

# Neste's tax footprint

We support the functioning of societies and their ability to provide public local services in all countries in which we operate by way of paying taxes and creating jobs. The taxes and tax-like fees paid and remitted by Neste were a significant source of income to public administrations also in 2021, when we supported the societies altogether with 3.9 billion euros.

In compliance with Neste's Human Rights Principles, we encourage social progress and development that is in the public interest, including transparency, accountability and prohibition of tax abuse. We follow and communicate our tax principles stated below and act in accordance with Neste Code of Conduct link: [Neste Code of Conduct](#).

We comply with the applicable local legislation in paying, collecting, remitting, and reporting on taxes and fees. We are committed to following the OECD Transfer Pricing Guidelines, and we pay and collect taxes in countries where our value-added activities are born as a result of our investments and personnel.

The data of our tax payments in 2021 has been compiled taking into account the points of view of materiality, business reasons, and cost-effectiveness.

## Tax strategy

The task of the tax organization is to offer feasible and compliant solutions to support the group's business and growth. We aim to ensure that we do not pay taxes twice or multiple times on our business operations. Our tax planning is focused on business changes and implementing the group's business strategy.

Read more about our tax strategy on our website Link: [Neste Tax Strategy](#).

## Management of tax affairs in Neste

Our tax principles and tax strategy are approved by Neste's Board of Directors.

The President and CEO is ultimately responsible for decision-making regarding tax affairs at Neste. Significant arrangements and business transactions involving tax aspects are only implemented following the approval of the Board of Directors.

Our operational tax organization is divided into the tax organization at Neste's head office and local financial organizations operating outside Finland. High-quality tax returns and reports are the cornerstone of our management of tax affairs. We complete tax returns

carefully in accordance with the applicable local laws and regulations and submit them by the deadline without undue delay.

## Neste's approach to tax planning

Our business environment is undergoing a rapid change with growth and transformation built on sustainability, which we also acknowledge in our tax management.

As we do not conduct aggressive tax planning, we do not use tax havens, low tax jurisdictions nor artificial arrangements, which are ambiguous or against the spirit of the law, for the purpose of avoiding taxes.

Our tax planning is focused on business changes and implementing the group's business strategy as well as avoiding double taxation. We use structures and arrangements that are driven by commercial considerations, are generally acknowledged by the law and court practice and have genuine substance. We do not seek abusive tax benefits.

Furthermore, we follow mandatory disclosure requirements in our operating countries and report transparently to local tax administrations required arrangements when applicable.

## Co-operation with key stakeholders

We promote cooperation with tax and customs authorities by open and honest communication. We seek to get a certainty to tax impacts of business changes in advance when possible. Predictability of tax treatments is very important to us in the fast changing business environment we operate.

We select carefully the tax advisors, which to engage, and use professional and acknowledged advisors who have committed to follow all applicable regulations and good code of conduct. Engagements with tax advisors are guided not to include success fees based on ambiguous tax benefits or specific non-disclosure clauses related to tax benefits.

## Principles regarding business transactions

We are scaling up our sustainable business areas organically and by acquiring new companies in our existing and new geographical regions. We are not acquiring companies or businesses purely for the purpose of benefiting from the tax losses of the company or for any other tax benefit. If we acquire or are about to acquire a company or a group of companies with losses, the use of tax losses will be conducted based on the normal business practices. Also, structuring a new business acquisition is driven by operational needs, not by tax benefits.

We are not converting income into something that is against the true nature of the income for the purpose of gaining a tax benefit. Neither are we conducting artificial circular

transactions that would give rise to a tax benefit that is ambiguous or against the spirit of the law and which would lack business reasoning.

We do not promote business practices, which utilize hybrid entities or structures, double deductions or double reliefs to gain tax benefit.

Neither do we conduct transactions or arrangements, which are evading or abusing the rules of automatic exchange of information (FATCA, CRS/DAC2) regarding financial accounts. We are doing due diligence checks regarding the new counterparties to identify the true beneficial owners of the income.

## Principles regarding group structure and tax agreements

Our legal structure is under constant change mainly due to the organic growth and by acquiring new companies and businesses. The main target for our group structure is that it is as simple as possible and flexible to enable the growth and development of business. Additionally, the principles regarding our legal structure include that the beneficial owners of the income are transparent and it does not include structures, which do not have a tax residence in any jurisdiction.

We have companies operating in Bermuda and Guernsey for business-related reasons. Even though these are low-tax countries, Neste Corporation pays annual Finnish income tax on the result of the insurance company operating in Guernsey and on the income of the shipping business of the affiliated company in Bermuda.

The most significant operations in our group are located in Finland, in the Netherlands, in Singapore and in the USA. During the last two years we have acquired several new companies in the USA and in the Netherlands. Acquiring companies have been established for these transactions in order to be able to structure the business in efficient way and steer the different operating models. These companies are subject to statutory taxation in the country of residence.

In Belgium we have established a new company for the purpose of following up the legislative development and for the interest promotion in EU. The new company was established due to the disposal of Base Oil Business, which includes our Belgian company as well.

Many countries offer different types of tax incentives for companies. Incentives are usually tight to actual physical investments done in the country and to qualify for such incentives requires significant capital expenditure or other commitments. Furthermore, some countries provide rulings or advance pricing agreements, which provide predictability to tax treatments. We have concluded agreements in the following countries in accordance with the local legislation and practices:

- Neste Netherlands BV operates a wholly-owned renewable refinery in Rotterdam. The company has concluded an advance pricing agreement with the Dutch tax authorities on the income taxation of the company.

- Neste's refinery investment regarding the refining of its renewable products is considered to qualify as a pioneer activity as prescribed under the applicable Singapore legislation. Such pioneer incentive is an investment incentive for new, substantive economic contributions, which must include commitments to significant incremental capital expenditure, business spending, and creating of skilled jobs in Singapore, as well as anchoring leading-edge technology, skills or activities in Singapore. Income derived from the production of certain Neste's renewable products refined in Singapore are tax exempt until 2023. Other income beyond renewable production, for example income from supply services, is taxed at a statutory tax rate of 17%.

## Tax figures

	2021	2021	2021	2021	2021	2021
	Finland	Sweden	Switzerland	United States	Other countries	Group in total
Revenue, MEUR	7 999	1 207	1 840	2 911	1 192	15 148
Earnings before taxes, MEUR	595	19	40	63	1 245	1 962
<b>Taxes borne, MEUR</b>						
Corporate income tax	52	3	6	15	19	94
Real estate tax	1	0	0	0	5	7
Employer's charges	53	0	2	2	7	64
Environmental taxes	0	0	0	0	0	0
Customs duty	16	0	0	0	2	17
<b>Total taxes borne, MEUR</b>	<b>122</b>	<b>4</b>	<b>7</b>	<b>17</b>	<b>33</b>	<b>183</b>
<b>Taxes collected, MEUR</b>						
VAT/GST, remitted	953	59	0	69	17	1 099
Excise taxes	2 038	2	0	116	295	2 451
Withholding taxes	156	0	1	5	16	179
Employee's social security	22	0	1	0	4	28
<b>Total taxes collected, MEUR</b>	<b>3 169</b>	<b>63</b>	<b>2</b>	<b>191</b>	<b>331</b>	<b>3 756</b>
<b>Total taxes borne and collected, MEUR</b>	<b>3 291</b>	<b>66</b>	<b>10</b>	<b>208</b>	<b>364</b>	<b>3 939</b>

	2020	2020	2020	2020	2020	2020
	Finland	Sweden	Switzerland	United States	Other countries	Group in total
Revenue, MEUR	6 587	978	1 894	1 324	967	11 751
Earnings before taxes, MEUR	80	-10	27	20	670	786
<b>Taxes borne, MEUR</b>						
Corporate income tax	85	5	4	8	14	117
Real estate tax	2	0	0	0	4	6
Employer's charges	45 <sup>1</sup>	0	2	1	6	54
Environmental taxes	1	0	0	0	0	1
Customs duty	4	0	0	0	5	9
<b>Total taxes borne, MEUR</b>	<b>137</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>29</b>	<b>187</b>
<b>Taxes collected, MEUR</b>						
VAT/GST, remitted	770	49	0	58	67	944
Excise taxes	1 902	2	0	105	267	2 276
Withholding taxes	140	0	1	2	13	157
Employee's social security	22	0	1	1	4	27
<b>Total taxes collected, MEUR</b>	<b>2 835</b>	<b>53</b>	<b>2</b>	<b>165</b>	<b>350</b>	<b>3 404</b>
<b>Total taxes borne and collected, MEUR</b>	<b>2 972</b>	<b>58</b>	<b>8</b>	<b>175</b>	<b>379</b>	<b>3 591</b>

<sup>1</sup> Restated

The table presents the essential taxes and tax-like fees which Neste is liable to pay or collect in accordance with the local legislation. From the point of view of materiality, the table presents our global key tax figures, which indicate the significant weight of Finland and the high amount of indirect taxes. The countries selected to the table present more than 90% of Neste's external revenue.

The Group's effective tax rate was 10% (2020: 9%) and cash tax rate 5% (2020: 17%).

We do not report any tax expenses related to its equity accounted investments in the line Income tax expense of the Consolidated Financial Statements. The net income of equity accounted investments is reported in the line Share of profit (loss) of joint ventures. This approach is in alignment with IFRS.

The international definition of public subsidies is vague and very broad; therefore, we have not included public subsidies in our report. For example, the Blender's Tax Credit (BTC) in the United States improved Neste's comparable operating profit in 2021.

Taxes and fees included in the purchase price of a product or service, and for which we do not have a statutory reporting obligation, are not included in the summary data. If our foreign Group company has paid taxes to Finland, such taxes are presented in the figures for Finland and not in the corresponding figures for other countries.

This tax footprint report is a part of the sustainability reporting within Neste's Annual Report.

## Definitions of tax concepts

Value-added taxes, remitted – Net value-added tax rendered for to states, i.e. taxation for value-added tax to be paid and deducted for the tax periods of the financial year. Value-added taxes include corresponding sales taxes.

Withholding taxes – Tax collected on salaries, dividends, royalties, and interest on behalf of the actual taxpayer, such as a natural person or a company.

Collected taxes – Taxes collected by Neste as prescribed by law and rendered for to states or other public administration on behalf of the taxpayer, such as tax withheld in advance from employees' salaries.

Real estate tax – All taxes and fees for which liability to pay arises from the ownership, occupation, and/or use of properties or other similar assets during the financial year.

Taxes borne – Taxes and fees that Neste is liable to pay to states or other public administration as prescribed by law with respect to an accounting period. Taxes borne include corporate income taxes (excluding deferred taxes), real estate tax, employer's charges, environmental taxes and custom duties.

Customs duty – Statutory customs duties paid on imports and exports, paid to the EU or states of another customs territory during the financial year.

Excise duties – Taxes rendered for to the state for the tax periods of the financial year which must be collected when certain products are handed over for consumption or taken into use. Excise duties also include stockpile fees.

Taxes – Essential and mandatory taxes, fees, and other obligations levied by the state or other public administration. In addition, statutory pension contributions are included in employer's contributions and employee's social security contributions regardless of whether the payment was made to the state or other public administration.

Corporate income tax – All income taxes recorded on the result for the financial year and income taxes recognized during a calendar year as a result of adjustments to income for previous financial years (does not include deferred taxes).

Environmental taxes – Taxes and fees levied of the financial period due to environmental impacts.