

NESTE

# Annual Report

## 2023 | CHANGE RUNS ON RENEWABLES

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# Content

We are using science and innovative technology to transform waste and other resources into renewable fuels and circular raw materials; helping you act now, to meet your sustainability goals.

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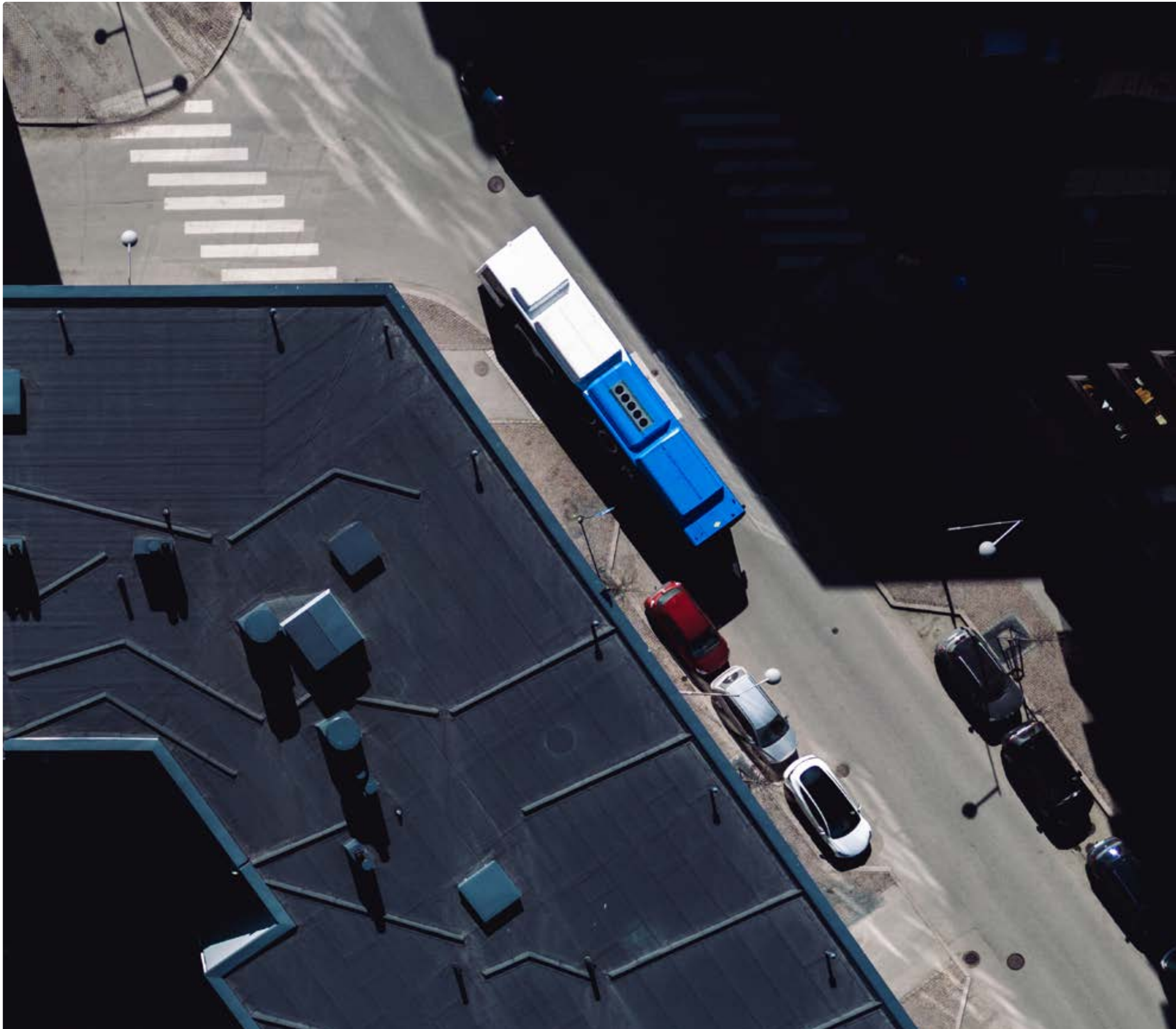


NESTE

Annual Report 2023

# Business review





# Business review

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

On a global scale, the year was marked by a volatile business environment, geopolitical turbulence and several regulatory changes. Despite a challenging business environment we continue to lead the way towards a sustainable future. Our objective is to deliver outstanding value with renewable and circular solutions with a focus on growth and efficiency as outlined in our strategy, “Taking charge of change.”

➤ Read more about key events in 2023 on [page 18](#) and sustainability highlights on [page 27](#).

▶ Watch this [video](#) to discover the highlights of the year.

Revenue

**22,926 MEUR**

**3,458 MEUR** Comparable EBITDA

**1.20 EUR** Our dividend proposal for 2024 per share

**23.9%** Comparable return on average capital employed after tax (Comparable ROACE)

**22.7%** Leverage ratio

Investments

**2,351 MEUR**

**278** Safe days

**6,018** Average number of personnel

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

**92%** The share of waste and residues of Neste's total renewable raw material inputs globally





## 2023 – Focus on growth and efficiency

For Neste, 2023 was a year of continuing implementation of our renewables growth strategy “Taking charge of change.”

On a global scale, the year was marked by a volatile business environment, geopolitical turbulence and several regulatory changes.

Despite a challenging business environment, we were able to deliver a strong financial result. Our focus was on ramping up two major renewables growth projects and the continued strengthening of our global renewable feedstock platform. During the year, we reached many significant milestones, including the opening of our Singapore refinery expansion and the ramping up of our joint operation with Marathon Petroleum in California, acquisitions and new partnerships related to our feedstock sourcing platform, and progress in opening new markets by expanding our customer base.

Our growth strategy focused on growth in sustainable solutions, and value creation for our stakeholders remains firmly in place. In late 2023, we also introduced a simplified organizational structure designed to support our long-term competitiveness and to create a strong foundation for our future success.

### 2023 highlights

The year was marked by several significant achievements, enabled by the dedication and commitment of our employees.

We successfully completed the EUR 1.6 billion Singapore Expansion project, and celebrated its opening in May. The project not only expands Neste's renewables production capacity but will also enable the production of up to one million tons of sustainable aviation fuel (SAF), thereby strengthening our position as the world's leading SAF producer. The project also includes enhanced raw material pretreatment capacity and increases Neste's capability to process more challenging waste and residue raw materials. As the ramp-up of our Singapore expansion encountered some challenges and delays, we made tremendous efforts to resolve them and to ensure safe and reliable operation going forward.

To strengthen our position in the US, we ramped up our joint operations with Marathon Petroleum to produce renewable diesel following a conversion project at Marathon's refinery in Martinez, California.

With these substantial capacity increases during the year, Neste expects to reach a nameplate capacity of 5.5 million tons of renewable products in 2024 and has production on three continents.





We are also investing in more capacity in Rotterdam. The expansion of our renewable products refinery in Rotterdam will increase the production capacity by 1.3 million tons annually. The Rotterdam expansion is expected to be operational in 2026, increasing our global nameplate capacity to 6.8 million tons of renewable products. Combined with our ongoing SAF optionality project in Rotterdam, the project aims to increase the refinery's production capability for sustainable aviation fuel to 1.2 million tons annually.

In the aviation sector, we continued our efforts to build a foundation for business growth in the coming years and expanded our cooperation with airports, airlines and transportation companies around the world. The ability to supply our aviation customers in the Americas, EMEA and the Asia-Pacific region is an important enabler for supporting the global aviation industry's decarbonization efforts. The renewable aviation business has significant growth potential, as both regulatory and voluntary demand will evolve in the coming years.

We continued to support our road transportation customers in reducing their greenhouse gas emissions and meeting their sustainability obligations. We expanded our customer base, strengthening our position with key customers in North America especially and continuing our efforts to expand into the off-road market segments.

We further continued our efforts to grow the market

The global aviation industry has set a target of achieving a goal of net-zero emissions by 2050. Sustainable aviation Fuel will play a crucial role in decarbonizing the aviation industry in the near term.

for feedstocks for the polymers and chemicals industry by co-creating renewable and circular solutions through strong partnerships along the value chain. We also reached an important milestone in our chemical recycling growth strategy by starting the construction of a liquefied waste plastic upgrading facility at our Porvoo refinery in Finland.

Neste also continued the development of its offering of lower-emission solutions by expanding its electric vehicle public charging station network across Finland and the Baltics.

We continued to strengthen our renewable feedstock sourcing platform through acquisitions and by expanding into new markets to ensure the availability of renewable raw materials. We expanded our terminal capacity globally, and a new commercial office in India was opened to drive our renewable raw material growth. We acquired a used cooking oil collection and aggregation business from Crimson Renewable Energy in the US. In Europe, we increased our ownership of Neste Demeeter B.V. to 80% of the company and agreed to acquire the remaining shares over the next few years, as agreed with the minority shareholders.

### **Journey to becoming a 100% renewable and circular solutions provider**

We completed the strategic study launched in September 2022 and decided to launch a gradual transformation of our oil refinery in Porvoo, Finland, into a leading renewable and circular solutions refining hub. The planned transformation will proceed in phases and will require multiple separate investment decisions during the next decade before its targeted completion in the mid-2030s. As an example of planned first steps in the transformation, we are in the basic engineering phase of a large green hydrogen facility in the Porvoo refinery.

Our direction is clear: We want to be at the forefront of accelerating the green transition with our renewable and circular solutions and to create value for our stakeholders. The long-term transformation of the Porvoo refinery is a key element in our renewables growth strategy, completing Neste's journey to becoming a 100% renewable and circular solutions provider when finalized. This will further strengthen our position in serving the future needs of our customers.



### **Ambitious innovations**

Our innovation work focuses on exploring new business opportunities around scalable future raw materials and related technologies. Throughout its history, Neste has invested in developing unique capabilities to work with demanding raw materials, and it is on this expertise that our systematic innovation entity is now based.

In 2023, we continued our persistent research, development and innovation work to increase the availability of renewable and recycled raw materials and to further develop technologies to diversify our raw materials portfolio. We made progress with many of our innovation initiatives to enable the commercialization of selected technologies in the coming years. We also strengthened our global innovation and research capabilities by opening an Innovation Center in Singapore.

### **Simplified organization to strengthen competitiveness**

In November, to improve efficiency and long-term competitiveness, we announced our plan to simplify our organizational structure. We merged our Renewable Aviation, Renewable Road Transportation, and Renewable Polymers and Chemicals business units into a single Renewable Products business unit. As part of our transition journey, this decision aims to clarify roles and responsibilities and our ability to adjust to rapid market changes, staying ahead of the curve – and to focus on servicing our customers' needs.

With the simplified organization, we will strengthen accountabilities and support efficient decision making. This will enable us to be more agile and will support us in reaching our target of annual cost savings of 50 million euros.

### **Safety integrated into everyday operations**

In 2023, Neste continued to emphasize shared responsibility for safety, integrating it into everyday operations.

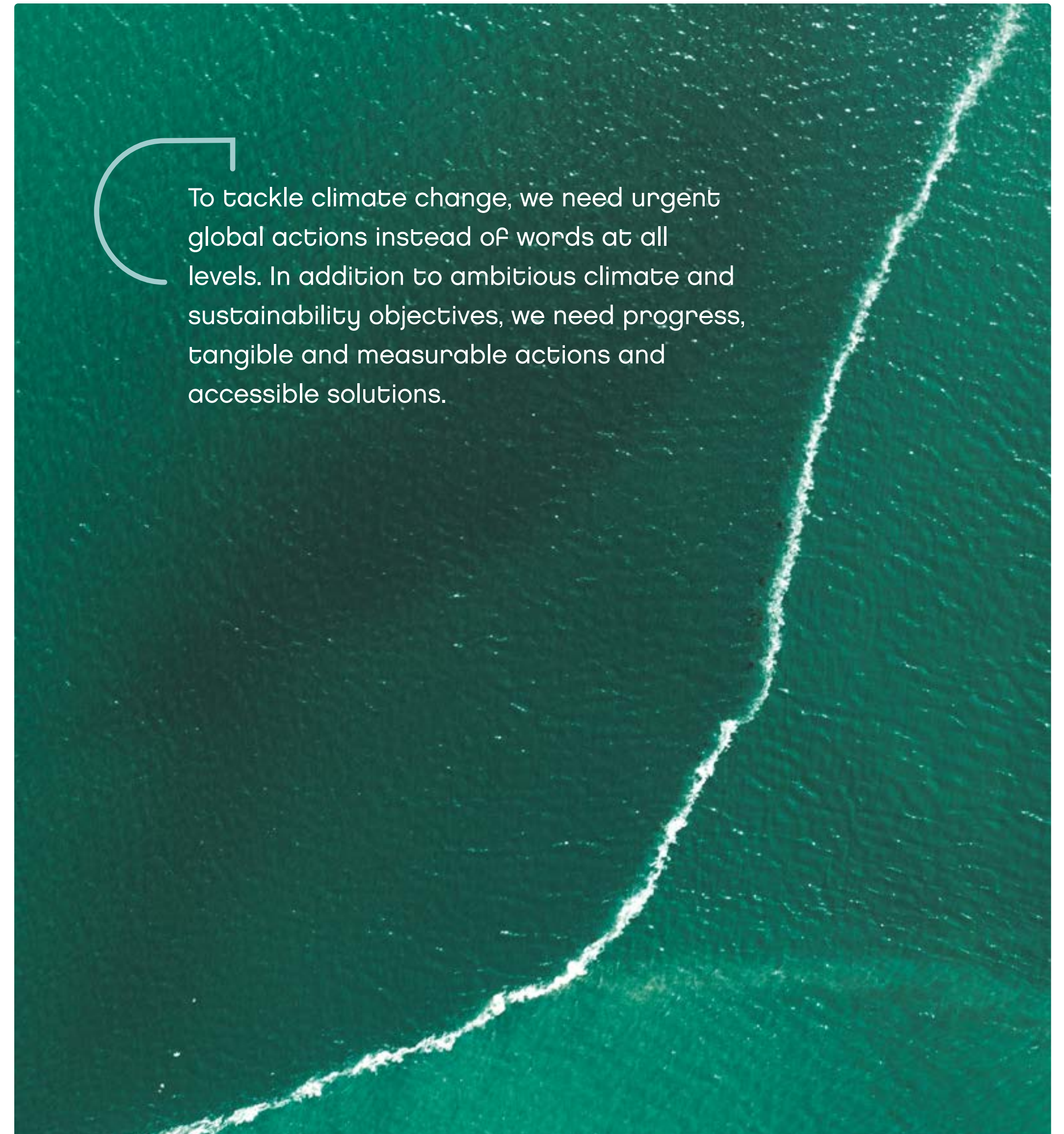
Among the highlights of 2023 were the efforts to drive our process safety and reliability improvement, which were visible in the operational performance at the Porvoo refinery, for example. In parallel, we focused on continuous occupational safety performance improvement by focusing on contractor safety, for example.

### **Recognition of our sustainability efforts**

We are extremely proud to have been recognized yet again in 2023 for the 17th consecutive year as a global sustainability leader in both the Dow Jones Sustainability World and Europe indices. Neste was named the 19th most sustainable company in the world in the Corporate Knights Global 100 index, and first among its industry peers. Our climate actions achieved Leadership level recognition for the eighth consecutive year by the CDP. Furthermore, Neste was recognized as a Leader in the Global Child Forum's children's rights and business benchmark for 2023.

In 2023, we continued to strengthen our commitment to our values – We care, We have courage, and We cooperate.

In 2023, we celebrated Neste's 75th anniversary and our continued transformation. I wish to thank our employees and partners for being part of this journey. Looking forward, we will continue our dedicated efforts to create value for all our stakeholders and to further strengthen Neste's position as a global leader in renewable and circular solutions. Together, we can actively lead the way to creating a more sustainable world for generations to come.



To tackle climate change, we need urgent global actions instead of words at all levels. In addition to ambitious climate and sustainability objectives, we need progress, tangible and measurable actions and accessible solutions.



## Strategy

We are committed to continuing to grow as the world's leading producer of sustainable aviation fuel and renewable diesel, while pioneering more sustainable feedstock solutions for the polymers and chemicals industry.





At Neste, we continue to lead the way towards a sustainable future. Our objective is to deliver outstanding value with renewable and circular solutions with a focus on growth and efficiency as outlined in our strategy, "Taking charge of change."

We are dedicated to leveraging our talents and harnessing our capabilities. By doing so, we are well equipped to create value by producing products and solutions for our customers and partners, helping them reduce their emissions and carbon footprint.

The demand for renewable and circular solutions will continue to rise, with a robust long-term demand outlook. This demand emanates from businesses, regulation and environmentally conscious consumers. In the dynamic business landscape, our strategy is guiding us to effectively respond and adapt to the ever-changing business environment and increasing competition.

We continue to ensure high standards in sustainability and strive for our sustainability vision. Safety remains at the heart of our operations – every day, everywhere.

Our aim is to deliver outstanding value with renewable and circular solutions.



## Core themes of Neste's strategy

### Profitable growth

**Expand global raw material base.** We will continue to grow and strengthen our position in the waste and residues value chain, novel vegetable oils, and liquefied waste plastics.

**Grow in attractive markets.** By strengthening our presence in selected markets, we can better serve our customers and help them thrive. This will be true for all businesses but especially in areas of aviation, and polymers and chemicals.

### Efficiency

**Increased optionality and value creation.** By enhancing our optionality in raw materials, products, and markets, we can better adapt to dynamic business environments and strengthen our end-to-end optimization capabilities. This elevates our competitive edge but also amplifies our proficiency in navigating market dynamics and regulatory landscapes, and enables us to create better value for our customers.

**Increased cost competitiveness.** We will further intensify our efforts to improve competitiveness and drive efficiency. This includes meticulous management of fixed costs and net working capital, as well as organizational, digital, end-to-end and project development.



## Innovation

Innovation has enabled our transformation toward global leadership in renewable and circular solutions, and it is the driving force behind 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. We are advancing our research and innovation work across multiple areas including algae, lignocellulose, liquefied waste plastic, novel vegetable oils from regenerative agricultural practices, Power-to-X, and renewable hydrogen. 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. In 2023, nearly 25% of our personnel worked in innovation, research, product development and engineering. We have dedicated teams working on developing these focus areas to 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 2023, our R&D expenditure was EUR 94 million.

### **Innovation is the key to creating new business**

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

In recognition of our innovation work, a group of Neste inventors was honored with the prestigious European Inventor Award 2023 in the industry category. The award was granted by the European Patent Office (EPO) for work on converting waste and residues into high-quality renewable solutions.

To further strengthen our global R&D and innovation capabilities, we established an Innovation Center in Singapore that has been operational since early 2023. The center focuses on research into raw materials and the pretreatment processes and drives collaboration with partners in the Asia-Pacific region. Neste's Technology Center in Porvoo, Finland continues to serve as a vital R&D facility focusing on the entire value chain, from raw materials to end products.



### **Neste Veturi program develops globally scalable sustainable solutions**

In the Neste Veturi program, we are developing sustainable, globally scalable solutions for fuels and chemicals from renewable and recycled raw materials. The program covers Neste's efforts to expand the raw material pool to lignocellulosic wastes and residues, microalgae, novel vegetable oils, plastic waste, CO<sub>2</sub> and renewable hydrogen. The development work is supported by the Finnish innovation funding organization Business Finland.

During 2023 the Veturi ecosystem was strengthened further. It has gathered over 100 Finnish companies, universities and research institutes together to jointly build

the future capabilities needed to establish new technologies, value chains and business in renewable and circular solutions.

One example of a successful joint Veturi project is the e-fuel research project that combined high-temperature electrolysis, carbon capture and hydrocarbon synthesis technologies to produce e-fuels in a demonstration environment at VTT Bioruukki Pilot Centre, Espoo, Finland. At the end of 2023, the project concluded with the successful testing of the e-fuel.

### **Several advancements in our key focus areas**

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. During 2023, the project proceeded to the commissioning phase.

Another of the company's renewable hydrogen projects focuses on investing in the production capacity of renewable hydrogen and reducing GHG emissions from hydrogen production at the Porvoo refinery in Finland. This project entered the basic engineering phase in 2023 and it is expected that investment decisions will be reached during 2024.

In November 2023, the Ministry of Economic Affairs and Employment in Finland granted Neste energy investment aid of EUR 1.96 million for heat recovery from hydrogen production. This complements the EUR 27.7 million grant Neste received from Business Finland for our renewable hydrogen project, which has the recognition of being an Important Project of Common European Interest (IPCEI).

Neste's PULSE (pretreatment and upgrading of liquefied plastic waste to scale up circular economy) project aims to build chemical recycling capacities at the Porvoo refinery in Finland. In June 2023, Neste made a final investment decision, and work began on upgrading of the facilities. Project PULSE is also funded by the EU Innovation Fund.

In 2023, Neste advanced the preparation of its algae pilot production facility in order to further strengthen the growth of its global raw material pool. The project is in the planning phase, with a final investment decision yet to be made.

### **Extensive collaboration network**

Innovation requires partnering and cooperation. Neste is already collaborating with a network of 37 leading universities and research institutes and continues to expand and intensify 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.

We have made minority investments in several technology companies: Circularise, a supply chain traceability and transparency startup; Alterra Energy, in relation to developing chemical recycling; and Sunfire GmbH, in relation to renewable hydrogen demonstration (project MultiPLHY). In 2023, we continued collaboration with all these companies.



## Our businesses

At Neste we create value for society by helping our customers reduce climate emissions and accelerate circularity. We develop sustainably produced lower-emission solutions for transportation, aviation and marine uses, as well as renewable and circular solutions for the chemical and plastics industries.

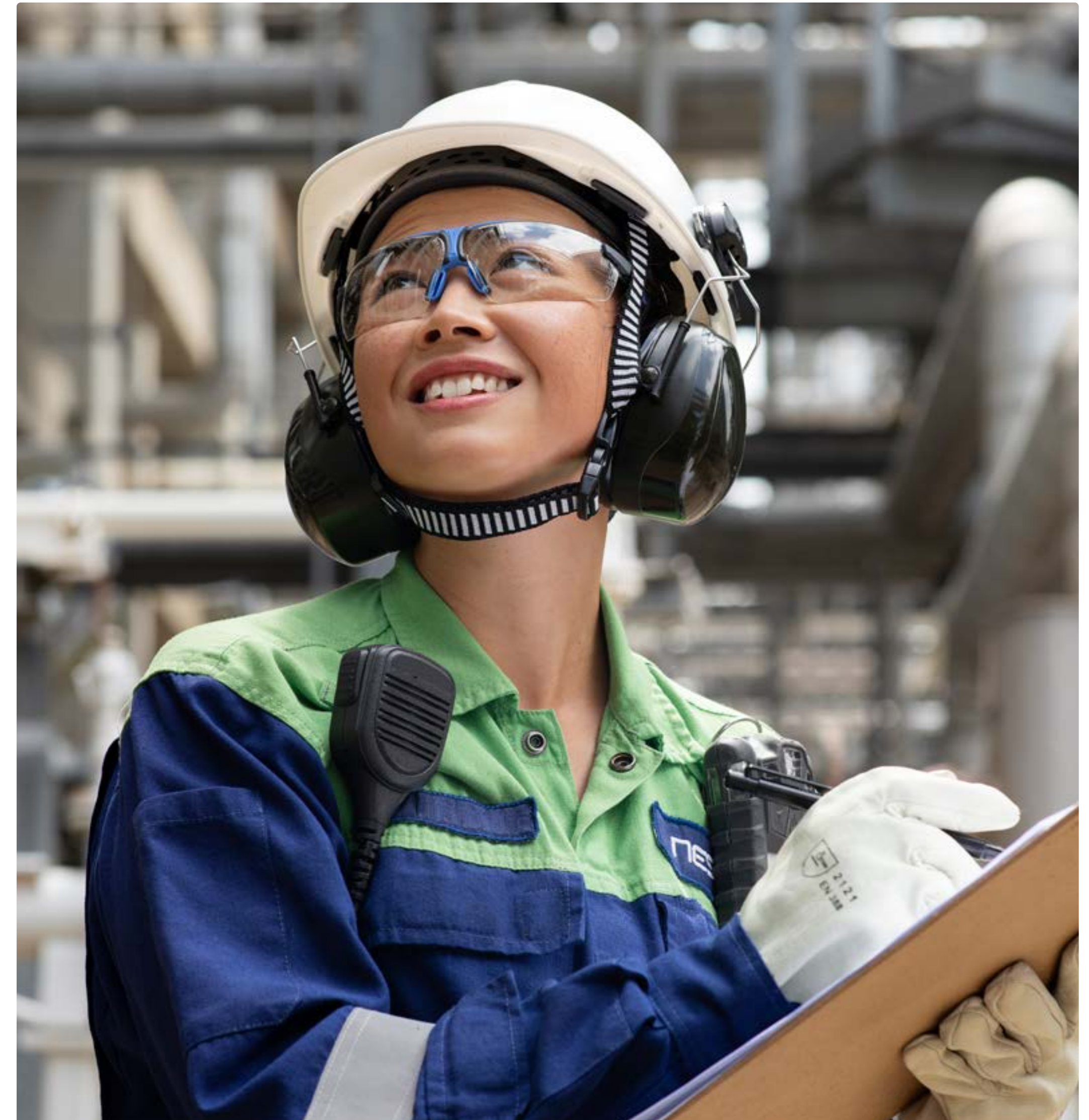
Neste is the world's leading producer of sustainable aviation fuel (SAF), renewable diesel and renewable feedstock solutions for the polymers and chemicals industry. Neste refines waste, residues, novel vegetable oils from regenerative agricultural practices and innovative raw materials into renewable fuels and renewable and recycled feedstock for polymers and chemicals. Neste develops chemical recycling technologies and capacity to combat the plastic waste challenge.



We produce renewable products at our refineries in Finland, the Netherlands and Singapore entirely from renewable raw materials with an annual nameplate capacity of approximately 3.3 million tons. Neste's Singapore refinery expansion and our joint operation with Marathon Petroleum in Martinez, California, will increase Neste's total production nameplate capacity of renewable products to 5.5 million tons in 2024. 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 annually by the end of 2026. This will help us meet the increasing global demand for lower-emission products.

Neste is also a technologically advanced refiner of high-quality oil products with a commitment to reach carbon neutral production by 2035. We are also introducing liquefied waste plastic and renewable raw materials at our oil refinery in Porvoo, Finland, with the ambition of making it the most sustainable refinery in Europe by 2030. A strategic roadmap to transition our Porvoo refinery to a leading renewable and circular solutions refining hub by mid-2030s was announced in December 2023.

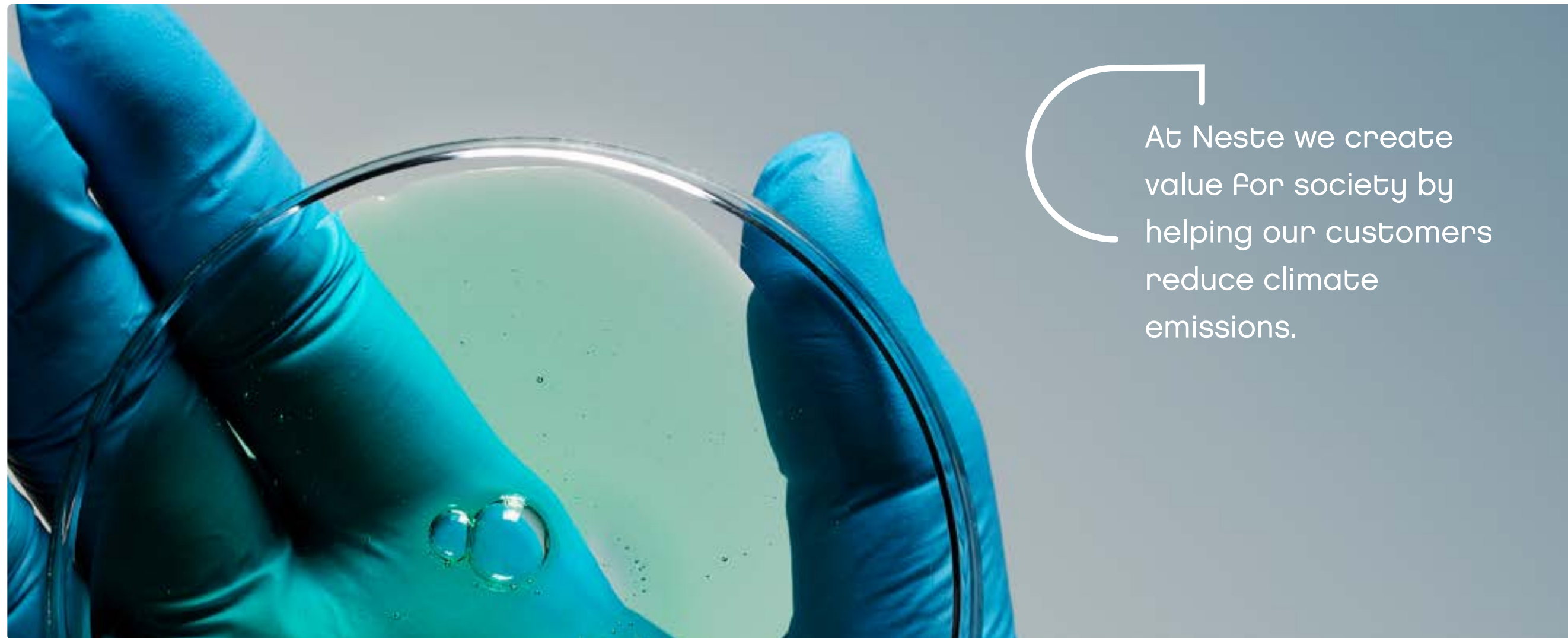
We invest heavily in researching, testing and deploying new raw materials and technologies. Our engineering arm, Engineering Solutions, delivers high-quality technology and engineering services for the group and its external customers.



<sup>1)</sup> Marketing & Services is led through an internal board and its EVP is not a member of the Executive Committee

In November 2023, Neste published plans to simplify its organizational structure and operational model to secure the execution of its growth strategy with improved cost-efficiency and long-term competitiveness. The aim is to strengthen accountabilities and efficient decision making. It is estimated that the planned organizational changes may lead to a reduction of approximately 400 roles globally. According to the plan, the new organization will be effective as of April 2024.





At Neste we create value for society by helping our customers reduce climate emissions.

### Renewable Products business unit

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

**Renewable Polymers and Chemicals** offers Neste RE™, a drop-in solution made with 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 than conventional fossil raw materials commonly used in polymers and chemicals production (Life Cycle Assessment on Environmental Impacts of Neste RE, June 2021). Neste RE can also be made from chemically recycled hard-to-recycle plastic waste. In a circular plastics value

chain, in which waste plastic is chemically recycled and the polymers are produced from recycled Neste RE, greenhouse gas emissions are reduced by at least 35% compared to the current scenario in which polymers are produced from virgin fossil raw materials and plastic waste is incinerated (Life Cycle Assessment on Environmental Impacts of Chemical Recycling of Waste Plastic – Case Neste, October 2022).

**Renewable Road Transportation** offers Neste MY Renewable Diesel™, enabling its customers to reduce their GHG emissions by as much as up to 75% or up to 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 it can be used in existing diesel vehicles and fuel infrastructures as such or in a fuel blend.

### Strengths

- High-quality renewable diesel, SAF, renewable and recycled feedstock for the polymers and chemicals industry, as well as other renewable products and solutions to significantly reduce greenhouse gas emissions and reliance on fossil-based alternatives;
- Chemical recycling technology helps combat plastic waste challenge and enable recycled content in demanding applications;
- Capability of establishing 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.
- An extensive global supply network for a wide variety of renewable raw materials with waste and residues accounting for 92% (95%) of Neste's renewable raw materials inputs globally in 2023;
- Capability of pretreating 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

### Nameplate capacity

Ca. 3.3 million tons of renewable products annually, increasing to 6.8 million tons by the end of 2026. Chemical recycling capacity development aims at processing annually over 1 million tons of plastic waste.

### Main market areas

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

### Customers

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

### Main demand factors

- Governments are increasingly introducing renewable energy requirements – or emission reduction targets – for the transportation sector. This is especially the case in the European Union, where for example SAF will be mandated;
- Regulators working on recycled content targets to promote circularity;
- Leading companies and brands wanting to reduce their own emissions and providing their 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 fuel use and increase in the use of products made from recycled materials. This is particularly related to the global plastic waste challenge.

### Market position

Neste is the world's leading producer of SAF, renewable diesel and a pioneer in producing renewable and recycled feedstock solutions for various polymers and chemicals industry uses. We are also developing chemical recycling to combat plastic waste challenge.

Neste MY Renewable Diesel is available in Finland at 187 stations and in the Baltics at 39 stations and is sold at more than 500 stations via channel partners in Sweden, Denmark, Belgium, the Netherlands, the US, Germany and France.

### Main competitors

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





### Oil Products business unit

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

Neste's refinery in Porvoo, Finland, is among the most efficient and versatile refineries in Europe and processes both crude oil and renewable raw materials into more than a hundred products to customers globally. Neste's ambition is to make the Porvoo refinery the most sustainable refinery in Europe by 2030. A strategic roadmap for transitioning our Porvoo refinery to a leading renewable and circular solutions refining hub by mid-2030s was announced in December 2023.

#### Strengths

- Extensive selection of high-quality fossil solutions;
- Increasing flexibility in processing challenging raw materials;
- Technologically advanced refinery enabling high-value product generation; and
- Capacity to scale-up new technologies and process innovative raw material.

#### Refining capacity

Ca. 10 million tons of crude oil refining capacity annually, producing ca. 12 million tons of products. Renewable and circular capacity potential 2 to 4 million tons.

#### Main market areas

Baltic Sea area, Europe and in Americas.

#### Customers

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

#### Main demand factors

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

#### Market position

Strong position in the Baltic Sea area wholesale markets.

#### Main competitors

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



## Marketing & Services business unit

Marketing & Services offers sustainable, lower-emission and digital solutions for the needs of consumers, companies and partners in Finland, and in the Baltic countries. In addition to Neste MY Renewable Diesel used for transport, heavy machinery, agriculture and heating purposes, Neste MY Sustainable Aviation Fuel, Neste's electric vehicle charging solutions and emission calculation and reporting solution Neste MY Carbon Footprint™ service, create value for customers. We seek to develop a diverse range of services aiming to provide the best customer experience.

### Strengths

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

### Main market areas

Finland, Estonia, Latvia and Lithuania. Station network consists of 722 stations in Finland and 226 stations in the Baltic countries. In Finland, Neste MY Renewable Diesel is available at 187 stations and in the Baltics at 39 stations. Publicly available electric vehicle high-power charging, Neste MY Renewable Charging, is available at 13 stations across Finland and the Baltics.

### Main demand factors

- Legislation requiring more sustainable energy solutions;
- Developments in traffic and transportation volumes; and
- Customers' growing expectations of services and more sustainable solutions.

### Market position

Neste holds the leading market position in Finland. In addition, Neste is among the leading operators in Estonia, Latvia and Lithuania.

### Main competitors

Other large retailers in Finland and the Baltic countries.

### Customers

Private customers, transportation services, aviation industry, shipping, industrial and agricultural sectors, etc.



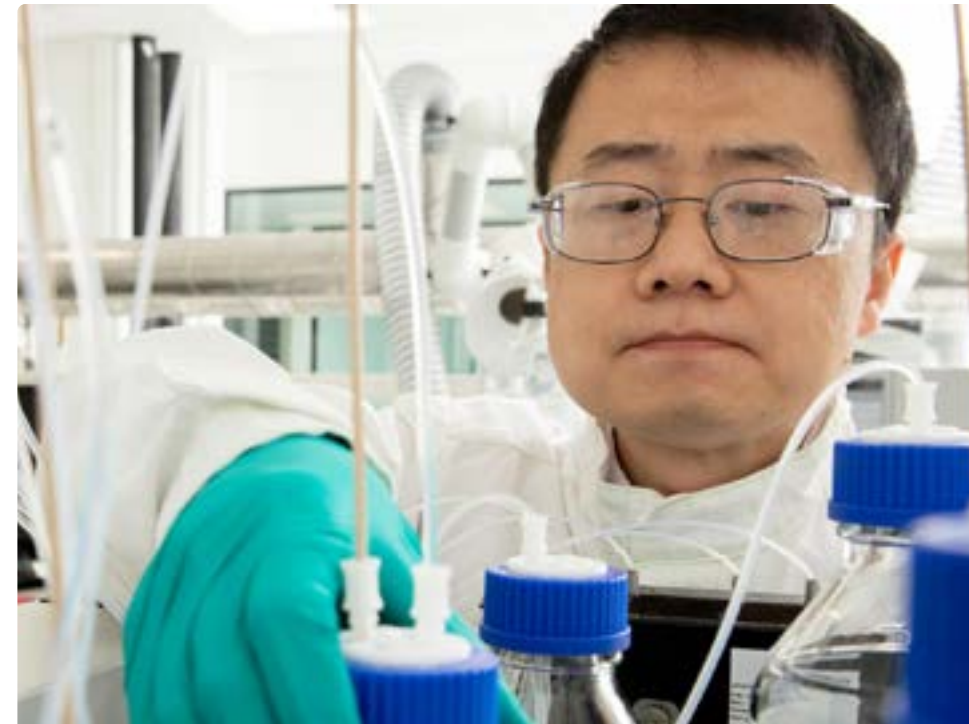


## Key events 2023



### Transformation in Porvoo refinery progresses

Neste's crude oil refinery in Finland is to be gradually transformed into a leading renewable and circular solutions refining hub. The decision was made after the completion of a [strategic study](#) launched in September 2022. The planned transformation will proceed in phases and require multiple separate investment decisions before targeted completion in the mid-2030s.



### Neste decided to invest in a liquefied waste plastic upgrading unit at its Porvoo refinery

Neste [commenced](#) the construction of upgrading facilities for liquefied plastic waste at its Porvoo refinery in Finland. With an investment of EUR 111 million, Neste will build the capacity to upgrade 150,000 tons of liquefied waste plastic per year. The investment is part of a broader project ([PULSE](#)), which has received an EU Innovation Fund grant of EUR 135 million if fully implemented, and is targeting a total capacity of 400,000 tons per year.

### Neste plans to simplify its organizational structure

In November 2023, Neste [announced](#) its aim to simplify its organizational structure and operational model to secure the execution of its growth strategy with improved cost-efficiency and to strengthen long-term competitiveness.

### Industrial hydrogen valley in Finland

Neste partnered with other leading energy companies to explore the development of an [industrial hydrogen valley](#) in Finland. This joint effort aims to advance Finland toward becoming a leading hydrogen economy in Europe.



### The opening of the Singapore refinery expansion and Innovation Center

Neste celebrated the EUR 1.6 billion Singapore [Expansion project's](#) successful completion, doubling its production capacity in Singapore, including the capability of producing up to one million tons of sustainable aviation fuel (SAF), solidifying Neste's position as a global SAF leader. We maintained our focus on innovation and established an [Innovation Center](#) in Singapore to enhance global innovation and research efforts.



### Neste selected for the initial target validation group for science-based targets for nature

Neste was [selected](#) for the initial target validation group for science-based targets (SBTs) for nature by the Science Based Targets Network (SBTN), which aims to set the global standard for ambitious and measurable corporate action on nature. Globally, only 17 companies were invited to the target validation group to pilot a global framework for setting such targets.

### Neste recognized as a Leader in Global Child Forum's benchmark

Neste was [recognized](#) as a Leader in Global Child Forum's global children's rights and business benchmark, The State of Children's Rights and Business 2023.



## Key events 2023



### Neste increased the amount of waste plastic processed

In its efforts to scale up chemical recycling, Neste successfully **concluded** another series of industrial-scale processing runs with increasing volumes of liquefied waste plastic at its refinery in Porvoo, Finland. The processing runs in the second half of 2023 doubled the total amount of liquefied waste plastic processed by Neste to more than 6,000 tons.



### Acquisition of UCO business from Crimson Renewable Energy

During 2023, Neste continued to strengthen its sourcing capabilities through acquisitions and expanding to new markets to ensure the availability of renewable raw materials. Neste completed its **acquisition** of the used cooking oil (UCO) collection and aggregation business and related assets, including shares in SeQuential Environmental Services, LLC, and Pure, LLC, as well as a UCO processing plant in Salem, Oregon.

### European Inventor Award 2023

Neste's inventors won the **European Inventor Award 2023** in the Industry category for their work on converting waste and residues into high-quality renewable solutions. The European Patent Office granted the award, recognizing Neste's inventors' contribution to innovative technologies.



### Neste expanded its raw materials and renewable fuels supply capabilities

Neste expanded its capability of supplying renewable fuels to customers in the US in cooperation with **Vopak**. Neste commissioned terminal capacity at Vopak's Los Angeles terminal in California for storing Neste MY Sustainable Aviation Fuel (SAF) and Neste MY Renewable Diesel. In 2023, the Neste Terminal Rotterdam expansion project was also completed, more than doubling the raw material storage capacity at the site in Vlaardingen, the Netherlands. In addition, Neste **established** an integrated SAF supply chain to Singapore Changi Airport.



### Neste's ownership in Neste Demeter increases

Neste **acquired** a further 29% of the shares of Neste Demeter B.V., a trader of animal fats and proteins, increasing Neste's ownership to 80% of the company. Neste also agreed to acquire the remaining shares of the company over the next few years.



### Green hydrogen project in Porvoo proceeded

Neste's project to produce green hydrogen for the refinery's processes at the Porvoo refinery proceeded to the **basic engineering phase**. The Finnish Ministry of Economic Affairs and Employment granted Neste energy investment aid of EUR 1.96 million for heat recovery from green hydrogen production.



### Partnering actively for a more sustainable aviation industry

In 2023, Neste expanded its supply of SAF to airlines, cargo carriers, airports and manufacturers across the globe, such as **United Airlines, Emirates, Ryanair, Air Canada, Brussels Airlines, Wizz Air, Boeing, Finnair, Viva Aerobus, Cargolux, Västflyg airline, Thai Airways, All Nippon Airways and Japan Airways** in cooperation with partners such as **ITOCHU** and Fuji Oil and **World Fuel Services**.

Neste enabled the first **single engine helicopter flight** with 100% SAF and **Australia's** first helicopter flight using SAF in collaboration with Airbus, Safran and Microflite.



## Key events 2023

### Reducing greenhouse gas emissions with partners

We were able to expand our supply of Neste MY Renewable Diesel™ to existing and new partners in the road transportation sector, mining, steel mills and railroads, as well as to new markets. We continued and started partnerships with several global companies such as [Deutsche Bahn](#), [ITOCHU](#), [Outokumpu](#), [Rio Tinto](#) and [Cologne Bonn Airport](#) to help them and their customers reduce greenhouse gas emissions.

Neste MY Renewable Diesel is available to customers in Finland, Sweden, the Netherlands, Belgium, Germany, Estonia, Latvia, Lithuania, Denmark and in California and Oregon in the US.



### Neste, ISCC and DHL Group: increasing traceability along the value chain

[Neste](#), [ISCC](#) and [DHL Group](#) joined forces to pioneer and test a system through which airlines, logistics service providers and end customers such as corporates can credibly report the emission reduction achieved by using SAF to reduce their carbon footprint from air travel and transportation.

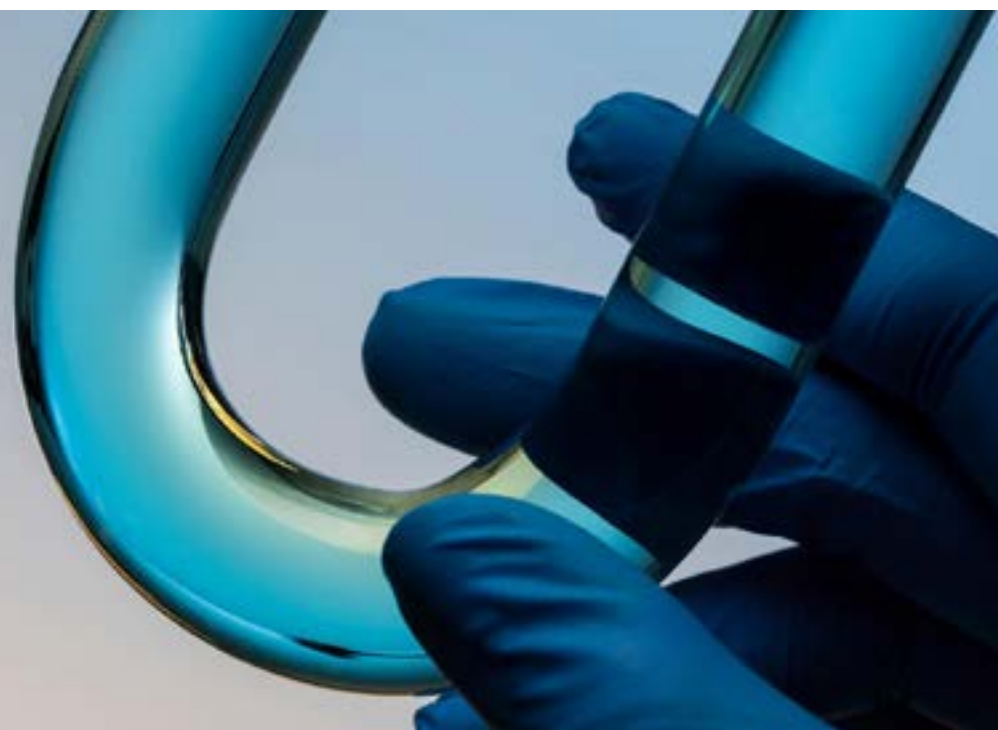


### Reducing greenhouse gas emissions of renewable diesel marine transportations

Since May 2023, two tankers transporting Neste's renewable diesel from Finland to Sweden have been fueled with **lower-emission marine fuel**. Neste Marine™ 0.1 co-processed fuel supports the International Maritime Organization's ambitious targets for the maritime sector to reduce its emissions to combat climate change.

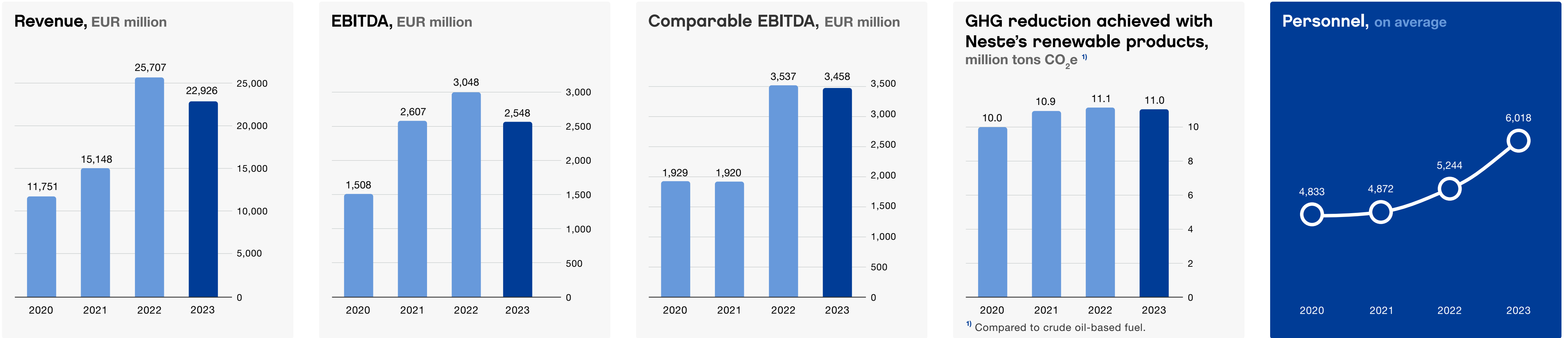
### Expanded Neste RE™ supply to new partners

We continued to collaborate with industry pioneers to tackle the global plastics challenge and to replace fossil feedstocks with more sustainable ones in the production of polymers and chemicals. In cooperation with various partners, including [Mitsui Chemicals Group](#), [Eppendorf](#), [Uponor](#) and [Suntory, ENEOS and Mitsubishi Corporation](#), we paved the way for new plastic products to be made with our renewable and recycled Neste RE. Neste and [ILLIG](#) entered into a strategic partnership to advance the use of more sustainable solutions in the production of thermoformed plastic packaging.



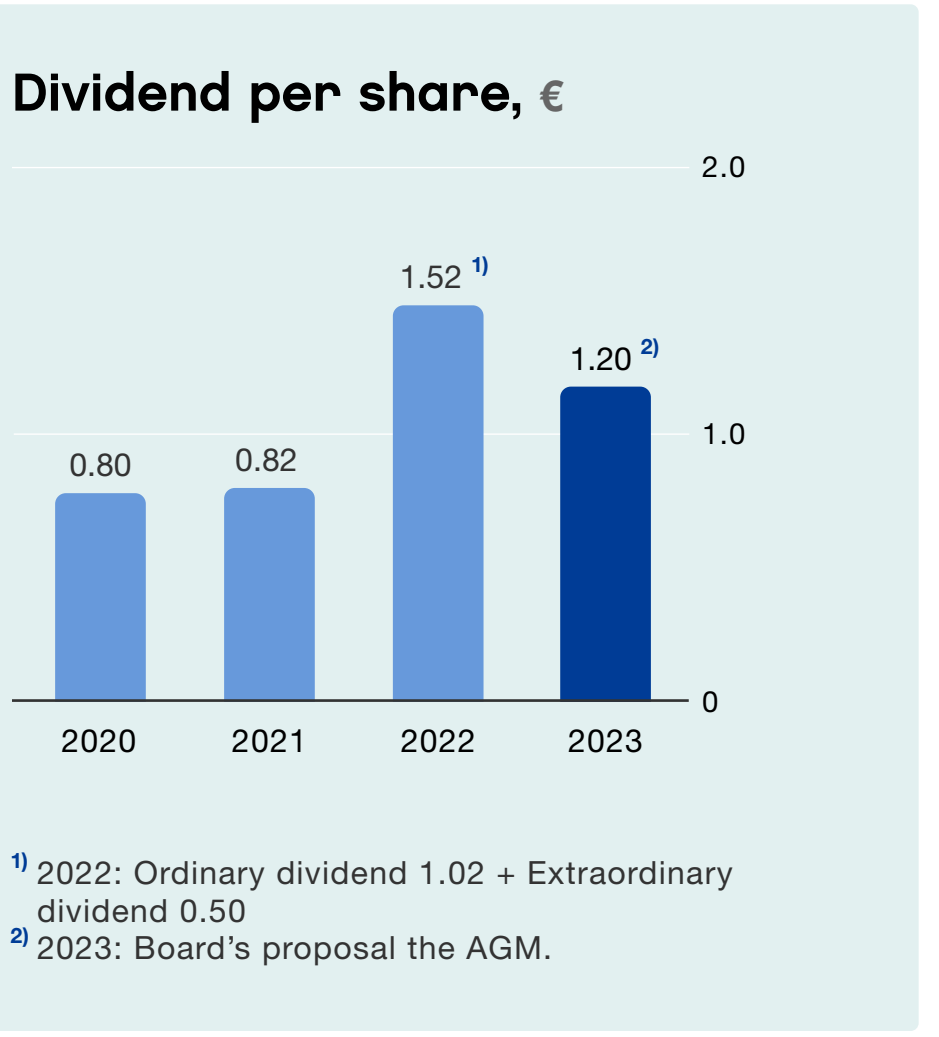
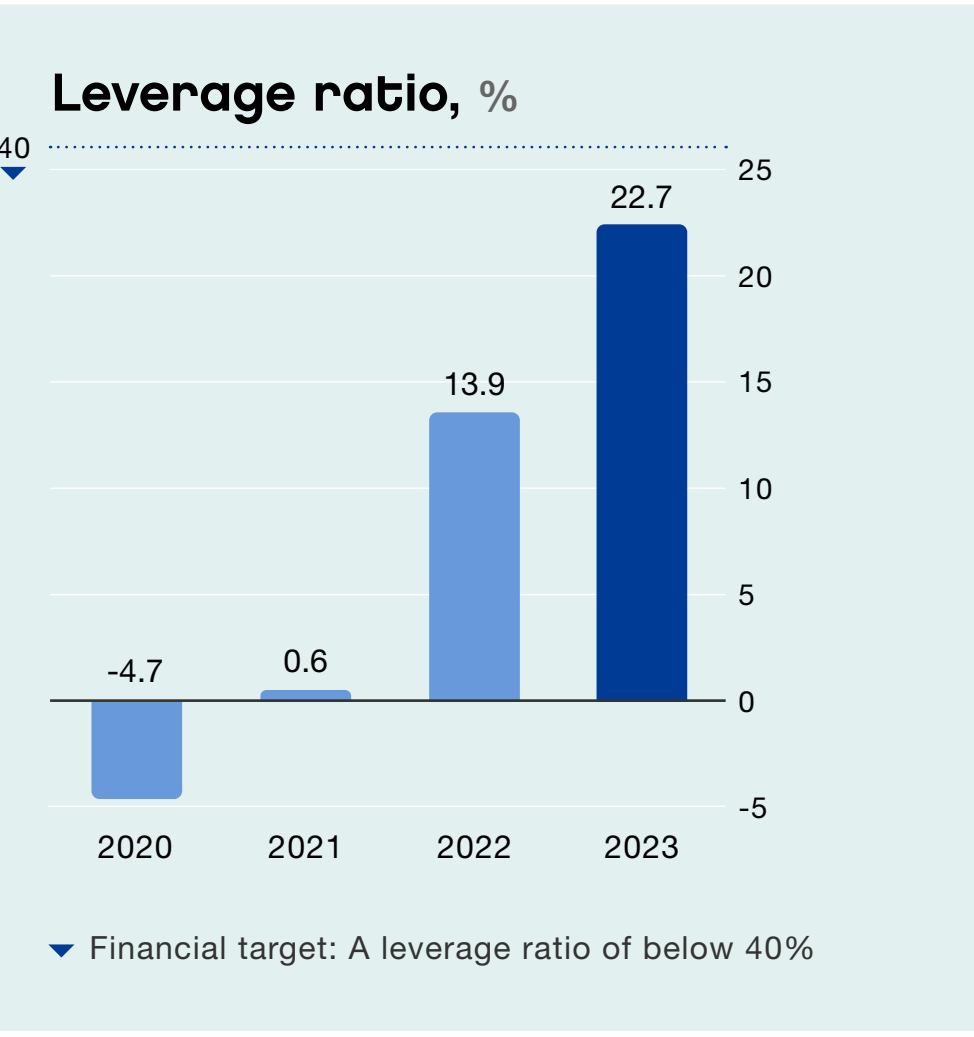
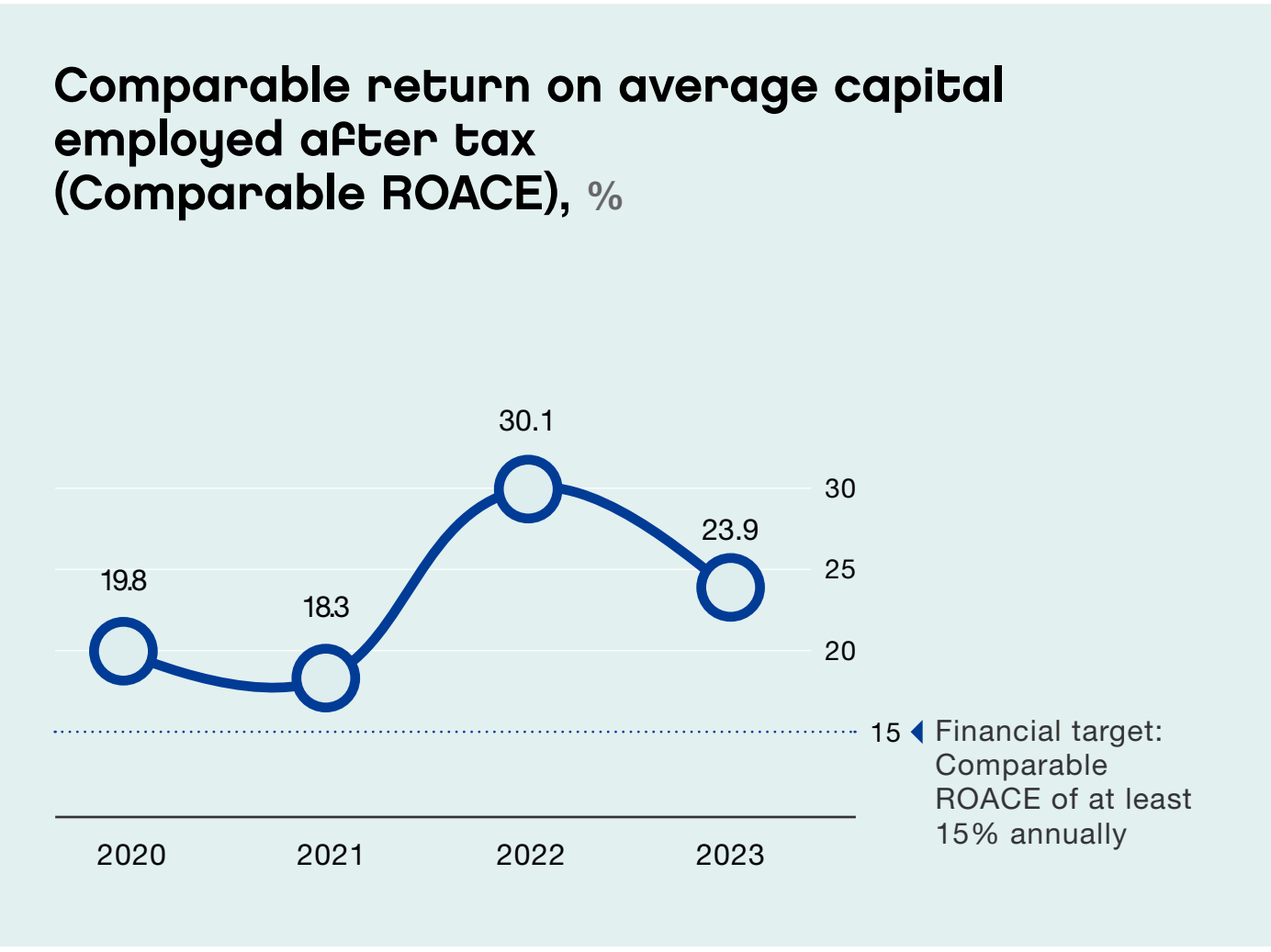


## Key Figures 2023



### Financial targets

**Our dividend policy is to pay a competitive and over time growing dividend.**





## Key Figures 2023

	2023	2022	Change,%
<b>Income statement</b>			
Revenue, MEUR	22,926	25,707	-11%
EBITDA, MEUR	2,548	3,048	-16%
Operating profit, MEUR	1,682	2,410	-30%
Profit before income taxes, MEUR	1,596	2,279	-30%
Profit for the period, MEUR	1,436	1,891	-24%
Comparable EBITDA, MEUR	3,458	3,537	-2%
Comparable net profit, MEUR	2,216	2,336	-5%
<b>Profitability, %</b>			
Return on equity (ROE), %	17.9	25.1	-29%
Comparable return on average capital employed after tax (Comparable ROACE), %	23.9	30.1	-21%
<b>Financing and financial position</b>			
Total equity, MEUR	8,463	8,327	2%
Interest-bearing net debt, MEUR	2,488	1,344	85%
Leverage ratio, %	22.7	13.9	63%
Equity-to-assets ratio, %	53.1	56.3	-6%
Net Debt to EBITDA, %	1.0	0.4	150%
Net cash generated from operating activities, MEUR	2,279	1,197	90%
<b>Other indicators</b>			
Capital employed, MEUR	12,532	10,942	15%
Net working capital in days outstanding	41.0	35.4	16%
Capital expenditure and investment in shares, MEUR	2,351	2,218	6%
Research and development expenditure, MEUR	94	85	11%
Average number of personnel	6,018	5,244	15%
Total Recordable Injury Frequency per million hours worked (TRIF)	2.3	2.0	15%
Process Safety Event Rate (PSER)	1.2	1.4	-14%

	2023	2022	Change,%
<b>Share-related indicators</b>			
Earnings per share (EPS), EUR	1.87	2.46	-24%
Comparable earnings per share, EUR	2.88	3.04	-5%
Equity per share, EUR	11.02	10.83	2%
Cash flow per share, EUR	2.97	1.56	90%
Price/earnings ratio (P/E)	17.26	17.50	-1%
Dividend per share, EUR	1.20 <sup>1)</sup>	1.52	-21%
Dividend payout ratio, %	64.3 <sup>1)</sup>	61.8	4%
Dividend yield, %	3.7 <sup>1)</sup>	3.5	6%
Dividend per comparable earnings per share, %	41.6	50.0	-17%
Share price at the end of the period, EUR	32.21	43.02	-25%
Average share price, EUR	37.66	42.26	-11%
Lowest share price, EUR	28.55	30.81	-7%
Highest share price, EUR	48.50	52.18	-7%
Market capitalization at the end of the period, MEUR	24,776	33,091	-25%

<sup>1)</sup> Board of Directors proposal to the Annual General Meeting.

	2023	2022	Change,%
<b>GHG indicators</b>			
Reduced GHG emissions by Neste customers with Neste's products (compared to fossil fuel) in MtCO <sub>2</sub> e <sup>1)</sup>	11.0	11.1	2%
Neste's absolute GHG emissions in scope 1 and 2 (production) (tCO <sub>2</sub> e) <sup>2)</sup>	2.8	2.5	6%
Use phase emission intensity of sold fuel products (gCO <sub>2</sub> e/MJ) <sup>3)</sup>	58	57	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 148,094 (118,906) shareholders at the end of 2023.

## Annual General meeting

Neste Corporation's Annual General Meeting will be held on Wednesday 27 March 2024 at 10 a.m. EET in the Conference Centre of Helsinki Expo and Convention Centre, at Rautatieläisenkatu 3, 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 4.00 p.m. EET on 19 March 2024 at the latest.

- Via Neste Corporation's website [www.neste.com](http://www.neste.com), by following the instructions detailed therein, or
- By phone, at +358 (0)20 770 6862 (Monday-Friday, 9.00 am - 4.00 pm EET), or
- By letter, addressed to Neste Corporation, Annual General Meeting, POB 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 4.00 pm EET on 19 March 2024 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 1.20 per share be paid on the basis of the approved balance sheet for 2023. The dividend shall be paid in two installments.

## Interim reports in 2024

Neste Corporation will publish financial reports in 2024 as follows:

- Interim Report January–March 2024: 25 April 2024
- Half Year Financial Report January–June 2024: 25 July 2024
- Interim Report January–September 2024: 24 October 2024

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

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## Dividend payment in 2024

**15 March 2024:**  
AGM record date.

**2 April 2024:**  
Dividend payment record date for the first installment.

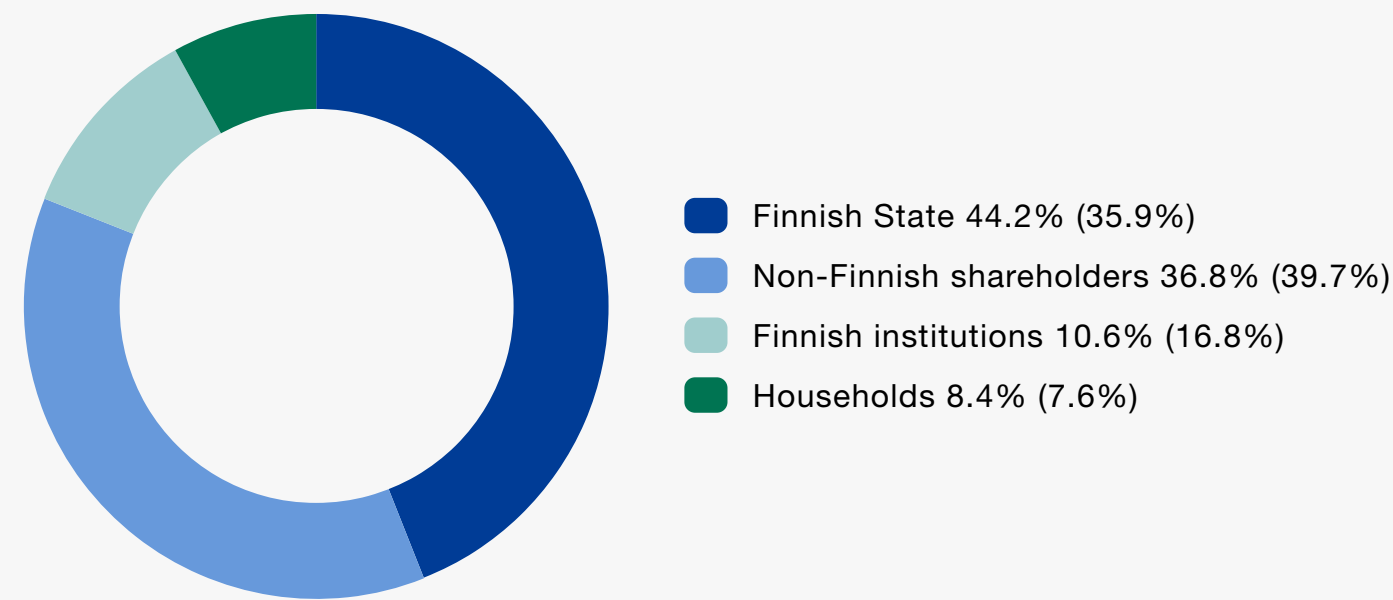
**9 April 2024:**  
Dividend payable for the first installment.

**2 October 2024:**  
Dividend payment record date for the second installment.

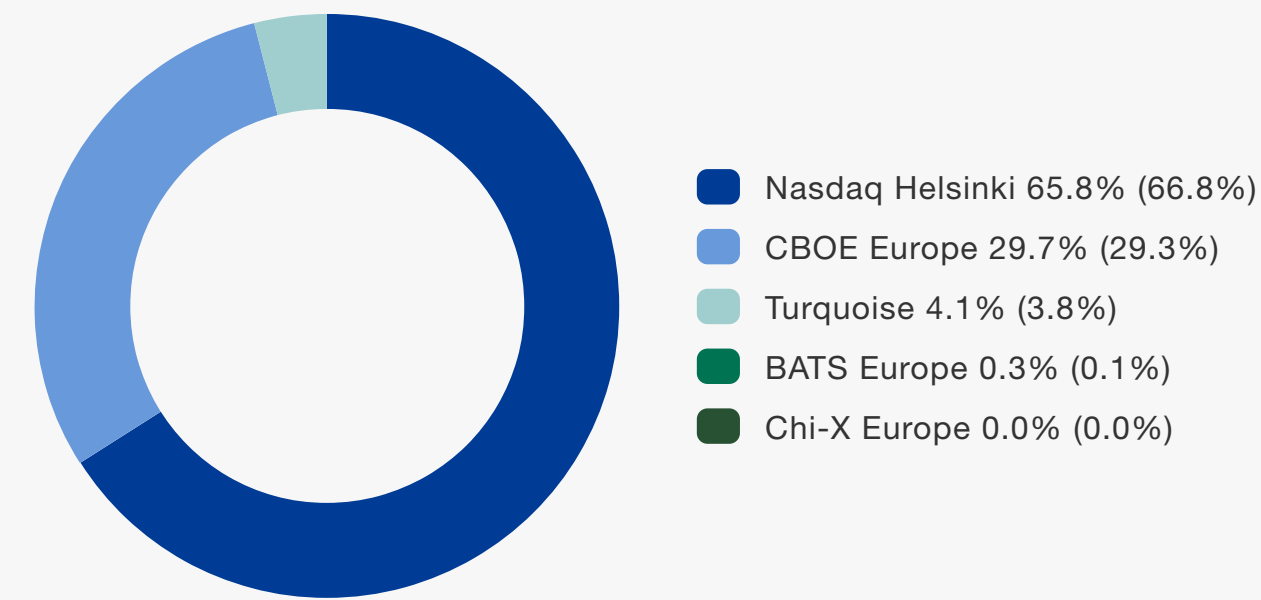
**9 October 2024:**  
Dividend payable for the second installment.



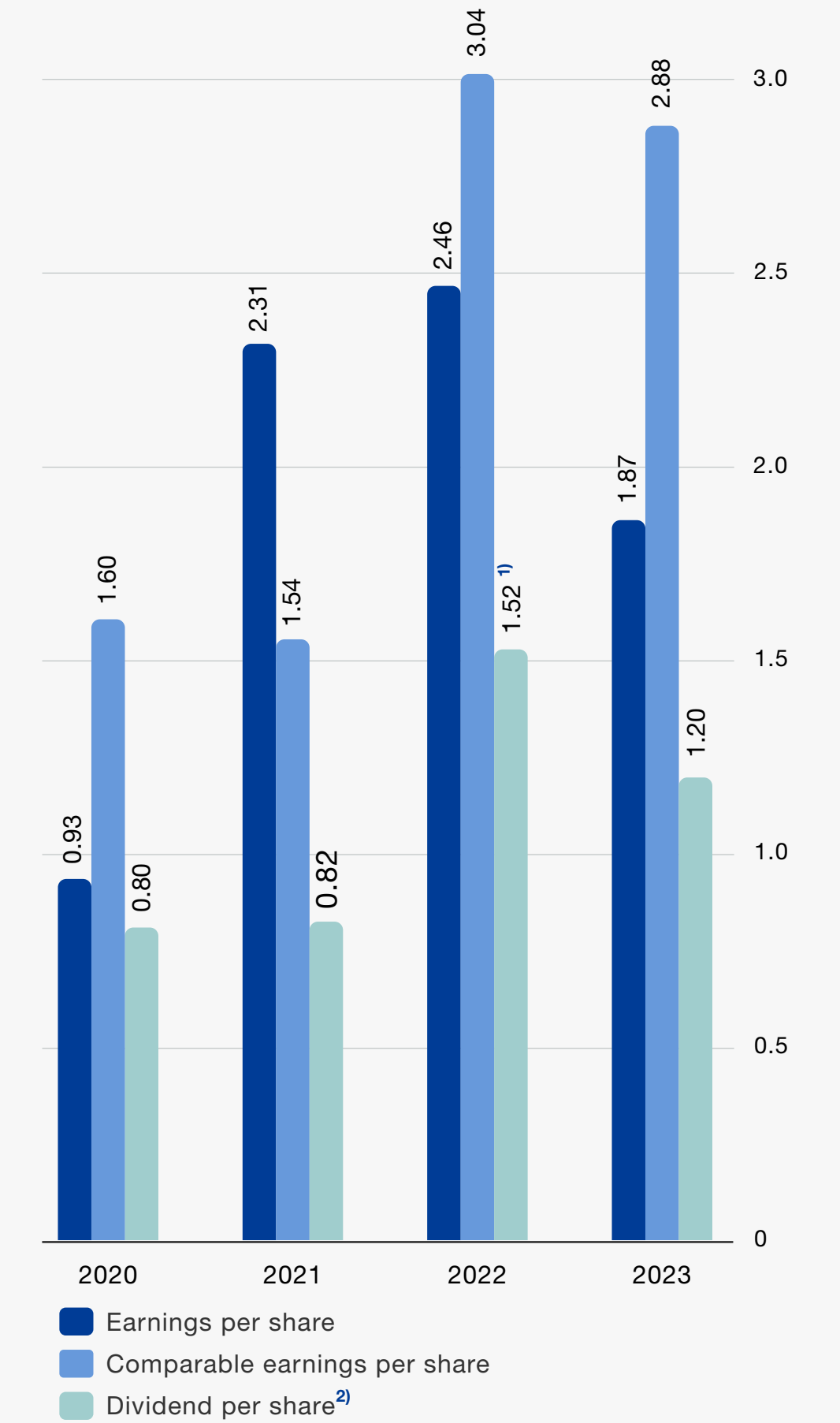
Shareholder structure on 31 December 2023, %



Neste share's trading volumes in 2023, %



Earnings per share and dividend per share, EUR



<sup>1)</sup> 2022: Ordinary dividend 1.02 + Extraordinary dividend 0.50  
<sup>2)</sup> 2023: Board's proposal the AGM.

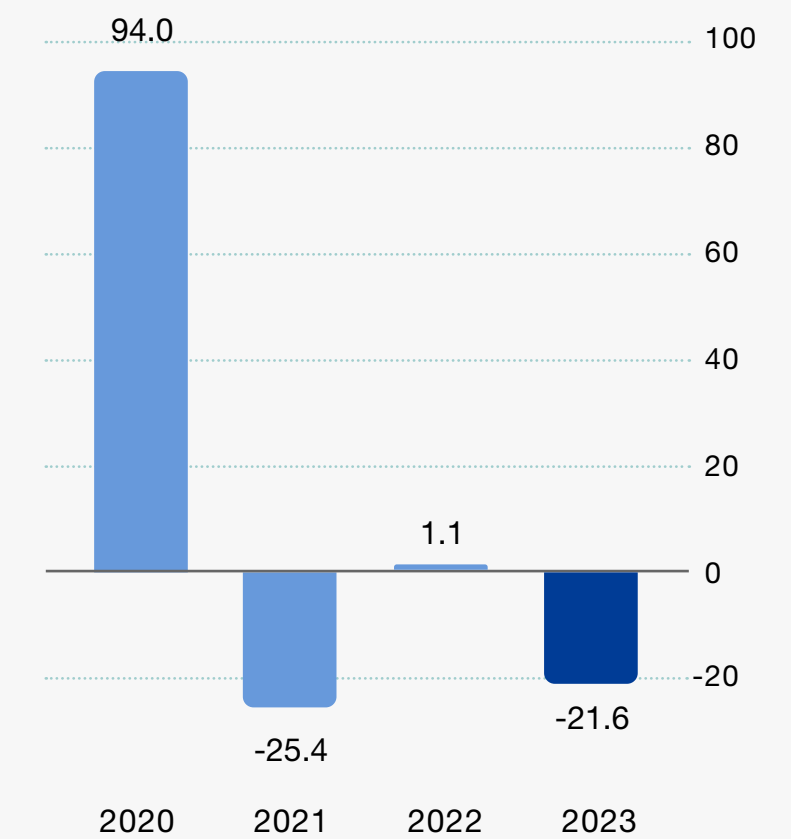
Shareholders' total return, indexed



Neste's share performance 2019–2023, EUR



Total shareholder return, %





NESTE

Annual Report 2023

# Sustainability







# Sustainability

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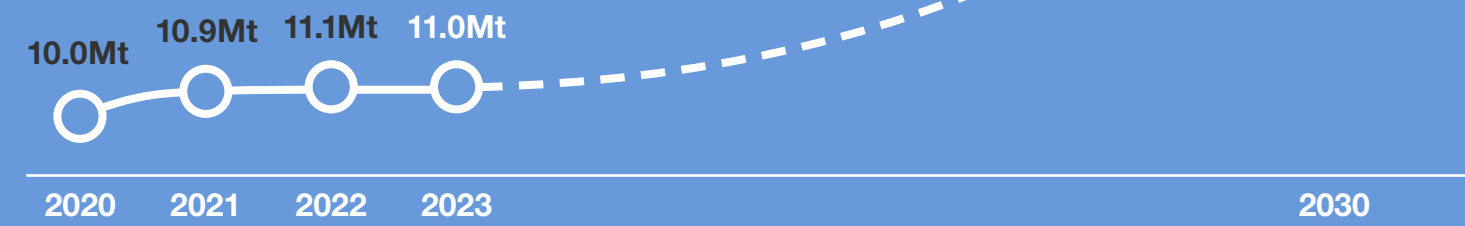
# Sustainability highlights 2023

## OUR SUSTAINABILITY VISION

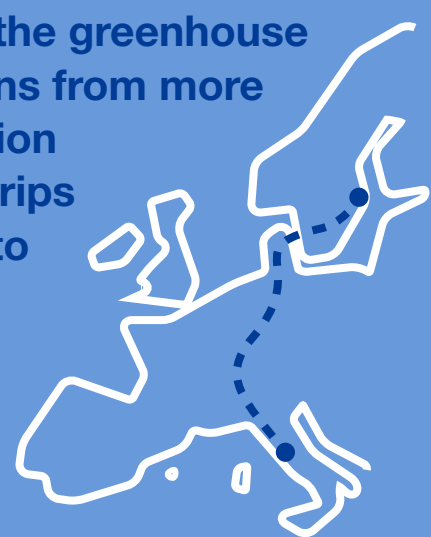


The amount of greenhouse gas emissions our customers reduced with our renewable products in 2023\*

**11.0Mt**



Equaling to the greenhouse gas emissions from more than 4.3 million road cargo trips from Rome to Stockholm



or from more than 22,000 full aircraft round trips from Amsterdam to San Francisco.

\* See calculation principles on page 115



Neste selected for the initial target validation group for science-based targets for nature (SBTN).

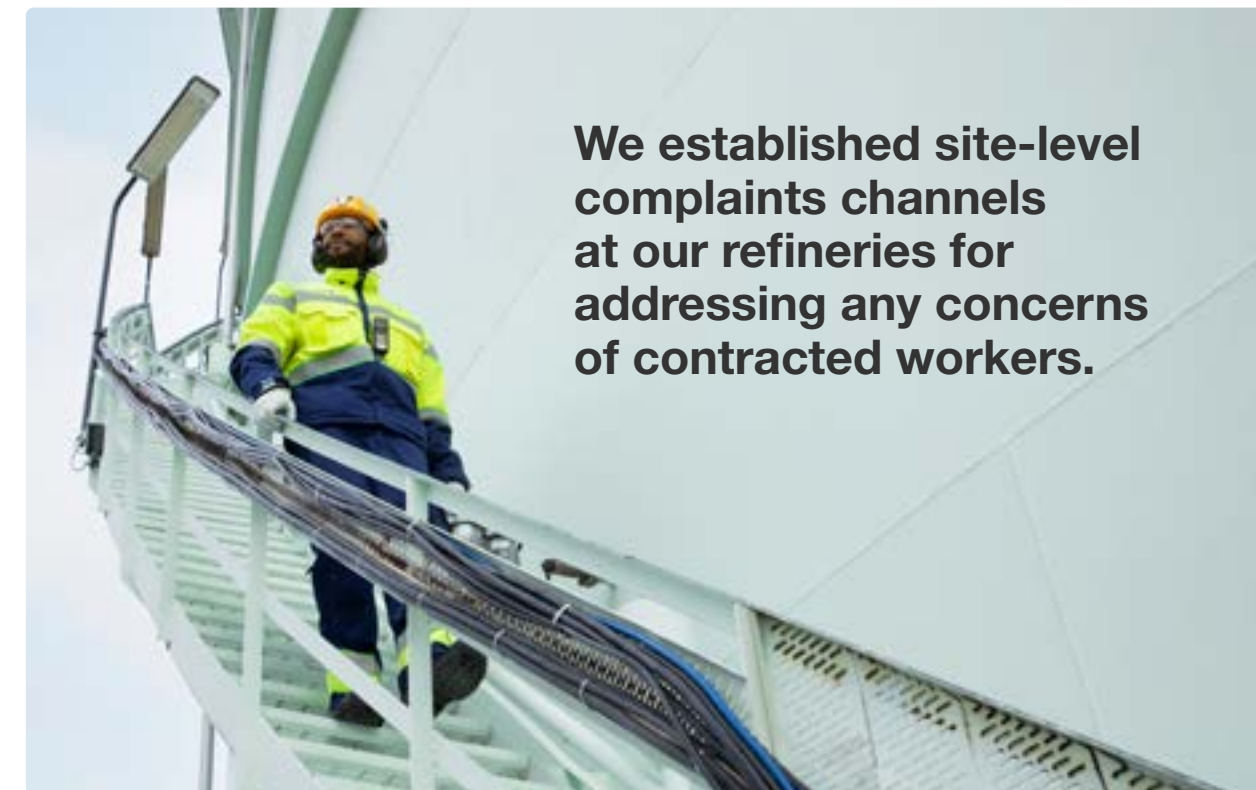


We conducted

**215**



anonymous worker voice surveys to engage with supply chain workers on their employment and living standards.



We established site-level complaints channels at our refineries for addressing any concerns of contracted workers.



**100%**

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



We conducted a total of 154 sustainability audits on our raw material suppliers, sub-suppliers, terminals and contractors.

**3.3Mt**

annual renewables production capacity by the end of 2023.



**278**

safe days

We reduced our refinery inputs of conventional palm oil to

**zero**

at the end of 2023.



## Sustainability at Neste

Sustainability is at the core of our strategy enabling our growth and purpose: Creating a healthier planet for our children.

As the world's leading producer of sustainable aviation fuel, renewable diesel and renewable feedstock solutions for various polymers and chemicals industry uses, Neste is driving the transition to renewable and circular solutions. We provide our customers and partners with low-emission solutions to the world's most pressing sustainability challenges. Our renewable and circular solutions are our contribution to keeping societies running more sustainably and helping to reduce the dependency on virgin fossil raw materials.

We refine waste, residues and other innovative raw materials into renewable fuels and more sustainable feedstocks for plastics and other materials. Our work is guided by the Neste sustainability vision, in which we have set ourselves aspirational targets for climate,

biodiversity, human rights, as well as our supply chain and raw materials – issues that are all increasingly interlinked. Together with our partners, we are aiming for a carbon neutral and nature positive value chain by 2040.

With our ambitious sustainability commitments and solutions, available already today, we are committed to limiting global warming to 1.5°C and meeting the objectives of the Paris Agreement.



### 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 working to tackle the global climate challenge and ecosystem decline, we also acknowledge our social and economic role regionally and locally.





We have an impact on people and the 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, in line with the UN Sustainable Development Goals.

### Progress in 2023

In 2023, we continued to take concrete actions throughout our value chain and with our wide range of stakeholders. We strive to ensure that our performance meets and exceeds expectations.

### Our sustainability vision

		Targets			
 <p><b>Climate</b> We lead transformation towards a carbon neutral value chain by 2040.</p>	<p>Reduce our customers' greenhouse gas emissions by at least 20 million tons annually by 2030 with our renewable and circular solutions.</p>	<p>Reduce emissions in our own production (scopes 1 &amp; 2) by 50% by 2030 compared to 2019 level, and reach carbon neutral production by 2035.</p>	<p>Reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels.</p>	<p>Work with our suppliers and partners to reduce emissions across the entire value chain (scope 3).</p>	
 <p><b>Biodiversity</b> Our vision is to drive a positive impact on biodiversity and achieve a nature positive value chain by 2040.</p>	<p>Aim at creating net positive impacts (NPI) for biodiversity from new own activities from 2025 onwards.</p>	<p>Target no net loss (NNL) of biodiversity from all ongoing own activities by 2035.</p>			
 <p><b>Human rights</b> We strive to create a more equitable and inclusive value chain by 2030 in which everyone works with dignity.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Reduce inequalities across the value chain and address the root causes of systemic human rights issues by 2030.</p>	
 <p><b>Supply chain &amp; raw materials</b> We drive safe and healthy workplace, fair labor practices and increased sustainability commitment across the supply chain.</p>	<p>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.</p>	<p>Include human rights, biodiversity and climate targets as key criteria for suppliers as we drive diversification and increased availability of sustainable raw materials.</p>			



## Sustainability governance

Neste's sustainability work 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 related to material corporate sustainability topics are developed and implemented as part of our strategy. The relevant business units and functions reserve the required resources within their scope to implement the actions commonly agreed in the Executive Committee. The Vice President, Sustainability leads a dedicated global Sustainability function.





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

At corporate level, sustainability is steered by a cross-functional Sustainability Leadership Team and chaired by the VP, Sustainability. The Sustainability Leadership Team has members from different teams and functions, e.g., Climate Change and Circular Economy, Supply Chain Sustainability, Human Rights, Sustainability Reporting and Engagement, HSSEQ, Innovation, and Communications. The Sustainability Leadership Team meets monthly and prepares the sustainability priorities and proposals to be taken to the Executive Committee by the EVP, Renewables Supply Chain and Sustainability, with the relevant sustainability experts. The Executive Vice President is a member of the Neste Executive Committee and reports directly to the CEO.

The sustainability vision is part of the Neste strategy. It undergoes the same Neste 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 competences on sustainability-related issues.



### Sustainability risk management

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.

Our operations are associated with several sustainability-related risks. We aim to identify any threats and proactively prevent them. The most important risk issues are evaluated as part of the strategic planning and performance management cycle. The risk management team monitors the level of risks and ensures that the risks are

identified and mitigated appropriately by Neste's business units, functions and country units. We report on our most significant sustainability-related risks in our Annual Report and its Review by the Board of Directors. 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 EVP, Renewables Supply Chain and Sustainability.



# Compliance

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

Nestle's [Code of Conduct](#) sets the framework for our company's global business operations and establishes the ethical practices to guide every Nestle 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, and 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 the Nestle compliance program. We regularly communicate internally on compliance-related topics and train our employees through both e-learning courses and in-person training.

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 2023, we revised our Anti-Money Laundering and Counter Terrorism Financing Standard and re-issued the related anti-money laundering e-learning. The e-learning course was assigned to targeted employees, and it achieved a completion rate of 94%. We also revised our competition law e-learning course and relaunched it for the targeted group at the end of 2023. The Code of Conduct e-learning course

issued in 2021 is part of the new employee onboarding, and we further conducted targeted Code of Conduct workshops in 2023.

Furthermore, we raised awareness and fostered open communication to encourage employees to speak up. We also revised our internal Misconduct Investigation Standard to align with the Whistleblower Directive and relevant applicable laws.

Nestle's Compliance Function regularly issues newsletters addressing various compliance topics and, in 2023, we also launched an internal news channel for such topics. Throughout the year, the newsletters covered subjects such as speaking up, anti-money laundering, privacy, conflict of interest, competition law, and gifts and hospitality.

Nestle also has an Anti-Corruption Principle that provides more detailed guidance on responsible business practices and the prevention of corruption. More information about Nestle's grievance process, including the related Misconduct Investigation Standard, is available in the Corporate Governance Statement and in the Report of the Board of Directors.

Nestle's compliance program and function is described in more detail as part of Nestle's Corporate Governance Statement and in the Report of the Board of Directors.





## Material sustainability topics

Understanding the views and expectations of our stakeholders is crucial for executing our sustainability vision and strategy.

To identify what topics we should particularly focus on in our sustainability efforts, we have conducted a GRI-based materiality assessment once every two years and engaged our key stakeholders in the process. Neste's previous materiality assessment was conducted in 2022 following the double materiality approach, which considers impact 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. Our materiality assessment process is built on four stages: identification, evaluation, prioritization and the integration of the most material sustainability topics.

**Identify**  
the sustainability issues significant for Neste's business and stakeholders.

**Prioritize**  
the sustainability topics based on the importance for stakeholders and Neste's business.



**Evaluate**  
the potential sustainability impacts, key risks and opportunities.

**Integrate**  
the material sustainability topics into Neste's sustainability work.



### Materiality assessment

The material topics reflect Neste’s business operations, as well as strategic ambitions in combating climate change and creating a healthier planet for our children. The material topics represent various 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.

In 2022, we updated our material topics to adjust for the impacts of immediate or future trends. These can be trends that influence the environmental, social or corporate governance (ESG) dimensions of sustainable development. In the materiality assessment, we utilized industry-specific aspects, external trends, stakeholder interviews, sustainability frameworks and standards, regulatory requirements, and Neste’s strategy and sustainability vision.

Material topics were refined by identifying ESG aspects relevant to our business and stakeholders. The topics were then evaluated based on actual and potential sustainability impacts and business-related key risks and opportunities.

The stakeholders involved in the materiality assessment process were grouped into categories (listed on [page 44](#)) and represent a large variety of key interest groups. Several people from different Neste departments participated in the process to update and identify key stakeholders. To obtain an understanding of impact and financial materiality, both internal and external

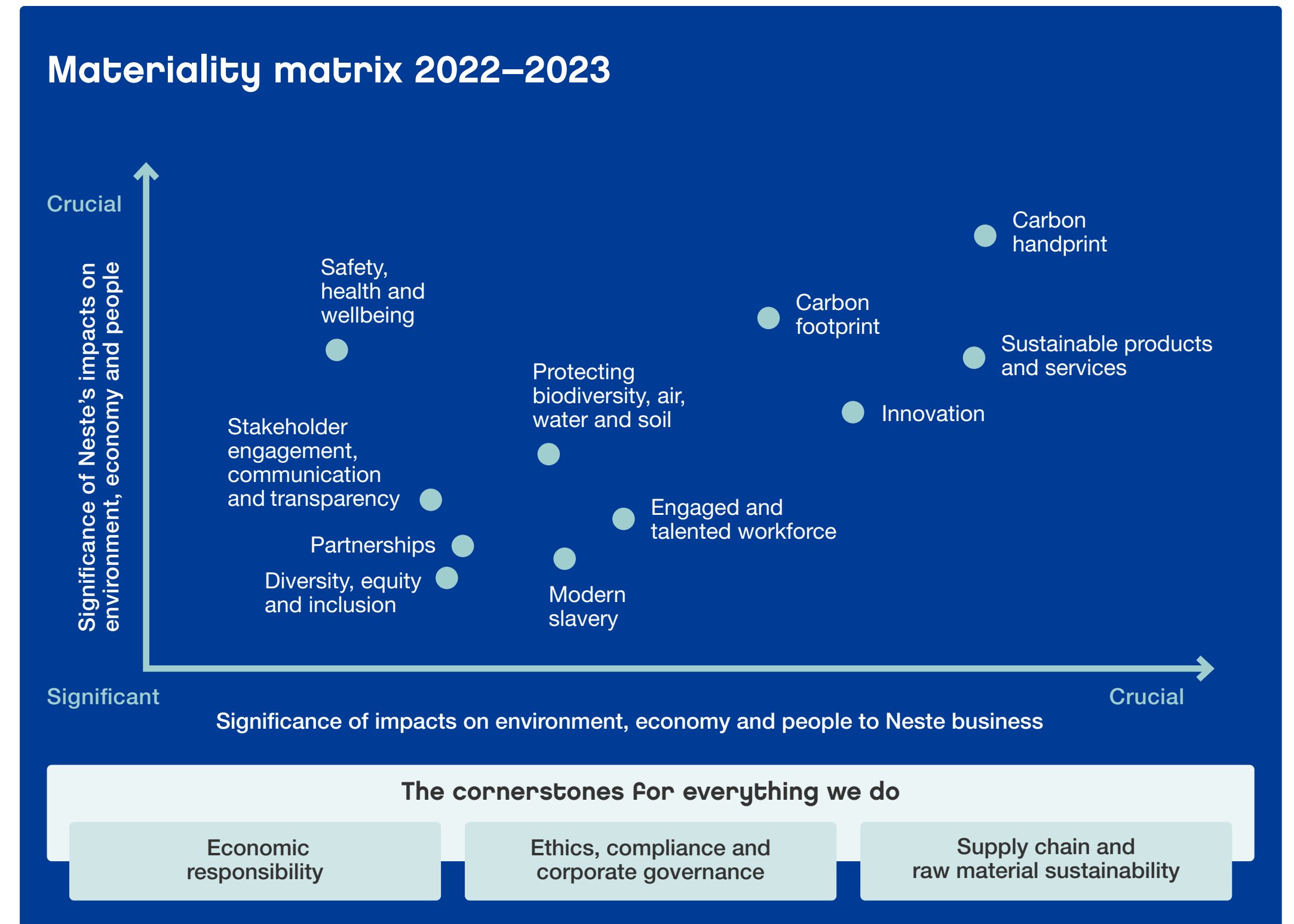
stakeholders were involved in the evaluation of the main current and future ESG risks and opportunities through interviews and surveys. Based on the results, topic owners and subject matter experts provided a final input to the results.

Based on the results of the assessment process, eleven material topics were prioritized (see the materiality matrix on this page). The horizontal axis of the matrix represents the significance of financial materiality; the vertical axis displays the significance of impact materiality. The topic disclosures of Neste’s sustainability report provide further descriptions for topic-specific material risks and opportunities, impacts, policies and commitments.

The materiality assessment results were evaluated by the Neste Advisory Council on Sustainability and New Markets to gain an objective round of external expert views. The material topics and the matrix were approved by the Neste Executive Committee.

A key element for the integration of the ESG factors throughout our value chain is defining the material indicators which guide our operations and business decisions. Neste is committed to measuring its performance on ESG issues to refine the objectives underlying our strategy.

In addition, we conduct an annual Neste 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. The research’s findings support the views stated in the materiality assessment and provide an insight into our progress against our goals.



### Our pathway toward CSRD

As part of building our abilities, processes and practices for the implementation of the new Corporate Sustainability Reporting Directive (CSRD), we carried out a double materiality assessment in 2023 to identify the relevance of sustainability matters and their relationship to non-financial and financial impacts in our own operations

and in our value chain. The defined material topics will form the coming sustainability related disclosures under the CSRD for information about financial year 2024. In this report for the financial year 2023, the information is based on our previous biannual materiality assessment.



## 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 in their achievement.

We have identified nine priority SDGs as the goals to which we most significantly contribute and have used the SDG Compass to determine them. To understand and prioritize the most relevant SDGs for Neste, we have assessed 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 and 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 Neste as part of society as well as part of the global sustainability framework. This work formed the basis of our sustainability KPIs. We monitor, measure and follow up our actions' effect on the broader context. The sustainability KPIs can be found in the table on [pages 38-42](#).

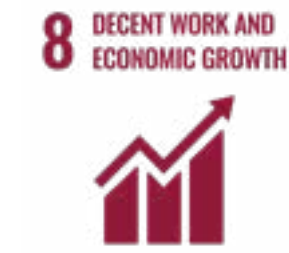


### Clean energy

- 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](#).
  - Neste finalized the expansion of its Singapore refinery, which will increase the refinery's total production capacity to 2.6 million tons per year, including up to one million tons of sustainable aviation fuel.
  - Neste enabled one of the world's largest international airlines, [Emirates](#), to operate the world's first Airbus A380 demonstration flight with one engine powered with 100% sustainable aviation fuel.
  - All the diesel-powered ground fleet runs on Neste MY Renewable Diesel™ at both [Amsterdam Schiphol](#) and [Cologne Bonn](#) airports.
  - Neste and [ScanOcean](#) introduced Neste's marine fuel to the Swedish market, enabling the marine sector to start reducing greenhouse gas emissions.
  - Neste and Mexican ultra-low-cost carrier [Viva Aerobus](#) signed a purchase agreement for one million liters of sustainable aviation fuel.
- Neste aimed for 100% renewable electricity use globally by 2023. The share of renewable electricity was 89.3%<sup>1)</sup>, and with so-called additional measures<sup>2)</sup> we were able to cover 99.6% of Neste's total purchased electricity.
- Neste signed a purchase agreement for [solar power](#) supply to Porvoo refinery in Finland in the end of 2023. Solar power supply is expected to start in spring 2024.

<sup>1)</sup> Martinez Renewables excluded from reported renewable electricity share as Neste does not control electricity supply agreements for the joint operations.

<sup>2)</sup> Additional measures include available market-based renewable electricity instruments.



### 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.
- We heightened our employees' safety awareness by organizing our first global Safety Week, centered on learning from everyday work.
- Neste is committed to implementing effective measures to eradicate exploitation, [modern slavery](#), and child labor.
- Neste respects and supports [children's rights](#) and was recognized as a Leader in the Global Child Forum's Benchmark Report, The State of Children's Rights and Business 2023.
- Neste provides good-quality employment, education and training for young people. In 2023, we hired 440 summer trainees in paid roles to work across different functions at Neste.
- We support our employees' individual development goals. The average time spent in learning programs for Neste employees in 2023 was 27.2 hours, and our company-wide development programs had more than 1,100 participants.
- Neste established site-level complaints channels at all its refineries, promoted with posters to inform migrant contract workers of their labor rights and encourage them to report any concerns directly to Neste.





## 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 researching and testing future raw materials and technologies.
- Neste established an [Innovation Center](#) in Singapore to strengthen its global innovation and R&D capabilities.
- Neste and CINEA (the Climate, Infrastructure and Environment Executive Agency of the European Commission) signed the EU Innovation Fund's grant agreement for the waste plastic chemical recycling project [PULSE](#) in Porvoo, Finland.
- Building of the demonstration facility at VTT [Bioruukki Pilot Centre](#) was completed, and pilot runs were successfully conducted.
- Neste's [renewable hydrogen project](#) in Porvoo proceeded to the basic engineering phase.
- In Rotterdam, the electrolyzer system was successfully installed in the refinery within the EU-funded project MultiPLHY, which demonstrates renewable hydrogen production.
- Neste and the other leading energy companies in Finland joined forces to develop an [industrial hydrogen valley](#). This joint effort creates industrial investment opportunities and supports Finland's and Europe's carbon neutrality goals.
- Neste advanced the preparation of its [algae pilot production](#) facility in order to further strengthen the growth of its global raw material pool.



## Reducing inequalities

- Neste views inequality as a systemic risk that requires urgent action from business and is taking actions to address it.
- Neste is an active member of the [WBCSD Business Commission to Tackle Inequality](#) (BCTI), a multi-stakeholder coalition of organizations that place 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.
- Neste expanded and completed living wage gap assessments for its own employees across global locations and took further steps to promote living wages in its supply chains.
- Neste is using anonymous worker voice surveys to engage directly with supply chain workers on their employment and living standards.
- 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.
- Team value discussions on diversity, equity and inclusion were carried out across Neste in 2023. By the end of the year, 95% of teams had participated in these discussions.



## Sustainable cities and communities

- Neste creates value for society and helps customers to reduce greenhouse gas emissions by offering lower-emission renewable fuels for aviation and road transportation. Our renewable products can also help reduce transportation-related local emissions and improve local air quality in urban areas.
- Neste helps cities fight climate change by reducing GHG emissions with renewable fuels: We power the fleets of cities and municipalities with renewable diesel across the [US west coast](#) and partnered with [PetroCard](#) to expand access to renewable diesel in the Pacific Northwest region of the US.
- Neste supplies Neste MY Sustainable Aviation Fuel™ to the Swedish [Trollhättan-Vänesborg Airport](#) enabling it to become the world's first airport to use sustainable aviation fuel on all flights, together with Västflyg Airlines.
- Neste's renewable diesel was introduced to the [Danish](#) and the [French](#) markets.
- Neste has introduced public high-power charging (HPC) at its service stations in Finland for light and medium-duty electric vehicles. The number of charging stations in Finland is increasing, and the first stations in the Baltics were opened in 2023.
- In Finland, Neste participates in the nationwide "Down a Degree" energy-saving campaign by reducing energy consumption at its facilities.
- The Ham Trick Campaign encourages households in Finland to recycle Christmas waste fats into renewable diesel.



## 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.
- Climate, biodiversity, human rights and supply chain sustainability aspects are integrated in our investment process and criteria to better guide investment planning from the sustainability impact perspective.
- Neste finalized the expansion of its Singapore refinery and continued with the Rotterdam refinery expansion project. Martinez Renewables refinery in the US also started operating in 2023.
- Neste enables PET bottles produced with bio-based materials with [Suntory, ENEOS and Mitsubishi Corporation](#). The introduction of bio-based materials will reduce fossil resource dependence in the PET value chain.
- Neste, [Uponor, Wastewise Group and Borealis](#) successfully produced pipes made of cross-linked polyethylene (PEX). The project demonstrates that chemical recycling can process hard-to-recycle waste plastics into high-quality polymer products.
- Neste decided to invest in a [liquefied waste plastic upgrading unit](#) at its Porvoo refinery.
- We completed Sedex self-assessment for our refinery in Porvoo, allowing us to thoroughly assess gaps in our management systems and human rights due diligence. The same assessments are ongoing for Rotterdam and Singapore refineries.





## 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).
- Neste completed the strategic study on transitioning its refinery in Porvoo, Finland, into a leading renewable and circular solutions refining hub in the mid-2030s. The ambition is to make the Porvoo refinery the most sustainable refinery in Europe, in which production of renewable hydrogen will play a key role.
- Neste includes its climate commitments in long-term incentives for Neste's key personnel and its climate impact in the investment criteria.
- Neste uses the internal carbon price as a strategic tool to support its climate commitments.
- Neste and [SQUAKE](#) enable businesses to opt for sustainable aviation fuel in flight booking systems to reduce their air-travel-related carbon emissions.
- Neste joined COP28, the 2023 UN Climate Change Conference, as a partner of the Finland Pavilion.
- In Finland, Neste joined a green transition campaign by Climate Leadership Coalition (CLC) to highlight the importance and opportunities of the green transition for Finnish businesses and society.



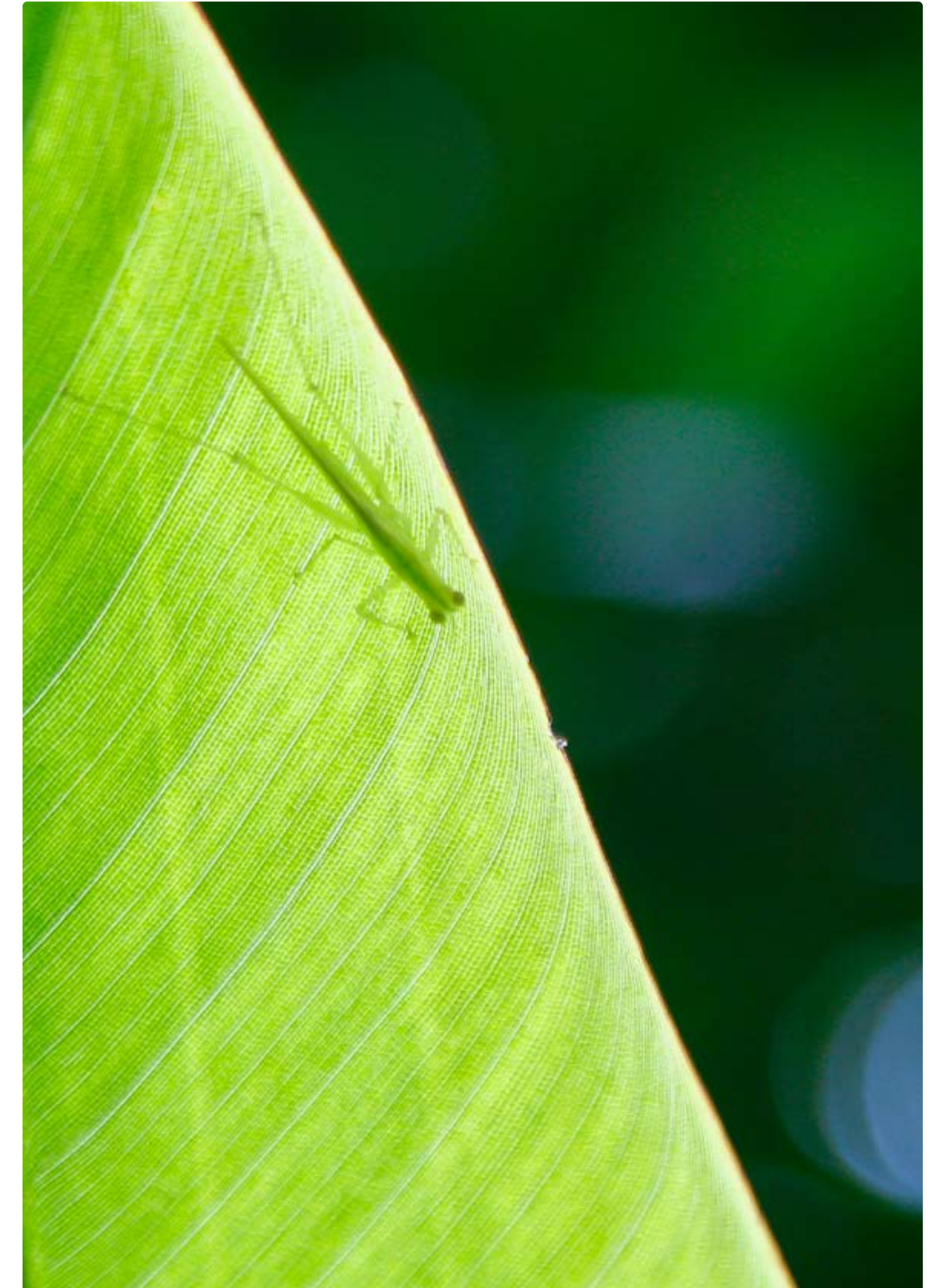
## Life on land

- Neste is committed to protecting biodiversity with a vision to drive a positive impact on biodiversity and achieve a nature positive value chain<sup>1)</sup> by 2040. We aim to create net positive impacts for biodiversity from new activities from 2025 onwards, and target no net loss (NNL) of biodiversity from all ongoing activities by 2035.
- Neste is committed to [preventing deforestation](#) and requires the same from its suppliers.
- As an active member of the Consumer Goods Forum (CGF) Forest Positive Coalition, Neste drives wider collaboration on preventing deforestation across industries.
- 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, such as, continuous environmental monitoring in the vicinity of the Porvoo refinery.
- Neste works closely with NGOs and research partners who have a strong understanding of biodiversity, such as Fauna & Flora.
- Neste has joined the Science Based Targets Network's (SBTN) Corporate Engagement Program to develop and set science-based targets for nature. In 2023, Neste was one of the few companies who were selected in the [initial target validation group](#) for science-based targets for nature.
- Neste participates in the World Business Council for Sustainable Development's (WBCSD) Nature projects, focusing on collaboration in biodiversity metrics development.



## Partnerships for the goals

- Partnerships are at the core of the SDGs and we see them as the key to advancing sustainable business. Here are some recent examples of our partnerships:
  - Neste is collaborating with ITOCHU to supply [sustainable aviation](#) fuel to All Nippon Airways and Japan Airlines, as well as in making [Neste My Renewable Diesel](#) more widely available in the Japanese market.
  - Neste, [ISCC and DHL Group](#) successfully piloted a new system enabling credible and traceable transfer of sustainability benefits from use of sustainable aviation fuel along the value chain.
  - Neste and [Scania](#) piloted a digital solution to make renewable fuels use easier to track
  - Neste's collaboration with [Bell, Safran Helicopter Engines, GKN Aerospace and Virent](#) contributed to the milestone of the world's first 100% SAF powered single engine helicopter flight.
  - Neste supports research on the Baltic Sea and climate change at the [CoastClim research center](#).
  - Neste and [ILLIG](#) partnered to showcase more sustainable solutions for thermoformed plastic packaging through demonstration cases.
- Read more about our [engagements and commitments](#) as well as the work we do with our stakeholders, on [pages 43-46](#).



<sup>1)</sup> A nature positive value chain means that throughout our value chain, we are creating more positive impacts on nature than causing adverse ones.



## Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2023	SDG link
Carbon handprint	Helping our customers reduce their GHG emissions	Reduced GHG emissions by Neste customers with Neste's products (compared to fossil fuel) in MtCO <sub>2</sub> e <sup>1)</sup>	20 MtCO <sub>2</sub> e annually by 2030	11.0 MtCO <sub>2</sub> e (11.1 MtCO <sub>2</sub> e)	
Carbon footprint	Leading transformation toward 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>	2.8 MtCO <sub>2</sub> e (2.5 MtCO <sub>2</sub> ) 19% 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	58 gCO <sub>2</sub> e/MJ (57 gCO <sub>2</sub> e/MJ) 0% 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 27.2 GWh <sup>2)</sup> (42.6 GWh). Cumulative savings 2017–2023 compared to target: 55% (50%) achieved.	
		Share of renewable electricity of total purchased electricity (%) - scope 2 (market-based) measures (%) - additional measures <sup>3)</sup> (%)	Aiming for 100% renewable electricity by 2023	89.3% <sup>4)</sup> (93.8%) scope 2 (market-based) measures 10.3% additional measures <sup>3)</sup>	
Protecting biodiversity, air, water and soil	Driving a positive impact on biodiversity and achieving a nature positive value chain by 2040	Management of biodiversity impacts	Implementing a program to create net positive impacts (NPI) for biodiversity from Neste's own direct new activities from 2025 onward, and no net loss (NNL) of biodiversity from all Neste's own direct ongoing activities by 2035	Materiality analysis according to SBTN guidance for upstream and direct operations completed, with freshwater and land use aspects concluded as significant for biodiversity and nature in Neste's value chain. Biodiversity included in our major investment decision making process.	
		Direct driver of biodiversity change: Freshwater use and effluents	Introducing Neste's own direct water impacts to the nature positive roadmap	Freshwater-related impacts in each Neste site, as well as upstream supply chain, was assessed as part of our SBTN Initial Target Validation Pilot work.	
		Availability of pollution prevention technology <sup>5)</sup>	100% availability of pollution prevention technology at refineries, terminals and retail sites	Availability of pollution prevention technology on average 91% (98%) at refineries, terminals and retail sites	
		Number of permit violations	Zero permit violations for Oil Products (OP), Renewable Products (RP) and Marketing & Services (M&S)	Permit violations: 13 (3), of which 6 (2) in OP, 6 (1) in RP and 1 in M&S	

<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> The savings consist of energy efficiency measures started during 2023, which have been scaled to cover the full year.

<sup>3)</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. JV operations excluded from the figure.

<sup>4)</sup> Martinez Renewables excluded from reported renewable electricity share as Neste does not control electricity supply agreements for the joint operations.

<sup>5)</sup> Retail sites included for the first time in 2023.

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 sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2023	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>6)</sup>	2.0 for 2023, long-term target: Zero accidents	TRIF 2.3 (2.0)	
		Process Safety Event Rate (PSER) <sup>7)</sup>	1.4 for 2023, long-term target: Zero accidents	PSER 1.2 (1.4)	
		Safe days (including environmental permit violations)	305 for 2023, long-term target: Continuously increasing the number of Safe Days	278 (314) 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 and change adaptation	Target is to maintain results on a good level	Engagement 70 (66), wellbeing 66 (61), change adaptation 66 (62) <sup>8)</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 1,667 (2,689) employees as part of Neste's Code of Conduct e-learning	
		Human Rights Due Diligence (HRDD) <sup>9)</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 2023: 1) Corporate-wide assessment to review Neste's salient issues and mitigation actions. 2) Surveyed Neste's time charter vessel partners on their human rights and labor practices. 3) Living wage gap assessments completed for Neste's own employees globally. 4) Sedex assessments completed for our Porvoo refinery, and ongoing for Rotterdam and Singapore refineries.	
		Improve HRDD maturity level for Neste's own operations using the Consumer Goods Forum HRC assessment framework and KPIs. <sup>10)</sup>	Achieve CGF Leadership Level for 100% of our own operations by 2025	100% of the "Established" maturity level achieved in 2023	

<sup>6)</sup> Number of cases per million hours worked. Includes both Neste's and contractors' personnel, except for Demeter, Walco and SeQuential, and green-field expansion project, which were reported internally and followed-up separately in 2023.

<sup>7)</sup> Number of cases per million hours worked.

<sup>8)</sup> Demeter, Mahoney, SeQuential and Agri Trading not included.

<sup>9)</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>10)</sup> The Consumer Goods Forum HRDD maturity assessments for Neste's own operations have three achievement levels: Launched, Established, and Leadership.

SDG7: Clean energy

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## Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2023	SDG link
Diversity, equity and inclusion	Fostering a diverse and inclusive workplace that ensures fair treatment and development of the skills base and innovation power needed for company growth	Multi-country teams (%)	Increasing trend	18% (15%) are multi-country teams	
		Women in personnel (%), 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 personnel (%)	Women in personnel 32.6% (32.2%) 32.9% (30.7%) women in line manager positions 29.1% (27.4%) women in senior management	
		Response rate to employee engagement survey (%)	Maintain a high response rate of 80% or above	84% (80%) <sup>8)</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 70 (66). Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 73% (66%) felt happy working at Neste, 84% (80%) understood how their own work contributed to company's success, 79% (75%) thought Neste acts in a responsible way, 82% (76%) said their team has everything they need be safe at work and 83% felt comfortable being themselves at work. <sup>8)</sup>	
		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 77 (74) <sup>8)</sup>	
		Training hours per employee	To maintain or exceed previous year's level	27.2 hours (20.8)	
		The external turnover for the year	To maintain the rate on a good level	Leaving rate of permanent employees 9.6% (10.2%) Hiring rate of permanent employees 15.3% (18.3%)	

<sup>8)</sup> Demeter, Mahoney, SeQuential and Agri Trading not included.

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## Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2023	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 dialog with our stakeholders	Monthly supply chain grievance log updates	To roll out 12x annually updated supply chain grievance logs	12 (12) monthly logs	
		Regular supply chain transparency via Traceability Dashboard (Palm oil & 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	EUR 94 million (EUR 85 million)	
		Number of granted patents Number of pending patent applications	A moderately increasing trend for granted patents and a constant inflow of patent applications	2,027 (2,073) granted patents 697 (683) pending patent applications	
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	37 (35) collaboration partnerships	
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 to increase circularity of plastics and reduce crude oil dependence in refining and petrochemical processes	3,900 (1,400) tons of liquefied waste plastic	
		Production of Neste Renewable Diesel and SAF, 1,000 tons	Increasing trend	3,518 (2,988)	
		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 37.7% (38.9%) Clean Investments 85.5% (88.3%)	

SDG7: Clean energy

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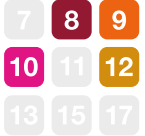
SDG13: Climate action

SDG15: Life on land

SDG17: Partnerships for the goals




## Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2023	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	100% (99%) of the renewable raw material volumes, 86% (84%) of the crude oil and fossil raw materials volumes, and 91% (73%) of overall indirect contracted spend were covered by Neste Supplier Code of Conduct or equivalent	
		The number of renewable raw material supplier's sustainability due diligence and their outcome	To assess all new renewable raw material suppliers against sustainability criteria	Total: 388 (325), New approved suppliers: 249 (223), All approved: 279 (236), Pending: 102 (74), Rejected: 7 (15) <sup>11)</sup>	
		The percentage of new fossil raw material suppliers that have undergone sustainability due diligence	To assess all new fossil raw material suppliers against sustainability criteria	100% (100%) of the new fossil raw material suppliers assessed	
		Total of sustainability audits conducted	To increase the number of sustainability audits conducted, prioritized through a risk-based approach	154 (118) sustainability audits	
		Share of waste and residues of global renewable raw material inputs (%)	Growing the sourcing of waste and residue raw materials globally <sup>12)</sup>	92% (95%)	
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 30 (14) suspected misconducts of which 4 concerning the same issue, were reported in person or via the whistleblowing line to the Investigations Group in the following categories: HR 10 (2), discrimination and harassment 6 (2), conflict of interest 3 (0), bribery, corruption and facilitation payment 0 (1), fraud 3 (4), theft, asset misuse & embezzlement 0 (3), supplier/business partner misconduct/unethical behavior 4 (1), inappropriate behavior 2 (0), sustainability 1 (0), unethical conduct towards clients/suppliers/business contacts 1 (0), and 0 (1) in the category Other.	
		Code of Conduct training rate	All Neste employees completed the training	99%, including new joiners, have completed the Neste Code of Conduct e-learning course. <sup>13)</sup>	
		Corporate governance reporting in the Corporate Governance Statement			
Economic responsibility		Reporting in the Financial Statements			

<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 sub-suppliers.


<sup>12)</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>13)</sup> 2021, 2022 and 2023 completions included. Mahoney and Sequential excluded due to change of learning platform.


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# Stakeholder engagement

We aim for continuous, active and open dialog 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.

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 and NGOs, and aim to actively engage in open dialog with all our stakeholders.

## Our key stakeholders are:

- Our own employees and management
- 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





Key stakeholder	Key topics of dialog	How we engage
<b>B2B customers</b>	<ul style="list-style-type: none"> <li>• Responding to the customers’ needs with sustainable and high-quality products and services; security of supply;</li> <li>• Accelerating emission reductions with renewable and circular solutions; building a circular economy; achieving climate commitments; recycling of plastic waste;</li> <li>• Cooperation; innovation and R&amp;D; safety; local operation sites such as refineries.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings, newsletters, and technical, marketing or sustainability-related training sessions;</li> <li>• Collaboration at top management level to drive sustainable actions across organizations;</li> <li>• Surveys monitoring satisfaction;</li> <li>• Joint communications with partners, or co-branding;</li> <li>• Partnerships to reduce carbon footprints across all organizations;</li> <li>• Co-creating new services and solutions;</li> <li>• Ongoing dialog;</li> <li>• Sales of Neste products.</li> </ul>
<b>Consumers</b>	<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>• Gathering insight through consumer surveys;</li> <li>• Providing regular fact sheets, press releases and news to consumers;</li> <li>• Working with local distributors;</li> <li>• Advertising campaigns to create awareness;</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>• Climate change mitigation as a business opportunity; biodiversity; environmental and social sustainability of raw materials and supply chains; diversity, equity and inclusion;</li> <li>• Growth strategy; financials and future outlook.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial communications, including financial reporting, stock exchange releases, conference calls, roadshows, individual or group meetings, and annual Capital Markets Day;</li> <li>• Proactive communications regarding business developments, investments, and progress;</li> <li>• Transparent and regular reporting and disclosures;</li> <li>• Cooperation with rating agencies and investor assessments.</li> </ul>
<b>Governmental organizations</b>	<ul style="list-style-type: none"> <li>• Climate and emission reduction targets;</li> <li>• Renewable fuels in transportation and other industries like construction, mining and agriculture;</li> <li>• Renewable and recycled materials; plastics recycling; circular economy;</li> <li>• Sustainable finance.</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing views on policies, laws and regulations with policymakers;</li> <li>• Supporting policymakers by providing industry insights and technological capabilities.</li> <li>• Responding via public consultations; meeting with policymakers and local and national officials working on climate and energy topics;</li> <li>• Active membership in industry associations.</li> </ul>
<b>Suppliers and contractors</b>	<ul style="list-style-type: none"> <li>• Neste Supplier Code of Conduct and Neste Responsible Sourcing Principle expectations and criteria, including human and labor rights, occupational health and safety, climate, the environment and ethical business conduct;</li> <li>• Sufficient volumes of raw materials, as well as other products and services, for Neste’s needs;</li> <li>• Living wages and incomes;</li> <li>• Potential avenues for enhanced collaboration and alignment.</li> </ul>	<ul style="list-style-type: none"> <li>• Arranging annual sustainability workshops, training and seminars to share information and support capacity building of contractors and raw material suppliers;</li> <li>• Collaborating closely with contractors and suppliers to enhance sustainability performance, ensure a high level of safety, efficiency and quality, and to find common development avenues;</li> <li>• Providing practical guidance on our sustainability requirements and living wages for suppliers and contractors. Improving visibility of working conditions and living standards through worker interviews and anonymous worker voice surveys;</li> <li>• Collecting information on our scope 3 emissions annually;</li> <li>• Monitoring sustainability performance of our suppliers and contractors through audits. Helping them to perform corrective actions in cases of non-compliance;</li> <li>• Sharing information with contractors at Neste sites through regular meetings, info sessions, training and newsletters. Providing site-level complaint channels at all refineries for raising any work-related complaints;</li> <li>• Continuous search for and evaluation of potential new raw material suppliers.</li> </ul>



Key stakeholder	Key topics of dialog	How we engage
<b>NGOs</b>	<ul style="list-style-type: none"> <li>• Climate change mitigation; sustainability; biodiversity;</li> <li>• Human rights; children’s rights;</li> <li>• Sustainable raw material sourcing; circularity and recycling aspects.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous dialog 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 smallholders in improving their sustainability performance and certification);</li> <li>• Ongoing dialog, 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>• Dialog with the Neste Advisory Council on Sustainability and New Markets;</li> <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>• Climate change mitigation; transport emissions reductions;</li> <li>• Renewable and circular solutions; circular economy; plastics recycling;</li> <li>• Industry competitiveness; sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in dialog 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> <li>• Memberships in associations including (but not limited to): Renewable Carbon Initiative (RCI); FuelsEurope; the European Biodiesel Board; the Advanced Biofuels Association (US); and, the European Chemical Industry Council (CEFIC);</li> <li>• The complete list of Neste’s memberships is available on <a href="https://www.neste.com">neste.com</a>.</li> </ul>
<b>Cooperation bodies</b>	<ul style="list-style-type: none"> <li>• Sustainability; climate commitments; climate change mitigation; emission reduction; biodiversity;</li> <li>• Renewable and circular solutions; plastics recycling; resource efficiency; circular economy; innovation;</li> <li>• Human rights; just transition to net zero; living wages; diversity and inclusion.</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in dialog 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> <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), Business Commission to Tackle Inequality (BCTI), and, International Sustainability &amp; Carbon Certification (ISCC);</li> <li>• The complete list of Neste’s commitments and engagements is available on <a href="https://www.neste.com">neste.com</a>.</li> </ul>
<b>Universities and research organizations</b>	<ul style="list-style-type: none"> <li>• Innovation and R&amp;D; raw material and technology development; artificial intelligence;</li> <li>• Green hydrogen; e-fuels; industrial chemistry; catalyses;</li> <li>• Renewable and circular solutions; life cycle analyses (LCA).</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in dialog with universities, different research organizations as well as researchers all over the world;</li> <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>• Further strengthening our global innovation and R&amp;D capabilities by opening an Innovation center in Singapore in 2023 and continuously exploring the research landscape and opportunities in the area;</li> <li>• Competence ecosystem in renewable and circular solutions by building a portfolio of R&amp;D&amp;I projects in cooperation with universities, research institutions and companies in Finland.</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Employment and cooperation opportunities;</li> <li>• Health and safety matters;</li> <li>• Site investments and development projects;</li> <li>• Environmental and social impacts on local communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in dialog and collaboration with local communities and production site neighbors via newsletters, meetings, regional websites 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> <li>• Conducting a stakeholder study biennially to assess the local community and authority perspectives on Porvoo refinery’s environmental, social and safety impacts and communications;</li> <li>• Complaints channels available for local communities to raise any concerns they have directly with Neste.</li> </ul>



Key stakeholder	Key topics of dialog	How we engage
<b>Media</b>	<ul style="list-style-type: none"> <li>• Company news and other announcements; interim and annual results;</li> <li>• Company strategy and growth; mergers and acquisition activities; different projects;</li> <li>• Customer stories and cooperation; societal and economic topics; innovation and R&amp;D; sustainability;</li> <li>• Fuel taxing and pricing; renewable and circular products and solutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases and other materials (e.g., on website);</li> <li>• Following and responding to media inquiries;</li> <li>• Connecting the media with the correct spokespersons at Neste;</li> <li>• Organizing media visits and events, background briefings.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Neste strategy and values; sustainability; climate commitments;</li> <li>• Financial results and outlook; key projects and company milestones;</li> <li>• Learning and development;</li> <li>• Health, safety and wellbeing; business ethics and code of conduct; diversity, equity and inclusion.</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing information about Neste's strategy, regular updates on its implementation and key milestones reached, financial performance;</li> <li>• Promoting diversity, equity and inclusion as part of Neste culture development work;</li> <li>• Ensuring regular discussions around development, values and wellbeing, individually and in teams, and providing development tools and programs;</li> <li>• Measuring employee engagement and collecting employee feedback through several methods, e.g., regular pulse surveys, team and individual discussions, town hall meetings and team days;</li> <li>• Proactive and systematic communication and training regarding topics of interest, responsive communication and dialog on topics raised by employees;</li> <li>• Emphasizing the importance of social interaction and sharing of thoughts and ideas;</li> <li>• Systematic support for health, safety and wellbeing;</li> <li>• Flexible ways of working and tools to support them;</li> <li>• Fit-for-purpose leadership development, e.g., tailored leadership program We Lead;</li> <li>• Support provided to all employees during the changes.</li> </ul>



### Global increase in efforts to combat climate change

Our commitment to limiting global warming means we actively engage around the globe with policymakers, regulators and the wider stakeholder community to demonstrate the benefits of renewable fuels as a decarbonization solution. Renewable fuels, like all decarbonization technologies, can be supported or implemented through environmental and energy policies or laws.

In particular, we focus on driving ambition for renewable fuel targets in the road, aviation and maritime sectors, as well as nascent policies for renewable polymers and chemicals to support decarbonization targets in the plastics and chemicals industries.

Throughout much of this work, we show the importance of allowing waste and residue raw materials in the creation of renewable fuels, as well as working toward favorable policy environments for new energies such as renewable hydrogen and Power-to-X.

Neste highlights the growing impact and importance of innovation in biofuels to encourage their continued acceptance and use to reach global decarbonization goals.

## Main policy and legislation impacts on business in 2023

### Europe

Priorities continued to focus on the European Union's Fit-for-55 package, particularly:

- Driving higher ambition for decarbonization policies for transportation. Examples of Neste's advocacy work here include support for the implementation of European-wide and national Sustainable Aviation Fuel (SAF) policies to decarbonize aviation, and for EU lawmakers to introduce a mechanism that accounts for GHG savings from renewable fuels in heavy-duty vehicles through the HDV CO<sub>2</sub> Regulation and the Euro 7 Regulation;
- Calling for a broad base of sustainable raw materials for renewable fuel creation, for example, through the EU's Renewable Energy Directive, in addition to seeking regulatory certainty on feedstock eligibility for long-term investment decisions;
- Encouraging a range of decarbonization solutions, as well as faster permitting processes to access EU financing schemes for HVO, SAF, eFuels and bio-based material production plants;
- Collaborating to develop sustainability criteria for bio-based materials and chemicals;
- Monitoring legislation as it comes into force, seeking clarity on new requirements, and ensuring full compliance with new rules, for example, the EU's Deforestation Regulation.
- Leading advocacy on non-fossil targets in the chemical and plastic sector.

In Europe, the varying eligibility of feedstocks, methods of calculating GHG emissions and certification methods can slow down investment decisions.

### The Americas

The main priority for Neste in the Americas has been enhancing the market acceptability of renewable fuels in both new and existing markets. This has been done through advocacy work supporting:

- An overhaul of the California Low Carbon Fuel Standard (LCFS) program and the British Columbia Clean Fuel Standard program;
- Changes to the US federal Renewable Fuel Standard (RFS) program;
- An extension of US federal blenders tax credits and modification of future Clean Fuels Production Credit;
- The startup of LCFS programs in Canada and Washington State;
- New incentives for SAF in several states;
- Stakeholder engagement to create policy frameworks for renewable polymers and chemicals;
- Market entry into Brazil in line with growing demand, and new mandates for SAF.

The market in the United States has seen an increase in coalitions to promote the adoption of clean-fuel policies in North America. However, there is also increased competition among renewable fuel suppliers, a political prioritization of electrification policies, and a relatively slow adoption of the Inflation Reduction Act.

### Asia-Pacific

In Asia-Pacific, Neste has sought to drive favorable climate change regulations across the region. This work has centered around:

- A strong drive in the region for decarbonization policies and regulations in aviation;
- Further initiatives and government consultations on decarbonizing road transportation;
- Relaying circular economy solutions across regional governments and stakeholders to build support for renewable polymers and chemicals;
- Supporting regulators in Japan upon the announcement of a 10% SAF mandate;
- Contributing upon request to Singapore's Sustainable Aviation Blueprint, and in India partnering the Observer Research Foundation on a joint study to highlight the associated health risks of the continued re-use of used cooking oil;
- Contributing to several consultations related to biofuels and climate change in Australia and New Zealand;
- Providing support to the governments of Japan and South Korea in achieving their bio-based targets by 2030.

Neste was involved in stakeholder consultations for the development of the Sustainable Biofuels Obligation Bill in New Zealand for the last three years. Regrettably, this was canceled in 2023, with a range of factors cited, including the current cost-of-living challenges. Neste continues to support Singapore's Sustainable Aviation Blueprint development and is a member of the SAF Working Group in Sustainable Aviation Aotearoa, a forum for industry, government and other bodies to discuss the technology and regulatory challenges in encouraging the adoption of SAF in New Zealand.



### Research cooperation

In 2023, 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 institutions to jointly build the future capabilities needed to establish new value chains in renewable and circular solutions.
- Strategic cooperation with VTT (The Technical Research Centre Finland), 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 fields such as chemical and process engineering, bioeconomy, digitalization, and the circular economy.
- With UPM and Borealis Polymers, Neste is supporting a chemistry professorship specializing in the circular economy at the University of Helsinki.
- A five-year sponsorship for [Helsinki University’s Centre for Coastal Ecosystem and Climate Change Research](#) (CoastClim) to further understand how the condition of the seas and climate change are linked.
- The cooperation also continued in our projects related to green hydrogen in Rotterdam and Porvoo, for example.

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

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

### The Advisory Council on Sustainability and New Markets

In 2019–2023, the Advisory Council on Sustainability and New Markets has provided Neste strategic insight and guidance for its sustainability work and supported the company in accelerating transformation and broadening its sustainability leadership activities. The independent external council convened three times a year and was chaired by John Elkington, one of the pioneers of the global sustainability movement. The other members of the council included James Cameron, Marcius Extavour, Louise Kjellerup Roper, Bernice Lee and Geoffrey Weston.



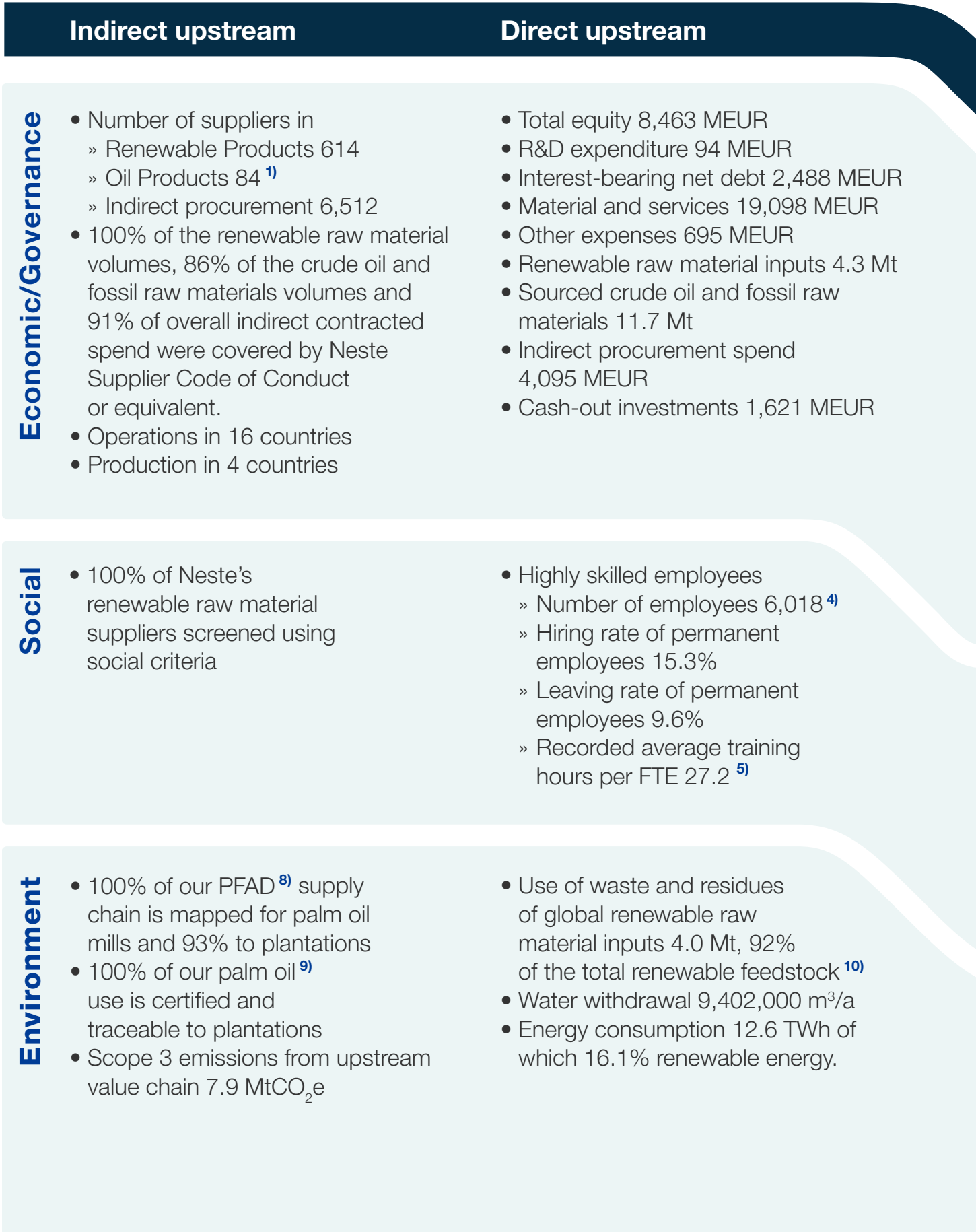
### External recognitions

- CDP Climate Change (A–), Water (B) and Forests (A–) Assessments
- Corporate Knights Global 100: among the 100 most sustainable companies in the world for the 18th consecutive time
- Dow Jones Sustainability Indices: 17th consecutive time in the index, included in DJSI World and DJSI Europe listings
- Ecovadis Platinum rating
- European Inventor Award 2023, Industry category winner
- MSCI ESG Rating Index, AAA
- S&P Global Sustainability Yearbook
- Sustainalytics’ 2024 ESG Top-Rated Companies List



# Value creation

## Input



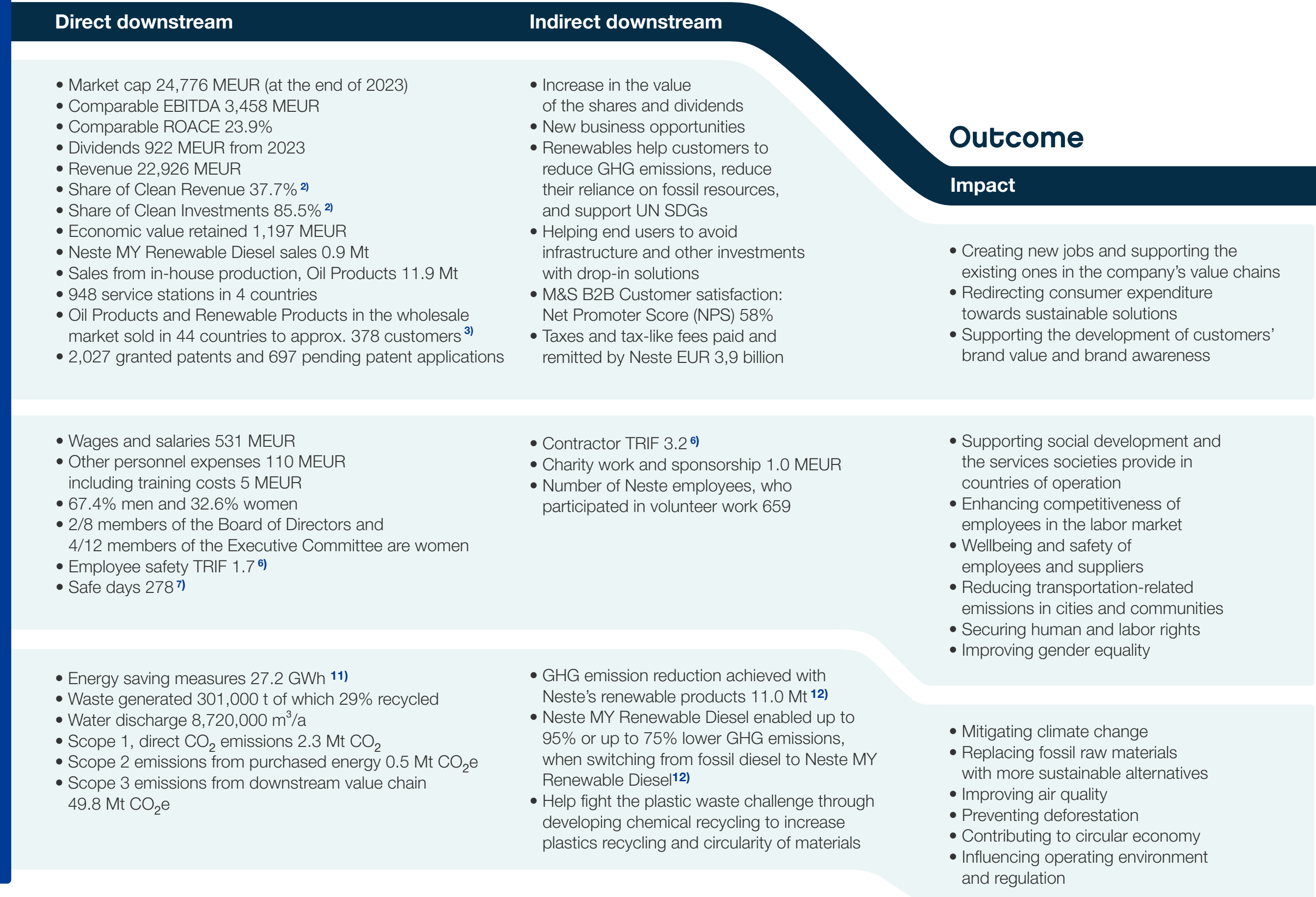
## Neste's business model

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 climate, biodiversity, human rights, supply chain and raw materials.

## Output

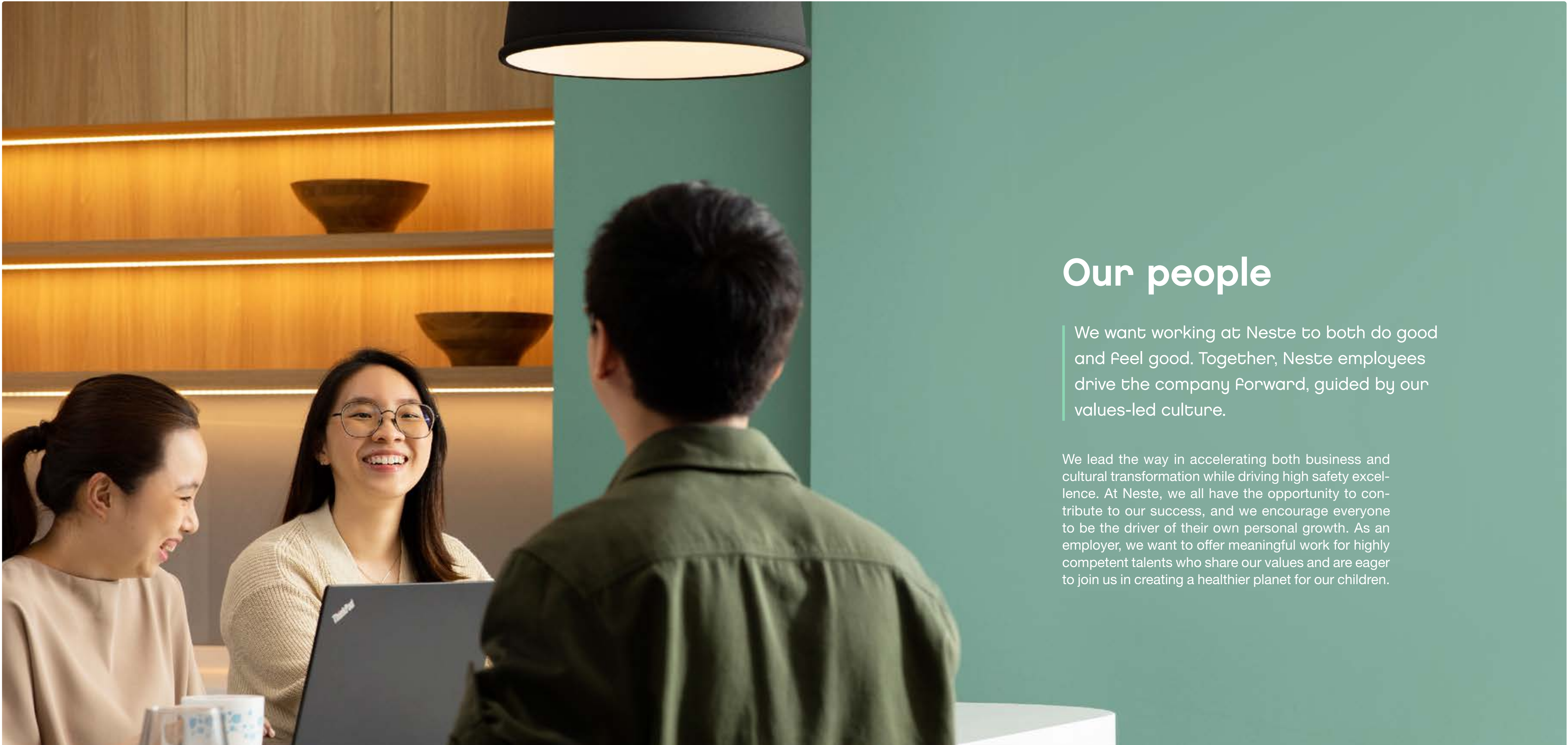


<sup>1)</sup> Includes natural gas and industrial gas suppliers. <sup>2)</sup> See Principles for calculating the key indicators. <sup>3)</sup> Customers of recently acquired companies included for the first time. <sup>4)</sup> Annual average number of employees. <sup>5)</sup> Full-time equivalent (FTE). <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> Palm fatty acid distillate <sup>9)</sup> Contains the use of conventional palm oil that has been earlier processed into renewable products and sold to market. <sup>10)</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>11)</sup> The savings consist of energy efficiency measures started during 2023, which have been scaled to cover the full year. <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.



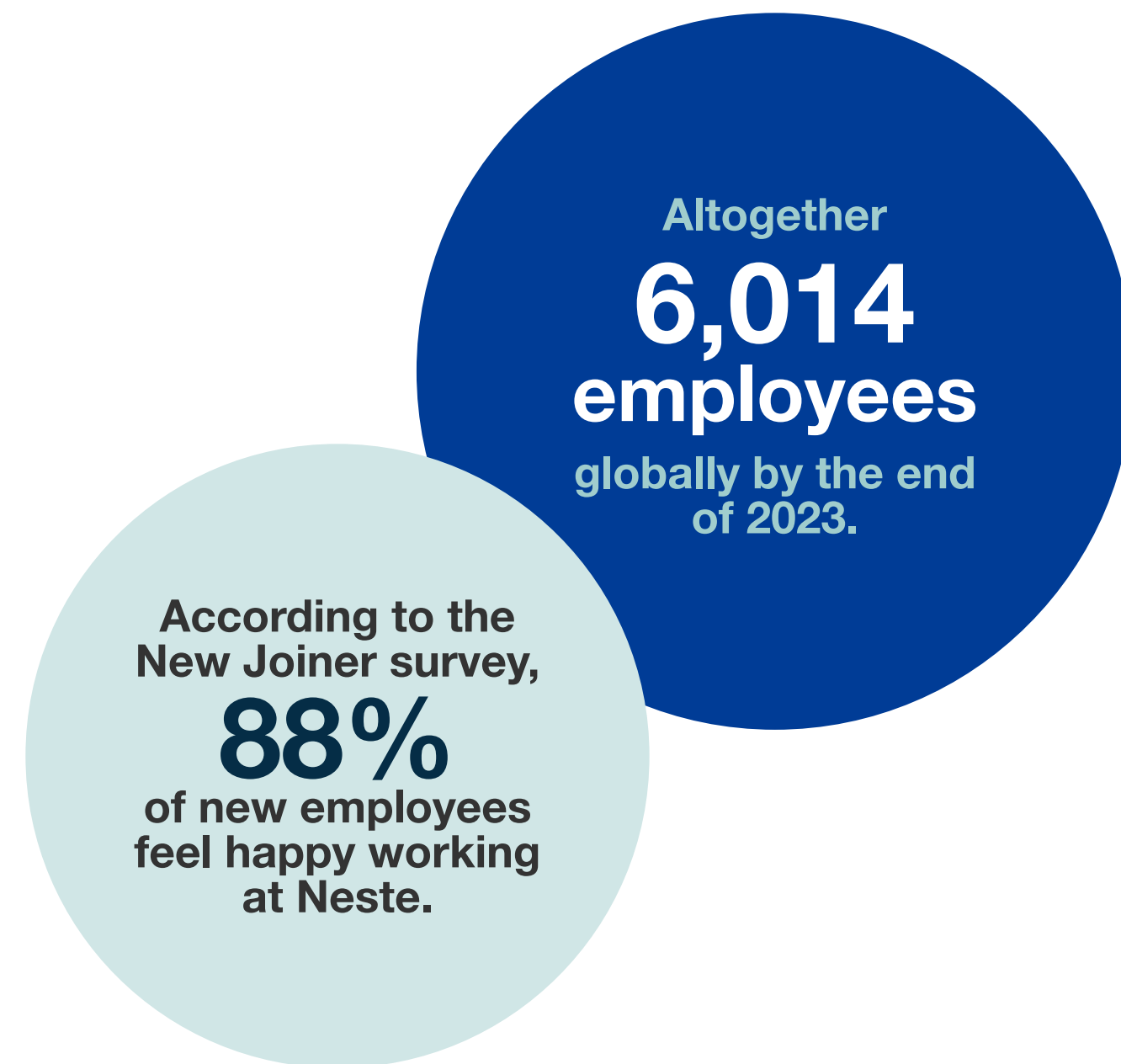


## Our people

We want working at Neste to both do good and Feel good. Together, Neste employees drive the company forward, guided by our values-led culture.

We lead the way in accelerating both business and cultural transformation while driving high safety excellence. At Neste, we all have the opportunity to contribute to our success, and we encourage everyone to be the driver of their own personal growth. As an employer, we want to offer meaningful work for highly competent talents who share our values and are eager to join us in creating a healthier planet for our children.





In 2023, we celebrated several strategic milestones such as Neste's 75th anniversary and the opening of expansion of the Singapore refinery. We experienced strong growth, and we are now present in 16 countries, including new operations in India and Brazil. The average number of Neste personnel in 2023 was 6,018, and about 1,400 new employees had been hired globally by the end of 2023. Most of our recruitments, about 66%, were for permanent positions. According to the survey targeted at new joiners, 88% of new employees feel happy working at Neste.

In November 2023, Neste published plans to simplify its organizational structure and operational model to secure the execution of its growth strategy with

improved cost-efficiency and to strengthen long-term competitiveness. With the planned changes and simplified structure, the aim is to strengthen accountabilities and efficient decision making. It is estimated that the planned organizational changes may lead to a reduction of approximately 400 roles globally. The final decisions on the possible personnel effects will be done during Q1 2024. According to the plan, the new organization will be effective as of April 2024.

### We are creators of change

Neste's transformation and growth offered our people many career opportunities and personal growth possibilities in new projects. Our key to learning is engaging people broadly, bringing units together.

The transition of our Porvoo refinery to becoming the most sustainable refinery in Europe by 2030 and the goal of reaching carbon neutral production by 2035 is a transformation made possible by people. Neste's capabilities and the versatility of the Porvoo refinery create an excellent platform for change. Our focus is on a sustainable people-centric transformation, and we have widely implemented development initiatives to support change leadership by training more than 300 key people on the topic. Increasing our optionality in raw materials, products and markets also requires technical readiness capabilities. Our competence and capability development has evolved through change projects and field engagement.

Part of our growth strategy is to merge with or acquire other companies, and this requires strong capabilities to succeed. In 2023, we built our competence further by creating an extensive mergers and acquisitions

playbook for HR and establishing a network of subject matter experts to support HR activities related to M&As.

We renewed our employer branding framework and messages with a new global people promise (= employer value proposition, EVP) to retain and attract the right talent. Our new people promise "For creators of change" is aligned with our strategy, as we can all make a difference and be creators of change.

### Neste is built by people with passion

To support Neste's transformation journey, we arranged strategy events for our employees to ensure clarity toward our strategic goals and to strengthen engagement and feeling of belonging across the company.

In 2023, Neste's short-term incentive plan (STI) was renewed to accelerate the execution of our strategy, annual performance plans and sustainable profitability. The STI plan supports our strategy in the form of a flexible, competitive and regional approach to ensure we can attract and retain the key talents. Our aim is to reach and exceed the planned results and to drive performance while supporting the mindset of succeeding together.

To support our growth, HR's operating model development continued in 2023 with the scaling-up of our Employment and Recruitment Hubs in Finland. Centralized employment management and recruitment partner support for managers raised operational efficiency and process quality in Neste's people operations globally. As the next step in the operating model development, the hub will be deployed within Oil Products at the beginning of 2024.

### The thoughts and ideas of our people matter

Engaging and communicating proactively with Neste's employees is crucial to us everywhere we operate to ensure information sharing and facilitate discussion with our employees. At a global level, all employees are invited quarterly to personnel info sessions to hear about Neste's strategy, business updates and financial results. In the sessions, our people have the opportunity to ask questions from senior management.

We also conduct global employee engagement surveys, including an annual employee survey and a shorter quarterly survey. The surveys engage employees on a range of topics, like, Neste's transformation, strategic goals, company culture, inclusion and belonging. The global employee engagement survey results are regularly discussed, and both measures and action plans agreed within teams at each level of the organization. In addition, we have other employee surveys targeted at specific groups, for example, new joiners and summer trainees, as well as employees leaving the company.

Business units and functions engage more directly with employees (or employee representatives if applicable) at a more detailed level on developments relevant to the employees in question. At a local level, a key element of employee cooperation is that it is driven by local requirements in each country of operation. Neste is committed to following applicable local collective agreements. Neste also has local cooperation bodies; there is currently a cooperation committee or works council in Finland, Rotterdam and Singapore.



Examples of 2023 cooperation are a joint effort to develop a white-collar salary system in Finland within a Salary Working Committee. In Rotterdam, a Compensation and Benefits package was developed together, and development groups were also formed for themes such as elderly policy.

### Further developing our innovation capabilities

Innovation has always been in Neste's DNA. In 2023, we identified the unique capabilities that enable and drive the commercialization of new technologies and innovations. In the innovation organization, the combinations of technical, commercializing and leadership capabilities

are developed as part of our Technical Expert and Project Management career paths, as well as in cooperation with commercial competence development programs. To ensure the reach and impact of different learning opportunities, we have focused on the individual level through enhanced individual development plans, building capability-based communities, and on company-level innovation programs and awards that encourage our innovation culture.

### Our leadership model is built around our values

Leadership is one of the most important elements driving our company culture. Our leadership model is built

around our values – We care, We have courage, We cooperate – and it describes how we want to lead, as well as behave, to deliver on our strategy and ensure that work at Neste does good and feels good.

At Neste, we support our employees' individual development goals, develop our competences to meet business targets, and prepare our people for the growing and changing demands of future work. Line managers and employees have regular Forward discussions in which development and career plans are updated, and learning goals are agreed. The average time spent in learning programs for Neste employees in 2023 was 27.2 hours, and our company-wide development programs had more than 1,100 participants.

To support our people in leading both strategy and people, we run several strategic development programs with our partners. The programs are built around the latest research on leadership and strategy, and are delivered by top of the field professors to ensure an inspiring learning experience. By bringing together people from different business units, we ensure cross-functional cooperation and build the foundation for future success.

Neste acknowledges that all people have different preferences when it comes to learning and development, and to support this, we have an ongoing project to build a tailored learning experience platform for Neste. This platform will gather learning content from our existing learning libraries and enable our employees themselves to create and share development activities and curate suitable content from an external learning library. The platform is expected to launch in 2024 with content tailored to support Neste's strategy and all our change creators' individual learning aspirations.

### Our 440 summer trainees gained skills for the future

We recognize the importance of developing and supporting young people's professional growth, as well as learning ourselves from the insights of young talents. In 2023, 440 summer trainees of 19 different nationalities worked in 18 different locations at Neste, including offices, refineries, laboratories and terminals. We provided a variety of summer jobs in 25 different job families, from sales to production and from logistics to research and development.

At Neste, summer trainees are paid employees, and we invest in their training and development to

promote future employability in the transition to a carbon neutral society. We provided the summer trainees with a program 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. Based on feedback, 84% of our summer trainees would recommend Neste as a great place to work.

[Read more about summer traineeships.](#)



### Advancing diversity, equity and inclusion

Diversity, equity and inclusion (DEI) are central to our values-led culture and ways of working, human rights work and sustainability vision. DEI is embedded in our values, policies and principles such as our Code of Conduct, People Policy and Human Rights Principle.

We strive toward a feeling of belonging and want everyone to feel safe, respected and encouraged to be themselves at work. As an increasingly diverse multicultural company, enhancing DEI is at the core of developing our employee experience and working toward our strategic goals on "Taking charge of change."



### Team value discussions on DEI carried out across Neste

As part of advancing DEI, all team leaders were assigned mandatory team value discussions on diversity, equity and inclusion to be carried out with their teams in 2023. The aim was to build awareness and understanding of DEI topics and of how we all play a role in creating an inclusive workplace. The team value discussions on DEI consisted of a short self-study video and discussion material covering topics such as unconscious bias and intersectionality, as well as team commitments, feedback and follow-up. Info sessions, guidelines and additional learning material were provided to team leaders to support them in carrying out the discussions. By the end of the year, 95% of teams had had a team value discussion. Based on feedback, 88% of managers found the team value discussion useful or very useful.



Our DEI priorities for 2023 included:

- Building awareness and understanding of diversity, equity and inclusion across Neste
- Strengthen DEI in our people practices
- Developing DEI reporting

As part of development work, we also piloted ways to support the inclusion of minority groups. For example, we carried out accessibility mapping at Neste headquarters and included people with disabilities in test groups that tested fueling robots at our service stations.

Our Executive Committee follows the progress of our DEI development work and efforts on a quarterly basis, and DEI is also regularly discussed with the Board of Directors.

Neste's approach to remuneration is to be fair and transparent by running performance and rewards processes ethically and with integrity and supporting this

with clear communication. Pay equity and pay transparency work has started with the creation of a Neste roadmap to proceed toward the requirements based on the EU's Pay Transparency Directive and requirements related to transparency and equity in other Neste countries outside Europe.

### We want work at Neste to do good and feel good

At Neste, health, safety and wellbeing at work are interrelated. Our wellbeing model defines the different aspects of wellbeing, in which each individual, manager and the whole work community all play their part.

Neste's occupational healthcare aims to create a healthy and safe working environment and a well-functioning work community. To align the quality of our health services, we follow the Neste Occupational Health Principle throughout the organization, subject

to local legislation and requirements. In Finland, Neste also investigates the health and safety factors related to work and working conditions, including office visits, also taking into account exposure agents present at the workplace.

Work-life balance has a significant effect on wellbeing at work. In 2023, we supported the wellbeing of our employees by providing various services and additional support like webinars on sleep and recovery and flexible ways of working, depending on the job description.



### Voluntary work and donations

We engage positively with all the communities close to our operations. In 2023, we offered our employees two paid full days dedicated to voluntary work, as we believe volunteering activities are a way to build closer ties with our society. 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 659 volunteers (2022: 356).

In addition to voluntary work, our goal is to have a positive impact through charitable donations to causes that are aligned with our purpose, values and strategy. We make donations in line with three key themes: innovation and education; climate and environment; and equality and human rights. In 2023, we made donations to Plan, UNICEF, Trees for Houston, The Food Bank in Houston and Singapore, as well as Mahila Housing Sewa Trust and UN World Food Programme, among others. For the tenth year in a row, Neste donated the fuel needed by the Children's Mobile Health Care Center in Latvia, which provides diagnostic and preventive medical services for children. Neste was also one of the key partners of John Nurminen Foundation, which aims to save the Baltic Sea and its heritage for future generations.

[Read more about our donations.](#)



# Safety

At Neste, managing safety is the Foundation of everything we do. We aim to do no harm to people nor the environment – which is the essence of our safety vision “No harm. Together.”

In alignment with our safety vision, our commitment extends beyond safeguarding individuals and the environment. We are equally dedicated to protecting our operations, assets, information and brand from any harm and negative impact. We believe that this can be achieved when everyone working at Neste is truly committed to managing and improving safety.

**Our safety vision:  
No harm. Together.**







### We are all leaders of safety

Safety leadership is a shared responsibility at Neste – it is a collective effort, integrated into our daily operations and workplaces. Our Safety Leadership Principle outlines the expectations and accountabilities for safety leadership across all employees and anyone working for the company. We are guided by our company values: We care, We have courage, We cooperate. We continuously evolve our ability to identify and manage hazards while learning from our experiences.

In 2023, comprehensive safety discussions were carried out throughout the company to generate conversations at all organizational levels, emphasizing the need for more efficient hazard and risk management in our operations. The aim was for these discussions to be translated into tangible actions within teams to enhance safety performance. The Neste Executive Committee took a deep dive into safety in a customized “I Act Safe” workshop focusing on critical safety aspects in high-hazard industries and the effective implementation of our Operations Excellence Management System (OEMS).

At Neste, we prioritize uncompromised safety of our people and partners.

The foundation of safety excellence and continual improvement are defined by Neste’s OEMS, which includes Operations Excellence Principles and supplementary detailed standards. The requirements extend not only to our employees but also our suppliers and partners.

In 2023, we continued to streamline and simplify the OEMS implementation process, conducting systematic self-assessments and audits to ensure compliance. We performed 23 on-site OEMS audits within our operations. Our safety management prioritized the identification, analysis and mitigation of high-potential incidents with severe consequences.

### Always ensuring people safety

At Neste, we prioritize the uncompromised safety of our people and partners. Our Life Saving Rules serve as guidance for preventing fatal and life-changing injuries and incidents, empowering everyone with the authority, as well as the responsibility, to stop work when necessary to ensure their own or others’ safety.

In 2023, our “I Act Safe” workshops reached a broad audience, and we organized a total of 55 workshops with approximately 750 participants. The workshops focused on personal safety leadership, awareness and management. Additionally, we provided practical training to over 200 tank truck drivers in Finland and the Baltic countries, enhancing their safe deliveries in the challenging Nordic climate.

Beyond our employees, we expect our contractors to uphold an uncompromised commitment to safety. We ensure that contractors can work safely and are informed of any risks related to their work. We only work with business partners who comply with all applicable laws and regulations. In 2023, we conducted approximately 2,100 contractor health, safety, security, environment and quality performance evaluations during contract execution, and over 60 contractor safety management system audits provided valuable insights for performance improvement.

All contractors complete site safety training before accessing our sites, and any incidents involving contractors are thoroughly investigated and included in Neste safety statistics. We continuously strive to improve contractor safety performance through audits, a rigorous selection process, regular performance evaluations, mutual feedback and an increased focus on safe subcontracting.

In 2023, we heightened safety awareness by organizing our first global Safety Week, centered on learning from everyday work. Both local and global events catered to all Neste employees, whether on the frontlines of our operations or within office environments.

Furthermore, we recognized and awarded several contractors across Neste locations worldwide for their exceptional commitment to safety. The Contractor Safety Award was granted to several contractors selected by Neste’s local organizations globally.



### Safe operations are the basis of our process safety

Process safety at Neste encompasses the design and construction of safe facilities, safe operations, life cycle asset management and regular inspections. In 2023, our focus was on implementing the Neste Process Safety Fundamentals (PSF), a learning resource with best practices for enhancing process safety understanding among frontline workers in their daily tasks. We also conducted a benchmarking study to improve our process hazard analysis practices, ensuring the definition and implementation of critical safety controls. In response to environmental concerns, we initiated a project to transition away from Per- and Polyfluorinated Alkyl Substances (PFAS) fire-fighting foams at our sites before the mandatory deadlines.

To maintain robust fire-fighting capabilities, we collaborated with the global Large Atmospheric Storage Tanks project (LASTFIRE). We also participated in a research study with other organizations in Finland to better understand the recovery of renewable products and liquid waste plastic from the sea in the event of oil spills.

### Safety is assured throughout the product life cycle

Providing the required registrations and carefully compiled safety data sheets in all the countries of our operations is the core of product safety at Neste. This work requires constant cooperation and monitoring of global chemical legislation. One important task has been to follow the development of the EU's Chemicals Strategy for Sustainability.

In 2023, we continued to refine our internal systems, including instructions, training, awareness campaigns, networking and practical tools for managing the different regulatory requirements related to chemicals.

We assured our employees' chemical safety by conducting exposure measurements for example in connection with the liquefied waste plastic (LWP) handling at different stages, thus generating information to guarantee safe work.

### Performance in key projects remained a focal point

Incorporating safety into projects such as investments, change initiatives, and turnarounds remained our focus in 2023. We placed significant emphasis on organizational learning to ensure our success in this area.

The Singapore expansion project, concluded in 2023, achieved an overall Total Recordable Injury Frequency (TRIF) of 0.5. This was well within our target, and high-consequence work-related injuries were avoided.

In Rotterdam, the capacity growth project proceeded smoothly, with 2 million work hours worked without any recordable injuries. We identified excellent contractor onboarding processes as a key success factor, sharing this knowledge across the organization.

The Naantali refinery demolition project, completed in 2023, safely navigated its unique challenges without high-consequence work-related injuries. This success can be attributed to a thorough hazard analysis, strong cooperation with our demolition partner, and adaptive learning based on field and worker insights.

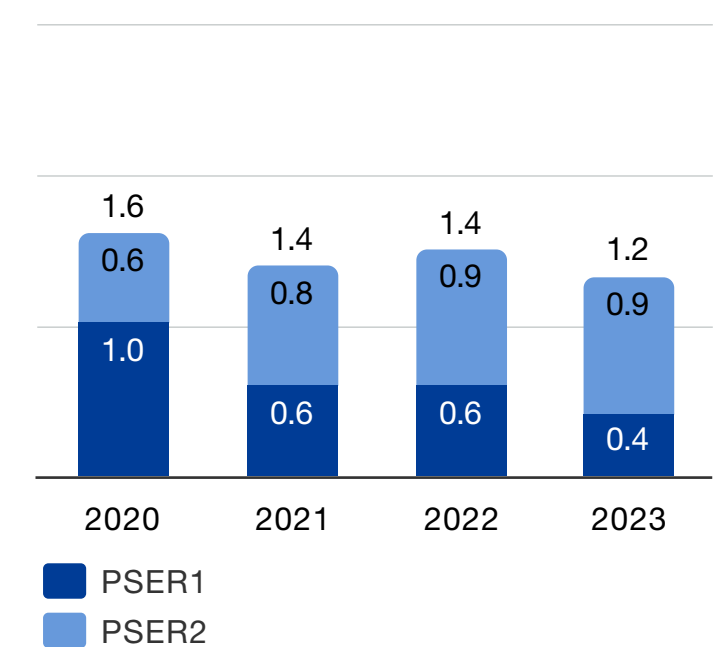
### Safety performance in 2023

In 2023, Neste's occupational safety performance rate including contractors (TRIF, or rate of accidents requiring medical treatment per million hours worked) did not reach the target level (2.0) and was 2.3 (2022: 2.0). The biggest challenges were experienced in contractor safety, where TRIF was 3.2.

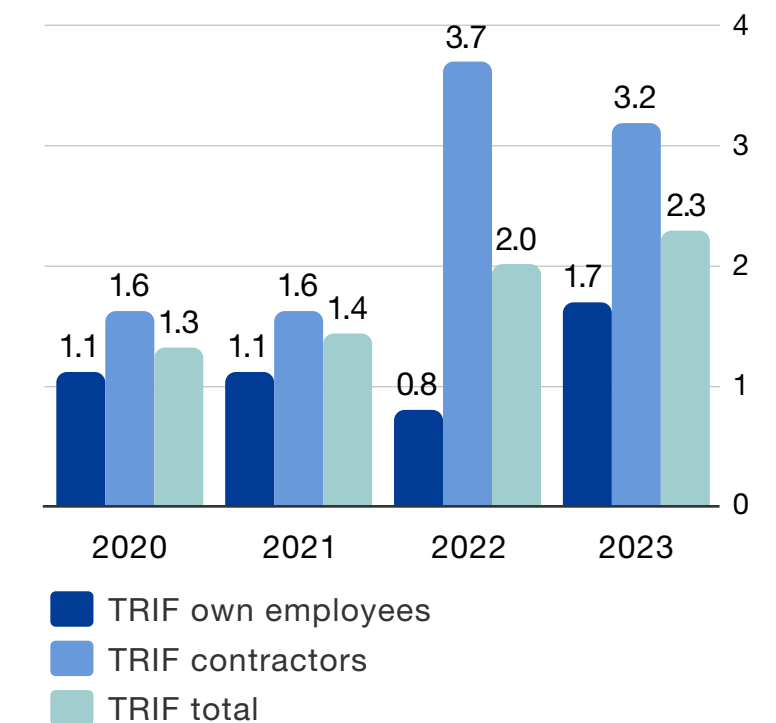
In 2023, the process safety performance rate (PSER, or the rate of process safety tier 1 and tier 2 events per million hours worked) was 1.2 (2022: 1.4), which was in the 2023 target level (1.4). Process safety events are classified into two categories according to guidance from the American Petroleum Institute.

We also monitored the number of safe days, which signifies days without occupational accidents, process safety events, other fires and leaks, environmental non-compliances, marine safety incidents, and traffic accidents. In 2023, the number of safe days was 278 (2022: 314), and the number of incidents was 94 (2022: 56). The injury and safe day statistics of Mahoney Environmental were included for the first time to the Neste Group's safety performance measurements.

### Process safety event rate (PSER)



### Total recordable injury frequency (TRIF)





# Climate

Climate change continues to change the world as we know it, and prompt actions to reduce greenhouse gas emissions (GHG) globally are needed.

Climate commitments are an integral part of our corporate strategy and sustainability vision. We want to lead the transformation toward a carbon neutral value chain.

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



**Footprint: Reducing 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 solutions**



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 Nestle (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ).



### What do we want to achieve?

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 a key driver in 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<sup>1)</sup> 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 over 100 measures to reach the targets, several of which are already well underway. We monitor the progress regularly across the organization.

Read about our progress in 2023 in the Carbon handprint and Carbon footprint sections.

We are committed to applying the Task Force For Climate-related Financial Disclosures reporting Framework to understand and evaluate the potential implications of climate change.

### Opportunity and risk scenarios

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 through internal analysis and the identification of trends and factors relevant to our business. In 2023, 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 2.5 °C–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.



### Scopes 1, 2 and 3

The Scope framework established by GHG Protocol is a tool for assessing GHG emissions across the value chain. The framework divides GHG emissions into three different scopes that each have several categories.

**Scope 1: Direct emissions**  
(e.g., from production)

**Scope 2: Indirect emissions**  
from purchased energy

**Scope 3: Other indirect emissions**  
from value chain

Neste has defined its own production emissions to cover scope 1 and scope 2. Scope 3 includes all other relevant emissions throughout the value chain, such as GHG emissions related to the use of the products we sell and emissions related to purchased goods such as raw materials, purchased services, transportation and logistics.

<sup>1)</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).



The focus of Neste's strategic planning is on the next 10 years. 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 in short-, medium- and long-term time horizons with varying degrees 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 estimating the impact on Neste's profitability compared to the base case, for example. This is to ensure the key drivers underlying our strategy are robust under the varying assumptions across the pathways. The results of the scenario assessment provide valuable information about the adaptability and resilience of Neste's strategy. The 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 the Neste disclosures in the annual report via the [TCFD index](#).

### Potential implications of climate change for Neste

	Net Zero World	Net Zero EU and North America by 2050	Compromised climate targets
<b>Description</b>	Rapid and radical emissions 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 action, 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 2.5 °C to 3 °C or more by the end of the century. The scenario is partly built 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, and optimize across raw materials, 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 a supportive regulatory landscape may present transition risks related to stringent competition for key raw materials and in entering new markets.	Identified transition risks are related to regulation limiting the competitiveness of renewable fuels or narrowing the eligibility of key raw materials. A steep decline of demand for fossil fuel could also be seen as a transition risk for Neste's current business. Risks related to accelerated alternative technology development have also been identified.	Modest demand growth in renewable products due to less favorable regulatory framework gives scope for differentiation and serving selected voluntary markets efficiently.
<b>Indicative financial impact to Neste</b>	Positive	Base case	Slightly negative



# Our carbon handprint

In 2023, we enabled our customers to reduce GHG emissions by 11.0 million tons.<sup>1)</sup>

We are committed to helping our customers reduce their greenhouse gas emissions by at least 20 million metric tons CO<sub>2</sub>e annually by 2030. We aim to achieve our target with our portfolio of renewable, lower-emission and circular solutions for road transportation, aviation, and marine uses, as well as for the plastics and chemicals industries.

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



Neste MY Sustainable Aviation Fuel™



Neste MY Renewable Diesel™



Neste RE™, feedstock for polymers and chemicals 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

<sup>1)</sup> See calculation principles on [page 115](#)





## What does carbon handprint mean?

The idea behind carbon handprint is to offer solutions to our customers that reduce their carbon footprint.

It is the difference between the carbon footprints over the life cycle of a baseline product or service and a more sustainable product or service measured in mass of GHG (i.e. kgCO<sub>2</sub>e). The bigger the handprint, the better.

All our renewable and circular solutions have significantly lower GHG emissions over their life cycle compared to fossil alternatives, which helps our customers reduce their GHG emissions and reach their climate **targets (see pages 63–65 for details)**.

To assess the carbon handprint, we first calculate the GHG emissions of our renewable and circular

products over their entire life cycle from the production of their raw materials to the end use of the final product. For fuels, the life cycle ends when the product has been used, 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. Then we compare these life cycle GHG emissions of each of our renewable and circular products with 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.

Since 2016, with the VTT Technical Research Centre of Finland and Lappeenranta University of Technology,

and later with Business Finland and other partners, we have been participating in the development of the world's first science-based method for handprint calculation and communication. It aspires to provide an unambiguous and internationally approved concept of carbon neutrality and a reliable indication of the environmental benefits (handprint) of circular economy solutions.

Neste's renewable products, such as Neste MY Renewable Diesel, Neste MY Sustainable Aviation Fuel and Neste RE, our renewable feedstock for polymers and chemicals industries, help our customers reduce their GHG emissions and reach their climate targets.

## Reaching capacity growth with refinery investments

Growing our capacity to produce renewable and circular solutions is a key contributor toward our carbon handprint target. Through our strategic investments, our production capacity of renewable and circular solutions will expand significantly in the coming years.

In 2023, we finalized the expansion of our Singapore refinery, which started operations in April 2023. The ramp-up to full capacity was delayed during the second half of 2023. The expansion will increase the total production capacity of the Singapore refinery to 2.6 million tons per year, including up to 1 million tons of sustainable aviation fuel.

The Martinez Renewables refinery in the US started operating in 2023. Pretreatment capabilities started to operate in the second half of 2023, and the facility is expected to increase Neste's renewable products capacity by slightly over 1 million tons (365 million US gallons) per year. These actions are expected to significantly increase the GHG reduction for our customers in 2024.

Furthermore, in the Netherlands we continued the Rotterdam expansion project in 2023. The project will expand our overall renewable product capacity by another 1.3 million tons per year, bringing the total renewable product capacity in Rotterdam to 2.7 million tons annually. Our target is to start up the new production unit during the first half of 2026, and it will be a significant step



toward reaching our 2030 handprint target.

In 2023 we completed the strategic study on transforming our refinery in Porvoo, Finland, into a leading renewable and circular solutions refining hub. The planned transformation will proceed in phases, and requires multiple separate investment decisions during the next decade before targeted completion in the mid-2030s. The company expects the long-term capacity potential after the transformation to be about 3 million tons of renewable and circular products. Neste's expertise and the versatility of the Porvoo refinery create an excellent platform for change.

The final timeline for transitioning from crude oil to renewable and circular raw materials will be determined later in line with the actual fuel market demand, legislation development and transformation progress. Some

changes have already been initiated with the co-processing of both renewable and circular feedstock and could continue with retrofits of existing units at a later stage.

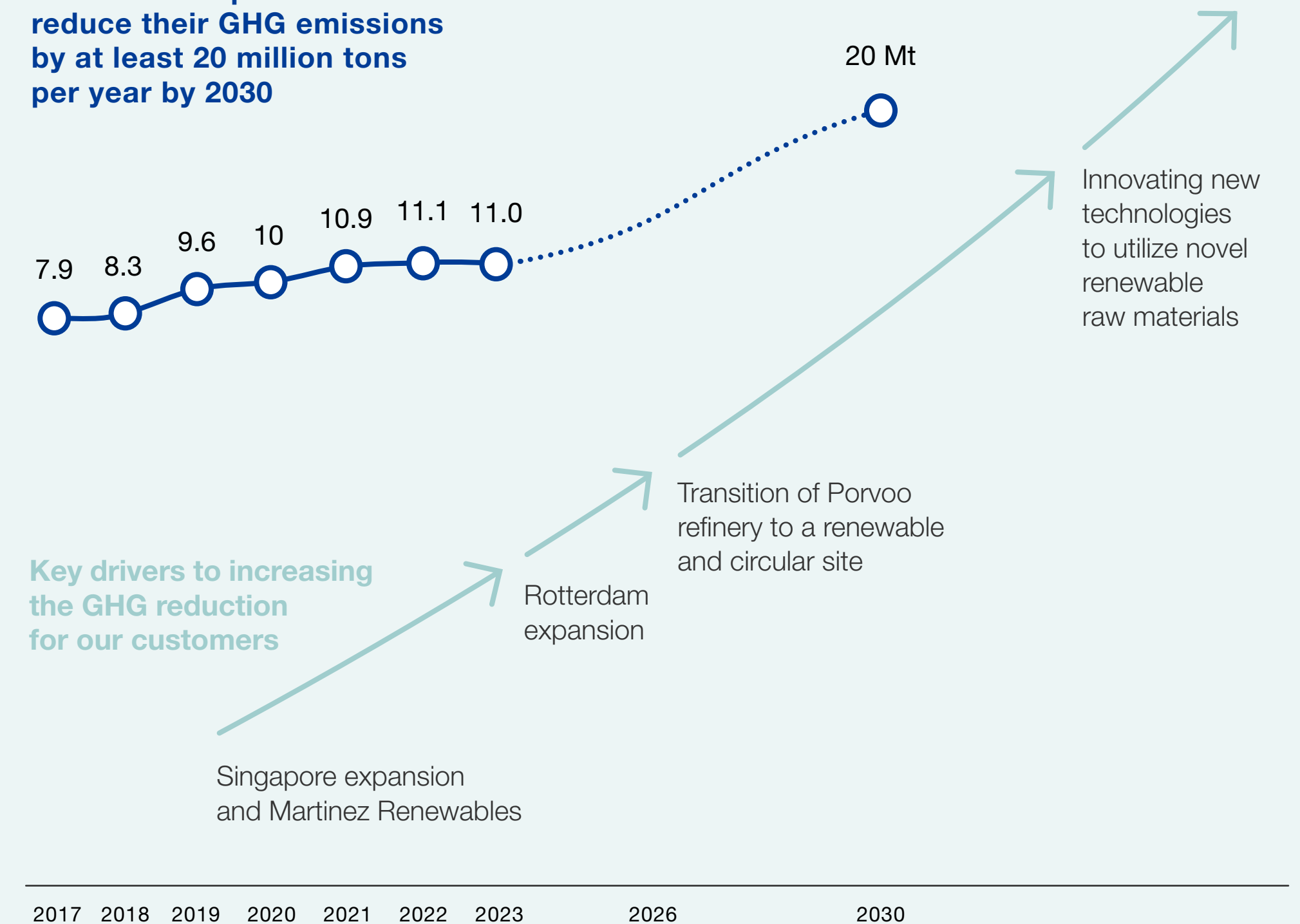
As a tangible step, we made an investment decision to commence the construction of upgrading facilities for liquefied plastic waste at our Porvoo refinery in Finland in 2023. With an investment of 111 million euros, we will build the capacity to upgrade 150,000 tons of liquefied waste plastic per year.

At the same time, we need to ensure that our renewable and circular products have the lowest possible GHG emissions across their life cycle. For example, this requires a 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.



### 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





### Solutions to reduce GHG emissions in aviation

Neste continues to help the aviation industry achieve its ambitious goal of net zero carbon emissions by 2050 by providing an immediate solution for reducing the emissions from air travel and transport. Neste MY Sustainable Aviation Fuel is made from sustainably sourced 100% renewable waste and residue raw materials such as used cooking oil and animal fat waste. In its neat form, Neste MY SAF can reduce greenhouse gas emissions by up to 80% over the fuel's life cycle, compared to using fossil jet fuels (calculation method: CORSIA)<sup>1)</sup>.

Neste MY SAF also significantly reduces 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 fuel infrastructure, requiring no extra investment in them.

Our current annual SAF production capability is 1 million tons per year. With the expansion of our Singapore refinery and ongoing modification of our Rotterdam

refinery, we will have an annual SAF production capability of 1.5 million tons in early 2024. Furthermore, the ongoing Rotterdam refinery expansion will increase the capacity to 2.2 million tons in 2026.

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

In addition, we offer businesses a tailored service to help them directly reduce the greenhouse gas emissions of their air travel or transportation by purchasing SAF; Neste SAF Solutions. This solution delivers real in-sector emission reductions that can credibly be used to meet science-based targets or other sustainability commitments.



#### New partnerships in aviation in 2023:

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

- Expanding the SAF agreement with [United Airlines](#)
- [Ryanair](#) using Neste SAF for all flights from Amsterdam Airport
- Supplying Neste SAF to [Air Canada](#) for flights from San Francisco International Airport

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

- Establishing an integrated SAF supply chain to [Singapore Changi Airport](#)
- First delivery of SAF via the European CEPS pipeline system to Brussels Airlines at [Brussels Airport](#)
- Enabling Sweden's [Trollhättan-Vänernsborg Airport](#) to become the world's first airport to use sustainable aviation fuel on all flights

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

- A partnership with [SQUAKE](#) enabling businesses to opt for sustainable aviation fuel in flight booking systems
- Partnering with Adventure Trade Travel Association to expand SAF availability in the travel industry

##### Examples of other achievements

- Neste, ISCC and DHL Group successfully piloting the [ISCC Credit Transfer System](#)

### Renewable solutions for road transportation and heavy machinery use

In 2023, we continued to expand the availability of renewable diesel by bringing it to new markets and by growing the Neste station network. We also strengthened the use of renewable diesel in industrial sectors like mining and infrastructure construction, which depend on heavy machinery. Our solutions are also available for agriculture and forestry.

In April 2023, we launched Neste MY Renewable Diesel on the Danish market, and expanded the network even further with a new distributor in July.

In Finland, we expanded the availability of Neste MY Renewable Diesel from 168 stations to 187 stations. In Estonia, Latvia and Lithuania the number of stations selling the fuel grew by 9 stations, totaling 39.

In the Netherlands, Sweden, the US, Belgium and Denmark Neste MY Renewable Diesel was sold at more than 600 stations by the end of the year.

We respond to the electric vehicle megatrend and the growing need of electric vehicle charging. During 2023, we opened 13 public Neste Renewable Charging service stations at our existing fuel stations in Finland and in the Baltic countries.

<sup>1)</sup>The actual emission reduction per flight depends on the fuel blend used for that flight.



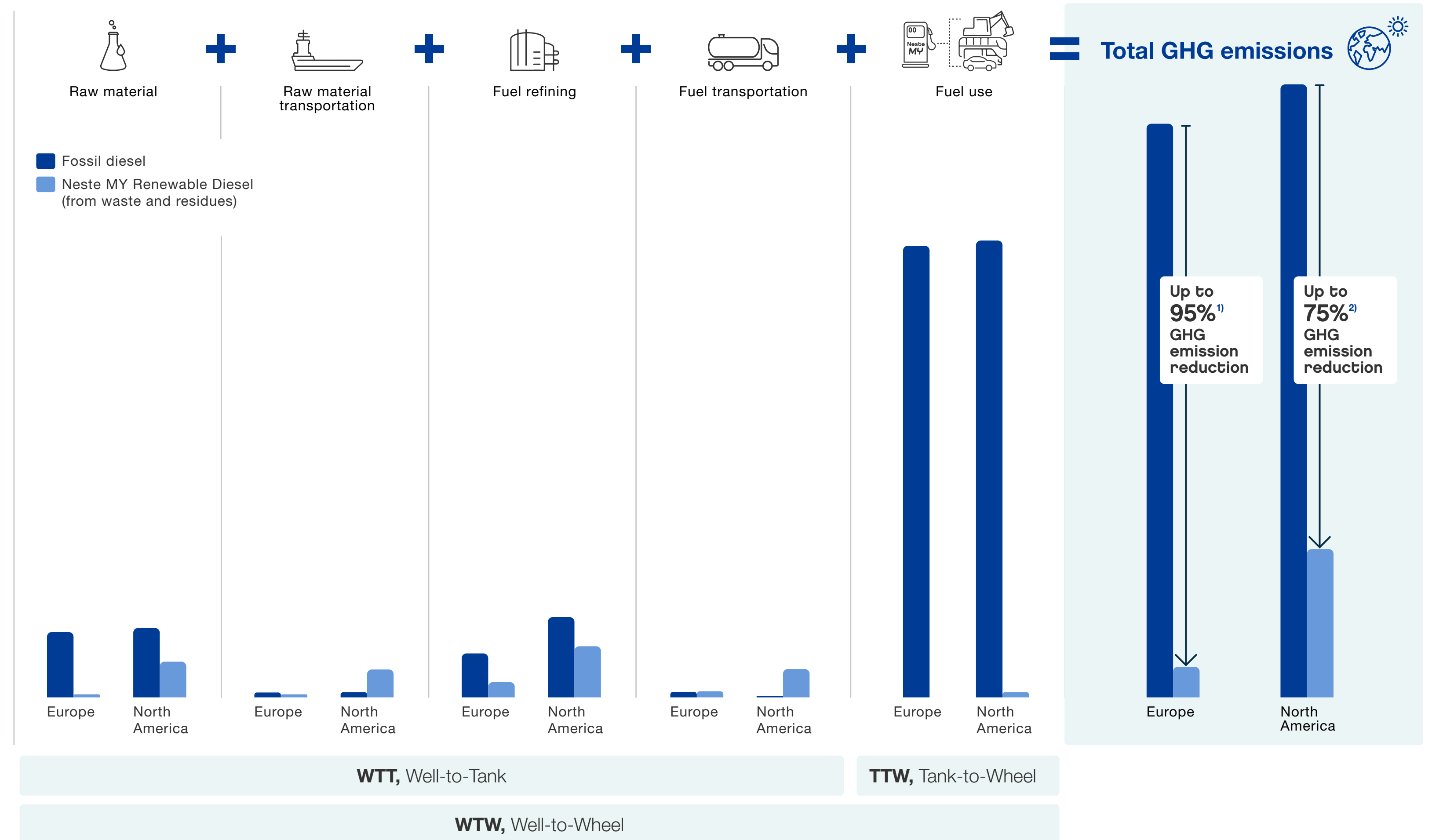
### Reduced emissions with Neste MY Renewable Diesel

Neste MY Renewable Diesel is a drop-in solution for all diesel-powered vehicles. Its use does not require any changes to existing engines or logistics.

In 2023, our customers were able to reduce their GHG emissions by up to 95%<sup>1)</sup> or up to 75%<sup>2)</sup>, when switching from fossil diesel to Neste MY Renewable Diesel. The GHG reduction depends on the local regulations, which provide the methodology and define the fossil diesel reference GHG emissions value. The reduction also depends on the transportation distances and on the renewable raw material mix used for each market.

The GHG emissions over the entire fuel life cycle are taken into account. The fuel life cycle consists of, on one hand, the Well-to-Tank (WTT) GHG emissions, which includes the emissions from raw material, from raw material transportation, from fuel refining and from product transportation. And on the other hand, it consists of the Tank-to-Wheel (TTW) GHG emissions, which includes the emissions from fuel use. For Neste MY Renewable Diesel, the GHG emissions from the fuel use phase (TTW) amounts to zero or nearly zero, as the bio-based carbon dioxide released upon combustion equals the amount of carbon that renewable raw material has absorbed earlier.

### Neste MY Renewable Diesel helps reduce greenhouse gas (GHG) emissions compared to Fossil diesel



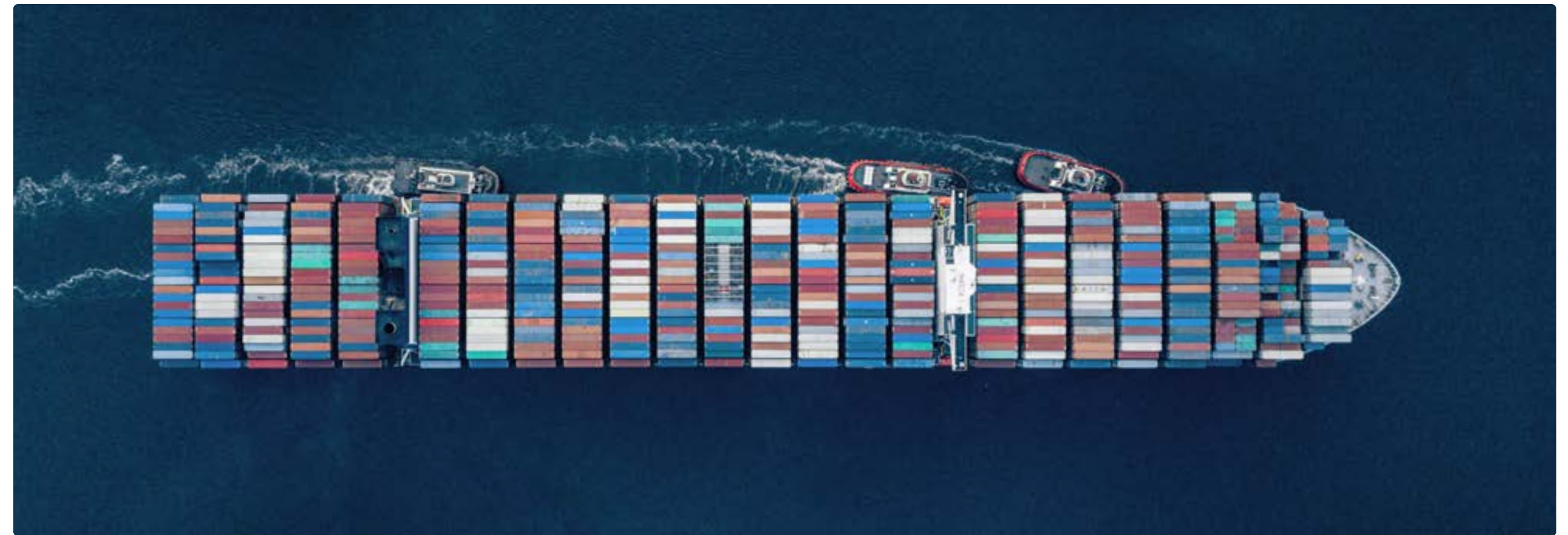
<sup>1)</sup> Based on European market and EU RED ((EU)2018/2001) methodology  
<sup>2)</sup> Based on North American market and LCFS methodology



### 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 reduce their emissions and respond to the tightening regulations. To reduce sulphur dioxide emissions, we provide several low-sulphur fuel solutions. To reduce GHG emissions, we offer either Neste co-processed marine fuel or renewable diesel (HVO).

**Neste Marine™ 0.1 Co-processed** helps the marine sector start reducing its dependence on fossil fuels, as the fuel produced by Neste also consists of renewable content. In the production of the fuel, crude oil is partly replaced by renewable raw materials. In 2023, the availability of the fuel expanded from Finland to Sweden and Denmark via our partners ScanOcean (Sweden) and Malik Energy (Denmark).



### Helping Deutsche Bahn become carbon neutral

Deutsche Bahn significantly expanded its use of renewable diesel by purchasing around 13,300 tons (17 million liters) of renewable diesel produced by Neste in 2023. Switching from fossil diesel to Neste MY Renewable Diesel enables Deutsche Bahn to reduce greenhouse gas emissions from the operation of their diesel-powered locomotives and railcars by up to 90%<sup>1)</sup>. In total, the purchased amount will save Deutsche Bahn around 46,000 tons of greenhouse gas emissions (CO<sub>2</sub>e) compared to the use of fossil diesel.

Deutsche Bahn is using HVO-type 100% renewable diesel in around 1,000 of its vehicles, and its subsidiary DB Cargo AG in its entire fleet of 800 vehicles.

<sup>1)</sup> Calculation based on EU RED ((EU)2018/2001)

In addition, we provide solutions that enable GHG emissions reductions in maritime, such as renewable diesel and drop-in bio-components for marine blending. We aim to develop new complementary solutions to widen Neste's low-emission offering for the maritime industry.

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

We provide the polymers and chemicals industries with renewable and circular solutions that help mitigate climate change, combat waste plastic pollution and reduce dependence on crude oil.

Our drop-in renewable feedstock for the polymers and chemicals industries, Neste RE™, is made from renewable raw materials, primarily waste and residue oils and fats such as used cooking oil. With our feedstock, 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 the chemical recycling of waste plastic. This will allow us to contribute to a circular plastics economy by increasing

the recycling of plastic waste. This will help reduce plastic waste pollution while keeping materials in the loop to reduce fossil resource dependence. Read more about chemical recycling on [page 94](#).

### Emission reductions with Neste RE

Neste RE is a feedstock for the polymers and chemicals industries, which is made with renewable and recycled materials. Renewable Neste RE is produced primarily from waste and residue oils and fats of renewable origin such as used cooking oil. Life cycle assessment for renewable Neste RE shows a carbon footprint reduction of more than 85% over the life cycle when it is used to replace conventional fossil feedstock in the chemicals and polymers industries.

Recycled Neste RE is a product from the chemical recycling of hard-to-recycle plastic waste. The life cycle assessment for Neste feedstock produced via chemical recycling shows a carbon footprint reduction of at least 35% compared to the current scenario, in which the feedstock is made from fossil raw materials, and the plastic waste ends up in incineration.





## Our carbon footprint

Neste's climate vision is to lead the transformation toward a carbon neutral value chain.

A critical part of making our vision of leading the transformation toward a carbon neutral value chain is reducing greenhouse gas emissions (GHG) in our operations and across our value chain. 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 toward 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 fuel products sold by Nestle (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ).

First, we are committed to reducing the greenhouse gas emissions from our production (scopes 1 & 2). We are committed to reducing our production emissions by 50% by 2030 compared to 2019, and reaching carbon neutral production by 2035. We have a climate roadmap in place that describes the short-, medium- and long-term actions that will enable us to move toward our commitments.

Second, we have a target of reducing 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 toward renewable and circular solutions.

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

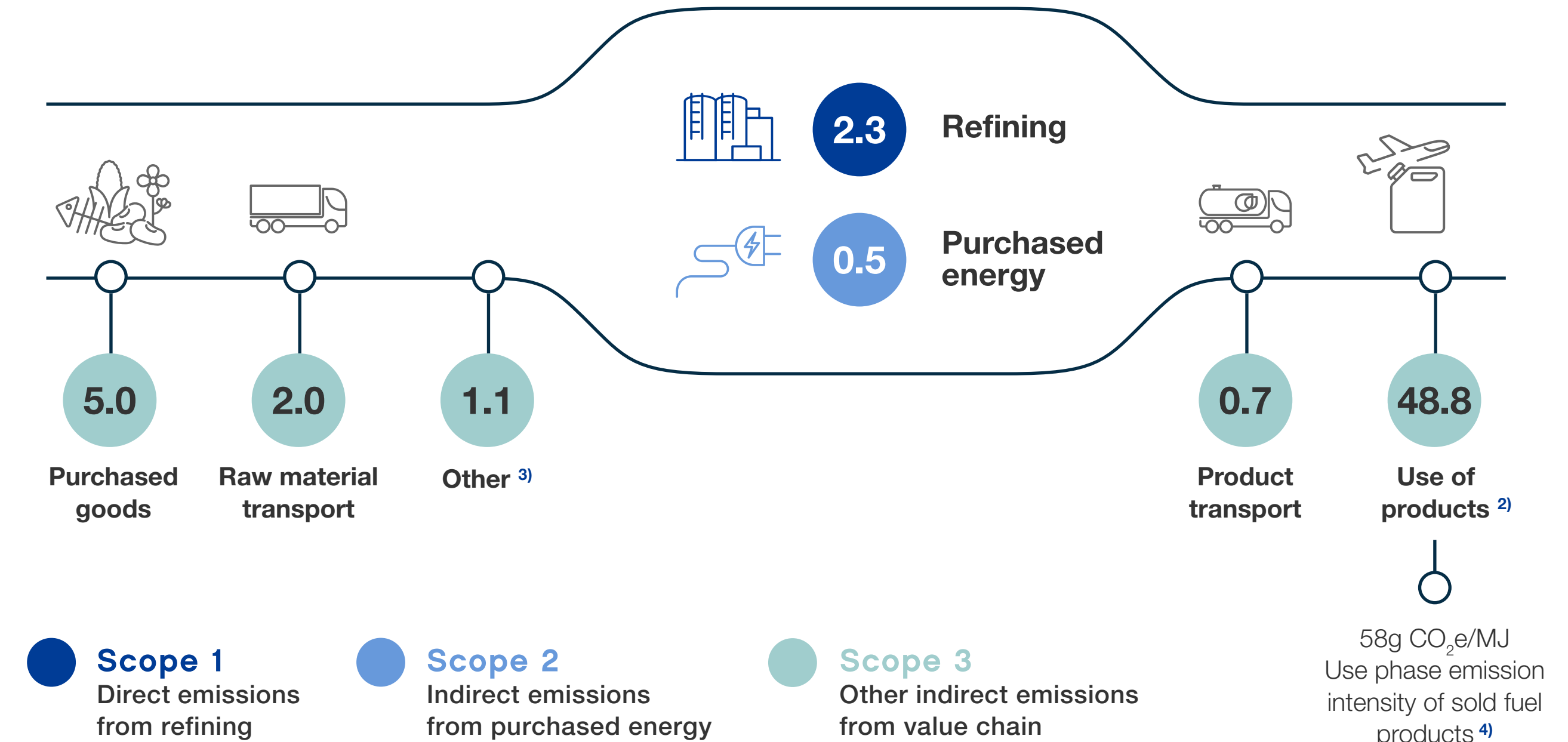
Nestle recognizes the need to reduce global GHG emissions by approximately 50% every decade and reach global net zero GHG emissions by 2050 or sooner to limit global warming to 1.5°C compared to pre-industrial levels. Through our climate commitments to reducing the GHG emissions from our production, sold products and throughout the value chain, we want to show leadership and determination to play our part in limiting global warming to 1.5°C meeting the objectives of the Paris Agreement.

Nestle has been closely analyzing and following the development of leading climate frameworks, such as the Science Based Targets initiative (SBTi), Transition Pathway Initiative (TPI) and Exponential Roadmap Initiative (ERI) to guide our climate commitments toward being in line with the latest climate science and the 1.5°C pathway. 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: Nestle'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 and 50% of the scope 1 & 2 GHG emissions from the Martinez Renewables joint operation. Scope 3 includes all other relevant emissions throughout our value chain.

### Reported GHG emissions in 2023, 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 Nestle (part of scope 3) with the total amount of sold energy (gCO<sub>2</sub>e/MJ).



## Progress & highlights of the climate roadmap in 2023

We are committed to reducing the climate impact of our actions not only through the targets we have set, but also through the actions that we have already implemented or included in our strategic business plans for later implementation. We have already had a tangible climate roadmap for reducing our production carbon footprint (scope 1 & 2) for many years, and we have also proceeded with more concrete plans for reducing scope 3 GHG emissions.

In 2023, we continued the implementation and development of key items in our climate roadmap. One example of the short term actions was increasing the share of renewable electricity of total purchased electricity to 99.6%<sup>1)</sup>.

In the longer term, renewable hydrogen remains one of the biggest focus areas. As part of the Porvoo transformation, a project to build an electrolysis unit to produce green hydrogen is proceeding and is expected to start in 2026. At our Rotterdam refinery, we are demonstrating renewable hydrogen production in the MultiPLHY project, which aims at the installation and integration of an electrolyzer demonstration unit into the refinery.

Regarding our indirect value chain emissions (scope 3), we significantly improved the reduction of GHG emissions from shipping through digital tools and further automatization during 2023. Additionally, we tightened our collaboration and partnerships with our suppliers in the upstream of our value chain and started to enhance our view on supplier capabilities, data quality and potentials for scope 3 emission reductions.

In addition, our climate commitments remain connected with the remuneration of Neste's key personnel, as they are a performance measure in Neste's long-term incentives (LTIs). The purpose of this performance measure is to further drive the commitment and implementation of actions across the organization. In 2023, we

increased our internal carbon price to further steer our strategic planning and investment decisions to support meeting our climate targets. We also introduced a new internal policy to further strengthen the requirements and understanding of the GHG impacts of investments.

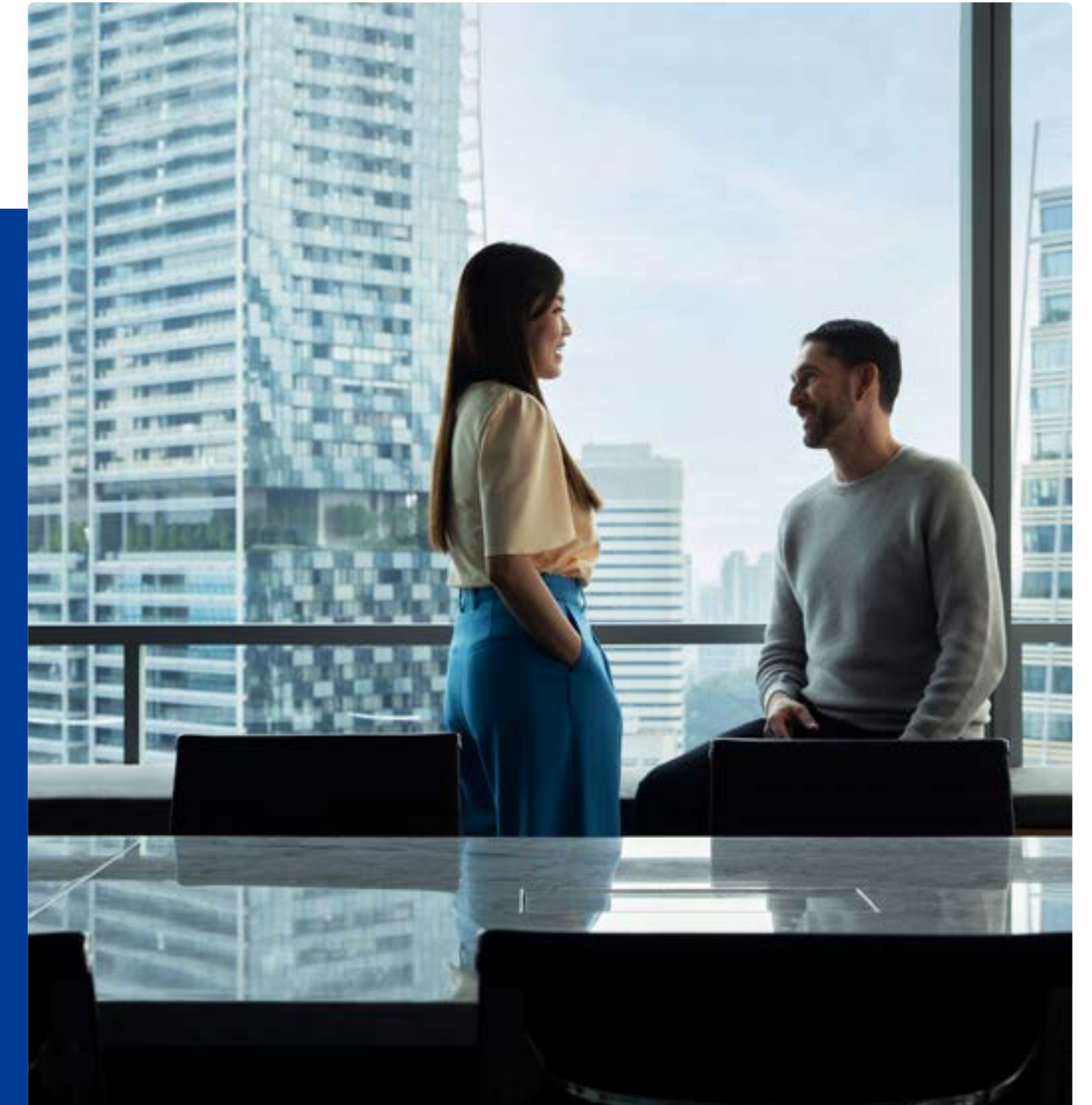
## Evaluation of GHG emission and other sustainability aspects integrated into Neste investment processes

Since 2020, evaluating the production carbon footprint (scope 1 & 2) emission impact of every investment decision has been mandatory at Neste. As we have developed our climate commitments to cover also for example the use phase emission intensity of sold products (part of scope 3), we have introduced new criteria and guidelines to enable our project teams to evaluate all potential climate impacts of the possible investments. The purpose of these guidelines and criteria is to increase transparency to the different GHG emission impacts of our investments.

To align our investment decisions to support our climate commitments, Neste applies an internal carbon price for our scope 1 & 2 GHG emissions in investment calculations, business case evaluations and in strategic

planning. In 2023, we increased Neste's internal carbon price to 100 EUR/tCO<sub>2</sub>e in the short term. The internal carbon price will increase to above 120 EUR/tCO<sub>2</sub>e by 2030. We regularly review our internal carbon price as part of our strategic planning process, and utilize various references, for example the EU ETS allowance price and forecasts, in the process.

In 2023, Neste updated its investment process and criteria to include more detailed checklists for climate-related evaluations for different project phases. At the same time, we also added similar checklists for biodiversity, human rights, and supply chain sustainability evaluations that need to be reviewed in different project phases.



<sup>1)</sup> Includes additional market-based renewable electricity instruments (e.g. I-RECs) through which Neste has supported the use of renewable energy for electricity production in South-East Asia, but which cannot be used for Neste's scope 2 market-based accounting. Martinez Renewables excluded from reported renewable electricity share as Neste does not control electricity supply agreements for the joint operations



### Our pathway toward carbon neutral production

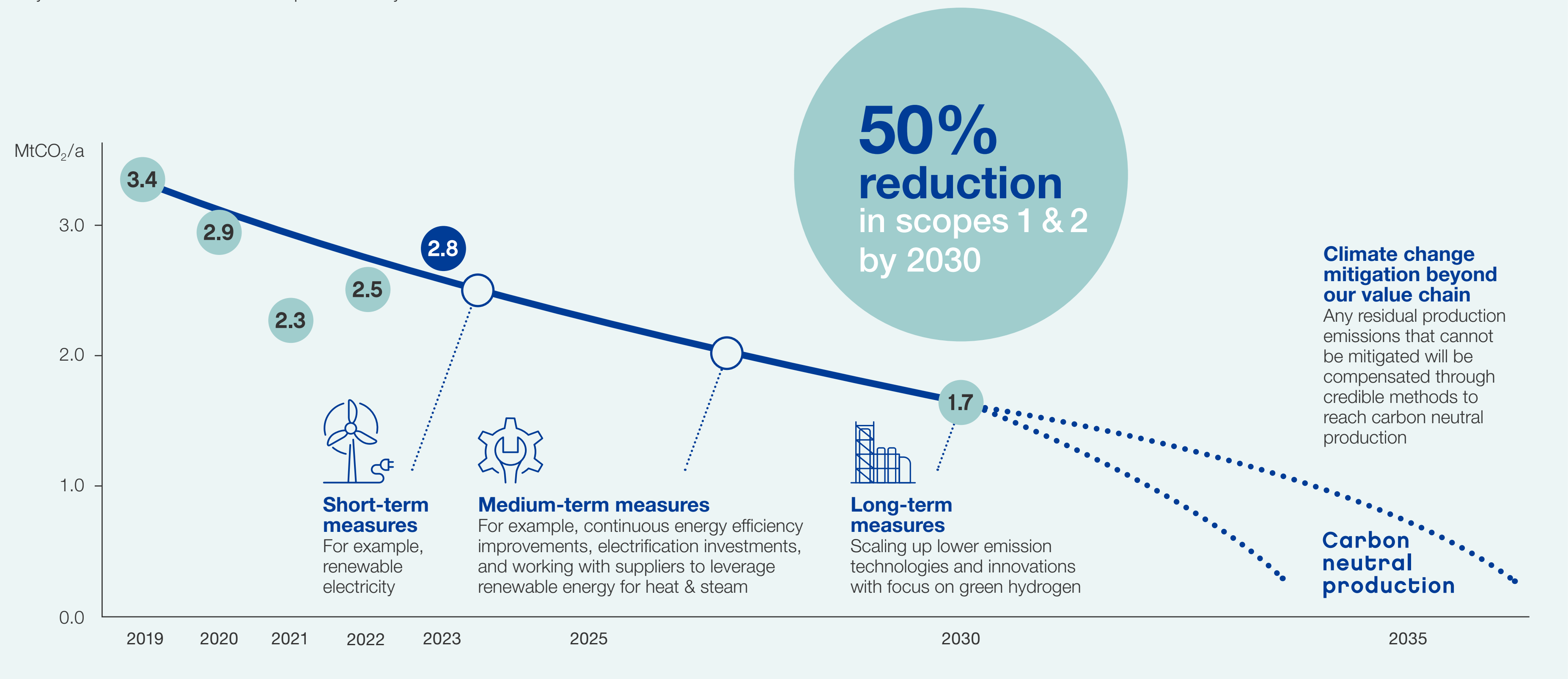
Our target is to reduce production (scopes 1 & 2) emissions by 50% by 2030 compared to 2019, and reach carbon neutral production by 2035. We believe that these commitments are in line with global climate ambitions and the objectives of the Paris Agreement. In 2023, our production (scopes 1 & 2) emissions totaled 2.8 MtCO<sub>2</sub>, which is 19% smaller than in 2019 (baseline year). The emissions from production were slightly higher than in 2022 as the Singapore refinery expansion and the Martinez Renewables refinery, 50% of which is owned by Neste, started operations in 2023.

In 2023, we continued progress with the short-term actions on our production climate roadmap, such as increasing the share of renewable electricity. As an example, we signed a purchase agreement for solar power supply to the Porvoo refinery in Finland with the renewable energy company CPC Finland Oy in late 2023. Solar power supply is expected to start in spring 2024. The total annual volume of the agreement is approximately 24 GWh. In 2023, the share of grid-connected renewable electricity was 89.3% (93.8%). Our aim was to reach 100% renewable electricity by 2023. With so-called additional measures<sup>1)</sup> we were able to cover 99.6% of Neste's total purchased electricity.

In addition to renewable electricity, we continued to work towards a higher share of renewable steam with the local energy producers. These GHG emission reduction measures related to purchased energy (scope 2) are estimated to have a reduction potential of around 20% of our 2019 production carbon footprint baseline by 2030.

### Towards climate 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.



<sup>1)</sup> Additional measures include available market-based renewable electricity instruments (e.g. I-RECs) through which Neste has supported the use of renewable energy for electricity production in South-East Asia, but which cannot be used for Neste's scope 2 market-based accounting. Martinez Renewables excluded from reported renewable electricity share as Neste does not control electricity supply agreements for the joint operations.



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 refinery maintenance breaks. As part of the Singapore refinery expansion, improvements were implemented at the site to more effectively utilize the renewable refinery off-gasses for different purposes. The estimated emission reduction potential of our planned energy efficiency measures is approximately 10% by 2030 of Neste's scope 1 & 2 emissions compared to the 2019 baseline year.

Longer term actions on our climate roadmap include scaling up new technologies and innovations, with focus on renewable hydrogen. As part of the Porvoo transformation, a project to produce renewable hydrogen with a 120 MW electrolysis unit has proceeded and is in the basic engineering phase. The prerequisites for the decision to build a green hydrogen unit are expected to be ready during 2024. Green hydrogen production could start in 2026 if the project has proceeded to execution. Renewable hydrogen and other new technologies are estimated to have a reduction potential of 20% or more of the 2019 scope 1 & 2 emission baseline by 2030.

### Reducing the GHG emissions in the value chain

The main emission source in the value chain (scope 3) is the GHG emissions caused by the use of the products we produce and sell. Neste has set a target of reducing the use phase GHG emission intensity of sold products 50% by 2040. To meet this target, we are increasing the share of renewable products in our product portfolio through capacity expansions, innovation initiatives, and transforming our Porvoo refinery into a leading renewable and circular solutions refining hub.

As we continue to proceed with reducing the use phase GHG emission intensity of sold products, we are increasing the focus on reducing other value chain emissions. This is where partnerships and the suppliers we collaborate with play a key role. In 2023, we continued to detail the climate roadmap for scope 3 and have already moved forward with first steps. We have increased our understanding of the currently available

data sources, the quality of the data and reviewing the possibilities of utilizing a higher share of primary data in our GHG accounting. This also enables us to proceed towards setting credible targets for other scope 3 categories aligned with the latest climate frameworks, and identifying emissions reduction measures with our partners and suppliers.

We are increasing the share of renewable products through capacity expansions, innovation initiatives, and transitioning our Porvoo refinery into a leading renewable and circular solutions refining hub.

## Aiming to be the most sustainable refinery in Europe

Neste's refinery in Porvoo, Finland is among the most efficient and versatile refineries in Europe. It processes both crude oil and renewable raw materials into more than 100 end products for customers globally. Neste's ambition is to make the Porvoo refinery the most sustainable refinery in Europe by 2030. In 2023 we completed [the strategic study on transforming the Porvoo refinery into a leading renewable and circular solutions refining hub in the mid-2030](#).

The Porvoo refinery transformation will significantly support actions to reduce GHG emissions across Neste's scopes 1-3. The majority of Neste's scope 1 & 2 GHG emissions are caused by the Porvoo refinery, and the planned transformation is estimated to lead to a large reduction of GHG emissions from the Porvoo refinery, especially when combined with the actions already listed on Neste's climate roadmap by 2030.

Also, the GHG emissions from the use of the sold products in Neste's scope 3 originate mainly from

the produced and sold fossil fuels. Transitioning from crude oil to renewable and circular raw materials would therefore 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 transformation of the Porvoo refinery will have an impact on the other scope 3 categories for Neste. The main impact is likely 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.

With the planned transformation of the Porvoo refinery, combined with other initiatives across all refineries and the entire value chain, we firmly believe that we are aligned with the scientific 1.5°C pathway. Through our clear plans and concrete actions, we are showing an example on how to enable reaching net zero GHG emissions globally by 2050 or sooner.





### Reducing the use phase emission intensity of sold products

The use phase emission intensity of sold products (gCO<sub>2</sub>e/MJ) is an indicator of the GHG emissions from the use of Neste's products divided by the total amount of energy sold. These are the GHG emissions generated when the products that we sell are used – for fuels, this means combustion. Reducing the use phase emission intensity of sold products indicates how Neste is transforming the product portfolio to have a larger share of renewable and circular products. This is based on the approach that CO<sub>2</sub> emissions from the use of renewable fuel amount to zero<sup>1)</sup>, as the amount of bio-based CO<sub>2</sub> released upon combustion equals the amount that the renewable raw material has absorbed earlier. Thus, no new carbon is added to the atmosphere by the combustion of biofuels.

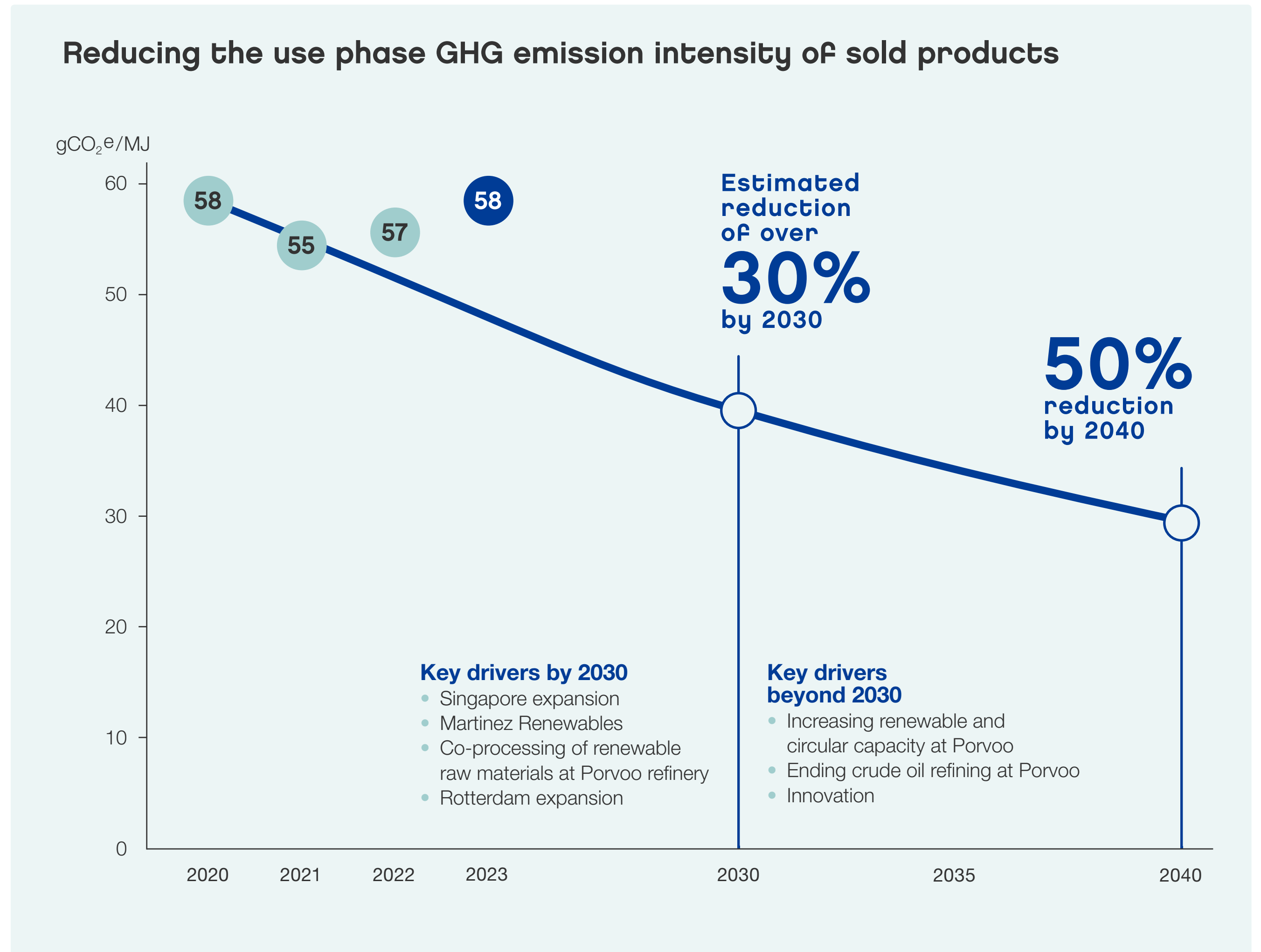
In 2023, the use phase emission intensity of fuel products was 58 gCO<sub>2</sub>e/MJ, which is at the same level as the 2020 baseline (58 gCO<sub>2</sub>e/MJ). The main initiatives related to the use phase emission intensity in 2023 were the

start-up of Singapore Expansion and Martinez Renewables. The absolute GHG emissions related to the use of sold products in scope 3 were 47.7 MtCO<sub>2</sub>e in 2023, which is 23% higher than in 2020 (38.7 MtCO<sub>2</sub>e). The increase is mainly due to the impact of including traded fuels to the calculation from 2023 onward as part of our efforts to increase the coverage of our scope 3 inventory.

By 2030, we estimate to be able to reduce the use phase GHG emission intensity of sold products by over 30%, the main driver being the increased sales of renewable products. As our Singapore expansion and Martinez Renewables continue to ramp-up, we expect the use phase emission of sold products to continue decreasing already in 2024. Further reductions are enabled by our Rotterdam expansion, which is expected to start operations in 2026, as well as increased share of co-processing of renewable raw materials at our Porvoo refinery.

Beyond 2030, the main driver for decreasing the use phase emission intensity of sold products will be the transition of our Porvoo refinery to a renewable and circular site. In a scenario where crude oil refining is ended by the mid-2030s, we estimate to be able to even exceed our 2040 target. This is supported by our further growth in renewable solutions, such as utilizing new innovative raw materials.

[Read more about Neste MY Renewable Diesel](#)



<sup>1)</sup> The calculation methodology is aligned with the EU Renewable Energy Directive (EU RED II 2018/2001/EU) and US California LCFS.



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

In addition to sold products, the other key focus points for reducing the GHG emissions across our value chain are purchased goods and services, such as raw materials, and the product and material transportation and distribution. To showcase our leadership, we have also committed to reduce the climate impact of our own business traveling.

With purchased products and services, the sustainability of our raw material portfolio is an area we are constantly developing, and in which we are identifying opportunities for emissions reductions. For example, Neste continues to focus on waste and residue in sourcing renewable raw materials, and at the end of 2023, Neste reduced its refinery inputs of conventional palm oil to zero.

We are aiming to further understand our suppliers' capabilities and maturity levels with climate change management, which further guides the formulation of our supply chain decarbonization approach. Our target is to make climate a key criterion in supplier selection, and create an environment for our suppliers where they are encouraged and capable of improving their climate performance. For example, in 2023 we introduced contractual clauses related to climate with first suppliers, and started to request more detailed GHG emission information about the products and services purchased by Neste. Upskilling, training and sharing knowledge are also ways to help our suppliers in their emissions reduction journeys and increase our own internal capabilities as well.

In 2023, we continued scope 3 workshops with our procurement teams and held introductory meetings with selected suppliers.

Regarding transportation of our raw materials and products, we are constantly exploring solutions to improve the optimization of our logistics network and enhance our understanding of logistics emissions sources. Our ambition is to expand the adoption of low-emission solutions and improve fuel efficiency in collaboration with our logistics partners.

In 2023, we started to use lower-emission marine fuel in two vessels transporting renewable diesel to Sweden. The initiative aligns with the International Maritime Organization's emission reduction targets to combat climate change. The marine fuel, Neste Marine™ 0.1 Co-processed, offers up to 80% lower greenhouse gas emissions over its life cycle compared to fossil fuel.



### Improving measurement accuracy within indirect procurement

In 2023, we started to work on improving our understanding and the measurement accuracy of the scope 3 emissions arising from indirect procurement. This has been done in collaboration with suppliers by requesting product carbon footprint calculations with the aim of better understanding current calculation methodologies, assumptions, supplier capabilities and readiness, quality of data and potential third-party validation of suppliers' calculations.

Read more about indirect procurement on [page 89](#).

### Digital solutions used as a tool to cut shipping emissions

The use of digital technology and data is essential for GHG emissions management throughout Neste's value chain.

Neste has further developed the digital tools for shipping optimization and has thus gained a 11,000 tCO<sub>2</sub> reduction from shipping operations during 2023. This reduction has been gained by utilizing the just-in-time arrival system and by enhancing optimization algorithms for fleet rotation planning. Advancing toward more automated fleet usage optimization will continue to decrease the environmental footprint of logistics.







### Scope 3 pilot kicked off to refine understanding of hot spots and critical suppliers

In 2023, we continued to assess our scope 3 hotspots, and kicked off an internal pilot to identify our critical suppliers and partners. The aim is to evaluate suppliers' capabilities and maturity in terms of climate, as well as refine emission abatement levers and identify detailed emission reduction activities.

This work helps Nestle to understand the potential for emission reduction levels especially in the upstream value chain and identify those partners who will play a key role in supporting our efforts towards a carbon neutral value chain by 2040.

Companies must also play a part in emission reduction efforts that extend beyond their immediate value chain to mitigate any remaining emissions.

### Climate change mitigation beyond our value chain

Nestle develops its climate commitments and roadmap by analyzing and following the development of the latest climate science and the best practices for corporate climate targets. Thus, making substantial emission reductions within our own production and throughout the value chain remains the primary means to achieve our climate targets.

Nevertheless, it is recognized<sup>1)</sup> that companies must also play a part in emission reduction efforts that extend beyond their immediate value chain to mitigate any remaining emissions. Any production emissions that cannot be effectively reduced will be matched with beyond value chain mitigation actions, which can reduce or avoid greenhouse gas emissions, or remove them from the atmosphere with durable storage. Consequently, to achieve carbon neutral production, various

beyond value chain mitigation actions will serve as the final tool on our climate roadmap, with increasing focus on removal methods and neutralization<sup>2)</sup> of our remaining production emissions.

In 2023, we continued to develop and review our beyond value chain mitigation approach in the light of emerging developments in the market and refined quality standards and criteria, for example the Core Carbon Principles (CCPs) by the Integrity Council for the Voluntary Carbon Market. Similarly, we have paid close attention to the development of the EU carbon removal certification framework. These developments are welcome to create robustness and credibility to the voluntary carbon market and help fighting greenwashing.

<sup>1)</sup> Science Based Targets initiative, Corporate Net Zero Standard, Version 1.1, April 2023.

<sup>2)</sup> Neutralization refers to the activities aimed to remove carbon from the atmosphere and permanently store it to counterbalance the impact of GHG emissions that have not been abated. Science Based Targets initiative, Corporate Net Zero Standard, Version 1.1, April 2023.





### Neste Flies with SAF

Since 2020, Neste has committed to cover the corporate flights of its employees with our own Neste MY Sustainable Aviation Fuel (SAF). The purpose of the Neste Flies with SAF program (NFWS) is to mitigate the climate impact of our corporate flights, and show an example of how other companies can use SAF as a method to reduce the climate impact of their corporate flights. In addition, we minimize the climate impact of our business travel by carefully considering the need for traveling in the first place. This requirement is included in our corporate-wide business travel standard.

We are implementing the Neste Flies with SAF program in collaboration with our partner airlines. In 2023, we delivered approximately 170 tons of SAF to our partner airlines, which include for example Finnair, Lufthansa and Norwegian, to cover our 2022 corporate flights.

Due to supply constraints, in 2024, we will continue to deliver SAF to our partner airlines to cover the climate impact caused by our 2022 and 2023 corporate flights.

No regulatory incentives are leveraged for the SAF supplied under the NFWS program, thus leading to additional climate benefits beyond all direct or indirect regulatory obligations for biofuels in aviation or any other sector. The delivery model for the SAF under the NFWS program is based on the principles stated in the SBTi Aviation guidance<sup>1)</sup>.

### Neste Flies with SAF (NFWS) program

Impact category	Metric	2022 tCO <sub>2</sub> e	2023 tCO <sub>2</sub> e
Baseline for GHG emissions from Neste's corporate flights <sup>1)</sup>	Tank-to-Wake (TTW) <sup>2)</sup>	3,500	4,300
	Well-to-Tank (WTT)	700	900
	Well-to-Wake (WTW)	4,300	5,100
Impact from NFWS	GHG reduction from delivered SAF compared to fossil jet fuel <sup>3)</sup> (WTW basis)	500	0
	Expected GHG reduction from committed <sup>4)</sup> SAF deliveries compared to fossil jet fuel (WTW basis)	3,800	5,100
Impact from NFWS for Neste when SAF is considered to fully cover the fuel need by Neste's corporate flights <sup>5)</sup>	Estimated GHG reduction compared to fossil jet fuel (WTW basis) <i>incl. delivered &amp; committed SAF covering Neste's own travel</i>	3,500	4,200
Additional impact from NFWS outside of Neste's corporate flights	Estimated GHG reduction compared to fossil jet fuel (WTW basis) <i>incl. delivered &amp; committed SAF beyond Neste's own travel</i>	800	900

<sup>1)</sup> Calculations are based on UK Government GHG Conversion Factors for Company Reporting ("DEFRA") published in 2022 and 2023 to calculate the 2022 and 2023 baseline for GHG emissions, respectively.

<sup>2)</sup> Due to the lack of consensus on the topic in the scientific community, the estimated Tank-to-Wake GHG emissions do not include a radiative forcing (RF) multiplier, the purpose of which is to estimate the effect of high altitude emissions to global warming

<sup>3)</sup> The estimated GHG reduction of SAF is calculated against the fossil aviation fuel baseline of 89 gCO<sub>2</sub>e/MJ defined by ICAO in the CORSIA Methodology for Calculating Actual Life Cycle Emissions Values (June 2022)

<sup>4)</sup> Late delivery due to supply chain constraints; deliveries scheduled for H1/2024

<sup>5)</sup> Neste MY Sustainable Aviation Fuel has up to 80% lower GHG emissions compared to fossil fuel across the fuel lifecycle (calculated with established life cycle assessment (LCA) methodologies, such as CORSIA methodology)

<sup>1)</sup> Science Based Targets initiative - Science-based target setting for the aviation sector, Version 1.0, August 2021



## Biodiversity

We aim to achieve a nature positive value chain by 2040, which means positive biodiversity impacts outweigh negative ones.

Biodiversity loss and ecosystem collapse is viewed as one of the fastest growing global risks over the next decade<sup>1)</sup>. Natural ecosystems are significantly impacted by the effects of climate change, unsustainable water use, and land use practices driving habitat loss, among other impact drivers.

Governments around the world have adopted the Kunming-Montreal Global Biodiversity Framework, with the goals of halting and reversing global biodiversity loss by 2050, substantially increasing the area of natural ecosystems, and significantly reducing the risk of extinction to species.

Our business depends on natural resources. Operating in a landscape in which ecosystems are at risk of declining condition poses a high risk for Neste's stable and secure operations and supply of raw materials. For our planet and our business to thrive and be resilient, the prerequisite is restoring and protecting healthy ecosystems. We aim to drive a positive impact on biodiversity and achieve a nature positive value chain by 2040.

<sup>1)</sup> The Global Risks Report 2023 by [World Economic Forum](#)

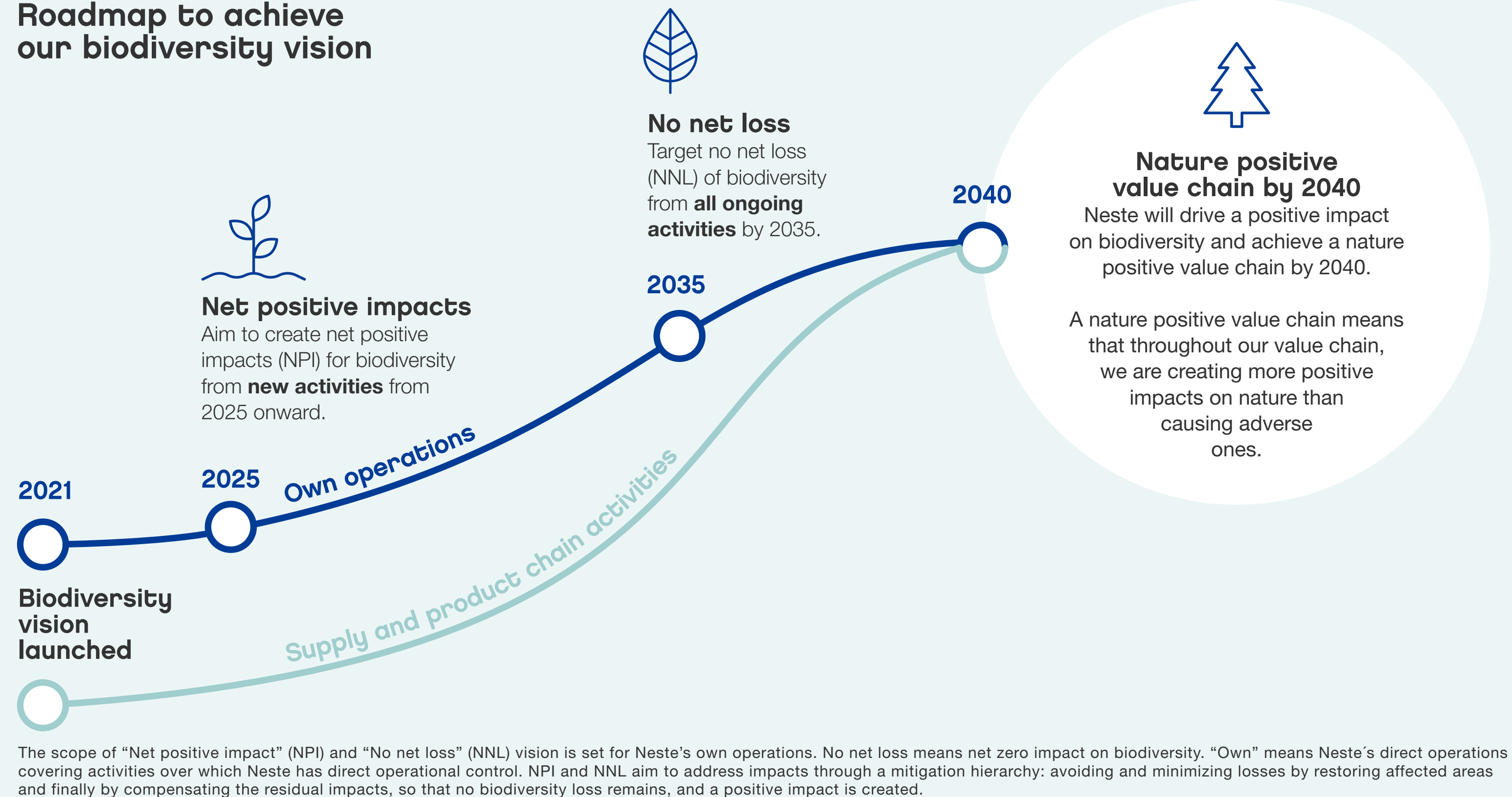


We apply the mitigation hierarchy to our biodiversity impacts: We aim to avoid and minimize all negative impacts, and eventually restore and compensate for the residual impacts from our own operations.

**Our approach to protecting biodiversity**

We aim to avoid and minimize all negative impacts, and eventually restore and compensate for the residual impacts from our own operations. With this mitigation hierarchy, we are shifting our operations toward having a net positive impact on biodiversity. In addition, we need to create ways to effectively collaborate with both our supply chain partners and downstream customers to avoid impacts on biodiversity and to create a nature positive value chain.

**Roadmap to achieve our biodiversity vision**





### Our transition toward our vision

In 2023, we continued to develop our roadmap toward our biodiversity vision of a nature positive value chain in close collaboration with [Fauna & Flora](#). We have started to create a systematic in-depth approach for our processes to achieve no net loss (NNL) and a net positive impact (NPI) in our own direct operations. In 2023, we started the internal engagement by introducing the NPI approach to various Neste teams to increase expertise on biodiversity topics.

We have mapped the prioritized in-house processes and started to implement the biodiversity NPI criteria for them in practice: We have now included biodiversity along with climate and other topics in our sustainability vision in our major investment decision making process. A comprehensive set of sustainability criteria was therefore considered and taken into account in the ongoing Rotterdam refinery expansion investment. In addition, we have conducted NPI approach implementation pilot projects with Fauna & Flora, in which we are learning what is required to execute our biodiversity vision in business activities.

In 2023, Neste was selected to the initial target validation group for science-based targets (SBTs) for nature, by the [Science Based Targets Network](#) (SBTN), which is aiming to set the global standard for ambitious and measurable corporate action on nature.

Neste also continued to participate in the World Business Council for Sustainable Development's (WBCSD) Nature projects, focusing on collaboration in biodiversity metrics development. This work has been especially important for promoting biodiversity with our novel vegetable oils (NVO) from regenerative agricultural practices.

On our sites in Porvoo and Naantali, we complemented the biodiversity baseline inventory we conducted in 2022. The most recent assessment was associated with the planned development projects on the sites. Information



### Developing our NPI approach with Fauna & Flora

As part of the no net loss (NNL) and net positive impact (NPI) method development in 2023, we conducted an NPI method pilot in two investment projects. The pilots aimed to test our approach in practice and collect lessons for preparing for the larger implementation of the NPI methodology in future investment projects. Piloting the approach that we have developed with Fauna & Flora since 2022 is a key step on the path toward our vision of creating net positive impacts for biodiversity from new activities from 2025 onward. The implementation of the NPI approach and further development of the methodology will be among the key activities in the partnership with Fauna & Flora in 2024.

about the current biodiversity state, forming a baseline for the sites to reach our biodiversity vision, helps us understand the impact of any land use change.

Our evaluation of the biodiversity status on our sites indicates that we have some vulnerable species and habitats to protect on our land in Porvoo and Naantali, even though the land is for the most part not considered 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 in Naantali. The other operational sites we own are in more industrial areas, with a low likelihood of impacting areas of high biodiversity value.

### Biodiversity risks

We have gained more understanding on biodiversity-related risks and opportunities through the transition of our processes toward the vision of nature positive value chains, and through a holistic materiality analysis, including our direct operations and the value chain impacts. The risk could materialize in raw material acceptability by stakeholders or regulatory limitations that lead to a lack of sufficient volumes of raw materials. Future requirements for e.g., restoring and protecting biodiversity may also impact on our operations and value chains. Our roadmap toward our biodiversity vision gives us an opportunity to align our business with future requirements and mitigate risks.



## Our most material nature and environment topics

### Water

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. Water-related aspects have been identified as a material topic for us in the biodiversity materiality assessment for our own operations and for our supply chains. We are therefore working to update our approach to water and related targets to complement our vision of the nature positive value chain by 2040. In 2023, we have been assessing our water-related impacts in each site, as well as upstream, as part of our SBTN Initial Target Validation Pilot work. Understanding our impacts at a local level is the first step toward meaningful action in the future.

Water is used at our refineries in many ways. The process water comes from freshwater sources. The rest of the withdrawn water is used for cooling and is recirculated to the source in a similar condition, only at a slightly elevated temperature. Most of the water used for cooling is brackish water. Neste does not undertake water withdrawal from groundwater.

New wastewater treatment units were installed in Porvoo in 2019 and in Singapore in 2023. A similar investment is under construction in Rotterdam and is expected to be completed by the end of 2024. In Singapore, most of the used process water is discharged into a public sewer system for purification and further reuse.

In Neste's supply chain, water is mostly used in raw material extraction and cultivation and in raw material processing. As part of our SBTN pilot work, we have been mapping and evaluating our upstream freshwater impacts.

## Neste selected for the initial target validation group for science-based targets for nature

We find it indispensable to remain in dialog with key external stakeholders to have a robust and practical approach for protecting biodiversity in business activities.

In addition to our NPI methodology development, Neste has followed the global methodology development and participated in the Science Based Targets Network's (SBTN) Corporate Engagement Programme since 2021.

In 2023, Neste was selected for the initial target validation group for science based targets (SBTs) for nature by SBTN, which aims to set the global standard for ambitious and measurable corporate action on nature. Globally, only 17 companies are invited to the target validation group to pilot a global framework for setting targets, and measuring and validating organizations' nature work.

We have been applying the pilot methodology and testing its feasibility in close collaboration with SBTN, and scoped the opportunities for future target setting according to the framework's pilot requirements. We completed our materiality

analysis according to SBTN guidance for upstream and direct operations, and concluded that freshwater and land use aspects are material for biodiversity and nature in Neste's value chain.

Our priority is to ensure that the framework will be practical so that it can be applied in the manufacturing industry and that it helps identify and measure the key impacts. It is essential for us that the framework is well aligned with other initiatives, e.g., EU CSRD, and that the potential trade-offs are well evaluated before targets are set. For example, the transformation toward renewable and circular solutions will often include the modification of existing refineries, which is likely to require new land to be brought into use within the refinery area. In such cases, biodiversity impacts need to be considered with other sustainability topics such as GHG emissions reductions.

Neste will continue to participate in the SBTN initial target validation pilot in 2024.

### Our approach to water risks

We follow the current water risk status with several tools. The most recent water risk evaluation of Neste sites and terminal locations was undertaken in 2023, based on the WWF water risk filter tool, which enables both a site-specific and global review of the water risks at the physical, regulatory and reputational levels. In addition to operational site evaluations, water risk evaluations covered the raw material supply chains when water risks were included in the biodiversity impact evaluations that were started in 2021.

Neste has been evaluating the water stress status of our own sites using 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 overall physical risks are at a low or moderate level in all Neste operated sites.

The risks related to our operations have been assessed to be low, but the potential pressure caused in the pricing



of water resources, both water intake and wastewater treatment, has been considered in operational financial planning in the long term. According to our company wide Environmental Management Principle, major investment projects include an Environmental Compliance Analysis and a compliance review when building new production capacity or increasing current capacity.



## Land use

As a part of the SBTN Initial Target Validation Pilot group work, we have been assessing and prioritizing our land-related environmental impacts and estimating our contributions to key environmental pressures across our operations and value chains. Land-related aspects have been identified as a material topic for us based on the materiality assessment for both our own operations and our supply chains. Neste's raw material base relies on sustainable use of natural resources, and the approach to land use and, e.g., deforestation are the main aspects that we need to develop with our stakeholders.

In developing the cultivation concepts for our novel vegetable oils (NVO), we aim to avoid creating additional demand for agricultural land. We have also been developing the sustainability indicators for the NVOs from regenerative agricultural practices, in which protecting and restoring the cultivation area biodiversity has been identified as one of the main targets of these cultivation concepts.

### Mitigating deforestation risk in our supply chains

Neste takes a clear stand against any actions that cause deforestation. We are committed to preventing deforestation in our own supply chains and require the same of [all our raw material suppliers](#). Neste actively strives to manage its deforestation risk, and this effort is regularly evaluated by the [non-profit CDP](#), among others.

Neste is a member of the [Consumer Goods Forum Forest Positive Coalition](#), driving strengthened collaboration to prevent deforestation. We welcome further collaboration over industry boundaries and with all our stakeholders to ensure deforestation-free supply chains.

In 2023, Neste joined efforts with NGOs Proforest, Solidaridad and Imaflores to promote more sustainable and inclusive landscapes in the municipality of Novo Repartimento, Para, a region in Northern Brazil that has been affected by deforestation. Lasting until 2027, the objectives of The Transamazonica Connections landscape initiative include reducing deforestation and GHG emissions, preserving biodiversity, improving the livelihoods of cattle producer families, meeting the requirements of the Brazilian Forest Code, and promoting better agricultural practices. Thus far, Solidaridad has led two forums, successfully bringing together a wide range of actors, including ranchers, unions, cooperatives, the town hall, secretariats and other public authorities. The objective is to create together a roadmap to implement more sustainable agricultural practices that will increase efficiency and profit while keeping the forest intact.

We have been part of the Siak Pelalawan Landscape Programme (SPLP) with the goal of protecting and enhancing forests, peatlands and natural ecosystems in Indonesia. The project has had several interventions — for example, SPLP amplifies local initiatives by actively supporting the community in the protection of community forests, focusing on initiatives to secure the social forestry status of the area and protect it from fire.

Neste works with expert organizations such as CORE (the Consortium of Resource Experts) to continuously manage its deforestation risks not only in its own supply chain but more widely in the palm oil industry. Neste is also cooperating with smallholders in the palm industry to further develop their sustainability awareness and expertise, as well as to improve traceability.

[➔](#) Read more about our engagement and traceability within the palm oil sector on [page 93](#).







## Environmental compliance

### Environmental Management Principle update

In 2023, Neste's Environmental Management Principle was reviewed and amended to improve compliance assurance and environmental performance in our operations by increasing the level of ambition in environmental management. In addition, the principle was updated based on the Corporate Sustainability Reporting Directive (CSRD) requirements.

### 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.

Furthermore, according to the long-term ambient air quality monitoring results, we expect to meet even the most stringent air quality guideline values of the WHO (2021) in the vicinity of the Porvoo refinery during 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.

The decommissioning of the Naantali refinery process area was completed in 2023. Extended soil and groundwater evaluations were started in cooperation with the local authorities.

## 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 especially in our production and logistics.

In Finland, we have made a commitment to the national voluntary energy efficiency agreement scheme. During the 2017–2025 agreement period, we aim to save 500 GWh compared to the 2014 level. In 2023, our energy saving measures totaled 27.2 (42.6) GWh.<sup>1)</sup>

Neste is continuously developing ways to use materials more effectively and finding solutions to minimize and recover the amount of generated waste.

Waste in our own operations is handled by contracted third parties locally, and our waste reporting is based on data provided by them. We follow the local waste legislation in our operations and are also continuously seeking new opportunities to minimize the waste sent to landfill and find new waste recovery solutions.

## Environmental permit violations

In 2023, we had 13 environmental permit-related incidents at refineries (10), terminals (2) and retail sites (1) with limited local environmental impact only. One of the incidents is related to different elements included in the environmental permits of the Rotterdam refinery. The environmental authorities have imposed orders subject to a penalty on the Neste Rotterdam site. These orders relate to certain air emission standards and related reporting practices; the use and design of the flaring system and safeguarding the use of scaffolding. No penalties based on the orders imposed by the environmental authorities have yet become payable. In addition, two alleged violations are currently subject to a criminal investigation. In order to safeguard compliance, Neste makes efforts to comply with the orders and is in close contact with the authorities to address any issues relating to regulations and potential violations.

<sup>1)</sup> The savings consist of energy efficiency measures started during 2023, which have been scaled to cover the full year.



## Human rights

We carry out ongoing human rights due diligence to identify, assess and address adverse human rights impacts.

In line with the United Nations Guiding Principles on Business and Human Rights, our [Human Rights Principle](#) sets the standards for a rights-based approach in all of Neste's business decisions. We expect all our suppliers and business partners to respect internationally recognized human rights and to comply with the minimum human rights requirements set out in [Neste's Supplier Code of Conduct](#). Neste encourages and supports its business partners to continually improve and develop beyond the minimum to reach the human rights standards and expectations set out in the Human Rights Principle.



## Neste's human rights ambition 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.



### Living wages

Pay 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.



### 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. Advance diversity, equity and inclusion in our own businesses and supply chains.




## Respecting human rights

Ensure respect for human rights across Neste's operations and value chains by carrying out ongoing human rights due diligence to identify, assess and address adverse human rights impacts and communicate on our performance.

### Our vision for a sustainable future

Neste's human rights ambition is to create a more equitable and inclusive value chain by 2030, in which everyone works with dignity.

We actively seek opportunities to collaborate with our stakeholders to advance positive systemic change and enhance our leverage to address the root causes of adverse human rights impacts. In 2023, we continued to engage in the [Nordic Business Network for Human Rights \(NBNHR\)](#), [Consumer Goods Forum's \(CGF\) Human Rights Coalition](#), and the [World Business Council for Sustainable Development](#).

 Read more about our collaborative initiatives in the palm sector on [page 93](#).

### Embedding respect for human rights across the business

To meet our responsibility to respect human rights, we implement an ongoing process of human rights due diligence to identify, assess and address adverse human rights impacts across our business operations and value chains.

Stakeholder engagement is a key component of Neste's human rights due diligence, extending across our operations, supply chains and communities. Read more about the worker voice technology Neste uses to engage with supply chain workers on [page 85](#).

When assessing human rights risks, we pay special attention to vulnerable groups such as women, children, migrant workers and Indigenous peoples. In all cases, we prioritize the wellbeing of our rightsholders.<sup>1)</sup>

Below we highlight some of our key activities in advancing respect for human rights throughout 2023.

### 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.

Every year we analyze the saliency of our human rights impacts based on severity and likelihood. The assessments evaluate our actual and potential impacts on people throughout the value chain at a practical level.

This enables us to monitor our progress, account for any new risks resulting from changes in our business and accurately focus and prioritize our work. We also evaluate the effectiveness of our current measures and assess whether existing practices are sufficient in scale and complexity to address our salient issues. In 2023, we held internal workshops to expand the depth and scope of our saliency assessments for our oil products and renewable raw material supply chains.

### Human rights due diligence for our own operations

Recognizing that our human rights impacts may change over time as our business continues to grow and evolve, we are committed to embedding ongoing human rights due diligence across our own operations.

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



Neste is committed to ensuring 100% of our own operations are covered by robust human rights due diligence systems by 2025.

Neste is committed to ensuring 100% of our own operations are covered by robust human rights due diligence systems by 2025 in line with the Consumer Goods Forum’s [Maturity Journey Framework](#). In 2023, we made progress on this commitment by conducting the following assessments:

- We completed Sedex self-assessment questionnaire (SAQ) for our refinery in Porvoo, allowing us to thoroughly assess gaps in our management systems and human rights due diligence. The same assessments are ongoing for our Rotterdam and Singapore refineries.
- In 2022, we carried out human rights due diligence maturity assessments for Neste’s shipping operations, which identified gaps in our visibility of issues affecting seafarers working on our chartered vessels. To improve our due diligence, we surveyed all our time charter vessel partners on their human rights and labor practices for Neste vessels in 2023.

We continue to use human rights criteria and assessments to inform decision-making on strategic business development, investments and innovation projects. For example:

- Neste is evaluating algae pilot production. In 2022–2023, we conducted human rights risk assessments as part of the project planning phase. In 2023, we also evaluated potential human rights risks and mitigation actions of the possible construction and operation of a pilot plant. In addition, we established a feedback channel for local communities.
- In 2023, we partnered with external experts to assess the human rights risks and impacts in our potential supply chains for novel vegetable oils (NVOs). The assessments consisted of in-depth desk research and fieldwork, stakeholder engagement, and recommendations for prevention and mitigation strategies.

**Human rights due diligence for communities**

Through our saliency assessments we identified the need to enhance our understanding of Neste’s community impact and engagement. In 2023, we carried out an internal survey and workshops to map gaps in identifying and mitigating impacts on the local communities surrounding our operations. The survey covered a range of sustainability topics, including environmental and social risks, impacts on vulnerable groups such as women and children, and community engagement and complaints resolution practices. It also assessed positive practices and impacts such as community development initiatives.

In 2023, we also carried out a stakeholder study to engage with the communities surrounding our Porvoo refinery. The study is conducted biennially to assess local community perspectives on our refinery’s environmental, social, and safety impacts and communications.

**Human rights due diligence for supply chains**

The Neste Supplier Code of Conduct defines minimum human rights requirements for all 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 the assessment of impacts on people. Read more about the audits carried out in 2023, including a summary of key findings on [page 90](#).

We also assess human rights risks when planning to enter new sourcing regions for our renewable raw materials. In 2023, we started collaborating with third-party experts at the Solidaridad Foundation to assess the human rights impacts associated with our Brazilian supply chains. The assessment consists of field research and gender-sensitive interviews with different groups of rightsholders, including representatives of Indigenous communities.

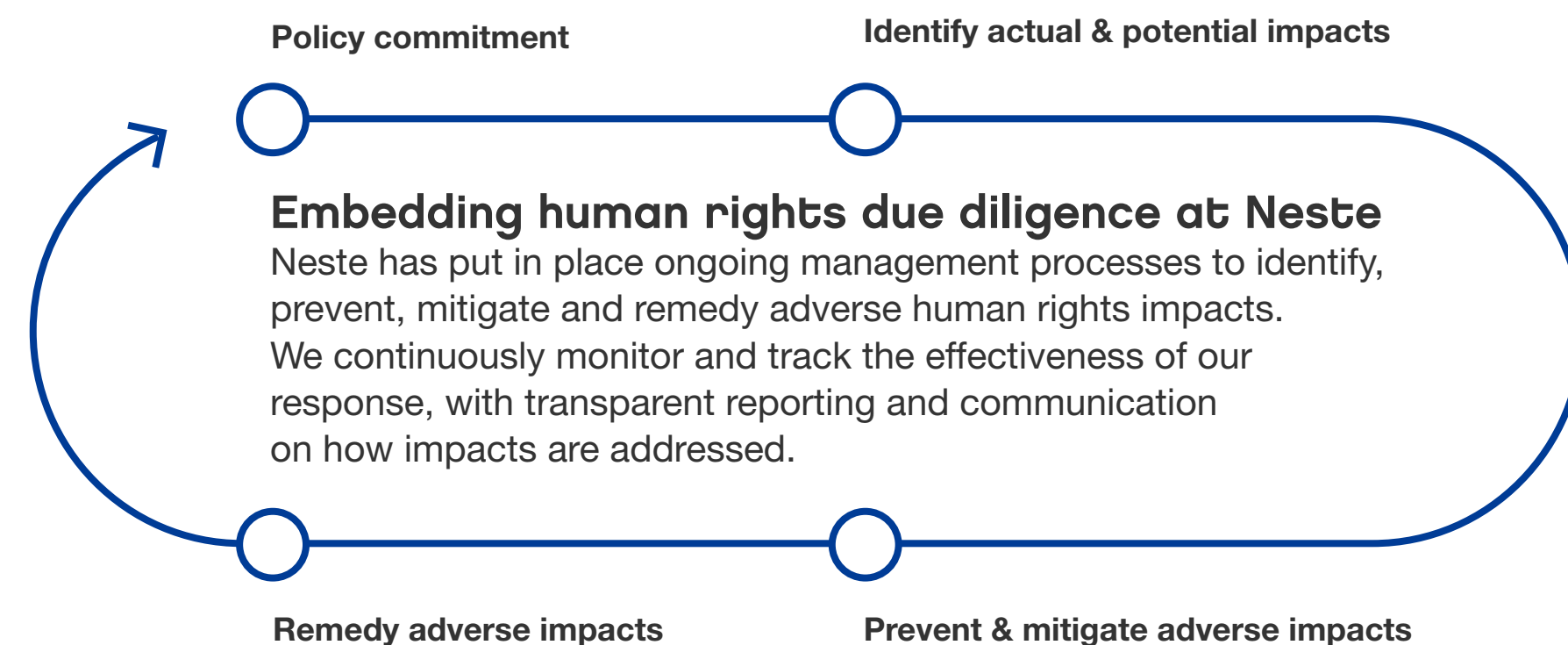
In 2023, we enhanced our due diligence for extractives suppliers in Neste’s Indirect Procurement supply chains by expanding our tendering survey to include stronger human rights criteria. Read more on [page 89](#).

**Human rights due diligence for contractors**

In 2023, we continued to work proactively to prevent exploitation and promote respect for labor rights across our production sites. We pay special attention to safeguarding the rights of migrant workers and employees working for contractors and subcontractors on Neste sites, especially during peak times such as our expansion projects and turnarounds. We use a range of practices to uphold worker rights and address their concerns, including contractor social audits, social toolbox meetings, and worker complaints channels. Read more on [page 84](#).

**Training and capacity building**

Understanding that impact assessments and social audits alone are insufficient for tackling human rights risks, we are also committed to training our employees and suppliers in human rights and labor standards. All our employees are required to complete a mandatory Code of Conduct e-learning course, which includes topics on advancing respect for human and labor rights. Human rights training is also integrated into our global induction for all new Neste employees, as well as our Supplier Code of Conduct e-learning course for selected employee groups. We also carry out sustainability capacity building for our suppliers, which covers a variety of human rights topics. Read more on [page 90](#).





## Responsible recruitment

Neste is committed to advancing responsible recruitment in our operations and value chains, to ensure fair, ethical and transparent recruitment processes that protect the rights and wellbeing of jobseekers. In 2023, Neste took various actions to drive responsible recruitment, including:

- Adding no-recruitment-fee clauses to contracts with recruitment agencies and staffing firms used by Neste.
- Strictly enforcing Neste's Supplier Code of Conduct no-recruitment-fee policy in sustainability audits conducted on suppliers of renewable raw materials. For example, in 2022, we identified that workers employed by one of our suppliers in the Middle East had paid recruitment fees. We worked closely with our supplier to develop time-bound remedial actions, ensuring that by early 2023, all fees had been fully reimbursed to the affected workers.
- Auditing the migrant worker recruitment agencies used by one of Neste's suppliers in both their sending and receiving countries.
- Using anonymous worker voice surveys to improve our visibility on recruitment practices affecting supply chain and contracted workers.
- Using posters, induction training, and regular social toolbox meetings to educate the migrant workers employed by contractors operating on Neste sites about their labor rights and to encourage them to report concerns directly to Neste.

## Site-level complaints channels for contracted workers

In 2023, Neste established permanent site-level complaints channels at its refineries to address concerns of contracted and subcontracted workers, including migrant workers. These channels, accessible via QR codes on posters discreetly placed around the sites, enable workers to submit anonymous complaints directly to Neste. The posters inform workers of their rights in various languages and use illustrations and simple terminology to encourage them to report situations in which they may be experiencing exploitation.

Neste actively promotes the channels and educates workers on their labor rights during site-entry-permit induction and social toolbox meetings. The complaints are received and managed by local committees. Workers also have the option to report concerns directly to supervisors, or to use Neste's company-wide Ethics Online whistleblowing channel. All channels guarantee confidentiality and protection from retaliation.

In addition, through our participation in the Consumer Goods Forum's [People Positive Palm Project](#), we provide training for Neste's PFAD suppliers to help strengthen their management systems for responsible recruitment. As part of this project, we are also engaging in collective advocacy with the governments of Malaysia and the sending countries of migrant workers, supported by the Fair Labor Association (FLA) and the UN International Organization for Migration (IOM).

Neste supports the elimination of all forms of modern slavery 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](#).

## At Neste, We Care

All people have the right to be treated with dignity. If you experience any of these conditions, you may be in a situation of forced labour.

Wszyscy ludzie mają prawo do godnego traktowania. Jeśli dotyczy Cię któryś z poniższych warunków, możesz znajdować się w sytuacji pracy przymusowej.

Alle mensen hebben het recht om waardig behandeld te worden. Als u één van deze omstandigheden ervaart, bevindt u zich mogelijk in een situatie van dwangarbeid.



**Did you have to pay someone to get your job?**  
 Czy musieliście(-aś) komuś zapłacić, żeby dostać pracę?  
 Moest u iemand betalen om uw baan te krijgen?



**Has your ID/passport been taken away?**  
 Czy odebrano Ci dowód osobisty / paszport?  
 Is uw ID-kaart/paspoort afgenomen?



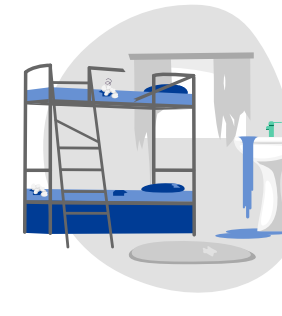
**Does someone else control your bank account?**  
 Czy ktoś inny kontroluje Twoje konto bankowe?  
 Controleert iemand anders uw bankrekening?



**Are you being forced to work without pay?**  
 Czy jesteś zmuszany(-a) do pracy bez zapłaty?  
 Wordt u gedwongen te werken zonder salaris?



**Are you being verbally/physically abused or threatened?**  
 Czy doświadczasz słownego lub fizycznego znęcania lub gróźb?  
 Wordt u verbaal/fysiek mishandeld of bedreigd?



**Are you living in bad housing conditions?**  
 Masz złe warunki mieszkalne?  
 Leeft u in slechte woonomstandigheden?



**Get help / Otrzymaj pomoc / Zoek hulp:**

You can anonymously report any concern about your employment or working conditions using the Neste complaints channel. To make a report, scan the QR code using your phone's camera or go to [bit.ly](#). Your report will be taken seriously and investigated confidentially.

Możesz anonimowo zgłosić jakiegokolwiek wątpliwość związane z Twoim zatrudnieniem lub warunkami pracy, korzystając z kanału zażaleń Neste. Aby utworzyć raport, zeskanuj kod QR, korzystając z aparatu swojego telefonu, lub przejdź do [bit.ly](#). Wszystkie raporty zostaną potraktowane poważnie i poufnie sprawdzone.

U kunt uw bezorgdheid over uw arbeidsomstandigheden anoniem melden via het Neste-meldpunt. Scan de QR-code met de camera van uw telefoon of ga naar [bit.ly](#) om een melding te maken. Alle meldingen worden serieus genomen en vertrouwelijk onderzocht.

**NESTE**



## Living wages and incomes

In 2023, Neste completed its first internal living wage gap assessments covering all countries in Neste’s global operations, using data provided by the Fair Wage Network. The analysis of the assessment results will continue in 2024, ensuring a thorough evaluation of diverse remuneration elements in all locations. We are committed to a learning-by-doing approach, continuously enhancing our expertise and refining our methodologies throughout our living wage journey.

In 2023, we added farmer prosperity KPIs to our pilot projects for Novel Vegetable Oils (NVOs), and carried out an assessment to measure the additional farmer income generated from producing NVO crops, validated through field research and farmer interviews.

We continue to use living wage data in our onboarding process and sustainability audits for renewable raw material suppliers, with the dual aim of gaining a better understanding of our supplier wage practices and raising awareness to build supplier knowledge of this topic. Thus far, we have assessed the wage practices of 8 renewable raw material suppliers. In 2023, we hosted a living wage training session for our PFAD suppliers and offered them support in starting their own living wage gap assessments.

Through our participation in the [WBCSD Equitable Livelihoods](#) project, we are collaboratively working to accelerate action to improve farmers’ incomes in our global supply chains by participating in workshops and peer learning, and contributing input to the development of a Living Income Business Toolkit.

## Children and youth

Neste is committed to respecting and supporting children’s rights and to implementing the [Children’s Rights and Business Principles](#) throughout our business and value chains. We were **recognized** as a Leader in Global Child Forum’s children’s rights and business benchmark, The State of Children’s Rights and Business 2023. The report ranked Neste among the top 15 companies out

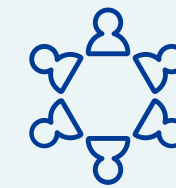
## Our most salient human rights issues



**Fair employment**



**Health & safety**



**Equity, diversity & non-discrimination**



**Children & young workers**



**Modern slavery**



**Fair treatment**



**Economic, social & cultural rights**

of the 795 benchmarked globally, recognizing us for setting a positive example for the whole energy and utilities sector.

In 2023, we worked in collaboration with SOS Children’s Villages India to support vulnerable families and improve children’s lives through education and life skills training in Kolkata, Nagapattinam and Bawana. Through this partnership, SOS Children’s Villages also offers guidance and local expertise to deepen Neste’s understanding of children’s rights issues in our supply chains in India. In 2023, SOS Children’s Villages conducted training sessions on children’s rights for Neste employees. They also reviewed and provided feedback on the results of our worker voice surveys for renewable raw material suppliers in India.

[Read more](#) about our broader activities to advance respect for children’s rights throughout our business.

## Reducing inequality

Neste has made a commitment to reduce inequality and address systemic human rights issues across our value chains.

## Worker voice

Engaging directly with workers enhances Neste’s visibility of issues impacting rightsholders on the ground, enabling more targeted and effective human rights due

diligence. In 2022–2023, we launched and implemented worker voice technology in Neste’s operations and supply chains to scale up our worker engagement. The technology uses an audiovisual survey to enable direct and anonymous engagement with workers on mobile devices. The survey provides insights into various topics affecting workers employed by our suppliers and contractors – for example, inequality, living wages, recruitment fees and children’s access to education, all priority areas in Neste’s human rights ambition for 2030. Since launching the technology, we have conducted 215 anonymous worker voice surveys across the Middle East, US, India and Finland.

## Supplier diversity

We understand that inclusive procurement initiatives play a crucial role in tackling inequality by fostering opportunities for businesses owned by underrepresented groups and addressing systemic disparities in access to resources and opportunities.

In 2023, we started taking steps to understand our spend on diverse businesses, small businesses and social enterprises. We initiated a pilot assessment to map the number of small businesses used in our sourcing of renewable raw materials. We also developed questions to give our renewable raw material and indirect procurement suppliers an opportunity to voluntarily disclose to Neste if they are diverse businesses. We classify

businesses as diverse if they are at least 51% owned and operated by individuals from underrepresented groups, including ethnic and racial minorities, women, LGBTQI+ persons, and people living with disabilities.

## WBCSD Business Commission to Tackle Inequality

Neste is a member of the [WBCSD Business Commission to Tackle Inequality](#) (BCTI). In 2022–2023, we helped shape and develop the BCTI’s flagship report, [Tackling Inequality: An Agenda for Business Action](#), outlining key actions for individual companies to take in contributing to global efforts to address mounting inequality. Throughout 2023, we were also active in various BCTI working groups, masterclasses and roundtable discussions, to jointly address systemic issues and create more impactful solutions for tackling inequality that go beyond our individual efforts.

## Reporting

Since 2021, we have been reporting in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPR) Reporting Framework.

[Read more](#) about the framework index for 2023 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.

Our commitments to responsible and ethical business depend not only on our own people but on forming relationships with business partners who share these commitments. Nestle's **Supplier Code of Conduct**, updated and implemented in 2020, outlines the basic requirements Nestle expects its suppliers and their first tier suppliers, contractors and business partners to adhere to and implement throughout their businesses.



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



Neste's 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 Nestle, covering both direct and indirect procurement. Companies consolidated through mergers and acquisitions are also expected to implement the Nestle Supplier Code of Conduct in their sourcing.

In 2023, 100% (99%) of the renewable raw material volumes, 86% (84%) of the crude oil and fossil raw materials volumes and 91% (73%) of overall indirect contracted spend were covered by the Nestle Supplier Code of Conduct or equivalent<sup>1)</sup>.

We carry out training and provide [a guide](#) with practical recommendations to support the implementation and help our suppliers meet their obligations to comply with the Supplier Code of Conduct. In 2023, we introduced two new language versions (Spanish and Chinese) of this guide for our suppliers.

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

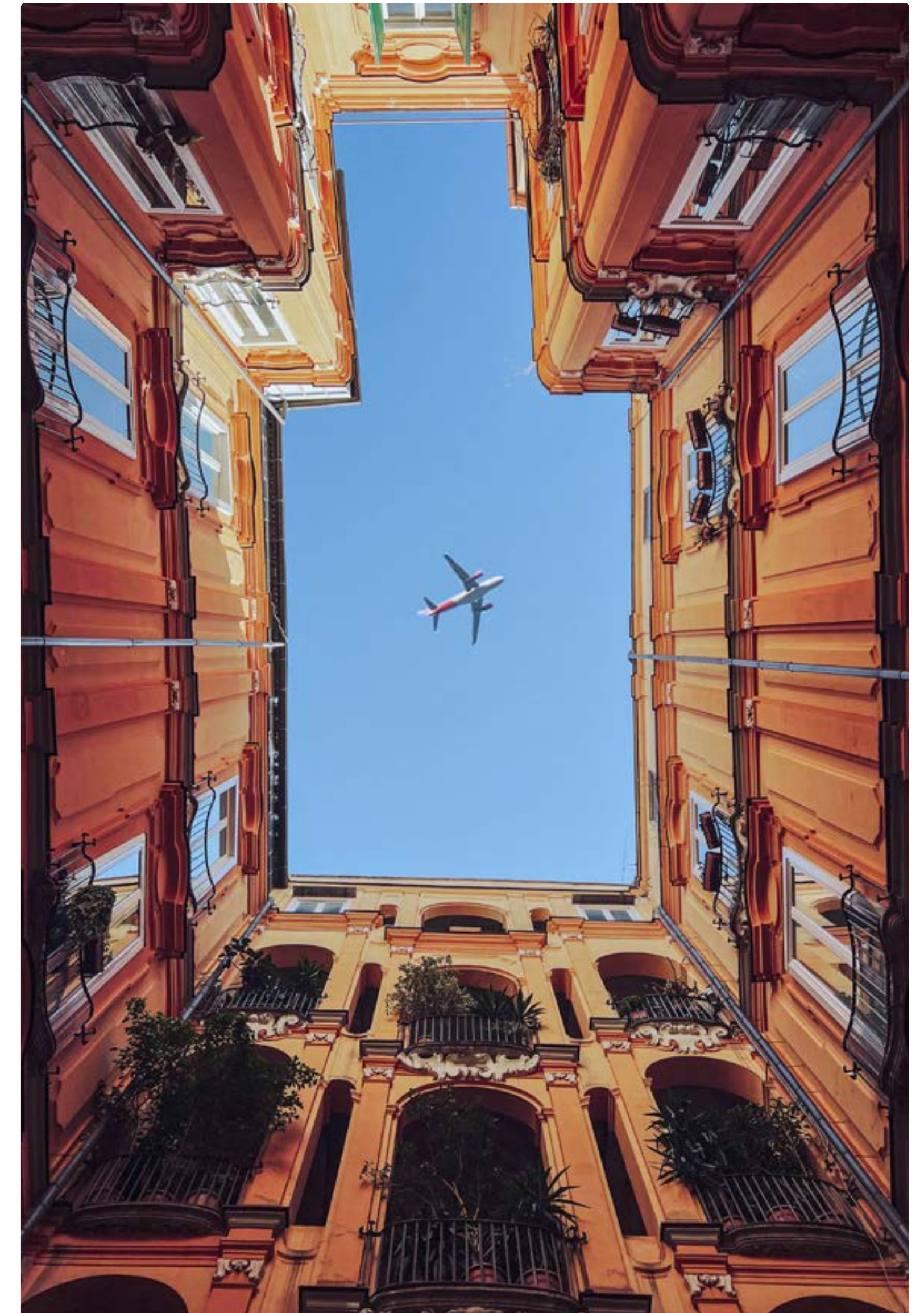
**Sustainability risk assessment in our supply chains**

Assessing sustainability risks in our supply chains begins before agreements have been signed or raw materials, products, components, materials or services are delivered. To ensure our suppliers' compliance with the Supplier Code of Conduct, Nestle has implemented systematic controls for counterparty screening and monitoring, during which potential business partners undergo automated screening. Counterparties are screened for economic sanctions and similar compliance issues and selected ethical concern categories in third-party enforcement databases and major news outlet sources.

All Nestle's raw material suppliers are subject to additional sustainability due diligence. Nestle uses a risk-based approach to determine the type of assessment, which can include desktop reviews, the mapping of supply chains and operations, supplier engagement and sustainability audits. The risk-based approach uses country risk as one element of the risk assessment. Knowing the origin of our raw materials is a fundamental supplier requirement. Where possible, our aim is to gain visibility throughout the raw material supply chain, including our suppliers' suppliers.

**Assessing country risks**

A key element in understanding the sustainability risks in our supply chains is assessing country risks. We use a bespoke, industry-leading country risk assessment methodology from Verisk Maplecroft to identify countries or geographical areas in which we operate and have raw material supply chains with high sustainability risks. We maintain an up-to-date country risk categorization based on country risk indices such as ethical business practices, human and labor rights, health and safety, and the environment. Our categorization also includes a list of no-go countries and regions based on considerations including trade sanctions, conflicts and sustainability risks. The country risk assessment allows us to effectively prioritize our activities by identifying the most significant sustainability risks in certain countries or geographical areas.



<sup>1)</sup> After the assessment of the supplier's or business partner's own policies and principles, Nestle may agree that compliance with their own code of conduct is sufficient for the purpose of complying with the Nestle Supplier Code of Conduct.



### Renewable raw materials sourcing

All our renewable raw material suppliers are subject to rigorous sustainability due diligence, as stated in Neste's Supplier Sustainability Approval Principle. 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 process, including raw material evaluation, risk assessments, counterparty screening, a sustainability review and audits.

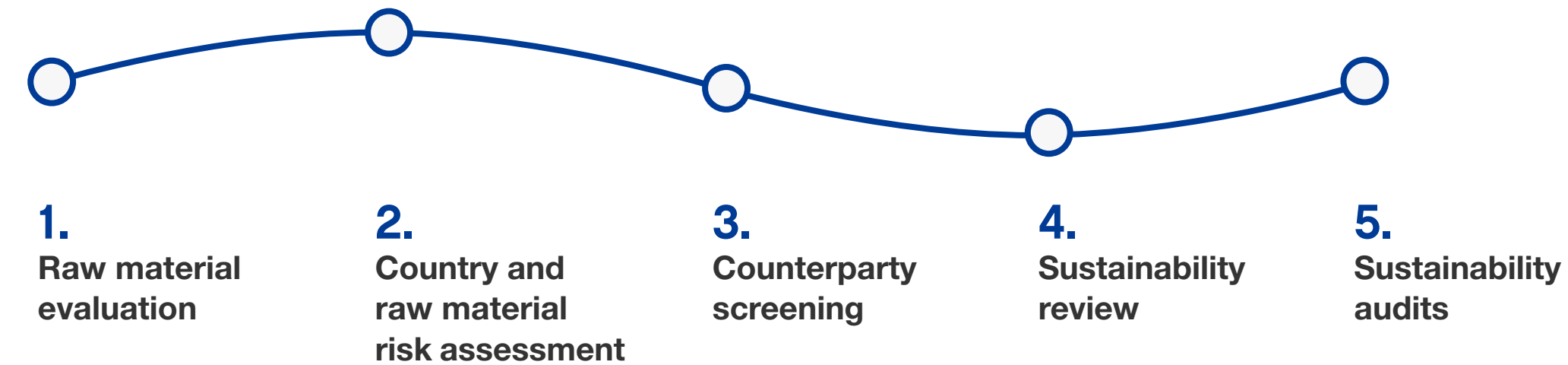
We verify suppliers' compliance with Neste's Supplier Code of Conduct with the sustainability review, encompassing a comprehensive range of topics such as governance, labor standards and practices, human rights, the environment and health and safety.

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 undergoes a new review.

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,

### Sustainability due diligence process for renewable raw material suppliers



support performance monitoring and enable active supplier engagement. SSP covers all Neste's renewable raw materials suppliers and their data, e.g., on deliveries and volumes, raw materials, certifications and GHG values. Suppliers are also required to insert the location of their own production and processing site(s), and where applicable, their own suppliers' production and processing site(s), to SSP. As a minimum, we require our suppliers to disclose their supply chain actors and locations as determined by end-market sustainability regulation such as EU RED and EPA RFS.

Neste's Supplier Sustainability Portal was implemented fully in 2020. In 2023, the total number of renewable raw material suppliers onboarded against sustainability

criteria was 388. In 2023, we introduced an enhanced sustainability review in SSP to better address supplier-specific sustainability risks. This work will continue in 2024.

### Liquefied waste plastics sourcing

In 2023, we continued defining sustainability criteria for liquefied waste plastic suppliers and onboarded new suppliers.

In addition to requiring our liquefied waste plastic suppliers to fulfill the requirements in the Neste Supplier Code of Conduct, we only accept liquefied waste plastic that is traceable and complies with the ISCC Plus certification requirements.





### Crude oil and other fossil raw material sourcing

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 at our Porvoo refinery in Finland. In 2023, we completed the strategic study on transitioning our Porvoo refinery into a leading renewables and circular solutions refining hub. Read more about this transformation on [page 70](#).

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.

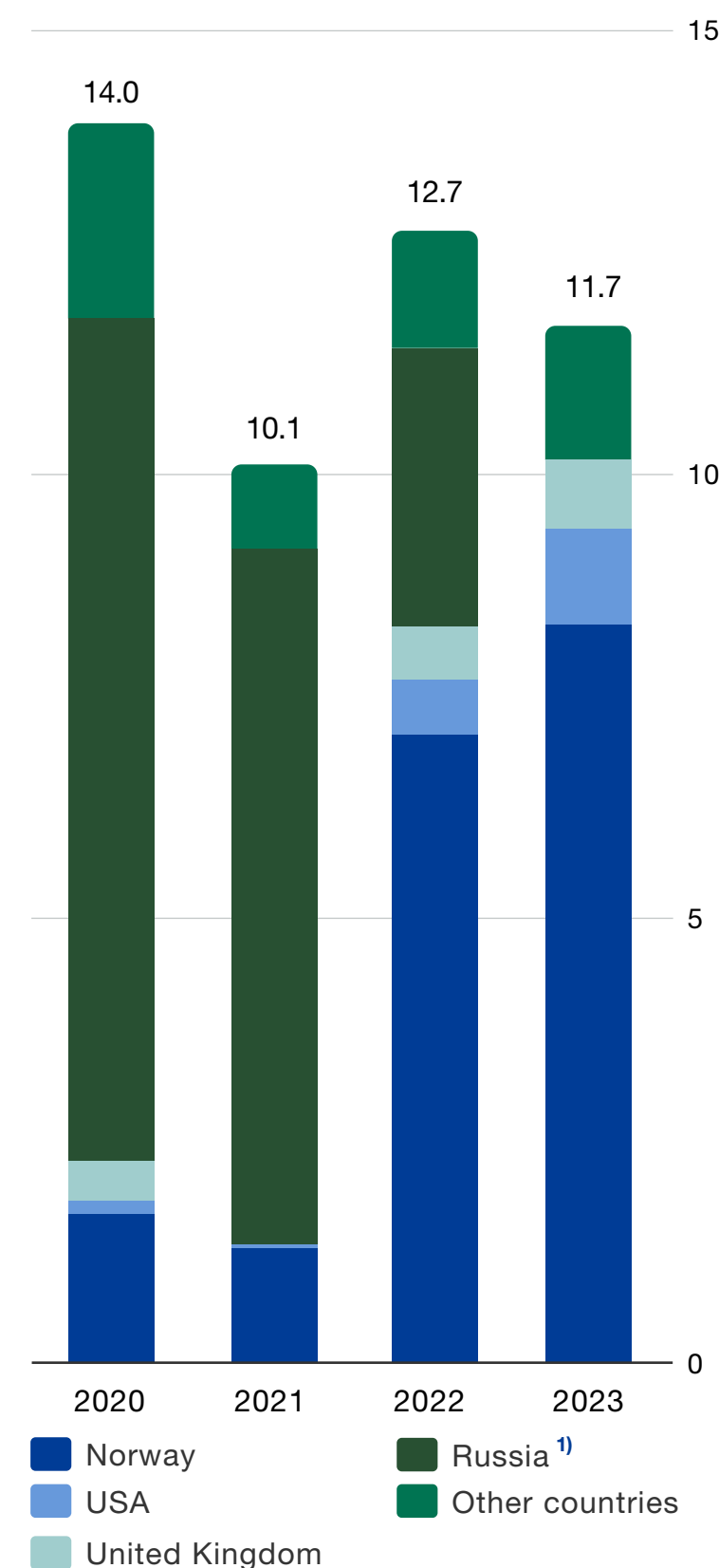
The due diligence process for our crude oil and other fossil raw material suppliers includes a country risk assessment and a counterparty screening. We also conduct a sustainability review of all new suppliers based on publicly available information regarding topics outlined in the Neste Supplier Code of Conduct, suppliers' climate and environmental commitments, and crude oil production-specific issues such as flaring and spills. The sustainability review is renewed for fossil raw material suppliers every three years.

In 2023, a total of 46 suppliers were assessed. We continued to assess all new suppliers and potential suppliers from countries identified as high risk in our country risk assessment.

For ethanol suppliers from higher-risk countries, the sustainability due diligence includes an evaluation on production plant details and raw material origins.

[➔](#) Read more about Neste's sustainability due diligence on [page 87](#).

Crude oil and Fossil Feedstock sources by region, million tons



<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.

We conduct a sustainability review of all new crude oil suppliers. The review is renewed for Fossil raw material suppliers every three years.

In 2023, we further continued to develop the sustainability due diligence for fossil raw material suppliers. We also continued to monitor the oil and gas industry's action to reduce the carbon intensity (CI) of crude oil production, including those grades we purchase and evaluate. As the data become more transparent and reliable, for example, with industry analysts developing independent evaluation methods, we study and analyze how crude oil carbon intensity can be a factor in evaluating and choosing different crude oils.

### Indirect procurement

Neste's indirect procurement is responsible for the sourcing, purchasing, contract and supplier management of goods and services that are not included in the sourcing and delivery of refined crude oil or renewable and recycled raw materials. In 2023, we further integrated sustainability into indirect procurement, building on prior risk assessments and studies. Key actions included:

- Mapping strategic priorities and launching a development plan for embedding sustainability requirements into each stage of our sourcing, purchasing, and supplier management process.
- Piloting the use of sustainability due diligence clauses in supplier contracts.
- Carrying out workshops on sustainability topics, identifying key human rights risks and opportunities for supply chain emissions reductions, and mapping priority actions for improving sustainability due diligence.

- Developing a standardized sustainability survey for use in our tendering process, with the aim of ensuring consistent and comparable sustainability data in supplier evaluation and selection globally.
- Strengthening our due diligence for extractives suppliers by incorporating additional environmental and human rights questions in the tendering process for high-risk sectors.
- Driving action on Neste's climate commitments by directly engaging with suppliers to enhance our understanding of the measurement accuracy of scope 3 emissions data and product carbon footprint (PCF). Read more on [page 72](#).

### Sustainability audits

Neste carries out audits to mitigate sustainability risks in the supply chains. When selecting suppliers to be audited, we pay special attention to suppliers, raw materials or countries with the highest sustainability risks. Sustainability audits are one way of verifying that our suppliers comply with the Neste Supplier Code of Conduct. All the audits follow the requirements set in the Neste Sustainability Audit Standard, published in 2021. After the audit, we follow up cases of non-compliance and require our suppliers to remediate significant open issues within a specified timeframe. The sustainability audits are conducted either by our own local sustainability specialists or a third-party auditor. Where possible, we also conduct audits on our suppliers' suppliers (second-tier suppliers or even beyond).



In 2023, we conducted a total of 154 sustainability audits: 54 on renewable and recycled raw materials; 31 on terminals; and 69 contractor audits. Of the total, 51 audits were carried out for renewable raw material suppliers, of which 16 were on site, 7 were virtual, and 28 were third-party audits. In 2023, 30 audits were conducted on our direct renewable raw material suppliers and 21 on our renewable raw material suppliers' suppliers. The majority of the audit findings recorded in renewable raw material supplier audits in 2023 were related to health & safety.

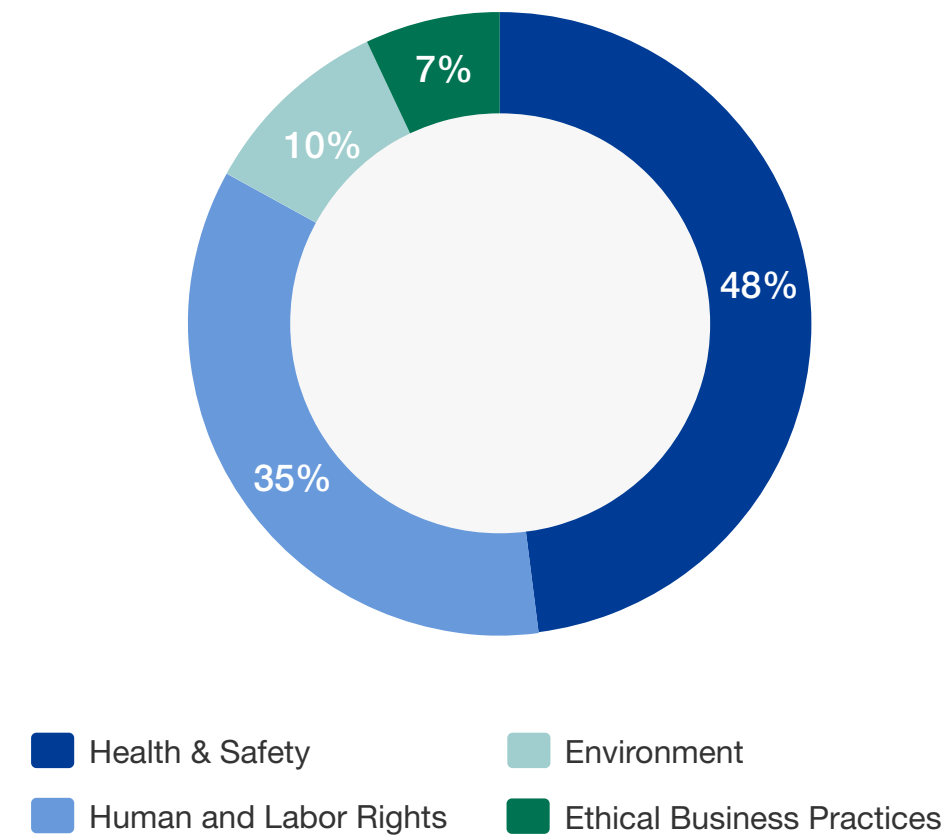
In 2024, we aim to strengthen sustainability due diligence practices by increasing the number of audits with a key focus on suppliers with the highest risks and most significant strategic importance.

### Supplier engagement

Neste is committed to driving a safe and healthy workplace, fair labor practices and increased sustainability commitment across the supply chain. We understand that due diligence processes and sustainability audits alone are insufficient for a positive impact in our value chain. We therefore engage regularly in capacity building with our suppliers. The topics covered with our suppliers over the years have included the Neste Supplier Code of Conduct requirements, sustainability policy development, due diligence, traceability and grievance management. We are also committed to training our employees on our policies.

In 2023, we conducted capacity building training for our renewable raw material suppliers in Asia, Oceania, the Americas and EMEA. The main topics this year focused on environmental management and health and safety. Neste invited its active suppliers and encouraged main suppliers to invite their suppliers to the training. A selection of potential future suppliers was also invited to participate. For example, health and safety was selected this year as the main topic of the supplier capacity building, as the majority of the findings of the renewable raw material supplier audits in 2022 was related to safety practices.

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



In addition, Neste organized capacity building on the Neste Supplier Code of Conduct requirements to its main contractors at the Rotterdam refinery and to selected renewable raw material suppliers. The training sessions focused on regulatory compliance, business conduct, human and labor rights, environmental impact and climate change, as well as occupational health and safety.

More than 130 raw material suppliers and contractors joined the different capacity building sessions with over 275 participants globally.

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

### Grievances and concerns in the supply chain

We take seriously and investigate all complaints and allegations of suspected sustainability violations. This includes any suspected breaches of the Neste Supplier Code of Conduct or Responsible Sourcing Principle. Engagement and cooperation with our suppliers and contractors are our primary ways of addressing any grievances and concerns. Ending purchases does not necessarily solve the problem, while by working with our suppliers, we can work for improvements. If the sustainability criteria or contractual requirements included in our contracts have been verifiably breached, their nature is considered serious, and progress to resolve those issues is not made in a reasonable time, we will terminate our contract with the supplier or contractor in question.

We process the grievances by:

- Reviewing the grievance and its relevance to our supply chains.
- Conducting a thorough and impartial investigation of the grievance, and depending on the severity, selecting the course of action (e.g., engagement with the supplier, audits).

- Implementing immediate actions to address any urgent or critical issues identified during the investigation.
- 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, and monitor the outcomes.
- 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.

We publish monthly grievance log updates related to our renewable raw materials on [our website](#), and track and publicly disclose the number and type of grievances that have been raised in person or via our [Ethics Online whistleblowing channel](#).

In 2023, we conducted a total of 154 sustainability audits on our raw material suppliers, sub-suppliers, terminals and contractors.



### Renewable raw materials

Nestle uses a wide variety of sustainably produced renewable raw materials each year to produce renewable fuels, e.g., for the road transport and aviation sectors as well as renewable feedstock for the production of polymers and chemicals. Nestle is particularly focused on waste and residue raw materials; in 2023, their share was 92% of Nestle's total renewable raw material inputs globally.

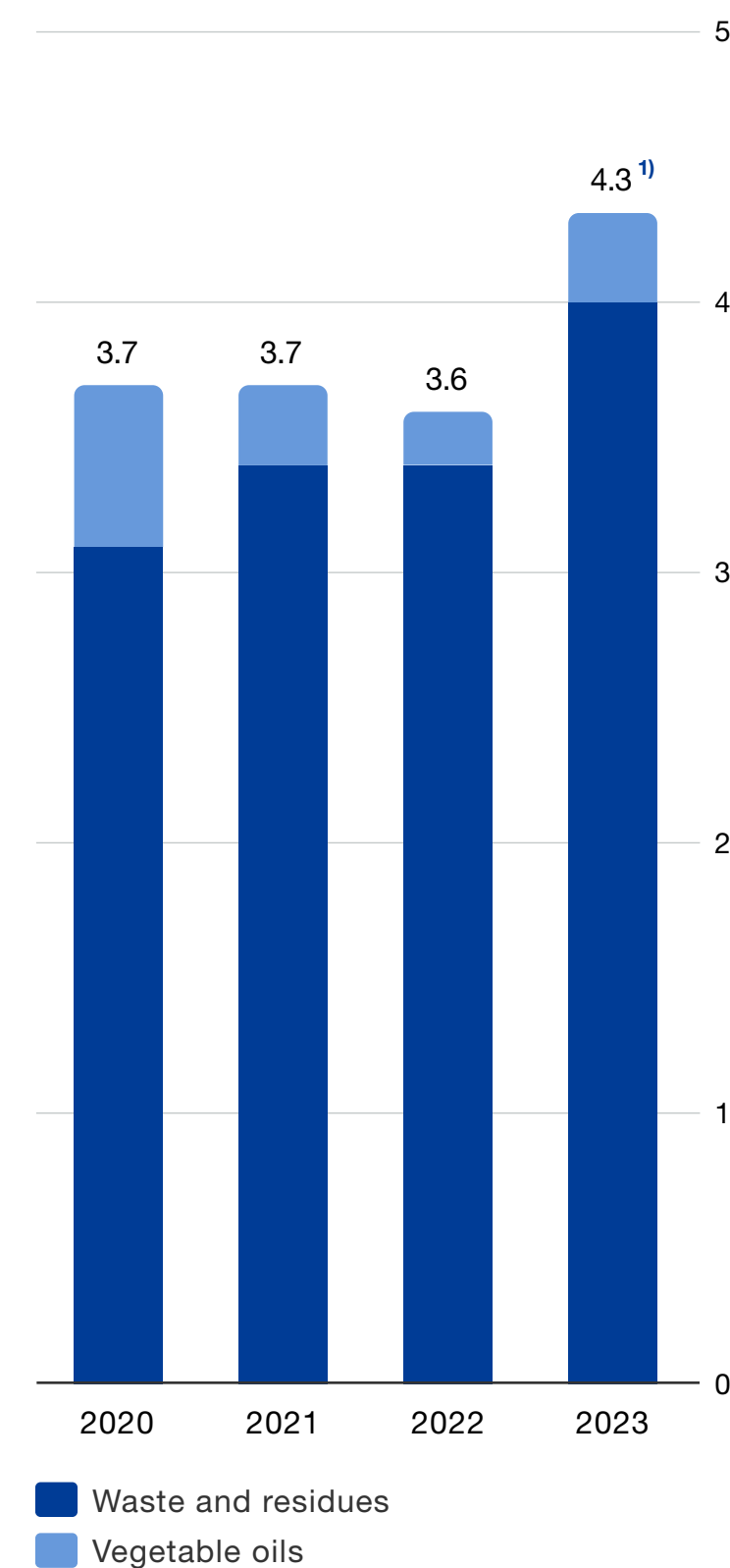
We source renewable raw materials globally for our renewables refineries in Finland, the Netherlands and Singapore, and for our joint operation in California in the United States. One of our competitive advantages is our capability of efficiently sourcing, transporting and flexibly using various mixes 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 of pretreating low-quality raw materials to remove impurities. This enables us to use even lower-quality waste and residue raw materials.

### 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 Nestle's total annual renewable raw material inputs. However, the proportions of individual raw materials in Nestle's refining, vary from year to year, depending on their availability, price and specific market requirements, for example. Other waste and residue raw materials in our portfolio include fish fat from fish processing waste, tall-oil-based raw materials, technical corn oil, food waste and acid oils.

In addition to waste and residues, Nestle uses smaller amounts of sustainably produced vegetable oils as

### Renewable raw material inputs globally, million tons



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>1)</sup> Includes Nestle's share of raw material inputs for Martinez Renewables joint operation

Nestle's renewable and circular solutions helped to replace 3.0Mt of non-renewable resources in transport, aviation and polymers and chemicals sectors in 2023.

renewable raw materials. The share of vegetable oils of our renewable material inputs in 2023 was 8%, with palm oil representing around 2%. In line with its target communicated in 2021, Nestle reduced its refinery inputs of conventional palm oil (crude and refined palm oil) to zero at the end of 2023 and does not plan to use them as raw materials in the future. The share of waste and residue raw materials is expected to stay above 90% of Nestle's global renewable raw material inputs 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.

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.

In 2023, we used a total of 4.3 million tons of renewable raw materials, with a continued focus on developing new sources of raw materials and technologies enabling their use, while growing the existing raw material pool toward lower-quality grades.

### Strengthening our sourcing capability

Nestle's renewable raw material supply was substantially strengthened in 2023, despite the uncertainties caused by the volatile raw material market. We continued to expand our renewable raw material sourcing capability in our existing and new markets such as India and

Brazil. We are focusing on waste and residue raw materials such as animal fat waste and used cooking oil in these markets.

In 2023, Nestle acquired a 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 Nestle 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 Europe, Nestle increased its ownership of Nestle Demeter B.V. to 80% of the company. Nestle has also agreed to acquire the remaining shares of Nestle Demeter B.V. over the next few years as agreed with the minority shareholders. As one of the largest animal fat waste traders in Europe, Nestle Demeter is an important part of our raw material supply and our strategy of building a global waste and residue raw material platform to secure raw material availability and competitiveness.



## Extensive portfolio of renewable raw materials



### Animal fat from food industry waste

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



### Vegetable oil processing waste and residues

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



### 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 waste, as it is no longer fit for human consumption for food hygiene reasons.


### Other waste and residues

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



### Vegetable oils

In 2023, the share of conventional vegetable oils was approximately 8% of our global renewable raw material inputs. In the longer term, the growth in novel vegetable oils' availability may increase the share of sustainably produced vegetable oils. Nestle reduced its refinery inputs of conventional palm oil to zero at the end of 2023.

 [Read more about our renewable raw materials](#)



### Engaging with PFAD suppliers

Neste participates in several 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. Neste is also a member of the Consumer Goods Forum (CGF) Forest Positive Coalition and Human Rights Coalition. In 2023, Neste continued to participate in SIWG subgroups advancing action on Responsible Recruitment in Malaysia, and Human Rights Due Diligence in Supplier Management Systems.

Neste supports smallholders in the palm oil industry to develop their sustainability awareness and expertise, as well as to improve traceability. In 2023, Neste collaborated with its supplier to support a smallholder capacity building initiative in Indonesia. The program aims to provide comprehensive support to smallholders and agents buying from farmers to adopt sustainable agricultural practices and improve traceability to plantations in the supply chain. The series of capacity building and mentoring will teach smallholders to improve their cultivation methods and prepare them to register for the ISPO (Indonesian Sustainable Palm Oil) and RSPO (Roundtable on Sustainable Palm Oil) certifications.

Neste is one of the eight companies driving the sustainable palm oil landscape program in the Siak and Pelalawan districts in Indonesia via [the Siak Pelalawan Landscape Programme \(SPLP\)](#). The SPLP is a collaborative effort at a landscape level that aims to ensure a positive sustainability impact in the region by addressing environmental and social issues in the communities. The work is implemented by Proforest and Daemeter, with close collaboration with the district governments, as well as NGOs. In 2023, the work included several sub-projects covering the environment, biodiversity, human rights, stakeholder and government engagement.

[Read more](#) about the recent activities in the [Siak Pelalawan Programme](#).

### Sustainability workshops for PFAD suppliers

We have arranged annual workshops for our PFAD and palm oil suppliers since 2014 to foster dialog and clarify Neste's sustainability requirements and expectations. In August 2023, we arranged our latest two-day sustainability workshop, with more than 20 of our PFAD suppliers and sub-suppliers from the APAC region attending the event. This time, we focused heavily on regulation and compliance such as the EU Regulation on Deforestation-free Products (EUDR) and Human Rights Due Diligence (HRDD). Other topics included the promotion of living wages in our supply chains and discussing the Neste Responsible Sourcing Principle and Supplier Code of Conduct requirements.

[Read more on our website.](#)

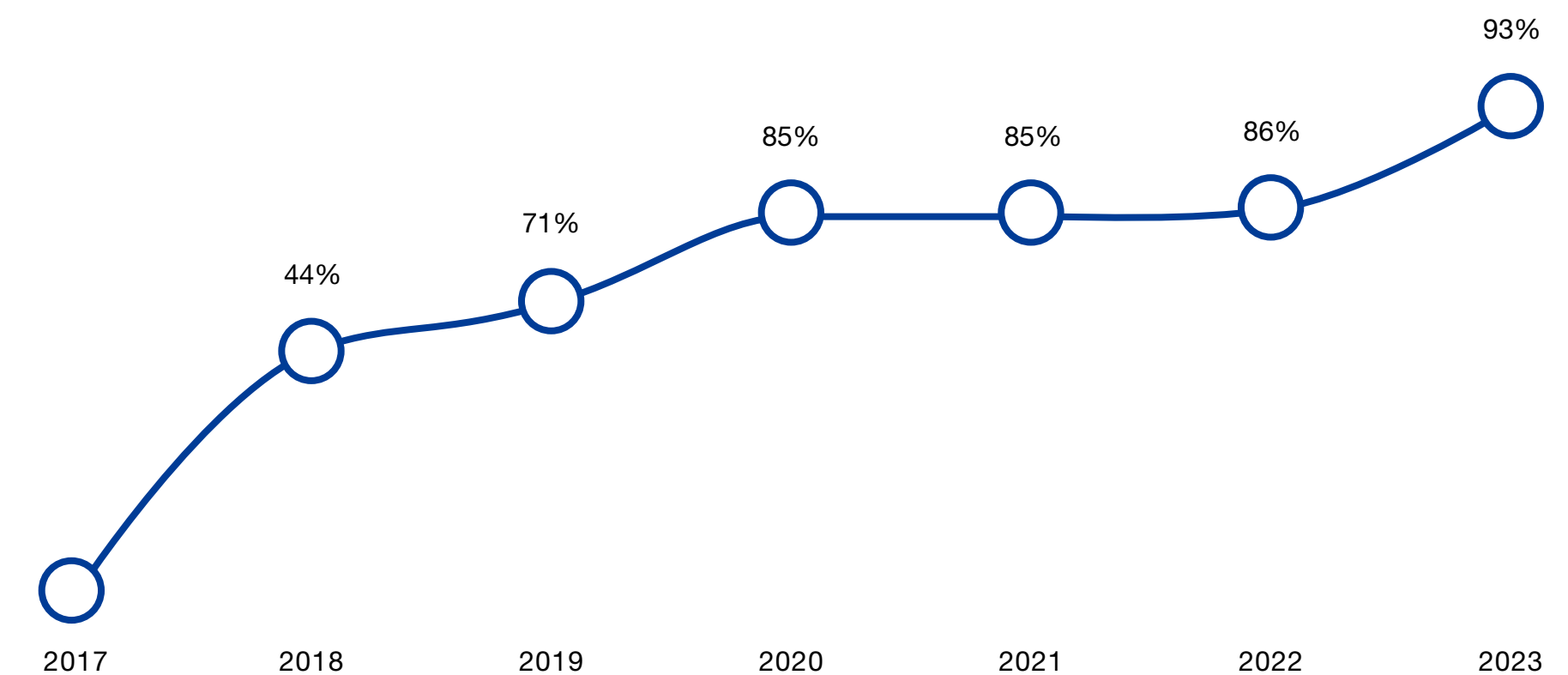


### PFAD supply chain traceability

Since 2017, we have been working toward a target of developing traceability for our entire PFAD supply chain to palm oil plantations. This has required us to map large parts of previously unmapped palm oil supply chains, and we have made significant progress since we started the work. When mapping the supply chain to the plantations, publicly available data (e.g., on RSPO, ISCC, ISPO certifications) and supplier reporting have been used.

During 2023, we were able to independently map and validate 100% (100%) of our PFAD supply chain to the supplying palm oil mills and 93% (86%) all the way to plantations. With the newly adopted European Union Deforestation Regulation (EUDR), and building on our long-term work developing PFAD supply chain traceability, we are further enhancing our traceability efforts to be in line with the scope and requirements of the regulation.

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



<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 accelerate 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 helping Neste take steps towards developing its Porvoo refinery into a renewable and circular solutions hub. It is also aligned with our target of helping our customers to reduce their GHG emissions and reducing society's dependence on crude oil.

### Accelerating the circular economy through chemical recycling

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

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

### Progress on scaling up chemical recycling

Neste has established several partnerships to develop chemical recycling technologies to enable their commercialization and to accelerate their adoption. For example, we hold the European rights to US-based Alterra Energy's liquefaction technology, and we are also a minority shareholder of the company.

We aim to gradually increase the volumes of liquefied waste plastic processing to continue learning about and developing value chains and processing technologies.

In 2023, Neste made the final investment decision to commence construction of upgrading facilities for liquefied plastic waste at its Porvoo refinery in Finland. With an investment of 111 million euros, Neste will build the capacity to upgrade 150,000 tons of liquefied waste plastic per year. The investment is part of a broader project (Project PULSE), which will receive an EU Innovation Fund grant of 135 million euros if fully implemented. The project targets a total capacity of 400,000 tons per year.

### 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 2023. During the runs, Neste was able to gradually upgrade increasing volumes of liquefied waste plastic into drop-in raw materials for plastic production and develop related processing capabilities at industrial scale.

With our partners Wastewise, Borealis and Uponor, we successfully produced pipes made of cross-linked polyethylene (PEX) which was based on feedstock gained from chemically recycled post-industrial waste plastic from PEX pipe production. The pipes can be used in the construction sector for heating, plumbing and cooling purposes – as well as for drinking water systems.

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.

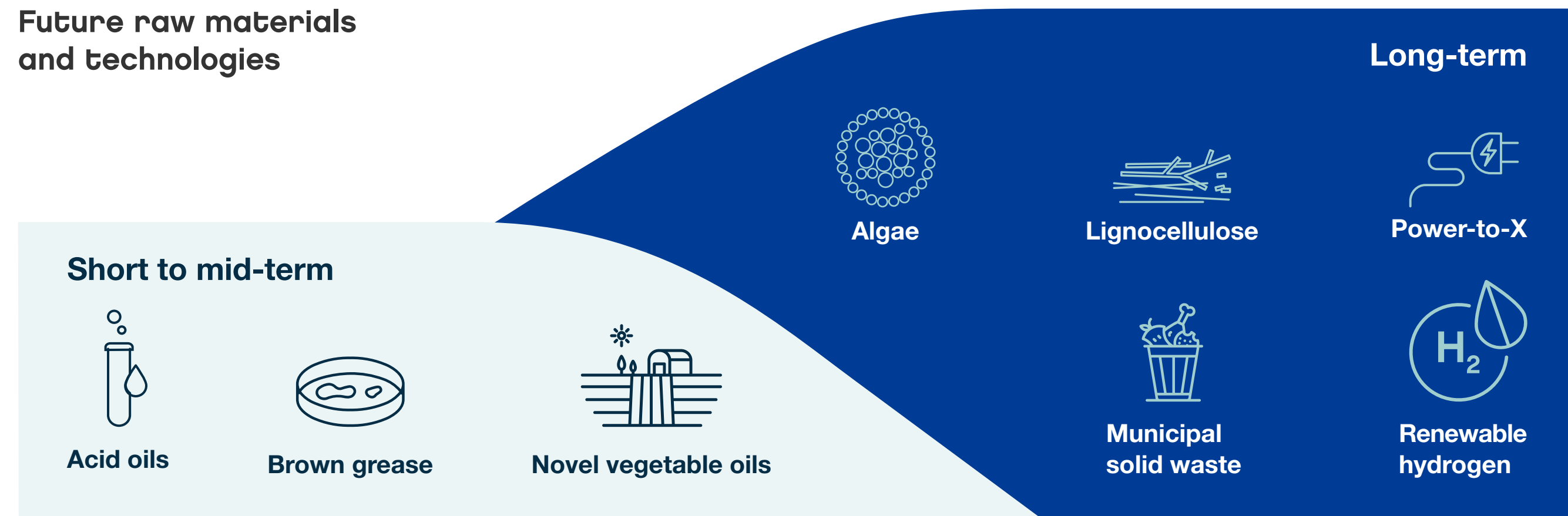
### Future raw materials

We continue to work toward increasing the availability of renewable and recycled raw materials, while 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 will enable us to maximize our positive carbon handprint.

We continuously search for even lower-quality waste and residues for use in the production of fuels, polymers and chemicals. In the short to mid-term, we aim to increase the availability of emerging lower-quality waste and residues such as acid oils and wastewater-derived grease (i.e., "brown grease"). We are also exploring novel vegetable oils from regenerative agricultural practices. In the long term, renewable hydrogen, lignocellulosic waste and residues, algae, and municipal solid waste are all viable sustainable raw material alternatives.

### Future raw materials and technologies





### **Novel vegetable oils (NVO) from regenerative agricultural practices**

As part of our efforts to develop new sustainable sources of renewable raw materials, Neste is exploring the potential of regenerative agricultural concepts to produce additional renewable raw materials. Regenerative agriculture focuses on restoring soil health. Regenerative farming practices aim to trap carbon in healthier soils, promote biodiversity and reduce emissions from agriculture, while increasing farm productivity. Neste focuses on concepts such as intermediate cropping that do not create additional demand for agricultural land.

In 2023, we made significant progress in accelerating our exploration of potential concepts and partnerships to drive our NVO development work. We have launched over 60 field trials across the globe, working with farmers, other value chain partners and research institutions. We have been studying a variety of crops and regenerative agriculture management practices for both annuals and perennials to identify the most promising concepts for scale-up. With promising results, we have set a target for the availability of novel vegetable oils to reach 20% of Neste's raw material pool by 2035.

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

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







### Lignocellulose

Waste and residue streams from agriculture, forestry and the forest industry provide viable and sustainable raw material options for renewable fuels and feedstock for polymers and chemicals. Our focus is on resources that are currently underutilized.

We are also exploring site locations to fully develop the potential of producing advanced biofuels from locally sourced forestry waste. This includes an assessment of exploiting technology and raw material potential for lignocellulose-based advanced biofuels at our Porvoo refinery in Finland.

In 2023, Neste participated in a project of Natural Resources Institute Finland (Luke). The project, funded by Business Finland, focuses on developing Life Cycle Assessment (LCA) methods for assessing the environmental benefits of bio-based products, raw materials and sidestreams. Neste's contribution focused on the LCA of forestry-based waste and residues.

[Read more about lignocellulose.](#)



### Microalgae

Photosynthetic microalgae may be cultivated wherever there is water and sunlight, including saline water and land areas unsuitable for other types of cultivation. Microalgae may have high oil content, and they are usually rich in proteins and other valuable compounds. Through photosynthesis, algae are estimated to generate up to 50% of oxygen in the atmosphere. Neste has explored and developed the use of algae for over 15 years and continues to explore algae as a potential future raw material.

In 2023, Neste advanced the preparation of its algae pilot production facility in order to further strengthen the growth of its global raw material pool. The project is in the planning phase, with a final investment decision yet to be made.

[Read more about microalgae.](#)



### Municipal solid waste

Municipal solid waste is household or industrial derived waste. Neste is mostly interested in those biogenic fractions (paper, cardboard, wood, greens, textiles) that do not have any other more valuable use and are not being recycled.

By turning municipal solid waste into renewable raw material, several benefits are simultaneously achieved – the increased availability of lower-emission product to replace fossil-based products, a reduction of waste, and reduced reliance on virgin fossil resources, as well as reduced emissions from the treatment of waste thanks to circulation of waste into valuable use.

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



### Renewable hydrogen

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

At our Rotterdam refinery, we are demonstrating renewable hydrogen production based on solid oxide (SOEC) technology. The EU-funded MultiPLHY project aims to install the world's first high temperature electrolyzer system in multi-MW scale (~2.6 MW) in an industrial environment and integrating it into our refinery. This is a joint project with the MultiPLHY partners Sunfire, Paul Wurth, CEA and Engie. The project is in the commissioning phase.

At our Porvoo refinery, the renewable hydrogen project focuses on developing our first industrial-scale renewable hydrogen facility. The goal of the 120 MW electrolyzer project is to supply the refinery with the renewable hydrogen produced. The project is in the basic engineering phase, and it is expected to be ready for a final investment decision during 2024.

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

[Read more about renewable hydrogen and about PtX technology.](#)





## Sustainability reporting in 2023

Our 2023 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. Information presented about the Sustainability highlights, Material sustainability KPIs, Neste creates value, and Performance in figures pages of the report have also been assured. In our report, we have aimed to focus on the most essential, based on our materiality assessment conducted biannually, most recently 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 with 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 2023 information will be reported via the new UNGC portal.

Neste is committed to applying the Task Force on Climate-related Financial Disclosures (TCFD) reporting principles from 2019 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 the 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.

In 2023 Neste has been preparing for the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) to be used for the first time in financial year 2024 reporting.

We are actively following various sustainability reporting framework developments, such as the standards from the International Sustainability Standards Board (ISSB), in order to keep our reporting methodologies up to date. In addition to GRI, in the 2023 Sustainability Report we report according to SASB Oil & Gas Refining and Marketing Standards where applicable, as Neste is categorized under this sector standard by SASB. However, we also aim to report in accordance with SASB Biofuels Standards in the future as we see this as an even more relevant sector standard for Neste.

We support the principles of the 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). We therefore report with the GRI supported by SASB and TCFD, yet pay 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 accordance with the current requirements of the 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 2022 Annual Report and the included Sustainability Report on March 3, 2023 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. If restatements of information have been 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 Sustainability Report’s reporting period is our financial reporting year, January 1–December 31, 2023. The Sustainability Report is published annually. The safety and environmental reporting for 2023 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. As an exception, reporting for the Martinez Renewables refinery, of which Neste owns 50%, only covers reporting indicators for GHG emissions (scopes 1, 2 and 3), energy and renewable raw material inputs. Additionally, environmental figures for Mahoney only cover GHG emissions (scopes 1, 2 and 3) and energy due to the ongoing integration process. The company does not report environmental information about sites in which the company uses only a minor part of the premises of an office building. The reporting of safety information also covers service providers and contractors. The average number of personnel includes all operations and acquisitions. 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

	2023	2022	2021
Deviations from environmental permits	13	3	2
<b>Emissions into the air, tons<sup>1)</sup></b>			
Direct CO <sub>2</sub> emissions (scope 1)	2,291,000	2,075,000	1,828,000
Indirect GHG emissions (scope 2, location-based)	503,000	427,000	519,000
Indirect GHG emissions (scope 2, market-based)	463,000	391,000	509,000
Other indirect GHG emissions (scope 3)	58,000,000	42,000,000	35,000,000
Purchased goods and services <sup>2)</sup>	5,800,000	5,000,000	4,900,000
Fuel- and energy-related activities <sup>3)</sup>	<50,000	<50,000	100,000
Upstream transportation and distribution <sup>4)</sup>	2,000,000	900,000	700,000
Waste generated in operations	400,000	400,000	200,000
Downstream transportation and distribution <sup>5)</sup>	700,000	700,000	500,000
Use of sold products <sup>2)</sup>	47,700,000	33,600,000	27,600,000
End-of-life treatment of sold products	1,100,000	1,100,000	1,300,000
VOC	2,380	3,160	3,170
NO <sub>x</sub>	1,210	1,150	1,090
SO <sub>2</sub>	2,470	2,430	2,850
Particulate matter	72	78	64
<b>Energy use</b>			
Total energy consumption, TWh	12.6	10.9	10.1
Fuels and natural gas, %	74.3	72.7	72.0
Purchased electricity, %	12.9	12.9	13.1
Purchased heat, %	12.9	14.3	14.9
Share of renewable energy of total energy consumption, %	16.1	17.8	11.6
Energy efficiency, energy saving measures, GWh <sup>6)</sup>	27.2	42.6	95.8
Energy intensity, total energy consumption per revenue, GWh/MEUR	0.6	0.4	0.7
<b>Water, m<sup>3</sup>/a</b>			
Total water withdrawal by source	9,402,000	8,788,000 <sup>7)</sup>	9,263,000
Process water & other water use			
Surface water	8,485,000	7,839,000	7,927,000
Third-party water (municipal)	917,000	949,000 <sup>7)</sup>	1,336,000
Total water discharge by destination	8,720,000	7,899,000	8,522,000
Surface water	148,000	141,000	
Seawater	8,024,000	7,241,000	
Third-party water (municipal)	548,000	517,000	

	2023	2022	2021
<b>Effluents to water, tons</b>			
Effluents of oil to water	1.8	1.4 <sup>7)</sup>	2.3 <sup>7)</sup>
Chemical oxygen demand	399	348	240
Effluents of nitrogen to water	18	19	31
Effluents of phosphorus to water	1.0	1.0	1.0
<b>Waste generated, tons<sup>8)</sup></b>			
Non-hazardous <sup>8)</sup>	71,200	35,000	23,900
Preparation for reuse	1,400	150	-
Recycling	170	3,000	-
Other recovery operations	63,800	23,000	-
Incineration (with energy recovery)	2,200	2,000	-
Incineration (without energy recovery)	320	550	-
Landfill	3,300	4,300	-
Other disposal operations	40	2,000	-
Hazardous	230,000	259,000	160,600
Preparation for reuse	1,400	160	-
Recycling	5,800	7,300	-
Other recovery operations	14,200	4,500	-
Incineration (with energy recovery)	87,800	70,700	-
Incineration (without energy recovery)	5,200	3,000	-
Landfill	4,700	11,500	-
Other disposal operations	111,000	162,000	-
Number and magnitude of significant releases	1 pc/60 m <sup>3</sup>	3 pc/1146 m <sup>3</sup>	3 pc/45m <sup>3</sup> + 10 tons
Carbon dioxide recovered, tons	91,800	126,600	130,400
Washing lye sold, tons	6,900	11,100	7,900

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> Calculation principle changed in 2023. Scope 3 inventory include additional activities that have not been in the scope of reporting earlier.
- <sup>3)</sup> Only natural gas related emissions included.
- <sup>4)</sup> Part of upstream transportation emissions are accounted in other categories.
- <sup>5)</sup> Part of downstream transportation emissions are accounted in other categories.
- <sup>6)</sup> The savings consist of energy efficiency measures started during 2023, which have been scaled to cover the full year.
- <sup>7)</sup> Figure revised.
- <sup>8)</sup> Total amount of waste increased due the decommissioning of our Naantali refinery process area.



## Performance in figures **Climate and the environment**

	2023	2022	2021			
<b>Supply chain and raw materials</b>						
Use of global renewable raw material inputs, million tons <sup>9)</sup>	4.3	3.6	3.7			
Share and use of waste and residues of global renewable raw material inputs <sup>9)</sup>	92% 4.0 Mt	95% 3.4 Mt	92% 3.4 Mt			
GHG emission reduction achieved with Neste's renewable products compared to crude oil-based fuels, million tons <sup>9)</sup>	11.0	11.1	10.9			
The amount of non-renewable resource use that Neste's renewable and circular solutions helped replace in transport, aviation and polymers and chemicals sectors, Mt <sup>10)</sup>	3.0	3.1	3.0			
Number of all renewable raw material suppliers	614	557	389			
Share and use of certified palm oil from all palm oil use <sup>11)</sup>	100% 67kt	100% 135kt	100% 236 kt			
The number of CPO smallholders	0	0	13 227			
The number of palm oil suppliers	1	4	6			
The number of plantations	7	28	69			
The number of palm oil mills	4	12	29			
Average GHG emission reduction of palm oil based products <sup>10)</sup>	78%	80%	80%			
The number of renewable raw material suppliers' sustainability assessments and their outcome <sup>12)</sup>	Total: New approved suppliers: All approved: Pending: Rejected:	388 249 279 102 7	Total: New approved suppliers: All approved: Pending: Rejected:	325 223 236 74 15	Total: New approved suppliers: All approved: Pending: Rejected:	223 171 186 33 4
Crude oil and fossil feedstock sources by region, million tons	11.7	12.7	10.1			
Norway	8.3	7.1	1.3			
USA	1.1	0.6	0.04			
United Kingdom	0.8	0.6	0.0			
Russia <sup>13)</sup>	0.0	3.1	7.8			
Other countries	1.5	1.3	1.0			

Calculation principles can be found on [page 115](#).

<sup>9)</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>10)</sup> Calculation principles can be found on [page 115](#).

<sup>11)</sup> Contains the use of conventional palm oil that has been earlier processed into renewable products and sold to market.

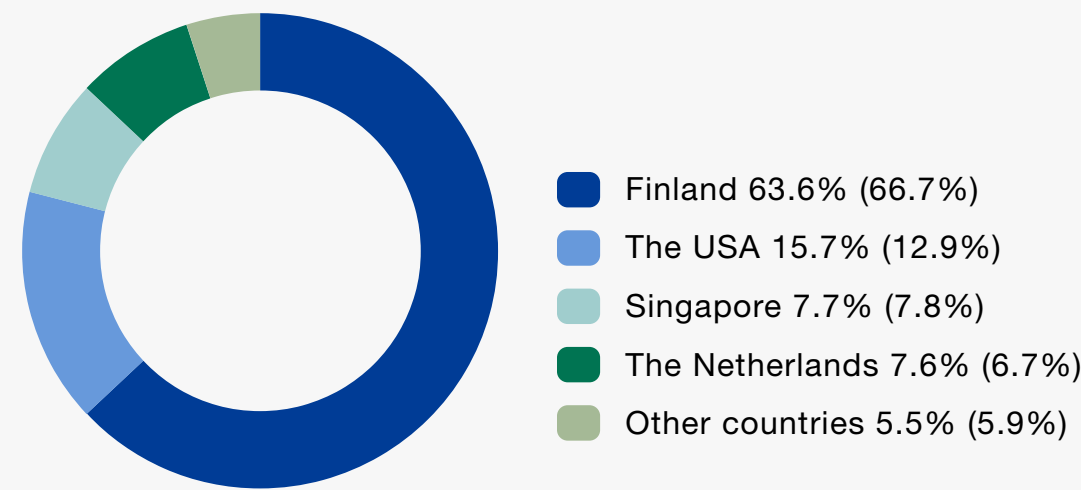
<sup>12)</sup> Figures include existing suppliers, which undergo a sustainability assessment process every 3–5 years. Supplier data includes only main contractual parties, excluding second-tier suppliers.

<sup>13)</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.

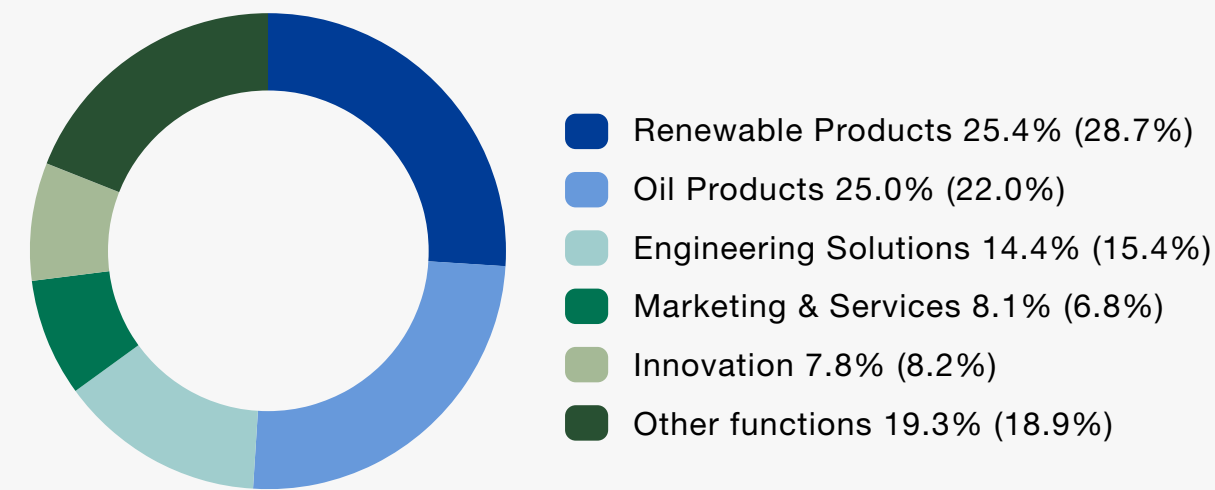


# Performance in figures **People**

**Personnel by country**  
as of 31 December 2023, %



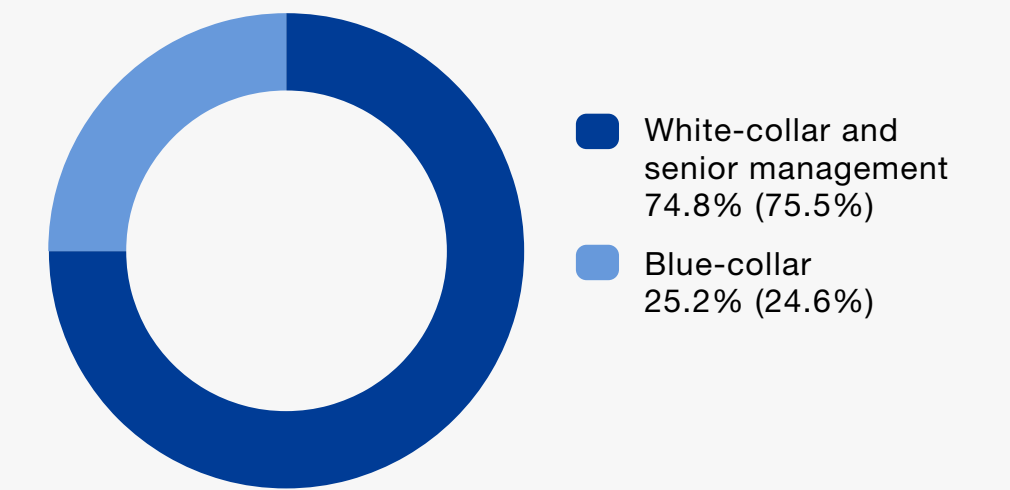
**Personnel by segment**  
as of 31 December 2023, %



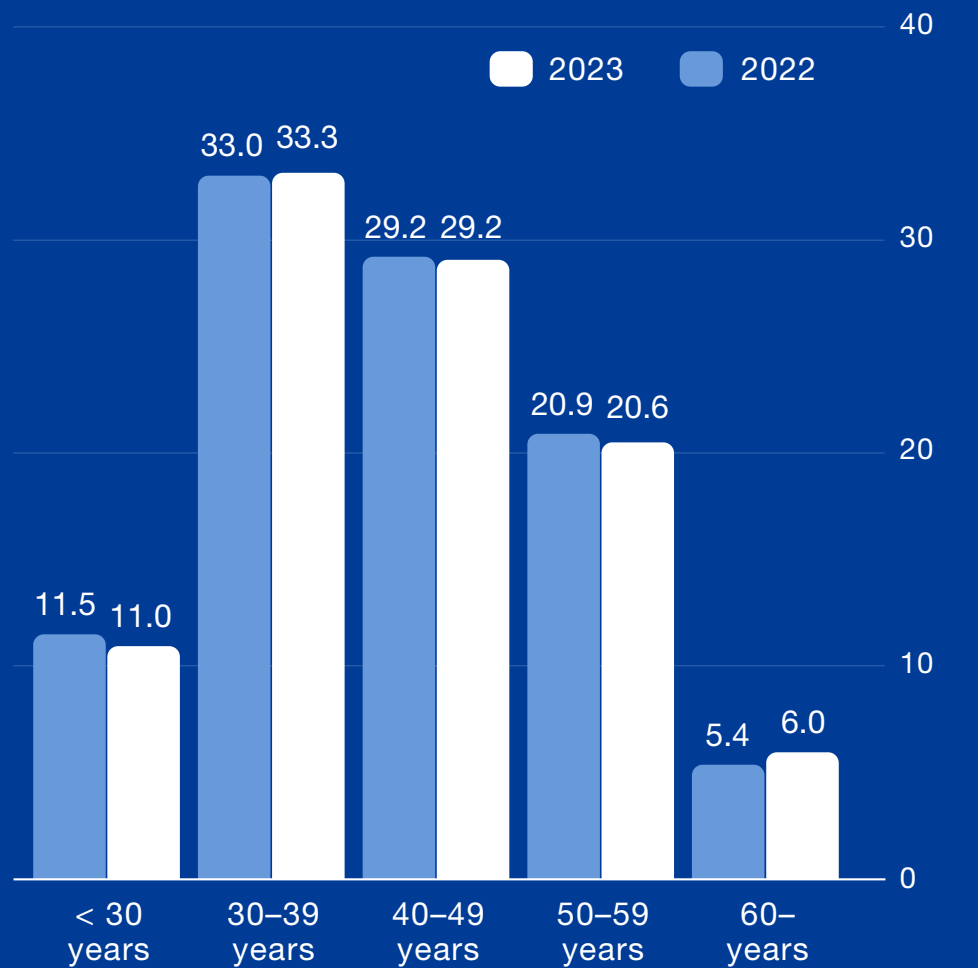
**Average number of personnel**

**6,018**  
(5,244)

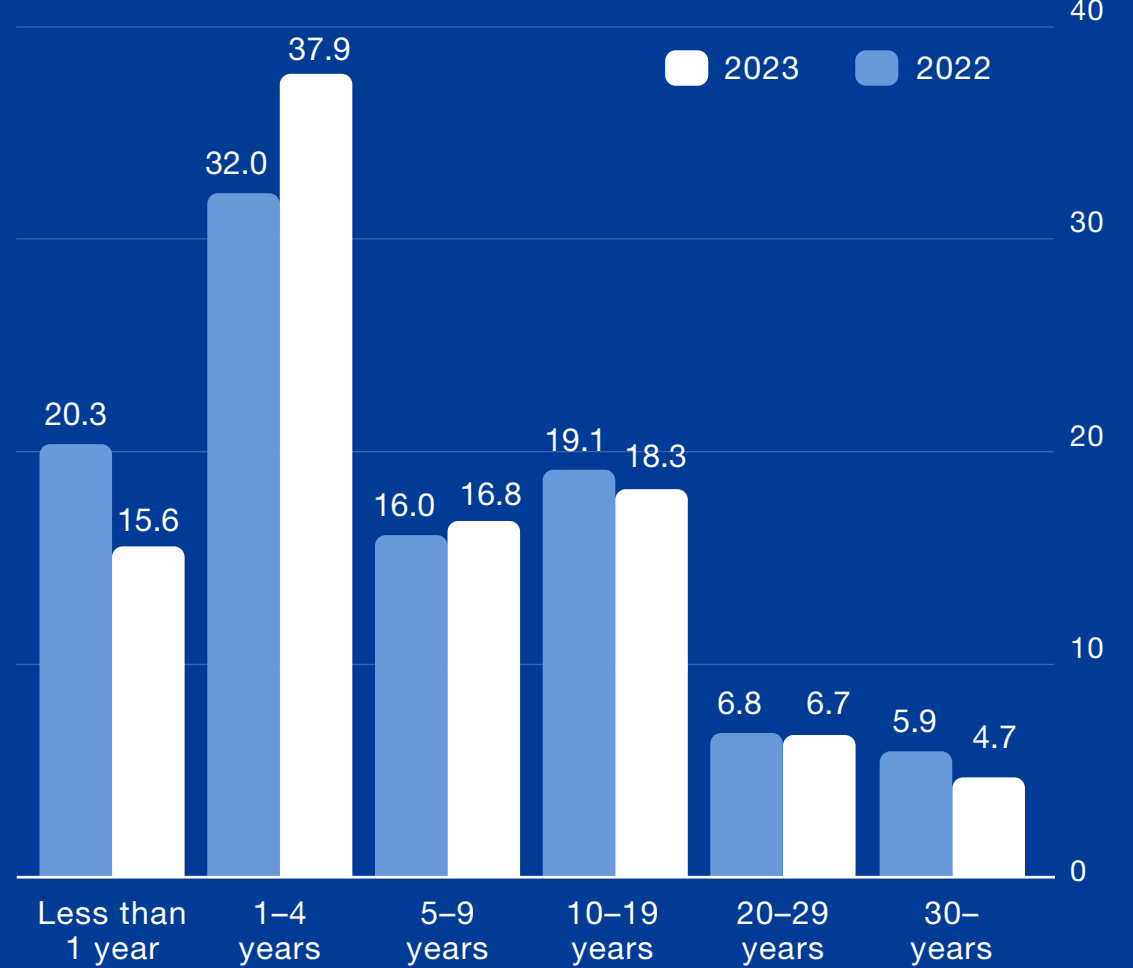
**Personnel by personnel group**  
as of 31 December 2023, %



**Employee breakdown by age**  
as of 31 December 2023, %



**Employment length of employees**  
as of 31 December 2023, %



**Neste Personnel and Contractor Safety Performance**  
as of 31 December 2023

	2023	2022	2021
Total recordable injury frequency (TRIF) total	2.3	2.0	1.4
- TRIF own employees	1.7	0.8	1.1
- TRIF contractors	3.2	3.7	1.6
Lost workday injury frequency (LWIF) total	1.8	1.9	1.0
- LWIF own employees	1.1	0.7	1.1
- LWIF contractors	2.8	3.6	0.7
Process safety event rate (PSER) total	1.2	1.4	1.4
- PSER 1	0.4	0.6	0.6
- PSER 2	0.9	0.9	0.8
Safe Days	278	314	306
Fatalities	0	0	0

**Average training hours per employee**  
as of 31 December 2023

	Women	Men
All employees	23.1	28.5
Blue-collar	40.9	32.5
White-collar and senior management	22.3	26.3
Managers	32.1	33.4
Senior managers	9.2	18.0
Permanent	23.2	28.6
Temporary	21.2	19.3
Full-time	23.4	28.6
Part-time	17.3	22.1



## Performance in figures People

### Employee distribution and turnover as of 31 December 2023, %

	Total		Finland		USA		Singapore		The Netherlands		Other countries	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
<b>All employees</b>	32.6	67.4	35.6	64.4	22.9	77.1	31.4	68.6	19.3	80.7	45.7	54.3
- under 30	4.3	6.7	4.8	6.6	3.0	8.8	4.1	6.1	1.8	7.0	4.9	2.4
- 30–50	21.0	44.1	22.3	42.1	14.4	45.8	24.0	52.2	13.6	49.5	30.8	42.4
- over 50	7.4	16.6	8.5	15.7	5.5	22.5	3.3	10.4	3.9	24.3	10.1	9.5
<b>Hiring rate of permanent employees, all</b>	14.4	15.7	11.3	9.9	19.9	25.4	27.5	29.4	31.8	21.4	12.6	20.5
<b>Proportion of permanent hires</b>	30.6	69.4	38.6	61.4	18.9	81.1	29.8	70.2	25.7	74.3	33.3	66.7
- under 30	4.0	6.4	4.5	6.1	3.0	8.7	4.2	6.2	1.6	6.9	4.4	2.5
- 30–50	21.0	44.4	22.4	42.5	14.5	45.8	24.2	53.0	13.3	49.8	30.4	43.0
- over 50	7.4	16.7	8.6	15.8	5.5	22.5	2.9	9.7	4.0	24.4	10.0	9.7
<b>Leaving rate of permanent employees, all</b>	7.0	10.9	6.0	7.5	13.9	21.7	4.9	14.7	9.4	9.0	5.6	10.8
<b>Proportion of permanent leavers</b>	23.4	76.6	30.7	69.3	16.0	84.0	13.2	86.8	19.5	80.5	29.6	70.4
- under 30	4.0	6.4	4.5	6.1	3.0	8.7	4.2	6.2	1.6	6.9	4.4	2.5
- 30–50	21.0	44.4	22.4	42.5	14.5	45.8	24.2	53.0	13.3	49.8	30.4	43.0
- over 50	7.4	16.7	8.6	15.8	5.5	22.5	2.9	9.7	4.0	24.4	10.0	9.7
<b>Permanent employees</b>	32.1	66.7	35.1	63.6	22.9	76.9	30.7	67.8	18.6	79.9	43.6	53.7
<b>Temporary employees</b>	0.6	0.7	0.5	0.8	0.0	0.2	0.7	0.9	0.7	0.9	2.1	0.6
<b>Full-time employees</b>	31.4	66.6	34.3	63.6	22.9	77.0	31.4	68.6	15.5	78.1	43.6	54.3
<b>Part-time employees</b>	1.3	0.8	1.3	0.8	0.0	0.1	0.0	0.0	3.7	2.6	2.1	0.0

### Information on employees and governance bodies by gender ratio as of 31 December 2023, %

	Women		Men	
	2023	2022	2023	2022
All employees	32.6	32.2	67.4	67.8
Blue-collar	5.5	1.3	94.5	23.3
White-collar and senior management	41.7	30.9	58.3	44.5
Managers	33.3	31.1	66.7	68.9
Senior managers	28.7	27.7	71.3	72.3
Neste Executive Committee	33.3	25.0	66.7	75.0
Board of Directors	25.0	33.3	75.0	66.7
Permanent	32.1	31.5	66.7	66.4
Temporary	0.5	0.8	0.7	1.4
Full-time	31.4	30.9	66.6	67.0
Part-time	1.3	1.4	0.8	0.7



# GRI Content Index

Neste Oyj has reported in accordance with the GRI Standards for the period 1 January–31 December 2023.

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 1: Foundation 2021				
GRI 11: Oil and Gas Sector 2021				
GRI 2: General Disclosures 2021				
1. The organization and its reporting practices				
2-1	Organizational details	<a href="#">23-24</a>	HQ in Espoo, Finland. Countries of operations: Finland, Australia, Belgium, China, Estonia, Germany, India, Ireland, Latvia, Lithuania, the Netherlands, Singapore, Spain, Sweden, Switzerland, the USA. (R)	
2-2	Entities included in the organization’s sustainability reporting	<a href="#">97-98</a>		
2-3	Reporting period, frequency and contact point	<a href="#">97-98</a> <a href="#">Safety and Environment contacts</a>		
2-4	Restatements of information	<a href="#">97-98</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="#">9-10</a> , <a href="#">86-96</a> , <a href="#">153-154</a>	In 2023, Neste increased its ownership of Demeter B.V. and now holds 80 % of their shares. Neste acquired SeSequential Environmental Services, LLC, and Pure SQ, LLC from Crimson Renewable Energy Holdings, LLC. Through the transaction, Neste acquired used cooking oil collection and aggregation business in US West Coast. (R)	
2-7	Employees	<a href="#">101-102</a> , <a href="#">116</a>	Neste reports only total number of employees. (O)	
2-8	Workers who are not employees	<a href="#">55</a>	Neste is reviewing the consolidation of worker information to align with relevant reporting requirements. (O)	
3. Governance				
2-9	Governance structure and composition	<a href="#">30-31</a> , <a href="#">121-127</a> , <a href="#">131-133</a>		
2-10	Nomination and selection of the highest governance body	<a href="#">121-124</a>		
2-11	Chair of the highest governance body	<a href="#">125-126</a>		
2-12	Role of the highest governance body in overseeing the management of impacts	<a href="#">30-31</a>		
2-13	Delegation of responsibility for managing impacts	<a href="#">30-31</a> , <a href="#">155</a>		
2-14	Role of the highest governance body in sustainability reporting	<a href="#">30-31</a> , <a href="#">155</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="#">121-124</a>		
2-16	Communication of critical concerns	<a href="#">32</a> , <a href="#">42</a> , <a href="#">169</a>		
2-17	Collective knowledge of the highest governance body	<a href="#">30-31</a> , <a href="#">105</a>		
2-18	Evaluation of the performance of the highest governance body	<a href="#">124</a>		
2-19	Remuneration policies	<a href="#">140-144</a>		
2-20	Process to determine remuneration	<a href="#">140-144</a>		
2-21	Annual total compensation ratio	<a href="#">144</a>	Neste reports the average total compensation for employees and the total compensation of the CEO. (O)	



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	<a href="#">6-8</a>		
2-23	Policy commitments	<a href="#">30-31, 81-85, 86-96, 97-98, 164-169</a> <a href="#">Neste Policies and Principles</a>		
2-24	Embedding policy commitments	<a href="#">30-31, 81-85, 86-96, 97-98, 164-169</a> <a href="#">Neste Policies and Principles</a>		
2-25	Processes to remediate negative impacts	<a href="#">81-85, 164-169</a>		
2-26	Mechanisms for seeking advice and raising concerns	<a href="#">32, 83, 90, 131, 166, 169</a>		
2-27	Compliance with laws and regulations	<a href="#">80</a>	One incident related to different elements included in the environmental permits of the Rotterdam refinery. (R)	
2-28	Membership associations	<a href="#">44-46</a> <a href="#">Commitments and engagements</a>		
5. Stakeholder engagement				
2-29	Approach to stakeholder engagement	<a href="#">33-34, 43-48</a>		
2-30	Collective bargaining agreements		3,985 persons, 66%. In addition to complying with local legal requirements, Neste is committed to respecting the internationally recognized human and labor rights and ensuring fair terms of employment for all employees, as set out in the Neste Code of Conduct and Human Rights Principle. (R)	
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	<a href="#">33-34</a>		
3-2	List of material topics	<a href="#">33-37</a>		
3-3	Management of material topics	<a href="#">30-31, 32, 43-48, 50-53, 54-56, 60-65, 66-74, 75-80, 81-85, 86-96, 163</a>		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, 11.11.1, 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	<a href="#">49</a> <a href="#">Value creation</a>		11.14.2 & 11.21.2
201-2	Financial implications and other risks and opportunities due to climate change	<a href="#">57-74, 164-165, 183</a>		11.2.2
201-4	Financial assistance received from government	<a href="#">12, 151, 200</a>		11.21.3



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 202: Market Presence 2016				
202-2	Proportion of senior management hired from the local community		Indicator is not considered relevant for Neste as business is led from function or business area level. Neste provides equal employment opportunities for all applicants and employees. (O)	11.11.2 & 11.14.3
GRI 203: Indirect Economic Impacts 2016				
203-1	Infrastructure investments and services supported	<a href="#">36</a> , <a href="#">48</a> , <a href="#">49</a>		11.14.4
203-2	Significant indirect economic impacts	<a href="#">49</a>		11.4.5 & 11.14.5
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 is always open for feedback from Suppliers. (O)	11.14.6
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	<a href="#">169</a>	Neste regularly assesses its operations' risks including ia. risks of corruption and bribery. Numeric data not applicable. (R/O)	11.20.2
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">32</a> , <a href="#">87-88</a> , <a href="#">169</a>	Neste Board Audit Committee receives regular updates on Neste compliance program and compliance activities, including such related to anti-corruption. All members of Neste Board of Directors have 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 via 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. Neste regularly raises awareness and trains in its Code of Conduct, including a Code of Conduct e-learning mandatory for all employees, which latest version was issued in 2021. 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	<a href="#">32</a> , <a href="#">42</a> , <a href="#">169</a>	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	<a href="#">Neste's tax footprint</a>		11.21.4
207-2	Tax governance, control, and risk management	<a href="#">Neste's tax footprint</a>		11.21.5
207-3	Stakeholder engagement and management of concerns related to tax	<a href="#">Neste's tax footprint</a>		11.21.6
207-4	Country-by-country reporting	<a href="#">Neste's tax footprint</a>	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)	<a href="#">41</a> , <a href="#">94</a>		



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	<a href="#">38</a> , <a href="#">80</a> , <a href="#">99</a> , <a href="#">115</a>		11.1.2
302-2	Energy consumption outside of the organization		Neste has partially gathered relevant energy consumptions in the value chain. Across Neste's value chain, the majority of energy use outside the organization is occurring through the use of products sold by Neste. (R/O)	11.1.3
302-3	Energy intensity	<a href="#">99</a> , <a href="#">115</a>		11.1.4
302-4	Reduction of energy consumption	<a href="#">38</a> , <a href="#">69-70</a> , <a href="#">80</a> , <a href="#">99</a> , <a href="#">115</a>	Energy savings consists of different initiatives in our production covering steam and cooling. (R)	
GRI 303: Water and effluents 2018				
303-1	Interactions with water as a shared resource	<a href="#">78</a>		11.6.2
303-2	Management of water discharge-related impacts	<a href="#">78</a> , <a href="#">115</a>		11.6.3
303-3	Water withdrawal	<a href="#">78</a> , <a href="#">99</a> , <a href="#">115</a>	Neste will be assessing its relevant water reporting categories for potential later use. (O)	11.6.4
303-4	Water discharge	<a href="#">78</a> , <a href="#">99</a> , <a href="#">115</a>		11.6.5
303-5	Water consumption	<a href="#">78</a> , <a href="#">99</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="#">77</a>		11.4.2
304-2	Significant impacts of activities, products, and services on biodiversity	<a href="#">38</a> , <a href="#">78-79</a>		11.4.3
304-3	Habitats protected or restored	<a href="#">77</a>		11.4.4
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		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="#">38</a> , <a href="#">97-98</a> , <a href="#">99</a> , <a href="#">115</a>		11.1.5
305-2	Energy indirect (scope 2) GHG emissions	<a href="#">38</a> , <a href="#">97-98</a> , <a href="#">99</a> , <a href="#">115</a>		11.1.6
305-3	Other indirect (scope 3) GHG emissions	<a href="#">99</a> , <a href="#">115</a>		11.1.7
305-4	GHG emissions intensity	<a href="#">38</a> , <a href="#">71</a>	Emissions used in the calculation: scope 3 Use of sold products. (R)	11.1.8
305-5	Reduction of GHG emissions	<a href="#">38</a> , <a href="#">57-74</a>		11.2.3
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<a href="#">99</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="#">99</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="#">80</a>		11.5.2
306-2	Management of significant waste-related impacts	<a href="#">80</a> , <a href="#">94</a> , <a href="#">99</a>		11.5.3
306-3	Waste generated	<a href="#">99</a> , <a href="#">115</a>		11.5.4
306-4	Waste diverted from disposal	<a href="#">99</a>		11.5.5
306-5	Waste directed to disposal	<a href="#">99</a>		11.5.6



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	<a href="#">86-90</a>	100% of Neste's renewable raw material suppliers and all of fossil raw material suppliers screened using environmental criteria. Screening process for indirect procurement suppliers is being standardized and hence, data is currently not available. (R/O)	
GRI 400: Social				
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	<a href="#">40, 49, 51, 102</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 335 employees took parental leave in 2023, of which 112 were women and 223 were men. 302 employees returned to work from parental leave during 2023, of which 91 were women and 211 were men. Neste does not disclose return to work and retention rates. (R/O)	11.10.4 & 11.11.3
GRI 402: Labor/Management Relations 2016				
402-1	Minimum notice periods regarding operational changes	<a href="#">51</a>	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="#">54-56</a>		11.9.2
403-2	Hazard identification, risk assessment, and incident investigation	<a href="#">54-56</a>	Neste's OEMS Hazard Identification, Risk Assessment and Control Principle includes processes and policies for workers to identify, assess and control workplace hazards. Key common requirements include the Process Hazard analysis standard consisting of standards for process risk classification, process safety information and work risk management. Neste applies the hierarchy of controls to guide hazard elimination and control. Neste's OEMS Incident Learning Standard underpins the process by which workers can report hazardous situations, engage in incident learning and identify improvement actions. All Neste's employees and contractors have Stop Work Authority which authorises anyone to stop work and remove personnel from hazardous situations. (R)	11.9.3
403-3	Occupational health services	<a href="#">53, 54-56</a>		11.9.4
403-4	Worker participation, consultation, and communication on occupational health and safety	<a href="#">55</a>	Neste's OEMS Safety Leadership Principle sets requirements for it businesses to engage the workforce in: occupational health and safety issues, development of work practices, investigation of incidents and risk assessments throughout Neste globally. Practices and fulfillment of requirements are followed through OEMS audit practices. In addition to to Safety Leadership Principle the local statutory requirements are identified and followed to engage personnel in occupational health and safety issues. (R)	11.9.5
403-5	Worker training on occupational health and safety	<a href="#">54-56</a>		11.9.6
403-6	Promotion of worker health	<a href="#">44-46, 53</a>		11.9.7
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">54-56</a>		11.9.8
403-8	Workers covered by an occupational health and safety management system	<a href="#">55</a>		11.9.9



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
403-9	Work-related injuries	<a href="#">55</a> , <a href="#">101</a> , <a href="#">115-116</a>	<p>In 2013 Neste defined its Life Saving Rules based on high-risk activities which have caused fatalities and serious injuries at Neste and in other, similar, high hazard 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 length of absence, injury types etc.</p> <p>In 2023 Neste launched its Process Safety Fundamentals - nine fundamentals have been defined aimed to support leaders and front line workers to prevent process safety incidents in daily operational activities. The purpose of the Process Safety Fundamentals is to support front line workers, supervisors and operational management to draw attention to situations that could lead to a release of a hazardous chemical with potential for severe consequences and existing good practices that prevent process safety events.</p> <p>Neste also identifies High Potential (HiPo) events to guide and enable the prioritisation of learning resources for accidents and Near Miss events which could cause high-consequence injuries.</p> <p>In 2023 we had TRIF 2.3 which was way above our target. Majority (23 of 41) of injuries happened to contractors. In 2023 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, trips 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 cirka 10,600,000 hours for employees and 7,100,000 hours for contractors.</p>	11.9.10
403-10	Work-related ill health	<a href="#">55</a> , <a href="#">101</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 404: Training and Education 2016				
404-1	Average hours of training per year per employee	<a href="#">101</a>		11.10.6 & 11.11.7
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">44-46</a> , <a href="#">49</a> , <a href="#">51-52</a>	Transition assistance programs not disclosed in accordance with indicator requirements. (R/O)	11.7.3 & 11.10.7
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	<a href="#">40</a> , <a href="#">49</a> , <a href="#">52-53</a> , <a href="#">102</a> , <a href="#">124</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 90%–111% and whitecollars 90%–108%. Finland is reported as it is significant with over 63% weight of employees in total personnel. (R/O)	11.11.5
GRI 406: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	<a href="#">42</a> , <a href="#">169</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="#">81-85</a> , <a href="#">Neste Human Rights Principle</a> , <a href="#">Neste Supplier Code of Conduct</a> , <a href="#">Modern Slavery Statement</a>	The Neste Human Rights Principle outlines our commitment to respect the rights to freedom of association and collective bargaining in Neste's global operations, and our Supplier Code of Conduct includes minimum requirements for our suppliers and business partners to recognize and respect these rights. These policies are implemented through our ongoing 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 in our global operations and supply chains. Specific geographic areas and operation types considered as high risk not disclosed publicly. (R)	11.13.2



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk of incidents of child labor	<a href="#">81-85, Neste Human Rights Principle, Neste Supplier Code of Conduct, Modern Slavery Statement</a>	The Neste Human Rights Principle outlines our commitment to respect children’s rights, and our Supplier Code of Conduct includes minimum requirements regarding child labor. These policies are implemented through our ongoing 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. 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, Neste Human Rights Principle, Neste Supplier Code of Conduct, Modern Slavery Statement</a>	The Neste Human Rights Principle outlines our commitment to identify, assess and address forced labor risks in our global operations, and our Supplier Code of Conduct includes minimum requirements regarding forced and compulsory labor. These policies are implemented through our ongoing 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. 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)	11.18.2
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 2023, 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	<a href="#">82-83</a>	All Neste operations reviewed as part of our 2023 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	<a href="#">39, 83</a>	In 2023, 2,667 (1,390) hours were used for training on human rights policies and processes relevant to Neste’s business operations and supply chains. 85% (51%) of Neste employees were trained on topics related to Neste’s human rights policies and processes during 2023. 86% (86%) of the new employees hired in 2023 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="#">45, 78-80, 81-85 Neste Human Rights Principle</a>	For 100% of our operations, local communities can formally raise grievances to Neste using Ethics Online, or alternatively contact us using local channels such as refinery websites and phone numbers. We engage regularly with local stakeholders, including, for example, a biennial stakeholder study to engage with communities surrounding our Porvoo refinery covering environmental, social, and safety impacts. All Neste refineries are certified as having an ISO 14001 environmental management system in place, and have undergone various environmental impact and permitting assessments, with ongoing monitoring. (R)	11.15.2
413-2	Operations with significant actual and potential negative impacts on local communities	<a href="#">45, 78-80, 81-85 Neste Human Rights Principle</a>	All Neste refineries (Porvoo, Rotterdam and Singapore) are situated on industrial sites and the closest residential communities are 5-10 kms away. Potential risks to the local communities include air and water emissions, as well as noise and light pollution from the refineries and site traffic. All of our refineries are required to with comply with strict environmental permits and other legal requirements and have put preventive and mitigation measures in place to prevent refinery operations from causing harm to people or the environment. (R)	11.15.3



GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Oil&Gas Sector Standard REF #
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	<a href="#">49</a> , <a href="#">86-90</a>	100% of Neste's renewable raw material suppliers and all fossil raw material suppliers screened using social criteria. Screening process for indirect procurement suppliers is being standardized and hence, data is currently not available. (R/O)	11.10.8 & 11.12.3
414-2	Negative social impacts in the supply chain and actions taken		280 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="#">56</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 cases of non-compliance relating to chemicals legislation that would have had consequences like fines, penalties or warnings. We follow closely also those cases where we ourselves have noticed something to correct and we make the corrective actions independently. (R)	
GRI 417: Marketing and Labeling 2016				
417-3	Incidents of non-compliance concerning marketing communications		In total three cases in Estonia, Latvia and Lithuania, which were closed in 2023 and resulted in no fines. Two cases from 2022 in Lithuania resulted in no fines during 2023. (R)	
Innovation and Partnerships				
Neste indicator	Research and development expenditure	<a href="#">41</a> , <a href="#">153</a>		
Neste indicator	Number of granted patents and pending patent applications	<a href="#">41</a> , <a href="#">49</a>		
Neste indicator	Collaborations with research institutions and universities	<a href="#">41</a>		



## TCFD Recommendations Disclosure

TCFD Recommendations Disclosure	Location in the report
<p><b>Governance</b> Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>a) Describe the board's oversight of climate related risks and opportunities. <a href="#">30-31</a>, <a href="#">136</a>, <a href="#">154-155</a></p> <p>b) Describe management's role in assessing and managing climate related risks and opportunities. <a href="#">30-31</a>, <a href="#">136</a>, <a href="#">154-155</a></p>
<p><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.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. <a href="#">57-59</a>, <a href="#">137</a>, <a href="#">164</a>, <a href="#">183</a></p> <p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. <a href="#">9-10</a>, <a href="#">13-17</a>, <a href="#">49</a>, <a href="#">57-59</a>, <a href="#">164</a>, <a href="#">183</a></p> <p>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="#">57-59</a>, <a href="#">164</a>, <a href="#">183</a></p>
<p><b>Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks. <a href="#">31</a>, <a href="#">58-59</a>, <a href="#">135-137</a>, <a href="#">154-155</a>, <a href="#">164</a></p> <p>b) Describe the organization's processes for managing climate-related risks. <a href="#">31</a>, <a href="#">58-59</a>, <a href="#">135-137</a>, <a href="#">154-155</a>, <a href="#">164</a></p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. <a href="#">31</a>, <a href="#">58-59</a>, <a href="#">135-137</a>, <a href="#">154-155</a>, <a href="#">164</a></p>
<p><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.</p>	<p>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="#">27</a>, <a href="#">38-42</a>, <a href="#">49</a>, <a href="#">57-74</a>, <a href="#">80</a>, <a href="#">99-100</a>, <a href="#">115-116</a>, <a href="#">140</a>, <a href="#">156-162</a></p> <p>b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks. <a href="#">99</a>, <a href="#">38</a>, <a href="#">66-74</a>, <a href="#">115-116</a></p> <p>c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets. <a href="#">27</a>, <a href="#">38-42</a>, <a href="#">49</a>, <a href="#">57-74</a>, <a href="#">80</a></p>



## 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="#">99</a> , <a href="#">115</a>	90% 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="#">38</a> , <a href="#">57-74</a>	
<b>Air Quality</b>				
EM-RM-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N <sub>2</sub> O), (2) SOx, (3) particulate matter (PM10), (4) H <sub>2</sub> S, and (5) volatile organic compounds (VOCs)	Metric tons (t)	<a href="#">99</a> , <a href="#">115</a>	
EM-RM-120a.2	Number of refineries in or near areas of dense population	Number		All 3 refineries operated by Neste located in or near (within 49km) 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="#">99</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. (R)
<b>Hazardous Materials Management</b>				
EM-RM-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	<a href="#">99</a>	230,000 metric tons (t), recycled 9% (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="#">56</a> , <a href="#">101</a> , <a href="#">115-116</a>	1) and (2) Neste reports the most relevant OHS performance figures in its own operations (TRIF, LWIF, PSER, Safe Days, Fatalities). (3) NMFR 106.1. (R)
EM-RM-320a.2	Discussion of management systems used to integrate a culture of safety	n/a	<a href="#">54-56</a> , <a href="#">107-108</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) 5%, (2) 95%. (R)
EM-RM-410a.2	Total addressable market and share of market for advanced biofuels and associated infrastructure	Reporting currency, Percentage (%)	<a href="#">15</a> , <a href="#">148-149</a>	
<b>Pricing Integrity &amp; Transparency</b>				
EM-RM-520a.1	Total amount of monetary losses as a result of legal proceedings associated with price fixing or price manipulation	Reporting currency, Percentage (%)		No legal proceedings. (R)



<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>
<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	<a href="#">47</a> , <a href="#">59</a> , <a href="#">65</a> , <a href="#">66-74</a> , <a href="#">81-85</a> , <a href="#">92-93</a> , <a href="#">114</a> , <a href="#">137</a> , <a href="#">154</a> , <a href="#">164</a> , <a href="#">Position statement</a>	
<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	<a href="#">101</a> , <a href="#">115-116</a>	Neste reports PSER1 and PSER2 rates as described in Principles for calculating the key indicators. (R)
EM-RM-540a.2	Challenges to Safety Systems indicator rate (Tier 3)	Rate		Rate 70.4. Tier 3 Challenges to Safety Systems indicator are included in Neste's PSE3. (R)
EM-RM-540a.3	Discussion of measurement of Operating Discipline and Management System Performance through Tier 4 Indicators	n/a	<a href="#">54-56</a>	Process safety management system weaknesses that may cause in the future PSE1/2 events. They are reported as part of PSE4 indicator at Neste. (R)
<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 87 MMBOE (R)
EM-RM-000.B	Refining operating capacity	Million barrels per calendar day (MBPD)	<a href="#">16</a>	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 2022 Modern Slavery Statement <sup>1)</sup>
<b>PART A: Governance of Respect for Human Rights</b>		
A1 Policy Commitment		
A1	p. <a href="#">81-83</a> ; <a href="#">Neste Human Rights Principle</a> .	p. 7-8
A1.1	p. <a href="#">82</a> ; <a href="#">Neste Human Rights Principle</a> . Neste's Human Rights Principle was updated in 2022, incorporating extensive consultation with topic experts, NGOs, government representatives, and trade union experts.	p. 7-8
A1.2	All of Neste's rights-holders as defined on p. 13 of the <a href="#">Human Rights Principle</a>	
A1.3	p. <a href="#">39</a> , <a href="#">83</a> , <a href="#">87</a> , <a href="#">90</a> , <a href="#">109</a> . <a href="#">Neste Human Rights Principle</a> 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 <a href="#">Neste's Supplier Code of Conduct Guidance</a> and capacity building workshops.	p. 7, 18-19
A2 Embedding Respect for Human Rights		
A2	p. <a href="#">29</a> , <a href="#">30-31</a> , <a href="#">81-85</a> , <a href="#">NBNHR Joint Statement</a> , <a href="#">Neste Human Rights Principle</a> (p. 9-10)	p. 3, 7-8, 20-21
A2.1	Described under section 6.1 of the <a href="#">Neste Human Rights Principle</a> (p. 9-10)	p. 7-8
A2.2	p. <a href="#">30-32</a> , <a href="#">53</a> , <a href="#">128</a> , <a href="#">136</a> , <a href="#">Neste Human Rights Principle</a> (p. 9-10)	p. 23
A2.3	p. <a href="#">83</a> , <a href="#">84</a> , <a href="#">90</a> , <a href="#">Neste Code of Conduct</a> (p. 7)	p. 7-8, 18-19
A2.4	p. <a href="#">81-85</a> , <a href="#">87-90</a> , <a href="#">93</a> , <a href="#">Neste Supplier Code of Conduct Guidance</a> (p. 13-21)	p. 7, 12-17, 18-19
A2.5	p. <a href="#">81-85</a> , <a href="#">89-90</a> , <a href="#">93</a>	p. 7-9, 11-12, 15, 18-20, 22
<b>PART B: Defining the Focus of Reporting</b>		
B1 Statement of salient issues	p. <a href="#">82</a> , <a href="#">85</a> ; <a href="#">Neste Human Rights Principle</a> (p. 2-9)	p. 9
B2 Determination of salient issues	p. <a href="#">82</a>	p. 9
B3 Geographical focus	N/A	p. 10-11
B4 Additional severe impacts	N/A	N/A

Section of the Framework	Location in annual report or website	Page location in 2022 Modern Slavery Statement <sup>1)</sup>
<b>PART C: Management of Salient Human Rights Issues</b>		
C1 Specific Policies		
C1	<a href="#">Neste Human Rights Principle</a> , <a href="#">Code of Conduct</a> , <a href="#">Supplier Code of Conduct</a> , <a href="#">Sustainability Policy</a> , <a href="#">Sustainability Principle</a> , <a href="#">Responsible Sourcing Principle</a> , <a href="#">People Policy</a> , <a href="#">Equality and Non-Discrimination Principle</a> , <a href="#">Misconduct Investigation Standard</a> , <a href="#">Neste Life Saving Rules</a> , <a href="#">Operations Excellence Policy</a> , <a href="#">Operational Safety Principle</a> , <a href="#">Occupational Health Principle</a> , <a href="#">Reproductive Health Standard</a> , <a href="#">Privacy Principle</a> , <a href="#">Cyber Security Principle</a>	p. 7-9
C1.1	p. <a href="#">52-53</a> , <a href="#">55-56</a> , <a href="#">82-85</a>	p. 18-19
C2 Stakeholder Engagement		
C2	p. <a href="#">33-34</a> , <a href="#">39-40</a> , <a href="#">43-46</a> , <a href="#">48</a> , <a href="#">51</a> , <a href="#">55</a> , <a href="#">82-85</a> , <a href="#">93</a> , <a href="#">Neste Human Rights Principle</a> (p.11)	p. 20-22
C2.1	p. <a href="#">33-34</a> , <a href="#">43-46</a> , <a href="#">48</a> , <a href="#">51</a> , <a href="#">55</a> , <a href="#">82-85</a> , <a href="#">93</a> , <a href="#">Neste Human Rights Principle</a> (p.11)	p. 20-22
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C2.3	p. <a href="#">33-34</a> , <a href="#">39-40</a> , <a href="#">43-46</a> , <a href="#">48</a> , <a href="#">51</a> , <a href="#">55</a> , <a href="#">82-85</a> , <a href="#">93</a>	p. 10-11, 20-22
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<sup>1)</sup> Page numbers provided for 2022 Modern Slavery Statement, as the 2023 statement will only be published in Q2, 2024.

## 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)



# 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 2023. GHG emission reduction comparisons are made by comparing the achieved Neste's annual greenhouse gas (GHG) emission reduction with publicly available emission data from road transportation and aviation sector.

**VOC, NOx, 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, restricted work, medical treatment, or fatality 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 any personal safety accident (TRI), process safety incident (PSE 1 and PSE 2), fires, leaks, environmental permit violations, traffic accidents or marine safety incidents.

**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.

**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.



**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 abovementioned consequences.

**Fatalities:** An workplace accident or an accident during a work-related travel causing an injury resulting in death within one year of the day of the accident.

**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. Temporary 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 Practitioners' Assurance Report

## To the Board of Directors 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 2023 (hereafter "Selected Numerical Sustainability Information") for the year ended 31 Dec 2023.

The Selected Numerical Sustainability Information consists of selected economic, social and environmental sustainability closures listed within the GRI (Global Reporting Initiative) Standards Topic-Specific Disclosures and General Disclosures 2–7 and 2–30 as well as information presented in the "Sustainability highlights 2023", "Material sustainability KPIs", "Value creation", and "Performance in figures" sections in Neste's Annual Report 2023. Reporting requirements under the Taxonomy Regulation have been included under our limited assurance review scope.

## 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 Standards, as well as reporting requirements under the Taxonomy Regulation (EU 2020/852) and Commission Delegated Acts (EU 2021/2178 and EU 2023/2486). The Management is also responsible for determining Neste's objectives regarding 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 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.

The nature, timing and extent of the assurance procedures selected depend on professional judgement, including the assessment of material misstatement due to irregularity or error. We believe that the evidence we obtain is sufficient and appropriate to provide a basis for our conclusion on limited assurance.

We are independent of the company in accordance with the ethical requirements applicable in Finland to the engagement we have undertaken and have fulfilled our other ethical obligations under those requirements.

KPMG Oy Ab applies International Standard on Quality Management ISQM 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.

## 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 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;
- Conducted site sessions to review the Corporate Sustainability Information on Neste sites.
- Reviewed the presented Selected Numerical Sustainability Information and assessed its quality and reporting boundary definitions and;
- Assessed 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**

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

### **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, 1 March 2024

**KPMG Oy Ab**

**Leenakaisa Winberg**

Authorized Public  
Accountant

**Tomas Otterström**

Partner, Advisory



NESTE

Annual Report 2023

# Governance





# Governance

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# Corporate Governance Statement 2023

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).

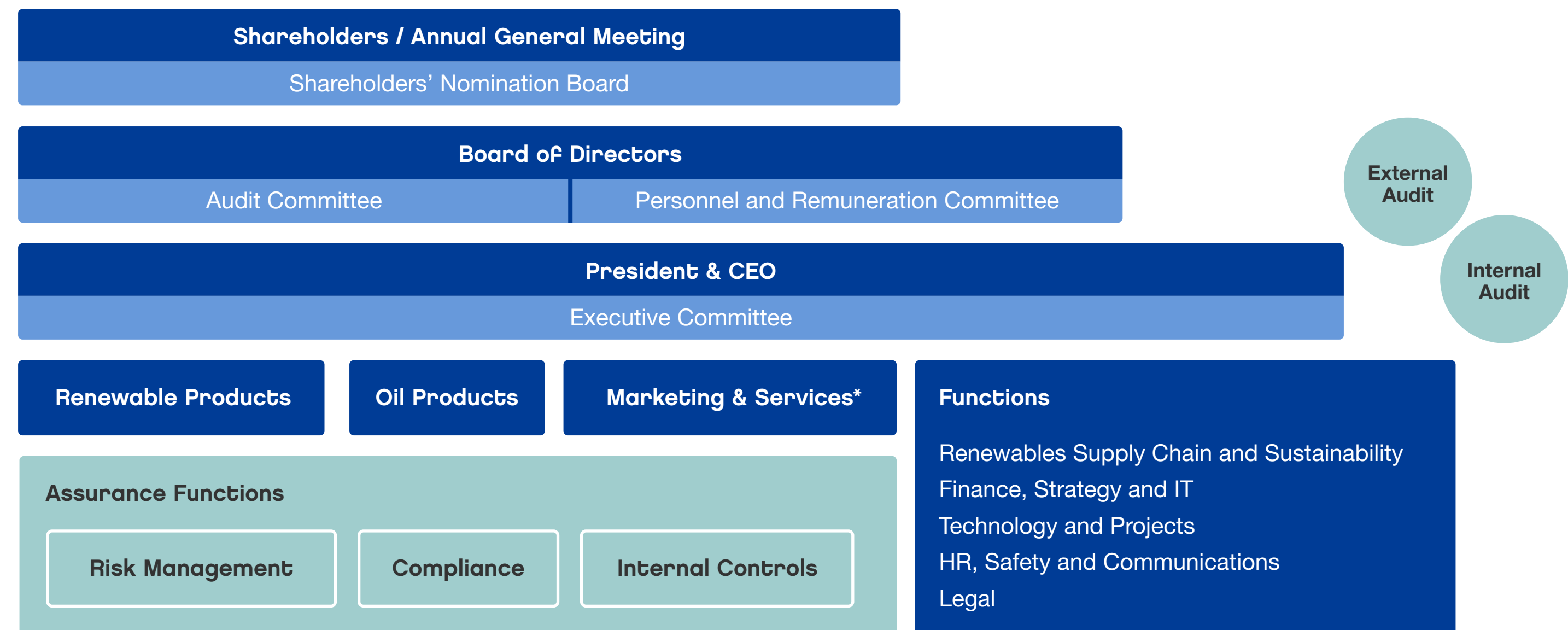
## Regulatory framework

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 match 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



\* Marketing & Services is led through an internal board and its EVP is not a member of the Executive Committee

## 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 the 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 is 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 must 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, publish details on the date and time and location of the meeting, with the address of the Company's website, in one or more newspapers.

Neste is unaware of any shareholders' agreements regarding the Company's shares.

### 2023

Neste Corporation's Annual General Meeting (AGM) was held on 28 March 2023 at Messukeskus, Helsinki Expo and Convention Centre. 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 2022 and discharged the Board of Directors and the President and CEO from liability for 2022.

The AGM approved the Board of Directors' proposal that an ordinary dividend of EUR 1.02 per share will 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. It was decided to pay the ordinary dividend in two installments. In addition, in accordance with the proposal by the Board of Directors, the AGM authorized the Board to decide, at its discretion, on the payment of a second extraordinary dividend of EUR 0.25 per share by 31 October 2023. The Board expected that this discretionary second extraordinary dividend would be paid unless there was a significant deterioration in the business environment during 2023.

The AGM decided that the first installment of the ordinary dividend, EUR 0.51 per share, and the extraordinary dividend of EUR 0.25 per share, i.e., a total of EUR 0.76 per share, would be paid to shareholders registered in the shareholders' register of the Company on the record date for the dividend payment, which was 30 March 2023. It was decided that the first installment of the ordinary dividend and the extraordinary dividend would be paid on 6 April 2023.

It was decided that the second installment of the ordinary dividend, EUR 0.51 per share, would be paid to shareholders registered in the shareholders' register of the Company on the record date for the second installment of the ordinary dividend, which was 29 September 2023. It was decided that the

second installment of the ordinary dividend would be paid on 6 October 2023.

Based on the above authorization, the Board of Directors decided on 27 September 2023 on the payment of a second extraordinary dividend of EUR 0.25 per share. The second extraordinary dividend was paid to a shareholder registered in the Company's shareholder register on the record date for the payment of the second extraordinary dividend on 29 September 2023. The second extraordinary dividend was paid on 6 October 2023.

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 of the Board to the AGM and to an Extraordinary General Meeting of Shareholders when required. The Shareholders' Nomination Board is also responsible for identifying successors for existing Board Members.

The Shareholders' Nomination Board must consist of four members, three of whom are appointed by the Company's three largest shareholders, who appoint one member each. The Chair of the Company's Board of Directors serves as the fourth member.

The Company's largest shareholders entitled to elect members to the Shareholders' Nomination Board is determined annually based on 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 requests 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 their right to appoint a representative, the right passes to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Chair of the Board of Directors convenes the first meeting of the Shareholders' Nomination Board, which is responsible for electing a Chair from among its members; the Shareholders' Nomination Board's Chair is responsible for convening subsequent meetings. When the Shareholders' Nomination Board has been selected, the Company issues a release to this effect.

The Shareholders' Nomination Board serves until further notice unless a General Meeting of Shareholders decides otherwise. Its members are appointed annually, and their term of office ends when new members are appointed to replace them.

The Shareholders' Nomination Board forwards 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 are 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 2024 AGM**

On 6 September 2023 the following members were appointed to Neste’s Shareholders’ Nomination Board: the Chair, Senior Ministerial Adviser, Financial Affairs Maija Strandberg 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, Chair of Neste’s Board of Directors.

**Activities**

The Shareholders’ Nomination Board makes proposals for the next AGM concerning 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.  
Born in 1969

Senior Ministerial Adviser, Financial Affairs of the Ownership Steering Department in the Prime Minister’s Office of Finland.<sup>1)</sup> Member of the Board and Audit Committee of SSAB Ab. Member of the Board, Audit and Risk and People and Remuneration Committee of Fortum Oyj. Member of the Nomination Committee of Kuntarahoitus Oyj.

Holdings in Neste Corporation on 31 December 2023: 00 holdings.<sup>2)</sup>  
Prime Minister’s Office:  
340,107,618 shares.<sup>3)</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 Nordea, Nokian Renkaat, Finnair, Alma Media, Atria, Raisio, Robit and Vincit.

Holdings in Neste Corporation on 31 December 2023: 00 holdings.<sup>2)</sup>  
Varma Mutual Pension Insurance Company  
13,081,622 shares.<sup>3)</sup>

**Jouko Pölönen**

eMBA, M.Sc. (Econ. & Bus. Adm.),  
ember 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. Member 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 Board of Directors of Finance Finland FFI.

Holdings in Neste Corporation on 31 December 2023: 2,400 shares.<sup>2)</sup>  
Ilmarinen Mutual Pension Insurance Company  
9,357,202 shares.<sup>3)</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 Neste’s Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2023: 13,945 shares.<sup>2)</sup>

Holdings in Neste Corporation on 31 December 2023:

<sup>1)</sup> Director General, Prime Minister’s office, ownership steering department as of 1 February 2024

<sup>2)</sup> Own holdings and controlled entities.

<sup>3)</sup> Shareholder’s holdings represented by the member of the Shareholders’ Nomination Board.

The Shareholders’ Nomination Board convened 9 times between 31 January 2023 and 31 January 2024, and the members of the Shareholders’ Nomination Board attended each meeting as follows:

	<b>Attendance</b>
Maija Strandberg	9/9
Timo Sallinen	9/9
Jouko Pölönen	9/9
Matti Kähkönen	9/9

Decisions on the proposals for the 2024 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 31 January 2024.

**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.

The Shareholders’ Nomination Board convened 10 times between the 2022 AGM and 31 January 2023. The Shareholders’ Nomination Board presented its proposal covering the members of the Board of Directors on 27 January 2023.



## Board of Directors

Under the Company's Articles of Association, the Board of Directors consists of five to ten members elected at the Annual General Meeting for a term ending at 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 proactively and constructively.

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 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 by 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 2023 AGM. Jari Rosendal served on Neste's Board of Directors until 31 July 2023, after which Neste's Board of Directors consisted of eight members. All the Board of Directors' members hold a university-level degree, and one has a doctorate. These degrees are from various fields, with technical fields and economics in the majority. A majority of members 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 the management of listed or unlisted companies. Two members have worked in managerial positions at major international petrochemical companies. The Board of Directors is also diverse in terms of cultural background: the members come from three different countries and speak four different native languages. Women comprise 25% of all members of the Board of Directors. Regarding age, the members of the Board of Directors are divided evenly between 50 and 67 years of age. The duration of the terms of office of the Board members is divided as follows: Three members have been on the Board of Directors for three or more years, while five members have been on the Board of Directors for less than three years.

### Activities of the Board of Directors

The Board must 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, are 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 its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, including 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 a member has a material interest in the matter which may conflict with the

interests of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste Group and a legal entity at which such member may represent, either individually or 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 related to such agreements.

## 2023

The 2023 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: Matti Kähkönen; John Abbott; Nick Elmslie; Just Jansz; Jari Rosendal; Eeva Sipilä; and Johanna Söderström. Heikki Malinen and Kimmo Viertola were elected as new members. Matti Kähkönen was re-elected as Chair, and Eeva Sipilä was elected as Vice Chair. Jari Rosendal served on Neste's Board of Directors until 31 July 2023, after which Neste's Board of Directors consisted of eight members.

The Board convened 10 times in 2023. The attendance rate at the meetings was 97.6%.

In 2023, the Board focused on the Company's long-term strategy by means of, e.g., the continued scale-up of the Company's renewables businesses and the expansion of the Company's renewables feedstock platform. The strategy topics also included the

gradual long-term transformation of the Company's Porvoo refinery as well as an investment in liquefied waste plastics capabilities in Porvoo. The Board also monitored the production ramp-up relating to the Singapore expansion project and the Martinez Renewables joint operation in the US as well as the on-going Rotterdam expansion project. The Board also dealt with the Company's announced plans to simplify its structure to improve efficiency, including changes in senior management. In addition to the above and matters set out in the Board Charter, the Board further supervised strategy execution, as well as evaluating the changes in the long-term operational environment and their impact on the Company's business operations. The Board continuously monitored the Company's safety, financial and operational performance, as well as risk management.



## Board of Directors, 31 December 2023

	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	•	•	•		10/10	5/5
John Abbott	Member	1960	B.Sc. (Chem. eng.)	Non-Executive Director	•	•		•	9/10	5/5
Nick Elmslie	Member	1957	B.Sc. (Chem.)	Non-Executive Director	•	•	•		10/10	4/4
Just Jansz	Member	1957	Ph.D. (Chemical Metallurgy)	Independent board member and advisor, Managing Director of Expertise Beyond Borders	•	•		•	10/10	6/6
Heikki Malinen	Member	1962	M.Sc. (Econ.)	President and CEO, Outokumpu Oyj	•	•	•		8/8	4/4
Eeva Sipilä	Member	1973	M.Sc. (Econ.), CEFA	Chief Financial Officer, Deputy to CEO, Metso Corporation	•	•		•	10/10	6/6
Johanna Söderström	Member	1971	M.Sc. (Econ.)	EVP, Chief Human Resources Officer at Tyson Foods Inc	•	•	•		10/10	4/4
Kimmo Viertola	Member	1961	M.Sc. (Econ.)	Senior Ministerial Adviser, Financial Affairs, Finnish Ownership Steering Department in the Prime Minister's Office	•			•	8/8	5/5

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, 2022–. Chair of the Board of Directors at the Finnish Fair Corporation 2020–2023. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2023: 13,945 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 Fiat Chrysler Automobiles 2018–2021. Senior Non-Executive Director of the Intercontinental Exchange (ICE) Futures Europe 2021–. Non-Executive Director of ICE Clear Europe 2023–. Advisor and participant at Mobility Impact Partners (MIP) 2020–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2023: 784 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–, Chair 2023–. Member of the Supervisory Board of OTI Greentech AG 2017–. Member of the Board of Fosroc Group Holdings Limited 2009–. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2023: 2,784 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) 2022–2023. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2023: 784 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.



## Members of the Board of Directors



**Heikki Malinen**  
(born in 1962)

M.Sc. (Econ.), MBA (Harvard)  
Member of the Board since 2023  
Independent member

President and CEO, Outokumpu Oyj 2020–. President and CEO, Posti Group Corporation 2012–2019. President and CEO, Pöyry PLC 2008–2012. Executive Vice President, Strategy, member of the Executive Team, UPM-Kymmene Corporation 2006–2008. President, UPM North America 2004–2005. President of Sales, UPM North America 2002–2003. Managing Partner, Jaakko Pöyry Consulting, New York, USA 2000–2001. Several directorial and managerial roles at ie. McKinsey & Co and UPM 1986–1999. Vice Chair, EK, Confederation of Finnish Industries 2023–. Vice Chair, Technology Finland 2023–. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2023: 857 shares.<sup>1)</sup>



**Eeva Sipilä**  
(born in 1973)

M.Sc. (Econ.), CEFA  
Vice Chair of the Board since 2023  
Member of the Board since 2022  
Independent member

Chief Financial Officer, Deputy to CEO, Metso Corporation 2016–, (Metso Outotec Corporation 2020–2023). 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–. Chair of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2023: 1,900 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 2023: 3,784 shares.<sup>1)</sup>



**Kimmo Viertola**  
(born in 1961)

M.Sc. (Econ.)  
Member of the Board since 2023  
Non-independent member of the company's significant shareholder (the State of Finland)

Senior Ministerial Adviser, Financial Affairs, Finnish Ownership Steering Department in the Prime Minister's Office 10/2023–. Director General, Finnish Ownership Steering Department in the Prime Minister's Office 10/2018–10/2023. Senior Ministerial Adviser, Financial Affairs, Finnish Ownership Steering Department in the Prime Minister's Office 1–10/2018. Director, Finnish Industry Investment Ltd (FII) 1998–2017. Director, Price Waterhouse 1995–1998. Several managerial and analyst roles, Industrialisation Fund of Finland, FennoScandia Bank and Skopbank Group 1987–1994. Chair of the Nomination Committee, Finnair 2023–. Member of the Nomination Committee, SSAB 2021–. Board member and member of the Nomination and Remuneration Committee, Fortum 2022–2023. Deputy Chair of the Bureau, OECD Working Party on State Ownership and Privatisation Practices 2020–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2023: 410 shares.<sup>1)</sup>

## Other Board members during 2023

**Martina Flöel**  
(born in 1960)  
M.Sc. (Chemistry), Ph.D. (Chemistry)  
Member of the Board since 2017  
Independent member  
– Member of the Board until 28 March 2023

**Marco Wirén**  
(born in 1966)  
M.Sc. (Econ.)  
Vice Chair of the Board since 2019  
Member of the Board since 2015  
Independent member  
– Member of the Board until 28 March 2023

**Jari Rosendal**  
(born in 1965)  
M.Sc. (Eng.)  
Member of the Board since 2018  
Independent member  
– Member of the Board until 31 July 2023

<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 among 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 example, 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 consists of a minimum of three Board members who are independent of the Company and its subsidiaries, and at least one of whom must 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.

### 2023

Starting from 28 March 2023, the Audit Committee comprised Eeva Sipilä (Chair), John Abbott, Just Jansz, Jari Rosendal and Kimmo Viertola. In 2023, the Audit Committee convened six times, and the attendance rate was 100%. Jari Rosendal served on Neste's Audit Committee until 31 July 2023 after which Neste's Audit Committee consisted of four members.

As part of the tasks specified in its Charter, the Audit Committee supervised and reviewed during 2023 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 and cybersecurity. The Audit Committee also monitored, e.g., legal and tax matters, as well the Company's readiness for upcoming sustainability reporting requirements.

### 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.

### 2023

Starting from 28 March 2023, the Personnel and Remuneration Committee comprises Matti Kähkönen (Chair), Nick Elmslie, Heikki Malinen and Johanna Söderström. The Personnel and Remuneration Committee convened five times in 2023, and the attendance rate was 100%.

During 2023, 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 the duties in its Charter, the Personnel and Remuneration Committee also followed up the ongoing performance period 2023 and outcomes of rewarding based on 2022 results. In addition, the Personnel and Remuneration Committee 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, 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 oversees 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 reliably arranged.

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 based on a proposal from the Personnel and Remuneration Committee. Information about the remuneration of the President and CEO can be found in the [2023 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 about the remuneration of the members of the Executive Committee can be found at [neste.com](https://www.neste.com).

### 2023

The Executive Committee had 12 meetings during the year. It 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 2023 to work on the development and execution of the Company's strategy aiming for global leadership in renewable and circular solutions. In such a context, the strategic focus areas included the continued scale-up of the Company's renewables businesses, as well as the expansion of the Company's renewables feedstock platform. The Executive Committee also focused on the expansion of the production capabilities, including the production ramp-up relating to the Singapore expansion project and the Martinez Renewables joint operation in the US as well as the on-going Rotterdam expansion project. The gradual long-term transformation of the Company's Porvoo refinery as well as an investment in liquefied waste plastics capabilities in Porvoo were also on the agenda of the Executive Committee. In addition, several other matters were given special attention during the year, including efficiency improvement initiatives, IT and cybersecurity matters, data and digitalization matters as well as the Company's readiness for upcoming sustainability reporting requirements. The Company's safety, financial and operational performance, as well as sustainability, risk 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 2023:  
26,182 shares.<sup>1)</sup>



**Katja Wodjereck**  
(born 1976)

Executive Vice President,  
Renewable Products business unit  
eMBA, M.Sc. (Business Administration,  
European Business Management)  
Member of the Executive Committee since 1 April 2023

Joined the company 1 April 2023. Responsible for the Renewable Products business unit. Previously responsible for the Renewable Road Transportation business unit 4–10/2023. Served as an acting Executive Vice President for Renewable Polymers and Chemicals 8–10/2023. Previously served as the President D/A/CH, Italy and Commercial Director, Industrial Solutions EMEA in Switzerland 2022–2023, Commercial Director EMEA, Industrial Solutions in Switzerland 2018–2021, Commercial Director EMEA, Energy and Microbial Technologies, Dow Europe GmbH in Switzerland 2017–2018, Sales Director Northern Europe, Packaging & Specialty in Belgium 2015–2017, Product Manager, Packaging & Specialties Plastics EMEA in Switzerland 2012–2015, Asset Manager Polyethylene (LDPE, LLDPE) for Latin America in Brazil 2011–2012, and several managerial positions in Dow Chemical 2002–2010. Member of the Board of EPCA The European Petrochemical Association 2018–. Member of the Board of American Chamber of Germany (Amcham) 2022–. Member of the Board of Management, Member of the Executive Committee, Chair of the Sustainability Advisory Forum of Cefic (European Chemical Industry Council) 2023–.

Holdings in Neste Corporation on 31 Dec 2023:  
0 shares.<sup>1)</sup>



**Carl Nyberg**  
(born 1979)

Executive Vice President,  
Renewables Supply Chain and Sustainability  
M.Sc. (Economics and Business Administration)  
Member of the Executive Committee since 2019

Joined the company in 2005. Responsible for Renewables Supply Chain and Sustainability. Previously responsible for the Renewables Platform unit 2022–2023 and Renewable Road Transportation business unit 2019–2022. Previously also served in various other 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. 2021–2023. Member of the Board of Martinez Renewables 2022–.

Holdings in Neste Corporation on 31 Dec 2023:  
12,153 shares.<sup>1)</sup>



**Markku Korvenranta**  
(born 1966)

Executive Vice President,  
Oil Products business unit  
M.Sc. (Eng)  
Member of the Executive Committee since 2021

Joined the company in 2021. Responsible for the Oil Products business unit. Previously served as SVP, Group Portfolio Development at Marquard & Bahls, in Germany 2019–2021. EVP, Base Chemicals and 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 2023:  
0 shares.<sup>1)</sup>

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.



## Members of the Executive Committee



**Martti Ala-Härkönen**  
(born 1965)

CFO, Executive Vice President, Finance, Strategy and IT  
Dr.Sc. (Econ.), Lic.Sc. (Tech.)  
Member of the Executive Committee since 2022

Joined the company in 2022. Responsible for Finance, Strategy and IT. Previously served 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–, Vice Chair 2023–, Chair of the Audit Committee, Member of the Nomination Committee. Member of the Board of Martinez Renewables 2022–, Chair 2023–.

Holdings in Neste Corporation on 31 Dec 2023: 6,267 shares.<sup>1)</sup>



**Hannele Jakosuo-Jansson**  
(born 1966)

Executive Vice President, Human Resources, Safety and Communications  
M.Sc. (Eng.)  
Member of the Executive Committee since 2006

Joined the company in 1990. Responsible for Human Resources, Safety and Communications. Previously responsible for the Group's Human Resources, Safety and Procurement 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–. Directors' Institute of Finland, Senior Advisor 2023–.

Holdings in Neste Corporation on 31 Dec 2023: 38,846 shares.<sup>1)</sup>



**Bart Leenders**  
(born 1969)

Executive Vice President, Technology and Projects  
M.Sc. (Mechanical Engineering)  
Member of the Executive Committee since 2023

Joined the company in 2010. Responsible for Technology and Projects. Previously responsible for Investment Management and Execution functions, including Engineering Solutions and procurement 1–10/2023. Previously also served in various other positions at Neste, most recently as Vice President, Global Production, Renewable Platform 2015–2022, Interim Managing Director, Neste Singapore 2015 and Managing Director, Neste Netherlands, Renewables Business unit 2010–2015. Before that served as Manufacturing Manager Downstream Operations, Huntsman 2005–2010. Member of the Circular Task Force of the Economic Board Zuid-Holland 2021–2023. Member of the Executing Committee of national Climate Agreement Mobility and Executing Committee of national Aviation Agreement 2018–. Chair of the Dutch Association for Sustainable Biofuels (NVDB) 2013–. Board member of Deltalinqs 2010–, Enterprise Association for Mainport Rotterdam, representing Renewables and Chair of the safety domain. Member of the Board of Martinez Renewables 2023–.

Holdings in Neste Corporation on 31 Dec 2023: 7,583 shares.<sup>1)</sup>



**Christian Ståhlberg**  
(born 1974)

General Counsel, Executive Vice President, Legal  
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. Previously served 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. Member of the Board of Directors and member of the Personnel and Responsibility Committee of Olvi plc 2023–. Member of the Legal Committee of Finland Chamber of Commerce 2020–.

Holdings in Neste Corporation on 31 Dec 2023: 7,201 shares.<sup>1)</sup>

## Other ExCo members during 2023

**Thorsten Lange**  
(born 1963)  
M.Sc.  
Executive Vice President, Renewable Aviation  
Member of the Executive Committee from 2020 until 5 April 2023  
– stepped down from the Executive Committee and left the company 5 April 2023.

**Mercedes Alonso**  
(born 1966)  
M.Sc. (Chem)  
Executive Vice President, Renewable Polymers and Chemicals  
Member of the Executive Committee from 2019 until 31 July 2023  
– resigned from the company as of 31 July 2023 to continue her career outside Neste.

**Panu Kopra**  
(born 1972)  
BBA, MBA  
Executive Vice President, Marketing & Services  
Member of the Executive Committee from 2016 until 31 October 2023  
– stepped down from the Executive Committee due to the organizational changes announced 1 November 2023.

**Minna Aila**  
(born 1966)  
LL.M.  
Executive Vice President, Sustainability and Corporate Affairs  
Member of the Executive Committee from 2020 until 31 October 2023  
– stepped down from the Executive Committee due to the organizational changes announced 1 November 2023.

**Lars Peter Lindfors**  
(born 1964)  
Ph.D. (Tech.), MBA  
Executive Vice President, Innovation  
Member of the Executive Committee from 2009 until 31 October 2023  
– stepped down from the Executive Committee due to the organizational changes announced 1 November 2023.

<sup>1)</sup> Holdings in Neste Corporation: own holdings and controlled entities.



### 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

#### 2023

The 2023 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 2023 were EUR 1.6 million, and other fees charged amounted to EUR 1.1 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 governance, risk management and control processes.

Internal Audit's activities encompass objective examinations for the purpose of providing assessments to Neste's Board's Audit Committee and management of the adequacy and effectiveness of governance, risk management and control processes at Neste. The scope of Internal Audit assessments includes 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,

the steering system, roles and responsibilities are clear, and the 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 priorities, 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 actively cooperates 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 perspective.

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. The Internal Audit Charter includes the determination regarding the Internal Audit position, operational model, process and reporting lines. Internal Audit holds a non-executive meeting with the Audit Committee members and the Audit Committee Chair at least annually. The Vice President of Internal Audit is responsible for the internal audit activities specified in the Internal Audit Charter.

#### 2023

Internal Audit performed internal audits set out in the Internal Audit Plan 2023, 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 of integrating activities and reporting to management. Neste's strategic investments, top risks and key business processes were the focus during 2023, including cybersecurity, privacy, the Rotterdam Capacity Growth Project and operations at Neste's foreign subsidiaries.

### Compliance function

Neste is committed to high ethical standards and conducts its business and operates in compliance with applicable laws, regulations and generally accepted good corporate governance practice. 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 and further described in our Supplier Code of Conduct. More information about Neste's Code of Conduct is 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 regularly on compliance activities to the Executive Committee and 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 misconduct received via the Company's externally operated reporting system and other reporting channels are investigated in accordance with applicable laws and Neste's internal Misconduct Investigation Standard. More information about the Misconduct Investigation Standard and reported suspected incidents of misconduct can be found in the NFI and Sustainability Report.

In addition to other reporting channels, Neste 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. Any irregularities or misconduct 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 their 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 a 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 Executive Committee 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://www.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 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 who are employed by the Company or otherwise perform tasks that provide them with 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 are 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 about 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 a stock exchange release.

### Internal controls

The objective of internal controls at Neste is to provide reasonable assurance concerning the reliability of the financial reporting and the preparation of the financial statements. 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 Committee of Sponsoring Organizations framework (the "COSO framework," 2013).

Neste's internal control requirements are defined in the Neste Internal Control Principle, Access Risk Management Principle and related standards.

The Neste Internal Control function leads Group-wide control development and monitors the internal controls throughout Neste. The Internal Controls function provides the necessary guidance for designing and performing the controls effectively.

### Control environment

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 reliably arranged.

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 the finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate controls of financial reporting. Operational management owns the risks and controls and is responsible for ensuring controls and deficiency-related corrective actions are implemented.

The 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 about 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 the Neste Internal Control Principle, Access Risk Management Principles, the Controls over Financial Reporting standard (COFR), Internal Control Process Standard, 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. The control catalog is maintained in SAP GRC, the platform used for internal control management.

### Information and 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 control guidelines, including clarity on control responsibility and accountability. 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, information 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 of and comments on financial performance. The Executive Committee and the Board of Directors receive financial reports monthly. Interim Reports and Financial Statements are reviewed at Audit Committee meetings, and thereafter by the Board of Directors.

**Monitoring**

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.

The Internal Control function acts on behalf of the stakeholders to monitor the performance and assess the adequacy of the controls. Results are reported regularly to the Executive Committee.

Corporate Internal Audit assesses the operational model and practices of internal control over Neste’s financial reporting as part of business and process-level audits.

**2023**

In 2023, core business process controls and all financial process controls were recorded in the new system, SAP GRC Process Control. Neste has built a significant number of Continuous Control Monitoring automated procedures, and it will continue to look for more automation opportunities in control development.

In addition to SAP, Neste has also developed PowerBI Management Dashboards that provide holistic information about control performance, issue remediation and the segregation of duties.

The focus in 2024 will be on the completion of the framework by developing controls in the key ERP programs related to the Marketing & Services and Investment programs.

Assurance of the ESG reporting according to CSRD and double materiality requirements has been set as a high internal control priority. Work related to data and process governance, as well as the performance of control gap analysis, has already started and will be completed during 2024.

**Building effective Internal Control is an ongoing process driven by strategy and control objectives**

**Remediation**

Implementation of management actions to strengthen the control environment.

**Scope**

Defined based on Strategy, Regulatory requirements and Risk assessment.

**Monitoring, testing and reporting**

Management uses various approaches such as Continuous Control Monitoring, separate Internal Control assessments, management testing, etc. The findings are reported to relevant stakeholders.

**Internal Control activity**

Focus on controls over financial reporting and fraud prevention.

**Control development**

Define and enhance the controls. Increase control automation and continuous monitoring.

**Training and communication**

Neste personnel have access to adequate information regarding accounting and reporting principles and control guidelines.



### 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 into 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.

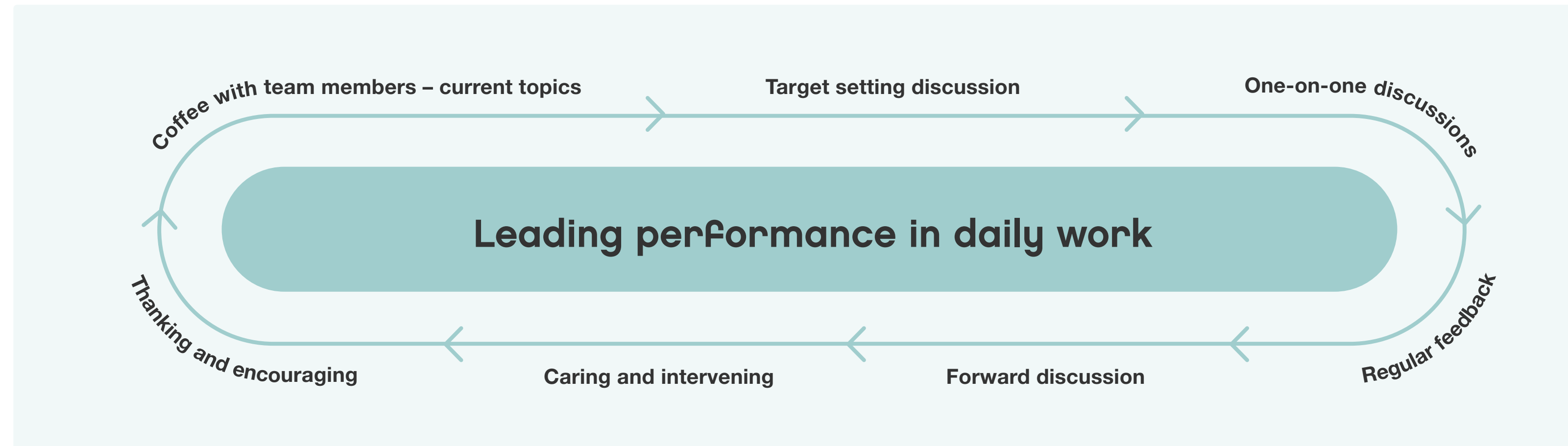
Individual and team objectives are based on Neste's strategy and way of working. There is a clear link between wellbeing at work and good leadership performance.

The key elements in the Neste daily performance leadership approach are:

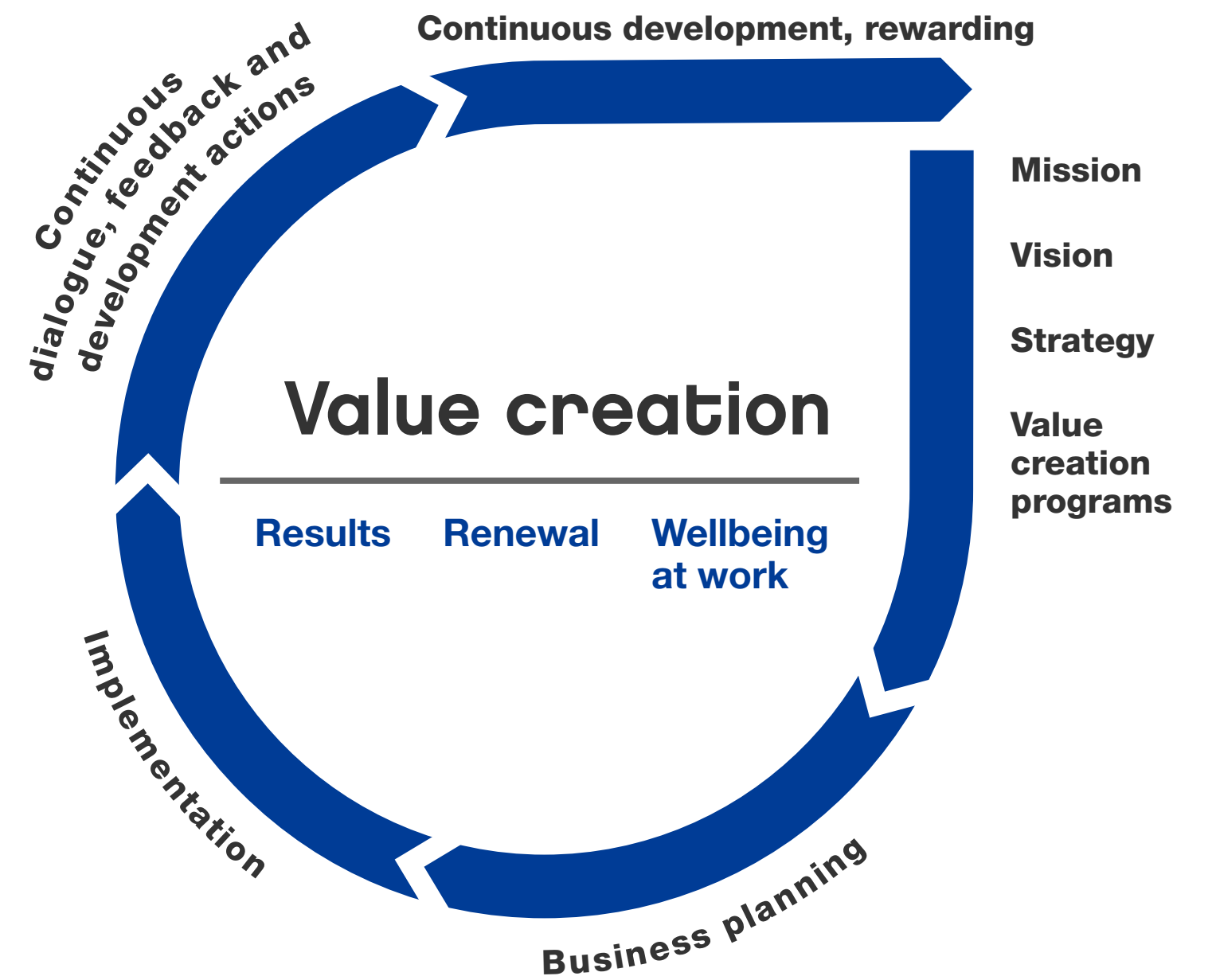
- setting challenging objectives and following them through;
- supporting the achievement of objectives with regular feedback;
- evaluating one's own performance and results;
- developing ways of working and taking responsibility for one's own competence development; and
- holding regular personal development discussions and check-in discussions that support day-to-day work.

From a financial outlook and reporting perspective, the Neste Performance Management Process consists of long-term financial projections based on the strategy and Performance Planning covering the midterm (3-year) outlook. During the year, performance is evaluated in weekly Management Reporting, the monthly Business Review and the bi-annual Common Functions Review.

Financials and KPI-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. As an element of uncertainty (opportunity or threat), risk 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 can maintain continuous operations in a changing business environment. Neste's risk management practices can be characterized by the following statements:

- The company emphasizes a 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 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
- The 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 standard).

In Neste's risk model, risks are classified as external, strategic and preventable risks that are more operational in nature.

- External risks are exposures that Neste cannot fully influence or control. 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

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 Corporate 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 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 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 to increase 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 Chief Risk Officer (CRO) assisted by 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

As an independent team, Internal Audit 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 for 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.

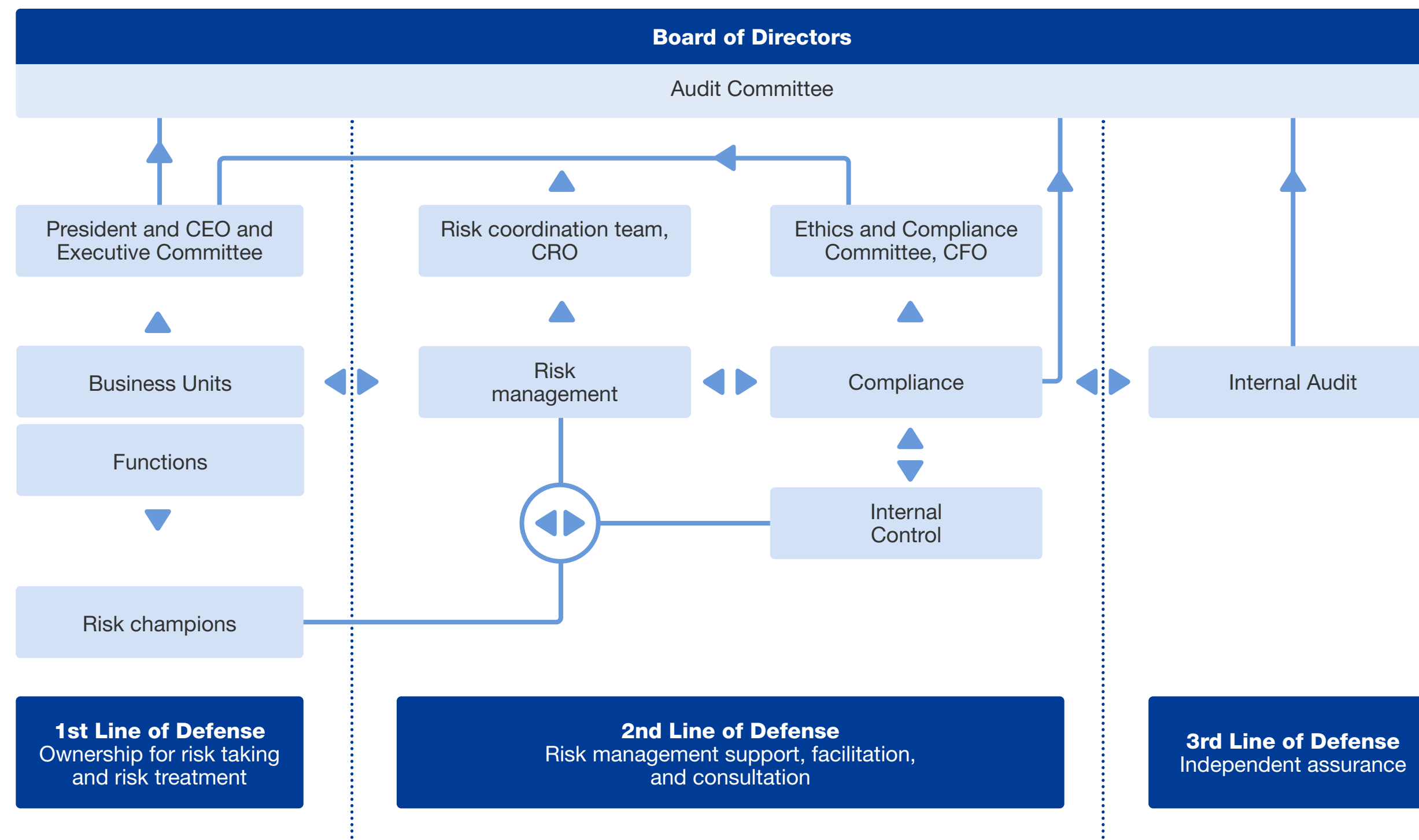
### Risk management focus in 2023

In 2023, special risk management initiatives focused on sustainability risk management, cyber risk management and business continuity management. Risk management support for major investments, projects and business model changes also continued. Additional emphasis was placed on the development of risk management practices and tools.

### Risks related to Neste’s business




In the pursuit of its objectives and targets, Neste is exposed to various 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.


## Risk governance







Risk management









	Risk type	Risk level
 <p><b>External</b></p>	<p><b>Economic conditions</b></p> <p>Despite some easing of the macroeconomic outlook, e.g., a decline in the headline inflation, overall economic activity still falls short of full recovery, and growth expectations are low. Continued slowing economic growth and elevated inflation could have an indirect impact on the demand for Neste's products. While governments have shifted attention to the mitigation of the higher cost of living, the market has seen temporary reductions in climate ambition and targets. It has also slowed down the implementation of climate policies that would also support demand for Neste's solutions. Inflation could also increase the operating costs and costs of ongoing capital investments related to the sourcing of feedstock, utilities, labor, services, equipment and materials.</p> <p>Volatility in the oil refining margins is expected to continue. In 2023, refining margins were impacted by geopolitics, tight monetary policies, the post-Covid recovery and restricted Russian oil trading. Moreover, changes in the global crude oil quality associated with the OPEC+ supply cut, as well as unplanned refinery outages driven by weather events, further amplified the margin volatility.</p> <p>In the renewable fuels market, risks relate more to balancing of fuel supply and demand in the face of changing regulation, both on the feedstock and product side. An increase in supply volumes was seen in 2023. The European renewable fuel market was slightly oversupplied as a result of large import volumes of Chinese double-countable biodiesel. Although imports have come down significantly since their peak in the spring, a delayed effect combined with stagnant demand growth has continued to place pressure on renewable fuel prices in Europe. At the US federal level, short term mandates grew at a slower pace than supply build-up in the biofuels sector, leading to a narrowed margin.</p>	
	<p><b>Geopolitics</b></p> <p>Geopolitical tensions such as the continuing war in Ukraine, conflicts in Middle Eastern countries, and other emerging military or trade conflicts could have adverse effects on international trade and finance. If geopolitical tensions increase and lead to the imposition of additional or more comprehensive trade restrictions, there could be a material adverse effect on Neste's ability to access feedstocks, deliver products and complete investment projects. For example, US-China trade tensions could increase volatility in the renewable feedstock and oil products markets.</p>	
	<p><b>Climate change</b></p> <p>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 creates risks. The 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. Various governments have shifted their attention to the mitigation of the higher cost of living, and the market has seen temporary reductions in climate ambition and targets as a result. It has also slowed down the implementation of the climate policies that support demand for Neste's solutions. In addition, changes in carbon emission trading schemes or similar initiatives at EU-, US- or individual Member-State-level may have a significant effect on Neste's business.</p>	
	<p><b>Laws and regulation</b></p> <p>Changing regulation presents both an opportunity and a threat to Neste's business. Neste's business units mainly benefit from increased support for biofuels and renewable fuels (for example, requirements related 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 renewable products, a significant source of uncertainty is the fragmented regulation around the acceptability and use of waste and residue feedstock.</p>	


 Low to moderate risk level and potential impact on the execution of set targets and objectives. Efficient risk mitigating actions and controls in place.


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	Risk type		Risk level
 <p><b>Strategic</b></p>	<b>Technology</b>	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, and current competitors develop their technologies or preferences, either customer or legislative, for clean mobility change. The more rapid than anticipated development of alternative feedstocks and production technologies for liquid fuels, the evolution and adoption of engine technologies, and the introduction of alternative powertrains could increase competition for NEXBTL, which may decrease demand and lower margins for Neste's products. Furthermore, the demand for and margins of Neste's products could be adversely affected by regulatory preferences for technologies or products that compete with Neste's.	
	<b>Competition</b>	Increases in global renewable refining capacity relative to growth in demand for the renewable products may have a material adverse effect on Neste. Staying ahead of the competition requires continuous improvement, the ability to challenge current business models and a strong focus on innovations such as new production technologies and feedstock platforms. Neste's ability to source sustainable feedstocks at quantities sufficient for its production targets and at acceptable prices is vital to achieving its strategic objectives. If new competitor capacities lead to supplies of renewable products exceeding demand, or if Neste's renewable products become less competitive, it may reduce Neste's refining margins for renewable products.	
	<b>Project risks</b>	Successful projects play a key role in Neste's strategy deployment, operational development and the digitization of processes. Possible delays in growth projects or in the ramp-up of new production facilities pose a risk to Neste. In 2023, delays in the ramp-up of the new production line in Singapore had an adverse impact on the production and sales volumes of renewable diesel and SAF. Significant delays in project planning or execution may also reduce operational efficiency or impair Neste's ability to secure its competitive position in the future.	
	<b>Talent management</b>	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 who are needed for strategy deployment and successful operations in the future.	
 <p><b>Preventable</b></p>	<b>Business continuity</b>	<p>The importance of business continuity management has been highlighted in the changing environment. Neste has continued with the design and implementation of strategic and operational business continuity measures. At the company level, scenario work has also played an important role, e.g., in testing resilience to various climate change scenarios.</p> <p>At the operational level, Neste's business performance greatly depends on the continuous reliability of refining activities in Finland (Porvoo), Singapore and the Netherlands (Rotterdam). Any shutdown of Neste's operations, whether planned or unplanned, could have a material adverse effect on Neste's business. In addition to the planned maintenance turnarounds, 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. Likewise, interruptions in the supply chain and logistics network are a risk for Neste. For example, the vessels owned, leased or chartered by Neste are subject to inherent risks, including the risks of maritime disaster, damage to the environment, and loss of or damage to cargo and property. Such events may be caused by mechanical failure, human error, adverse weather conditions, warfare or piracy, among other factors, in the areas where the vessels operate.</p> <p>Neste is subject to operational risks common in the renewable fuel and oil industry and 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.</p>	
	<b>Quality</b>	Neste's products and services must continuously meet customer requirements related, e.g., to product quality and sustainability. Evolving customer requirements, with more complex sourcing and logistics networks and production methods, increase the exposure to quality risks that need to be managed well 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.	


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	Risk type	Risk level
 <p><b>Preventable</b></p>	<p><b>Market risks</b></p> <p>Despite market stabilization and decreasing energy and utility prices in 2023, there is a continuing risk of market volatility and increasing prices. This could have direct impacts on Neste's operating and project costs. On the feedstock side, it is expected that the high demand for different waste and residue feedstock streams will continue, as competitors are increasing their production capacity for renewable products.</p> <p>Neste's financial results are primarily affected by the price differential, or margin, between refined petroleum and renewable product prices; and the prices for the 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:</p> <ul style="list-style-type: none"> <li>• Changes in the aggregate demand for and supply of raw materials and products;</li> <li>• Changes in the demand for and supply of specific raw materials and products;</li> <li>• Raw materials and product price fluctuations; and</li> <li>• The evolution of worldwide refining capacity, and especially the development of refining capacity related to petroleum and renewable products similar to Neste's.</li> </ul> <p>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 related to changes in foreign exchange rates by hedging its currency risks in contracted and forecasted cash flows and balance sheet exposures. More information about market risks can be found in the Financial Statements <a href="#">Note 3</a> section of the Annual Report.</p>	
	<p><b>External compliance</b></p> <p>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. As Neste's supply base has become more fragmented and diversified, and global supply chains have expanded, there is an increased exposure to regulatory requirements, as well as business conduct and sustainability risks. It is critical that Neste stays at all times compliant with various regulatory acts related to feedstock eligibility and product characteristics. Non-compliance with applicable regulation or external requirements would have both adverse financial and reputational impact on Neste.</p>	
	<p><b>Counterparty and credit risks</b></p> <p>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. 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 depends on the size of the exposure concerned and the counterparty's creditworthiness, which is assessed systematically both during onboarding and during the relationship.</p>	
	<p><b>Sustainability risks</b></p> <p>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 <a href="#">Review by the Board of Directors</a>.</p>	
	<p><b>Information security and cyber</b></p> <p>The operation of Neste's core processes depends on functioning information technology systems and the availability of key data. Neste's information technology system architecture is being continuously developed to provide better support for operations and take advantage of digitalization and emerging technologies. At the same time, the increasing sophistication of cyberattacks and generally rising frequency of attacks targeted at oil and gas companies also poses a threat to Neste.</p> <p>The reliability of key information technology systems and partnerships is essential for continuous business operations. Prolonged processing disruptions or the unavailability of key systems, data or information leaks, violations of data privacy regulations, intentional cyberattacks targeted at Neste's operational core systems or production automation systems, or any other malicious attempt to exploit Neste's systems or data could limit Neste's ability to conduct its business operations in a profitable, efficient and controlled manner.</p>	

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# Neste Remuneration Report 2023

## Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the "Committee"), I am pleased to present our 2023 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year 2023 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 2024 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 and thereby supporting Neste's long-term financial success, 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 can 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, combined with selecting the right individuals for key positions, versatile career progression, proactive succession planning and appropriate market competitive rewarding, are also key to our future success.

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 at least 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, in which 20% of measures are based on our combined Greenhouse Gas impact.

Our remuneration structure aims to reinforce and support our key strategic target to deliver outstanding value with 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 a 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 2023

On a global scale the year was marked by a volatile business environment, geopolitical turbulence and a number of regulatory changes. Despite a challenging business environment we were able to deliver a strong financial result. Neste was able to deliver a comparable EBITDA of EUR 3,458 million and take important steps in executing its growth strategy.

The main performance measure for the Performance Share Plan (PSP) 2021–2023 has been relative Total Shareholder Return (relative TSR) of Neste shares compared to the STOXX Europe 600 index between 2021 and 2023 (weight 80%). The Neste Total Shareholder Return was compared to the index at the 7.7th percentile. In addition, another performance measure was combined Greenhouse Gas impact (weight 20%).

## Application of the Remuneration Policy in 2023

The remuneration for the Board of Directors and the CEO during the financial year 2023 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 2023.

## Advisory Shareholder vote regarding the Remuneration Report 2022 and shareholder engagement

At the Annual General meeting in 2023, 94,28% of the Neste Shareholders supported the Neste Remuneration Report 2022.

At Neste, we believe in transparent business practices, and as part of our efforts to further improve remuneration transparency, we have improved our disclosure of achieved STI and LTI payout in the Remuneration Report 2023 by adding actual achievement rates per individual performance measure.

## Looking ahead to 2024

We aim to continue to utilize the company's short- and long-term incentive programs to drive company performance, long-term financial success, and ensure our competitiveness and attractiveness as an employer in the international markets in which Neste operates. During 2024, we will design a new long-term incentive program, as the current one is coming to the end of its implementation period.

## 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 until 28 March 2023:

- John Abbott
- Martina Flöel
- Johanna Söderström

Committee members from 28 March 2023:

- Nick Elmslie
- Heikki Malinen
- Johanna Söderström



## Remuneration of the Board of Directors for the previous financial year

The Annual General Meeting decides on the remuneration for 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 28 March 2023, the 2023 AGM confirmed the following annual fees for the members of the Board of Directors. 97.79% of the votes cast were in favor of the proposal of the Shareholders' Nomination Board.

### Annual fee, 40% of the annual fixed fee paid to be paid in the form of Neste shares, and the remainder in cash.

Chair	95,000 EUR per annum
Vice Chair	60,000 EUR per annum
Member	45,000 EUR per annum
Chair of Audit Committee <sup>1)</sup>	60,000 EUR per annum
<b>Committee fees</b>	
Member of the Audit Committee	5,000 EUR per annum
Chair of the Personnel and Remuneration Committee	6,000 EUR per annum
Member of the Personnel and Remuneration Committee	2,500 EUR per annum
Chair of another committee established based on Board decision	6,000 EUR per annum
Members of another committee established based on a Board decision	2,500 EUR per annum
<b>Meeting fees</b>	
Meeting held in the member's home country	1,000 EUR
Meeting held in the same continent as the member's home country	2,000 EUR
Meeting held outside the same continent as the member's home country	3,000 EUR

<sup>1)</sup> If person does not simultaneously act as Chair or Vice Chair of the Board

Meeting fees were paid based on attendance, plus compensation for expenses in accordance with the Company's travel guidelines.

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 on the web pages.

### Remuneration paid to the members of the Board in 2023

The AGM 2023 decided that 40% of the fixed annual fee was 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 of the publication of the interim report for the period January 1 to 31 March 2023 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 2023–2024 were paid in May 2023. Meeting fees were paid during the year after the meetings.

EUR	Annual fee <sup>1)</sup>	Committee and meeting fees <sup>2)</sup>	Total
Matti Kähkönen, Chair	95,000	24,400	119,400
Eeva Sipilä, Vice Chair	60,000	19,400	79,400
Marco Wirén, Vice Chair <sup>4)</sup>	-	4,000	4,000
John Abbott	45,000	31,200	76,200
Nick Elmslie	45,000	29,500	74,500
Martina Flöel <sup>4)</sup>	-	2,400	2,400
Just Jansz	45,000	28,400	73,400
Heikki Malinen <sup>3)</sup>	45,000	18,500	63,500
Jari Rosendal <sup>5)</sup>	45,000	16,400	61,400
Johanna Söderström	45,000	28,900	73,900
Kimmo Viertola <sup>3)</sup>	45,000	22,000	67,000

<sup>1)</sup> The total annual fee for the Board membership 2023–2024 was paid in May 2023, 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 taxable income for each member.

<sup>2)</sup> Meeting and committee fees include an annual committee fee for the Board membership period 2023–2024 and fees based on attendance during 2023.

<sup>3)</sup> Member of Board since 28 March, 2023

<sup>4)</sup> Member of the Board until 28 March, 2023

<sup>5)</sup> Member of the Board until 31 July, 2023.

Remuneration has been paid from the parent company.



## Remuneration of the President and CEO in 2023

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 Neste's Remuneration Policy and are aligned with market practices. The remuneration of the CEO consists of a fixed annual remuneration, including a base salary and fringe benefits, and variable remuneration, including short- and long-term incentives plans and a supplementary pension.

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 a retirement age of 62 years. This supplementary pension benefit is originally based on his previous positions as a member of the Neste Executive Committee. Those Executive Committee members who started in their position after 1 January 2009 but before 31 August 2018, are eligible for a defined contribution (DC) pension scheme (based on a retirement age of 62, 63 or as prescribed under Finnish pension legislation). No other financial benefits were paid to the President and CEO in 2023.

The table below includes the taxable value of the remuneration:

CEO's total remuneration	Paid during 2023 (EUR)
Fixed annual salary <sup>1)</sup>	996,702
Short-term incentive plan <sup>2)</sup>	423,551
Long-term incentive plan <sup>3)</sup>	447,752
Supplementary pension	146,260
Total	2,014,265
Proportion of fixed and variable remuneration (supplementary pension excluded)	53% and 47%

<sup>1)</sup> Benefits, vacation pay and service years reward included in the fixed remuneration.

<sup>2)</sup> Based on the previous position 1–4/2022 and the CEO position 5–12/2022.

<sup>3)</sup> LTI vested value paid in 2023 reflects the PSP 2020–2022 grant, which was allocated to his previous position.

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 80% of annual base salary in 2022 and 2023. In 2022, Matti Lehmus' award was based on the CEO period May–December 2022. The total incentive payment of 423,551 EUR was paid in March in 2023, and the achievement ratio for CEO period was 61.6% of annual base salary. The achievement ratio for 2023 is 54.4% of the annual salary, and the incentive payment of 501,125 EUR will be paid in March 2024.

Details of the short-term incentive plan awards 2022 and 2023 for the President and CEO:

Performance measure	Weight	2022		2023	
		Performance outcome %	Threshold Target Maximum	Performance outcome %	Threshold Target Maximum
Group comparable EBITDA	50%	200	50% 100% 200%	112	50% 100% 200%
Free Cash Flow	20%	105	50% 100% 200%	200	50% 100% 200%
Comparable ROACE	10%	200	50% 100% 200%	169	50% 100% 200%
Group Safety (TRIF)	10%	0	50% 100% 200%	70	50% 100% 200%
Group Process Safety (PSER)	10%	133	50% 100% 200%	167	50% 100% 200%
Total weighted outcome <sup>1)</sup>	100%	154	50% 100% 200%	136	50% 100% 200%

<sup>1)</sup> With performance measure outcomes without roundings.

Details of the short-term incentive plan award for the President and CEO for 2024, potential reward payment in March 2025:

Performance measure	Weight
Renewable products EBITDA comparable	30%
Oil Products EBITDA comparable	20%
Free Cash Flow	20%
Comparable ROACE	10%
Group Safety (TRIF)	10%
Group Process Safety (PSER)	10%



### 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.

President and CEO Matti Lehmus is entitled to the following long-term incentive plans allocated during his previous position:

Performance Share Plan	Performance measure	Weight	Performance Measure outcome %	Total weighted Performance outcome %	Grant date	Vesting date
PSP 2020–2022	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	100%	100	100	12 Dec. 2019	March 2023
PSP 2021–2023	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	0	9	11 Dec. 2020	March 2024
	Combined Greenhouse Gas Impact 2021–2023	20%	45			

President and CEO Matti Lehmus is entitled to the following ongoing long-term incentive plans:

Performance Share Plan	Performance measure	Weight	Grant date	Number of shares originally granted	Vesting date
PSP 2022–2024	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	9 Feb. 2022	26,400	March 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	March 2026
	Combined Greenhouse Gas Impact 2023–2025	20%			
PSP 2024–2026	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	7 Feb. 2024	33,700	March 2027
	Combined Greenhouse Gas Impact 2024–2026	20%			



## Remuneration and company performance over the last five financial years

<b>Average compensation, EUR</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Average compensation of Members of the Board <sup>1)</sup>		50,272	44,386	51,368	72,512	63,191
President and CEO (taxable value of the remuneration in each year)	Peter Vanacker (from 11/2018 until 4/2022)	2,131,983	1,804,816	2,046,357	704,465	-
	Matti Lehmus (from 5/2022)	-	-	-	731,441	2,014,265
Average compensation of Neste employee <sup>2)</sup>		57,906	70,751 <sup>3)</sup>	77,529 <sup>4)</sup>	86,367 <sup>5)</sup>	88,551
Average compensation of Neste employee in Finland <sup>2)</sup>		65,067	66,225 <sup>3)</sup>	72,478 <sup>4)</sup>	75,742 <sup>5)</sup>	76,965
<b>Company performance</b>						
Comparable EBITDA (MEUR)		2,452	1,929	1,920	3,537	3,458

<sup>1)</sup> Includes all fees paid to the members (annual board fees, meeting fees, committee fees).

<sup>2)</sup> 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 related 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 related to the Naantali refinery closure of EUR 11 million has been eliminated from wages and 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 the Naantali refinery. Simultaneously, the 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 related to the Naantali refinery closure of EUR 500,000 was eliminated from wages and salaries before calculating the average. The average compensation has increased, partly due to a strategic headcount increase in higher employee cost markets. Simultaneously, the short-term incentive provision is higher than in the previous year.



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# Review by the Board of Directors





# Review by the Board of Directors

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# Review by the Board of Directors 2023

Neste ended the year 2023 with strong results in all business units although the year was impacted by geopolitical tensions and high inflation. The market environment was most favorable in the third quarter, after which the market, particularly in Renewable Products, weakened towards the end of the year. Full-year comparable EBITDA reached EUR 3,458 (3,537) million. As to the Group's financial targets, Comparable ROACE reached 23.9% over the last 12 months and the leverage ratio was 22.7% at the end of the year, both clearly meeting Neste's financial target levels. Cash flow before financing activities was a clear highlight, reaching EUR 751 million, supported by successful working capital management and significantly exceeding the previous year's level of EUR -390 million. Neste's solid financial position enables the continued implementation of the growth strategy going forward.

Sales volumes in renewable diesel and SAF were 3.3 (3.0) million tons, impacted by the delayed ramp-up of the Singapore expansion and the Martinez joint operation. The share of waste and residue feedstocks remained high throughout the year and averaged 92% (95%) of our total renewable material inputs in 2023.

In December, Neste announced a gradual long-term transformation of Neste's crude oil refinery in Porvoo, Finland into a leading renewable and circular solutions refining hub. The planned transformation requires multiple separate investment decisions before targeted completion in the mid 2030s. The long-term capacity potential after the transformation is expected to be approximately 3 million tons of renewable and circular products.

Neste initiated a savings program in the second half of 2023, which supported the decrease of the fixed costs growth rate during the second half of the year. In November, Neste announced a plan to simplify our organizational structure and operational model to secure the execution of our growth strategy and to strengthen our long-term competitiveness. The planned program is estimated to result in total annual cost savings of approximately EUR 50 million, the majority to be realized in 2024. Compared to the baseline year 2022, Neste is on track with our Neste Excellence program to reach over EUR 350 million in value creation by the end of 2026.

Figures in parentheses refer to the financial statements for 2022, unless otherwise noted.

## The Group's results for 2023

Neste's full-year 2023 revenue totaled EUR 22,926 (25,707) million. Higher sales volumes had a positive impact of approximately EUR 1.1 billion, but revenue decreased due to lower market and sales prices, which had a negative impact of approximately -4.3 billion. A weaker US dollar had a negative impact of approximately EUR -0.5 billion on the revenue and the increasing trading volumes mainly in Oil Products impacted positively on the revenue by approximately EUR 0.9 billion.

The Group's comparable EBITDA was EUR 3,458 (3,537) million. Renewable Products' comparable EBITDA was EUR 1,906 (1,762) million, mainly due to the higher sales margin and higher sales volume while the increased fixed costs and a weaker US dollar year-over-year had a negative impact on the result. Oil Products' full-year comparable EBITDA was EUR 1,434 (1,654) million, mainly as a result of lower refining market, higher sales volumes, increased fixed costs and a weaker US dollar than in 2022. Marketing & Services' comparable EBITDA was EUR 118 (126) million. The Others segment's comparable EBITDA was EUR -2 (-4) million.

The Group's EBITDA was EUR 2,548 (3,048) million, which was impacted by inventory valuation losses of EUR -827 (-352) million and changes in the fair value of open commodity and currency derivatives totaling EUR -98 (-131) million, mainly related to margin and utility price hedging. Profit before income taxes was EUR 1,596 (2,279) million, and net profit EUR 1,436 (1,891) million. Comparable earnings per share were EUR 2.88 (3.04), and earnings per share EUR 1.87 (2.46).

## Group key figures, MEUR

	2023	2022
<b>Comparable EBITDA</b>	3,458	3,537
- inventory valuation gains/losses	-827	-352
- changes in the fair value of open commodity and currency derivatives	-98	-131
- capital gains/losses	7	10
- other adjustments	8	-16
<b>EBITDA</b>	2,548	3,048

	2023	2022
<b>Revenue</b>		
Renewable Products	8,466	9,905
Oil Products	13,285	14,596
Marketing & Services	5,168	5,876
Others	100	147
Eliminations	-4,094	-4,816
Total	22,926	25,707

	2023	2022
<b>Comparable EBITDA</b>		
Renewable Products	1,906	1,762
Oil Products	1,434	1,654
Marketing & Services	118	126
Others	-2	-4
Eliminations	2	-1
Total	3,458	3,537

	2023	2022
<b>Operating profit</b>		
Renewable Products	568	1,046
Oil Products	1,068	1,337
Marketing & Services	84	98
Others	-41	-70
Eliminations	2	-1
Total	1,682	2,410



## 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 over 15%, and the leverage ratio target is below 40%. At the end of December, Comparable ROACE calculated over the last 12 months was 23.9%, and leverage ratio remained well within the target area at 22.7%.

	31 Dec 2023	31 Dec 2022
Comparable return on average capital employed after tax (Comparable ROACE), %	23.9	30.1
Leverage ratio (net debt to capital), %	22.7	13.9

## Cash flow, investments, and financing

The Group's net cash generated from operating activities totaled EUR 2,279 (1,197) million during 2023. The increase compared to last year mainly resulted from net working capital change not tying cash in 2023 compared to 2022. Cash flow before financing activities was EUR 751 (-390) million during 2023 and the Group's net working capital in days outstanding was 41.0 days (35.4 days) on a rolling 12-month basis at the end of the fourth quarter.

	2023	2022
EBITDA	2,548	3,048
Capital gains/losses	0	0
Other adjustments	108	-55
Change in net working capital	21	-1,357
Finance cost, net	-91	-42
Income taxes paid	-307	-398
Net cash generated from operating activities	2,279	1,197
Capital expenditure	-1,607	-1,757
Other investing activities	79	170
Free cash flow (Cash flow before financing activities)	751	-390

Cash-out investments totaled EUR 1,621 (1,758) million, and were EUR 1,431 (990) million excluding M&A in 2023. Maintenance investments accounted for EUR 305 (249) million and productivity and strategic investments for EUR 1,316 (1,509) million. According to Neste's strategy, significant growth investments continued into Renewable Products where investments amounted to EUR 1,365 (1,553) million. Oil Products' investments amounted to EUR 208 (130) million, and Marketing & Services' investments totaled EUR 16 (21) million. Investments in the Others segment were EUR 32 (55) million, concentrating on IT and business infrastructure upgrades.

In order to support further business growth, Neste established in 2023 a Euro Medium Term Note (EMTN) program and completed three green bond issues (altogether EUR 1.6 billion) under the program. These were the first transactions for Neste as a rated A3 issuer. The bonds have maturities of 2029, 2031 and 2033 and pay a fixed coupon of 3.875 per cent (2029 and 2031) and 4.250 per cent (2033). Neste also completed a tender offer for the bond maturing in 2024 and bought back EUR 199 million in aggregate nominal amount of notes.

Interest-bearing net debt was EUR 2,488 million at the end of December 2023, compared to EUR 1,344 million at the end of 2022. The average interest rate of borrowing at the end of December was 3.6% (2.3%) and the average maturity 5.1 (2.5) years. At the end of the fourth quarter the Net debt to EBITDA ratio was 1.0 (0.4) over the last 12 months. The leverage ratio was 22.7% at the end of December (31 Dec 2022: 13.9%).

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 3,480 million at the end of December (31 Dec 2022: 2,871 million). There are no financial covenants in the Group companies' existing loan agreements.

In accordance with its 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, the Group's foreign currency hedging ratio was approximately 55% of the sales margin for the next 12 months.

US dollar exchange rate	2023	2022
EUR/USD, market rate	1.08	1.05
EUR/USD, effective rate <sup>1)</sup>	1.06	1.11

<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

Key financials	2023	2022
Revenue, MEUR	8,466	9,905
EBITDA, MEUR	1,049	1,328
Comparable EBITDA, MEUR	1,906	1,762
Operating profit, MEUR	568	1,046
Net assets, MEUR	8,069	6,433
Return on net assets <sup>1)</sup> , %	7.5	18.6
Comparable return on net assets <sup>1)</sup> , %	18.9	26.6
Comparable sales margin, USD/ton <sup>2)</sup>	863	779

<sup>1)</sup> Last 12 months

<sup>2)</sup> Calculation formula has been adjusted effective 1 January 2023; and the figures for 2022 restated. Q4/22 comparable sales margin with the previous calculation reached USD 783/ton and 2022 USD 804/ton.

Key drivers	2023	2022
Biomass-based diesel (D4) RIN, USD/gal	1.35	1.69
California LCFS Credit, USD/ton	73	99
Palm oil price <sup>1)</sup> , USD/ton	833	1,116
Waste and residues' share of total feedstock, %	92	95

<sup>1)</sup> CPO BMD 3rd, Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price

<sup>2)</sup> Calculation formula has been adjusted to include also Martinez joint operations Neste's share of feedstock



Renewable Products' full-year comparable EBITDA was EUR 1,906 (1,762) million. The comparable sales margin was higher than in 2022 and reached USD 863 (779). The higher sales margin had a positive impact of EUR 374 million on the comparable EBITDA year-on-year. The BTC contribution was EUR 417 (312) million during 2023. Sales volumes increased and had an impact of EUR 83 million year-over-year. The weaker US dollar had a negative impact of EUR -79 million on the segment's comparable EBITDA compared to the previous year. The segment's fixed costs were EUR 233 million higher than in 2022, as Neste continued to build up its capabilities to support its growth strategy.

During the year, feedstock prices were supported mid-year especially by strong US demand. However, towards the end of the year, feedstock prices were affected by low US credit price levels, especially RINs, and started to decline. The D4 RIN started the year at USD 1.7 and ended the year at USD 0.8. The California Low Carbon Fuel Standard (LCFS) credit price also decreased to about USD 70/ton due to further growing credit bank mainly due to the increasing Renewable Diesel production. Also, the European renewable diesel spot premium levels and bioticket prices weakened clearly during the second half of the year.

In 2023, the European Union (EU) launched investigations on Asian biodiesel imports to the EU which could have an impact on these flows and also on the price of biofuels in the EU going forward.

Key drivers impacting the comparable sales margin in Renewable Products include feedstock and middle distillate market prices, the development of renewable diesel price premiums, bioticket and renewable credit price levels, SAF and Martinez sales volume development as well as margin hedging.

<b>Production</b>	<b>2023</b>	<b>2022</b>
Renewable Diesel <sup>1)</sup> , 1,000 ton	3,267	2,831
SAF, 1,000 ton	251	158
Other products, 1,000 ton	210	249
Utilization rate <sup>2)</sup> , own production, %	98	91

<sup>1)</sup>Including production from Martinez joint operation.

<sup>2)</sup>Based on a nameplate capacity of 3.3 Mton/a

<b>Sales</b>	<b>2023</b>	<b>2022</b>
Renewable Diesel, 1,000 ton	3,164	2,927
SAF, 1,000 ton	139	105
Other products, 1,000 ton	79	95
Share of sales volumes to Europe, %	61	67
Share of sales volumes to North America, %	39	33

## Oil Products

<b>Key financials</b>	<b>2023</b>	<b>2022</b>
Revenue, MEUR	13,285	14,596
EBITDA, MEUR	1,375	1,619
Comparable EBITDA, MEUR	1,434	1,654
Operating profit, MEUR	1,068	1,337
Net assets, MEUR	2,384	2,652
Return on net assets <sup>1)</sup> , %	42.6	46.6
Comparable return on net assets <sup>1)</sup> , %	45.0	48.0
Total refining margin, USD/bbl	21.1	23.4

<sup>1)</sup>Last 12 months

Oil Products' full-year comparable EBITDA was EUR 1,434 (1,654) million. The total refining margin averaged USD 21.1/bbl (23.4/bbl) in 2023. The slightly lower total refining margin had a negative impact of EUR -138 million on the comparable EBITDA compared to the previous year. Sales volumes were higher year-over-year and this had a positive impact of EUR 69 million on the comparable EBITDA. The weaker US dollar had a negative impact of EUR -78 million on the comparable EBITDA, and the segment's fixed costs were EUR 37 million higher than in 2022.

Crude oil prices were volatile during 2023, and Brent dated traded between USD 72/bbl and USD 98/bbl. During the first half of the year the price was following a weakening macroeconomic outlook. During the autumn crude oil prices were trending upwards as OPEC's voluntary cuts, the summer driving and cooling season demand together with improved investor risk sentiment boosted prices to an almost USD 100/bbl level. Support faded away towards the year end as the demand outlook turned softer again, and crude oil price ended the year at USD 78/bbl, close to the level at the start of the year.

Overall, European refining margins were volatile but strong during 2023. Towards the year-end high margins came downwards as refinery outages eased and seasonally softer demand started to have an impact. On average, both diesel and gasoline cracks were above their long-term averages. Key utility prices were clearly lower year-on-year and supported refining economics in Europe.

<b>Production</b>	<b>2023</b>	<b>2022</b>
Refinery		
Production, 1,000 ton	11,148	11,176
Utilization rate, %	88	85
Refinery production costs, USD/bbl	6.6	7.5



Sales from in-house production, by product category (1,000 t)	2023	%	2022	%
Middle distillates <sup>1)</sup>	5,631	47	5,403	48
Light distillates <sup>2)</sup>	4,430	37	4,438	39
Heavy fuel oil	1,321	11	930	8
Base oils	283	2	296	3
Other products	220	2	244	2
Total	11,885	100	11,310	100

<sup>1)</sup> Diesel, jet fuel, heating oil, low sulphur marine fuels

<sup>2)</sup> Motor gasoline, gasoline components, LPG

Sales from in-house production, by market area (1,000 t)	2023	%	2022	%
Baltic Sea area <sup>1)</sup>	6,976	59	6,843	61
Other Europe	3,110	26	2,897	26
North America	1,038	9	943	8
Other areas	762	6	627	6

<sup>1)</sup> Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

## Marketing & Services

Key financials	2023	2022
Revenue, MEUR	5,168	5,876
EBITDA, MEUR	117	127
Comparable EBITDA, MEUR	118	126
Operating profit, MEUR	84	98
Net assets, MEUR	236	227
Return on net assets <sup>1)</sup> , %	34.6	40.8
Comparable return on net assets <sup>1)</sup> , %	35.2	40.5

<sup>1)</sup> Last 12 months

Marketing & Services segment's full-year comparable EBITDA was EUR 118 (126) million. Sales volumes were lower compared to the same period last year, which had a negative impact of EUR -5 million on the comparable EBITDA. Average unit margins were slightly higher and this had a positive impact of EUR 4 million on the result year-over-year. The segment's fixed costs were EUR 6 million higher compared to 2022, driven by inflation and IT development costs.

According to its strategy, Marketing & Services also continued rolling out electric charging at its largest stations.

Sales volumes by main product categories, million liters	2023	2022
Gasoline, station sales	620	600
Diesel, station sales	1,590	1,620
Heating oil	793	907

Net sales by market area, MEUR	2023	2022
Finland	4,114	4,601
Baltic countries	1,054	1,275

## Others

Key financials	2023	2022
Comparable EBITDA, MEUR	-2	-4
Operating profit, MEUR	-41	-70

The Others segment consists of Engineering Solutions and common corporate costs. The full-year comparable EBITDA of the Others segment totaled EUR -2 million (-4 million).



## Shares, share trading, and ownership

Neste's shares are listed at NASDAQ Helsinki Ltd. The share price closed the fourth quarter at EUR 32.21, up by 0.25% compared to the end of the third quarter. At its highest during the quarter, the share price reached EUR 48.50, while the lowest share price was EUR 28.55. Market capitalization was EUR 24.8 billion as of 31 December 2023. An average of 1.37 million shares were traded daily, representing 0.2% of the company's shares.

At the end of December 2023, Neste held 1,011,311 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 2023, the State of Finland owned directly 44.2% (35.9% at the end of 2022) of outstanding shares, reflecting the Finnish Government's decision to return the Climate Fund's (Ilmastorahasto Oy) 8.31% shareholding in Neste Corporation to direct state ownership executed in the third quarter. Foreign institutions owned 36.8% (39.7%), Finnish institutions 10.6% (16.8%), and households 8.4% (7.6%) of outstanding shares.

### Largest shareholders as of 31 December 2023

Shareholder	Shares	% of shares
State of Finland / Prime Minister's Office	340,107,618	44.22%
Varma Mutual Pension Insurance Company	13,081,622	1.70%
Ilmarinen Mutual Pension Insurance Company	9,357,202	1.22%
The Finnish Social Insurance Institution	6,100,272	0.79%
City of Kurikka	4,652,625	0.60%
Elo Mutual Pension Insurance Company	4,571,000	0.59%
The State Pension Fund	3,600,000	0.47%
OP-Finland	1,837,802	0.24%
Danske Invest Finnish Equity Fund	1,512,990	0.20%
Evli Finland Select Fund	1,420,000	0.18%
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	1,346,504	0.18%
Säästöpankki Kotimaa Mutual Fund	1,206,370	0.16%
Nordea Nordic Fund	1,055,000	0.14%
Stiftelsen för Åbo Akademi	1,016,514	0.13%
Neste Oyj	1,011,311	0.13%
Nordea Fennia Fund	977,676	0.13%
Samfundet Folkhälsan i Svenska Finland	941,300	0.12%
Aktia Capital Mutual Fund	883,000	0.11%
OP-Henkivakuutus Ltd.	867,960	0.11%
FIM Fenno Mutual Fund	667,530	0.09%
20 largest shareholders total	396,214,296	51.51%
Nominee registered	282,386,858	36.71%
Others	90,609,904	11.78%
Number of shares, total	769,211,058	100.00%

### Breakdown of share ownership as of 31 December 2023

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1–100	77,212	52.14	2,872,272	0.37
101–500	43,443	29.34	10,964,754	1.43
501–1,000	12,493	8.44	9,164,508	1.19
1,001–5,000	12,684	8.57	26,322,628	3.42
5,001–10,000	1,379	0.93	9,436,051	1.23
10,001–50,000	740	0.50	13,981,038	1.82
50,001–100,000	62	0.04	4,236,913	0.55
100,001–500,000	47	0.03	9,234,939	1.20
500,001+	34	0.02	682,997,955	88.79
Total	148,094	100.0%	769,211,058	100.0%
of which nominee registered	10		282,386,858	36.7%

### By the owner sector

	% of shares
State of Finland	44.2%
Non-Finnish shareholders	36.8%
Households	8.4%
General government	5.5%
Financial and insurance companies	2.1%
Corporations	1.6%
Non-profit organizations	1.5%
Total	100.0%



## 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 28 March 2023 at Messukeskus, Helsinki Expo and Convention Centre. 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 2022 and discharged the Board of Directors and the President & CEO from liability for 2022.

## Dividend payment

The AGM approved the Board of Directors' proposal that an ordinary dividend of EUR 1.02 per share would be paid plus an extraordinary dividend of EUR 0.25 per share, i.e., EUR 1.27 per share in total. It was decided to pay the ordinary dividend in two installments. In addition, in accordance with the proposal by the Board of Directors, the AGM authorized 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 expected this discretionary second extraordinary dividend to be paid, unless there was a significant deterioration in the business environment during 2023.

The first installment 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, was paid to shareholders registered in the shareholders' register of the Company on the record date for the dividend payment, which was 30 March 2023. The first installment of the ordinary dividend and the extraordinary dividend was paid on 6 April 2023.

The second installment of the ordinary dividend, EUR 0.51 per share, was paid to shareholders registered in the shareholders' register of the Company on the record date for the second installment of the ordinary dividend, which was 29 September 2023. The second installment of the ordinary dividend was paid on 6 October 2023.

Based on the above authorization, the Board of Directors decided on 27 September 2023 on the payment of a second extraordinary dividend of EUR 0.25 per share. The second extraordinary dividend was paid to a shareholder registered in the Company's shareholder register on the record date for the payment of the second extraordinary dividend on 29 September 2023. The second extraordinary dividend was paid on 6 October 2023.

## 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: Matti Kähkönen, John Abbott, Nick Elmslie, Just Jansz, Jari Rosendal, Eeva Sipilä and Johanna Söderström. Heikki Malinen and Kimmo Viertola were elected as new members.

Matti Kähkönen was re-elected as Chair and Eeva Sipilä was elected as Vice Chair.

The AGM decided on the remuneration to the Board for the term starting at the end of the 2023 AGM and ending at the end of the 2024 AGM as follows:

- Chair: EUR 95,000
- Vice Chair: EUR 60,000
- Chair of Audit Committee: EUR 60,000 if he or she does not simultaneously act as Chair or Vice Chair of the Board
- Member: EUR 45,000

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 5,000
- the Chair of the Personnel and Remuneration Committee will, for such position, be paid EUR 6,000, and its members will, for such position, be paid EUR 2,500
- the Chair of another committee established based on Board decision will, for such position, be paid EUR 6,000, and its members will, for such position, be paid EUR 2,500.

The AGM decided on the remuneration for participation in Board or committee meetings:

- EUR 1,000 for meetings held in the member's home country;
- EUR 2,000 for meetings held in the same continent as the member's home country; and
- EUR 3,000 for meetings held outside the same continent as the member's home country.
- 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.
- In addition, compensation for expenses is paid in accordance with the Company's travel guidelines.

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 as of the first trading day of the Helsinki Stock Exchange following the publication of the interim report for the period 1 January to 31 March 2023. 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 re-elected 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 canceled 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.

### Authorizing the Board of Directors to decide on share issue

The AGM approved the authorization, under which the Board is authorized to take one or more decisions on the issuance of new shares and/or the conveyance of treasury shares held by the Company, provided that the number of shares thereby issued and/or conveyed totals a maximum of 23,000,000 shares, equivalent to approximately 2.99% of all the Company's shares.

The new shares may be issued and/or the treasury shares held by the Company may be conveyed to the Company's shareholders in proportion to the shares they already own or through a directed share issue that bypasses shareholders' preemptive rights if the Company has a weighty financial reason for doing so, such as using the shares in question as consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, or as part of the Company's incentive program.

The new shares may be issued and/or the treasury shares held by the Company may be conveyed against payment or free of charge. A directed share issue may only be made free of charge if there is a particularly weighty financial reason, with respect to the Company's interests and those of all of its shareholders, for doing so. The new shares may also be issued free of charge to the Company itself.

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force for eighteen (18) months from the decision taken by the AGM.

### Amendment of Sections 3 and 10 of the Articles of Association

The AGM approved the Board's proposal to amend Articles 3 and 10 of the Company's Articles of Association. A technical amendment was made to Article 3 to the effect that the outdated reference to the 1991 Finnish Act on Book-entry Securities System was deleted. Article 10 was amended to the effect that General Meetings of Shareholders can, instead of a physical meeting venue, also be held remotely without a meeting venue if the Board of Directors so decides.

### Innovation

Neste's innovation expenditure totaled EUR 94 million (85 million) in 2023. In 2023, the focus was especially on optimizing and widening the renewable and circular raw material selection and enhancing product optionality. In order to further strengthen its R&D and innovation capabilities globally, Neste established an Innovation Center in Singapore that has been operational since early 2023.

In recognition of its innovation work, a group of Neste inventors was honored with the prestigious European Inventor Award 2023 in the industry category. The award was granted by the European Patent Office (EPO) for work on converting waste and residues into high-quality renewable solutions.

Developing co-operations and preparing for technology demonstrations for scalable sustainable raw material sources continued in the Innovation business platforms, focusing on raw material pools such as lignocellulose, algae, carbon dioxide and renewable electricity utilization for green hydrogen production.

During 2023, the MultiPLHY project demonstrating renewable hydrogen production at Neste's Rotterdam refinery proceeded to the commissioning phase. Another renewable hydrogen project of the company focuses on investing in production capacity of renewable hydrogen at the Porvoo refinery. This project entered the basic engineering phase. In November 2023, the Ministry of Economic Affairs and Employment in Finland granted an energy investment aid of EUR 1.96 million for heat recovery from hydrogen production.

Expanding the use of renewable waste and residues continued in 2023. Approximately 4.0 million tons (3.5 Mt) of waste and residue raw materials were used during the year and the share totaled 92%<sup>1)</sup> of Neste's renewable raw material inputs in 2023. Neste continued to advance its research efforts dedicated to increasing the use of challenging raw materials and novel vegetable oils (NVO).

Neste's R&D efforts are instrumental in supporting the transformation of the Porvoo refinery into a renewables and circular solutions refining hub. R&D efforts supported bio co-processing as well as the company's efforts to scale-up chemical recycling. In December 2023, Neste announced that it had already processed more than 6,000 tons of liquefied waste plastic.

<sup>1)</sup> Calculation formula has been adjusted to include also Martinez joint operations Neste's share of feedstock

### Main events published during 2023

On 27 January, 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 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, Just Jansz, Jari Rosendal, Eeva Sipilä and Johanna Söderström are proposed to be re-elected for a further term of office. The Nomination Board proposed that Eeva Sipilä shall be elected as the Vice Chair of the Board. Further, the Nomination Board proposed that the Board shall have ten members and that Heikki Malinen and Kimmo Viertola shall be elected as new members.

On 6 March, Neste announced that it invited the holders of the EUR 400,000,000 1.50 per cent. notes due June 2024 (ISIN: FI4000261201), issued by Neste Corporation, to tender their notes for cash on the terms and conditions set out in the tender offer memorandum dated 6 March 2023. Neste also announced its intention to issue new euro-denominated fixed rate notes.

On 10 March, Neste announced that Martina Flöel, a member of the Board of Directors of Neste Corporation, will not be available for re-election in the Annual General Meeting (AGM) on 28 March 2023. The reason for this is a potential conflict of interest relating to Flöel's other engagements which has arisen after the proposal by Neste's Shareholders' Nomination Board. The Nomination Board had, according to the stock exchange release published on 27 January 2023, proposed Flöel to be re-elected as a member of the Board and that the Board shall have ten members. The Nomination Board has after Flöel's announcement decided to keep its proposal valid in all other respects. This means that according to the proposal of the Nomination Board, the Board shall have nine members instead of ten.

On 14 March, Neste announced the results of the invitation to the holders of its EUR 400,000,000 1.50 per cent. notes due June 2024 (ISIN: FI4000261201) to tender their notes for cash on the terms and conditions set out in the tender offer memorandum dated 6 March 2023. At the Expiration Deadline of 4:00 p.m. (Finnish time) on 13 March 2023, valid Tender Instructions of EUR 198,800,000 in aggregate nominal amount of notes were received pursuant to the Tender Offer. The Company announced that it will accept for purchase EUR 198,800,000 in aggregate nominal amount of the notes pursuant to the Tender Offer.



On 15 March, Neste announced that it has transferred a total of 112,310 treasury shares without consideration to the participants of Neste Group's Performance Share Plan 2020–2022 and the Restricted Share Plan 2020–2022 as share rewards based on the terms and conditions of these plans. The plans are part of the share-based incentive scheme 2019 of Neste, announced with a stock exchange release on 11 December 2018. The transfer of own shares is implemented as a directed share issue without consideration based on a decision made by the Board of Directors of Neste Corporation. The decision of the Board of Directors is based on a share issue authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. After this transfer of own shares Neste Corporation holds 1,015,578 own shares.

On 5 April, Neste announced a change in the Neste Executive committee. Mr Thorsten Lange, Executive Vice President, Renewable Aviation since January 2020, steps down as a member of the Executive Committee and leaves the company. The search for his successor has been initiated. Mr Sami Jauhiainen, Vice President, Renewable Aviation, APAC, will take the lead in the Renewable Aviation business on an interim basis. Mr Jauhiainen will not be a member of the Executive Committee but will report directly to the President and CEO Matti Lehmus.

On 22 May, Neste announced that it has on 22 May 2023 transferred 4,267 treasury shares to a key person participating in the Performance Share Plan 2020–2022 and Restricted Share Plan 2020–2022 of Neste Corporation. The shares were transferred as a share reward without consideration in accordance with the terms and conditions of the plans.

On 16 June, Neste announced a change in the Neste's executive committee. Mercedes Alonso, Executive Vice President of Neste's Renewable Polymers and Chemicals business unit has decided to leave the company to pursue other opportunities, and she will step down by the beginning of the fourth quarter.

On 19 June, Neste announced that it is holding a Capital Markets Day 2023 in London on 20 June 2023, featuring presentations on company strategy, market outlook and value creation. Neste also announced that its dividend policy has been updated as follows: "Neste's target is to pay a competitive and over time growing dividend." The former dividend policy was that the company distributes at least 50% of the company's comparable net profit for the year in the form of dividends.

On 2 August, Neste announced that Jari Rosendal, a member of the Board of Directors of Neste Corporation, had died after a short illness. Rosendal served on Neste's Board of Directors as of 2018. Neste's Board of Directors will for the time being consist of eight members.

On 6 September, Neste announced the people appointed to the Shareholders' Nomination Board. The following members had been appointed to Neste's Shareholders' Nomination Board: The Chair, Senior Ministerial Adviser, Financial Affairs Maija Strandberg 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.

On 12 September, Neste updated its third-quarter 2023 outlook regarding Oil Products and the status of its Singapore new line ramp-up. The new updated outlook was: Neste's Oil Products' third-quarter total refining margin is expected to be significantly higher than in the second quarter of 2023 (USD 16.7/bbl). Following the restart of the renewable diesel and sustainable aviation fuel (SAF) production at the Singapore refinery expansion in August, the ramp-up had been slowed down due to a recent shutdown at the new line for additional equipment inspection and repair works.

On 26 September, Neste received a notification under Chapter 9, Section 10 of the Finnish Securities Market Act (FSMA). According to the notification by the Finnish Climate Fund (Ilmastorahasto Oy), the holding of the entity referred to therein in Neste Corporation has on 22 September 2023 decreased below 5% of the total number of shares and voting rights of Neste Corporation.

On 27 September, Neste announced that the Board of Directors decided on payment of a second extraordinary dividend installment. After having considered the current business environment, the Board of Directors decided on the payment of a second extraordinary dividend of EUR 0.25 per share.

On 1 November, Neste announced its plans to simplify its organizational structure to improve efficiency and strengthen long-term competitiveness. Renewable Aviation, Renewable Road Transportation and Renewable Polymers and Chemicals business units will be merged into one Renewable Products business unit covering all renewables businesses. Furthermore, the company plans to align its functions to better support business-driven ways of working. The organizational changes had also an effect on the structure and composition of the Executive Committee of Neste.

### Events after the reporting period

On 30 January, Neste announced that the Porvoo refinery processes would be brought into a safe state for the duration of the political strike that took place on 1 and 2 February 2024. All releases and news are available at <https://www.neste.com/media/releases-and-news>

### Personnel

Neste employed an average of 6,018 (5,244) employees during 2023, of whom 2,114 (1,642) were based outside Finland. At the end of December, the company had 6,014 (5,428) employees, of whom 2,190 (1,810) were based outside Finland.

### 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 strategic targets and business objectives and can maintain continuous operations. 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.

Neste's risk management framework and risk management principles have been defined in the Corporate Risk Management Policy, approved by the Neste 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 risks 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, security-related and political uncertainties, which include high inflation in Europe and the US, high interest rates, trade tension, the continuing war in Ukraine, an escalation of the crisis in the Middle East 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, 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 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 about 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 about Neste's sustainability risks, please see risk chapters in the 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 amendments to 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, the Neste 2023 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 to assist with navigation between these sections. Neste's Sustainability Report 2023 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 information about Neste's sustainability, see [Neste's Sustainability Report 2023](#) and Neste's [website](#).

## Business model

Neste employed an average of 6,018 (5,244) employees during 2023, of whom 2,114 (1,642) were based outside Finland. At the end of December, the company had 6,014 (5,428) employees, of whom 2,190 (1,810) were based outside Finland.

Neste is the world's leading producer of sustainable aviation fuel, renewable diesel and renewable feedstock solutions for various polymers and chemicals industry uses. 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 the domestic and international wholesale markets. Neste's 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 procures 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 at Neste's refinery in Porvoo, Finland. Neste Shipping chartering operations are included in the Oil Products segment. In 2023, the company's major crude oil and fossil feedstock source was Norway.

Neste's Marketing & Services offers sustainable, low-emission and digital solutions for the needs of consumers, companies and partners via its station network and a wide variety of B2B customers and partners. Neste seeks to develop a diverse range of services aiming to provide the best customer experience. The Marketing & Services segment markets and sells petroleum products and associated services to consumers, transportation service, customers in aviation, shipping, industrial and agricultural sectors, municipalities, heating customers and distributors. Traffic fuels are marketed through Neste's own service station network and direct sales.

At Neste, we set high standards for sustainability. Neste's purpose is to create a healthier planet for our children, with a vision of leading the way toward a sustainable future together. 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, as well as our 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 has an ambition to make its Porvoo refinery the most sustainable refinery in Europe and to reach carbon neutral production by 2035. In 2023 we completed the strategic study on transitioning our refinery in Porvoo, Finland into a leading renewable and circular solutions refining hub in the mid-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. The company is introducing renewable and recycled raw materials such as liquefied waste plastic as refinery raw materials. 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 and longer-term future. 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'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. Neste also focuses on providing excellent customer service, as well as flexible and reliable customer solutions. In 2023, we operated refineries in Porvoo, Rotterdam and Singapore. We also have a 50/50 joint operation in a renewable diesel refinery in California in the US. 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 company's skills base. Neste is investing in developing its corporate culture to deeply ingrain customer satisfaction, safety and operational efficiency in daily operations. Please see Neste's value creation map in the [Sustainability Report 2023](#).

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 is determined to be 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 the Annexes of the climate and environmental delegated acts 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 the relevant Annexes. 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 set by the technical screening criteria. Additionally, an entity needs to comply with the minimum safeguards.

The EU Commission has published technical screening criteria for all six environmental objectives. New activities included in the delegated acts to the taxonomy have not resulted in any changes to Neste’s taxonomy reporting, as Neste has operations that contribute to the climate change mitigation objective. Neste is committed to the transformation to 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.

### Assessment of compliance with the Taxonomy Regulation

Neste has carried out assessments to identify the activities within the scope of the taxonomy. The identified economic activities have been evaluated based on their contribution to the climate change mitigation objective set out in the Climate Delegated Act. The assessments have been coordinated by the Sustainability Reporting and Finance teams and are supported by several functions in the organization. The assessments include all Neste’s business units and innovation initiatives. Eligible activities are identified based on the description of the activity in Annex I of the Climate Delegated Act of the Taxonomy Regulation. The substantial contribution and DNSH criteria have been evaluated for each activity identified according to the technical screening criteria to recognize the share of taxonomy-aligned economic activities. 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, including renewable hydrogen and Power-to-X

Neste also has economic activities that are currently not covered by the EU taxonomy while contributing to circularity and climate goals. For example, Neste provides circular economy solutions and renewable feedstocks for the chemical industry that are not currently covered in the activities listed in the EU taxonomy. 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 and is subject to interpretation, Neste will continuously re-evaluate its activities’ contribution to the taxonomy’s environmental objectives.

### 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. The Renewable Road Transportation and Renewable Aviation businesses offer renewable fuels for the road transport and aviation sectors. The Renewables Platform enables Neste’s renewable raw materials sourcing, global renewables production and delivery of renewables to our global customer base. Bio co-processing aims to replace 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 require that no food and feed crops are used in the manufacturing. The share of manufacturing of 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 for supporting the transition to low-emission transport. The activity is fully eligible for the taxonomy, as the evaluation of DNSH criteria has not been finalized.

Neste’s innovation focuses on scalable, sustainable raw materials and the 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 and Power-to-X. Innovations and R&D that support our taxonomy-eligible and -aligned activities are accounted for in the taxonomy figures of the activity which they support.

The relevant activity-specific DNSH 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’s approach to environmental management, including biodiversity, pollution and water, is described in more detail in our Sustainability Report, as well as in the Non-Financial Information (NFI) Statement paragraphs below. The identification of climate risks, including physical climate risks, is included in Neste’s annual risk management cycle. The identified climate risks are included in our Enterprise Risk Management (ERM) process, and risk mitigation plans are implemented where appropriate. Neste’s climate-related risks are further described in our NFI Statement.



Compliance with the minimum safeguards has been assessed at the group level based on the Report on Minimum Safeguards published by the EU Platform on Sustainable Finance in October 2022. Neste has assessed its operations to be compliant 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. No violations have been identified with the safeguards. 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 human rights due diligence process 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. Neste's approach to human rights and anti-corruption is described in more detail in our NFI Statement. More information about our compliance program, including competition law compliance, can be found in our Sustainability Report. Neste also publishes a Tax Footprint annually.

### Accounting policy

The definitions of taxonomy key performance indicators (KPIs) are based on the Disclosures Delegated Act, which supplements the Taxonomy Regulation and follows requirements that apply to the disclosures under Article 8(2) of Regulation (EU) 2020/852. The taxonomy reporting scope covers Neste's global operations, and the calculations follow general materiality principles. Taxonomy KPIs are calculated using the financial information presented in Notes to the Consolidated Financial Statements in Neste's Annual Report 2023. 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. Neste does not present a table for the extent of eligibility and alignment per environmental objective, as 100% of the KPIs are related to the climate change mitigation objective.

### 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 refers to Note 5 Revenue in the consolidated financial statements.



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# Turnover

Economic activities	Codes	2023		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						2022		
		Turnover (MEUR)	Proportion of Turnover (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover (%)	Category enabling activity (E)
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																		
<b>A.1. Environmentally sustainable activities</b> (Taxonomy-aligned)																		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	4,059	18	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18	
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	CCM 4.13	2,455	11	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11	
<b>Turnover of environmentally sustainable activities</b> (Taxonomy-aligned) (A.1)		6,514	28	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	29	
Of which Enabling		0	0	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0	
Of which Transitional		0	0	0%						Y	Y	Y	Y	Y	Y	Y	0	
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities)																		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	862	4	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	1	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0	
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities) (A.2)		863	4	100%	0%	0%	0%	0%	0%								3	
A. Turnover of Taxonomy eligible activities (A.1+A.2)		7,377	32	100%	0%	0%	0%	0%	0%								32	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
<b>Turnover of Taxonomy-non-eligible activities</b>		15,549	68															
Total (A+B)		22,926	100															

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU



## Capital Expenditure

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 Disclosures 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 refers to Note 29 Leases (IFRS16) in the consolidated financial statements. However, the taxonomy figures only include the proportion of the investments within the scope of the EU taxonomy and therefore cannot be directly derived from the Notes. CapEx also covers additions to tangible and intangible assets resulting from business combinations. Goodwill is excluded from the CapEx calculations.

Based on the Disclosures Delegated Act, companies can report aligned CapEx, when it is a part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned, as part of a so-called CapEx plan. Neste's taxonomy figures include investments made to expand the production capacity of existing taxonomy-aligned economic activities, which contribute to the climate change mitigation objective. Allocations to taxonomy-aligned CapEx for these activities are made based on the production volumes. The taxonomy requires figures to be restated if the current allocation to taxonomy-aligned CapEx is not fulfilled in the scope of the CapEx plan. The status of the CapEx plan will be followed up annually.

<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	912	126
Additions to intangible assets	0	0
Additions to capitalized right-of-use assets	597	78
Additions related to acquisitions <sup>1)</sup>	0	0
<b>Total CapEx (A.1 + A.2)</b>	<b>1,508</b>	<b>204</b>

<sup>1)</sup> Goodwill excluded 104 MEUR



Financial Year

CapEx

Economic activities	Codes	2023		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						2022		
		CapEx (MEUR)	Proportion of CapEx (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx (%)	Category enabling activity (E)
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																		
<b>A.1. Environmentally sustainable activities</b> (Taxonomy-aligned)																		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	723	32	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	24	
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	CCM 4.13	779	35	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	51	
Close to market research, development and innovation	CCM 9.1	7	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E
<b>CapEx of environmentally sustainable activities</b> (Taxonomy-aligned) (A.1)		1,508	68	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	75	
Of which Enabling		7	0	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0	E
Of which Transitional		0	0	0%						Y	Y	Y	Y	Y	Y	Y	0	
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities)																		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	197	9	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	7	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities) (A.2)		204	9	100%	0%	0%	0%	0%	0%								10	
A. CapEx of Taxonomy eligible activities (A.1+A.2)		1,712	77	100%	0%	0%	0%	0%	0%								85	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
<b>CapEx of Taxonomy-non-eligible activities</b>		517	23															
Total (A+B)		2,229	100															

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU



## Operating Expenses

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 related to the day-to-day servicing required to maintain tangible fixed assets. The allocation of OpEx to activities that are partially taxonomy-aligned follows the same methodology as Neste uses in the taxonomy CapEx calculation, and the expenses are therefore allocated 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 within the scope of the Taxonomy Regulation.

<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	46	3
Costs of short-term leases	12	2
Costs of maintenance and repair	82	11
<b>Total OPEX (A.1 +A.2)</b>	<b>139</b>	<b>16</b>



Financial Year

OpEx

Economic activities	Codes	2023		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						2022			
		OpEx (MEUR)	Proportion of OpEx (%)	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) OpEx (%)	Category enabling activity (E)	Category transitional activity (T)
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities</b> (Taxonomy-aligned)																			
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	72	21	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		17	
Manufacture of biogas and biofuels for use in transport and of bioliquids <sup>1)</sup>	CCM 4.13	59	17	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	Y	8	
Close to market research, development and innovation	CCM 9.1	9	3	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	Y	4	E
<b>OpEx of environmentally sustainable activities</b> (Taxonomy-aligned) (A.1)		139	40	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	Y	28	
Of which Enabling		9	6	6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	Y	13	E
Of which Transitional		0	0	0%						Y	Y	Y	Y	Y	Y	Y	Y	0	
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities)																			
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	15	4	EL	N/EL	N/EL	N/EL	N/EL	N/EL									4	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL									0	
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities</b> (not Taxonomy-aligned activities) (A.2)		16	4	100%	0%	0%	0%	0%	0%									4	
A. OpEx of Taxonomy eligible activities (A.1+A.2)		155	45	100%	0%	0%	0%	0%	0%									32	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
<b>OpEx of Taxonomy-non-eligible activities</b>		190	55																
Total (A+B)		345	100																

<sup>1)</sup> Share of waste & residue based renewable fuels sold outside of the EU



## Fossil gas related activities

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
<b>Fossil gas related activities</b>		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	Proportion of turnover					
		(CCM+CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
5	4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	40	38	40	38	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of turnover	65	62	65	62	-	-
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of turnover	105	100	105	100	-	-

Neste reports its fossil gas related activities in accordance with the Complementary Climate Delegated Act (2022/1214). Neste has exposures to natural gas related activities through its 40% ownership of Kilpilahti Power Plant Ltd, which is a joint venture company operating a combined heat and power plant. Taxonomy-eligible turnover for the activity 4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuel includes Neste's sales of natural gas to Kilpilahti Power Plant. Other fossil gas related turnover relates to Neste's natural gas sales to other parties, and refers to Note 24 and Note 25 in the parent company financial statements.

Taxonomy-eligible OpEx related to natural gas should cover direct expenses in accordance with the definitions in the Disclosures Delegated Act. As there have been no significant operating expenditures during the reporting period and the information is financially immaterial, Neste does not disclose the template for natural gas related OpEx.

Additionally, CapEx template related to natural gas is not disclosed because the investments related to the Kilpilahti Power Plant are not included in Neste's total capital expenditure. Neste did not recognize any nuclear related activities as defined in the Complementary Climate Delegated Act.

## 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 has conducted a materiality assessment once every two years in accordance with the Global Reporting Initiative (GRI) reporting framework guidelines. The most recent GRI materiality assessment was conducted in 2022. Neste's 2023 sustainability reporting is based on the recent GRI assessment, which followed an initial "double materiality" approach, combining impact materiality and financial materiality. During 2023, Neste started the preparations for the Corporate Sustainability Reporting Directive (CSRD) reporting for the 2024 financial year by conducting a double materiality assessment based on European Sustainability Reporting Standards (ESRS) which will be updated on an annual basis.

The most material topics identified for Neste in the GRI-based materiality assessment are based on their business and stakeholder influence, the outward impact on the economy, environment and people and the estimated magnitude of their impacts. The materiality assessment identified eleven material topics providing 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 an 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 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 the 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 2023, Neste was included in the Dow Jones Sustainability Index for the 17th consecutive time. Neste was included in both DJSI World and DJSI Europe. Neste received the industry's best score in climate strategy, and also performed well in human rights, environmental policy and management as well as the transparency and reporting categories. Neste achieved an AAA rating in the MSCI ESG Rating Index measuring companies resilience to long-term ESG risks, and continues to be the leading energy company on the Global 100 list of most sustainable companies by the Corporate Knights.



## 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 Neste Executive Committee decided to strengthen governance with regular reviews in 2019. Key risks related to climate change are presented to the Audit Committee in connection with the risk reviews. The responsibility for climate issue management belongs to the EVP, Renewables Supply Chain and Sustainability, who, with the sustainability organization, is responsible for managing climate-related risks and opportunities and presenting them to the Board as part of the meetings.

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, Sustainability Principle and Environmental Management 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 of all our suppliers.

We have reported relevant climate and environment metrics in the 2023 Sustainability Report. For climate, the metrics include the 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 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 for 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 to its business.

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, published by the International Energy Agency (IEA), for example. We complement our scenarios through internal analysis and identifying trends and factors relevant to our business. In 2023, we analyzed the implications for Neste of 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 2.5 °C – 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 potential impact of such drivers on Neste are evaluated in short-, medium- and long-term time horizons, with varying degrees 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. Policy and legal risks include, but are not limited to, less favorable development of greenhouse gas emissions pricing, unforeseen regulatory development for GHG reductions, and the acceptability of reduction technologies. Technology risks include for example lower-than-expected availability of, or higher-than-expected costs of, key GHG reduction technologies. Relevant market risks are 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 and scarcity of renewable raw materials. Both acute physical risks, such as extreme weather events and chronic physical risks, such as changes in precipitation patterns or rises in the sea level, may cause disruptions in our supply chain and the availability of different raw materials, as well as operating issues or damage 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 increasing global climate ambitions and related regulations continuing to increase the demand for these products.

The results of the scenario assessment provide valuable information about the adaptability and resilience of Neste's strategy. They 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 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 affects Neste's stable and secure operations and supply of raw materials. The risk may be materialized in the acceptability of raw materials to stakeholders, or in regulatory limitations that lead to a lack of sufficient raw material volumes. Future requirements for restoring and protecting biodiversity may also have impacts on our operations and value chains.

Neste is subject to a wide array of laws and regulations targeting safe operations and a 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. In 2023, a comprehensive set of leading environmental performance indicators was used in business units to reduce the risk of environmental permit violations or emissions and incidents.

Neste's operations carry an inherent risk of fires, explosions, leaks and releases of hazardous materials or other hazards that may 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 reducing its production (scopes 1 & 2) emissions by 50 % by 2030 (compared to 2019) and reaching carbon neutral production by 2035. Renewable electricity remains as a key initiative in the short-term, and Neste for example signed a purchase agreement for solar power supply in Finland. The key long-term initiative, the renewable hydrogen project aiming to build a 120 MW electrolysis unit in Porvoo proceeded to the basic engineering phase.

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 to increase the share of renewable products in our portfolio through strategic investments.

We are also committed to working with suppliers and partners to reduce the GHG emissions across our value chain (scope 3). In 2023, we continued to detail the climate roadmap for scope 3 and have already taken the first steps. We have increased our understanding of the currently available data sources and the quality of the data and reviewed the possibilities of utilizing a larger share of primary data in our GHG accounting.

Emissions from operations at Neste's refineries were in substantial compliance at all sites during 2023. 13 (3) non-compliance incidents occurred at Neste's operations with limited local environmental impact only. These include non-compliance in environmental permits of the Rotterdam refinery.

No serious environmental incidents resulting in pollution liability occurred at Neste's refineries or other production sites.

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 2023 Sustainability Report, along with the principles for calculating them. Their associated risks are discussed in the climate-related risks above.

Key figures	2023	2022
Energy efficiency, energy saving measures GWh. <sup>1)</sup> Target: Reduce Neste's energy consumption by 500 GWh during 2017–2025	27.2 GWh	42.6 GWh
GHG emissions reduction achieved with Neste's renewable products compared to fossil fuel, million tons <sup>2)</sup> Target: 20 MtCO <sub>2</sub> e annually by 2030	11.0 MtCO <sub>2</sub> e	11.1 MtCO <sub>2</sub> e
Emission limits and overruns: All deviations from environmental permits Long-term target for OP, RP and M&S: zero permit violations	Permit violations: 13, of which 6 in OP, 6 in RP and 1 in M&S.	Permit violations: 3, of which 2 in OP and 1 in RP

<sup>1)</sup> The savings consist of energy efficiency measures started during 2023, which have been scaled to cover the full year.

<sup>2)</sup> Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. The 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 in 2021: We aim to achieve a nature positive value chain by 2040, meaning that positive biodiversity impacts outweigh negative ones. We have also set the ambition level to support the vision: We aim to create net positive impacts (NPI) for biodiversity from new activities from 2025 onward, and we target no net loss (NNL) of biodiversity from all ongoing activities by 2035.

In 2023, we joined the Science Based Targets Network (SBTN) Initial Target Validation pilot and started to evaluate opportunities to set science-based targets for nature. We completed the materiality analysis for our supply chain and own operations as a part of the pilot work. We have previously concluded that water aspects are significant for biodiversity, and we will develop our water approach going forward.

We continued to develop our Net Positive Impact (NPI) methodology and conducted an NPI method pilot for two investment projects. We developed our internal engagement by introducing the NPI approach to different Neste teams. We have now included biodiversity along with climate and other topics in our sustainability vision in our major investment decision making process. We also continued to complement a biodiversity baseline inventory at our refineries to help us understand the impact of any land use change.

### 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, which is a key element of 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. All Neste's raw material suppliers are subject to additional sustainability due diligence. A key element of understanding sustainability risks in our supply chains is assessing country risks. 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.

All our raw material suppliers for our renewable products are subject to rigorous sustainability due diligence, as stated in Neste's Supplier Sustainability Approval Principle. 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 a counterparty screening. We also assess all new suppliers based on publicly available information about 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 and spills. This sustainability review was developed in 2021 to complement the existing due diligence process for our fossil raw material suppliers.

As part of our due diligence process for liquefied waste plastic suppliers, they are required to fulfill the requirements of the Neste Supplier Code of Conduct. We only accept liquefied waste plastic that is traceable and complies with the ISCC Plus certificate requirements.

Neste's key policies and principles concerning environmental matters related to the sourcing of renewable raw materials are the Neste Supplier Code of Conduct and the Responsible Sourcing Principle. Additionally, the Sustainability Principle sets out our core sustainability commitments and describes how sustainability is managed at Neste. 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 renewable 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 among NGOs and customers. 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 reduced its refinery inputs of conventional palm oil to zero at 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, engagement with suppliers and supply chain workers, 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 as raw materials. 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 2023, we updated our Neste Traceability Dashboard to provide the latest data on our palm oil and palm fatty acid distillate (PFAD) supply chains. By the end of 2023, 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 2023, we continued our PFAD supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialists from the Consortium of Resource Experts (CORE) and Earthqualizer. We also embarked on a new partnership with a satellite monitoring service provider, Satelligence. With the sustainability experts, 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. These additional tools provide us with a venue to better monitor our vast supply chains for deforestation and any grievances further upstream to the plantations. In addition, we collaborate with our partners and suppliers to drive awareness of and compliance with the new EU Deforestation Regulation. We continued to develop our Supplier Due Diligence and Supplier Sustainability Portal to digitalize renewable raw material supplier evaluation, monitoring and engagement.

Neste has established procedures for tracking and processing grievances in our supply chains for renewable raw materials. Neste defines renewable raw material grievances as concerns, allegations or complaints sent to us about an alleged breach of Neste's Supplier Code of Conduct or the Neste Responsible Sourcing Principle. When a renewable raw material grievance is brought to our attention, the grievance is channeled to the Neste Sustainability Investigation Group, a cross-functional team which considers all relevant factors and viewpoints to reach a fair and well-informed resolution, while ensuring speed and consistency in our management of grievance cases. We maintain 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. Today, these are mostly palm oil industry-related cases, but the system is one that Neste uses for all renewable raw materials.

Key figures	2023		2022	
The number of renewable raw material supplier's sustainability assessment and their outcome <sup>1)</sup>	Total:	388	Total:	325
	New approved suppliers:	249	New approved suppliers:	223
	All approved:	279	All approved:	236
	Pending:	102	Pending:	74
	Rejected:	7	Rejected:	15

<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. The foundations of 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 the OEMS apply not only to Neste's own employees but also to suppliers and partners.

Systematic OEMS self-assessments and audits continued in 2023 to ensure the requirements were fulfilled. We performed 23 on-site OEMS audits within our operations. Our safety management prioritized the identification, analysis and mitigation of high-potential incidents with severe consequences. Incorporating safety into projects such as investments, change initiatives and turnarounds remained our focus in 2023. We placed significant emphasis on organizational learning to ensure our success in this area. The Singapore expansion project, concluded in 2023, achieved an overall Total Recordable Injury Frequency (TRIF) of 0.5. This was well within our target, and high-consequence work-related injuries were avoided. The Naantali refinery demolition project, also completed in 2023, safely navigated its unique challenges without high-consequence work-related injuries.

At Neste, we aim to continuously improve contractor safety performance with our contractors through auditing, regular performance evaluation, mutual feedback and a focus on subcontracting. In 2023, the implementation of the contractor safety management model continued.

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 13 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.



### Risk of safety incidents and social matters

In process safety, Neste continues to make considerable investments to improve the process safety of fixed assets. Neste is also continuously developing its process safety practices covering leadership, competence development, performance management and learning from experience. In 2023, one of the safety priority areas was to develop and implement Neste Process Safety Fundamentals, which are learning resources with best practices for enhancing process safety understanding among frontline workers, supervisors and managers in their daily tasks.

Rising inequality is a systemic issue that creates risks for businesses and 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. Neste is committed to reducing inequalities across the value chain and addressing the root causes of systemic human rights issues, e.g., 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 2023, Neste continued to invest organizational resources into improving safety outcomes through dedicated improvement programs in business areas. Oil Products "No Harm. Together.", Marketing & Services' Contractor Safety Roadmap and Mahoney Environmental's Safety Roadmap are stand out examples, delivering tangible field safety improvements in the long term.

In 2023, Neste's occupational safety performance (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) was 2.3 (2.0 in 2022) which did not meet the target level (2.0) for 2023. Mahoney Environmental TRIF statistics were integrated into Neste's performance indicators for the first time in 2023.

Process safety performance (PSER, or the rate of process safety events per million hours worked) was 1.2 in 2023 (1.4 in 2022). This was better than the 2023 target level (1.4) and was the best year on record.

Diversity, equity and inclusion form a key part of Neste's values-led culture, human rights work and sustainability vision. Neste drives equality and non-discrimination and provides career and development opportunities for all applicants and employees based on their experience, expertise, skills and values through structured process and job criteria, regardless of their personal attributes.

Neste fosters diversity while building new business opportunities globally. We need different perspectives, backgrounds and insights to perform, innovate and execute our strategy. 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 broad employee engagement survey, we measure change through short quarterly surveys and other surveys targeted at specific employee groups.

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	2023	2022
Total recordable injury frequency, TRIF <sup>1)</sup>	2.3	2.0
Process safety event rate, PSER <sup>2)</sup>	1.2	1.4
New employee hires and employee turnover	Leaving rate of permanent employees 9.6%. Hiring rate of permanent employees 15.3%.	Leaving rate of permanent employees 10.2%. Hiring rate of permanent employees 18.3%.
Employee engagement <sup>3)</sup>	According to the employee engagement survey conducted early 2023, the employee engagement index score was 70. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 73% felt happy working at Neste, 84% understood how their own work contributes to Neste's success, 79% thought Neste acts in a responsible way, 82% said their team has everything they need to be safe at work and 83% felt comfortable being themselves at work.	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.

<sup>1)</sup>Total Recordable Incident Frequency, number of cases per million hours worked. Includes both Neste's and contractors' personnel, except for Demeter, Walco and SeQuential, and green-field expansion projects, which were internally reported and followed up separately in 2023.

<sup>2)</sup>Process Safety Event Rate, number of cases per million hours worked. The figure includes all operations in applicable facilities at Neste.

<sup>3)</sup>Demeter, Mahoney, SeQuential and Agri Trading not included.

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 which may cause severe negative impacts through our activities or business relationships.

The Neste Code of Conduct applies to the entire Neste Group and contains the 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.

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.

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 across our business operations and value chains.

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 about the 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 Peoples.

Every year we analyze the saliency of our human rights impacts based on severity and likelihood. The assessments evaluate our actual and potential impacts on people throughout the value chain at a practical level. This enables us to monitor our progress, account for any new risks resulting from changes in our business and accurately focus and prioritize our work. In 2023, we held internal workshops to expand the depth and scope of our saliency assessments for our oil products and renewable raw material supply chains.

We actively monitor and assess risks to people in our own operations. In 2023, we completed Sedex self-assessment for our refinery in Porvoo, allowing us to thoroughly assess gaps in our management systems and human rights due diligence. The same assessments are ongoing for our Rotterdam and Singapore refineries. We also established permanent site-level complaints channels at our refineries to address the concerns of contracted and subcontracted workers, including migrant

workers. These channels, accessible via QR codes on posters discreetly placed around the sites, enable workers to submit anonymous complaints directly to Neste. The posters inform workers of their rights in various languages and use illustrations and simple terminology to encourage them to report situations in which they may be experiencing exploitation.

In 2023, to improve our due diligence in Neste’s shipping operations, we surveyed Neste’s time charter vessel partners on their human rights and labor practices, enhancing our visibility in the issues impacting seafarers working on our chartered vessels.

We continued to strengthen our due diligence for sourcing products and services under Indirect Procurement. In 2023, we conducted workshops to identify risks in three major Indirect Procurement sourcing categories, added “no-recruitment fee” clauses to contracts with recruitment agencies and staffing firms used by Neste, and improved our tendering surveys to include stronger human rights criteria for extractives suppliers.

In 2022–2023, we launched and implemented worker voice technology in Neste’s operations and supply chains to scale up our worker engagement. The technology uses an audiovisual survey to enable direct and anonymous engagement with workers on mobile devices. Since launching the technology, we have conducted anonymous worker voice surveys across the Middle East, USA, India, and Finland with 215 workers. The survey provides insights into various topics affecting workers employed by our suppliers and contractors such as inequality, living wages, recruitment fees and children’s access to education.

Human rights topics are included in our global induction for all new Neste employees, as well as our Code of Conduct and Supplier Code of Conduct e-learning courses. 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 remediate adverse human rights impacts where necessary.

Key figures	2023	2022
Human Rights Due Diligence carried out for key business areas/functions.	Four major assessments/initiatives undertaken in 2023: 1) Corporate-wide assessment to review Neste’s salient issues and mitigation actions. 2) Surveyed Neste’s time charter vessel partners on their human rights and labor practices. 3) Living wage gap assessments completed for Neste’s own employees globally. 4) Sedex assessments completed for our Porvoo refinery, and ongoing for Rotterdam and Singapore refineries.	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.
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 and bribery 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 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 about 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 risks 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, an annual compliance acknowledgment, 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 provides more detailed guidance on responsible business practices. Anti-Corruption topics are regularly communicated and trained to the organization, including an Anti-Corruption e-learning course re-issued to office workers in 2022. 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 about Neste's grievance process and the related Misconduct Investigation Standard is available in the Corporate Governance Statement.

Neste also has an Anti-Money Laundering and Counter-Terrorist Financing (CTF) Standard in place, detailing Neste's guidance and process in relation to preventing money laundering risks. A related Anti-Money Laundering e-learning was re-issued in 2023 to targeted employees, as further described in the Sustainability Report's Compliance section.

Neste regularly raises awareness of and trains in its Code of Conduct, including a Code of Conduct e-learning, the latest version of which was issued in 2021. The e-learning course also covers anti-corruption topics and guidelines on 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. Furthermore, Neste carried out targeted Code of Conduct workshops for management in 2023.

A total of 30 suspected misconduct incidents were reported during 2023. As 4 reports concerned the same incident there were a total of 27 suspected misconduct investigations in 2023. 17 of these 30 reports came via the EthicsOnline system. Confirmed misconduct by Neste employees was identified in 5 of the completed investigations, all leading to further action and/or process improvements. No confirmed misconduct was related to corruption or bribery. Furthermore, no misconduct was found in 19 completed investigations. 3 investigations are pending. Neste's Investigation Group investigates the received reports and reports 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 6 investigations in 2023, the Neste Investigation Group retained independent external forensic and/or legal expertise to conduct the investigation.

Targeted training in anti-corruption, anti-money laundering, competition law compliance, trade sanction compliance and privacy was conducted with defined target groups.

Key figures	2023	2022
<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 30 (4 concerning the same issue) of which employment matters 10 reports, discrimination and harassment 6, fraud 3, supplier/business partner misconduct/unethical behavior 4, conflict of interest 3, inappropriate behavior 2, sustainability 1 and unethical conduct towards clients/suppliers/business contacts 1. Misconduct by Neste employees confirmed in 5 cases, related to theft/fraud, leadership oversight, manager conduct and/or inappropriate behavior. All leading to further actions and/or process improvements. 3 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 14 of which employment matters 2 reports, discrimination and harassment 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>



## Outlook

### Short term market outlook

The uncertainty in the global economic outlook and geopolitical situation continues. We expect market volatility in Renewable Products and Oil Products to remain high. In Renewable Products, bioticket and renewable credit prices have decreased to a lower level in early 2024 compared to 2023. In Oil Products, the refining market has stayed relatively stable during the beginning of 2024.

### Guidance

Renewable Products' total sales volume is expected to increase from 2023 and to reach approximately 4.4 Mt (+/- 10%) in 2024, out of which SAF sales volume is expected to be 0.5–1.0 Mt. Renewable Products' full-year 2024 average comparable sales margin is expected to be in the range of USD 600–800/ton.

Oil Products' total sales volume in 2024 is expected to be lower than in 2023, impacted by the planned Porvoo major turnaround in the second quarter. Oil Products' full-year 2024 total refining margin is expected to be lower than in 2023.

### Additional information

In Renewable Products, Singapore is scheduled to have a 6-week and Rotterdam a 4-week maintenance shutdown in the third quarter. Singapore's new line is also scheduled to have an 8-week maintenance shutdown in the fourth quarter. Renewable Products' full-year sales volume is impacted by the planned maintenance shutdowns and the ramp-up timeline of Martinez and the Singapore new line to reach full capacity. In Singapore, stable SAF production was reached in the fourth quarter and SAF sales are expected to increase from the second quarter onwards. Martinez Renewables facility is currently operating at slightly below 50% of nameplate capacity, following the fire at the end of 2023. Work is ongoing to proceed with repairs to ensure safe and reliable operations.

In Oil Products, the Porvoo major turnaround is scheduled for the second quarter with an estimated capex of EUR 390 million and a comparable EBITDA impact of approximately EUR 190 million for Oil Products and EUR 40 million for Renewable Products. The two-day strike at the beginning of February had an impact on customer deliveries from Porvoo refinery and affected production over a 5-7 days period.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern.

The Group's total fixed costs in 2024 are expected to be somewhat higher than in 2023 due to the Porvoo major turnaround and the build-up of resources for the growth projects under construction. The fixed costs growth trend is expected to level out compared to 2023 due to cost saving and efficiency measures.

The Group's full-year 2024 cash-out capital expenditure excluding M&A is estimated to be approximately EUR 1.4–1.6 billion. The share of maintenance and strategic capex is expected to represent approximately 40% and 60%, respectively, as the Porvoo major turnaround increases maintenance capex.

## Dividend distribution proposal

Neste's policy is to pay a competitive and over time growing dividend. The parent company's distributable equity as of 31 December 2023 amounted to EUR 3,835 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 a dividend of EUR 1.20 per share shall be paid on the basis of the approved balance sheet for 2023. The dividend shall be paid in two installments.

The first installment of the dividend, EUR 0.60 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 2 April 2024. The Board proposes to the AGM that the first installment of the dividend would be paid on 9 April 2024.

The second installment of the dividend, EUR 0.60 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 installment of the dividend, which shall be 2 October 2024. The Board proposes to the AGM that the second installment of the dividend would be paid on 9 October 2024. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The proposed total dividend EUR 1.20 per share represents a yield of 3.7% (at year-end 2023 share price of EUR 32.21) and 41.6% of the comparable earnings per share in 2023. The total dividend payout in 2024 amounts to approximately EUR 922 million.



## Key Figures

Income statement		2023	2022	2021
Revenue	EUR million	22,926	25,707	15,148
EBITDA	EUR million	2,548	3,048	2,607
- of revenue	%	11.1	11.9	17.2
Operating profit	EUR million	1,682	2,410	2,023
- of revenue	%	7.3	9.4	13.4
Profit before income taxes	EUR million	1,596	2,279	1,962
- of revenue	%	7.0	8.9	13.0
Profit for the period	EUR million	1,436	1,891	1,774
- of revenue	%	6.3	7.4	11.7
Comparable EBITDA	EUR million	3,458	3,537	1,920
Comparable net profit	EUR million	2,216	2,336	1,179
<b>Profitability</b>				
Return on equity (ROE)	%	17.9	25.1	28.5
Comparable return on average capital employed, after tax (Comparable ROACE)	%	23.9	30.1	18.3
<b>Financing and financial position</b>				
Interest-bearing net debt	EUR million	2,488	1,344	41
Leverage ratio	%	22.7	13.9	0.6
Equity-to-assets ratio	%	53.1	56.3	56.6
Net Debt to EBITDA	%	1.0	0.4	0.0
<b>Other indicators</b>				
Capital employed	EUR million	12,532	10,942	8,742
Net working capital in days outstanding		41.0	35.4	33.3
Capital expenditure and investments in shares	EUR million	2,351	2,218	1,535
- of revenue	%	10.3	8.6	10.1
Research and development expenditure	EUR million	94	85	67
- of revenue	%	0.4	0.3	0.4
Average number of personnel		6,018	5,244	4,872

Share-related indicators		2023	2022	2021
Earnings per share (EPS)	EUR	1.87	2.46	2.31
Comparable earnings per share	EUR	2.88	3.04	1.54
Equity per share	EUR	11.02	10.83	9.09
Cash flow per share	EUR	2.97	1.56	2.60
Price / earnings ratio (P/E)		17.26	17.50	18.79
Dividend per share	EUR	1.20 <sup>1)</sup>	1.52	0.82
Dividend payout ratio	%	64.3 <sup>1)</sup>	61.8	35.5
Dividend yield	%	3.7 <sup>1)</sup>	3.5	1.9
<b>Share prices</b>				
Closing price	EUR	32.21	43.02	43.36
Average price	EUR	37.66	42.26	50.99
Lowest price	EUR	28.55	30.81	41.17
Highest price	EUR	48.50	52.18	64.74
Market capitalization	EUR million	24,776	33,091	33,353
<b>Trading volumes</b>				
Number of shares traded	1,000	242,189	270,643	246,647
- of weighted average number of shares	%	32	35	32
Weighted average number of shares outstanding		768,175,637	768,060,103	767,643,112
Number of shares outstanding at the end of the period		768,199,747	768,083,170	767,969,396

<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	2023	2022	2021
<b>Comparable EBITDA</b>	3,458	3,537	1,920
<b>IS</b> Depreciation, amortization and impairments	-866	-638	-584
Items in depreciation, amortization and impairments affecting comparability	0	27	5
<b>IS</b> Total financial income and expenses	-86	-131	-61
<b>IS</b> Income tax expense	-160	-388	-188
<b>IS</b> Non-controlling interests	-3	-3	-2
Tax on items affecting comparability	-128	-68	89
<b>Comparable net profit</b>	2,216	2,336	1,179

### Reconciliation of comparable return on average capital employed, after tax (Comparable ROACE), %

EUR million	2023	2022	2021
<b>Comparable EBITDA, last 12 months</b>	3,458	3,537	1,920
<b>IS</b> Depreciation, amortization and impairments	-866	-638	-584
Items in depreciation, amortization and impairments affecting comparability	0	27	5
<b>IS</b> Financial income	45	9	4
<b>IS</b> Exchange rate and fair value gains and losses	-9	-80	-10
<b>IS</b> Income tax expense	-160	-388	-188
Tax on other items affecting Comparable ROACE	-145	-76	82
Comparable net profit, net of tax	2,324	2,391	1,229
Capital employed average	11,514	9,823	7,952
Assets under construction average	-1,789	-1,880	-1,250
<b>Return on comparable average capital employed, after tax (Comparable ROACE), %</b>	23.9	30.1	18.3

### Reconciliation of equity-to-assets ratio, %

EUR million	2023	2022	2021
<b>BS</b> Total equity	8,463	8,327	6,985
<b>BS</b> Total assets	15,983	14,917	12,417
Advances received	-39	-138	-86
<b>Equity-to-assets ratio, %</b>	53.1	56.3	56.6

### Reconciliation of net working capital in days outstanding

EUR million	2023	2022	2021
Operative receivables	1,788	1,902	1,561
<b>BS</b> Inventories	3,366	3,648	2,618
Operative liabilities	-2,581	-3,057	-2,795
Net working capital	2,573	2,494	1,384
<b>IS</b> Revenue	22,926	25,707	15,148
<b>Net working capital in days outstanding</b>	41.0	35.4	33.3



## 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 used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.
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 (Comparable 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 (Comparable 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 (Comparable 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	$\frac{\text{Segment comparable EBITDA, last 12 months - depreciation, amortization and impairments +/- items in depreciation, amortization and impairments affecting comparability}}{\text{Average segment net assets, 5 quarters end values}}$	Neste uses comparable return on net assets to follow the underlying operational performance of its operating segments.
Segment net assets	=	Property, plant and equipment + goodwill + 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.
<b>Calculation of share-related indicators</b>			
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	
<b>Calculation of key drivers</b>			
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)	=	$\frac{\text{Comparable sales margin x average EUR/USD exchange rate for the period}}{\text{Sales volumes of renewable diesel, sustainable aviation fuel and other products}}$	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.



NESTE

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# Financials





# Financial Statements

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## Consolidated Statement of Income

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Revenue</b>	4, 5	22,926	25,707
Other income	6	55	54
Share of profit (loss) of associates and joint ventures	15	1	2
Materials and services	7	-19,098	-21,648
Employee benefit costs	8	-642	-545
Depreciation, amortization and impairments	4	-866	-638
Other expenses	9	-695	-522
<b>Operating profit</b>		1,682	2,410
<b>Financial income and expenses</b>	10		
Financial income		45	9
Financial expenses		-122	-60
Exchange rate and fair value gains and losses		-9	-80
<b>Total financial income and expenses</b>		-86	-131
<b>Profit before income taxes</b>		1,596	2,279
Income tax expense	11	-160	-388
<b>Profit for the period</b>		1,436	1,891
<b>Profit attributable to</b>			
Owners of the parent		1,433	1,888
Non-controlling interests		3	3
		1,436	1,891
<b>Earnings per share from profit attributable to owners of the parent (in euro per share)</b>	12		
Basic earnings per share		1.87	2.46
Diluted earnings per share		1.87	2.46

## Consolidated Statement of Comprehensive Income

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Profit for the period</b>	1,436	1,891
<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	11	18
Net change of other investments at fair value	-3	-5
Total	8	13
<b>Items that may be reclassified subsequently to profit or loss</b>		
Translation differences	-66	-56
Cash flow hedges		
recorded in equity	50	19
transferred to income statement	-85	90
Share of other comprehensive income of investments accounted for using the equity method	-4	17
Total	-105	70
<b>Other comprehensive income for the period, net of tax</b>	-97	82
<b>Total comprehensive income for the period</b>	1,339	1,973
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	1,336	1,970
Non-controlling interests	3	3
	1,339	1,973

The notes are an integral part of these consolidated financial statements.



## Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	496	401
Intangible assets	13	185	169
Property, plant and equipment	14	7,786	6,570
Investments in associates and joint ventures	15	58	63
Non-current receivables	17	126	103
Deferred tax assets	11	127	59
Derivative financial instruments	16, 19	26	5
Other financial assets	17	54	44
<b>Total non-current assets</b>		8,858	7,413
<b>Current assets</b>			
Inventories	18	3,366	3,648
Trade and other receivables	17	1,913	2,138
Current tax assets		76	40
Derivative financial instruments	16, 19	190	406
Current investments	17	5	0
Cash and cash equivalents	17	1,575	1,271
<b>Total current assets</b>		7,125	7,504
<b>Total assets</b>		15,983	14,917

EUR million	Note	31 Dec 2023	31 Dec 2022
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the parent</b>			
	20		
Share capital		40	40
Other equity		8,423	8,282
<b>Total</b>		8,463	8,322
<b>Non-controlling interests</b>			
<b>Total equity</b>		8,463	8,327
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	21	3,487	1,964
Deferred tax liabilities	11	317	336
Provisions	22	187	200
Pension liabilities	23	93	119
Derivative financial instruments	16, 19	6	12
Other non-current liabilities	21	42	43
<b>Total non-current liabilities</b>		4,132	2,674
<b>Current liabilities</b>			
Interest-bearing liabilities	21	581	651
Current tax liabilities		15	43
Derivative financial instruments	16, 19	212	200
Trade and other payables	21	2,580	3,022
<b>Total current liabilities</b>		3,388	3,916
<b>Total liabilities</b>		7,520	6,590
<b>Total equity and liabilities</b>		15,983	14,917

The notes are an integral part of these consolidated financial statements.



## Consolidated Cash Flow Statement

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Cash flows from operating activities</b>			
Profit before income taxes		1,596	2,279
Adjustments for			
Share of profit (loss) of associates and joint ventures	4, 15	-1	-2
Depreciation, amortization and impairments	4	866	638
Other non-cash income and expenses		109	-53
Financial expenses - net	10	86	131
Profit / loss from disposal of fixed assets and shares		0	0
Cash flow before change in net working capital		2,656	2,994
Change in net working capital			
Decrease (+) / increase (-) in trade and other receivables		99	-322
Decrease (+) / increase (-) in inventories		261	-1,037
Decrease (-) / increase (+) in trade and other payables		-338	2
Change in net working capital		21	-1,357
Cash generated from operations		2,677	1,637
Interest and other finance cost paid		-109	-59
Interest income received		34	6
Realized foreign exchange gains and losses		-17	11
Income taxes paid		-307	-398
Finance cost and income taxes paid		-398	-440
<b>Net cash generated from operating activities</b>		<b>2,279</b>	<b>1,197</b>

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		-1,403	-1,670
Purchases of intangible assets	13	-27	-73
Acquisitions of subsidiaries		-176	-14
Proceeds from sales of shares in subsidiaries, joint arrangements and business operations		0	157
Proceeds from capital repayments in joint arrangements	15	0	13
Proceeds from sales of property, plant and equipment		0	30
Changes in long-term receivables and other financial assets		78	-31
<b>Cash flows from investing activities</b>		<b>-1,528</b>	<b>-1,588</b>
<b>Cash flow before financing activities</b>		<b>751</b>	<b>-390</b>
<b>Cash flows from financing activities</b>			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		-380	260
Proceeds from non-current interest-bearing liabilities		1,591	899
Repayments of non-current interest-bearing liabilities		-209	-407
Repayments of lease liabilities		-254	-157
Transactions with non-controlling interests		-18	0
Dividends paid to the owners of the parent		-1,168	-630
Dividends paid to non-controlling interests		-3	-2
<b>Cash flows from financing activities</b>		<b>-441</b>	<b>-37</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>		<b>311</b>	<b>-427</b>
Cash and cash equivalents at beginning of the period		1,271	1,696
Exchange gains (+) / losses (-) on cash and cash equivalents		-7	3
<b>Cash and cash equivalents at end of the period</b>	<b>17</b>	<b>1,575</b>	<b>1,271</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 2023</b>		40	7	16	-5	98	-78	-66	8,309	<b>8,322</b>	5	<b>8,327</b>
Profit for the period									1,433	<b>1,433</b>	3	<b>1,436</b>
Other comprehensive income for the period, net of tax						-43	11	-66		<b>-97</b>	0	<b>-97</b>
Total comprehensive income for the period		0	0	0	0	-43	11	-66	1,433	<b>1,336</b>	3	<b>1,339</b>
Transactions with the owners in their capacity as owners												
Dividend decision									-1,168	<b>-1,168</b>	-3	<b>-1,171</b>
Transactions with non-controlling interests									-27	<b>-27</b>	-4	<b>-31</b>
Share-based compensation					1				0	<b>1</b>		<b>1</b>
Transfer from retained earnings			0						0	<b>-1</b>		<b>-1</b>
<b>Total equity at 31 December 2023</b>	20	40	7	16	-5	56	-67	-131	8,548	<b>8,463</b>	0	<b>8,463</b>
<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>

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, Neste has a joint operation together with Marathon Petroleum to produce renewable diesel 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 7th of February 2024.

## 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 2023. 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 2023 (unless otherwise stated):

- Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
- Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 Income Taxes

Neste has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes from 1 January 2023. The impact relates only to disclosure of the deferred tax assets and liabilities recognized in Note 11 Income taxes.

Neste has prepared for the adoption of minimum tax rules (Pillar 2) in the beginning of 2024. More information about the impacts can be found in Note 11 Income taxes.

### 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 as adopted by EU 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. 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 Goodwill and Intangible assets and 23 Employee benefit obligations.



## Climate related topics

Climate commitments are part of Neste's corporate strategy. Neste has a two-pronged approach to combating climate change. Neste enables our customers to reduce their greenhouse gas (GHG) emissions with renewable and circular products. At the same time, Neste is committed to 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 may entail changes for Neste. Policy and legal risks include, but are not limited to, less favorable development of greenhouse gas emissions pricing, unforeseen regulatory development for GHG reductions, and the acceptability of reduction technologies. Relevant market risks are 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 and scarcity of renewable raw materials.

The adaptability and resilience of Neste's strategy to climate change also creates opportunities by contributing to the transition to a lower-carbon economy. Neste's 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 Goodwill and Intangible assets.

Neste uses green finance in accordance with its Green Finance Framework to further the achievement of climate targets. During 2023, Neste issued three green bonds. More information in Note 21 Financial liabilities.

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. 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.

Changes in non-controlling interest without losing control, due to changes in ownership interest of a subsidiary, are accounted for as equity transactions. Subsidiaries are treated as 100% owned subsidiaries, if Neste has an obligation to redeem the remaining non-controlling interest within an agreed period. Thus, the share of the non-controlling interest is not recognized in the statement of financial position and the non-controlling shareholders' share of the financial year's profit is included until the recognition of the obligation. The obligation is measured at fair value and recorded as a liability in the consolidated statement of financial position.

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 parent 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 parent 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.

### 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.

Neste finalized a transaction to establish a joint arrangement, called Martinez Renewables, for production of renewable fuels together with Marathon Petroleum in 2022. Through the transaction, Neste obtained a 50% interest in Martinez Renewables. 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 recognizes 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 29 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 and allocated to the translation differences in equity. 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, open exposures of the transaction position are hedged without delay when the underlying pricing-in or pricing-out occurs if existing hedging instruments provide appropriate hedging efficiency.



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 price quotations 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 position 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 U.S. 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 business. Deviations from the benchmark hedging ratio are allowed in line with the limits set by the Corporate risk management policy. The most important hedged currency is the U.S. dollar. Other currencies to which Neste is exposed to are the Swedish crown (SEK), the Chinese renminbi (CNY), the Singapore dollar (SGD), the Australian dollar (AUD). 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. The reporting 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 material currency exposures related to investments.

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 the Corporate risk management policy. 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 U.S. 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 2023, the daily balance sheet exposure fluctuated between approximately USD 827 million and 2,322 million (2022: USD 1,346 million and 3,429 million).

### USD transaction exposure under hedge accounting

MUSD	31 Dec 2023	31 Dec 2022
Net exposure, 12 months	6,096	6,269
Hedging, 12 months (forward)	2,795	3,182
Average rate of hedging	1.089	1.050

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 2023, the most important translation exposures were: U.S. dollar EUR 3,106 million and Swedish Crown EUR 87 million (2022: U.S dollar EUR 2,747 million, Swedish Crown EUR 89 million). Neste has not hedged the exposures in 2023 or 2022.



### 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 2023, the duration was 34 months (2022: 29 months). In addition to duration, Neste has defined a limitation for interest flow risk.

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. The nominal and fair values of the outstanding interest rate derivative contracts as of 31 December 2023 (2022) are summarized in Note 19.

The re-pricing period of interest-bearing liabilities occurs 2023	Within 1 year	1 year– 5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	759	0	0	759
Other loans	1	0	0	1
Effect of interest rate swaps	550	0	0	550
Financial instruments with fixed interest rate				
Bonds	201	496	1,614	2,311
Lease liabilities	199	370	398	967
Other loans	30	0	0	30
Effect of interest rate swaps	0	0	-550	-550
	1,740	866	1,462	4,068

The re-pricing period of interest-bearing liabilities 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

### 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 2024 (2023), 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 total 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 refining margin is based on nameplate capacity at end of 2023, representing an impact from a change of 50 USD/ton

Approximate impact on operating profit, excluding hedges		2024	2023
+/- 10% in the EUR/USD exchange rate	EUR million	-502/+613	-534/+653
+/- USD 1.00/barrel in Oil Products total refining margin	USD million	+/-80	+/-90
+/- USD 10/barrel in crude oil price for Oil Products <sup>1)</sup>	USD million	+/-110	+/-115
+/- USD 50/t in Renewable Products refining margin <sup>2)</sup>	USD million	+/-270	+/-170

<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 2023 (2022). 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 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		2023		2022	
		Income statement	Equity	Income statement	Equity
+/- 20% change in oil price <sup>1)</sup>	EUR million	+/- 37	+/- 0	-/+27	+/-0
+/- 10% change in EUR/USD exchange rate	EUR million	+144/-176	+197/-197	+175/-214	+219/-218
+/- 1% parallel shift in interest rates	EUR million	-/+8	+/-0	-/+6	+/-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 2023 was 5.1 years (2022: 2.5 years). The most important financing programs in place are committed revolving multicurrency credit agreement of EUR 1,200 million, other committed revolving credit agreements totaling EUR 550 million, committed overdraft facilities totaling EUR 150 million and uncommitted domestic commercial paper program of EUR 400 million.

Liquid funds and committed unutilized credit facilities	31 Dec 2023	31 Dec 2022
Liquid funds	1,580	1,271
Overdraft facilities, expiring within one year	150	150
Revolving credit facility, expiring beyond one year <sup>1)</sup>	1,750	1,450
Total	3,480	2,871
In addition: unused commercial paper program (uncommitted)	400	54

<sup>1)</sup> EUR 1,200 million revolving credit agreement dated 18 December, 2019 for general corporate purposes. The agreement has a tenor of five years with two one-year extension options. The margin under the agreement will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target. EUR 250 million revolving credit agreement dated 23 December 2022, EUR 175 million revolving credit agreement dated 20 April 2023 and EUR 125 million revolving credit agreement dated 28 April 2023 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 2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029–</b>	<b>Total</b>
Trade payables and other liabilities	2,433	10	2	2	2	24	2,473
Interest-bearing liabilities							
Bonds <sup>1)</sup>	201	0	0	0	500	1,600	2,301
Loans from financial institutions	149	6	506	98	0	0	759
Lease liabilities <sup>2)</sup>	199	145	98	70	58	398	967
Other loans	32	0	0	0	0	0	32
Interest of lease liabilities	50	41	36	32	28	310	497
Interest of other liabilities	91	95	82	72	68	195	604
Total	3,154	297	723	274	655	2,528	7,633
Commodity derivatives	203	6	0	0	0	0	209
Gross settled forward foreign exchange contracts							
- inflow (-)	-770	0	0	0	0	0	-770
- outflow	779	0	0	0	0	0	779
Derivatives total	212	6	0	0	0	0	219

<sup>1)</sup> Refer to Note 21 Financial liabilities for further information

<sup>2)</sup> Refer to Note 29 Leases for further information

<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
Total	3,597	580	594	52	136	1,089	6,048
Commodity derivatives	157	12	0	0	0	0	169
Gross settled forward foreign exchange contracts							
- inflow (-)	-1,683	-3	0	0	0	0	-1,686
- outflow	1,725	3	0	0	0	0	1,728
Derivatives total	199	12	0	0	0	0	211

<sup>1)</sup> Refer to Note 21 Financial liabilities for further information

<sup>2)</sup> Refer to Note 29 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 transactions, derivative transactions, 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 2023, Neste had received EUR 1 million in cash collateral (2022: EUR 34 million) and EUR 0 million letter of credit (2022: EUR 0 million) due to CSA agreements. Neste had issued EUR 35 million in cash collateral (2022: EUR 27 million) and EUR 0 million letter of credit (2022: EUR 0 million) due to CSA agreements.

	31 Dec 2023				31 Dec 2022			
	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	217	0	219	23	411	51	211	8
Related liabilities or assets subject to master netting agreements	120	0	120	0	165	0	165	0
CSA agreements	1	0	35	0	34	0	27	0
Net exposure	96	0	64	23	212	51	19	8



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 2023: 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 2023 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 expected credit 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 17 million (2022: EUR 12 million). Recognized credit loss of trade receivables amounts to EUR 1 million (2022: EUR 8 million).

<b>Analysis of trade receivables by age</b>	<b>31 Dec 2023</b>	<b>Probability of Credit Loss, %</b>	<b>31 Dec 2022</b>	<b>Probability of Credit Loss, %</b>
not past due	1,263	0–0.04%	1,552	0–0.04%
1–30 days overdue	179	0.01–4%	89	0.01–4%
31–60 days overdue	47	5–43%	6	5–43%
61–90 days overdue	17	10–55%	3	10–55%
91–180 days overdue <sup>1)</sup>	73	25–100%	8	25–100%
more than 180 days overdue <sup>1)</sup>	43	100%	31	100%
Trade receivables total	1,622		1,688	
Impairment loss	-17		-12	
Trade receivables – Net	1,605		1,675	

<sup>1)</sup> Blender's Tax Credit receivables from the US tax authorities on 31.12.2023 were total EUR 156 million, of which EUR 64 million 91–180 days overdue and EUR 19 million more than 180 days overdue.

Trade receivables and contract 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 trade receivables or contract assets 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 recognized in profit or loss as a reversal of the write-off.



## 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 2023	31 Dec 2022
Total interest-bearing liabilities	4,068	2,615
Liquid funds	1,580	1,271
Interest-bearing net debt	2,488	1,344
Total equity	8,463	8,327
Interest-bearing net debt and total equity	10,952	9,671
Leverage ratio	22.7%	13.9%

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2023	-1,271	0	535	2,080	1,344
Cash flows	-327	-5	-254	1,033	447
New lease liabilities	0	0	765	0	765
Acquisitions and disposals	0	0	1	6	7
Foreign exchange differences	24	0	-8	-19	-3
Other non-cash movements	0	0	-72	0	-72
Net debt as at 31 December 2023	-1,575	-5	967	3,101	2,488

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	-115	0	-17	0	-132
Net debt as at 31 December 2022	-1,271	0	535	2,080	1,344



## 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 is 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 in the Neste's 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, goodwill, intangible assets, investments in associates and joint ventures, inventories and operative receivables. They exclude current and 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, current and non-current 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

On 1 November 2023, Neste announced plans to simplify its organizational structure to secure the execution of its growth strategy with improved efficiency and to strengthen its long-term competitiveness. The changes in organizational structure have an impact on Neste's segment reporting. Neste's operations are built around three business areas and five 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: Renewables Supply Chain and Sustainability, Technology and Projects, Finance, Strategy and IT, HR, Safety and Communications and Legal. The common functions are responsible for supporting business areas and other organizations, and ensure their cost efficiency, transparency, and harmonization of processes 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, sustainable aviation fuel and solutions, renewable solvents as well as feedstock for bioplastics based on Neste's proprietary technology to domestic and international wholesale markets. Renewable diesel is currently produced at our refineries in Finland, the Netherlands and Singapore entirely from renewable raw materials with an annual nameplate capacity of approximately 3.3 million tons. Neste's Singapore refinery expansion and joint operation with Marathon Petroleum in Martinez, California, will increase Neste's total production nameplate capacity of renewable products to 5.5 million tons in 2024. 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 Neste to meet the increasing global demand for renewable and circular products. 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-aligned 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 at Neste including climate related matters can be found both in the Sustainability report and the Non-Financial Information Statement in the 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, 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 Shipping's chartering operations are included in the Oil Products segment.

Neste has in December 2023 completed the strategic study launched in September 2022, and begins a gradual transformation of its crude oil refinery in Porvoo, Finland into a leading renewable and circular solutions refining hub. The planned transformation will proceed in phases, and requires multiple separate investment decisions during the next decade before targeted completion in the mid 2030s. Neste expects the long-term capacity potential after the transformation to be about 3 million tons of renewable and circular products, such as renewable diesel, sustainable aviation fuel and both renewable and circular feedstock for the polymers and chemicals industry. The total investment estimate for the transformation roadmap is approximately EUR 2.5 billion.

**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.

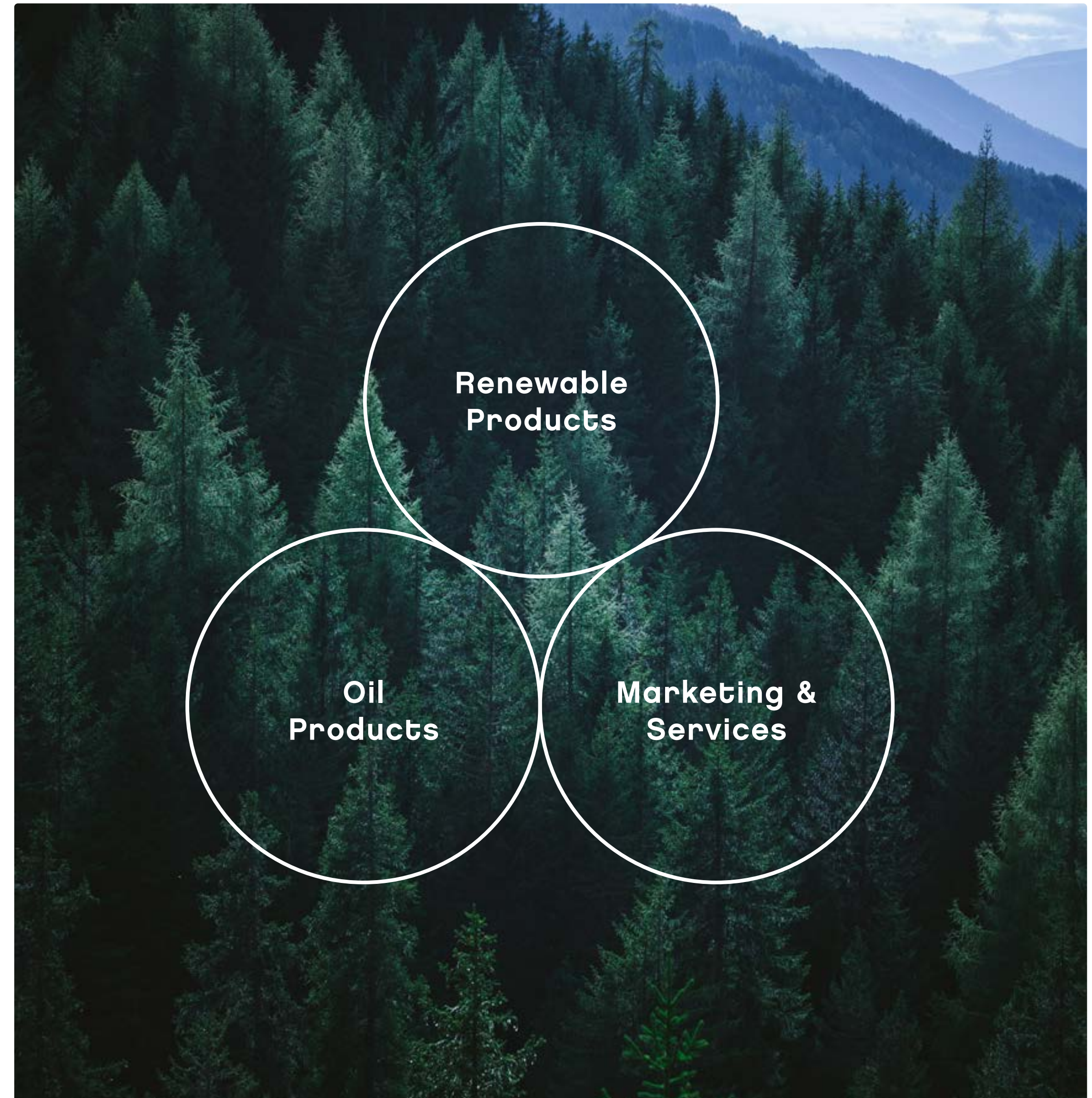
**The Others segment** consists of the Engineering Solutions and common corporate costs.

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 2023 and 2022 did not result in any major concentration in any given geographical area or operating segment.





Information about Nestlé's operating segments as of and for the years ended December 31, 2023 and 2022 is presented in the following tables:

<b>2023</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	8,212	9,566	5,123	26	0	22,926	
Internal revenue	254	3,720	45	75	-4,094	0	
<b>IS</b> Total revenue	8,466	13,285	5,168	100	-4,094	22,926	5
<b>IS</b> Other income	12	16	4	46	-23	55	6
<b>IS, CF</b> Share of profit (loss) of associates and joint ventures	-4	5	0	0	0	1	15
<b>IS</b> Materials and services	-6,624	-11,548	-4,945	-14	4,033	-19,098	7
<b>IS</b> Employee benefit costs	-282	-146	-32	-181	0	-642	8
<b>IS, CF</b> Depreciation, amortization and impairments	-480	-307	-33	-46	0	-866	
<b>IS</b> Other expenses	-519	-238	-77	54	85	-695	9
<b>IS</b> Operating profit <sup>1)</sup>	568	1,068	84	-41	2	1,682	
<b>IS</b> Financial income and expense						-86	10
<b>IS</b> Profit before income taxes						1,596	
<b>IS</b> Income tax expense						-160	11
<b>IS</b> Profit for the period						1,436	
Comparable EBITDA	1,906	1,434	118	-2	2	3,458	
inventory valuation gains/losses	-784	-43	0	0	0	-827	
changes in the fair value of open commodity and currency derivatives	-73	-25	0	0	0	-98	
capital gains and losses	0	5	0	2	0	7	
other adjustments	0	4	-1	5	0	8	
EBITDA	1,049	1,375	117	5	2	2,548	
<b>IS, CF</b> Depreciation, amortization and impairments	-480	-307	-33	-46	0	-866	
<b>IS</b> Operating profit	568	1,068	84	-41	2	1,682	

<sup>1)</sup>The US Blender's Tax Credit (BTC) contribution was EUR 417 million on the Renewable Products' operating profit in 2023.



<b>2023</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	1,915	336	38	61	0	2,351	
Segment operating assets	9,242	3,824	647	480	-397	13,794	
<b>BS</b> Investments in associates and joint ventures	33	25	0	0	0	58	15
<b>BS</b> Deferred tax assets						127	11
Unallocated assets						2,004	
<b>BS</b> Total assets	9,275	3,849	647	480	-397	15,983	
Segment operating liabilities	2,046	1,521	473	384	-387	4,037	
<b>BS</b> Deferred tax liabilities						317	11
Unallocated liabilities						3,166	
<b>BS</b> Total liabilities	2,046	1,521	473	384	-387	7,520	
Segment net assets	8,069	2,384	236	104	-11	10,783	
Return on net assets, %	7.5	42.6	34.6				
Comparable return on net assets, %	18.9	45.0	35.2				



<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				
Comparable return on net assets, %	26.6	48.0	40.5				

## Geographical information

Neste operates production facilities in Finland, Singapore, the Netherlands and in the USA 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 goodwill, 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 and Poland. Neste's activities in this geographical area consists mainly of retail activities in the aforementioned countries.

<b>2023</b>	<b>Finland</b>	<b>Other Nordic countries</b>	<b>Baltic rim</b>	<b>Other European countries</b>	<b>North and South America <sup>1)</sup></b>	<b>Other countries</b>	<b>Group</b>
<b>IS</b> Revenue by destination	6,515	3,278	1,715	4,775	6,437	205	22,926
Non-current assets	2,578	2	78	1,779	2,022	2,065	8,525
Capital expenditure	415	3	11	774	814	334	2,351

<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 <sup>1)</sup></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

<sup>1)</sup> Mainly related to the USA.



## 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, 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	2023					2022				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
<b>External revenue</b>										
Fuels <sup>1)</sup>	7,522	9,162	5,003	0	21,687	8,629	9,538	5,679	0	23,846
Middle distillates	7,383	5,141	3,986	0	16,510	8,467	5,283	4,559	0	18,309
Light distillates	139	3,404	1,012	0	4,556	162	3,570	1,116	0	4,848
Heavy fuel oil	0	616	5	0	620	0	685	5	0	690
Other products	685	338	107	0	1,129	1,008	605	129	0	1,742
Other services	5	66	12	26	109	4	80	9	26	119
<b>IS Total</b>	<b>8,212</b>	<b>9,566</b>	<b>5,123</b>	<b>26</b>	<b>22,926</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>

<sup>1)</sup> Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha, and biopropane. Middle distillates comprise diesel, jet fuels, low sulfur marine fuels, heating oil, renewable fuels, and sustainable aviation 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 1,523 million (2022: EUR 1,575 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 result 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 108 million (2022: EUR -250 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	2023					2022				
	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	8,207	9,499	5,110	0	22,816	9,637	10,143	5,809	0	25,589
Services transferred at point in time	5	66	12	1	84	4	80	9	1	93
Services transferred over time	0	0	0	25	25	0	0	0	25	25
<b>IS Total</b>	<b>8,212</b>	<b>9,566</b>	<b>5,123</b>	<b>26</b>	<b>22,926</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>

Revenue by operating segment 2023	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue		8,212	9,566	5,123	26	22,926
Internal revenue		254	3,720	45	-4,094	0
<b>IS Total revenue</b>		<b>8,466</b>	<b>13,285</b>	<b>5,168</b>	<b>-4,094</b>	<b>22,926</b>

Revenue by operating segment 2022	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue		9,640	10,223	5,818	26	25,707
Internal revenue		265	4,373	58	-4,816	0
<b>IS Total revenue</b>		<b>9,905</b>	<b>14,596</b>	<b>5,876</b>	<b>-4,816</b>	<b>25,707</b>



## Revenue by operating destination

	2023					2022				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
<b>External revenue</b>										
Finland	406	2,021	4,063	26	6,515	352	3,547	4,536	24	8,459
Other Nordic countries	2,175	1,101	2	0	3,278	2,930	1,416	2	0	4,348
Baltic Rim	40	620	1,055	0	1,715	73	500	1,278	0	1,850
Other European countries	1,984	2,789	3	0	4,775	2,399	2,729	2	1	5,131
North and South America <sup>1)</sup>	3,444	2,993	0	0	6,437	3,685	2,000	0	1	5,685
Other countries	163	42	0	0	205	202	31	0	1	234
<b>IS Total</b>	<b>8,212</b>	<b>9,566</b>	<b>5,123</b>	<b>26</b>	<b>22,926</b>	<b>9,640</b>	<b>10,223</b>	<b>5,818</b>	<b>26</b>	<b>25,707</b>

<sup>1)</sup> Mainly related to the USA.

## 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 non-current assets and rental income.

	2023	2022
Gain on sale of subsidiaries, joint arrangements and business operations	0	9
Capital gains on disposal of other non-current assets	0	2
Rental income	7	14
Government grants	20	16
Insurance compensations	6	0
Other	22	13
<b>IS Other income</b>	<b>55</b>	<b>54</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, 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.

	2023	2022
Materials and supplies	18,752	22,530
Change in inventories	279	-963
External services	66	81
<b>IS Materials and services</b>	<b>19,098</b>	<b>21,648</b>

Materials and supplies include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,523 million (2022: EUR 1,575 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 -288 million (2022: EUR -581 million). Net gains/losses on derivative instruments related to purchases designated as cash flow hedges amounted to EUR 1 million (2022: EUR 0 million). Both above-mentioned items are included in Materials and supplies.

Materials and supplies also include EUR 14 million (2022: 38 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 29 Leases for further information.



## 8 Employee benefit costs

	2023	2022
Wages and salaries	531	449
Social security costs	30	24
Share-based payments	7	5
Pension costs - defined contribution plans	69	60
Pension costs - defined benefit plans	4	5
Wages and salaries capitalized in fixed assets	-20	-15
Other costs	21	17
<b>IS Employee benefit costs</b>	<b>642</b>	<b>545</b>

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>	2023	2022
Renewable Products	1,983	1,528
Oil Products	1,257	1,217
Marketing & Services	412	398
Others	2,366	2,101
	6,018	5,244

## 9 Other expenses

	2023	2022
Repairs and maintenance	184	130
Services	289	201
Rents and other property costs	48	39
Insurances	48	36
Other	126	117
<b>IS Other expenses</b>	<b>695</b>	<b>522</b>

Services include planning and consulting services, IT services, research and lab services and other services.

Rents and other property costs include EUR 13 million (2022: EUR 27 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 29 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>	2023	2022
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	1.6	1.6
Tax advisory	0.8	0.4
Other advisory services	0.3	0.5
	2.7	2.5

The statutory audit fees of KPMG Oy Ab included fees of 694 thousand euros for audit and 35 thousand euros for auditor's statements. Non-audit services to entities of Neste Group were 1,002 thousand euros (2022: 935 thousand euros) in total during the financial year 2023. These services included 707 thousand euros (2022: 410 thousand euros) of tax advisory and 295 thousand euros (2022: 526 thousand euros) of other advisory services.



## 10 Financial income and expenses

	2023	2022
<b>Financial income</b>		
Interest income from financial assets at amortized cost	45	9
	45	9
<b>Financial expenses</b>		
Interest expenses for financial liabilities/receivables at amortized cost		
Lease liabilities	-50	-24
Other liabilities	-68	-29
Interest rate derivatives, fair value hedge accounted	-1	0
Write-downs of loan receivables	0	-3
Other financial expenses	-3	-4
	-122	-60
<b>Exchange rate and fair value gains and losses</b>		
Financial instruments at amortized cost	9	-8
Financial instruments at fair value through profit or loss	-18	-72
	-9	-80
<b>IS Total financial income and expenses</b>	<b>-86</b>	<b>-131</b>
<b>Net gains/losses on financial instruments included in operating profit and fixed assets</b>	<b>2023</b>	<b>2022</b>
Foreign exchange derivatives, hedge accounted <sup>1)</sup>		
Included in revenue	108	-250
Included in materials and services	1	0
Included in fixed assets	-6	118
Foreign exchange derivatives, non-hedge accounted		
Included in materials and services	14	-84
Commodity derivatives, non-hedge accounted		
Included in materials and services	-302	-495
	-186	-711

<sup>1)</sup> The recognized ineffectiveness was EUR 0 million (2022: EUR 1 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 best 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 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.

According to IAS 12 paragraph 4A and 88A the Group has applied a temporary mandatory exception to neither recognise nor disclose information about deferred tax assets and liabilities arising from Pillar Two income taxes.

### 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.

Several Neste countries, including Finland, have adopted the new Pillar Two rules into national law in 2023. The Group is in the process of assessing the exposure to the Pillar Two income taxes arising from legislation. Based on the preliminary assessment, the Group has identified some potential exposure to Pillar Two income taxes on profits earned in Estonia, Ireland, Singapore, Switzerland and the USA where the expected effective tax rate will probably be less than 15% due to the lower statutory tax rates, tax incentives and tax exempt income. However, as all of the conditions and circumstances affecting the applicability of Pillar Two legislation cannot be known, the quantitative impact of the potential top-up tax arising from the enacted legislation is not yet reasonably estimable. The Group continues to assess the impact of the Pillar Two legislation on its financials.

The major components of income tax expense	2023	2022
Current tax	296	405
Adjustments recognized for current tax for prior periods	-56	-1
Change in deferred taxes	-81	-16
<b>IS</b> Income tax expense	160	388

The reconciliation of income taxes	2023	2022
<b>IS</b> Profit before income taxes	1,596	2,279
Hypothetical income tax calculated at Finnish tax rate 20%	-319	-456
Differences in tax rates in other countries	68	71
Non-deductible expenses and other permanent differences	-2	-3
Tax exempt income	78	0
Tax on undistributed earnings	-2	-1
Taxes for prior periods	53	1
Realisability of deferred tax assets	-38	0
Other	4	-1
<b>IS</b> Income tax expense	-160	-388
Effective tax rate, %	10	17

Neste's effective tax rate was lower than the Finnish statutory tax rate (20%) mainly due to lower taxation for Neste operations in Estonia, Lithuania, Singapore, Switzerland and the USA. A significant portion of the lower tax rate relates to the USA where Neste has according to US tax legislation treated the blender's tax credit in part as tax exempt income for corporate income tax purposes from 2023 onwards. As a result, Neste has amended its corporate income tax returns for 2019-2021 to reflect the tax exempt treatment as well as filed the tax returns for 2022 accordingly. The major part of the prior year taxes in 2023 relates to these amendments. The increase in realisability of deferred taxes mainly relates to the valuation allowance established for the deferred tax asset on tax loss carryforwards in the USA, which has increased due to the corporate income tax return amendments and the increase in tax losses.

Additionally, Neste's Renewables Products operations in Singapore is subject to tax exemption until 2023 and concessionary tax rate until 2033 under the applicable Singapore legislation.



<b>Changes in deferred tax assets and liabilities 2023</b>	<b>On 1 Jan 2023</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 2023</b>
Tax loss carried forward	61	219	0	0	0	280
Provisions	33	2	0	0	0	34
Pensions	24	-3	-3	0	0	18
Fixed assets	116	75	0	0	0	191
Derivative financial instruments	2	0	0	0	0	2
Other temporary differences	25	6	1	0	0	32
Total deferred tax assets	260	300	-2	0	0	557
Netting against liabilities	-201	-229	0	0	0	-431
<b>BS</b> Deferred tax assets	59	70	-2	0	0	127
Tax on undistributed earnings	9	2	0	0	0	11
Fixed assets	454	77	0	0	0	531
Derivative financial instruments	17	9	-10	0	0	17
Investments in partnerships	50	130	0	0	0	181
Other temporary differences	7	0	0	0	1	8
Total deferred tax liabilities	537	219	-10	0	1	747
Netting against assets	-201	-229	0	0	0	-431
<b>BS</b> Deferred tax liabilities	336	-11	-10	0	1	317

<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	107	9	0	0	0	116
Derivative financial instruments	8	1	-8	0	0	2
Other temporary differences	13	12	0	0	0	25
Total deferred tax assets	197	75	-12	0	0	260
Netting against liabilities	-153	-48	0	0	0	-201
<b>BS</b> Deferred tax assets	45	26	-12	0	0	59
Tax on undistributed earnings	9	0	0	0	0	9
Fixed assets	434	20	0	0	0	454
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	462	57	16	2	0	537
Netting against assets	-153	-48	0	0	0	-201
<b>BS</b> Deferred tax liabilities	309	9	16	2	0	336



There are in total EUR 806 million (2022: EUR 26 million) of tax loss carryforwards for which no deferred tax asset is recognised. Expiry dates are between 2023 and 2026 for EUR 2 million (2022: EUR 2 million) and no expiry for EUR 805 million (2022: EUR 24 million). The increase in tax loss carryforwards for which no deferred tax asset is recognised relates to the valuation allowance established for the deferred tax asset on tax losses in the USA.

The increase in tax loss carryforwards, where deferred tax asset is recognised, relates mainly to start-up phase of joint operation Martinez Renewables LLC and its accelerated tax depreciations as well as the tax losses recognised in other US operations. Investments in partnerships includes temporary differences in joint operation Martinez Renewables LLC.

The increase in deferred tax assets and liabilities of fixed assets relates mainly to increase in IFRS16 lease agreements.

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:

	2023		
	Before tax	Tax (charge) / credit	After tax
<b>OCI</b> Remeasurements of defined benefit plans	14	-3	11
<b>OCI</b> Net change of other investments at fair value	-4	1	-3
<b>OCI</b> Translation differences	-66	0	-66
Cash flow hedges			
<b>OCI</b> recorded in equity	57	-7	50
<b>OCI</b> transferred to income statement	-102	17	-85
<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	-105	8	-97

	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

## 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.

	2023	2022
<b>IS</b> Profit for the period attributable to owners of the parent, EUR million	1,433	1,888
Weighted average number of shares outstanding during the year (thousands)	768,176	768,060
<b>IS</b> Basic earnings per share (euro per share)	1.87	2.46
Effect of share-based incentive plans (thousands)	260	486
Diluted weighted average number of shares during the year (thousands)	768,436	768,546
<b>IS</b> Diluted earnings per share (euro per share)	1.87	2.46

### Dividend per share

The dividends paid in 2023 were EUR 1.52 per share, totaling EUR 1,168 million (2022: EUR 0.82 per share, totaling EUR 630 million). A dividend of EUR 1.20 per share, totaling approximately EUR 922 million are proposed at the Annual General Meeting on 27 March 2024. This dividend is not recognized in the financial statements.



## 13 Goodwill and 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 are reviewed for possible reversal of impairment recognised in prior periods 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>2023</b>	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
Gross carrying amount on 1 January	402	470	873
Exchange rate differences	-9	-3	-12
Acquisitions	104	43	147
<b>CF</b> Additions	0	27	27
Disposals	0	-1	-1
Reclassifications	0	1	1
Gross carrying amount on 31 December	498	537	1,035
Accumulated amortization and impairment losses on 1 January	2	301	303
Exchange rate differences	0	0	0
Disposals	0	-1	-1
Amortization and impairments for the period	0	53	53
Accumulated amortization and impairment losses on 31 December	2	352	354
<b>BS</b> Carrying amount on 1 January 2023	401	169	570
<b>BS</b> Carrying amount on 31 December 2023	496	185	681

<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
Amortization 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

## 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.

A segment-level summary of the goodwill allocation is presented below:

	<b>WACC%</b>	<b>2023</b>	<b>2022</b>
Renewable Products	8.1	496	401
<b>BS</b> Goodwill		496	401

A decrease of 20% in sales margin or 4%-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 2.0% 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.

Research expenditure is recognised as an expense as incurred and included in other expenses in the consolidated statement of income. 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 Goodwill and intangible assets).

Refer to Note 29 Leases for further information.



<b>2023</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	363	2,654	5,557	567	2,595	11,736
Exchange rate differences	-2	-1	-24	-11	-19	-56
Additions	30	106	620	600	777	2,132
Acquisitions	1	17	10	0	2	29
Disposals	-37	-17	-15	-146	7	-208
Reclassifications	-5	878	1,094	98	-2,087	-22
Gross carrying amount on 31 December	349	3,637	7,242	1,108	1,274	13,610
Accumulated depreciation and impairment losses on 1 January	46	1,300	3,527	262	32	5,166
Exchange rate differences	0	0	-3	-4	0	-8
Disposals	-8	-12	-39	-67	0	-126
Reclassifications	2	0	-24	0	0	-22
Depreciation and write downs for the period	15	119	527	150	2	813
Accumulated depreciation and impairment losses on 31 December	54	1,407	3,988	341	33	5,824
<b>BS</b> Carrying amount on 1 January 2023	318	1,354	2,030	305	2,563	6,570
<b>BS</b> Carrying amount on 31 December 2023	295	2,230	3,254	767	1,241	7,786

The carrying amount of assets under construction on 31 December 2023 includes mainly assets related to the ongoing expansion project in the Netherlands. Property, plant and equipment includes right-of-use (ROU) assets where Neste is a lessee as specified in Note 29 Leases.



<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 on 31 December 2022 includes an increase of EUR 853 million from joint operation Martinez Renewables and it is mainly included in assets under construction and machinery and equipment. Additionally, the carrying amount of assets under construction includes mainly assets related to expansion projects in Singapore and in the Netherlands. Property, plant and equipment includes right-of-use (ROU) assets where Neste is a lessee as specified in Note 29 Leases.

### Capitalized borrowing costs

During 2023 borrowing costs amounting to EUR 22 million (2022: EUR 3 million) were capitalized related to the expansion project in the Netherlands. 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 was 3.2% in 2023 (2022: 1.3%).



## 15 Investments in associates and joint ventures

Carrying amount	2023	2022
On 1 January	63	60
<b>IS, CF</b> Share of profit (loss) of associates and joint ventures	1	2
<b>OCI</b> Share of other comprehensive income of investments accounted for using the equity method	-4	17
Translation differences	-1	1
<b>CF</b> Capital repayments	0	-13
Dividends	0	-15
Investments	0	12
Other changes	0	-1
<b>BS</b> On 31 December	58	63

Neste's interest and nature of the relationship in its principle associates and joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Nature of the relationship	Country of incorporation	2023 % interest held	2022 % interest held
Alterra Energy LLC	Associated company <sup>1)</sup>	USA	40.00	40.00
Glacia Limited	Joint Venture <sup>2)</sup>	Bermuda	0.00	0.00
Kilpilahti Power Plant Ltd	Joint Venture <sup>3)</sup>	Finland	40.00	40.00

**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 significant influence that Neste has in the company.

**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). Glacia Limited was liquidated in 2022.

**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 since 2022, and more information of 2022 effects has been presented in Note 2 Accounting Policies, Note 14 Property, plant and equipment, Note 18 Inventories and Note 29 Leases.



Summarized financial information in respect of Neste's associates and joint ventures are set out in the following table:

	Alterra Energy LLC		Kilpilahti Power Plant Ltd		Glacia Limited
	2023	2022	2023	2022	2022
<b>Non-current assets</b>	36	37	532	518	0
<b>Current assets</b>					
Cash and cash equivalents	2	10	5	23	0
Other current assets (excl. cash and cash equivalents)	1	0	90	116	0
<b>Total current assets</b>	3	10	95	139	0
<b>Non-current liabilities</b>					
Non-current financial liabilities (excl. trade payables and provisions)	11	7	510	500	0
Other non-current liabilities	0	0	21	17	0
<b>Total non-current liabilities</b>	11	7	531	517	0
<b>Current liabilities</b>					
Current financial liabilities (excl. trade payables and provisions)	0	0	31	31	0
Other current liabilities	2	2	37	92	0
<b>Total current liabilities</b>	2	2	68	123	0
<b>Net assets</b>	25	38	29	17	0
<b>Revenue</b>	5	34	306	458	2
Depreciation, amortization and impairments	2	2	13	8	1
Interest income	0	0	2	0	0
Interest expense	0	0	14	8	0
Income tax expense	0	0	0	0	0
<b>Profit/loss</b>	-11	20	-3	-6	0



## 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		Kilpilahti Power Plant Ltd		Glacia Limited
	2023	2022	2023	2022	2022
<b>Opening net assets 1 January</b>	96	86	61	10	43
Investment in associate/joint venture	0	30	0	0	0
Profit for the period	-11	-11	13	9	6
Other comprehensive income	-2	6	-11	43	-3
Capital repayments	0	-15	0	0	-15
Dividends	0	0	0	0	-30
Other changes	0	0	-1	-1	0
<b>Closing net assets 31 December</b>	82	96	62	61	0
Interest in joint venture	33	38	25	24	0
<b>Carrying value</b>	33	38	25	24	0

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 28 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 over 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 2023 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			126	126	126			
BS Derivative financial instruments		26		26	26	0	26	
BS Other financial assets	46	8		54	54			54
Current financial assets								
Trade and other receivables <sup>1)</sup>			1,872	1,872	1,872			
BS Derivative financial instruments	52	138		190	190	37	153	
BS Current investments			5	5	5			
BS Cash and cash equivalents			1,575	1,575	1,575			
Financial assets	98	173	3,578	3,848	3,848			
Non-current financial liabilities								
BS Interest-bearing liabilities			3,487	3,487	3,503	2,125	1,377	
BS Derivative financial instruments		6		6	6		6	
Other non-current liabilities <sup>1)</sup>		22	18	40	40			22
Current financial liabilities								
BS Interest-bearing liabilities			581	581	579	199	380	
BS Derivative financial instruments	4	208		212	212	40	172	
Trade and other payables <sup>1)</sup>		9	2,424	2,433	2,433			9
Financial liabilities	4	246	6,509	6,759	6,773			

<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 8 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 46 million. Other financial liabilities in fair value through profit and loss category mainly consist contingent considerations of acquisition made in ended financial year and prior years. Fair values are determined in accordance of IFRS 13. During the year 2023 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 2022</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			103	103	103				
<b>BS</b> Derivative financial instruments		5		5	5		5		
<b>BS</b> Other financial assets	37	7		44	44			44	
Current financial assets									
Trade and other receivables <sup>1)</sup>			2,101	2,101	2,101				
<b>BS</b> Derivative financial instruments	120	287		406	406	17	389		
<b>BS</b> Current investments			0	0	0				
<b>BS</b> Cash and cash equivalents			1,271	1,271	1,271				
Financial assets	157	298	3,475	3,930	3,930				
Non-current financial liabilities									
<b>BS</b> Interest-bearing liabilities			1,964	1,964	1,880	811	1,070		
<b>BS</b> Derivative financial instruments	0	12		12	12		12		
Other non-current liabilities <sup>1)</sup>		17	26	43	43			17	
Current financial liabilities									
<b>BS</b> Interest-bearing liabilities			651	651	651		651		
<b>BS</b> Derivative financial instruments	29	170		200	200	41	159		
Trade and other payables <sup>1)</sup>		9	2,870	2,879	2,879			9	
Financial liabilities	29	208	5,511	5,749	5,665				

<sup>1)</sup> Excluding non-financial items

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.



## 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 including money market funds 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.

<b>Liquid funds</b>	<b>2023</b>	<b>2022</b>
<b>BS</b> Current investments	5	0
<b>BS, CF</b> Cash and cash equivalents	1,575	1,271
Liquid Funds	1,580	1,271

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.

<b>Trade and other receivables</b>	<b>2023</b>	<b>2022</b>
Trade receivables	1,605	1,675
Other receivables	248	422
Advances paid	14	4
Accrued income and prepaid expenses	47	36
<b>BS</b> Trade and other receivables	1,913	2,138
Trade and other receivables excluding non-financial items	1,872	2,101

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'.

<b>Non-current financial assets</b>	<b>2023</b>	<b>2022</b>
Non-current interest-bearing receivables	107	82
Other non-current receivables	18	20
<b>BS</b> Non-current receivables	126	103
<b>BS</b> Other financial assets	54	44

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.

	2023	2022
Materials and supplies	1,416	1,560
Finished products and goods	1,949	2,085
Other inventories	1	3
<b>BS Inventories</b>	<b>3,366</b>	<b>3,648</b>

Write-downs included the inventories at the end of the period were EUR 122 million (2022: EUR 245 million). In 2022 additions to inventories included EUR 48 million from joint operation Martinez Renewables.

## 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 2023					31 Dec 2022				
	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	2,861	0	52	4	48	3,754	3	115	29	86
Foreign exchange options										
Purchased	0	0	0	0	0	84	0	5	0	5
Written	0	0	0	0	0	84	0	0	0	0
Derivatives designated as cash flow hedges	2,861	0	52	4	48	3,922	3	120	29	90
Interest rate swaps	0	550	26	0	26	0	0	0	0	0
Derivatives designated as fair value hedges	0	550	26	0	26	0	0	0	0	0
Foreign exchange derivatives, forwards	1,849	0	19	6	14	3,083	0	104	13	91
Non-hedge accounting derivatives	1,849	0	19	6	14	3,083	0	104	13	91
<b>Commodity derivatives</b>										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	24	0	105	26	79	25	0	65	67	-2
Purchased forwards, million bbl	25	0	14	122	-109	19	0	59	67	-8
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	18	0	2	0	2
Purchased forwards, GWh	2,236	794	1	61	-60	1,996	620	62	36	26
Non-hedge accounting derivatives			119	209	-90			188	169	18
<b>Derivatives Total</b>			217	219	-2			411	211	200
of which										
<b>BS</b> Non-current derivative financial instruments			26	6	20			5	12	-7
<b>BS</b> Current derivative financial instruments			190	212	-22			406	200	207

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). Interest rate swaps are designated as fair value hedges. The result of these hedging instruments recognized in the income statement was EUR 26 million (2022: EUR 0 million) and of hedged item EUR -27 million (2022: EUR 0 million).



## 20 Equity

### Share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2023 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 2023 or 2022.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2023	769,211	-1,128	768,083
Transfer of treasury shares	0	117	117
31 December 2023	769,211	-1,011	768,200
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

### Treasury shares

On 22 May 2023 Neste Corporation has transferred 4,267 treasury shares without consideration as a share reward to a key person participating in the Performance Share Plan 2020–2022 and in the Restricted Share Plan 2020–2022 of the share-based incentive program 2019 in accordance with the terms and conditions of the program. The transfer of own shares is implemented as a directed share issue without consideration based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the transfer is 1,011,311 shares.

On 15 March 2023 Neste Corporation has transferred a total of 211,310 treasury shares without consideration as a share reward to the participants of the Performance Share Plan 2020–2022 and in the Restricted Share Plan 2020–2022 of the share-based incentive program 2019 in accordance with the terms and conditions of the program. The transfer of own shares is implemented as a directed share issue without consideration based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the transfer is 1,015,578 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 earning period 2019–2021 of the share-based incentive program 2019 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 1,127,888 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 mainly consist of fair value reserves that 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.

Non-current financial liabilities	2023	2022
Bonds <sup>1)</sup>	2,110	895
Loans from financial institutions <sup>2)</sup>	609	615
Lease liabilities <sup>3)</sup>	768	425
Other loans	0	30
Other non-current liabilities	40	43
<b>Total</b>	<b>3,527</b>	<b>2,007</b>
<b>BS</b> of which interest-bearing	<b>3,487</b>	<b>1,964</b>
Other non-financial items included to other non-current liabilities	2	0

Current financial liabilities	2023	2022
Bonds	201	0
Loans from financial institutions	149	161
Commercial paper liabilities	0	346
Lease liabilities <sup>3)</sup>	199	110
Other loans	32	34
Advances received	21	119
Trade payables	1,728	2,021
Other current liabilities	684	738
<b>Total</b>	<b>3,014</b>	<b>3,530</b>
<b>BS</b> of which interest-bearing	<b>581</b>	<b>651</b>
Other non-financial items included to trade and other payables	148	144

<sup>1)</sup> On 6 March 2023, Neste announced that it invites the holders of its EUR 400 million 1.50 per cent notes due June 2024 to tender their notes for cash on the terms and conditions set out in the tender offer memorandum. On 14 March, Neste accepted purchase of EUR 199 million in aggregate nominal amount of the notes pursuant to the tender offer.

In March 2023, Neste issued EUR 500 million green bond with 6-year maturity and a EUR 500 million green bond with 10-year maturity under its EMTN (Euro Medium Term Note) programme established on 6 March 2023, and will pay a fixed coupon of 3.875% and 4.250%, respectively. The proceeds from the issues will be applied for eligible projects and assets as set out in Neste Corporation's Green Finance Framework.

In November 2023, Neste issued a EUR 600 million green bond with 7.5-year maturity under its EMTN (Euro Medium Term Note) programme established on 6 March 2023 as supplemented by the supplement dated 9 November 2023, and will pay a fixed coupon of 3.875 per cent. Neste Corporation will apply for the listing of the bond on Euronext Dublin. The proceeds from the issue will be applied for Eligible Projects and Assets as set out in Neste Corporation's Green Finance Framework.

<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 29 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

Issued/Maturity	Interest basis	Interest rate, %	Currency	Nominal amount	Carrying amount
2017/2024	Fixed	1.500	EUR	201	201
2021/2028	Fixed	0.750	EUR	500	496
2023/2029	Fixed	3.875	EUR	500	498
2023/2031	Fixed	3.875	EUR	600	605
2023/2033	Fixed	4.250	EUR	500	511
Total				2,301	2,311



## 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 2023</b>	187	0	0	13	200
Additions	23	0	68	5	95
Amounts used during the period	-10	0	-68	-7	-85
Reversed unused provisions	-1	0	0	0	-1
Changes in the discount rate and inflation assumption	-22	0	0	0	-22
<b>BS On 31 December 2023</b>	177	0	0	10	187

	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 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 100 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 2023. 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 2023 there was no estimated obligation to purchase emission allowances in the balance sheet of Neste (31.12.2022 EUR 0 million). The actual amount of CO<sub>2</sub> emissions in 2023 were 2.9 million tons (2022: 2.8 million tons). The Group has traded emission allowances for net amount of 0.8 million tons during the financial period ended 31 December 2023 (2022: 0.7 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 external 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 93% (2022: 95%) of Neste's total defined benefit pension obligation and 92% (2022: 94%) 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>2023</b>	<b>2022</b>
Service cost	4	5
Net interest (+expense/-income)	4	1
Defined benefit cost recognized in the consolidated statement of income	7	6
<b>Remeasurements of defined benefit plans</b>	<b>2023</b>	<b>2022</b>
Actuarial gains/losses		
Changes in demographic assumptions	2	-3
Changes in financial assumptions	30	105
Return on plan assets, excluding amounts included in net interest expense	-15	-70
Experience adjustments	-4	-11
Total remeasurements recognized in other comprehensive income	12	22
<b>Amounts recognized in the consolidated statement of financial position</b>	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligations	354	385
Present value of unfunded defined benefit obligations	7	7
Fair value of plan assets	-268	-273
<b>BS</b> Net defined benefit liability	93	119
<b>Changes in fair value of plan assets</b>	<b>2023</b>	<b>2022</b>
January 1	273	350
Interest income	8	3
Return on plan assets (excluding amounts included in net interest expense)	-15	-71
Employer contributions	21	11
Benefits paid	-20	-20
December 31	268	273

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	2023		2022	
	Funded	Unfunded	Funded	Unfunded
January 1	385	7	488	8
Current service cost	3	1	4	1
Interest cost	12	0	4	0
Actuarial gains (-)/ losses (+)	-27	-1	-92	-1
Settlements	0	0	0	0
Benefits paid	-19	-1	-18	-1
December 31	354	7	385	7

The expected contributions to be paid to the defined benefit plans in 2024 are EUR 19 million.

Significant actuarial assumptions (presented as weighted average)	2023	2022
Discount rate, %		
Finland	3.70%	3.20%
Other countries	1.57%	1.83%
Future salary increase, %		
Finland	3.45%	3.74%
Other countries	1.09%	1.11%
Future benefit increase, %		
Finland	2.49%	2.78%
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		
		2023	2022	
Discount rate	0.50% increase	EUR million	-16	-20
	0.50% decrease	EUR million	18	22
Future salary increase	0.50% increase	EUR million	1	1
	0.50% decrease	EUR million	-1	-1
Future benefit increase	0.50% increase	EUR million	17	20
	0.50% decrease	EUR million	-16	-19

- 0.50% increase /decrease in the discount rate would lead to a decrease /increase of 4.4% /4.9% in the defined benefit obligation.
- 0.50% increase /decrease in the rate of salary increase would lead to a increase /decrease of 0.3% /0.3% in the defined benefit obligation.
- 0.50% increase /decrease in the rate of pension index would lead to a increase /decrease of 4.7% /4.3% 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	2023
Within the next 12 months	24
Between 1 and 5 years	94
Between 5 and 10 years	106
Beyond 10 years	360
Total	584

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 (PSP) as the main structure and a Restricted Share Plan (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 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 2022 (PSP 2022–2024) and 2023 (PSP 2023–2025), the performance measures are relative total shareholder return and Neste's combined greenhouse gas (GHG) impact. 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 and Neste 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 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.

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 and other regulatory charges. The fair value of the share as at delivery date was EUR 39.76 (15.3.2022). The members of Neste's Executive Committee received a gross reward equaling to 62,515 shares.

For the 2020–2022 LTI plan cycle a gross reward of 259,529 shares equaling EUR 10.9 million were awarded to the participants of the plan. The net amount of shares delivered totalled 116,577 shares and the rest of the reward was paid in cash to cover taxes and other regulatory charges. The fair value of the share as at delivery date was EUR 42.24 (15.3.2023) and EUR 37.48 (22.5.2023). The members of Neste's Executive Committee received a gross reward equaling to 86,020 shares.



More specific information on the share-based incentive plans is presented in the following tables.

Plan Type	Long-Term Incentive Plan 2022				Long-Term Incentive Plan 2019			
	Share allocation				Share allocation			
Instrument	PSP 2023–2025	RSP 2023–2025	PSP 2022–2024	RSP 2022–2024	PSP 2021–2023	RSP 2021–2023	PSP 2020–2022	RSP 2020–2022
Grant dates	11 Jan 2023	1 Sep 2023	11 Feb 2022	11 May 2022	13 Jan 2021	21 Jan 2021	20 Feb 2020	1 Apr 2022
Grant prices, euros	40.36	30.06	35.14	36.58	57.81	59.82	35.72	41.68
Share price as at grant date, euros	44.98	34.07	37.97	39.40	60.94	62.64	38.91	45.17
Beginning of earnings period	1 Jan 2023	1 Jan 2023	1 Jan 2022	1 Jan 2022	1 Jan 2021	1 Jan 2021	1 Jan 2020	1 Apr 2022
End of earnings period	31 Dec 2025	31 Mar 2026	31 Dec 2024	31 Mar 2025	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Mar 2023
Vesting date	31 Mar 2026	31 Mar 2026	31 Mar 2025	31 Mar 2025	31 Mar 2024	31 Mar 2024	31 Mar 2023	31 Mar 2023
<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>
Outstanding at the beginning of the reporting period, pcs	0	0	346,270	89,500	197,034	21,000	247,817	6,000
Granted during the period	348,235	1,500	6,557	10,800	1,275	2,000	5,712	0
Forfeited during the period	21,633	0	28,756	8,500	17,864	0	0	0
Exercised during the period	0	0	0	0	0	0	253,529	6,000
Outstanding at the end of the period, pcs	326,602	1,500	324,071	91,800	180,445	23,000	0	0
Number of persons at the end of the reporting year	135	1	128	50	116	11	0	0
Share price at the end of the reporting period, euros	32.21	32.21	32.21	32.21	32.21	32.21	42.24	42.24
Estimated rate of realization of the earnings criteria, %	56%	100%	35%	100%	40%	100%	61%	100%
Estimated termination rate before the end of the restriction period, %	10%	0%	10%	10%	10%	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:

	2023	2022
Expense arising from equity-settled share-based payment transactions	7	5
Total expense arising from share-based payment transactions	7	5

At the end of the period the estimated future cash payments to be paid to the tax authorities from share-based payments are EUR 8 million (2022: EUR 10 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

2023	Sales of goods and services	Purchases of goods and services	Financial income and expense	Receivables	Liabilities
Joint ventures	161	153	5	144	9
Other related parties	99	103	0	1	0
	260	256	5	145	9

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

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	2023	2022
Salaries and other short-term employee benefits	6,482	5,895
Statutory pensions	919	819
Supplementary pensions	555	511
Share-based payments	3,585	1,961
Total (Including statutory pensions)	11,541	9,186

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 2023 or 31 December 2022.

## Compensation to President and CEO and members of the Neste Executive Committee

EUR thousand	2023	President and CEO		Total 2022	Members of the Neste Executive Committee	
		Matti Lehmus	Peter Vanacker		2023	2022
Annual remuneration						
Base salary	981	626	443	1,069	2,842	2,892
Taxable benefits	16	11	0	11	140	110
Annual incentive (STI plan)	424	0	261	261	1,384	826
Total annual remuneration	1,420	637	704	1,341	4,367	3,829
Vested long term remuneration						
Supplementary pension (insurance contributions)	146	95	0	95	409	416
Share-based incentive plan	448	0	0	0	3,138	1,961
Total remuneration	2,014	731	704	1,436	7,913	6,205

## Compensation to the Board of Directors

EUR thousand	2023	2022
Board of Directors at 31 December 2023		
Matti Kähkönen	119	124
John Abbott	76	75
Nick Elmslie	75	76
Just Jansz, since 30 March 2022	73	59
Heikki Malinen, since 28 March 2023	64	0
Eeva Sipilä, since 30 March 2022	79	55
Johanna Söderström	74	83
Kimmo Viertola, since 28 March 2023	67	0
Former Board members		
Martina Flöel, until 28 March 2023	2	75
Jean-Baptiste Renard, until 30 March 2022	0	14
Jari Rosendal, until 31 July 2023	61	69
Marco Wirén, until 28 March 2023	4	94
Board of Directors, all members total	695	725

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. Figures in 2023 include annual remuneration for Board membership 2023–2024. Hence, the compensation in 2023 is not completely comparable to the compensation in 2022.

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 2023 were EUR 1,348 thousand (2022: EUR 1,692 thousand).



## 26 Group companies

Subsidiaries	Group holding %	Country of incorporation
B J B, 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
NERM Solutions India Private Limited (new)	100.00%	India
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 Brazil LTDA (new)	100.00%	Brazil
Neste Canada Inc.	100.00%	Canada
Neste Components B.V.	100.00%	The Netherlands
Neste Demeter B.V. <sup>1)</sup>	80.00%	The Netherlands
Neste Eesti AS	100.00%	Estonia
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.	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.	100.00%	Spain
Neste Terminal Rotterdam B.V.	100.00%	The Netherlands
Neste US, Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA

Subsidiaries	Group holding %	Country of incorporation
Neste Walco Limited	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	50.00%	Joint Operation	USA

<sup>1)</sup> Neste increased its ownership in its subsidiary Neste Demeter on November 1, 2023 and the entity has been treated as a 100% owned subsidiary in the Group. In addition, Neste has an obligation to redeem the remaining non-controlling interest of Neste Demeter within an agreed period, thus the share of the non-controlling interest has not been recognised in the statement of financial position. The obligation has been measured at fair value and recorded as a liability in the consolidated statement of financial position. Furthermore, the non-controlling shareholders' share of the financial year's profit includes the cumulative profit attributable to Neste Demeter's non-controlling shareholders until the acquisition date of November 1, 2023.



## Specification of financial information on subsidiaries with material non-controlling interests

	Navidom Oy	
	2023	2022
Proportion of shares held by non-controlling interests	50.00%	50.00%
Current assets	0	0
Non-current assets	0	0
Current liabilities	0	0
Non-current liabilities	0	0
Revenue	1	1
Profit for the period	0	0
Dividends paid to non-controlling interests	0	0
Cash flows from operating activities	0	0
Cash flows from investing activities	0	0
Cash flows from financing activities	0	0

## Unconsolidated structured entities

In 2015, Neste sold its shares of Aurora Kilpilahti Oy (former Kilpilahden Sähkösiirto 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

#### 2023

On 13 January 2023, Neste acquired SeSequential Environmental Services, LLC, and Pure SQ, LLC from Crimson Renewable Energy Holdings, LLC. Through the transaction, Neste acquired used cooking oil collection and aggregation business in US West Coast.

The fair value of acquired net assets are presented in the table below. Based on 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 represents the value of acquired business knowledge and synergies, and is deductible for income tax purposes. The purchase price was paid fully in cash and includes approximately EUR 18 million of contingent consideration. The final amount of the contingent consideration depends on how certain targets are achieved during 2023. 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.

<b>Assets and liabilities</b>	<b>Fair value</b>
Intangible assets	43
Property, plant and equipment	29
Inventories	3
Trade and other receivables	2
<b>Total assets</b>	<b>77</b>
Interest-bearing liabilities	6
Trade and other payables	10
<b>Total liabilities</b>	<b>16</b>
<b>Fair value of acquired net assets</b>	<b>61</b>
Consideration transferred	165
Fair value of acquired net assets	-61
<b>Goodwill</b>	<b>104</b>
<b>Cash flows of the acquisition</b>	<b>2023</b>
Consideration, paid in cash	-165
Acquiree's liabilities paid off at closing	-1
Transaction costs of the acquisition	-1
<b>Net cash flow on acquisition</b>	<b>-167</b>

SeSequential Environmental Services, LLC, and Pure SQ, LLC merged into their sistercompany Mahoney Environmental Solutions, LLC, in 31 December 2023.

#### Other business combinations

No other business combinations took place in financial period 2023.



## 2022

No major acquisitions took place in financial period 2022.

### Other business combinations

In 2022 Neste has made smaller business combinations that are immaterial individually. These business combinations also include the acquisition of Walco Foods published in 2022. The aggregated 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>



## Disposals

### 2023

No major disposals took place in financial period 2023.

### 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.

<b>Assets and liabilities</b>	<b>Recognized values</b>
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

## 28 Contingencies and commitments

	Value of collateral 2023	Value of collateral 2022
<b>Contingent liabilities</b>		
On own behalf for commitments		
Real estate mortgages	26	26
Other contingent liabilities	24	49
Total	50	75
On behalf of joint arrangements		
Pledged assets	114	89
Total	114	89
On behalf of others		
Guarantees	1	1
Total	1	1
	164	164

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.

	2023	2022
<b>Commitments</b>		
Commitments for purchase of property, plant and equipment and intangible assets	710	810
Other commitments	8	8
Total	718	818

Capital commitments are mainly related to an expansion project in the refinery in Rotterdam 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.

## 29 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 other income 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:

<b>Right-of-use assets</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Land		230	249
Buildings and constructions		49	45
Machinery and equipment		237	152
Other tangible assets		467	108
<b>Total assets included in property, plant and equipment</b>	<b>14</b>	<b>983</b>	<b>553</b>
<b>Lease liabilities</b>			
Non-current interest-bearing liabilities		768	425
Current interest-bearing liabilities		199	110
<b>Total liabilities included in interest-bearing liabilities</b>	<b>21</b>	<b>967</b>	<b>535</b>

Additions to the right-of-use assets during the 2023 financial year were EUR 780 million (2022: EUR 300 million) and it included EUR 79 million from joint operation Martinez Renewables (2022: EUR 111 million).

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:

<b>Depreciation charge of right-of-use assets</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Land		15	14
Buildings and constructions		14	13
Machinery and equipment		82	48
Other tangible assets		143	87
	<b>14</b>	<b>255</b>	<b>163</b>
Interest expense (included in finance cost)	<b>10</b>	<b>50</b>	<b>24</b>
Expense relating to short-term leases (included in materials and services)	<b>7</b>	<b>14</b>	<b>38</b>
Expense relating to short-term leases (included in other expenses)	<b>9</b>	<b>8</b>	<b>5</b>
Expense relating to leases of low-value assets (included in other expenses)	<b>9</b>	<b>1</b>	<b>0</b>
Variable lease payments not included in lease liabilities (included in materials and services)	<b>7</b>	<b>0</b>	<b>0</b>
Variable lease payments not included in lease liabilities (included in other expenses)	<b>9</b>	<b>4</b>	<b>21</b>

## 30 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.

## 31 Events after the balance sheet date

On 30 January, Neste announced that the Porvoo refinery processes will be brought into a safe state for the duration of the political strike announced to take place on 1 and 2 February 2024.



## Parent company income statement

EUR million	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Revenue</b>	2	15,768	19,231
Change in product inventories		-235	367
Other operating income	3	31	28
Materials and services	4	-13,173	-17,075
Personnel expenses	5	-355	-275
Depreciation, amortization and write-downs	6	-211	-248
Other operating expenses	7	-509	-445
<b>Operating profit/loss</b>		1,317	1,583
Financial income and expenses	8	27	385
Financial income and expenses total		27	385
<b>Profit/loss before appropriations and taxes</b>		1,343	1,967
Appropriations	9	97	-49
Income tax expenses	10	-262	-291
<b>Profit for the year</b>		1,178	1,628

## Parent company balance sheet

EUR million	Note	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Fixed assets and other long-term investments</b>	11, 12		
Intangible assets		116	123
Tangible assets		1,878	1,886
Other long-term investments		4,071	3,404
Fixed assets and other long-term investments total		6,064	5,413
<b>Current assets</b>			
Inventories	13	1,518	1,914
Long-term receivables	14	64	43
Short-term receivables	15	2,702	3,349
Cash and cash equivalents		1,328	806
Current assets total		5,611	6,113
<b>Total assets</b>		11,676	11,526
<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		24	69
Other funds and reverses total		43	88
Retained earnings		2,649	2,189
Profit for the year		1,178	1,628
Shareholders' equity total		3,911	3,945
<b>Accumulated appropriations</b>	17	1,163	1,140
<b>Provisions for liabilities and charges</b>	18	103	117
<b>Liabilities</b>	19		
Long-term liabilities		2,823	1,969
Short-term liabilities		3,676	4,355
Liabilities total		6,499	6,324
<b>Total equity and liabilities</b>		11,676	11,526

## Parent company cash flow statement

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Cash flows from operating activities</b>		
Profit/loss before appropriations and taxes	1,343	1,967
Adjustments:		
Depreciation, amortization and write-downs	211	248
Other non-cash income and expenses <sup>1)</sup>	119	-99
Financial income and expenses	-27	-385
Divesting activities, net	0	-13
<b>Operating cash flow before change in working capital</b>	1,647	1,719
Change in working capital		
Decrease (+)/increase (-) in interest-free receivables	499	-824
Decrease (+)/increase (-) in inventories	396	-615
Decrease (-)/increase (+) in interest-free liabilities	-969	-49
Change in working capital	-74	-1,487
<b>Cash generated from operations</b>	1,573	232
Interest and other financial expenses paid, net	-35	-16
Dividends received	122	420
Income taxes paid	-257	-306
Realized foreign exchange gains and losses, net	-20	-33
<b>Net cash from operating activities</b>	1,384	297

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Cash flows from investing activities</b>		
Capital expenditure	-148	-185
Proceeds from sale of fixed assets	0	0
Investments in shares in subsidiaries	-810	-1,014
Investments in shares in other shares	-1	-1
Proceeds from shares in subsidiaries	0	17
Proceeds from other shares	0	0
Change in other investments, increase (-)/decrease (+)	182	13
<b>Net cash used in investing activities</b>	-777	-1,170
<b>Cash flow before financing activities</b>	607	-873
<b>Cash flows from financing activities</b>		
Proceeds from long-term liabilities	1,671	899
Payments of long-term liabilities	-209	-491
Change in short-term liabilities	-380	248
Dividends paid	-1,168	-630
Group contributions, net	0	128
<b>Cash flow from financing activities</b>	-86	155
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	521	-719
Cash and cash equivalents at the beginning of the period	806	1,492
Cash and cash equivalent increases from merger	0	33
Cash and cash equivalents at the end of the period	1,328	806
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	521	-719

<sup>1)</sup> Other non-cash income and expenses consists of change in FX derivatives, change in commodity derivatives, change in provisions and adjustments to realized FX gains/losses.



# 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.

Neste Oyj prepares separate natural gas sale and network financial statements that is published in Neste Oyj's consolidated financial statements.

Visibility in the global economy continues to be low due to high inflation, reduced economic growth expectations and continued geopolitical uncertainty. 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
Goodwill and Intangible assets <sup>1)</sup>	3–10 years

<sup>1)</sup>Intangible assets include capitalized development expenditures

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	2023	2022
Renewable Products	4,985	5,918
Oil Products	10,582	13,149
Marketing & Services	-7	-2
Other	208	165
	15,768	19,231

Revenue by market area	2023	2022
Finland	4,668	5,813
Other Nordic countries	2,867	3,859
Baltic Rim	1,465	1,846
Other European countries	4,770	5,843
North and South America	1,420	1,202
Other countries	578	669
	15,768	19,231

## 3 Other operating income

	2023	2022
Rental income	3	5
Gain on sale of intangible and tangible assets	0	0
Gain on sale of subsidiary shares	0	13
Insurance compensations	7	0
Government grants	14	7
Other	7	4
Other operating income total	31	28



## 4 Materials and services

	2023	2022
Materials and supplies		
Purchases during the period	12,420	16,800
Change in inventories	162	-247
	12,581	16,552
External services	592	523
Materials and services total	13,173	17,075

## 5 Personnel expenses

	2023	2022
Wages, salaries and remunerations	286	221
Restructuring provisions related to Naantali refining operations closure <sup>1)</sup>	0	-1
Indirect employee costs		
Pension costs	69	49
Other indirect employee costs	12	9
Wages and salaries capitalized in fixed assets	-11	-4
Personnel expenses total	355	275

<sup>1)</sup>Includes reversed unused provision of Naantali refinery closure in 2022.

### Salaries and remuneration

Key management compensations are presented in Note 25 in the Neste Group consolidated financial statements.

Average number of employees	2023	2022
White-collar	2,919	2,081
Blue-collar	743	729
	3,661	2,810

## 6 Depreciation, amortization and write-downs

	2023	2022
Depreciation according to plan	207	216
Write-offs	4	32
Depreciations, amortization and write-downs total	211	248

## 7 Other operating expenses

	2023	2022
Operating leases and other property costs	19	26
Repairs and maintenance	117	102
Planning and consulting services	40	58
IT services	149	105
Other	183	155
Other operating expenses total	509	445

### Fees charged by the statutory auditor

EUR thousands	2023	2022
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	680	604
Tax advisory	204	1
Other advisory services	295	141
	1,179	746

## 8 Financial income and expenses

	2023	2022
Dividend income		
From Group companies	122	420
Dividend income total	122	420
Interest income from long-term loans and receivables		
From Group companies	1	7
From others	5	4
Interest income from long-term loans and receivables total	6	11
Other interest and financial income		
From Group companies	18	3
Other	39	5
Gain on merger	0	0
Other interest and financial income total	57	7
Write-downs on long-term investments		
Write-downs on long-term investments (receivables)	0	-3
Return of write-downs on long-term investments <sup>1)</sup>	0	45
Write-downs of other long-term investments	0	-5
Write-downs on long-term investments total	0	37
Interest expenses and other financial expenses		
To Group companies	-46	-10
Other	-76	-22
Interest expenses and other financial expenses total	-122	-33
Exchange rate differences	-36	-58
<b>Financial income and expenses total</b>	<b>27</b>	<b>385</b>
<sup>1)</sup> Consists of Neste Bahrain's loan receivables repayment		
<b>Total interest income and expenses</b>	<b>2023</b>	<b>2022</b>
Interest income	62	18
Interest expenses	-120	-29
Net interest expenses	-57	-11

## 9 Appropriations

	2023	2022
<b>Change in depreciation difference</b>		
Difference between depreciation according to plan and depreciation in taxation	-23	-49
<b>Group contributions</b>		
Group contributions received	120	0
Appropriations total	97	-49

## 10 Income tax expense

	2023	2022
Income taxes on regular business operations	261	291
Taxes for prior periods	-1	0
Change in deferred tax assets	3	0
Income tax expense total	262	291



## 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 2023	1	358	359
Increases	0	24	24
Decreases	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2023	1	382	383
Accumulated amortization and write-downs as of 1 January 2023	1	235	236
Amortization for the period	0	32	32
Accumulated amortization and write-downs as of 31 December 2023	1	266	268
Balance sheet value as of 31 December 2023	0	116	116

<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>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 2023	26	1,453	3,323	102	167	5,072
Increases	0	23	32	1	116	172
Decreases	0	0	-14	0	-1	-15
Transfers between items	0	10	66	1	-78	0
Acquisition cost as of 31 December 2023	26	1,487	3,408	103	204	5,228
Accumulated depreciation and write-downs as of 1 January 2023	0	840	2,323	50	0	3,213
Accumulated depreciation and write-downs of decreases and transfers	0	0	-12	0	0	-11
Depreciation and write-downs for the period	0	39	135	2	0	176
Accumulated depreciation and write-downs as of 31 December 2023	0	879	2,446	51	0	3,377
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2023	31	629	961	52	204	1,878
<b>Balance sheet value of machinery and equipments used in production</b>						961

<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
Write-downs of Naantali refining operations closure	0	0	3	0	0	3
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	31	634	1,000	53	167	1,886
<b>Balance sheet value of machinery and equipments used in production</b>						736



<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 2023	3,130	170	7	82	21	3	3,413
Increases	810	0	0	26	1	0	837
Decreases	0	-170	0	-1	0	0	-171
Acquisition cost as of 31 December 2023	3,939	0	7	107	23	3	4,079
Accumulated depreciation and write-downs as of 1 January 2023	0	0	0	0	5	3	8
Decreases	0	0	0	0	0	0	0
Accumulated depreciation and write-downs as of 31 December 2023	0	0	0	0	5	3	8
Balance sheet value as of 31 December 2023	3,939	0	7	107	17	0	4,071

<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	3	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
Decreases	0	0	0	0	5	3	8
Accumulated depreciation and write-downs as of 31 December 2022	0	0	0	0	5	3	8
Balance sheet value as of 31 December 2022	3,130	170	7	82	16	0	3,404

<b>Interest-bearing and interest-free receivables, EUR million</b>	<b>2023</b>	<b>2022</b>
Interest-bearing receivables	107	252
	107	252

## 12 Revaluations

	Revaluations as of Jan 1 2023	Increases	Decreases	Revaluations as of Dec 31 2023
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

	2023	2022
Raw materials and supplies	687	848
Products/finished goods	831	1,066
Advance payments on inventories	0	1
Inventories total	1,518	1,914
Replacement value of inventories	1,607	1,968
Book value of inventories	1,518	1,914
Difference	89	54

## 14 Long-term receivables

	2023	2022
<b>Long-term receivables from others</b>		
Long-term advance payments	16	19
Other receivables	32	17
Deferred tax assets	16	7
Long-term receivables total	64	43

## 15 Short-term receivables

	2023	2022
<b>Receivables from Group companies</b>		
Trade receivables	712	998
Loan receivables	85	4
Group contribution receivables	120	0
Other receivables	588	667
Accrued income and prepaid expenses	127	120
Total	1,633	1,789
<b>Receivables from associated companies</b>		
Trade receivables	22	51
Other receivables	0	0
Total	22	51
<b>Receivables from others</b>		
Trade receivables	666	773
Loan receivables	0	0
Other receivables	170	287
Accrued income and prepaid expenses	211	448
Total	1,047	1,509
Short-term receivables total	2,702	3,349
<b>Short-term accrued income and prepaid expenses, EUR million</b>		
Accrued interest	6	0
Derivative financial instruments	280	521
Current investments	5	0
Other	48	47
Total	338	568



## 16 Changes in shareholders' equity

	2023	2022
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Fair value reserve at 1 January	69	-32
Increases	3,265	5,100
Decreases	-3,310	-5,000
Fair value reserve at 31 December	24	69
Restricted shareholders equity	64	109
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	3,817	2,819
Dividends paid	-1,168	-630
Profit for the year	1,178	1,628
Retained earnings at 31 December	3,827	3,817
Non-restricted shareholders equity	3,847	3,836
Capitalized development expenditure	12	12
Distributable equity	3,835	3,824

The amount of own shares is presented in the group's consolidated financial statements in Note 20.

## 18 Provisions for liabilities and charges

	2023				2022			
	at 1 Jan	Increase	Decrease	at 31 Dec	at 1 Jan	Increase	Decrease	at 31 Dec
Restructuring provisions	0	0	0	0	2	0	1	0
Provision for environment	1	0	0	1	1	0	0	1
Provision for environment for Naantali refining operations closure	111	0	12	99	112	4	5	111
Other provisions	4	3	4	3	0	4	0	4
Total	117	3	16	103	115	8	6	117

## 17 Accumulated appropriations

	2023	2022
Depreciation difference	1,163	1,140

## 19 Liabilities

<b>Long-term liabilities</b>	<b>2023</b>	<b>2022</b>
Bonds	2,110	895
Loans from financial institutions	609	615
Advanced payments	18	18
Liabilities to Group companies		
Other long-term liabilities	80	429
Accruals and deferred income	6	12
<b>Long-term liabilities total</b>	<b>2,823</b>	<b>1,969</b>
<b>Interest-bearing liabilities due after five years</b>	<b>2023</b>	<b>2022</b>
Loans from financial institutions	93	94
Bonds	1,587	495
	1,680	589
<b>Short-term liabilities</b>	<b>2023</b>	<b>2022</b>
Bonds	201	0
Loans from financial institutions	6	5
Advances received	11	25
Trade payables	689	890
Liabilities to Group companies		
Advances received	0	0
Trade payables	692	661
Other short-term liabilities	1,119	1,317
Accruals and deferred income	71	119
<b>Total</b>	<b>1,881</b>	<b>2,097</b>
Liabilities to associated companies		
Trade payables	9	22
<b>Total</b>	<b>9</b>	<b>22</b>
Other short-term liabilities	530	1,014
Accruals and deferred income	348	301
<b>Short-term liabilities total</b>	<b>3,676</b>	<b>4,355</b>

<b>Short-term accruals and deferred income</b>	<b>2023</b>	<b>2022</b>
Salaries and indirect employee costs	95	90
Accrued interests	43	9
Derivative financial instruments	277	317
Other short-term accruals and deferred income	4	4
	419	420
<b>Interest-bearing and interest-free liabilities</b>	<b>2023</b>	<b>2022</b>
Long-term liabilities		
Interest-bearing liabilities	2,799	1,936
Interest-free liabilities	24	33
	2,823	1,969
Short-term liabilities		
Interest-bearing liabilities	1,322	1,695
Interest-free liabilities	2,354	2,660
	3,676	4,355

### 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	1.500	EUR	201	201
2021/2028	Fixed	0.750	EUR	500	496
2023/2029	Fixed	3.875	EUR	500	498
2023/2031	Fixed	3.875	EUR	600	605
2023/2033	Fixed	4.250	EUR	500	511
<b>Total outstanding carrying amount 31 December 2023</b>				2,301	2,311



## 20 Contingent liabilities

<b>Contingent liabilities</b>	<b>2023</b>	<b>2022</b>
<b>Contingent liabilities given on own behalf</b>		
Real estate mortgages	26	26
Pledged assets	0	0
Other contingent liabilities	23	27
Total	47	52
<b>Contingent liabilities given on behalf of Group companies</b>		
Guarantees	206	409
Total	206	409
<b>Contingent liabilities given on behalf of associated companies</b>		
Pledged assets	114	89
Total	114	89
<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 if the taxable utilization of real estate will decrease during a 10 years control period.

<b>Operating lease liabilities</b>	<b>2023</b>	<b>2022</b>
Due within a year	10	22
Due after a year	8	19
Total	19	41
<b>Capital commitments</b>		
Commitments for purchase of property, plant and equipment and intangible assets	100	38
Other commitments	8	8
Total	108	46

## 21 Derivative Financial instruments

	31 Dec 2023					31 Dec 2022				
	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	1,944	0	33	3	30	2,984	0	99	18	81
Foreign exchange options										
Purchased	0	0	0	0	0	84	0	5	0	5
Written	0	0	0	0	0	84	0	0	0	0
<b>Derivatives designated as cash flow hedges</b>	1,944	0	33	3	30	3,153	0	104	18	86
Interest rate swaps	0	550	26	0	26	0	0	0	0	0
<b>Derivatives designated as fair value hedges</b>	0	550	26	0	26	0	0	0	0	0
Foreign exchange derivatives, forwards	2,766	0	38	7	31	3,853	3	119	24	96
Intra-group forward foreign exchange contracts	1,350	0	5	22	-17	1,550	3	24	20	4
Currency options										
Purchased	0	0	0	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0	0	0	0
Intra-group currency options										
Purchased	0	0	0	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0	0	0	0
<b>Non-hedge accounting</b>	4,117	0	43	29	15	5,403	6	143	43	100



	31 Dec 2023					31 Dec 2022				
	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	74	26	48	25	0	65	66	-1
Purchased forwards, million bbl	25	0	13	122	-109	18	0	59	67	-8
Intra-group oil and vegetable oil derivatives										
Sold forwards, million bbl	11	0	33	17	16	11	0	32	36	-4
Purchased forwards, million bbl	11	0	35	29	6	12	0	37	27	10
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	18	0	2	0	2
Purchased forwards, GWh	2,172	767	1	57	-57	1,996	620	62	36	26
Intra-group electricity and gas derivatives										
Sold forwards, GWh	1,282	531	54	0	54	1,328	489	34	38	-4
<b>Non-hedge accounting</b>	3,526	1,298	210	252	-42	3,408	1,109	291	270	21
<b>Derivatives Total</b>			312	283	29			538	332	206
of which										
Current derivative financial instruments			280	277	3			521	317	204
Non-current derivative financial instruments			32	6	26			17	15	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, EUR million	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Non-current derivative financial instruments								
Interest rate derivatives	0	26	0	26	0	0	0	0
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	6	0	6	0	17	0	17
Other financial assets	0	0	0	0	0	0	0	0
Current derivative financial instruments								
Currency derivatives	0	76	0	76	0	247	0	247
Commodity derivatives	69	134	0	204	32	242	0	274
<b>Financial liabilities</b>								
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	6	0	6	0	15	0	15
Current derivative financial instruments								
Currency derivatives	0	31	0	31	0	62	0	62
Commodity derivatives	71	175	0	246	54	201	0	255

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 Finance B.V.	Netherlands	40	100.00
Neste Eesti AS	Estonia	10,000	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
Neste Spain S.L.	Spain	3,000	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

	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.

## 24 Unbundling of natural gas network operations

INCOME STATEMENT	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Revenue</b>	9	9
Other operating income		
Utility income	7	4
Materials and services	0	0
External services		
Network service fees	-16	-13
Personnel expenses		
Wages, salaries and remunerations	0	0
Depreciation, amortization and write-downs		
Depreciation according to the plan		
Planned depreciation of natural gas network assets	0	0
Other operating expenses	0	-1
<b>Operating loss</b>	0	0
<b>Financial income and expenses</b>	0	0
<b>Loss before appropriations and taxes</b>	0	0
<b>Loss for the year</b>	0	0

BALANCE SHEET	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>		
<b>Fixed assets and other long-term investments</b>		
Tangible assets		
Tangible assets of natural gas network	0	0
	0	0
<b>Current assets</b>		
Inventories	0	0
Receivables		
Long-term receivables	0	0
Short-term receivables		
Trade receivables	3	2
Other receivables	0	0
Cash and cash equivalents	0	0
	3	2
<b>Total assets</b>	3	2
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	0	0
Other funds and reserves	0	0
Retained earnings	-1	-1
Loss for the year	0	0
	-1	-1
<b>Accumulated appropriations</b>	0	0
<b>Provisions for liabilities and charges</b>	0	0
<b>Long-term liabilities</b>		
Short-term liabilities	0	0
Short-term interest-fee liabilities		
Other short-term liabilities	4	3
	4	3
<b>Total equity and liabilities</b>	3	2



### Accounting policies

According to the Natural Gas Market Act, business transactions and balance sheet items are booked in to the income statements and balance sheets of businesses in accordance with the accrual principle. The netting of VAT receivables and payables occur at the company level. The remaining balance sheet difference will be equalized in the balance sheet to the point 'Other short-term liabilities'.

### Natural gas network's fixed assets net investments

<b>Tangible assets</b>	<b>Natural gas network</b>
Acquisition cost as of 1 January 2023	0
Increases	0
Decreases	0
Acquisition cost as of 31 December 2023	0
Accumulated depreciation and write-downs as of 1 January 2023	0
Depreciation and write-downs for the period	0
Accumulated depreciation and write-downs as of 31 December 2023	0
Balance sheet value as of 31 December 2023	0

<b>Tangible assets</b>	<b>Natural gas network</b>
Acquisition cost as of 1 January 2022	0
Increases	0
Decreases	0
Acquisition cost as of 31 December 2022	0
Accumulated depreciation and write-downs as of 1 January 2022	0
Depreciation and write-downs for the period	0
Accumulated depreciation and write-downs as of 31 December 2022	0
Balance sheet value as of 31 December 2022	0

### Natural gas network's return on investment

	<b>2023</b>	<b>2022</b>
Return on investment, %	-5.74	-2.58

## 25 Unbundling of natural gas network operations

<b>INCOME STATEMENT</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
<b>Revenue</b>	105	236
Other operating income		
Utility income	78	109
Materials and services		
Materials, supplies and goods		
Purchases during the period	-184	-345
Personnel expenses		
Wages, salaries and remunerations	0	0
Depreciation, amortization and write-downs	0	0
Other operating expenses	0	0
<b>Operating loss/profit</b>	-1	0
Financial income and expenses	0	0
<b>Loss/profit before appropriations and taxes</b>	-1	0
<b>Loss/profit for the year</b>	-1	0

<b>BALANCE SHEET</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
<b>ASSETS</b>		
<b>Fixed assets and other long-term investments</b>	0	0
<b>Current assets</b>		
Inventories	0	0
Receivables		
Long-term receivables	0	0
Short-term receivables		
Trade receivables	25	38
Other receivables	1	0
Cash and cash equivalents	9	0
	35	38
<b>Total assets</b>	35	38
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	0	0
Other funds and reserves	0	0
Retained earnings	5	4
Loss/profit for the year	-1	0
	4	5
<b>Accumulated appropriations</b>	0	0
<b>Provisions for liabilities and charges</b>	0	0
<b>Liabilities</b>		
Long-term liabilities	0	0
Short-term liabilities		
Short-term interest-fee liabilities		
Trade payables	31	31
Other short-term liabilities	0	2
	31	33
<b>Total equity and liabilities</b>	35	38



### Accounting policies

According to the Natural Gas Market Act, business transactions and balance sheet items are booked in to the income statements and balance sheets of businesses in accordance with the accrual principle. The netting of VAT receivables and payables occur at the company level. The remaining balance sheet difference will be equalized in the balance sheet to the point 'Cash and cash equivalents'.

### Currency derivatives

Realized and unrealized gains and losses on currency derivatives related to the sale of natural gas are booked in the materials and services group on the income statement in the sale of natural gas.

<b>The effect of financial instruments in the income statement</b>	<b>2023</b>	<b>2022</b>
Materials and services; Derivatives		
Realized gain	0	0
Realized loss	0	0
Unrealized loss	0	0

# 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 equity as of 31 December 2023 stood at EUR 3,835 million. The Board of Directors proposes Neste Corporation to pay a dividend of EUR 1.20 per share for 2023, totalling EUR 922 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 7 February 2024

**Matti Kähkönen**

**Nick Elmslie**

**Heikki Malinen**

**Johanna Söderström**

**Matti Lehmus**  
President and CEO

**John Abbott**

**Just Jansz**

**Eeva Sipilä**

**Kimmo Viertola**

## The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 7 February 2024

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, 2023. 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 material accounting policy information, 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 IFRS Accounting Standards 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 note 26 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.

Due to the significant impact on Neste growth strategy and unusual nature of the joint operations arrangement, it is considered as a key audit matter.

**HOW THE MATTER WAS ADDRESSED IN THE AUDIT**

Our audit procedures related to Martinez Renewables joint arrangement operation included:

- Evaluating the accounting policies applied in relation to the IFRS standards.
- Providing instructions to the auditors of joint operation to carry out appropriate controls testing and substantive procedures.
- Evaluating the findings reported by the auditors of joint operation including discussion with the auditors.
- On going communications with the management regarding arrangements over the joint arrangement's governance model.

In addition, we have assessed the appropriateness of the Group's disclosures in respect of the transaction and the joint arrangement operation.

**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 IFRS Accounting Standards 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 3 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 or 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 Opinions Based on Statutory Law

Based on our audit, it is our responsibility to express an opinion on the matters required by the Finnish Natural Gas Market Act Chapter 13, Section 64.

The unbundled income statements, balance sheets and the supplementary information of the natural gas business operations are prepared in accordance with the Finnish Natural Gas Market Act and the rules and regulations issued thereunder.

### 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, 2024

**KPMG OY AB**

**LEENAKAISA WINBERG**

Authorised Public Accountant, KHT



