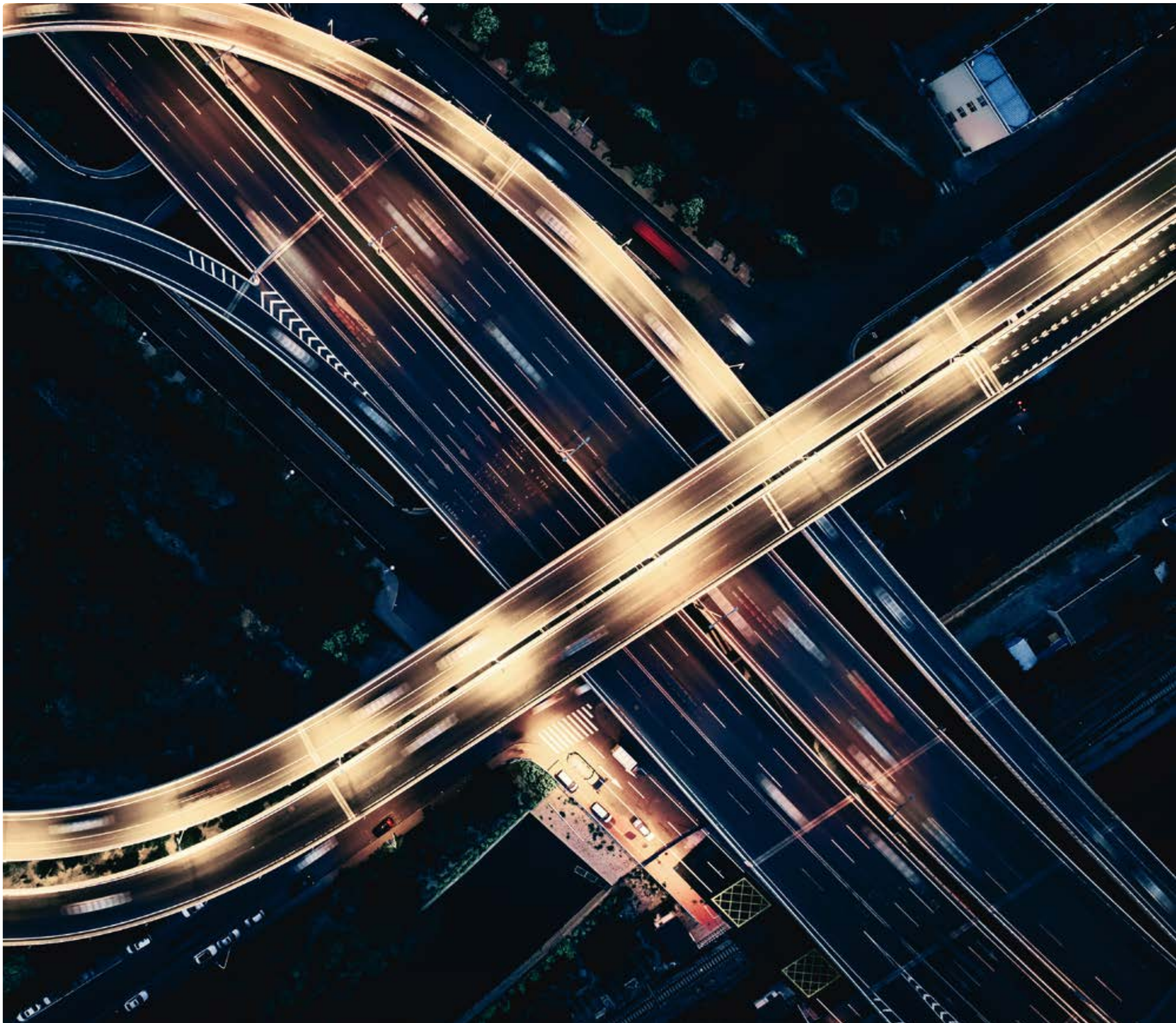


Annual Report 2023

# 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

<b>Sales from in-house production, by product category (1,000 t)</b>	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
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
<b>Total</b>	<b>11,885</b>	<b>100</b>	<b>11,310</b>	<b>100</b>

<sup>1)</sup> Diesel, jet fuel, heating oil, low sulphur marine fuels

<sup>2)</sup> Motor gasoline, gasoline components, LPG

<b>Sales from in-house production, by market area (1,000 t)</b>	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
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

<b>Key financials</b>	<b>2023</b>	<b>2022</b>
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.

<b>Sales volumes by main product categories, million liters</b>	<b>2023</b>	<b>2022</b>
Gasoline, station sales	620	600
Diesel, station sales	1,590	1,620
Heating oil	793	907

<b>Net sales by market area, MEUR</b>	<b>2023</b>	<b>2022</b>
Finland	4,114	4,601
Baltic countries	1,054	1,275

## Others

<b>Key financials</b>	<b>2023</b>	<b>2022</b>
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)
<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	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	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	28	
Of which Enabling		9	6	6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	13	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	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>	<p>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.</p> <p>Target: Maintain a good level of employee engagement.</p>	<p>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.</p>

<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

<b>Income statement</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
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

<b>Share-related indicators</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
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.