

# Neste's tax footprint

We support the functioning of society and the provision of 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 2020, when we supported the societies altogether with 3.6 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 ethical tax principles stated below.

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. We promote cooperation with tax and customs authorities.

Our data on payment of taxes in 2020 has been compiled taking into account the points of view of materiality, confidentiality, business reasons, and cost-effectiveness.

## Management of tax affairs in the group

Our President and CEO is ultimately responsible for decision-making regarding decisions on tax affairs at Neste. Significant arrangements and business transactions involving tax aspects are only implemented following the approval by 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. All communication and contacts with the tax authorities are honest, respectful, and professional.

## Ethical tax principles

We do neither 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. We only 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 advisors

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 advised not to include agreement clauses,

- where either party is specifically prohibited to disclose to the authorities or the other service providers the tax benefit related to the advice, and
- where success fee is based on tax benefit, which is ambiguous or against the spirit of the law.

Our arrangements are not based on standardized structures and documentation aimed to utilize tax benefits, which are ambiguous or against the spirit of the law.

## Principles regarding business transactions

We are not acquiring companies or businesses purely for the purpose of benefiting from the tax losses of the company. If Neste acquires or is about to acquire a company or a group of companies, the use of tax losses shall be conducted based on the normal business practices.

We are not converting income into something that is against the true nature of the income for the purpose of gain 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. We avoid utilizing companies incorporated in jurisdictions which do not exchange information between authorities as defined by the EU and OECD list of non-cooperative jurisdictions for tax purposes. The targets for our group structure are that it is as streamlined as possible, beneficial owners of the income are transparent and it does not include entities, which do not have a tax residence in any jurisdiction.

We do not 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.

## Neste companies and usage of tax incentives

Neste has 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.

Neste has several companies and one subsidiary (51%) in the Netherlands. The companies are subject to statutory taxation in the Netherlands. Please, see below information on Neste Netherlands BV's advance pricing agreement.

To develop and grow its business, Neste has acquired a group of companies in the US. The acquiring holding company, based in the US, is subject to local statutory taxation there.

Furthermore, many countries offer different types of incentives for companies. In the following countries where Neste has business operations, Neste has benefited from the local tax treatments offered to companies based on 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 strategy

The task of the tax organization is to offer feasible solutions to support the group's business. This aims 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](#).

## Tax figures

	2020		2020	2020	2019		2019	2019
	Finland	Switzerland	Other countries	Group in total	Finland	Switzerland	Other countries	Group in total
Revenue, MEUR	6 587	1 894	3 270	11 751	8 203	3 352	4 285	15 840
Earnings before taxes, MEUR	80	27	680	786	1 105	54	907	2 067
<b>Taxes borne, MEUR</b>								
Corporate income tax	85	4	28	117	224	7	62	293
Real estate tax	2	0	5	6	2	0	5	7
Employer's charges	63	2	7	72	54	1	5	61
Environmental taxes	1	0	0	1	8	0	0	8
Customs duty	4	0	5	9	5	0	1	6
<b>Total taxes borne, MEUR</b>	<b>155</b>	<b>6</b>	<b>44</b>	<b>205</b>	<b>293</b>	<b>8</b>	<b>74</b>	<b>376</b>
<b>Taxes collected, MEUR</b>								
VAT/GST, remitted	770	0	174	944	982	0	249	1 231
Excise taxes	1 902	0	375	2 276	1 966	0	399	2 365
Withholding taxes	140	1	15	157	111	1	11	123
Employee's social security	22	1	5	27	21	0	3	25
<b>Total taxes collected, MEUR</b>	<b>2 835</b>	<b>2</b>	<b>568</b>	<b>3 404</b>	<b>3 080</b>	<b>2</b>	<b>662</b>	<b>3 743</b>
<b>Total taxes borne and collected, MEUR</b>	<b>2 989</b>	<b>8</b>	<b>612</b>	<b>3 609</b>	<b>3 373</b>	<b>10</b>	<b>736</b>	<b>4 119</b>

The table presents the essential taxes and tax-like fees which Neste is liable to pay or collect in accordance with the local legislation. Payments to Finland, Switzerland and other countries are presented by tax type. 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 Group's effective tax rate was 9% (2019: 13%) and cash tax rate 17% (2019: 16%).

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 2020.

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.