Neste
Corporate Governance Statement
2022
We are committed to high ethical standards and conduct our business and operate in compliance with applicable laws, regulations and generally accepted practices for good corporate governance.
Corporate Governance Statement 2022

This Corporate Governance Statement has been prepared pursuant to the 2020 Corporate Governance Code, Chapter 7, Section 7 of the Securities Markets Act, as well as Section 7 of the Ministry of Finance’s Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and it can be found, in addition to the Annual Report, at neste.com/investors.

Regulatory framework
Neste Corporation (“Neste” or the “Company”) observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company’s own Articles of Association, and the Finnish 2020 Corporate Governance Code. The Corporate Governance Code can be found at cgfinland.fi/en/. Neste also complies with the rules of Nasdaq Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority. Neste’s Audit Committee has reviewed the Corporate Governance Statement, and the Company’s Auditor, KPMG Oy Ab, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

Neste issues Consolidated Financial Statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Market Act, as well as the appropriate Financial Supervisory Authority standards, and Nasdaq Helsinki Ltd’s rules. The Review by the Board of Directors and the Parent Company’s Financial Statements are prepared in accordance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

Neste’s businesses are grouped into four reporting segments: Renewable Products, Oil Products, Marketing & Services, and Others.

Governance Bodies
The control and management of Neste is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President and Chief Executive Officer (President and CEO). Ultimate decision-making authority lies with shareholders at the AGM which appoints the members of the Board of Directors and the Auditor. The Board of Directors is responsible for Neste’s strategy and overseeing and monitoring the Company’s business. The Board of Directors appoints the President and CEO. The President and CEO, assisted by the Executive Committee (ExCo), is responsible for managing the Company’s business and implementing its strategic and operational targets. Neste’s headquarters are located in Espoo, Finland.
Annual General Meeting
Under the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings of Shareholders, and attend meetings in person or through an authorized representative. Each share entitles the holder to one vote.

Shareholders at the AGM make decisions on matters including:
- the approval of the Financial Statements;
- the distribution of profit for the year detailed in the Balance Sheet;
- discharging the members of the Board of Directors and the President and CEO from liability;
- if necessary, the approval of the Remuneration Policy;
- the approval of the Remuneration Report; and
- the election and remuneration of the Chair, the Vice Chair, and the members of the Board of Directors and the Auditor.

The AGM is held annually before the end of June. An Extraordinary General Meeting of Shareholders addressing specific matters can be held, when considered necessary by the Board of Directors, or when requested in writing by the Company's Auditor or by shareholders representing at least one-tenth of all Company shares.

Under the Articles of Association, an invitation to a General Meeting of Shareholders shall be delivered to shareholders by publishing it on the Company's website nestle.com no earlier than two months, and no later than three weeks prior to the meeting and by making counter-proposals and presenting questions in advance.

The AGM supported all the proposals presented to the meeting and approved the remuneration report. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2021 and discharged the Board of Directors and the President & CEO from liability for 2021.

The AGM approved the Board of Directors' proposal that a dividend of EUR 0.82 per share will be paid on the basis of the approved balance sheet for 2021. The dividend was paid in two installments.

The first installment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders’ register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which was 1 April 2022.

The first dividend installment was paid on 8 April 2022.

The second installment of dividend, EUR 0.41 per share, was paid to a shareholder registered in the shareholders’ register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which was 30 September 2022.

In accordance with the proposal made by the Shareholders’ Nomination Board, the AGM confirmed the number of members of the Board of Directors at nine. The AGM decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Auditor. The AGM also approved the Board's proposals to the AGM.

Shareholders’ Nomination Board
Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Shareholders’ Nomination Board to be responsible for drafting and presenting proposals covering the remuneration and number of members of the Company's Board of Directors and for presenting candidates as potential Chair, Vice Chair, and members at the Board to the AGM and to an Extraordinary General Meeting of Shareholders when needed. The Shareholders’ Nomination Board shall also be responsible for identifying successors for existing Board Members.

The Shareholders’ Nomination Board shall consist of four members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member. The Shareholders’ Nomination Board elects a Chair among its members.

The Company’s largest shareholders entitled to elect members to the Shareholders’ Nomination Board shall be annually determined on the basis of the registered holdings in the Company’s list of shareholders held by Euroclear Finland Ltd as of the first weekday in September in the year concerned. The Chair of the Company’s Board of Directors shall request each of the three largest shareholders established on this basis to nominate one member to the Shareholders’ Nomination Board. In the event that a shareholder does not wish to exercise his or her right to appoint a representative, the right shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Shareholders’ Nomination Board shall serve until further notice, unless a General Meeting of Shareholders decides otherwise. Its members shall be appointed annually and their term of office shall end when new members are appointed to replace them.

The Shareholders’ Nomination Board shall forward its proposals for the AGM to the Company’s Board of Directors annually by 31 January, prior to the holding of the AGM. Proposals intended for a possible Extraordinary General Meeting of Shareholders shall be forwarded to the Company’s Board of Directors in time for them to be included in the invitation to the meeting sent out to shareholders.
Composition of the Shareholders’ Nomination Board prior to the 2023 AGM

On 6 September 2022, the following members were appointed to Neste’s Shareholders’ Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister’s Office of Finland; Timo Sallinen, Senior Vice President, Investments of Varma Mutual Pension Insurance Company; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste’s Board of Directors. As of 23 December 2022, Senior Ministerial Adviser, Financial Affairs Maija Strandberg of the Ownership Steering Department in the Prime Minister’s Office of Finland, was appointed as the Chair.

Activities

The Shareholders’ Nomination Board makes proposals for the next AGM on the following:

• the number of members of the Board of Directors; and
• the remuneration to be paid to the Chair, the Vice Chair, and the members of the Board of Directors.

The nomination process of the Shareholders’ Nomination Board, its composition, and activities are detailed in its Charter.

Shareholders’ Nomination Board members

Maija Strandberg
M.Sc. (Econ.), Chair of the Shareholders’ Nomination Board, as of 23 December 2022. Born in 1969 Senior Ministerial Adviser, Financial Affairs of the Ownership Steering Department in the Prime Minister’s Office of Finland. Member of the Board and Audit Committee of SSAB Ab. Member of the Board and People and Remuneration Committee of Finnair Oyj. Chair of the Nomination Committee of Fortum Oyj. Member of the Nomination Committee of Kuntarahoitus Oyj.

Holdings in Neste Corporation on 31 December 2022: no holdings. ¹
Prime Minister’s Office: 276,213,496 shares. ³

Timo Sallinen
M.Sc. (Econ.), Member of the Shareholders’ Nomination Board. Born in 1970 Senior Vice President, Investments of Varma Mutual Pension Insurance Company. Member of the Shareholders’ Nomination Board of Nokian Tyres plc. Chair of the Board of Directors of the Finnish Pension Alliance TEIÄ. Chair of the Board of The Finnish Foundation for Share Promotion. Member of the Board of Directors of Excellence Finland Ltd. Member of the Employment Pension Executive Committee, Finance Finland FFI.

Holdings in Neste Corporation on 31 December 2022: 2,400 shares. ¹
Ilmarinen Mutual Pension Insurance Company 6,611,500 shares. ³

Jouko Pölönen
eMBA, M.Sc. (Econ. & Bus. Adm.), Member of the Shareholders’ Nomination Board. Born in 1970 President and CEO, Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors of Nokian Tyres plc. Chair of the Board of Directors of the Finnish Pension Alliance TEIÄ. Chair of the Board of The Finnish Foundation for Share Promotion. Member of the Board of Directors of Excellence Finland Ltd. Member of the Employment Pension Executive Committee, Finance Finland FFI.

Holdings in Neste Corporation on 31 December 2022: 5,000 shares. ¹
Ilmarinen Mutual Pension Insurance Company 6,611,500 shares. ³

Matti Kähkönen
M.Sc. (Engineering), Member of the Shareholders’ Nomination Board. Born in 1956 Senior Advisor, Metso Corporation 2017–2019. Chair of the Board of Neste Oyj. Chair of the Board of Directors of the Finnish Fair Corporation. Chair of Neste’s Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2022: 13,080 shares. ¹
Nokian Tyres plc 7,358,500 shares. ³

Kimmo Viertola
Chair of the Shareholders’ Nomination Board between 18 September 2019 and 22 December 2022. Director General of the Ownership Steering Department at the Prime Minister’s Office of Finland.

Holdings in Neste Corporation on 31 December 2022: no holdings. ¹
Outi Antila
Senior Vice President, Investments Steering Department in the Prime Minister’s Office of Finland. Member of the Board and People and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2022: no holdings. ¹

Outi Antila
Senior Ministerial Adviser, Financial Affairs Maija Strandberg of the Ownership Steering Department in the Prime Minister’s Office of Finland.

Holdings in Neste Corporation on 31 December 2022: no holdings. ¹

Reima Rystsäälä
Chair of Neste’s Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2022: no holdings. ¹

Attendance

Maija Strandberg
2/2
Timo Sallinen
7/7
Jouko Pölönen
6/6
Matti Kähkönen
10/10
Kimmo Viertola
8/8
Outi Antila
4/4
Reima Rystsäälä
3/3

Decisions on the proposals for the 2023 AGM were made by the members of the Shareholders’ Nomination Board in a manner set out in more detail in the stock exchange release published on 27 January 2023.

Composition of the Shareholders’ Nomination Board prior to the 2022 AGM

On 20 September 2021, the following members were appointed to Neste’s Shareholders’ Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister’s Office of Finland; Deputy CEO, Investments Reima Rystsäälä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste’s Board of Directors. The Shareholders’ Nomination Board convened nine times between the 2021 AGM and 31 January 2022. The Shareholders’ Nomination Board presented its proposal covering the members of the Board of Directors on 28 January 2022.
Board of Directors

In accordance with Neste’s Articles of Association, the Board of Directors has between five and ten members, who are elected at the AGM for a period of office that extends to the following AGM.

Diversity of the Board of Directors

In planning the composition of a skilled, competent, experienced, and effective Board of Directors, the Shareholders’ Nomination Board also follows the following diversity principles defined by the Company. A cooperative and functional Board of Directors requires diversity for it to be able to respond to the requirements set out in Neste’s business and strategic objectives and to support and challenge the company’s operational management in a proactive and constructive manner.

Significant factors concerning the composition of the Board of Directors include a variety of competences that complement the other members of the Board, education and experience in different professional and industrial fields and in business operations and management existing in different development phases, as well as the personal qualities of each member, all of which add diversity to the Board of Directors. The diversity of the Board of Directors is also supported by experience in industrial and gender distribution so that both genders are always adequately represented in the Board of Directors. In conclusion, the Board of Directors is also diverse in terms of positions at major international petrochemical companies. The Board of Directors is also diverse in terms of educational backgrounds: its members come from five different countries and speak five different native languages. Women comprise 33% of all members of the Board of Directors. With regard to age, the members of the Board of Directors are divided evenly between 49 and 66 years of age. The duration of the terms of office of the Board members is divided as follows: four members have been on the Board of Directors for more than four years, while five members have been on the Board of Directors for less than four years.

Activities of the Board of Directors

The Board shall have at least eight regular meetings annually, all scheduled in advance, with extraordinary meetings when necessary. Extraordinary meetings, if requested by a Board Member or the President and CEO, shall be convened by the Chair, or, if the Chair is prevented from attending, by the Vice Chair, or if deemed necessary by the Chair. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively after the end of each financial year.

Duties of the Board of Directors

The Board’s responsibilities and duties are defined in detail in the Charter approved by the Board. A member of the Board of Directors may not take part in decision-making in matters regarding (i) agreements between such member and any entity within the Neste Group, (ii) agreements between any entity within the Neste Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste Group and a legal entity which such member may represent, either individually or together with any other person; provided however, that this point (iii) does not apply where the party contracting with Neste is a company within the Neste Group. The term “agreement” as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2022

The 2022 AGM confirmed the membership of the Board of Directors at nine members, and the following were re-elected to serve until the end of the next AGM: Mr. Matti Kählköinen, Mr. John Abbott, Mr. Nick Elmslie, Ms. Martina Fötel, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén. Mr. Just Jansz and Ms. Eeva Sipilä were elected as new members. Mr. Matti Kählköinen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. Mr. Just Jansz and Ms. Eeva Sipilä were elected as new members. Mr. Matti Kählköinen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. The Board convened 16 times in 2022. The attendance rate at the meetings was 99.2%. In addition to the process resulting in Matti Lehmus being appointed as the President and CEO of the Company as of 1 May 2022, the Board focused in 2022 on the Company’s long-term strategy by means of e.g. the continued scale-up of the Company’s renewables businesses as well as the expansion of the Company’s feedstock platform and production capabilities, including the decision to establish the Martínez Renewables joint operation in the US, the final investment decision concerning the Rotterdam expansion project and continuous monitoring of the on-going Singapore expansion project. Feedstock growth related M&A and other investment topics were also on the Board agenda in 2022. In addition to the above and matters set out in the Board Charter, the Board further supervised strategy execution as well as evaluated the changes in the long-term operational environment and their impact on the Company’s business operations from e.g. a sustainability perspective. Leadership matters, including changes in senior management announced during 2022, and talent management were also dealt with by the Board. The Board continuously monitored the Company’s safety, financial and operational performance as well as risk management.
### Board of Directors, 31 December 2022

<table>
<thead>
<tr>
<th>Position</th>
<th>Born</th>
<th>Education</th>
<th>Main Occupation</th>
<th>Independent of the company</th>
<th>Independent of major shareholders</th>
<th>Personnel and Remuneration Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matti Kähkönen</td>
<td>Chair</td>
<td>1956</td>
<td>M.Sc. (Eng.)</td>
<td>Non-Executive Director</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>John Abbott</td>
<td>Member</td>
<td>1960</td>
<td>B.Sc. (Chem. eng.)</td>
<td>Non-Executive Director</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Nick Elmslie</td>
<td>Member</td>
<td>1957</td>
<td>B.Sc. (Chem.)</td>
<td>Non-Executive Director</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Martina Flöel</td>
<td>Member</td>
<td>1960</td>
<td>Ph.D. (Chem.)</td>
<td>Non-Executive Director</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Just Jansz</td>
<td>Member</td>
<td>1957</td>
<td>Ph.D. (Chemical Metallurgy)</td>
<td>Independent board member advisor, Managing Director of Expertise Beyond Borders</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Jari Rosendal</td>
<td>Member</td>
<td>1965</td>
<td>M.Sc. (Eng.)</td>
<td>President and CEO of Kemira</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Eeva Sipilä</td>
<td>Member</td>
<td>1973</td>
<td>M.Sc. (Econ.), CEFA</td>
<td>Chief Financial Officer, Deputy to CEO, Metso Outotec Corporation</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Johanna Söderström</td>
<td>Member</td>
<td>1971</td>
<td>M.Sc. (Econ.)</td>
<td>EVP, Chief Human Resources Officer at Tyson Foods Inc</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Marco Wirén</td>
<td>Member</td>
<td>1966</td>
<td>M.Sc. (Econ.)</td>
<td>Chief Financial Officer at Nokia Corporation</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

The shareholdings of the members of the Board of Directors are presented below their CVs. The remuneration paid to the members of the Board of Directors is detailed in the Remuneration Report.
Members of the Board of Directors

Matti Kähkönen (born in 1956)
M.Sc. (Engineering)  
Member of the Board since 2018  
Independent member
Holdings in Neste Corporation on 31 Dec 2022: 13,080 shares.

John Abbott (born in 1960)
B.Sc. First Class Honours, Chemical Engineering  
Member of the Board since 2021  
Independent member
Downstream Director and a Member of the Executive Committee of Royal Dutch Shell plc, 2013–2019. Executive Vice President of Global Manufacturing at Shell, 2012–2013. Executive Vice President of Shell’s Upstream Americas Heavy Oil business, based in Calgary, Canada, 2008–2012. Vice President Manufacturing (Refining and Chemicals) Excellence and Support at Shell based in Houston, USA, 2006–2008. Various positions at Shell in the UK, Singapore, Thailand, the Netherlands, Canada, and the USA, predominantly in the areas of Global Manufacturing (Refining and Chemicals) as well as Supply, Trading and Distribution, 1981–2006. (In 1994, he was also seconded to the British Government for a short assignment). Non Executive Director of the Intercontinental Exchange (ICE) Futures Europe 2021–. Advisor and participant at Mobility Impact Partners (MIP) 2020–. Mentor in the FTSE 100 cross-company mentoring foundation 2013–. Member of Neste’s Personnel and Remuneration Committee.
Holdings in Neste Corporation on 31 Dec 2022: 374 shares.

Nick Elmslie (born in 1957)
B.Sc. (Chemistry)  
Member of the Board since 2020  
Independent member
Holdings in Neste Corporation on 31 Dec 2022: 2,374 shares.

Martina Flöel (born in 1960)
M.Sc. (Chemistry), Ph.D. (Chemistry)  
Member of the Board since 2017  
Independent member
Holdings in Neste Corporation on 31 Dec 2022: 374 shares.

Just Jansz (born in 1957)
Ph.D. (Chemical Metallurgy), M.Sc. (Mineral Engineering)  
Member of the Board since 2022  
Independent member
Holdings in Neste Corporation on 31 Dec 2022: 374 shares.

Holdings in Neste Corporation: own holdings and controlled entities.
Members of the Board of Directors

**Jari Rosendal** (born in 1965)  
M.Sc. (Eng.)  
Member of the Board since 2018  
Independent member  
President and CEO at Kamira since 2014. Various divisional President and Directorial positions, including Member of the Executive Board, at Outotec Oyj in 2001–2014. Various managerial and expert positions in the Outokumpu Group in Finland and the United States 1989–2001. Member of the Board of Directors of Chemical Industry Federation of Finland 2015–, Chair of the Board of Directors 2017–2018 and Vice Chair of the Board of Directors 2019–2020. Member of the Board of Directors of CEFIC, 2014–.  
Holdings in Neste Corporation on 31 Dec 2022: 374 shares.  

**Eeva Sipilä** (born in 1973)  
M.Sc. (Econ.), CEFA  
Member of the Board since 2022  
Independent member  
Holdings in Neste Corporation on 31 Dec 2022: 1,354 shares.  

**Johanna Söderström** (born in 1971)  
M.Sc. (Econ.)  
Member of the Board since 2020  
Independent member  
Holdings in Neste Corporation on 31 Dec 2022: 3,374 shares.  

**Marco Wirén** (born in 1966)  
M.Sc. (Econ.)  
Vice Chair of the Board since 2019  
Member of the Board since 2015  
Independent member  
Holdings in Neste Corporation on 31 Dec 2022: 3,037 shares.  

**Jean-Baptiste Renard**  
(born in 1961)  
M.Sc. (Eng.) and an engineering diploma in petroleum economics from the French Petroleum Institute (EFP)  
Member of the Board since 2014  
Independent member  
– Member of the Board until 30 March 2022  

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*Holdings in Neste Corporation: own holdings and controlled entities.*

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Board Committees
The Board has established an Audit Committee, which has five members, and a Personnel and Remuneration Committee, which has four members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their Charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. In addition, the Board of Directors can appoint committees as needed, for instance, for significant investment projects or other special tasks. Committees meet at least twice a year. Each committee reports regularly on the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

Audit Committee
Under its Charter, the Audit Committee shall consist of a minimum of three Board members that are independent of the Company and its subsidiaries, and at least one of whom shall be independent of Neste’s major shareholders. Members are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

Duties
The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board.

2022
Starting from 30 March 2022, the Audit Committee comprised Marco Wirén (Chair), Nicki Elmslie, Just Jansz, Jari Rosendal and Eeva Sipilä. In 2022, the Audit Committee convened 7 times, and the attendance rate was 100.0%. As part of the tasks specified in its Charter, the Audit Committee supervised and reviewed external and internal audit activities, and the Company’s financial and other reporting. The Audit Committee also focused on risk and compliance management, including in relation to financial, market and geopolitical risks but also certain other risk areas, such as IT systems, segregation of duties and cyber security. Moreover, the Audit Committee also monitored e.g. legal and tax matters.

Personnel and Remuneration Committee
The Personnel and Remuneration Committee consists of the Chair of the Board and at least two non-executive members of the Board.

Duties
The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in the Charter approved by the Board.

2022
Starting from 30 March 2022, the Personnel and Remuneration Committee comprised Matti Kähkönen (Chair), John Abbott, Martina Filol and Johanna Söderström. The Personnel and Remuneration Committee convened 8 times in 2022, and the attendance rate was 100.0%. During 2022, the Personnel and Remuneration Committee continued to focus on reviewing and developing Neste’s total remuneration and talent management and development to support the Company’s operational and strategic targets. In line with duties coming from its Charter, the Personnel and Remuneration Committee also followed up the ongoing performance period 2022 and outcomes of the rewarding based on 2021 results. To further ensure the implementation of our strategy, international growth and leadership in sustainability the Committee led the special project on developing both short-term-incentive (STI) and long-term incentive (LTI) at Neste. In addition, the Personnel and Remuneration Committee has followed up the personnel engagement level based on the Company’s Forward survey and Pulse survey results.

President and CEO
Neste’s President and CEO since 1 May 2022, Matti Lehmann (b. 1974, eMBA, M.Sc., Chemical Technology and Polymer Technology), manages the Company’s business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors, and is responsible for ensuring that the Company’s accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Neste’s former President and CEO (2018–2022) Peter Vanacker (b. 1966, M.Sc., Chemical Engineering, Polymer Engineering) resigned from the company as of 30 April 2022 to continue his career outside Neste.

The President and CEO is appointed by the Board of Directors, which evaluates the performance of the President and CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee. Information on the remuneration of the President and CEO can be found in the 2022 Remuneration report.

Executive Committee
The Executive Committee assists the President and CEO in managing the company and in the deployment of the Company’s strategic and operational goals. Members are appointed by the Board of Directors. The Executive Committee meets regularly, on average once a month. Information on the remuneration of the members of the Executive Committee can be found at neste.com.

2022
Matti Lehmus was appointed President and CEO of the Company as of 1 May 2022. The Executive Committee had 11 meetings during the year, and also met regularly outside such meetings in relation to specific themes. In addition to supporting the President and CEO in the fulfillment of his general duties, the Executive Committee continued during 2022 to work with the development and execution of the Company’s strategy aiming at global leadership in renewable and circular solutions. In such context, the strategic focus areas included, among others, the continued scale-up of the Company’s renewables businesses as well as the expansion of the Company’s renewables feedstock platform and production capabilities, including the Martinez Renewables joint operation in the US, the Rotterdam expansion project and the Singapore expansion project. The Company’s M&A and investment activities as well as development of the Company’s innovation business platforms were also closely followed by the Executive Committee. In addition, a number of other matters were given special attention during the year, including geopolitical and other risks, the ongoing Porvoo transformation study as well as IT and cybersecurity matters. The Company’s safety, financial and operational performance as well as sustainability and compliance matters were regularly monitored by the Executive Committee.

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Members of the Executive Committee

**Matti Lehmus** (born 1974)
President and CEO, Chair of the Executive Committee
eMBA, M.Sc. (Chemical Technology and Polymer Technology)
President and CEO since 2022
Holdings in Neste Corporation on 31 Dec 2022: 21,471 shares.¹

**Martti Ala-Härkönen** (born 1965)
Executive Vice President, Chief Financial Officer, Strategy and IT
Dr.Sc. (Econ.), Lic.Sc. (Tech.)
Member of the Executive Committee since 2022
Joined the company in 2022. Served previously as Executive Vice President, Chief Financial Officer (Finance, M&A and IT) at Caverion Corporation 2016–2022, Chief Financial Officer (Finance & Development) at Crmo Plc 2006–2016, Senior Vice President, Finance and Administration (CFO) at WM-data Ltd 2004–2006, Chief Financial Officer (Finance & Development), and Senior Vice President Business Development at Novo Group Plc 1998–2004 and as Finance Manager and Corporate Finance Manager at Postipankki Plc 1995–1998. Member of the Supervisory Board of Mutual Pension Insurance Company Ilmarinen 2022–. Member of the Executive Board and Executive Committee 2020– and Chair of the Sustainability Advisory Forum 2022– at CEFIC. Member of the Board of Directors of Martinez Renewables 2022–.
Holdings in Neste Corporation on 31 Dec 2022: 2,000 shares.¹¹

**Mercedes Alonso** (born 1966)
Executive Vice President, Renewable Polymers and Chemicals
M.Sc. (Chem)
Member of the Executive Committee since 2019
Holdings in Neste Corporation on 31 Dec 2022: 4,187 shares.¹¹

**Panu Kopr** (born 1972)
Executive Vice President, Marketing & Services
BBA, MBA
Member of the Executive Committee since 2016
Joined the company in 1996. Responsible for the Marketing & Services business unit. Previously served as Vice President in Oil Retail Sales in Finland and Baltic Rim 2014–2015, Vice President in Oil Retail Russia and Baltic Rim 2010–2014, General Manager in St. Petersburg Russia in 2009, Business Development Manager in Renewable Products 2007–2008, Sales Director in 2006, General Manager in Latvia 2003–2005 and in several other positions in the company.
Holdings in Neste Corporation on 31 Dec 2022: 13,555 shares.¹

**Markku Korvenranta** (born 1966)
Executive Vice President, Oil Products
M.Sc. (Eng)
Member of the Executive Committee since December 2021
Joined the company in December 2021. Responsible for the Oil Products business unit. Served previously as SVP, Group Portfolio Development at Marquard & Bahls, in Germany, 2019–2021. EVP, Base Chemicals & Member of Executive Board at Borealis in Austria, 2010–2018. Before that had several directorial and managerial roles at Borealis in Austria, Finland, Denmark and Belgium 1994–2010. Has also served in various roles at Neste Chemicals in Finland, 1990–1994. Member of the Board of Directors of Oiltanking in Germany, 2021–.
Holdings in Neste Corporation on 31 Dec 2022: 9 shares.¹¹

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¹Holdings in Neste Corporation: own holdings and controlled entities.
²The titles of the functions’ leaders have been changed to Executive Vice President as of 1 January 2023.
Members of the Executive Committee

Thorsten Lange  
(born 1963)  
Executive Vice President, Renewable Aviation  
M.Sc. (Banking and Auditing)  
Member of the Executive Committee since 2020


Holdings in Neste Corporation on 31 Dec 2022: 2,585 shares.

Carl Nyberg  
(born 1979)  
Executive Vice President, Renewables Platform  
M.Sc. (Economics and Business Administration)  
Member of the Executive Committee since 2019


Katja Wodjerek  
(born 1976)  
Executive Vice President, Renewable Road Transportation  
eMBA, M.Sc. (Business Administration, European Business Management)  
Member of the Executive Committee as of 1 April 2023

Will join the company 1 April 2023 as Executive Vice President, Renewable Road Transportation. Served previously as the President D/A/CH, Italy & Commercial Director, Industrial Solutions EMEAI 2022–, Commercial Director EMEAI, Industrial Solutions 2018–2021, and Commercial Director EMEAI, Energy and Microbial Technologies, Dow Europe GmbH, Switzerland 2017–2018, Sales Director Northern Europe, Packaging & Specialty, Belgium 2015–2017, Product Manager - Packaging & Specialities Plastics EMEIA, Switzerland 2012–2016, Asset Manager Polyethylene (LDPE, LLDPE) for Latin America, Brazil 2011–2012, and several managerial positions in Dow Chemical 2002–2010. Member of the Board of American Chamber of Germany (Amcham), Member of the Board of EPICA The European Petrochemical Association.

Minna Aila  
(born 1966)  
Executive Vice President®,  
Sustainability and Corporate Affairs  
LL.M.  
Member of the Executive Committee since 2020


Hannele Jakosuo-Jansson  
(born 1966)  
Executive Vice President, Human Resources and HSSEQ  
M.Sc. (Eng.)  
Member of the Executive Committee since 2006

Joined the company in 1990. Responsible for Human Resources and HSSEQ. Previously responsible for the Group’s Procurement, Human Resources and Safety corporate functions. Served as Vice President, Human Resources at Oil Refining 2004–2005 and Laboratory and Research Manager at the Technology Center 1998–2004. Chair of the Skills and Competence Committee of the Chemical Industry Federation of Finland. Vice Chair of the Skilled workforce Committee at the Confederation of Finnish Industries EK, Member of the Board of Directors of Finnair, Chair of the People and Remuneration Committee of the Finnair Board Plc 2021–. Holdings in Neste Corporation on 31 Dec 2022: 34,979 shares.
Members of the Executive Committee

Bart Leenders (born 1969)
Executive Vice President, Investment Management and Execution, as of 1 January 2023
M.Sc. (Mechanical Engineering)
Member of the Executive Committee starting 1 January 2023

Joined the company in 2010. Responsible for Investment Management and Execution function, including Engineering Solutions, and procurement as of 1 January 2023. Served previously as Vice President, Global Production, Renewable Platform 2015–2022, Interim Managing Director, Neste Singapore 2015, Managing Director, Neste Netherlands, Renewables Business unit 2010–2015 and Manufacturing Manager Downstream Operations, Huntsman 2005–2010. Member of the Circular Task Force of the Economic Board Zuid-Holland, Member of Executing Committee national Climate Agreement Mobility and Executing Committee national Aviation Agreement, Chair of the Dutch Association for Sustainable Biofuels (NVDB), and Board member of Deltalinqs, Enterprise Association for Mainport Rotterdam, representing Renewables and Chair of the safety domain.

Lars Peter Lindfors (born 1964)
Executive Vice President, Innovation Ph.D. (Tech.), MBA
Member of the Executive Committee since 2009

Re-joined the company in 2007. Responsible for Innovation, including research, development and technology as well as new business platforms. Previously responsible also for Investment Management, Information Technology, Procurement, Business Processes and Strategy. Served previously as Senior Vice President, Technology 2013–2019, Senior Vice President Technology and Strategy 2009–2012, and Vice President for the company’s Research and Technology unit 2007–2009. Previously served as Executive Vice President, Renewal and Development and Member of the Executive Team at Perstorp Group 2001–2007. Prior to that has served as R&D Director and in various other positions at Neste 1989–2001. Chair of the Board of the Fortum and Neste Foundation.

Christian Ståhlberg (born 1974)
Senior Counsel L.L.M.
Member of the Executive Committee since 2017


Holdings in Neste Corporation on 31 Dec 2022: 4,401 shares. [1]

Peter Vanacker
(born 1965)
M.Sc. (Chemical Engineering, Polymers Engineering)
President and CEO, Chair of the Executive Committee from 2018 until 30 April 2022.
- resigned from the company as of 30 April 2022 to continue his career outside Neste.

Jyrki Mäki-Kala
(born 1961)
M.Sc. (Econ.)
Chief Financial Officer, Strategy and IT
Member of the Executive Committee from 2013 until May 2022
- retired in May 2022

[2] The titles of the functions’ leaders have been changed to Executive Vice President as of 1 January 2023.
Company Auditor
The AGM elects the Auditor annually. The Auditor’s term of office ends at the end of the next AGM following election. The Auditor is responsible for auditing the Company’s accounts, its financial statements, and Neste’s administration. The Auditor’s Report covers the Consolidated Financial Statements and the Parent Company’s Financial Statements, and can be found in the Financial Statements section of the Annual Report.

2022
The 2022 AGM elected KPMG Oy Ab as the Company’s auditor, and Authorized Public Accountant Leena Kaija Winberg acted as the auditor with principal responsibility.
The statutory audit fees in 2022 were EUR 1.6 million, and other fees charged amounted to EUR 0.9 million.

Internal Audit
Neste’s Internal Audit provides independent and objective assurance and advisory services designed to add value and improve the operations of Neste. As a component in the corporate governance process, it supports the organization by bringing a systematic approach to evaluating and improving the effectiveness of risk management and control processes.

Internal Audit’s activities encompass objective examinations for the purpose of providing assessments to the Neste’s Board Audit Committee and management on the adequacy and effectiveness of governance, risk management and control processes at Neste. The scope of Internal Audit assessments include, among others, evaluating that risk management practices are in place, significant risks are appropriately identified and managed, key policies and guidelines exist and are documented and effectively implemented, organizational structures and governance models enable efficient decision making and steering system, roles and responsibilities are clear, and results of operations and programs are consistent with established goals and objectives.

Internal Audit is also responsible for conducting special assignments on behalf of management or the Board Audit Committee. As a member of Neste’s Investigation Group, the Vice President of Internal Audit participates in the investigation of suspected misconduct and breaches of Neste’s policies, principles and applicable laws and regulations. To assure an effective, efficient and value adding process, Internal Audit cooperates actively with other Neste’s assurance service functions (Corporate Risk Management, Internal Control and Compliance) and top management and shares best practices from a process and governance point of view.

Internal Audit follows the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Professional Practice of Internal Auditing. The Internal Audit reports directly to the Board of Directors’ Audit Committee and administratively to the President and CEO. The Board of Directors is responsible for approving the Internal Audit Charter and the annual Internal Audit Plan. Internal Audit Charter includes the determination regarding Internal Audit position, operational model, process and reporting lines. Internal Audit has at least annually a non-executive meeting with the Audit Committee members and the Audit Committee Chair. The Vice President of Internal Audit is responsible for the internal audit activities specified in the Internal Audit Charter.

2022
Internal Audit performed internal audits set out in the Internal Audit Plan 2022, and reported audit results to the senior management and the Board Audit Committee. The Internal Audit function continued to strengthen cooperation with other Neste assurance functions such as compliance, risk management and internal controls with an aim to integrate activities and reporting to the management.

Neste’s strategic investments, top risks and key business processes were in focus during the year 2022, including for example the Rotterdam Capacity Growth Project, credit management process and cyber attack preparedness.

Compliance function
Neste has a compliant risk management, internal controls and compliance activities on a regular basis to the ExCo and to the Board of Directors’ Audit Committee. Neste also has an Ethics and Compliance Committee, which oversees and steers the management of the ethics and compliance program in Neste. Reports on suspected misconducts received via the company’s externally operated and other reporting channels are investigated in accordance with applicable laws and Neste’s internal Misconduct Investigation Standard.

In addition to other reporting channels, Neste also has an externally operated misconduct reporting system, Ethics Online, available to all Neste’s internal and external stakeholders, including various actors in its supply chains. Ethics Online serves as a grievance mechanism and enables Neste’s stakeholders to raise concerns related to alleged misconduct in Neste’s practices. Neste’s Investigation Group is responsible for evaluating
Neste complies with the EU Market Abuse Regulation (596/2014), including related regulation, as well as Nasdaq Helsinki Ltd’s Insider Guideline as a minimum standard on insider matters. In addition, the Board of Directors’ Audit Committee.

The creation and maintenance of a project-specific insider register is the responsibility of the head of such register, who is named in the relevant project-specific insider register.

The Company has also named certain other persons as core persons as they have better or more information about the Company than the market. These individuals are typically those who prepare the Company’s Interim Reports and Financial Statements, persons responsible for the Company’s finances, financial reporting or communication, or persons who have access to said information, as well as certain individuals in executive positions.

The Company has defined, as persons discharging managerial responsibilities and core persons may not trade or conduct business with the Company’s financial instruments for themselves or a third party, directly or indirectly during the period from the closing date of an interim or annual accounting period to the date of publication of the interim report or financial statements for that period. The minimum period concerned is always a minimum period of 30 days prior to the date of publication of the interim report or the financial statements, including the date of publication (“closed window”).

The Company also maintains a project- or event-specific list of insiders for all individuals that have access to insider information and that are employed by the Company or otherwise perform tasks that provide them access to insider information. Individuals who participate in the development and preparation of projects or events that involve insider information, such as mergers and acquisitions, are considered project- or event-specific insiders. Project-specific insiders may not trade or conduct other business using the Company’s financial instruments during the project.

Related party transactions
Neste has identified its related parties and it is regularly engaged in transactions with some of these parties. These transactions relate to the Company’s normal business operations and shall be in line with the purpose of the company and executed on market or market equivalent terms and practices generally observed and accepted within the industry in question.

The related party transactions are monitored in cooperation with Finance and Legal functions as a part of the Company’s normal reporting and control procedures. The Board of Directors is responsible for overseeing the processes established for monitoring related party transactions. Information on material transactions concluded between the Company and its related parties is disclosed annually in the notes on the Company’s consolidated financial statements. When required under the applicable laws and regulations, material transactions conducted with related parties are also published via stock exchange release.

Controls over Financial Reporting
Objectives

The objective of internal controls at Neste is to provide a reasonable assurance with regard to the financial reporting and the preparation of financial statements in accordance with the applicable laws and regulations and the internal requirements. Additionally, internal controls support the business in the achievement of its operational and strategic objectives by acting as performance accelerators in business processes.

The system of internal controls at Neste is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
Management sets its level of risk appetite by defining the Group-level control objectives. Control objectives state the Group's minimum control requirements for the control activities in financial and business processes in order to mitigate the underlying key risks and establish the desired level of assurance for correct financial reporting, adherence with the regulations and policies, and prevention of fraud. Group level control objectives are endorsed by the Executive Committee and Audit Committee and reflect the top management guidelines, auditor reports, policies and regulations Neste complies with. Neste internal control requirements are defined in Neste Internal Control Principle, Neste Access Risk Management Principle and standards on Controls over Financial Reporting (COFR), Segregation of Duties, etc.

Control environment
Under the Finnish Companies Act, the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances. Responsibility for arranging this control is delegated to the President and CEO, who is required to ensure that the Company's accounts are in compliance with the law and that its financial management has been arranged in a reliable manner. The internal control at Neste is based on the corporate structure whereby the operations are organized into organizational units. The heads of business units and finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate controls over financial reporting. Operational management owns the risks and controls and is responsible that controls and deficiency related corrective actions are implemented.

In order to provide additional assurance, Neste has established an Internal Control function, which is responsible for coordinating the Group-wide internal control development and monitoring. The Head of Internal Control reports on its activities on a regular basis to the Executive Committee and to the Board of Directors’ Audit Committee which monitors the effectiveness of the Company's Internal Control. Internal Control follows up and verifies that actions are taken by the respective operational management.

Internal Control Principle emphasizes the importance of internal controls and clarifies the responsibilities of the Three Lines for establishing effective controls in business processes. Neste’s values and management system containing the formal Code of Conduct are the foundation of the control environment. The President and CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting.

Risk assessment
As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly. The assessment of risk includes risks related to fraud. Additional information on risk management principles is available in the Risk Management section of the Annual Report.

Control activities
Neste control activities include instructions, guidelines and procedures to ensure that the actions identified by management to address the relevant risks are carried out effectively. The most important guidelines related to financial reporting systems and practices are documented in Neste Internal Control Principle, Access Risk Management Principles, the Controls over Financial Reporting standard (COFR), Process charts, month end workflows and detailed Finance Instructions.

Key control activities are documented in a global control catalog covering each business or financial process. Group-level policies and guidelines are documented in the Neste Management System.

Communication
Neste corporate-level communication practices support the completeness and correctness of financial reporting. Neste personnel have access to adequate information and communication regarding accounting and reporting principles and guidelines. The main means of communicating the relevant matters for appropriate financial reporting consist of internal control training, detailed Finance Instructions containing accounting principles and guidelines for forecasting and reporting, info sessions, on-the-job training, process walk-throughs, and postings on internal channels and pages. Neste business units prepare regular financial and management reports for the management review, including analysis and comments of financial performance. The Executive Committee and the Board of Directors receive financial reports monthly. Interim Reports and Financial Statements are reviewed in Audit Committee meetings, and thereafter by the Board of Directors.
Building effective Internal Control is an ongoing process driven by strategy and control objectives

Remediation
Internal Control follows up and supports the implementation of management actions identified by its own testing or auditor findings and that relate to strengthening the control environment.

Scope
Defined based on Regulatory environment, Strategic Objectives, Assessment of Risks, Audit Committee priorities, change programs and Remediation actions.

Control development
In partnership with business and process owners, define and enhance the controls. Increase control automation and monitoring capabilities. Keep up-to-date control catalogs. Create and update requirements and guidelines.

Internal Control activity
Focus on controls over financial reporting and prevention of fraud and financial losses

Monitoring, testing and reporting
Internal Control employs tools, such as RPA, Celonis and SAP GRC, and it conducts separate tests to assess the performance of the internal controls and detect gaps and areas for improvement. Findings are reported to relevant stakeholders.

Monitoring
Management regularly monitors the effectiveness of the controls, as a control that was initially effective can become ineffective due to changes in the operating environment. Changes can also take place in the controls due to changed processes, IT systems or personnel.

The Board of Directors and the Audit Committee regularly review the financial performance including reviewing whether there is an adequate level of process to evaluate the risks and effectiveness of controls related to the financial reporting process at all levels of the organization. The Audit Committee oversees the Company’s finances, financial reporting, risk management, as well as the Internal Control and Internal Audit functions, as part of the Company’s corporate governance. Internal control deficiencies are communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board’s Audit Committee as appropriate.

Corporate Internal Audit assesses annually the operational model and practices of internal control over Neste’s financial reporting as part of business and process-level audits.

The Internal Control function also conducts separate tests to assess the adequacy of internal controls in business processes, recommends corrections and reports the gaps to the respective management teams.

2022
In 2022, the internal control activity focus has been on three key areas:
First, establishing a renewal business remediation program under direct supervision of the renewable business EVPs and with the aim at addressing control improvements that not only mitigate risks, but also bring advancement in business processes. Concrete improvements have been made in pricing accuracy of contracts with customers.

The second focus area has been on bringing all core business process controls to the internal control platform, consisting of SAP GRC Process Control (PC) and GRC Access Control (AC) modules. A significant number of automated controls have been built and are functioning. Continuous Control Monitoring is used also for mitigating residual SoD risks, when needed.

The third focus area has been on revising and identifying control improvements in the ESG areas, mainly relating to Bio Compliance. Plan is to cover the majority of operations by the end of 2023.

The Executive Committee is monitoring closely the status of internal controls company-wide.
Deep dives and cooperation with the external auditor, KPMG, have been performed and analysis results are being followed up by the Audit Committee.

Training and communication
Clarify Control Requirements and tools. Support operational management and process owners in deploying controls in the organization. Perform an active role in communication with both personnel and stakeholders on important updates.
Performance Management Process

Neste’s Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset. Neste has taken a step change in developing its performance leadership towards a more agile model supporting daily operations.

Performance management comprises daily leadership, through which individuals, teams, units, and the Company can achieve selected strategic priorities and develop organizational capability. Performance leadership is used to ensure that everyone knows the values and objectives of the Company, and their short and long-term objectives, and what kind of competence is needed and developed to achieve these objectives.

Individual and team objectives are based on Neste’s strategy and way of working. There is a clear link between wellbeing at work and good leadership performance. The key elements in the Neste daily performance leadership approach are:

- setting challenging objectives and following them through;
- supporting the achievement of objectives with up-to-date feedback;
- evaluating one’s own performance and results;
- developing ways of working and taking responsibility for one’s own competence development; and
- holding regular personal development discussions and check-in discussions that support day-to-day work.

From a financial outlook and reporting point of view, the Neste Performance Management Process consists of long-term financial projections based on the strategy and Performance Planning covering the midterm (3 years) outlook. During the year, performance is evaluated in weekly Management Reporting, the monthly Business Review, and the bi-annual Common Functions Review. Financials and KPIs related information is evaluated against the strategic goals and business plans, and required actions are steered and followed throughout the year.

Leading performance in daily work

- Coffee with team members – current topics
- Target setting discussion
- One-on-one discussions
- Thinking and encouraging
- Caring and intervening
- Forward discussion
- Regular feedback
Risk management

Risk management objectives and scope
Neste recognizes risk management as an integral part of sound management practice and an essential element of good corporate governance. Risk as an element of uncertainty (opportunity or threat) is an inevitable component of running the business. Systematic risk management practices are the means to ensure that Neste is successful in achieving the set strategic goals and business objectives and is able to maintain continuous operations in a changing business environment.

Neste’s risk management practices can be characterized by the following statements:
- The company emphasizes risk aware culture and proactive management of risks;
- Risk management is a continuous process that is subject to improvement to reflect changes in the external and internal environment;
- The purpose of risk management is to analyze and manage all opportunities and threats that the company may encounter. By exploiting opportunities and reducing threats, Neste gains a competitive advantage;
- Risks are managed as an integrated part of planning, decision making, and operational processes with a defined structure of roles and responsibilities; and
- Sufficiency of risk treatment actions and controls is monitored systematically.

Risk management framework and principles
Framework and principles for risk management have been defined in the Neste Corporate risk management policy, which has been approved by the Board of Directors. The policy is supplemented by risk management principles, guidelines, and instructions for specific risk disciplines.

Neste’s risk management framework and processes are aligned with the internationally recognized best practices for risk management (COSO: Enterprise Risk Management – Integrating with Strategy and Performance; and ISO 31000:2009 standard).

In Neste’s risk model, risks are classified into external, strategic, and preventable risks that are more operational in nature.
- External risks are exposures that cannot be fully influenced or controlled by Neste. The main risk classes are changes in the external environment and risks in the extended enterprise;
- Strategic risks relate to strategic choices, strategy implementation and risks in the planning and execution of major projects (e.g. refinery turnarounds). Strategic risks are not inherently undesirable as they typically contain both upside and downside risk potential; and
- The third category of risks, preventable risks, consists of various risk classes that arise within the organization and are mostly controllable. In general, Neste does not gain strategic benefits from taking these risks.
The Neste Board of Directors has the ultimate accountability for risk oversight. Among other duties the Board is in this role responsible for setting the Group’s risk appetite and for approving the Risk Management Policy.

The practical implementation, development and monitoring of risk management processes is based on the three lines of defense model. The model distinguishes between:

1st Line of Defense
The first line of defense is responsible for setting the objectives, managing day-to-day performance and reinforcing risk responses in order to achieve the set targets. At Neste, the first-line actors include Business Units and Functions in their first-line roles. As a part of the first line of defense, Neste’s President and CEO and the Neste Executive Committee have the overall accountability for appropriate risk management practices.

In practice, Business Units and Functions own and manage risks with the help of a dedicated network of risk champions and coordinators. The role of the risk champions/coordinators is to represent different risk disciplines and to ensure that risk discussions are embedded in everyday management routines.

2nd Line of Defense
The role of the actors in the second line of defense is to provide guidance, support, facilitation and consultation for risk management. The second line of defense needs to have some degree of independence from the first line of defense in order to be able to challenge the first line in managing performance and making risk-informed decisions.

At Neste, the second line of defense includes Functions in their second-line roles and specialist teams (corporate risk management, compliance and internal controls). In addition, Neste has established a separate Ethics and Compliance Committee that aims at increasing management oversight of compliance- and ethics-related issues within the Group. The Committee also ascertains the adequacy of mitigation actions in higher risk compliance areas.

The corporate risk management team has the overall responsibility to confirm that risk management activities are carried out consistently throughout Neste Group and all risk classes. Corporate risk management also drives the overall development of risk management practices and tools. The team is supported by the network of risk champions and coordinators.

3rd Line of Defense
Internal Audit as an independent team evaluates the effectiveness and efficiency of the corporate-level risk governance model and related risk management processes, including the effectiveness of internal controls and other risk treatment actions in the scope of each audit. Internal Audit also provides recommendations for improvement areas.

Risk governance

At Neste, the second line of defense includes Functions in their second-line roles and specialist teams (corporate risk management, compliance and internal controls). In addition, Neste has established a separate Ethics and Compliance Committee that aims at increasing management oversight of compliance- and ethics-related issues within the Group. The Committee also ascertains the adequacy of mitigation actions in higher risk compliance areas.

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3rd Line of Defense
Internal Audit as an independent team evaluates the effectiveness and efficiency of the corporate-level risk governance model and related risk management processes, including the effectiveness of internal controls and other risk treatment actions in the scope of each audit. Internal Audit also provides recommendations for improvement areas.
Risk reporting
Risk reporting aims at the transparent, consistent, and comprehensive communication of risk status in different areas. As a result of risk reporting, the Company’s risk profile can be compared with the defined risk appetite and it can be concluded whether additional risk treatment actions are needed.
Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle.
Formal risk reporting is directed to the Business Unit and Function management teams, the Neste Executive Committee, the Audit Committee and the Board of Directors. The Corporate risk management team is responsible for aggregating risk information for reporting to different internal and external audiences.

Risks relating to Neste’s business
In the pursuit of its objectives and targets, Neste is exposed to different risk factors that stem from the external environment, internal decision making, operating processes and systems in use. The most significant risk factors relate to the areas mentioned below. Any one of the risks, either singly or in the aggregate, may have a material adverse effect on Neste’s business, financial condition, operating results and future prospects.

External risks – Economic conditions, Geopolitics, Pandemic
Year 2022 was marked with slowing economic growth and several crises - war in Ukraine, rising inflation and exceptional price hikes in the energy market. Following the war in Ukraine, major European refiners not connected to the Druzhba pipeline shifted away from using Russian crude. This combined with the OPEC+ supply control measures has strongly supported non-Russian crude prices this year. Russia will likely curtail its crude production upon the introduction of the G7 price cap and the EU’s embargo on Russian oil trading. Especially if the price cap is set at a too low level, additional cuts to Russian crude oil production are expected. Meanwhile, China’s Covid policies and economic fundamentals could cast uncertainties towards the other direction. Oil refining margins in 2022 were impacted by a hike in operating costs. This is due to a combination of overall heightened oil supply risks, and the significant increase in refineries’ utility costs. The latter was primarily driven by skyrocketing natural gas prices in Europe caused by Russia’s substantial reduction of natural gas exports to Europe.

With an embargo on Russian oil products coming into force in the EU in early February 2023, uncertainties related to the oil product availability, subsequent cost development for natural gas in Europe and macro-economic developments impacting demand make the exact direction for refining margins going forward difficult to predict.
The renewable fuel market in 2022 was also impacted by the war in Ukraine, in two major ways. Firstly, by driving up prices for vegetable oils, and in turn other waste and residue feedstocks, in the months after the start of the war. Price levels have meanwhile declined substantially from their peak in early summer. Secondly, through driving up the cost of fossil transport fuels, which led a few EU member states, including Finland and Sweden, to freeze or even lower their biofuel blending obligations in 2022 and the following years. However, the impact on biofuel demand was overall limited, as demand continued to grow in many markets in the EU, North America and around the world.

External risks – Environment
Neste’s strategic ambition is to be the global leader in renewable and circular solutions. Growing pressure to combat climate change and reduce greenhouse gas emissions is primarily a positive driver for Neste’s business. However, political and societal focus on the low-carbon transition and the energy sector’s carbon footprint also create risks. Indirect economic and political consequences of climate change may contribute to the general uncertainty in the business environment and hence have an adverse effect on Neste’s business. In addition, changes in carbon emission trading schemes or similar initiatives on EU, US- or individual Member State-level may have a significant effect on Neste’s business.

External risks – Laws and regulation
Changing regulation presents both an opportunity and a threat to Neste’s business. Neste’s refining operations and products are subject to extensive regulation (incl. environmental, health and safety, sustainability). General regulatory requirements in areas like commodity trading and data protection have also contributed to the formalization of operating procedures.
Neste’s business units mainly benefit from increased support for biofuels and renewable fuels (for example requirements that relate to renewable content in diesel and gasoline). However, changes in regulation especially in the European Union and the United States also create uncertainties as these may influence the speed at which the demand for renewable products develops, and new raw materials sources are brought into use. For the renewable products, a significant source of uncertainty is fragmented regulation around the acceptability and use of waste and residue feedstock.

Risks relating to strategic choices and strategy implementation
The majority of strategic risks relate to the viability of strategic choices and risks in strategy implementation. Opportunities and threats may arise from changes in the competitive landscape or from internal decision making and use of technology.
Neste’s competitive position in the selected key markets is good. Neste’s proprietary NEXBTL production technology is a proven technology for producing high-quality diesel from renewable raw materials. However, there is no assurance that this competitive position will continue as new players enter the market, current competitors develop their technologies or customer preferences for clean mobility change. In addition to the development of alternative feedstocks and production technologies for liquid fuels, the evolution of engine technologies and introduction of alternative powertrains can be faster than expected.
Staying ahead of competition requires continuous improvement, the ability to challenge current business models and a strong focus on innovations such as new production technology and feedstock platforms. In addition, Neste’s products and services must continuously meet customer requirements related to e.g. product quality and sustainability. Evolving customer requirements together with more complex sourcing and logistics networks and production methods increase the exposure to quality risks that need to be managed well in order to maintain the high-quality brand image. As risk mitigation, Neste has implemented systematic quality management measures both in its own operations and in partner networks.
Strong governance practices and the continued contributions of Neste’s senior management, personnel and partners are vital for the company’s success. Due to fierce competition for talent, there is a risk that Neste may not be able to recruit and retain the highly skilled employees that are needed for strategy deployment and successful operations in the future. There is also a risk that Neste will not be able to build and manage strategic partnerships that contribute to future success.
Project risks
Successful projects play a key role in Neste’s strategy deployment, operational development and the digitalization of processes. Significant delays in project planning or execution may reduce operational efficiency or impair Neste’s ability to secure its competitive position.

Business continuity risks
During the last few years, widespread implications from Covid-19 pandemic have pushed many industries and companies towards more systematic continuity management practices. While the pandemic still continues to restrict economic activity in some areas, more significant pressures for contingency planning during 2022 have come from geopolitical tensions, energy market volatility and high inflation rates. While governments have shifted attention towards mitigation of higher cost of living, the market has seen temporary reductions in climate ambition and targets as well as slowed down implementation of climate policies that would also support demand for Neste’s solutions. Neste has continued implementation of strategic and operational business continuity measures. On the company level also scenario work has played an important role.

On the operational level Neste’s business performance is very much dependent on the continuous reliability of refining activities in Finland (Porvoo), Singapore and the Netherlands (Rotterdam). In addition to the planned maintenance turnarounds, for example disruptions in the supply of utilities or breakdown of critical machinery could cause unexpected shutdowns that would affect Neste’s ability to fulfill demand for end products. The vessels chartered to Neste or owned by Neste are subject to inherent risks like maritime disaster, damage to the environment and loss of or damage to cargo and property. Such events can be caused by multiple factors, such as adverse weather conditions or mechanical failures.

Neste has insurance in place to reduce the financial impact of property damage, business interruption, and maritime disasters. However, insurance does not cover all potential losses and Neste could therefore be seriously harmed by operational catastrophes or deliberate sabotage.

Market risks
In 2022, the oil and energy market as a whole experienced unforeseen hikes in energy and utility prices. Despite market stabilization there is a continuing risk of market volatility and increasing prices. This could have direct impacts on Neste’s operating and project costs. In addition, high inflation could also have an indirect impact on the demand for Neste’s products as governments try to balance the cost of climate actions with the need to manage the generally increased cost of living. On the feedstock side, it is expected that the high demand and high pricing for different waste and residue feedstock streams continues as competitors are increasing their production capacity for renewable products.

The financial results of Neste are primarily affected by the price differential, or margin, between refined petroleum and renewable product prices, and the prices for crude oil, different vegetable oils and other feedstock used. Historically, refining margins have been volatile and they are likely to continue to be so in the future. The main factors that may affect the refining margins include:

- Changes in aggregate demand for and supply of raw materials and products;
- Changes in demand for and supply of specific raw materials and products;
- Raw materials and product price fluctuations; and
- Evolution of worldwide refining capacity, and in particular development of refining capacity that relates to petroleum and renewable products similar to Neste.

As a part of risk management, Neste uses derivative instruments to protect its position against fluctuations in commodity prices.

Neste is exposed to foreign exchange risks because most of the sales are denominated in US dollars, whereas operating expenses (except the purchase of raw materials) are recorded in euros. Neste limits the uncertainties relating to changes in foreign exchange rates by hedging its currency risks in contracted and forecasted cash flows and balance sheet exposures.

More information on market risks can be found in the Financial Statements Note 3 section of the Annual Report.

Counterparty and credit risk
Counterparty risk arises from all business relationships, where Neste is exposed to the counterparty’s failure to perform according to Neste’s requirements and contractual commitments. The extent of counterparty risk has increased along the continued diversification of Neste’s supply base and customer segments. In order to manage the risk, Neste has implemented systematic controls for counterparty screening and monitoring.

Especially on the sales side, Neste is also exposed to credit risk i.e. the potential failure of a counterparty to meet its contractual payment obligations. Risk magnitude is dependent on the size of the exposure concerned and counterparty’s creditworthiness, which is assessed systematically both during onboarding and during the relationship.

Sustainability risks
The most significant sustainability risks that relate to Neste’s own operations or to the extended enterprise have been reported in line with the requirements of the Non-Financial Reporting Directive as a part of the review by the Board of Directors.

ICT and cyber risks
Digitalization and emerging technologies (for example the use of artificial intelligence and robotics) offer opportunities to automate dangerous or error-prone tasks and increase the efficiency of operations. At the same time, the increasing sophistication of cyber threats and generally rising frequency of attacks targeted at oil and gas companies is also a concern for Neste. Cyber risks multiply the impact of other risks and as individual risks could also have a major negative impact on Neste’s reputation or continuity of business operations. The reliability of the key IT systems and partnerships is essential for continuous business operations. Prolonged disruption in the availability of the key systems, data or interfaces could limit Neste’s ability to conduct its business operations in a profitable, efficient and controlled manner.

Risk management focus in 2022
In 2022, special risk management initiatives focused on risk support for major investments, M&A transactions and business model changes. Also implementation of business continuity plans continued.