

NESTE

Green Finance Report 2022

CHANGE RUNS ON
RENEWABLES

Green Finance Report 2022

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

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

Growing our production capacity for renewable and circular products is a key driver towards achieving our climate goals. It is also a core theme in our long term strategy. In 2022, we executed three

landmark eligible investments that will more than double our global renewables production by the end of 2026.

We increased our total outstanding green debt portfolio with a EUR 500 million 3-year green term loan, which includes optionality for two 1-year extensions. Of the EUR 706 million available for allocation in 2022, the full amount was invested into our key projects in the renewable and circular solutions area. This report will describe our governance framework and provide more details into the allocation of these proceeds across our eligible projects.

Neste Green Finance Committee

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Executive summary

Sustainability is deeply embedded in Neste's everyday business. We are committed to combating climate change and accelerating a shift to a circular economy. With our renewable and circular solutions, we contribute to the implementation of the Paris Agreement and the [UN Sustainable Development Goals](#).

We have consistently been recognized for our sustainability work by third parties. We have been included in the Dow Jones Sustainability Indices for 16 consecutive years and received a Leadership level and A- score for our climate action and forest assessment from the non-profit CDP. 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. We are also committed to applying the Task Force on Climate-related Financial Disclosures (TCFD) reporting principles, and our reporting meets the EU Directive on disclosure of non-financial and diversity information and the Finnish Accounting Act, as well as the information in accord with the current requirements of EU Taxonomy regulation.

Following the establishment of our Green Finance Framework and our inaugural EUR 500 million 7-year green bond in 2021, in 2022 we entered into a EUR 500 million 3-year green term loan which includes two 1-year extension options. This increased our total outstanding green debt portfolio to EUR 1 billion, of which EUR 294 million was allocated in 2021 and EUR 706 million was eligible for allocation in 2022. In line with our Green Finance Framework, we have allocated funds using Eligible Assets and Projects defined

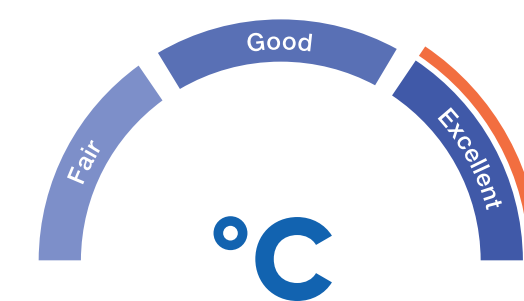
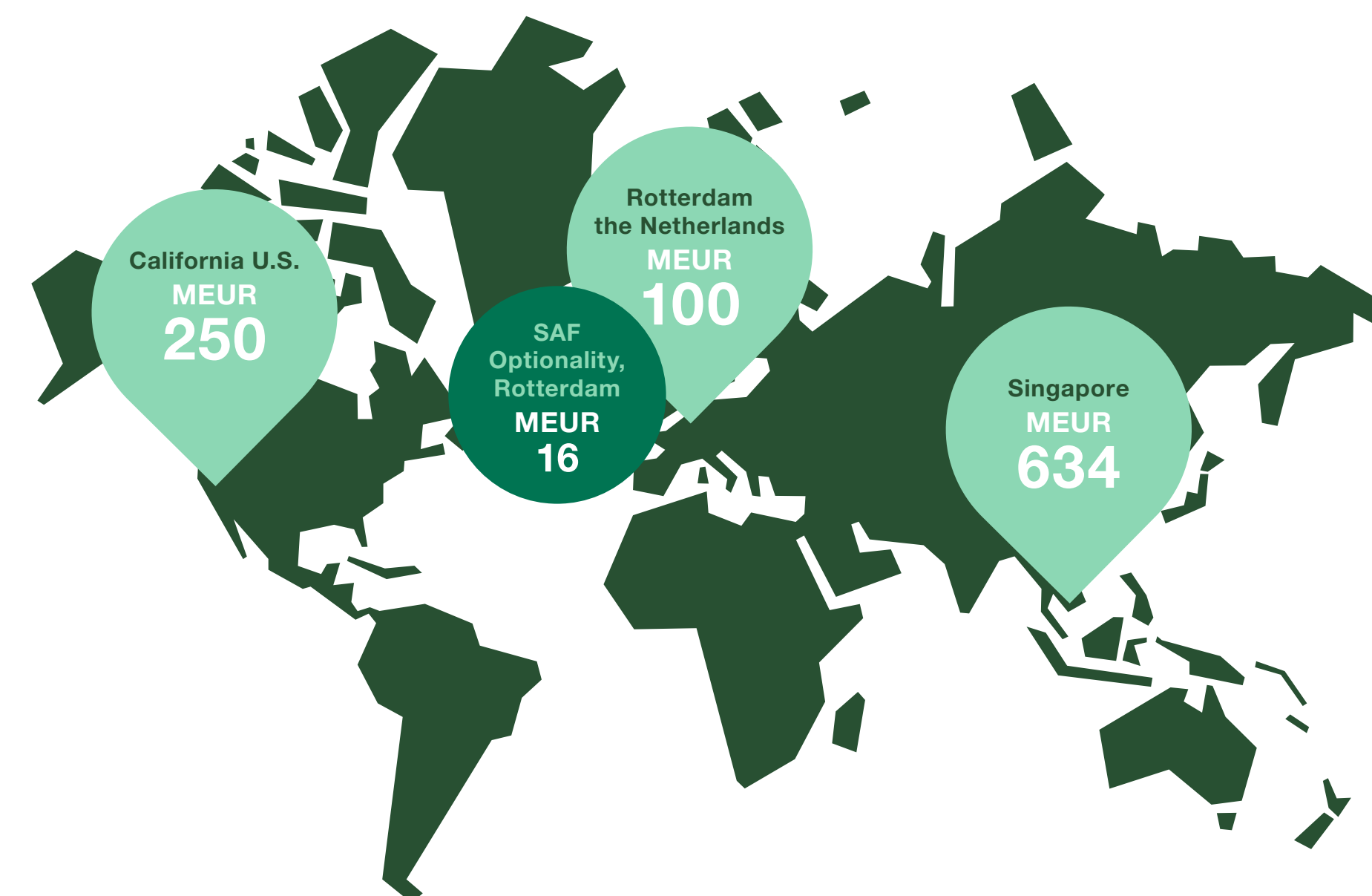
under the International Capital Markets Association (ICMA) Green Bond Principles (GBP) 2018 category: eco-efficient and circular economy adapted products, production technologies and processes.

The full portfolio of EUR 1 billion has been allocated under this category to the following eligible projects:

- **Singapore Expansion Project:** Renewable products capacity expansion project at the Singapore refinery;
- **Rotterdam Expansion Project:** Renewables production capacity expansion project at the Rotterdam refinery in the Netherlands;
- **Martinez Renewable Fuels Project:** a 50/50 joint operation with Marathon Petroleum to produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California; and
- **Sustainable Aviation Fuel (SAF) Optionality Project:** modification of existing capacity to increase SAF productions at the Rotterdam refinery.

Neste publishes annually a report on the allocation and impact of green financing issued under the Green Finance Framework. Neste will strive to report on the actual impact of the investments financed by the green funds. CICERO Shades of Green as an independent second opinion provider has reviewed the Green Finance Framework and provided a CICERO Medium Green rating and a governance score of Excellent.

Green Debt Portfolio Allocation



°CICERO
Medium Green

Neste – Change runs on renewables

Our aim is to be a global leader in renewable and circular solutions. Our strategy focuses on growing in renewable and circular solutions, creating new markets in the long-term, driving differentiation from our competitors and strengthening our foundation to support growth and efficiency.

We continue to serve existing and new customers with renewable and circular solutions, and by 2030, we will have three strong renewables businesses: Renewable Aviation, Renewable Polymers and Chemicals and Renewable Road Transportation. Growth in renewables also means expanding our production and raw materials platform, which has been substantially strengthened through organic growth and acquisitions. We will continue to grow our sourcing network and capabilities globally.

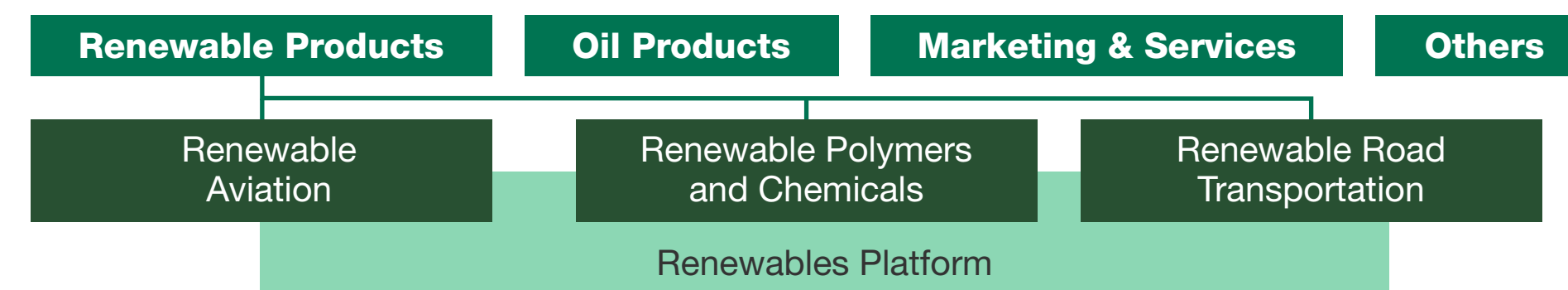
In 2022, we continued to execute our growth strategy in our three renewables businesses. A strategic decision was made to invest into new renewable products production capacity at our refinery in Rotterdam. The Rotterdam refinery expansion investment of approximately EUR 1.9 billion will expand Neste's overall renewable products production capacity by 1.3 million tons annually, increasing the total production capacity at our Rotterdam refinery to 2.7 million tons annually,

of which sustainable aviation fuel (SAF) production capability will be 1.2 million tons.

We also established a 50/50 joint operation with U.S.-based Marathon Petroleum. The joint operation will produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California. Our total investment will amount to approximately EUR 0.9 billion (USD 1.0 billion). The project is expected to increase our renewable products production capacity by slightly over 1 million tons annually by the end of 2023.

Our EUR 1.6 billion investment into expanding renewables production capacity at our Singapore refinery reached mechanical completion at the end of 2022, and production started in April 2023. The expansion will add more than 1 million tons to our global renewable production capacity and bring the refinery's renewable products production capacity to 2.6 million tons annually. Combined with our Rotterdam refinery's SAF optionality project, we target to reach an annual SAF production capability of 1.5 million tons at the beginning of 2024. Furthermore, completion of the Rotterdam refinery expansion will increase this capability to over 2 million tons annually by the end of 2026.

Reporting segments



Neste's renewable and circular solutions include:

- **Neste MY Sustainable Aviation Fuel™** provides an immediate solution for reducing the greenhouse gas emissions of flying. In its neat form and over the life cycle, its use reduces greenhouse gas emissions by up to 80% compared to fossil jet fuel¹⁾. The fuel is made from sustainably-sourced, 100% renewable waste and residue raw materials, such as used cooking oil and animal fat waste.
- **Neste MY Renewable Diesel™** enables customers to reduce their greenhouse gas emissions by as much as 75 to 95% compared to fossil diesel over the fuel's life cycle²⁾. Neste

MY Renewable Diesel is a drop-in solution, which means that it can be used without any modifications to the diesel engines or the fuel distribution infrastructure.

- **Neste RE™** is a drop-in feedstock solution made entirely out of renewable and recycled raw materials to replace fossil feedstock in the production of polymers and chemicals. Neste RE produced from 100% renewable raw materials has a more than 85% smaller carbon footprint over its life cycle compared with conventional fossil feedstock for polymers and chemicals production³⁾.

Key facts in 2022

5,244 average number of personnel

Revenue: **25.7 BEUR**

We enabled our customers to reduce GHG emissions by **11.1 Mt**

Waste and residues accounted for over **90%** of total renewable raw material inputs globally

Main market areas: **Europe and North America**, expanding in the **Asia-Pacific** region

Refinery locations: **Singapore, the Netherlands and Finland**, with a new 50/50 joint operation in Martinez, **California**

Nameplate capacity: **3.3 Mton/a** of renewable products, increasing to **5.5 Mton/a** by the beginning of 2024 and **6.8 Mton/a** by the end of 2026

¹⁾ Calculation method: CORSIA. ²⁾ Calculation method: EU RED II 2018/2001/EU for Europe and U.S. California LCFS for the U.S. ³⁾ Cradle-to-gate approach including end-of-life according to the LCA standards ISO 14040, ISO 14044, and ISO 14067.

Sustainability at Neste

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.

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. Together with our partners we are aiming at a carbon neutral and nature positive value chain by 2040.

Neste sustainability vision



Climate

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



Biodiversity

Neste drives a positive impact on biodiversity and achieves a nature-positive¹⁾ value chain by 2040



Human rights

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



Supply chain & raw materials

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

[Read about Neste's sustainability work in 2022](#)

¹⁾ Nature-positive refers to halting and reversing nature loss, positive impacts outweighing the adverse impacts

Reducing the climate impact on all fronts

Climate change is already affecting every country on every continent, and the responsibility for taking action is shared by us all. Climate science is clear: global warming should be limited to 1.5°C by the end of the century to mitigate the risk of the most severe consequences to human and natural systems¹⁾. Prompt actions to reduce greenhouse gas (GHG) emissions globally are needed. Our vision is to lead the transformation towards a carbon neutral value chain.

We enable our customers to reduce their 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 CO₂e annually by 2030. Our strategic initiatives are a key driver to increasing our **carbon handprint**²⁾. In 2022, we enabled our customers to reduce GHG emissions by 11.1 million tons.

We are able to increase our carbon handprint³⁾ and achieve the 2030 target through our strategy of growing the production capacity for renewable and circular

solutions, while ensuring the GHG emissions over the life cycle of our products are as low as possible. To support our growing production capacity, we are continuously working towards increasing the availability of renewable and recycled raw materials, while also **developing technologies** to diversify our current portfolio with new types of raw materials.

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

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

11.1Mt



Equaling the annual emissions from 4.0 million passenger cars



or the annual carbon footprint of 1.8 million average EU citizens⁴⁾



CASE: Solutions to reduce GHG emissions in aviation

Neste continues to help the aviation industry achieve its ambitious net-zero carbon emissions by 2050 goal by providing an immediate solution for reducing the emissions from air travel. In its neat form and over the life cycle, the use of Neste MY Sustainable Aviation Fuel™ reduces by up to 80% compared to fossil jet fuel¹⁾. The fuel is made from sustainably-sourced, 100% renewable waste and residue raw materials, such as used cooking oil and animal fat waste. (calculation method: CORSIA).

At the end of 2022, our annual SAF production capacity was 100,000 tons. With the ongoing expansion of our Singapore refinery and modification of our Rotterdam refinery, we target to reach

an annual SAF production capability of 1.5 million tons in the beginning of 2024, and over 2 million tons by the end of 2026.

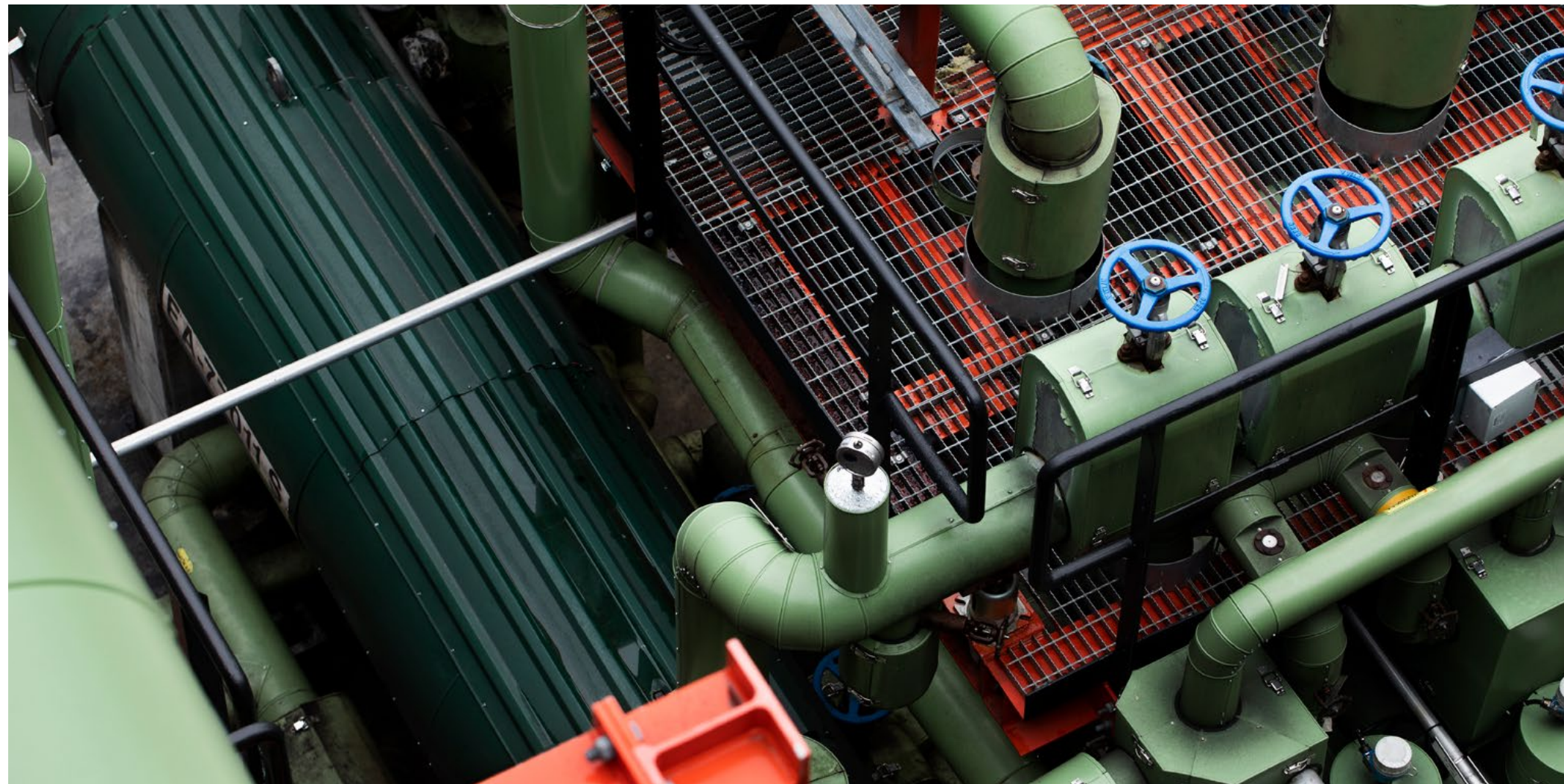
We are actively working with partners in the aviation industry to grow the availability of SAF globally. The fuel is already used by leading commercial airlines including Lufthansa, Air France-KLM, IAG, Finnair, American Airlines, United Airlines and cargo carriers such as DP-DHL, Cargolux and Amazon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

¹⁾ Source: The Sixth Assessment Report by the International Panel of Climate Change (IPCC)

²⁾ Avoided GHG emissions by Neste customers with Neste's renewable products (compared to fossil diesel) in MtCO₂e

³⁾ The combined GHG emission reduction impacts of products Neste has produced and sold over the reporting year

⁴⁾ Source: World Bank



CASE: Transitioning Porvoo refinery to a renewable and circular solutions site and ending crude oil refining would have a significant climate impact

Neste has launched [a strategic study](#) on transitioning its Porvoo refinery in Finland entirely to a renewable and circular solutions site and ending crude oil refining in the mid-2030s. If implemented, the transformation would increase Neste's capacity to produce renewable and circular solutions, while also driving company profitability through asset optimization and new investments.

The targeted transformation would strongly contribute to Neste reaching its climate commitments across production, sold products and the entire value chain. As a part of the study, Neste will continue to maximize the opportunities of renewable hydrogen with a focus on building larger electrolyser capacity for the hydrogen production at the Porvoo refinery. Renewable hydrogen is a key element in the climate roadmap towards carbon neutral production by 2035.

In addition, a change from virgin fossil to renewable and recycled raw materials would significantly reduce the GHG emissions caused by the refining process itself.

Discontinuation of crude oil refining at the Porvoo refinery would also have a significant impact on Neste's scope 3 emissions, as they are mainly caused by the use of the fossil fuels produced and sold by Neste. Another impact would be a significant reduction of both the use phase emission intensity as well as the emissions caused by the use of Neste's products. Furthermore, the targeted Porvoo refinery transformation would have an impact on the other scope 3 categories, including 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.

CASE: Extensive portfolio of renewable raw materials

Neste uses a wide variety of sustainably-produced **renewable raw materials** each year to produce its renewable products. In 2022, the share of waste and residues was 95% of Neste's total renewable raw material inputs globally, and their share is expected to remain above 90% over the coming years. An extensive portfolio of globally-sourced renewable raw materials provides flexibility and allows us to respond to the needs of different markets and customers.

Animal fat from food industry waste, used cooking oil and various wastes and residues from vegetable oils processing represent the top three waste and residue raw material categories we use based on their current and estimated shares of Neste's total annual renewable raw material inputs. In addition to waste and residues, Neste also uses small amounts of sustainably-produced vegetable oils. In 2022, the share of conventional vegetable oils of our global renewable raw material input was approximately 5%, with 100% certified and traceable palm oil representing about 4%. Neste plans to reduce the share of conventional palm oil (i.e. crude and refined palm oil) to zero by the end of 2023.

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 with new scalable raw materials. This will help us ensure access to sufficient volumes of raw materials to support our growing production capacity, which enables us to maximize our carbon handprint. In the short to medium-term, we aim at increasing the availability of emerging lower-quality waste and residues such as palm oil mill effluent (POME) and liquefied waste plastic. We are also exploring novel vegetable oils from advanced agricultural concepts. In the long term, renewable hydrogen, lignocellulosic waste and residues, algae and municipal solid waste are viable sustainable raw material alternatives.

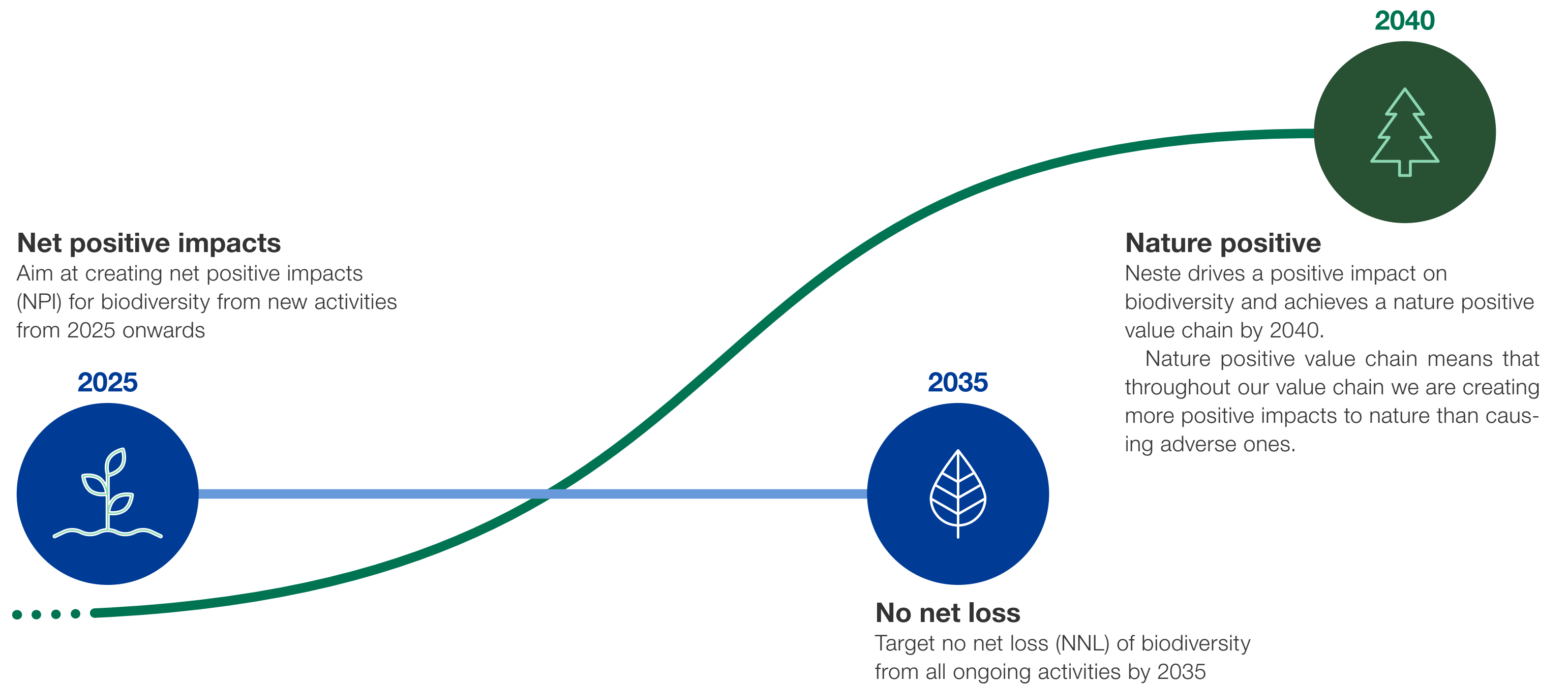
Driving positive impact on biodiversity

Our business is dependent on natural resources. For our planet and our business to thrive and be resilient, the prerequisite is restoring and protecting healthy ecosystems. We aim to drive a positive impact on biodiversity and achieve a nature positive value chain by 2040. Nature positive business means that the business creates more benefits than adverse impacts to nature.

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



Building the means and roadmap to achieve our biodiversity vision



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

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

Towards a more equitable and inclusive value chain

In line with the United Nations Guiding Principles on Business and Human Rights, our **Human Rights Principle** sets the path and standards for a rights-based approach in all of Neste's business decisions.

One of the cornerstones of Neste's sustainability vision is our human rights ambition to create a more equitable and inclusive value chain by 2030, in which everyone works with dignity. The four priority areas for action under this ambition are: Living wages, Responsible recruitment, Children & education and Reducing inequality.

In 2022, we conducted a major review and update of the Neste Human Rights Principle, following extensive consultation with both internal and external stakeholders. We also completed four major human rights related assessments, including human rights risk assessments for Neste Indirect Procurement and living wage gap assessment for own employees in Finland.

Ensuring sustainable supply chain

Our vision is to drive a safe and healthy workplace, fair labor practices and increased commitment across the supply chains. We continue to require all our suppliers and business partners to be committed to Neste Supplier Code of Conduct with criteria on human and labor rights, occupational health and safety, climate, environment and ethical business conduct. All our raw material suppliers are subject to additional sustainability due diligence.

Neste's human rights ambition 2030



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.



Responsible recruitment

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



Children & education

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



Reducing inequality

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

In 2022, we conducted a total of 118 sustainability audits on our contractors, terminals and raw material suppliers. 99% of our renewable raw material suppliers had committed to Neste Supplier Code of Conduct.



Green Finance at Neste

In 2022, our portfolio of total green debt outstanding increased by EUR 500 million to EUR 1 billion. In our Green Finance Report 2021 we allocated EUR 294 million to eligible assets and projects, leaving EUR 206 million unallocated. In 2022, we entered into a EUR 500 million 3-year green term loan with the optionality for two 1-year extensions. The loan was issued under our Green Finance Framework and increased our available unallocated green debt to EUR 706 million. All available funds were allocated in 2022. No refinancing took place.

In addition to the green bond and green term loan outlined in this report, we have sustainability linked credit facilities where pricing is linked to our carbon handprint ambitions. In 2019, we signed a EUR 1.2 billion syndicated revolving credit facility, and in 2022 we signed a EUR 250 million bilateral revolving credit facility. In both facilities our margin is linked to our annual GHG emission reduction targets.



Allocated categories

Our Eligible Assets and Projects fall under the ICMA GBP 2018 category: Eco-efficient and circular economy adapted products, production technologies and processes. The projects include:

- Investments in renewable and circular solutions including renewable product refineries for production of renewable diesel, sustainable aviation fuel and raw materials for various polymers and chemical materials; and
- R&D investments to renewable and circular solutions to further develop our solutions portfolio for more sustainable transport, aviation and chemical sectors. Focus is on scalable and sustainable waste carbon and required technologies.

In 2022, proceeds were allocated to investments in renewable and circular solutions only.

Renewable and circular solutions

Growing in renewable and circular solutions is the core element of our strategy. This includes landmark investments in 2022 which more than double our current annual renewables production capacity of 3.3 million tons by the end of 2026. Cumulative green debt allocation to eligible assets and projects totaled EUR 1 billion at the end of 2022. Of this, EUR 294 million was allocated in 2021 and EUR 706 million was allocated in 2022

Use of Proceeds – Green Bond

In 2021, we issued the first green bond under our Green Finance Framework. EUR 294 million of the EUR 500 million issue was allocated in 2021. EUR 278 million of the issue was allocated to our Singapore Expansion Project and EUR 16 million was allocated to our Sustainable Aviation Fuel (SAF) Optionality Project in Rotterdam. In 2022, the remaining proceeds of EUR 206 million were allocated to a further investment in our Singapore Expansion Project.

Use of Proceeds – Green Term Loan

In 2022, we entered into a 3-year green term loan. Of the EUR 500 million in proceeds, EUR 150 million was allocated to the Singapore Expansion Project and EUR 100 million was allocated to the Rotterdam Expansion Project. EUR 250 million was allocated to the Martinez Renewable Fuels Project, a 50/50 joint operation with U.S.-based Marathon Petroleum to convert the existing refinery and to produce renewable products.

[Read more: Green Finance Report 2021](#)

Product	Green Bond	Green Term Loan
Issuer/Borrower	Neste Corporation	Neste Corporation
Rating	Unrated	
Status	Senior, unsecured and unsubordinated	Unsecured and unsubordinated
Form	Reg S, Bearer, Green	Term loan
Principal amount	EUR 500,000,000	EUR 500,000,000
Coupon/Interest	0.750%	EURIBOR + margin
Issue date	25 March 2021	3 June 2022
Maturity date	25 March 2028	3 June 2026 ¹⁾
Listing	Nasdaq Helsinki, Official List	
Second Party Opinion	CICERO	

¹⁾ One 1-year extension option remains. If exercised by Neste and accepted at our bank's discretion, the loan maturity would be extended and mature 3 June 2027.

Impact

ICMA GBP 2018 Category	Project name	Project signed amount (MEUR)	Total share of project financing (%)	Portfolio eligibility for green financing (%)	Allocated amount as percentage of green debt portfolio (%)	Allocated amount (MEUR)	Estimated weighted average of GHG emissions avoided through the use of products at the time of completion, per annum ¹⁾ (MtCO ₂ e)	Proportional capacity increase of renewable fuels enabled through green financing (Mt)
		A	B	C			D	E
Eco-efficient and circular economy adaption products, production technologies and processes	Renewable and circular solutions	4,590	22.14%	100%	100%	1,000	3	0.85

A. equals the amount legally committed by Neste for the portfolio of eligible projects including the Rotterdam Expansion Project; Martinez Renewable Fuels Project; Singapore Expansion Project; and the SAF Optionality Project

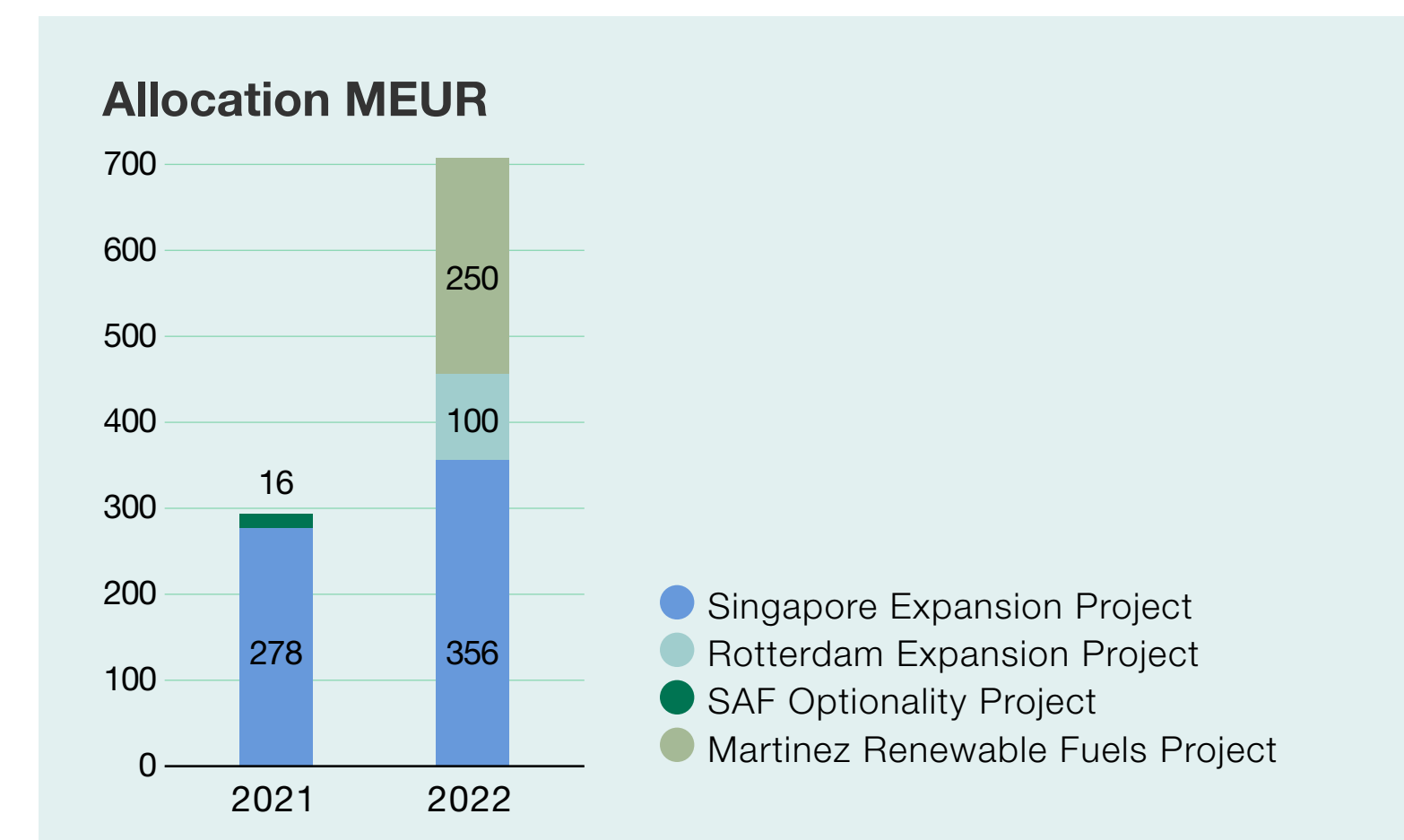
B. equals the total share of signed amount financed by green funding, expressed as a percentage, %

C. equals the share of Neste's eligible projects under the category of renewable and circular solutions eligible for green financing as a percentage, %

D. equals the weighted average sum of GHG emission reduction for Neste's customers per sales of Renewable Diesel & SAF & other renewable products for 2022 x proportional capacity increase enabled by green financing across Neste's eligible assets and projects

E. equals the outstanding allocated green debt / project signed amount x project renewable products capacity increase

¹⁾ This calculation is based on publicly reported figures and assumptions and is therefore uncertain.



Project descriptions

Singapore Expansion Project

In 2018, Neste made the final investment decision on additional renewable products production capacity in Singapore. Construction started at the beginning in 2019, and operations began in April 2023.

The Singapore Expansion Project increases our renewable products production capacity by 1.3 million tons annually. The expansion of our Singapore refinery will also provide Neste with an option to produce up to 1 million tons of sustainable aviation fuel annually.

As a result of the investment, Neste can more flexibly produce renewable and circular solutions at the refinery. This investment also improves our logistics capabilities and enhances raw material pretreatment for the use of increasingly low-quality waste and residue raw materials for the existing refinery.



Capacity increase:	1.3 million tons annually
Investment:	approximately EUR 1.6 billion
Schedule:	production started in April 2023
Products:	Neste MY Sustainable Aviation Fuel™, Neste RE™, Neste MY Renewable Diesel™
Estimated emission reductions:	The use of Neste MY Sustainable Aviation Fuel™ in its neat form and over the life cycle reduces greenhouse gas emissions by up to 80% compared to fossil jet fuel ¹⁾ . The use of Neste MY Renewable Diesel™ reduces greenhouse gas emissions by as much as 75 to 95% compared to fossil diesel over the fuel's life cycle ²⁾ . Neste RE produced from 100% renewable raw materials has a more than 85% smaller carbon footprint over its life cycle compared with conventional fossil feedstock for polymers and chemicals production. ³⁾
Green bond allocation 2021:	EUR 278 million
Green bond allocation 2022:	EUR 206 million
Green term loan allocation 2022:	EUR 150 million

¹⁾ Calculation method: CORSIA.

²⁾ Calculation method: EU RED II 2018/2001/EU for Europe and U.S. California LCFS for the U.S.

³⁾ Cradle-to-gate approach including end-of-life according to the LCA standards ISO 14040, ISO 14044, and ISO 14067.

Rotterdam Expansion Project

Neste made the final investment decision on additional renewable products production capacity in Rotterdam in June 2022, and construction began in August 2022. The extended refinery is expected to start commercial operations during the first half of 2026.

The Rotterdam Expansion Project is planned to increase our renewable products capacity by 1.3 million tons annually. As a result of the investment, Neste can more flexibly produce renewable and circular solutions at the refinery. This investment will also improve our logistics capabilities and enhance raw material pretreatment for the use of increasingly low-quality waste and residue raw materials for the existing refinery.



Capacity increase: 1.3 million tons annually
Investment: approximately EUR 1.9 billion
Schedule: production expected to start by the end of H1 2026
Products: Neste MY Sustainable Aviation Fuel™, Neste RE™, Neste MY Renewable Diesel™
Estimated emission reductions: The use of Neste MY Sustainable Aviation Fuel™ in its neat form and over the life cycle reduces greenhouse gas emissions by up to 80% compared to fossil jet fuel¹⁾. The use of Neste MY Renewable Diesel™ reduces greenhouse gas emissions by as much as 75 to 95% compared to fossil diesel over the fuel's life cycle²⁾. Neste RE produced from 100% renewable raw materials has a more than 85% smaller carbon footprint over its life cycle compared with conventional fossil feedstock for polymers and chemicals production.³⁾
Green term loan allocation 2022: EUR 100 million

¹⁾ Calculation method: CORSIA.

²⁾ Calculation method: EU RED II 2018/2001/EU for Europe and U.S. California LCFS for the U.S.

³⁾ Cradle-to-gate approach including end-of-life according to the LCA standards ISO 14040, ISO 14044, and ISO 14067.

Martinez Renewables Fuels Project

On 1 March 2022, Neste Corporation and Marathon Petroleum Corporation (Marathon) **announced an agreement** to establish a 50/50 joint operation to produce renewable diesel following a conversion project of Marathon's refinery in Martinez, California (the Martinez Renewable Fuels project). All closing conditions were met and the transaction closed on 21 September 2022 and Martinez Renewables was formally established.

Through Martinez Renewables, Neste obtained a 50% interest in the Martinez Renewable Fuels Project. The facility will be operated by Marathon, and the production output will be split evenly between the joint operation partners. Upon completion, Martinez Renewables is expected to increase Neste's renewable products capacity by slightly over 1 million tons annually.

Martinez Renewables began production in the first quarter of 2023. Pretreatment capabilities are expected to come online in the second half of 2023, and the facility is expected to be capable of producing 2.1 million tons per year by the end of 2023.

Capacity increase:	1.05 million tons annually (Neste share)
Investment:	approximately EUR 0.9 billion
Schedule:	full production by the end of 2023
Products:	renewable diesel, renewable naphtha, renewable propane
Green term loan allocation 2022:	EUR 250 million.



Sustainable Aviation Fuel (SAF) Optionality Project

In April 2021, Neste announced that it will modify its existing renewables production capacity in Rotterdam, to enable production of SAF. Currently, the refinery produces mainly Neste MY Renewable Diesel™. The modifications to the refinery will give Neste the option to produce up to 500,000 tons of Neste MY Sustainable Aviation Fuel™ annually as part of the existing capacity.

The capacity will be available from the beginning of 2024. This extends Neste's growing footprint in the Netherlands and demonstrates the shared sustainability ambitions of Neste, the Dutch government, and the Port of Rotterdam in particular. Together with the company's Singapore refinery expansion, Neste has a capacity target to produce 1.5 million tons of SAF annually at the beginning of 2024.

Capacity increase: 500,000 tons annually
Investment: approximately EUR 190 million
Schedule: at the beginning of 2024
Products: Neste MY Sustainable Aviation Fuel™
Estimated emission reductions: The use of Neste MY Sustainable Aviation Fuel™ in its neat form and over the life cycle reduces greenhouse gas emissions by up to 80% compared to fossil jet fuel¹⁾.
Green bond allocation 2021: EUR 16 million.

¹⁾ Calculation method: CORSIA.





Governance

Green Finance Framework

Neste established a Green Finance Framework in 2021. The framework focuses on Neste's development and investments in renewable and circular solutions with the purpose of reducing greenhouse gas emissions globally. Neste has appointed a Green Finance Committee for the allocation of the proceeds from green debt. The committee will evaluate the Eligible Assets and Projects and will ultimately decide on the allocation of funds. Neste will stand clear with its aspiration, leading the way towards a sustainable future together.

Neste's Green Finance Framework

- Supports Neste's transformation to becoming a global leader in renewable and circular solutions;
- Recognizes Neste's commitment to aligning a sustainable operating and funding strategy;
- Furthers Neste's ambitious climate targets; and
- Recognizes ESG driven demand and supports diversification of Neste's investor base.

[Read more: Green Finance Framework](#)

[Read more: Second party opinion – Cicero Shades of Green](#)

1. Use of Proceeds	<ul style="list-style-type: none"> • Green Finance Framework is focused on the development and investments in renewable and circular solutions with the purpose of reducing greenhouse gas emissions globally • The amount equal to the net proceeds of the Green Debt issued will be used to finance or refinance Eligible Assets and Projects • Refinancing of Eligible Assets and Projects may have a look-back period of no longer than 3 years from issuance • Green Debt will not be used to (re-)finance investments that utilize fossil-based raw materials or that are associated with environmentally negative resource extraction • ‘Do No Significant Harm’ Principle in Eligibility Criteria – Neste is committed to ensuring that we do not promote one sustainable solution at the expense of another e.g. 100% of approved renewable raw material suppliers are screened using social criteria • UN Sustainable Development Goals (SDG) Neste has the greatest impact on are SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 10 Reduced Inequalities, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, SDG 15 Life on Land, and SDG 17 Partnerships for the Goals
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2. Selection and Evaluation of Eligible Assets and Projects	<ul style="list-style-type: none"> • Green Finance Committee has been established with members from the management, treasury and sustainability • The finance representative is the chair of the committee and sustainability representative holds a veto • Neste Investment Committee informs Green Finance Committee of potential projects to be included in the Green Debt Register • Green Finance Committee evaluates eligibility of the potential assets and projects and removes assets and projects that do not meet the criteria • Green Finance Committee verifies the eligibility of the potential Green Assets and Projects, and makes the final approval after the potential assets and projects have been approved by the Neste Investment Committee and/ or Neste Board of Directors • Green Finance Committee approves the allocation of proceeds to the Eligible Assets and Projects • Neste has updated its investment criteria to make the greenhouse gas impact of all investments more transparent and set an internal price for carbon in order to increase the weight of greenhouse gas emissions in investment calculations and business case evaluations
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3. Management of Proceeds	<ul style="list-style-type: none"> • Green Debt Register has been established for monitoring Eligible Assets and Projects and allocation of net proceeds • Neste maintains an aggregate amount of Assets and Projects in the Green Debt Register at least equal to the aggregate net proceeds of all outstanding Green Debt • When total outstanding net proceeds exceed the value of Eligible Assets and Projects funds will be held in accordance with normal liquidity management policy • The Green Debt Register will form the basis for the impact and allocation reporting
4. Reporting	<ul style="list-style-type: none"> • Neste reports the actual environmental impact of the investments or when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported • Neste seeks to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer’s Position Paper on Green Bond Impact Reporting • The impact indicators may vary with investment categories, as defined in the Green Finance Framework. The impact metrics selected may include the following: <ul style="list-style-type: none"> › Annual CO₂ emissions avoided through the use of products › Amount of fossil-based raw materials avoided/ replaced

The Green Finance Framework is based on the 2018 version of Green Bond Principles published by the International Capital Markets Association (“ICMA”) and the 2020 version of the Green Loan Principles, published by the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”) respectively.



Green Finance Committee

Neste Green Finance Committee verifies the eligibility of the potential green assets and projects, and makes the final approval after the potential assets and projects have been approved by the Neste Investment Committee and/or Neste Board of Directors.

Neste has designed and implemented a process to ensure that only projects aligned with the criteria set in the Green Finance Framework will be selected as Eligible Assets and Projects for its Green Debt issuance. To oversee this, a Green Finance Committee has been established with members from management, treasury, and sustainability. The finance representative is the chair of the committee and the sustainability representative holds a veto.

The Green Finance Committee follows the below process when selecting and evaluating projects for the Eligible Assets and Projects.

- Neste Investment Committee, chaired by the CFO, will inform the Green Finance Committee of potential projects to be included in the Green Debt Register.
- Neste Green Finance Committee, chaired by the CFO, evaluates eligibility of the potential assets and projects according to eligibility criteria and removes assets and projects that do not meet the criteria.
- Neste Green Finance Committee verifies the eligibility of the potential Green assets and projects, and makes the final approval after the potential assets and projects have been approved by the Neste Investment Committee and/or Neste Board of Directors.

Independent Assurance Report to the Management of Neste Corporation

We have been engaged by the Management of Neste Corporation (hereafter “Neste”) to provide limited assurance on the use of proceeds in the Green Finance Report 2022 (hereafter “Report”).

Management’s responsibilities

The Management of Neste is responsible for the preparation and presentation of the Report in accordance with the reporting criteria, i.e. Neste’s *Green Finance Framework*. The Management is also responsible for producing a Report that is free from material misstatement.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. The scope of our assignment is the contents of the Report related to use of proceeds, including how green projects have been approved, how approved projects have fulfilled the criteria in Neste’s Green Finance Framework and how much of the proceeds have been allocated to these projects at the end of the reporting period. Our assignment is limited to the historical information presented in the Report and does not encompass earlier periods or future-oriented tasks. We conducted our assurance engagement on the Report 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. This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on the Report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed relevant staff responsible for providing the Report;
- Assessed the application of Neste’s *Green Finance Framework* reporting principles in the presentation of the Report;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Report;
- Reviewed the presented Report and assessed its quality and reporting boundary definitions and;
- Assessed the Report’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 assurance engagement is not prepared, in all material respects, in accordance with Neste’s *Green Finance Framework*.

Helsinki, 16 May 2023

KPMG Oy Ab

Leenakaisa Winberg
Authorised Public
Accountant

Tomas Otterström
Partner,
Advisory

NESTE