (UCO) collection and recycling business and related assets on the US West Coast from Crimson Renewable Energy Holdings, LLC.

The preliminary estimate of the acquisition is presented in the table below. Based on the preliminary purchase price allocation, a portion of the purchase price was allocated to customer and supplier relations that have been recognized as intangible assets. The goodwill represents the value of acquired business knowledge and synergies, and goodwill's depreciations of the recognized goodwill are deductible for income tax purposes.

The purchase price was paid fully in cash. Consideration transferred includes approx. 18 million euros of contingent consideration. The final amount depends on how certain targets are achieved during 2023. The transaction costs of the acquisition will be included in other expenses in the consolidated statement of income. The acquisition does not have a material impact on the Group's revenue nor profit.

<b>Values of acquired assets and liabilities at time of acquisition</b>	<b>Estimated value</b>
Intangible assets	32
Property, plant and equipment	31
Inventories	2
Trade and other receivables	1
Cash and cash equivalents	0
<b>Total assets</b>	<b>67</b>
Interest-bearing liabilities	7
Trade and other payables	9
<b>Total liabilities</b>	<b>16</b>
<b>Fair value of acquired net assets</b>	<b>51</b>
Consideration transferred	164
Fair value of acquired net assets	-51
<b>Goodwill</b>	<b>113</b>
<b>Cash flows of acquisition</b>	<b>2022</b>
Consideration, paid in cash	-164
Cash and cash equivalents in acquiree	0
Acquiree's liabilities paid off at closing	-1
Transaction costs of the acquisition	-1
<b>Net cash flow on acquisition</b>	<b>-166</b>

No other significant events took place in Neste after the balance sheet date.

## Parent company income statement

EUR million	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Revenue</b>	2	19,231	10,021
Change in product inventories		367	233
Other operating income	3	28	27
Materials and services	4	-17,075	-8,948
Personnel expenses	5	-275	-220
Depreciation, amortization and write-downs	6	-248	-236
Other operating expenses	7	-445	-511
<b>Operating profit/loss</b>		1,583	365
Financial income and expenses		385	534
Financial income and expenses total	8	385	534
<b>Profit/loss before appropriations and taxes</b>		1,967	898
Appropriations	9	-49	-54
Income tax expenses	10	-291	-52
<b>Profit for the year</b>		1,628	792

## Parent company balance sheet

EUR million	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Fixed assets and other long-term investments</b>	11, 12		
Intangible assets		123	103
Tangible assets		1,886	1,976
Other long-term investments		3,404	2,251
		5,413	4,329
<b>Current assets</b>			
Inventories	13	1,914	1,300
Long-term receivables	14	43	66
Short-term receivables	15	3,349	2,552
Cash and cash equivalents		806	1,492
		6,113	5,410
<b>Total assets</b>		11,526	9,739
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	16		
Share capital		40	40
Other funds and reserves			
Invested non-restricted equity fund		19	19
Fair value reserve		69	-32
Other funds and reverses total		88	-13
Retained earnings		2,189	2,027
Profit for the year		1,628	792
		3,945	2,846
<b>Accumulated appropriations</b>	17	1,140	1,092
<b>Provisions for liabilities and charges</b>	18	117	115
<b>Liabilities</b>	19		
Long-term liabilities		1,969	1,134
Short-term liabilities		4,355	4,552
		6,324	5,686
<b>Total equity and liabilities</b>		11,526	9,739

# Parent company cash flow statement

EUR million	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Cash flows from operating activities</b>		
Profit/loss before appropriations and taxes	1,967	898
Depreciation, amortization and write-downs	248	236
Other non-cash income and expenses	-99	-67
Financial income and expenses	-385	-534
Divesting activities, net	-13	0
<b>Operating cash flow before change in working capital</b>	<b>1,719</b>	<b>534</b>
Change in working capital		
Decrease (+)/increase (-) in interest-free receivables	-824	-616
Decrease (+)/increase (-) in inventories	-615	-379
Decrease (-)/increase (+) in interest-free liabilities	-49	1,072
Change in working capital	-1,487	77
<b>Cash generated from operations</b>	<b>232</b>	<b>611</b>
Interest and other financial expenses paid, net	-16	-11
Dividends received	420	547
Income taxes paid	-306	-52
Realized foreign exchange gains and losses, net	-33	2
<b>Net cash from operating activities</b>	<b>297</b>	<b>1,097</b>

EUR million	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
<b>Cash flows from investing activities</b>		
Capital expenditure	-184	-250
Proceeds from sale of fixed assets	0	0
Investments in shares in subsidiaries	-1,014	-427
Investments in shares in other shares	-1	-1
Proceeds from shares in subsidiaries	17	0
Proceeds from other shares	0	0
Change in other investments, increase (-)/decrease (+)	13	-318
<b>Net cash used in investing activities</b>	<b>-1,170</b>	<b>-996</b>
<b>Cash flow before financing activities</b>	<b>-873</b>	<b>101</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term liabilities	899	583
Payments of long-term liabilities	-491	-322
Change in other long-term liabilities	0	121
Change in short-term liabilities	248	104
Dividends paid	-630	-614
Group contributions, net	128	76
<b>Cash flow from financing activities</b>	<b>155</b>	<b>-52</b>
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>-719</b>	<b>49</b>
Cash and cash equivalents at the beginning of the period	1,492	1,443
Cash and cash equivalent increases from merger	33	0
Cash and cash equivalents at the end of the period	806	1,492
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>-719</b>	<b>49</b>

# 1 Accounting policies

The financial statements of Neste Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

Subsidiary Neste Engineering Solutions Oy has been merged to Neste Oy and Neste Engineering Solutions Oy's business continued as a part of Neste Oy since 1st of October 2022. The board executed the final decision of the merger on the 28th of April 2022 according to the 6th of May 2022 registered merger plan. Merger was executed according to OYL 16 2 § as a subsidiary merger. Merger was executed in order to clarify corporate structure and policies. The gain on merger is presented in the financial items when the gain can be compared to financial income. The gain on merger equals to Neste Engineering Solutions Oy retained earnings (profit and loss from previous periods and profit/loss of the period) which states that the corresponding dividend distribution would have been treated as financial income in parent company Neste Oyj under Finnish Accounting Standards.

Neste Oyj is preparing separate natural gas sale and network financial statements that are audited. This is regulated by natural gas market act.

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. The war in Ukraine has had significant impacts on the global energy markets, and energy prices have risen to high levels. We expect volatility in the oil products and renewable feedstock markets to remain high.

Neste Oyj does not have subsidiaries in Russia nor in Ukraine. Neste Oyj's financial position remained strong.

## Revenue

Revenue include sales revenues from actual operations less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Revenue is recognised on accrual accounting basis.

## Other operating income

Other operating income includes gains on the sales of fixed assets and contributions received as well as all other operating income not related to the sales of products or services, such as rents.

## Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate gains and losses related to operative items are recognized as adjustments to operative income and expenses in the income statement. Net exchange rate differences related to financial items are reported under financial income and expenses.

## Financial assets and liabilities

Derivative financial instruments are initially recognised at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. Other financial assets and liabilities are measured at amortized cost and recognized initially at fair value on the settlement date.

Loans and receivables consist of cash and cash equivalents, loans granted together with trade and other receivables. Other financial liabilities include interest-bearing liabilities together with trade and other payables. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value.

Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement.

The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity.

## Derivative financial instruments

The company uses derivative financial instruments mainly to hedge commodity price, foreign exchange and interest rate exposures. Derivatives not qualified for hedge accounting are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item.

## Current investments

Current investments includes deposits held at banks and other liquid investments with original maturities from three months to 12 months.

## Hedge accounting

The company applies hedge accounting on certain forward foreign exchange contracts, options and interest rate derivatives.

## Fair value hedges

The company applies fair value hedge accounting to reduce exposure to fair value fluctuations of interest-bearing liabilities due to changes in interest rates. Changes in fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of hedged liabilities attributable to the hedged risk, are recognized in financial income and expenses.

## Cash flow hedges

The company applies cash flow hedge accounting to reduce exposure of currency and interest rates fluctuations. The result of foreign currency derivative contracts hedging future cash flows and qualifying for hedge accounting is recognized once matured and when the hedged item affects the income statement. Gains or losses for interest rate swaps used to hedge the interest rate risk exposure are accrued over the period to maturity and are recognized as an adjustment to the interest income or expense of the underlying liabilities.

## Fixed assets and other long-term investments

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Land areas are not depreciated. The depreciation is based on the following expected useful lives:

Buildings and structures	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years
Intangible assets <sup>1)</sup>	3–10 years

<sup>1)</sup> Capitalized development expenditure in intangible assets consists of capitalized patents and license fees.

Investments in subsidiaries and other companies are measured at acquisition cost, or fair value in case the fair value is lower than cost.

## Inventories

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognized in profit or loss as consumed.

## Research and development

Research expenditure is recognized as an expense as incurred and included in other operating expenses in the income statement. Expenditure on development activities is capitalized only when it fulfills tight criteria e.g. development relates to new products that are technically and commercially feasible. The majority of the company's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

## Cash pool receivables/liabilities

Cash pool items are presented as short-term receivables or liabilities.

## Pension expenses

An external pension insurance company manages the pension plan. The pension expenses are booked to income statement during the year they occur.

## Appropriations

Appropriations consist of received or given group contributions from or to Neste Group companies and depreciation above the plan.

## Deferred taxes

Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply.

## Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Neste Corporation is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the pension liabilities, guarantee obligations, restructuring provisions, expenses relating to the future clean-up of proven environmental damage and obligation to return emission allowances. Provisions are recorded based on management estimates of the future obligation.

## 2 Revenue

Revenue by segment	2022	2021
Renewable Products	5,918	3,656
Oil Products	13,149	6,255
Marketing & Services	-2	8
Other	165	103
	19,231	10,021

Revenue by market area	2022	2021
Finland	5,813	3,301
Other Nordic countries	3,859	2,195
Baltic Rim	1,846	856
Other European countries	5,843	2,914
North and South America	1,202	554
Other countries	669	201
	19,231	10,021

## 3 Other operating income

	2022	2021
Rental income	5	6
Gain on sale of intangible and tangible assets	0	0
Gain on sale of subsidiary shares	13	0
Insurance compensations	0	8
Government grants	7	3
Other	4	9
Other operating income total	28	27

## 4 Materials and services

	2022	2021
Materials and supplies		
Purchases during the period	16,800	8,733
Change in inventories	-247	-146
	16,552	8,587
External services	523	361
Materials and services total	17,075	8,948

## 5 Personnel expenses

	2022	2021
Wages, salaries and remunerations	221	200
Restructuring provisions related to Naantali refining operations closure <sup>1)</sup>	-1	-11
Indirect employee costs		
Pension costs	49	36
Other indirect employee costs	9	9
Wages and salaries capitalized in fixed assets	-4	-15
Personnel expenses total	274	220

<sup>1)</sup> Includes reversed unused provision of Naantali refinery closure in 2022 and 2021.

### Salaries and remuneration

Key management compensations are presented in Note 25 in the Neste Group consolidated financial statements.

Average number of employees	2022	2021
White-collar	2,081	1,740
Blue-collar	729	699
	2,810	2,439

## 6 Depreciation, amortization and write-downs

	2022	2021
Depreciation according to plan	216	232
Write-offs	32	4
Write-downs of Naantali refining operations closure	0	0
Depreciations, amortization and write-downs total	248	236

## 7 Other operating expenses

	2022	2021
Operating leases and other property costs	26	23
Repairs and maintenance	102	265
Planning and consulting services	58	46
IT services	105	71
Other	155	106
Other operating expenses total	445	511

### Fees charged by the statutory auditor

EUR thousands	2022	2021
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	604	553
Tax advisory	1	42
Other advisory services	141	62
	746	657

## 8 Financial income and expenses

	2022	2021
Dividend income		
From Group companies	420	547
From associated companies	0	0
Dividend income total	420	547
Interest income from long-term loans and receivables		
From Group companies	7	10
From others	4	2
Interest income from long-term loans and receivables total	11	12
Other interest and financial income		
From Group companies	3	1
Other	5	0
Gain on merger	0	0
Other interest and financial income total	7	1
Write-downs on long-term investments		
Write-downs on long-term investments (receivables)	-3	-4
Return of write-downs on long-term investments <sup>1)</sup>	45	17
Write-downs of other long-term investments	-5	0
Write-downs on long-term investments total	37	13
Interest expenses and other financial expenses		
To Group companies	-10	-1
Other	-22	-24
Interest expenses and other financial expenses total	-33	-25
Exchange rate differences	-58	-15
Financial income and expenses total	385	534
<sup>1)</sup> Consists of Neste Bahrain's loan receivables repayment		
<b>Total interest income and expenses</b>	<b>2022</b>	<b>2021</b>
Interest income	18	13
Interest expenses	-29	-22
Net interest expenses	-11	-9

## 9 Appropriations

	2022	2021
<b>Change in depreciation difference</b>		
Difference between depreciation according to plan and depreciation in taxation	-49	-182
<b>Group contributions</b>		
Group contributions received	0	128
Appropriations total	-49	-54

## 10 Income tax expense

	2022	2021
Income taxes on regular business operations	291	52
Taxes for prior periods	0	0
Change in deferred tax assets	0	0
Income tax expense total	291	52

# 11 Fixed assets and long-term investments

<b>Intangible assets</b>	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Acquisition cost as of 1 January 2022	1	303	304
Increases	0	52	52
Decreases	0	-6	-6
Transfers between items	0	5	5
Increases from merger	0	4	4
Acquisition cost as of 31 December 2022	1	358	359
Accumulated amortization and write-downs as of 1 January 2022	1	200	201
Amortization for the period	0	31	31
Amortization for the period from merger	0	4	4
Accumulated amortization and write-downs as of 31 December 2022	1	235	236
Balance sheet value as of 31 December 2022	0	123	123

<b>Intangible assets</b>	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Acquisition cost as of 1 January 2021	1	287	288
Increases	0	18	18
Decreases	0	-2	-2
Transfers between items	0	0	0
Acquisition cost as of 31 December 2021	1	303	304
Accumulated amortization and write-downs as of 1 January 2021	1	169	170
Amortization for the period	0	31	31
Accumulated amortization and write-downs as of 31 December 2021	1	200	201
Balance sheet value as of 31 December 2021	0	103	103

<b>Tangible assets</b>	<b>Land areas</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Advances paid and construction in progress</b>	<b>Total</b>
Acquisition cost as of 1 January 2022	26	1,487	3,676	102	109	5,400
Increases	0	1	18	0	106	125
Decreases	0	-37	-392	-22	-22	-472
Transfers between items	0	3	18	22	-26	17
Increases from merger	0	0	3	0	0	3
Acquisition cost as of 31 December 2022	26	1,453	3,323	102	167	5,072
Accumulated depreciation and write-downs as of 1 January 2022	0	835	2,567	48	0	3,451
Accumulated depreciation and write-downs of decreases and transfers	0	-34	-391	0	0	-425
Depreciation and write downs for the period	0	39	144	2	0	185
Depreciation and write-downs for the period due to the merger	0	0	3	0	0	3
Write-downs of Naantali refining operations closure	0	0	0	0	0	0
Accumulated depreciation and write-downs as of 31 December 2022	0	840	2,323	50	0	3,213
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2022	32	634	1,000	53	167	1,886

**Balance sheet value of machinery and equipments used in production**

736

<b>Tangible assets</b>	<b>Land areas</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Advances paid and construction in progress</b>	<b>Total</b>
Acquisition cost as of 1 January 2021	26	1,418	3,218	102	415	5,178
Increases	0	11	202	0	14	227
Decreases	0	0	-3	0	-2	-6
Transfers between items	0	58	259	0	-318	0
Acquisition cost as of 31 December 2021	26	1,487	3,676	102	109	5,400
Accumulated depreciation and write-downs as of 1 January 2021	0	797	2,410	46	0	3,253
Accumulated depreciation and write-downs of decreases and transfers	0	-2	-3	0	0	-4
Depreciation and write downs for the period	0	38	160	2	0	200
Write-downs of Naantali refining operations closure	0	1	0	0	0	2
Accumulated depreciation and write-downs as of 31 December 2021	0	835	2,567	48	0	3,451
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2021	32	672	1,108	55	109	1,976

**Balance sheet value of machinery and equipments used in production**

1,108

<b>Other long-term investments</b>	<b>Shares in group companies</b>	<b>Receivables from group companies</b>	<b>Shares in associated companies</b>	<b>Receivables from associated companies</b>	<b>Other shares and holdings</b>	<b>Other receivables</b>	<b>Total</b>
Acquisition cost as of 1 January 2022	2,145	39	7	37	20	2	2,251
Increases	1,306	284	0	69	2	2	1,663
Decreases	-322	-153	0	-24	0	-1	-501
Acquisition cost as of 31 December 2022	3,130	170	7	82	21	3	3,413
Accumulated depreciation and write-downs as of 1 January 2022	0	0	0	0	0	0	0
Decrease	0	0	0	0	5	3	8
Accumulated depreciation and write-downs as of 31 December 2022	0	0	0	0	0	3	8
Balance sheet value as of 31 December 2022	3,130	170	7	82	16	0	3,404

<b>Other long-term investments</b>	<b>Shares in group companies</b>	<b>Receivables from group companies</b>	<b>Shares in associated companies</b>	<b>Receivables from associated companies</b>	<b>Other shares and holdings</b>	<b>Other receivables</b>	<b>Total</b>
Acquisition cost as of 1 January 2021	1,719	58	7	35	19	0	1,837
Increases	427	260	0	38	1	12	738
Decreases	0	-279	0	-36	0	-6	-321
Acquisition cost as of 31 December 2021	2,145	39	7	37	20	6	2,254
Accumulated depreciation and write-downs as of 1 January 2021	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	4	4
Accumulated depreciation and write-downs as of 31 December 2021	0	0	0	0	0	4	4
Balance sheet value as of 31 December 2021	2,145	39	7	37	20	2	2,251

#### **Interest-bearing and interest-free receivables**

	<b>2022</b>	<b>2021</b>
Interest-bearing receivables	252	79
Interest-free receivables	0	0
	252	79

## 12 Revaluations

	Revaluations as of Jan 1 2022	Increases	Decreases	Revaluations as of Dec 31 2022
Land areas	6	0	0	6
Buildings	21	0	0	21
Revaluations total	27	0	0	27

### Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.  
Deferred taxes have not been booked on revaluations.

## 13 Inventories

	2022	2021
Raw materials and supplies	848	601
Products/finished goods	1,066	698
Advance payments on inventories	1	0
Inventories total	1,914	1,300
Replacement value of inventories	1,968	1,490
Book value of inventories	1,914	1,300
Difference	54	191

## 14 Long-term receivables

	2022	2021
<b>Long-term receivables from others</b>		
Long-term advance payments	19	22
Other receivables	17	12
Deferred tax assets	7	32
Long-term receivables total	43	66

## 15 Short-term receivables

	2022	2021
<b>Receivables from Group companies</b>		
Trade receivables	998	703
Loan receivables	4	139
Other receivables	667	342
Accrued income and prepaid expenses	120	73
Total	1,789	1,257
<b>Receivables from associated companies</b>		
Trade receivables	51	69
Other receivables	0	0
Total	51	69
<b>Receivables from others</b>		
Trade receivables	773	636
Loan receivables	0	0
Other receivables	287	181
Accrued income and prepaid expenses	448	408
Total	1,509	1,225
Short-term receivables total	3,349	2,552
<b>Short-term accrued income and prepaid expenses</b>		
Accrued interest	0	0
Derivative financial instruments	521	318
Current investments	0	135
Other	47	28
Total	568	481

## 16 Changes in shareholders' equity

	2022	2021
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Fair value reserve at 1 January	-32	64
Increases	5,100	1,692
Decreases	-5,000	-1,788
Fair value reserve at 31 December	69	-32
Restricted shareholders equity	109	8
Invested non-restricted equity fund at 1 January	19	19
Invested non-restricted equity fund at 31 December	19	19
Retained earnings at 1 January	2,819	2,641
Dividends paid	-630	-614
Profit for the year	1,628	792
Retained earnings at 31 December	3,817	2,819
Non-restricted shareholders equity	3,836	2,838
Capitalized development expenditure	12	6
Distributable equity	3,824	2,800

The amount of own shares is presented in the group's consolidated financial statements in note 20.

## 18 Provisions for liabilities and charges

	2022				2021			
	at 1 Jan	Increase	Decrease	at 31 Dec	at 1 Jan	Increase	Decrease	at 31 Dec
Restructuring provisions	2	0	1	0	23	0	21	2
Provision for environment	1	0	0	1	1	0	0	1
Provision for environment for Naantali refining operations closure	112	4	5	111	117	2	6	112
Other provisions	0	4	0	4	0	1	1	0
Total	115	8	6	117	141	3	29	115

## 17 Accumulated appropriations

	2022	2021
Depreciation difference	1,140	1,092

# 19 Liabilities

<b>Long-term liabilities</b>	<b>2022</b>	<b>2021</b>
Bonds	895	893
Loans from financial institutions	615	0
Advanced payments	18	19
Liabilities to Group companies		
Other long-term liabilities	429	99
Other long-term liabilities	0	121
Accruals and deferred income	12	1
<b>Long-term liabilities total</b>	<b>1,969</b>	<b>1,134</b>
<b>Interest-bearing liabilities due after five years</b>	<b>2022</b>	<b>2021</b>
Loans from financial institutions	94	98
Bonds	495	494
	589	592
<b>Short-term liabilities</b>	<b>2022</b>	<b>2021</b>
Loans from financial institutions	5	0
Advances received	25	36
Trade payables	890	890
Liabilities to Group companies		
Advances received	0	0
Trade payables	661	736
Other short-term liabilities	1,317	1,718
Accruals and deferred income	119	140
<b>Total</b>	<b>2,097</b>	<b>2,594</b>
Liabilities to associated companies		
Trade payables	22	17
<b>Total</b>	<b>22</b>	<b>17</b>
Other short-term liabilities	1,014	779
Accruals and deferred income	301	236
<b>Short-term liabilities total</b>	<b>4,355</b>	<b>4,552</b>

<b>Short-term accruals and deferred income</b>	<b>2022</b>	<b>2021</b>
Salaries and indirect employee costs	90	57
Accrued interests	9	8
Derivative financial instruments	317	307
Other short-term accruals and deferred income	4	3
	420	376
<b>Interest-bearing and interest-free liabilities</b>	<b>2022</b>	<b>2021</b>
Long-term liabilities		
Interest-bearing liabilities	1,936	1,105
Interest-free liabilities	33	29
	1,969	1,134
Short-term liabilities		
Interest-bearing liabilities	1,695	1,838
Interest-free liabilities	2,660	2,714
	4,355	4,552

## Listed bond issues

<b>Issued/Maturity</b>	<b>Interest basis</b>	<b>Interest rate, %</b>	<b>Currency</b>	<b>Nominal, million</b>	<b>Carrying amount, EUR million</b>
2017/2024	Fixed	1.5000	EUR	400	400
2021/2028	Fixed	0.7500	EUR	500	495
Total outstanding carrying amount 31 December 2022					895

## 20 Contingent liabilities

<b>Contingent liabilities</b>	<b>2022</b>	<b>2021</b>
<b>Contingent liabilities given on own behalf</b>		
Real estate mortgages	26	26
Pledged assets	0	0
Other contingent liabilities	27	23
Total	52	49
<b>Contingent liabilities given on behalf of Group companies</b>		
Guarantees	409	278
Total	409	278
<b>Contingent liabilities given on behalf of associated companies</b>		
Pledged assets	89	44
Total	89	44
<b>Contingent liabilities given on behalf of others</b>		
Guarantees	1	1
Total	1	1

### Other contingent liabilities

The Company is obliged to adjust VAT deductions made from real estate investments on 2008 or after if the taxable utilization of real estate will decrease during a 10 years control period.

<b>Operating lease liabilities</b>	<b>2022</b>	<b>2021</b>
Due within a year	22	16
Due after a year	19	14
Total	41	31
<b>Capital commitments</b>		
Commitments for purchase of property, plant and equipment and intangible assets	38	17
Other commitments	8	9
Total	46	25

## 21 Derivative financial instruments

	31 Dec 2022					31 Dec 2021				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
<b>Foreign exchange derivatives</b>										
Foreign exchange derivatives, forwards	2,984	0	99	18	81	1,604	10	8	45	-37
Foreign exchange options										
Purchased	84	0	5	0	5	124	0	0	0	0
Written	84	0	0	0	0	124	0	0	3	-3
<b>Derivatives designated as cash flow hedges</b>	3,153	0	104	18	86	1,851	0	8	48	-40
Foreign exchange derivatives, forwards	3,853	3	119	24	96	2,343	0	26	27	-1
Intra-group forward foreign exchange contracts	1,551	3	24	20	4	950	0	13	23	-10
Currency options										
Purchased	0	0	0	0	0	35	0	0	0	0
Written	0	0	0	0	0	35	0	0	1	-1
Intra-group currency options										
Purchased	0	0	0	0	0	35	0	0	0	0
Written	0	0	0	0	0	35	0	1	0	1
<b>Non-hedge accounting</b>	5,404	6	143	43	100	3,434	0	41	51	-11

	31 Dec 2022					31 Dec 2021				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
<b>Commodity derivatives <sup>1)</sup></b>										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	25	0	65	66	-1	26	0	29	71	-42
Purchased forwards, million bbl	18	0	59	67	-8	21	0	107	15	92
Intra-group oil and vegetable oil derivatives										
Sold forwards, million bbl	11	0	32	36	-4	9	0	7	48	-41
Purchased forwards, million bbl	12	0	37	27	10	13	0	45	11	34
Electricity and gas derivatives										
Sold forwards, GWh	18	0	2	0	2	0	0	0	0	0
Purchased forwards, GWh	1,996	620	62	36	26	2,966	940	91	14	77
Intra-group electricity and gas derivatives										
Sold forwards, GWh	1,328	489	34	38	-4	1,236	590	3	60	-57
<b>Non-hedge accounting</b>	3,408	1,109	291	270	21	4,270	1,530	281	218	63
<b>Derivatives Total</b>			538	332	206			330	318	12
of which										
Current derivative financial instruments			521	-317	838			318	307	10
Non-current derivative financial instruments			17	-15	32			12	10	2

<sup>1)</sup> Commodity derivative contracts with non-hedge accounting status include oil, vegetable oil, electricity and gas derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

## Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e.the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant and the measurement date. The fair value of exchange traded commodity futures and option contracts is determined using the forward exchange market quotations as per last business day of financial year. The fair value of over-the-counter derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per last business day of financial year.

Fair value hierarchy of derivatives	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	17	0	17	0	12	0	12
Other financial assets	0	0	0	0	0	0	0	0
Current derivative financial instruments								
Currency derivatives	0	247	0	247	0	48	0	48
Commodity derivatives	32	242	0	274	3	266	0	269
<b>Financial liabilities</b>								
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	15	0	15	0	10	0	10
Current derivative financial instruments								
Currency derivatives	0	62	0	62	0	99	0	99
Commodity derivatives	54	201	0	255	3	205	0	208

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierarchy:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices)

**Level 3:** inputs for the assets or liability that is not based on observable market data (unobservable inputs).

## 22 Shares and holdings

	Country of incorporation	No of shares	Holding -%
<b>Subsidiary shares</b>			
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00
Navidom Oy	Finland	50	50.00
Neste (Suisse) S.A.	Switzerland	200	100.00
Neste AB	Sweden	2,000,000	100.00
Neste Affiliate B.V.	Netherlands	26,090	100.00
Neste Belgium NV	Belgium	615	100.00
Neste Canada	Canada	30,000	100.00
Neste Components B.V.	Netherlands	40	100.00
Neste Eesti AS	Estonia	10,000	100.00
Neste Engineering Solutions B.V.	Netherlands	1	100.00
Neste Engineering Solutions Pte. Ltd.	Singapore	1	100.00
Neste Germany GmbH	Germany	25,000	100.00
Neste Insurance Limited	Guernsey	7,000,000	100.00
Neste Italy S.R.L.	Italy	1	100.00
Neste Markkinointi Oy	Finland	210,560	100.00
Neste Netherlands B.V.	Netherlands	18,000	100.00
Neste Pretreatment Rotterdam B.V.	Netherlands	18,000	100.00
Neste Renewable Products Inc	USA	5,000	100.00
Neste Renewable Solutions US, Inc.	USA	1,000	100.00
Neste RPC Solutions US, Inc.	USA	1,000	100.00
Neste Shipping Oy	Finland	101	100.00
Neste Singapore Pte. Ltd.	Singapore	1,727,535,875	100.00
Neste US, Inc.	USA	1,000	100.00

### Associated companies

A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	Finland	14	40.00
Kilpilahti Powerplant Ltd.	Finland	20,000	40.00
Neste Arabia Co. Ltd.	Saudi Arabia	480	48.00
Tahkoluodon Polttoöljy Oy	Finland	630	31.50

	Country of incorporation	No of shares
<b>Other shares and holdings</b>		
Circularise B.V.	Netherlands	9,586
CLEEN Oy	Finland	100
Kiinteistö Oy Anttilankaari 8	Finland	51
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102
Kiinteistö Oy Katinkultaniemi	Finland	51
Kiinteistö Oy Kotkan Klubi	Finland	30
Kiinteistö Oy Kuusamon Tähti 1	Finland	51
Kiinteistö Oy Laavutieva	Finland	51
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24
Posintra Oy	Finland	190
Recycling Technologies Ltd.	United Kingdom	3,122,666
St Laurence Golf Oy, B-osake	Finland	3
Sunfire GmbH	Germany	264,121

### Telephone shares

Elisa Oyj	Finland	1
Osuuskunta PPO	Finland	1
Pietarsaaren Seudun Puhelin Oy	Finland	3
Savonlinnan Puhelinosuuskunta SPY	Finland	1

## 23 Disputes and potential litigations

Neste Corporation is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

# Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

The Parent company's distributable funds as of 31 December 2022 stood at EUR 3,824 million. The Board of Directors proposes to the Annual General Meeting that Neste Corporation pays an ordinary dividend of EUR 1.02 per share for 2022, totaling approximately EUR 783 million, and an extraordinary dividend of EUR 0.25 per share, totaling approximately EUR 192 million. In addition, the Board proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second extraordinary dividend instalment in an amount of EUR 0.25 per share, totaling approximately EUR 192 million by 31 October 2023. The Board expects that this discretionary second extraordinary dividend will be paid, unless there is a significant deterioration in the business environment during 2023. The proposed maximum total dividend in 2023 amounts to approximately EUR 1,167 million. Any remaining distributable funds will be allocated to retained earnings. The Board of Directors will also propose that the annual dividend and extraordinary dividend shall be paid in two instalments.

Espoo, 7 February 2023

**Matti Kähkönen**

**Martina Flöel**

**John Abbott**

**Johanna Söderström**

**Eeva Sipilä**

**Marco Wirén**

**Jari Rosendal**

**Nick Elmslie**

**Just Jansz**

**Matti Lehmus**  
President and CEO

## The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 7 February 2023

KPMG Oy Ab  
Authorised Public Accountants

**Leenakaisa Winberg**  
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

# Auditor's Report

To the Annual General Meeting of Neste Corporation

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Neste Corporation (business identity code 1852302-9) for the year ended December 31, 2022. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

## THE KEY AUDIT MATTER

### **Martinez Renewables Joint Arrangement**

(reference to the note 2: accounting policies and notes 14, 18 and 30 in the consolidated financial statements)

During 2022 Neste finalized a transaction to establish a joint arrangement (Martinez Renewables) for production of renewable fuels together with Marathon Petroleum.

At the time of making the investment, Neste made the interpretation to treat the establishment and initial investment into the joint arrangement as an asset acquisition. After the initial investment, Neste classified the joint arrangement as a joint operation reflecting that Neste and Marathon Petroleum have a joint control over the arrangement's relevant activities, and that the production output will be divided evenly between Neste and Marathon Petroleum.

As a result of the joint operation classification, Neste recognizes its 50% share of Martinez Renewables' assets, liabilities, revenues and expenses.

Neste capital expenditure into Martinez Renewables impacting in 2022 cash flow was 753 M€. The impact to Neste's property, plant and equipment at the year end was 853 M€.

Due to the nature of unusual transaction as well as its' monetary significance, joint arrangement is considered as a key audit matter.

## HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit procedures related to Martinez Renewables joint arrangement included:

- Evaluating the structure of the transaction and the accounting policies applied in relation to the IFRS-standards.
- Involving our valuation specialists to assist us in evaluating methodologies and underlying assumptions applied by the management in the purchase price calculation.
- Providing instructions to the auditors of joint operation to carry out appropriate controls testing and substantive procedures relating to property, plant and equipment.
- Evaluating the findings reported by the auditors of joint operation including discussion with the auditors.

In addition, we have assessed the appropriateness of the Group's disclosures in respect of the transaction and the joint arrangement.

## THE KEY AUDIT MATTER

### **Biofuel credits** (reference to notes 5 and 18 in the consolidated financial statements)

Renewable Products revenue includes income deriving from biofuel credits which Neste earns its sales operations especially in the USA. Neste's biofuel credits relate to the import and sale of renewable fuels in the USA in the form of Renewable Identification Number (RINs) and Low Carbon Fuel Standard (LCFSs) and Blenders Tax Credits (BTC).

RINs and LCFSs are accounted for as government grants upon receipt of the product inventory in the USA and are recognized as a revenue when biofuel credits are sold to a third party. RINs and LCFSs are accounted for as inventory to the extent they have been separated from the physical goods, which happens when renewable fuel is blended with fossil fuel.

As there is a risk relating to accuracy of biofuel credits it has been considered as a key audit matter.

## HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit procedures related to biofuel credits included:

- Evaluating the appropriateness of the accounting policies applied when recording biofuel credits in relation to underlying IFRS principles.
- Evaluation of the process for registering biofuel credits and for reconciling balances to the eligible credits.
- Comparing of the registered balances against the systems administered by the Environmental Protection Agency (EPA) in the USA.

In addition, our test of details included the following procedures to confirm accuracy of biofuel credits:

- Testing of revenue recognition on a sample basis based on the sales agreements and system generated documents.
- Comparing the valuation of RINs and LCFSs accounted for as inventory to quoted market prices.
- Comparing of the value of the BTC to that confirmed by the authorities in the USA.

## THE KEY AUDIT MATTER

## HOW THE MATTER WAS ADDRESSED IN THE AUDIT

### Valuation of inventories (reference to note 18 in the consolidated financial statements)

The company has significant inventory balances both in the Renewable Products and Oil Products segments. The inventory is valued at the lower of cost or net realizable value. The cost of inventory in the Renewable Products segment reflects purchase prices, which are impacted by the market prices of different feedstocks as well as the mix of feedstocks purchased.

Inventory management, stocktaking routines and costing of inventories are underlying key factors in determining the value of inventories.

Due to complexity of the inventory valuation calculations for Renewable Products the valuation of inventories in Renewable Product segment is considered as a key audit matter.

Our audit procedures related to valuation of Renewable Products' inventories included:

- Evaluating the appropriateness of the accounting policies applied in relation to IFRS standards.
- Testing of controls over inventory management and valuation.
- Performing substantive audit procedures in order to test the accuracy of inventory valuation at the lower of cost or net realization value at reporting date by testing on a sample basis accuracy of relevant components related to valuation.

In addition, we have assessed the appropriateness of the Group's disclosures in respect of inventory valuation.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 30, 2021 and our appointment represents a total period of uninterrupted engagement of 2 years.

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we 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.

## Other Statements

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki February 7, 2023

**KPMG OY AB**

**Leenakaisa Winberg**

Authorised Public Accountant, KHT

**NESTE**