

The only way is forward



By working for cleaner traffic and transport,
Neste Oil is helping everyone stay on
the move – today and tomorrow.



NESTE OIL

Annual Report 2012 / Sustainability

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Sustainability at Neste Oil

Neste Oil is a refining and marketing company concentrating on low-emission, high-quality traffic fuels, and the world's leading supplier of renewable diesel. Oil exploration and drilling do not form part of Neste Oil's activities, and the company has no plans to take part in any oil exploration projects. Neste Oil's approach to sustainability is based on taking account of the environment, people, and communities in its activities and protecting them, and striving for operational excellence and good corporate governance. Neste Oil's goal is to achieve a leading position in the industry in terms of sustainability.

Sustainability focus areas

Neste Oil defined a new set of focus areas for its sustainability-related work and for managing sustainability in fall 2012. These areas provide the foundation for this Sustainability Report.

Neste Oil ranked the world's fourth most sustainable company

Neste Oil was selected for the seventh time for inclusion in The Global 100 list of the world's most sustainable companies after the reporting period in 2012, Neste Oil achieved its best-ever ranking in the list, reaching fourth place, an improvement of 15 places on its performance.

Climate change initiative launched

Neste Oil launched an initiative towards the end of 2012 to develop a climate program that will create a road map for the company as it moves towards a low-carbon future.

The only way is Forward

A vision of traffic in 2030

"Emission free fuels for all vehicles." Man, age of 23–35, Germany.

[Read more](#)

60%

of the respondents to Neste Oil's stakeholder survey believe that Neste Oil's sustainability performance has improved.

Neste Oil's sustainability in a nutshell

- Neste Oil is committed to continuously developing its operations in line with the principles of sustainable development, and expects the same of its partners and suppliers
- Sustainability forms an integral part of the way Neste Oil operates and is one of Neste Oil's four values
- Sustainability represents a central part of Neste Oil's cleaner fuel strategy aimed at developing, producing, and marketing cleaner traffic fuels with a lower level of impact on the environment
- By producing and promoting the use of cleaner fuels, Neste Oil can help meet the growing energy needs of traffic and transport and make its own contribution to combating climate change and reducing emissions from traffic and transport.
- A thorough understanding of the impact that Neste Oil's products have over their entire lifecycle represents a central aspect of Neste Oil's approach to sustainability.



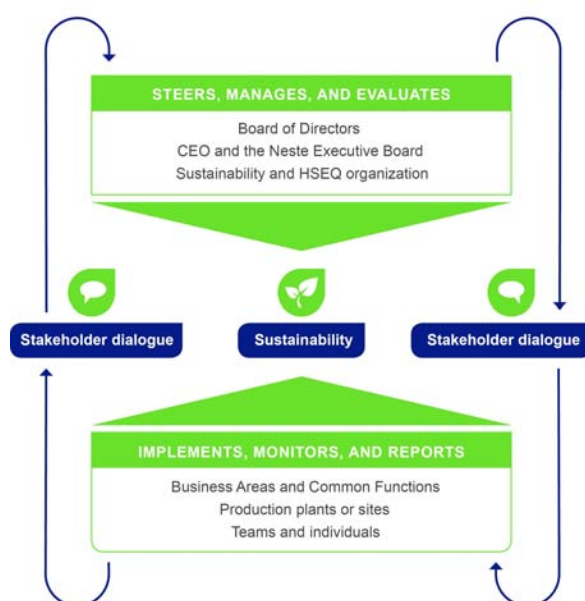
Managing sustainability

Sustainability is one of Neste Oil's four values, and the company's sustainability policy, together with its sustainability principles and instructions, represent an integral and important part of the company's management system. No significant changes took place in the management responsibilities or guidelines underpinning sustainability in 2012 compared to previous years.

Neste Oil's approach to sustainability is based on the company's [sustainability policy](#) and is an essential part of Neste Oil's business operations. Ultimate responsibility for approving Neste Oil's sustainability policy lies with the Board of Directors, while the President & CEO and senior management are responsible for outlining the company's strategic approach to sustainability and monitoring how Neste Oil performs in terms of sustainability. Sustainability-related work is steered by the Senior Vice President, Sustainability and HSEQ, who is a member of the Neste Executive Board.

Find out more about Neste Oil's sustainability policy and the principles underpinning its approach to sustainability at www.nesteoil.com.

Managing sustainability in Neste Oil



The sustainability and HSEQ organization coordinates the implementation, monitoring, and reporting of sustainability work in

collaboration with business units and production sites and is responsible at Group level for occupational safety, process and product safety and environmental protection. Neste Oil's CFO is in charge of the Group's financial responsibility, while social responsibility matters are managed by units within the Group. Personnel-related matters, for example, are the responsibility of the HR organization and the Senior Vice President, HR. Local work at production sites is the responsibility of refinery management and local experts.

Everyone at Neste Oil takes part in sustainability efforts through things such as continuous safety work.

Everybody has a role to play in promoting sustainability

Safety, environment, and other sustainability-related matters are reviewed regularly by Neste Oil's Board of Directors, the Neste

Executive Board, the HSEQ (Health, Safety, Environment, Quality) Management Team, and business area and site management teams. Every member of Neste Oil's personnel engages in sustainability-related work through continuous safety work, for example.

When assessing progress in sustainability, Neste Oil monitors indicators in the fields of HSEQ management, financial, and HR management. Progress is also reviewed through regular [ESG audits and stakeholder questionnaires](#).

Feedback from stakeholders is taken into account when developing sustainability, and is collected through surveys and ongoing, close interaction with a range of different stakeholder groups. Read more about [Neste Oil's stakeholder survey in 2012](#).

Sustainability ► Managing sustainability ► Focus areas

Sustainability focus areas

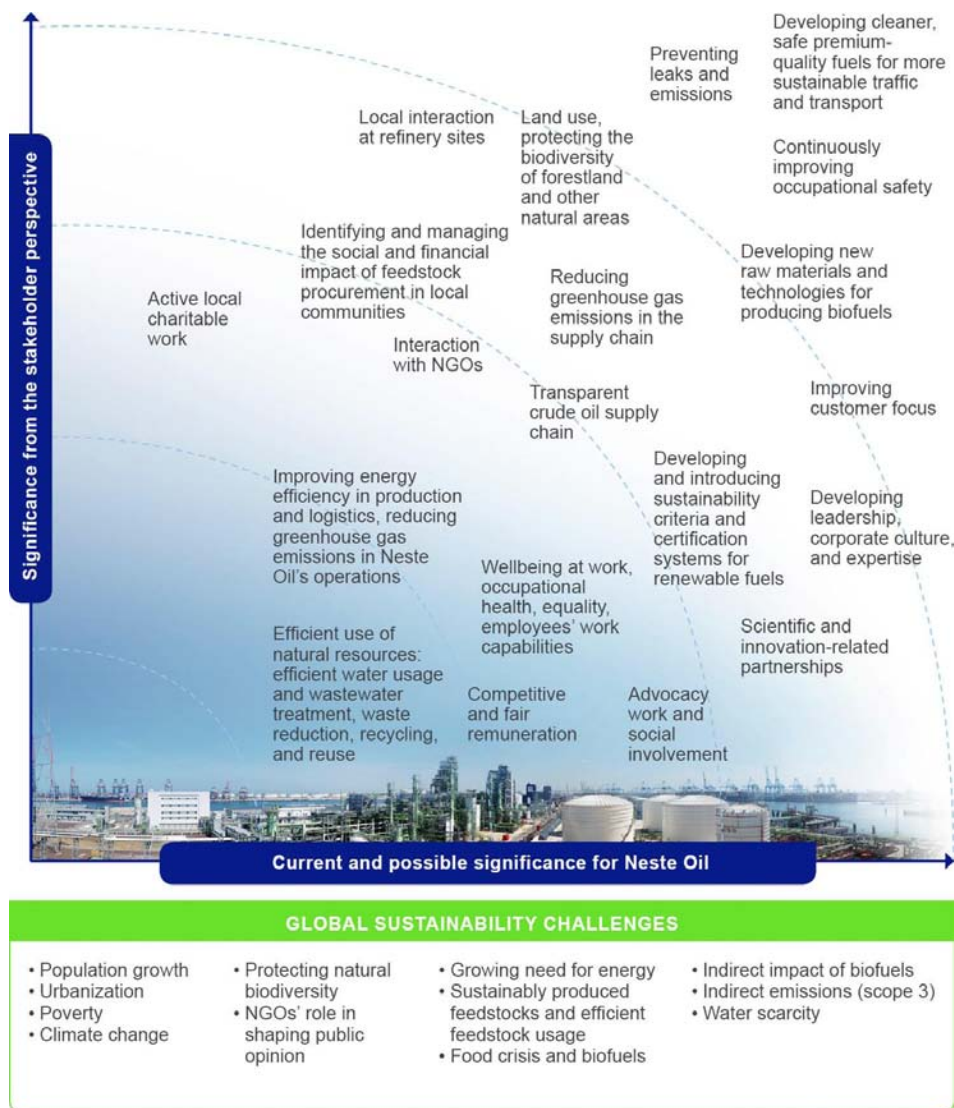
A new set of focus areas for Neste Oil's sustainability work and the way sustainability is managed was introduced in fall 2012. These focus areas have been established because of the need to further outline the scope of sustainability work within the company and to support systematical management, reporting, and communication of sustainability-related matters.

Focus area	Neste Oil's sustainability policy
Customers	We provide our customers with products that help tackle sustainability issues, such as global climate change and improving local air quality.
Safety	All our actions are safe for us, our neighbors, contractors, customers, and the environment.
Personnel	We act responsibly in society and respect human rights wherever we operate.
Society	We are committed to engaging with our stakeholders and participating in multi-stakeholder initiatives to help develop more sustainable solutions.
Climate and Resource efficiency	We are socially responsible, environmentally sound, and economically viable.
Supply chain	We use natural resources responsibly and are actively working towards a more sustainable supply chain.

The focus areas were defined by a group of experts headed by the Senior Vice President, Sustainability and HSEQ and have been approved by the Neste Executive Board and the Board of Directors. Neste Oil reviewed the actions and measures that are currently being taken in each focus area at the end of 2012 and the beginning of 2013. In 2013, the aim will be to integrate the sustainability focus areas into Group-wide strategic operations planning and establish targets for each focus area. These focus areas also provide the main structure for Neste Oil's 2012 Sustainability Report.

Neste Oil material aspects of sustainability

The sustainability focus areas described above set out the core approach that Neste Oil's sustainability work is committed to. A materiality assessment of Neste Oil's sustainability carried out towards the end of 2012 helped provide an understanding of the key themes that Neste Oil will need to focus on within the framework of sustainability focus areas.



The materiality matrix combines the key themes of sustainability from the perspective of Neste Oil's business and stakeholders. Key themes were defined in a workshop held with the Neste Executive Board and Neste Oil sustainability experts in various areas in the late fall of 2012. The workshop reviewed the results of an analysis of trends in the sustainability field drawn up in fall 2012 and of a [stakeholder survey on sustainability](#) issues carried out in November 2012. The results were then compared to Neste Oil's own views on what will be the key sustainability

issues over the next few years. The materiality matrix has been approved by the Neste Executive Board and the Board of Directors.

The materiality assessment helped Neste Oil identify new issues of interest to the company's stakeholders that could prove more significant to Neste Oil's business in the future.

Sustainability reporting for 2012 reflects the sustainability issues analysed in the materiality matrix the most material in terms of Neste Oil's business and stakeholders. The materiality of

sustainability issues will be reviewed regularly in the future and the matrix will be updated when needed as part of annual reporting.

Sustainability ► Managing sustainability ► Focus areas ► Case: Sustainability-related stakeholder survey results



Sustainability-related stakeholder survey results

Neste Oil conducted a survey on sustainability issues in October 2012. 60% of respondents said they believe that Neste Oil's sustainability performance has improved. Respondents gave the company an average score of 7.87 for its sustainability-related work. A total of 288 people in Finland and abroad replied to the survey.

Respondents identified the following areas as central to sustainability at Neste Oil:

- R&D on new raw materials suitable for use as biofuel feedstocks
- Continuous efforts aimed at improving safety, and
- Development work on cleaner, premium-quality fuels that can help combat climate change.

All respondents linked sustainability at Neste Oil to renewable fuels, although safety was also seen as a particularly important area as well.

Stakeholders identified the launch of Neste Pro Diesel, improved fuel quality, and the work being done to reduce the usage of raw materials that can also be used as food as particular successes of our sustainability-related efforts. Improved stakeholder




dialogue and the way Neste Oil has managed and handled communications on oil spills were also highlighted as additional positive developments.



Stakeholders' views on how well Neste Oil manages its sustainability communications generally varied. Investors and the company's owners appear to be more satisfied than personnel, who tend to believe that the positive work Neste Oil is doing is not perceived outside the company as well as it could be.



Respondents listed the continued use of raw materials that can be used for food purposes, employee wellbeing, and anticipating upcoming legislation as areas that could be improved. Other areas in this category included competition with the ABC retail chain, the profitability of the renewable diesel business, and safety.

The replies received from stakeholders will help Neste Oil understand the expectations that its stakeholders have in the sustainability area and develop sustainability-related initiatives in the line with their feedback.

Key sustainability-related targets and achievements

	What were our targets?	Actions and achievements in 2012	What next?
Managing sustainability 	Link sustainability issues more closely to business area management.	We defined new key sustainability areas for Neste Oil.	Make use of the key sustainability areas in operational planning.
	Certify the operating systems at the Singapore and Rotterdam refineries to ISO standards.	Continued progress was made in developing Neste Oil's ISO certification status; we received ISCC-EU certification for all our NExBTL refineries for the European market and EPA approval for the US market. Multi-site certification will take place in 2013.	Certify production plant operating systems to ISO standards.
Customers 	Launch a new cleaner diesel, Neste Pro Diesel, in Finland.	We began sales of Neste Pro Diesel in September 2012.	Continue launching premium-quality products such as Neste Pro Diesel.
	Extend the NExBTL product family.	We began sales of NExBTL renewable naphtha to corporate customers.	Continue developing new product applications for the needs of customers such as airlines and the petrochemical industry.
Safety 	Reduce the number of process safety incidents.	We did not meet our target. PSE* (Process Safety Events) = 5.9 (4.8).	PSE<4
	Reduce the number of accidents requiring medical care. TRIF target = 2.2*	We did not meet our target. TRIF* (Total Recordable Injury Frequency) = 3.6 (2.7).	TRIF=2.2
	Carry out 25,000 safety observation tours annually.	We carried out 27,643 (25,743) safety observation tours.	Give greater priority to preventive measures and carry out 28,000 safety observation tours.

	What were our targets?	Actions and achievements in 2012	What next?
Personnel 	Support a coaching-focused leadership culture that involves people and promote performance management that delivers results.	We promoted engagement-driven leadership culture through a strategy dialogue, strategy workshops, by training innovation facilitators, through the Neste Oil ideas system, by involving employees in reviewing the results of the personnel survey, and management training.	Build a winning culture, support improved customer focus, and further develop our expertise.
	Focus on developing wellbeing at work.	We integrated a wellbeing at work model into management training.	Continue promoting an engagement-driven leadership culture.
Society 	Raise ROACE (Return on Average Capital Employed, After Tax) to at least 15% over the long term.	ROACE = 4.9% (2.6%).	Continue working to achieve our long-term ROACE target.
	Retain a leverage ratio of 25–50%.	Leverage ratio = 42.9% (45.7%).	Continue reducing our leverage ratio.
	Support the implementation of biofuel legislation in EU countries and promote a neutral approach to technology and raw material questions.	We worked with seven key EU member states and provided them with expert information on renewable diesel related to the drafting and implementation of the EU's Renewable Energy and Fuel Quality Directives.	Continue work aimed at securing fair and equitable national regulations and promote regulations and agreements aimed at preventing further loss of forestland through things such as extending traceability and sustainability requirements to cover all industries using bio-based raw materials.
	Continue systematic greater interaction with all key stakeholders, as planned.	We met stakeholders at tens of different events and actively updated them on developments at Neste Oil.	Engage stakeholders and work closely with them. Extend collaboration with selected stakeholders.

	What were our targets?	Actions and achievements in 2012	What next?
Climate and resource efficiency 	Reduce greenhouse gas emissions in our operations cost-effectively to help prevent climate change.	We optimized energy generation and usage at the Naantali and Porvoo refineries. An extensive energy efficiency survey was carried out at Porvoo. Work done during the maintenance turnaround at Naantali has improved the refinery's operational reliability and energy efficiency.	Draw up plans for energy efficiency investments during 2013.
	Continue efforts aimed at saving 660 GWh of energy by 2016.	We achieved approx. 59% (53%) of the targets contained in the energy savings program set for 2016 between 2009 and 2012.	Continue measures aimed at achieving our 660 GWh energy saving target at our refineries and terminals.
	Remain within environmental permit limits at all times.	Virtually all operations took place within permitted limits. Some wastewater limits were exceeded at the Porvoo and Singapore refineries and one airborne emission limit was exceeded at Rotterdam. Some shortcomings in wastewater monitoring were identified at the Naantali refinery. None of these cases resulted in damage to the environment.	Review the impact of stricter environmental permitting practice resulting from revised EU environmental legislation. Comply with stricter permit requirements where needed
	Extend the range of bio-based inputs we use.	We added waste fat from the fish processing industry to our feedstock base. We commissioned a microbial oil pilot plant at Porvoo.	Aim to further increase our use of waste- and residues-based inputs significantly.
	Increase the amount of waste- and residues-based inputs used in refining by hundreds of thousands of tons a year compared to 2011.	We more than doubled our use of waste- and residues-based materials.	Review the feasibility of starting industrial-scale production based on non-food inputs, such as microbial and algae oil.
Supply chain 	Increase our use of certified renewable raw materials by at least 10%-points compared to 2011.	All renewable feedstocks used in refining were 100% traceable back to their origin. 77% (49%) of renewable inputs were certified in 2012.	We ensure that all renewable feedstocks continue being 100% traceable back to their origin. We continue to increase the proportion of certified renewable feedstocks in refining. Our aim is that 100% of the palm oil used by Neste Oil will be certified by the end of 2015.

* Accounting principles were changed in 2012. Figures for 2011 (including target) have been recalculated in order to have comparable figures.

Sustainability policies and principles

Neste Oil's sustainability policy acts as the foundation for the company's sustainability, and underpins its Sustainability and HSEQ (Health, Safety, Environment, Quality) Management Principles, which act as key tools for steering sustainability-related work. These principles define the central responsibilities, practices, and overall guidelines to be followed in environmental and safety management. They also set minimum requirements for sustainability, health, safety, the environment, and product safety.

Based on these principles, production sites draw up their own detailed instructions and incorporate them into their management systems. Other Neste Oil locations, such as offices, follow the principles when applicable to their activities. HSEQ training is offered to every employee to help ensure that these principles are implemented in practice.

- Neste Oil's sustainability principles covering sustainable raw material procurement and biofuel production have been collated into a single set of principles.
- Sustainability principles covering personnel are included in the company's Human Resources Policy.
- Neste Oil's Code of Conduct, approved by the Board of Directors, also guides work in the sustainability field.

New and updated guidelines for managing sustainability

No major changes in Neste Oil's key sustainability management tools took place during 2012 compared to 2011. The Group's management system was supplemented, however, with the

following sustainable development- and HSEQ-related principles and guidelines.

New guidelines:

- Minimum sustainability requirements for renewable fuels
- Procedure for dealing with bullying
- Safety key elements

Updated guidelines:

- Sustainability Principles for Biofuels
- Renewable Feedstock Supplier Selection Criteria
- Corporate Risk Management Principles
- Corporate Risk Management Policy
- Gender Equality Principles
- Sustainability and HSEQ Management Principles
- REACH Compliance in Neste Oil
- Neste Oil's Minimum Marine Safety Requirements for Vessels, Barges and Management Companies

Certified operating systems

In addition to the Group's management system, Neste Oil's operations are also guided by plant-, business area-, and function-specific certified systems. These management systems meet the requirements of the ISO 9001 (quality), ISO 14001 (environment), and OHSAS 18001 (occupational health and safety) standards.

Internal and external audits are used to assess the effectiveness of systems. Internal quality and HSEQ audits ensure that the Group's operations comply with the requirements of the law, regulations, and Neste Oil's own guidelines. Neste Oil's certified management systems are audited by an external independent third party. A total of 97 (105) internal audits were carried out in 2012 based on an internal auditing plan. Additionally, 33 (22) external audits were carried out. The increase compared to 2011 resulted from the large number of International Sustainability and Carbon Certification (ISCC) audits covering NExBTL renewable

fuel production. One (3) accreditation audits was carried out. Accreditation audits follow the requirements set of SFS-EN ISO/IEC 17025 standard.

Oil Retail's operations in Finland, Estonia, Latvia, Lithuania, and Russia have been granted a multisite certificate. Neste Oil's terminals in Hamina, Kokkola, Kemi, Pietarsaari, and Tornio in Finland have been certified and combined with the Porvoo and Naantali certificates under a multisite certificate. Certification

covers the requirements of the quality, environment, and occupational health and safety standards referred to above.

The plan is to ISO-certify the NExBTL renewable diesel refineries in Rotterdam and Singapore during 2013. These refineries, together with the NExBTL units at Porvoo, are already ISCC- (International Sustainability and Carbon Certification) and RSPO- certified (Round Table on Sustainable Palm Oil) and they hold an EPA (Environmental Protection Agency) approval. [Read more about certifications in the Supply Chain section.](#)

In addition to the ISO certificates detailed above, Neste Oil also has various other certificates, such as an International Security Certificate for Ships and Port Facilities (ISPS), a Factory Production Control Certificate for Bitumen and Bituminous Binders covering the Porvoo and Naantali refineries, and International Safety Management System of Ships (ISM) certificates related to the company's fleet.

Details on Neste Oil's certified plants, business areas, and operations can be found at the [company's Web site](#).

Sustainability ► Managing sustainability ► Risks and opportunities

Sustainability-related risks and opportunities

A number of sustainability-related risks are associated with Neste Oil's operations. Risk management aims to identify these threats and focus on preventive measures to counter them. As Neste Oil does not have any oil exploration or drilling activities, this reduces the company's exposure to direct environmental risks significantly.

Neste Oil's most significant sustainability-related risks have remained essentially unchanged in recent years, and during 2012 were linked to:

- procurement of feedstocks used in production
- occupational and process safety at refineries
- the environmental impact of refining and logistics, and
- product liability.

As in previous years, other risks identified included changes in environmental legislation and legislation on biofuels and the slow progress being made in implementing this type of legislation at EU level, EU member state level, and in the US. Neste Oil continued supporting legislation work related to renewable fuels. [Read more on Neste Oil's work to support legislation.](#)

The company's growth business, Renewable Fuels, continues to face a reputation-related risk linked to Neste Oil's use of palm oil. Neste Oil continued working to reduce risk with proactive and open communication, extensive reporting and active stakeholder dialogue that takes place widely in Europe, the US, and South-East Asia. No serious sustainability-related issues, such as infringements of legal or regulatory requirements, took place in the use or procurement of palm oil or other raw materials used by Neste Oil. [Read more on sustainable feedstock procurement.](#)

One of the above risks, product storage risk, was realized in 2012 when light fuel oil leaked from a rock cavern storage facility in Kajaani operated by Neste Oil for the National Emergency Supply Agency. [Read more about the case in the section on Climate and the Environment.](#) Neste Oil's occupational and process safety performance also failed to improve as hoped for in 2012, although there were no serious accidents. [Read more in the section on Safety.](#)

More information on the financial risks associated with business operations can be found in the [Risk Management section](#).

Sustainability related opportunities

Neste Oil's key opportunities in terms of sustainability are linked to developing and producing lower environmental impact products, and increasing the use of these products among the company's customers. More details on Neste Oil's lower-emission products can be found in the [Customers section](#).

In addition to fuel development work, Neste Oil has refined its sustainability-related expertise in supply chain management into a voluntary sustainability verification scheme within the framework of the EU's Renewable Energy Directive. Development of the scheme could open up new business opportunities for Neste Oil after it receives EU approval. [Read more about the voluntary sustainability verification scheme.](#)

Sustainability indices and ratings

Neste Oil measures the progress it makes in the area of sustainability through external ESG (Environmental, Social, Governance) reviews, regular stakeholder questionnaires, and personnel surveys. The results of these assessments showed that Neste Oil's sustainability-related performance improved during 2012.

Neste Oil decided to concentrate on the following sustainability reviews in 2012:

- Dow Jones Sustainability Index
- Global 100
- Forest Footprint Disclosure, and
- Carbon Disclosure Project.

The reviews produced by these bodies provide Neste Oil with objective, specialist analyses of its sustainability performance and reporting and offer feedback on how operations can be developed. Neste Oil monitors developments in the ESG review field and aims to focus on reviews by independent specialist bodies in developing its sustainability performance. Neste Oil aims to facilitate the work of these specialists by providing more comprehensive and clearer online reporting.

Sustainability review results in 2012

Dow Jones Sustainability Index World

Neste Oil was selected for inclusion in the Dow Jones Sustainability Index (DJSI World) for the sixth year in succession in September 2012, as one of 340 companies from 30 countries. DJSI World features companies from a wide range of fields, all of which are expected to demonstrate a high level of commitment to sustainable development in the areas of financial, social, and environmental responsibility and be committed to continuous development. Read more on [Neste Oil's web site](#).

Global 100

Neste Oil was selected for inclusion in The Global 100 list of the world's most sustainable companies, for the sixth successive year (2007–2012), in January 2012. Neste Oil was ranked 19th, compared to 20th in 2011. The Global 100 list is based on expert analyses of 4,000 listed companies in a wide range of fields around the world. Companies included are considered among the most capable as measured against a variety of different sustainability indicators. After the reporting period, in January 2013, Neste Oil was again selected for inclusion in The Global 100 list for the seventh successive year, and placed 4th, improving its ranking by 15 places from 2012. Read more on [Neste Oil's web site](#).

Forest Footprint Disclosure

Neste Oil was again recognized in the international Forest Footprint Disclosure (FFD) report in February 2012 for the thorough reporting of its forest footprint. FFD ranked Neste Oil the second-best performer in the Oil & Gas sector; this compares

to the number-one ranking given in 2011 and 2010. The FFD project is an international initiative designed to evaluate how aware companies are of their forest footprint and the methods they use to reduce the size of their footprint. The assessment is made by a jury of procurement and forest conservation experts. After the reporting period, in February 2013, Neste Oil's high standard of performance was again recognized by the FFD project and ranked second in the Oil & Gas sector. Read more on [Neste Oil's web site](#).

Carbon Disclosure Project

Neste Oil monitors and measures greenhouse gas emissions across all its operations, and reported on them for the sixth year in succession as part of the Carbon Disclosure Project (CDP) in 2012. In a review published in fall 2012, Neste Oil scored 79 (58) points based on 2011 data, a clear improvement on previous performance. The review based on 2012 data will be published in fall 2013. Read more about Neste Oil's CO₂ emissions and the CDP review results in the section on [Environmental management](#).

Other reviews in 2012

In addition, Neste Oil was also selected for inclusion in the following:

- [STOXX® Global ESG Leaders Index](#), which features around 300 of the world's leading companies, based on a review of their environmental and social responsibility and governance. Neste Oil was also selected for inclusion in the STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders indexes.
- [Storebrand Tripple Smart and SPP Global Top 100 Fund](#), which is the first fund of its kind in the Nordic region. The review highlighted future prospects and company's its commitment to building a sustainable world.

Neste Oil is also still included in the Ethibel EXCELLENCE Investment Register, which reviews companies' financial performance, social responsibility, and environmental values.

Neste Oil's sustainability-related surveys in 2012

A sustainability survey carried out among Neste Oil's stakeholders in October–November 2012 gave the company a score of 7.87 (on a scale of 4–10). 60% of respondents said they

believed that Neste Oil's sustainability had improved recently. Read more about the results of [the survey](#).

A personnel survey carried out in August-September indicated that Neste Oil's work in sustainability is one of the areas has seen the most positive development. 92% of respondents said that sustainability has progressed either positively or very positively,

The input provided by these reviews has been taken into account in defining [Neste Oil's sustainability focus areas and materiality matrix](#).

Cleaner products for customers

In line with its cleaner traffic strategy, Neste Oil has concentrated on developing and refining premium-quality fuels that promote cleaner traffic and transport.



Neste Pro Diesel - The best Diesel quality in the world



The amount of NExBTL renewable diesel sold in 2012 corresponds to the annual fuel consumption of

2,1 million cars**

Lower emission solutions

The greenhouse gas emissions of Neste Oil's NExBTL renewable diesel, as measured over the product's entire lifecycle, are up to 40-90% lower than those of fossil diesel.

Cleaner traffic strategy



Read more about Neste Oil's cleaner traffic strategy and its implementation during 2012 in the Strategy section.

What were our targets?	Actions and achievements 2012	What next?
<ul style="list-style-type: none"> Launch a new cleaner fuel, Neste Pro Diesel, in Finland. 	<ul style="list-style-type: none"> Neste Pro Diesel introduced in September 2012. 	<ul style="list-style-type: none"> Continue launching premium-quality products such as Neste Pro Diesel
<ul style="list-style-type: none"> Extend the NExBTL product family. 	<ul style="list-style-type: none"> Sales of NExBTL naphtha to corporate customers started in October. 	<ul style="list-style-type: none"> Continue developing new product applications for the needs of customers such as airlines and the petrochemical industry.

*Average greenhouse gas emission reduction values calculated by Neste Oil for the entire life cycle of the fuel produced at the Porvoo refinery and shipped to European markets. The calculation method complies with the requirements of the EU's Renewable Energy Directive and has been verified by SGS. A reference figure of 83.8 g of CO₂eq/MJ has been used when calculating emission reductions. The proportions of greenhouse gas emissions accounted for by the various stages of fossil diesel production are based on CONCAWE estimates. Emission reductions are affected by raw material production methods, the mode of transport used, refining, fuel transportation, and end-use.

** In 2012 Neste Oil produced 1,7 million tonnes of renewable diesel. The amount corresponds to the consumption of 2,1 million cars, assuming that average driving is 18 000 km annually with the consumption of 5,7l/100km and 100% NExBTL is used.

Sustainability ► Customers ► Premium quality, low-emission products

Premium-quality, low-emission products

Neste Oil has developed premium-quality, lower-emission fuels for corporate customers and consumers for decades. By using Neste Oil's products, all customers can reduce their greenhouse gas and other environmental emissions. Neste Oil's NExBTL renewable diesel helps customers, particularly oil companies, comply with their mandated bio-content requirements in respect of traffic fuels.

Neste Oil's R&D has concentrated on developing products and technologies with a smaller environmental footprint for decades. Products and technologies based on this work – such as NExBTL, NxETHERS, and NExOCTANE – are of particularly high quality and reflect Neste Oil's extensive environmental know-how. NExBTL renewable diesel, for example, is one of the fruits of Neste Oil's in-house research and is the world's cleanest diesel produced from renewable inputs.

[Read more about Neste Oil's research, technology, and engineering here.](#)

NExBTL renewable diesel – the world's most advanced diesel fuel

Neste Oil's NExBTL renewable diesel, produced from 100% renewable inputs, is a higher-quality fuel than both conventional biodiesel and fossil diesel. Its performance at low temperatures and the fact that it can be stored for long periods offer a clear advantage over conventional biofuels in particular.

Compared to fossil diesel, NExBTL renewable diesel produced from all the feedstocks currently used has been shown to reduce greenhouse gas emissions by 40-90% over the product's entire life cycle. The specific [reductions in greenhouse gas emissions offered by NExBTL renewable diesel](#) varies, depending on the raw materials used to produce it.

Based on numerous laboratory tests and field trials*, using NExBTL renewable diesel has been shown to reduce tailpipe emissions as follows:

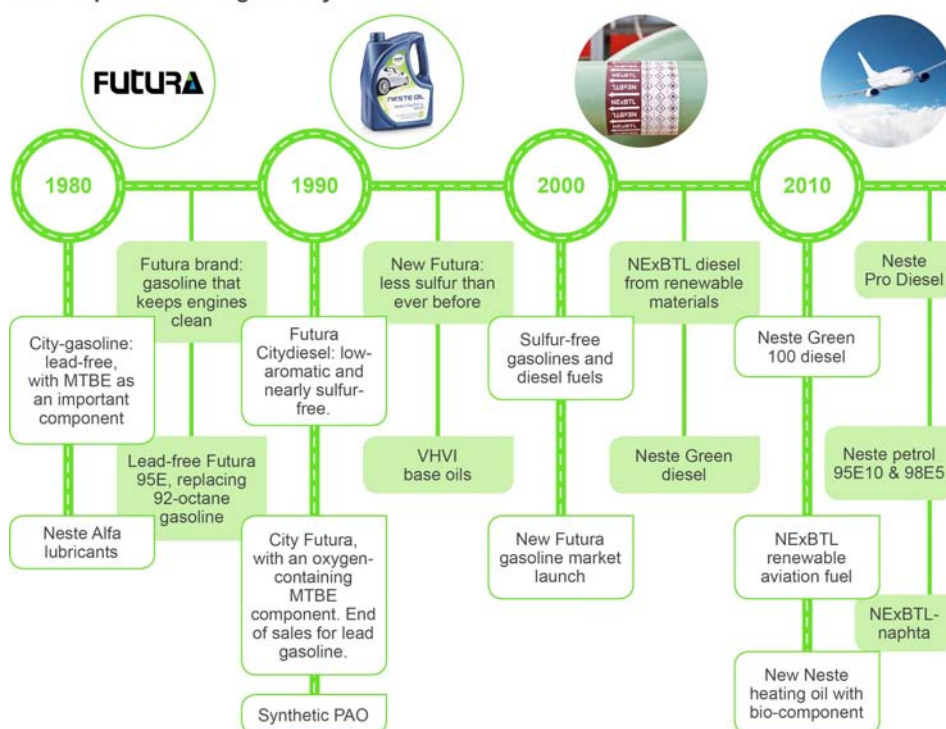
- Nitrogen oxides (NOx), -9%
- Particulates (PM), -33%
- Carbon monoxide (CO), -24%
- Hydrocarbons (HC), -30%.

* These average emission reductions are based on findings published in over 40 scientific publications on NExBTL renewable diesel and HVO fuels related to tests using 100% NExBTL diesel.

Ambient emissions are determined by a variety of factors, such as vehicle type, driving patterns, temperature, and other parameters. The proportion of bio-fuels and renewable fuels produced today are used as for blending purposes (Neste Pro Diesel, for example, contains a minimum of 15% NExBTL diesel by volume); 100% biofuels are largely used only for test purposes.

[Read more about NExBTL renewable diesel](#)

Cleaner products along the way



Meeting mandated bio-content requirements using NExBTL diesel

Nationally mandated bio-content requirements have been introduced around the world to promote the use of renewable energy, and distributors of traffic fuels are responsible for complying with these in the markets affected. The EU's Renewable Energy Directive, for example, requires that 10% of the energy content of traffic fuels must come from renewable sources by 2020. Finland has set a target of 20% and the US a target of 22%.

With its NExBTL renewable diesel and the significant reduction in greenhouse gas and tailpipe emissions that it provides, Neste Oil offers corporate customers a highly effective way of complying with nationally mandated bio-content requirements. In addition to NExBTL diesel, Neste Oil offers its corporate customers a turnkey solution for meeting their mandated bio-content needs. Customers can sell this ready-blended mix of fossil fuel and

biofuel on to their service stations and gain savings in logistics costs.

NExBTL renewable aviation fuel

Neste Oil's NExBTL renewable aviation fuel meets the very high quality standards of the aviation industry, and refining capacity is in place to produce it in industrial volumes. NExBTL renewable aviation fuel was used on a total of 1,187 flights flown between Frankfurt and Hamburg as part of a recent six-month biofuel trial and on an intercontinental flight from Frankfurt to Washington D.C. NExBTL renewable aviation fuel performed excellently in commercial use, and Lufthansa reported that usage of the fuel in Germany during the trial reduced CO₂ emissions by over 1,500 tons, while the intercontinental flight cut emissions by as much as 38 tons, the equivalent of six flights between Frankfurt and Berlin. Thanks to its higher energy content, fuel consumption was reduced by over 1%.

[Read more about NExBTL renewable aviation fuel.](#)

New additions to the NExBTL product family

Neste Oil extended its product offering for corporate customers in October 2012 with the launch of NExBTL renewable naphtha, which can be used for producing bioplastics. NExBTL renewable naphtha is produced during NExBTL diesel refining at Neste Oil's plants in Finland, the Netherlands, and Singapore.

The mechanical and physical properties of bioplastics produced from NExBTL renewable naphtha are fully comparable with those of plastics produced from fossil naphtha; and the carbon footprint of these plastics is smaller than that of conventional fossil-based plastics. Bioplastic products produced from NExBTL renewable naphtha can be recycled with conventional fossil-based plastic products, and can be used as a fuel for generating energy following recycling.

In addition to renewable naphtha, the NExBTL renewable diesel refining process also produces renewable propane, which can be used as a traffic fuel or in the home. Neste Oil recently started a study on the feasibility of commercializing NExBTL propane.

[Read more about NExBTL renewable naphtha.](#)

Neste Pro Diesel

Developed and produced in Finland by Neste Oil, Neste Pro Diesel is the world's first diesel fuel to comply with the toughest specifications drawn up by the Worldwide Fuel Charter (WWFC). Sales of the new fuel – which has been tested at VTT Technical Research Centre of Finland, the Tampere University of Applied Sciences, and Neste Oil's Engine Laboratory – began at Neste Oil's manned service stations in Finland in September 2012.

Tests show that Neste Pro Diesel:

- Reduces fuel consumption by up to 5%, depending on vehicle, driving style, and driving conditions

- Increases engine power and torque by up to 4% compared to conventional diesel fuel
- Extends the life of motor oil
- Improves engine performance, particularly in cold weather, and reduces engine noise, and
- Enhances engine reliability during the winter, thanks to its excellent cold weather properties.

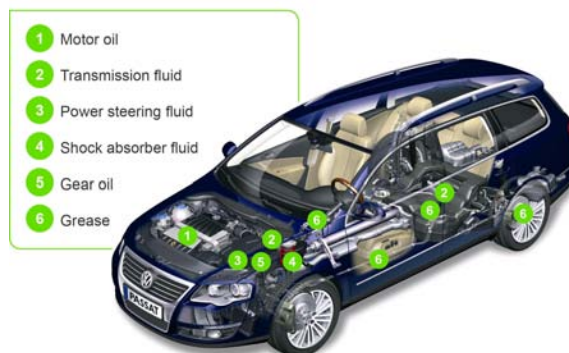
Neste Pro Diesel contains a minimum of 15% of Neste Oil's renewable diesel. Thanks to this renewable content, vehicles using Neste Pro Diesel release 10-20% less greenhouse gas emissions, as well as lower NOx, particulate, and hydrocarbon emissions.

Base oil

Neste Oil produces top-tier base oil containing very low amounts of sulfur and aromatics from fossil feedstocks. These products help reduce traffic- and transport-related emissions and promote the uptake of the latest engine technology offering enhanced fuel consumption and lower emissions.

[Read more about base oil.](#)

Use of top-tier base oil in a modern car



Safe products

Product safety for Neste Oil means being responsible for the safety of all the products that the company sells. The goal of Neste Oil's product safety work is to ensure that products are handled safely throughout their lifecycle, beginning from product development and production and extending all the way to end-use and recycling.

Neste Oil always ensures that customers have the information they need to use products safely and that its products comply with all relevant national and international statutory requirements.

Safe products for customers

The majority of the products sold by Neste Oil are classified as hazardous, which places a number of special requirements on how they must be classified, labeled, and transported, and on how information on them must be communicated to customers. Neste Oil complies with International Chamber of Commerce (ICC) guidelines in the marketing of its products and with country-specific legislation covering the advertising and marketing of hazardous substances. The product safety principles followed by Neste Oil are defined in the Group's management system and are monitored as part of its auditing process, both internally and

through audits carried out by impartial third-party inspectors. Any issues associated with product safety are reported through the company's incident reporting system.

Labeling, safety data sheets, and technical product information give customers the product safety-related information they need. Neste Oil works proactively with its customers and the authorities, other companies, universities, and research institutions to enhance the information that it provides on product safety.

[Read more about REACH in the Chemical safety -section.](#)

Safety

Neste Oil's business is exposed to a number of safety-related risks, the largest of which are associated with working practices, processing raw materials and products, logistics, and storage. Neste Oil is committed to the safety of its personnel, partners, customers, neighbors, and the environment. By focusing on preventive safety work, Neste Oil aims to prevent accidents and injuries from happening.



Neste Oil's safety work is based on the following safety principles:

- All accidents and injuries can be prevented.
- We are all responsible for our own safety and that of others.
- Safety regulations and guidelines must always be observed.
- Safety is essential for business success.

Neste Oil's safety goals

Neste Oil's medium-term goal is to achieve a level of safety comparable with the performance of the best European oil companies, and its long-term goal is to prevent all accidents and injuries occurring.

Neste Oil invested

**25.6
million
euro**

in safety in 2012.

How are sustainability and safety inter-related at Neste Oil?



What were our targets?	Actions and achievements 2012	What next?
<ul style="list-style-type: none"> Reduce the number of process safety incidents. 	<ul style="list-style-type: none"> We did not meet our target. PSE* (Process Safety Events) = 5.9 (4.8). 	<ul style="list-style-type: none"> PSE<4
<ul style="list-style-type: none"> Reduce the number of accidents requiring medical care. TRIF target = 2.2* 	<ul style="list-style-type: none"> We did not meet our target. TRIF (Total Recordable Injury Frequency) = 3.6* (2.7*). 	<ul style="list-style-type: none"> TRIF=2.2
<ul style="list-style-type: none"> Achieve zero lost workday injuries. LWIF target= 0 	<ul style="list-style-type: none"> We did not meet our target. LWIF (Lost Workday Injury Frequency) = 1.5* (1.9). 	<ul style="list-style-type: none"> LWIF=0
<ul style="list-style-type: none"> Carry out 25,000 safety observation tours a year. 	<ul style="list-style-type: none"> We carried out 27,643 (25,743) safety observation tours. 	<ul style="list-style-type: none"> Give greater priority to preventive measures and carry out 28,000 safety observation tours.
<ul style="list-style-type: none"> Avoid all injuries or any damage to the environment at Naantali during the shutdown of the refinery prior to its maintenance turnaround, during the turnaround, and when the refinery is brought back on stream. 	<ul style="list-style-type: none"> The maintenance turnaround at Naantali was the safest in Neste Oil's history. 	<ul style="list-style-type: none"> Prepare for the next maintenance turnaround taking place in Porvoo 2015.

* Accounting principles were changed in 2012. Figures for 2011 (including target) have been recalculated in order to have comparable figures.



Safety management



Continuously improving safety performance is seen as an important component of Neste Oil's strategic Value Creation programs. Improving safety is driven by an ethical imperative and societal requirements and is essential for business success.

Safety is part of Neste Oil's strategic Winning Culture Value Creation program. The goal of the Safety Project launched in 2011 is to improve safety management and process and occupational safety, improve people's understanding of safe working practices, and develop a more safety-oriented mindset. To facilitate safety work, Neste Oil has developed a set of 12 Safety Key Elements. These elements are an integral part of Neste Oil's safety management system.

A safety management system integrated into Neste Oil's general management system is used to monitor and develop safety-related areas of operation. This system covers all the company's business areas and corporate functions and is used to ensure that the latter employ harmonized procedures, monitor the implementation of targets, and promote continuous development in the safety field.

Safety management in Neste Oil's business areas and functions is always the responsibility of the relevant line organization. Line management is supported and assisted by a network of safety specialists across the company. Statutory occupational health and safety activities are organized on a site-by-site basis. Local statutory safety requirements are taken into account in sites' own management systems and safety practices. CONCAWE principles are followed in calculating safety-related injury frequency figures.

Safety responsibilities

Who?	How?	What?
 Corporate Management	Quarterly Management Meeting	<ul style="list-style-type: none"> • overview of Group performance • strategic direction, policy decisions • resource management
 Business Area	Monthly Management Meeting	<ul style="list-style-type: none"> • Business Area performance and trends • decision on development needs • preventive and corrective actions
 Site/Unit	Periodical Review Meetings	<ul style="list-style-type: none"> • site performance follow-up and improvement • preventive and corrective actions • operational actions
 Teams, Individuals	Continuous Safety Work	<ul style="list-style-type: none"> • observing and enforcing safe behaviour • task risk assessments • safety discussions

Safety reporting

The following safety indicators are reported monthly within the Neste Oil organization:

- Total Recordable Injury Frequency (TRIF) per million hours worked
- Lost Workday Injury Frequency (LWIF) per million hours worked
- Leaks
- Sick leave
- Safety observations
- HSEQ inspections
- Safety discussions.

These safety indicators are used to measure the progress made in preventive work and the number of incidents that occur. Results are reported and communicated internally every month. Business units regularly discuss safety themes and safety work, in line with their management systems. Topical safety issues are also communicated regularly. Annual safety targets are integrated into every site action plan.

The aim is to further develop these safety indicators during 2013 to ensure that they provide better support for preventive safety work.

Reporting and handling incidents

Neste Oil reports incidents systematically using non-conformance reporting systems, which represent the most important tools in the company's safety management system. These reporting systems are also used to monitor the progress made on preventive measures, such as safety observation tours and safety discussions.

As part of corporate safety practice, a package of 'Lessons Learned' material is produced quarterly on the basis of safety feedback received. 'Lessons Learned' material covers both successes and unscheduled incidents that take place across the company, and has proved useful in the safety discussions that managers and supervisors have with their teams.

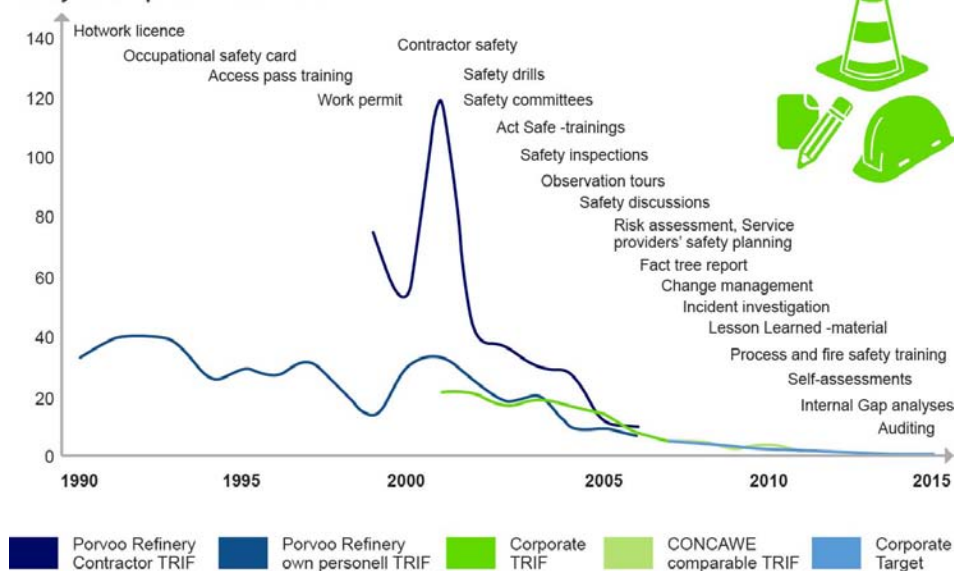
Neste Oil keeps people living close to its production sites in Finland and companies based in these areas up-to-date on the operations of its refineries and any possible incidents. This is done through tools such as a toll-free info line, the Neste Oil Web site, and various events. As Neste Oil's refineries in Rotterdam and Singapore are located in industrial zones with no residential areas close by, the emphasis there is on keeping local companies up-to-date on possible incidents.

Read more about [local community involvement](#) at production sites.

Other safety achievements in Neste Oil

To help achieve Neste Oil's overall safety goals, the Porvoo and Naantali refineries take part in the Finnish 'Zero Accidents Forum'. Neste Oil is also a participant in the Turmitta project coordinated by VTT Technical Research Centre of Finland, an initiative aimed at developing a method for defining the value of safety in business. The project helps participating companies focus their operations and investments in an optimal way from both a business and overall safety standpoint.

Safety developments from 1990



12 safety key elements

Neste Oil's 12 safety key elements form a framework for Group-wide operating practices. The 12 safety key elements are used to help promote Neste Oils' overall safety performance and form an important part of the company's safety management system. Corporate wide implementation of 12 safety key elements was started in 2012 through trainings and self assessments.

The 12 key elements of safety are designed to provide recommended procedures and help sites, management teams, business areas, and common functions draw up plans for ensuring of safety in their operations high standards. Neste Oil's 12 Key Elements of Safety cover process, personal, and chemical safety and are designed to promote overall safety across the Group and are an important part of the company's safety management system.

Safety self-assessments were carried out for the first time at Neste Oil in 2012 as part of development work on the 12 safety key elements. These focused on evaluating the safety-related strengths of sites and areas that need to be improved. One of the focal areas of safety development work will be change management, in areas such as technical modifications. The results of self-assessments carried out in 2012 will form the basis for planning activities in 2013. Self-assessments will become a permanent part of Neste Oil's safety development work in the future, and they will be audited internally during 2013. Pilot work on these audits was carried out at the Naantali refinery during 2012.

The 12 Key Safety Elements



Process safety

The key goals of process safety management at Neste Oil are to prevent personnel from being injured or exposed to danger, to protect the environment and the company's property and other assets, and to prevent or minimize collateral financial losses. Process safety thinking is based on identifying operational risks and dealing with them using various technical and operational tools, and minimizing any impact should a risk develop into a concrete problem.

Neste Oil's process safety management approach covers the entire refining chain, and all process safety-related areas are taken into account when assessing risks. Engineering, technology selection, changes and modifications made to systems, operations and maintenance work, know-how, and practices all play a very important role in process safety.

Process safety management at Neste Oil plants has been improved in recent years to reduce the number of unscheduled leaks and operational incidents.

Improving process safety

Neste Oil measures its process safety using CONCAWE-defined PSEs or Process Safety Events. These define process safety levels and measure the number of incidents, such as leaks that do not harm the environment, that take place in processes.

Neste Oil uses different PSEs to measure the degree of seriousness of process safety-related incidents, based on the hazards associated with the materials involved and any possible consequences resulting from an incident. The number of the PSE indicator refers to the seriousness of the incident, with a PSE 1 event serious and PSE 2 quite serious. A total of 2.0 PSE1 incidents (0.8) and 3.9 PSE2 incidents (4.0) per million hours worked were reported in 2012. Safety events totaled 32 in 2012 (24). Neste Oil's goal is to reach CONCAWE's top quartile in the process safety area in the near future.

Neste Oil intends monitoring its process safety performance, including minor incidents, in even greater detail in the future. PS3 and PS4 indicators will be introduced in 2013, for example, to measure areas such as near miss incidents.

Occupational safety

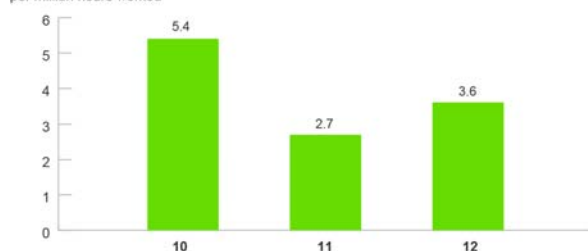
The systematic development of safety culture that has taken place within Neste Oil in recent years has been heavily concentrated on promoting a safer mindset among the company's employees and the company's service providers and contractors. Neste Oil is committed to ensuring the safety of all aspects of its operations and using responsible practices. Each and every Neste Oil employee is responsible for acting safely, as are the company's partners.

Despite the company's extensive safety work, Neste Oil's employee safety performance declined in 2012 compared to 2011. A Total Recordable Injury Frequency (TRIF) per million hours worked of 3.6 (2.7) was recorded, compared to the target

of 2.2. The Lost Workday Injury Frequency (LWIF) per million hours worked was 1.5 (1.9), compared to the target of 0. No accidents resulting in a fatality took place at Neste Oil in 2012.

Total Recordable Injury Frequency (TRIF)

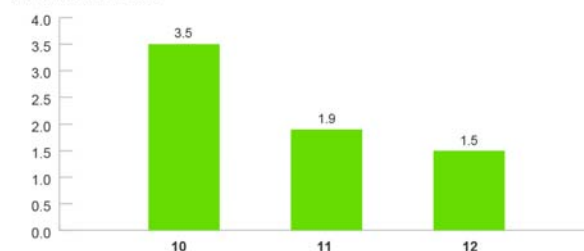
per million hours worked



* Accounting principles were changed in 2012. Figures for 2011 and 2010 have been recalculated in order to have comparable figures.

Lost Workday Injury Frequency (LWIF)

per million hours worked



* Accounting principles were changed in 2012. Figures for 2011 and 2010 have been recalculated in order to have comparable figures.

Safety reporting for 2012 covers all the refineries owned by Neste Oil in Finland and overseas in which the company has a greater than 50% holding. Reporting on safety matters also covers service providers and key contractors, as well as the road and marine transportation of Neste Oil's products and feedstocks. Personal safety reporting also covers Neste Oil's terminals, offices, and Oil Retail's country companies.

Although the number of serious accidents fell in 2012, the number of smaller accidents requiring minor medical attention increased, which affected overall safety performance compared to 2011. Systematic work is carried out to identify efficient corrective measures. Particular priority was given to the safety of personnel working high off the ground and providing training in this area in 2012. Safety indicators will also be monitored more systematically at site level from now on.

Group-level targets were met in the area of preventive indicators (safety observation tours, safety discussions, and HSEQ inspections). A total of 27,643 (25,743) safety observation tours – focusing on the safety of working practice and providing constructive input where shortcomings are identified – were carried out at Neste Oil during 2012. 2,925 (2,563) safety discussions were held during the year, as well as 1,480 (521) HSEQ inspections. Preventive measures covered a total of 65,791 Neste Oil employees, service providers, and contractors in 2012.

Sustainability ► Safety ► Chemical safety

Chemical safety

Chemical safety forms part of Neste Oil's product stewardship work. The goal of chemical safety work is to ensure that products are handled safely throughout their lifecycle, beginning from product development and production and extending all the way to end-use and recycling.

Neste Oil ensures that the occupational hygiene of its personnel and workplace conditions meet the requirements of legislation by carrying out regular workplace reviews and taking occupational hygiene measurements. Appropriate measures are taken to protect personnel and sites against chemical hazards. Safety data sheets on the chemicals Neste Oil uses can be consulted via a centralized list of safety data sheets. Chemical data cards on key chemicals, summarizing the safety properties of widely used chemicals, are distributed at company locations. Chemical procurement is covered by comprehensive guidelines and every

site has appointed a member of staff responsible for chemical-related issues.

REACH

The EU's REACH framework places extensive requirements on the manufacturers, importers, and users of chemical substances in terms of registration, permitting, and the use of chemical substances – and is designed to ensure the safe use of these substances across the EU.

Neste Oil registered all the chemical substances that it produces and imports in accordance with the official REACH timetable. REACH requirements have been taken into account in procurement and sales contracts, R&D, and risk management practices at Neste Oil's refineries. Compliance with REACH calls for constant vigilance and close cooperation between Neste Oil and the authorities, other companies, and all those in the company's supply chain. REACH registration documents were supplemented with new research data in 2012 and Neste Oil's safety data sheets were revised in line with REACH requirements. Similar registrations have been made for NExBTL renewable diesel in numerous countries outside the EU.

Safety of new raw materials

Neste Oil uses a comprehensive three-stage model for evaluating new raw materials, covering:

1. the technical suitability of a raw material for producing NExBTL fuel
2. the suitability of a raw material for use at Neste Oil's refineries and units producing NExBTL-diesel and
3. the health, safety, and environmental aspects of a raw material (such as safety issues associated with a material's usage, transportation, and storage) and whether it is capable of meeting legislative sustainability criteria (greenhouse gas emissions, traceability, production only allowed in permitted areas, etc.).

Studies were carried out on a variety of new raw materials in 2012 such as technical corn oil and used cooking oil to be used in renewable NExBTL-diesel production. These concluded that the materials in question comply with both Neste Oil's own requirements and legislative requirements in terms of safety and sustainability, and listed the various factors that need to be taken into account before using them.

Read more about [Product safety](#).

Sustainability ► Safety ► Transport safety

Transport safety

Neste Oil transported 3.89 million tons (3.77 million) of fuel and gas by road in 2012 and 27.4 million tons (28.6 million) of feedstocks, chemicals, and refined petroleum products by sea. A total of 1.2 million tons of refinery feedstocks, chemicals, and petroleum products were transported by rail in 2012.

Road shipments

A total of five (6) major traffic accidents involving Neste Oil tanker trucks resulting in either environmental impact or personal injury took place in Finland in 2012. These accidents were reviewed in accordance with the company's incident reporting process. There were no such accidents in other countries (0).

Road transport safety is covered by statutory and contractual requirements associated with the transport of hazardous materials that regulate things such as how long time drivers are allowed to drive for and the length of their breaks. In addition to these requirements, Neste Oil also organizes preventive driving course for all the drivers of the contract transport companies it uses in Finland.

The speed limiters on the tanker trucks used by Neste Oil's logistics partners have been set at a maximum of 82 km/h. Major oil companies have agreed their annual truck inspections, which are carried out by external service providers. The tanker trucks used by Neste Oil's logistics partners, including LPG tankers, are inspected annually. This procedure was introduced in Neste Oil's local company in Russia at the end of 2012; and inspections will be started in Neste Oil's local retail companies in the Baltic countries in 2013. Every tanker truck is fitted with a tachograph

for monitoring speed, distance, and driver activity. All vehicles modernized or introduced since 2010 are fitted with an alcohol interlock device.

Marine shipments

All the vessels Neste Oil uses to ship its cargoes are ice-strengthened and double-hulled, and company-owned escort tugs are employed to ensure the safe passage of large tankers in and out of harbor. One of these escort tugs has an oil spill response capability and is equipped with booms and oil collection equipment. A dedicated barge fitted with similar equipment and owned by the Finnish Environment Institute (SYKE) is moored at Porvoo, and Neste Shipping is responsible for maintaining the vessel and transporting it to the site of an accident or spill should one occur. Neste Oil maintains its oil spill response capabilities through regular exercises with the rescue services.

Neste Oil's fleet consists of 24 vessels with an overall tonnage of around 750,000 tons, of which some are company-owned and some are time-chartered. Training and high standards of maintenance are used to minimize the risk of accidents. The average age of Neste Oil's tankers is approximately 6.8 years.

Neste Oil transports significant quantities of refinery feedstocks, chemicals, and refined petroleum products by sea every year. Neste Oil is aware of the risks associated with its marine shipments and aims to minimize them through such things as providing safety and navigation training for its seagoing personnel and maintaining ships regularly. Simulator training is also used, as this allows personnel to practice navigation in a wide range of different conditions.

Neste Oil ships have not been involved in any major accidents that might endanger the environment for decades. All 'near misses' and other hazardous situations are investigated and the lessons from them learnt as part of the company's active preventive safety program aimed at preventing the occurrence of serious accidents at sea or in port.

In addition to Neste Oil's internal indicators, the safety of the company's marine shipments are also monitored by the company's customers and the authorities in a number of ways, including Vetting and ship inspections carried out regularly on behalf of customers or port states.

Neste Oil committed itself in 2010 to the joint [Tanker Safety program](#) coordinated by the John Nurminen Foundation and aimed at improving transport and environmental safety in the Gulf of Finland. The program is specifically aimed achieving a

significant reduction in the risk of a major accident involving an oil tanker occurring in the region. The ENSI-service developed as part of the project enables ships to send their planned routes to land-based centers, which helps anticipate possible risk situations and identify alternative routes. Neste Oil's shipping personnel and vessels have been involved in developing this service, and an experienced ex-first officer was temporarily assigned to John Nurminen foundation to lead the implementation of the service.

Rail shipments

Neste Oil also transports large quantities of feedstocks to its refineries by rail. Total volumes are typically around 2 million tons a year. Neste Oil is Finland's largest rail-based shipper of hazardous substances. The Finnish Transport Safety Agency granted Neste Oil a safety permit in 2012 which is required by all owners of private rail lines. Neste Oil does not own any freight cars or locomotives, as a partner, the VR Group, operates its rail shipments. Neste Oil also pays particular attention to the safety of its rail shipments. Close cooperation with suppliers, the VR Group, helps ensure the safety of rail traffic. Safety has also been improved at the classification yards at Neste Oil's terminals, and a special emergency stop area has been built at Porvoo.

Read more about [transport emissions](#).

Sustainability ► Safety ► Safety training

Safety training

All Neste Oil employees are required to be appropriately trained and capable of carrying out their duties and responsibilities successfully and safely. Neste Oil offers all employees both basic and more advanced training in health, safety, and environmental matters at all levels of the organization. Health, safety, and environmental training is also a requirement for senior management.

The HSEQ (Health, Safety, Environment, Quality) performance of personnel working at the Neste Oil's refineries is reviewed annually by comparing performance with agreed targets as part of each employee's annual review. A safe work record is a pre-requisite for continued employment. An annual HSEQ training plan ensures that operational, site, and employee targets are linked to Neste Oil's overall HSEQ targets.

There are five categories of health, safety, and environmental training:

- General basic training (Group program)
- Operations training
- Job-specific training

- Statutory basic training
- Special training.

A total of 48,017 hours (35,000) were spent on safety training across Neste Oil in 2012, of which occupational safety training accounted for 26,404 hours (18,000), work-specific training 16,357 hours (12,000), and other types of safety training 5,256 hours (5,800).

Neste Oil continued developing procedures covering high-risk work and held training for work carried out at elevated heights for all employees at the Group's refineries.

Safety training courses in 2012

Occupational safety	Number of courses	Number of participants	Course length/h	Hours
Access permit training	519	7,418	0.5-2	10,099
Act Safe for managers	15	267	3-7	1,214
Act Safe basic course	24	369	3-7	3,301
Work permit training	157	727	4-8	1,970
Occupational safety card / update	4	32	6	192
Occupational safety card / basic	13	619	3-8	2,560
Other	228	2,615	1-24	7,069
Occupational safety, total				26,404
Work-specific training				
Process and fire safety	25	3,984	1-7	4,051
Safety equipment for working at heights	48	1,756	0.5-3	2,940
Forklift and hoist training	5	14	8	112
Hot work card training	39	445	1.25-8	3,067
Other				6,187
Work-specific training, total				16,357
First aid				
EA1, EA2				220
Emergency first aid				2,518
First aid for electrical accidents				2,387
First aid, total				5,125
Other				130.5
Other, total				130.5
All training, total				48,017



Personnel

Neste Oil provided employment to an average of 5,031 (4,926) people in 14 (14) countries in 2012. The majority of employees, 95.3% (96.0%) are employed under permanent contracts. Somewhat two thirds of employees are men, 67.3% (67.7%), which is typical for the industry. Nearly half of employees have either a technical or natural sciences qualification. The average age of employees continues to remain around 40. No significant changes took place in Neste Oil's personnel structure during 2012 compared to recent years.

Surveys carried out by Universum in Finland in 2012 indicated that Neste Oil's image as an employer has improved.

The majority of employees, 70.6% (70.8%), worked in Finland, where 3,548 (3,418) were employed as of the end of 2012. Neste Oil is the second-largest employer in Porvoo and Naantali, where

its Finnish refineries are located, immediately after the local municipal authorities.

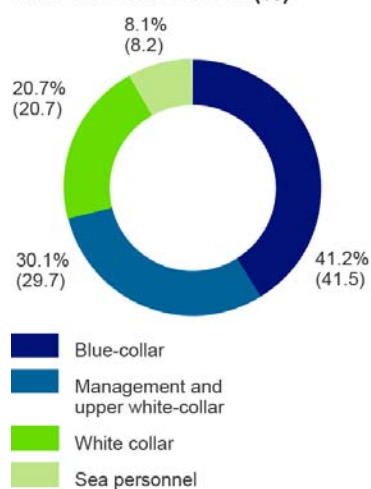
Russia remained the second-largest country in terms of Neste Oil personnel, thanks to the large number of people employed by the service station chain there which grew to 881 (795) employees in year end 2012 due to opening of new service stations. Service station personnel in Finland are not employed by Neste Oil. The number of personnel employed by Neste Oil in Singapore and Rotterdam totaled 225 (230) as of the end of 2012.

Personnel structure

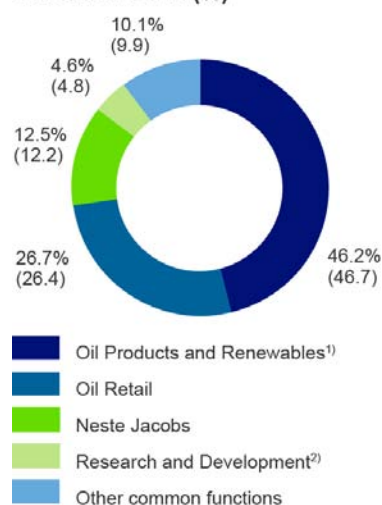
	2012		2011		2010	
Number of employees, average	5,031		4,926		5,030	
Number of employees at the end of the year	5,022		4,825		4,874	
Proportion of employees by country at the end of the year (%)	Employees	(%)	Employees	(%)	Employees	(%)
Finland	3,548	70.6	3,418	70.8	3,431	70.4
Bahrain	2	0	6	0.1	7	0.1
Belgium	27	0.5	26	0.5	65	1.3
Estonia	42	0.8	41	0.8	69	1.4
Canada	3	0.1	3	0.1	3	0.1
Latvia	50	1	60	1.2	61	1.3
Lithuania	27	0.5	25	0.5	26	0.5
Russia	978	19.5	909	18.8	874	17.9
Singapore	121	2.4	122	2.5	117	2.4
Sweden	34	0.7	22	0.5	27	0.6
Switzerland	50	1	48	1.0	40	0.8
Poland	24	0.5	25	0.5	26	0.5
US	12	0.2	12	0.2	12	0.2
The Netherlands	104	2.1	108	2.2	116	2.4
	2012		2011		2010	
Type of employment contract at the end of year (%)						
Permanent	95.3		96.0		96.4	
Temporary	4.7		4.0		3.6	
Full-time ¹⁾	97.9		97.9		97.4 ¹⁾	
Part-time ¹⁾	2.1		2.1		2.6 ¹⁾	
Gender ratio at the end of the year (%)						
Men	67.3		67.7		69.5	
Women	32.7		32.3		30.5	

¹⁾ The figure for full-time and part-time personnel in 2010 only cover Finland.

Personnel by personnel group as of 31 December 2012 (%)



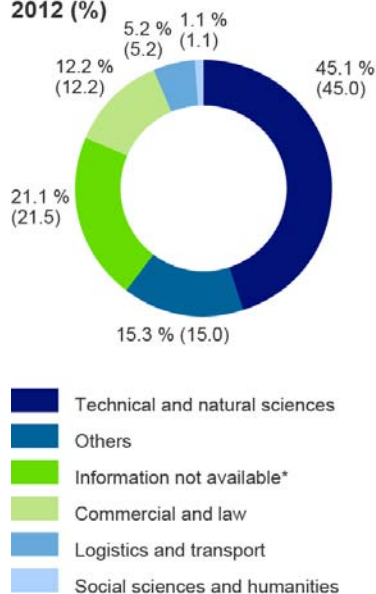
Personnel by segment as of 31 December 2012 (%)



¹⁾ Oil Products and Renewables includes Production and Logistics.

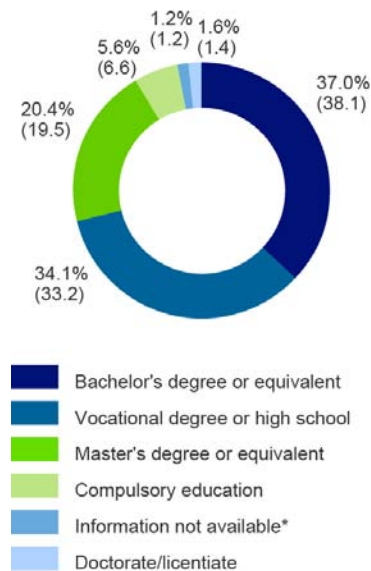
²⁾ Former Research and Technology

Educational background of employees as of 31 December 2012 (%)



* Information not available for personnel in Russia and some personnel in Finland.

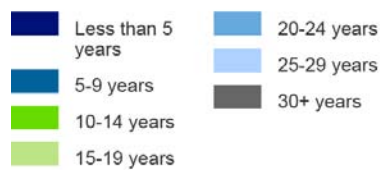
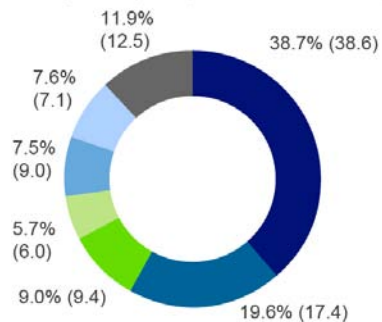
Educational level of employees as of 31 December 2012 (%)



* Information not available for some personnel in Finland.

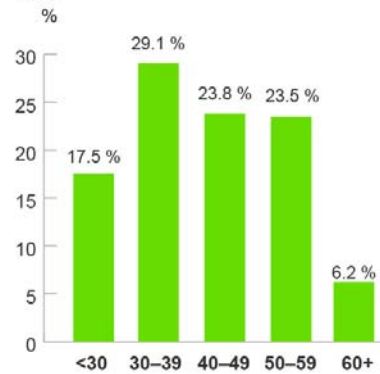
Length of employment of employees as of 31 December 2012 (%)

Average: 12.6 years (2011: 12.9; 2010: 13.1)



Breakdown by age as of 31 December 2012

Average 41.7 years (2011: 41.7; 2010: 41.5)





HR management

As in 2011, the focus during 2012 was on the systematic development of leadership, management, and wellbeing at work. The creation of a ‘winning culture’ – based on factors such as operational safety, engagement, performance, and being an attractive employer – is a long-term HR management goal.

What were our targets?	Actions and achievements 2012	What next?
<ul style="list-style-type: none"> Support a coaching-based leadership culture that engages people and promote performance management. Focus on developing wellbeing at work. Continue strengthening Neste Oil's employer image. 	<ul style="list-style-type: none"> Coaching-based leadership, strategic thinking, and performance management were the underlying themes of training programs during 2012. We supported increased efforts to engage people through strategy dialogue and strategy workshops, by training innovation facilitators and promoting Neste Oil's idea system, by involving people in the analysis of the company's personnel survey, and through management training. A wellbeing at work model was integrated into management training. We updated the concept behind our target employer image and improved our performance in various employer image surveys. 	<ul style="list-style-type: none"> Continue developing engagement driven leadership culture. Continue building Neste Oil's winning culture. Support Neste Oil's customer focus and develop our expertise. Create job descriptions for positions across the Group. Develop a new short-term incentives model. Move ahead with updating the company's HR IT system. Develop communications related to wellbeing at work.

The results of the strategic HR planning process are used to establish the focal areas of Neste Oil's HR strategy, which in turn are used to define annual development plans and targets. Neste Oil's annual strategic HR planning process in 2012 concentrated

on analyzing the Group's personnel structure developing competencies and analyzing HR-related risks. Efforts were also focused on a new area, organizational efficiency, which will be

used to help review Neste Oil's organizational structure and clarify areas of responsibility across the Group.

A group of management and employee representatives is responsible for regularly reviewing and updating HR management guidelines. During 2012 e.g. Neste Oil's principles relating to employment equality and recruitment and guidelines on overseas assignments were updated. Recommended

procedures for dealing with bullying and harassment in the workplace were extended to cover the entire Group.

Work was also done in 2012 in the area of HR communications through things such as a revamp of the Neste Oil Intranet. A newsletter for management has also established itself as an integral part of management communications.

Sustainability ► Personnel ► Personnel turnover

Personnel turnover

Neste Oil's hiring rate in respect of permanent employees was 11.3% (9.8%) in 2012, and the leaving rate 9.6% (10.3%). 16% (10%) of people leaving the company during 2012 did so to retire, while the majority, around 84% (90%), left for other reasons.

Personnel turnover in respect of permanent employees was lower in Finland than on average across Neste Oil: the hiring rate was only 4.9% (3.4%) and the leaving rate 5.0% (5.8%). Overall personnel turnover rate was higher as a result of the high turnover of service station personnel in Russia, where the hiring rate for permanent employees was 32.5% (31.8%) and the leaving rate 24.9% (27.9%) in 2012.

The number of permanent employees leaving Neste Oil's refineries in Singapore and Rotterdam totaled 27 (15) people in 2012, equivalent to a leaving rate of under 13% (10%), which can be considered typical locally.

Preparing for increased retirement

No significant changes have taken place in the age structure of Neste Oil's personnel in recent years. Neste Oil estimates that an average of around 100 people annually will have the possibility to retire by the end of 2016. Neste Oil is preparing for this through a

combination of strategic personnel planning, HR development, successor planning, and other measures.

Neste Oil aims to secure its continued access to the human resources it will need in the future by focusing on areas such as promoting wellbeing at work and developing its employer image. Neste Oil also offers internships to students and works actively with schools, colleges, and universities.

Job rotation promotes personal development and motivation

Internal job rotation is an important means for developing Neste Oil's personnel resources and committing people to the company. 8.0% (7.7%) of personnel switched to new positions internally during 2012, which is at the same level as in 2011. An ongoing target level of approximately 6–8% has been set for 2013.

Developing Neste Oil's leadership and corporate culture

Particular emphasis was given to developing strategic thinking at all levels of the Neste Oil organization during 2012 and to making use of engagement-based approaches and promoting a coaching-oriented mindset. Neste Oil also continued supporting management work by developing and implementing development programs for managers, supervisors, and senior executives.

Neste Oil continued promoting the development of coaching-oriented leadership and effective performance management during 2012 as part of the company's management development programs introduced in 2011. A training program organised for key people focused on developing coaching and engagement driven leadership skills, together with strategic thinking, was completed during the first quarter of 2012.

Engagement driven leadership

Neste Oil continued engaging personnel in the company's development and key processes during 2012. This is seen as an important way of improving people's commitment, performance, and job satisfaction.

Neste Oil's personnel took part in reviewing the results of the latest personnel survey in 2012. The results were reviewed in management teams and smaller groups at different levels across the organization. In addition to these discussions, training was also arranged for managers and supervisors, attended by 111 people.

Two training modules for innovation facilitators were implemented during 2012. The job of the 25 facilitators who have now been trained will be to activate personnel to come up with their own ideas and develop other people's ideas through the Neste Oil ideas system and various dedicated workshops.

Engaging people in the strategy process

Neste Oil's strategy process is a key example of Neste Oil's commitment to this type of management approach. As in 2011, the 2012 process was launched through a strategy dialogue among personnel, in which around 750 employees contributed a total of some 3,600 ideas to Neste Oil's strategy. A number of themes emerged during the strategy dialogue – such as regulation in the energy sector, renewable raw materials, and air quality in metropolitan areas – and were used in the review of Neste Oil's strategy. The dialogue also provided a number of concrete ideas on how the company's strategy can best be implemented and its operations developed. Feedback from the dialogue was used in operational planning and development throughout the year.

Neste Oil's updated strategy was presented to personnel at a series of strategy info sessions held across the organization by the Neste Oil Executive board. A total of eight sessions were held at the company's largest sites in Finland and in Singapore, Geneva, and Rotterdam. Hosted by the President & CEO and local management, these outlined the main aspects of Neste Oil's strategy and its strategic targets for the year ahead.

A series of 12 strategy workshops for managers, supervisors, and key specialist personnel, and led by a member of the Neste Executive Board, were also held during 2012 in Finland and major sites outside Finland. A total of 223 (268) people took part in these workshops in Finland and 95 (80) overseas.

Supporting managers in their work

Neste Oil continued organizing management training in 2012 for both new and more experienced managers aimed at supporting managers in their work. Over 200 managers and supervisors participated in this training.

A total of 205 (247) managers and supervisors from Finland and elsewhere took part in leadership development programs during 2012.

A total of 71 (37) people in 2012 took part in in-depth training designed for all managers. A revised in-depth manager training program was piloted in 2012. Feedback gave courses an average rating of 4.4 on a scale of 1 to 5. A management development program for new managers and supervisors, and managers and

supervisors who have recently joined the company, was expanded outside Finland in 2012 and involved a total of 87 (80) people. A new training package for specialist personnel was also launched. A total of 38 people took part in this training during 2012. The program was piloted internationally in fall 2012.

The results of the 2012 personnel survey showed that people rated company's leadership capabilities more positively than in 2011, and the Neste Oil's leadership index clearly outperformed the external benchmark level.

Sustainability ► Personnel ► Developing people's skills and expertise

Developing people's skills and expertise

The specialist skills and expertise of Neste Oil's personnel are the foundation of the company's success. HR training and development are based on supporting the short- and long-term goals of Neste Oil's businesses.

Annual performance and development discussions play an important role in helping people achieve their goals and develop their careers. Performance discussions concentrate on setting targets and evaluating performance, while development discussions review issues related to employees' personal development. Performance and development discussions covered 82% (84%) of personnel in Finland and overseas in 2012, but not service station personnel in Russia.

Developing and harmonizing Neste Oil's approach to performance management was one of the focal areas of competence development work in 2012. A series of workshops on performance management were held at all four production sites, aimed at identifying Neste Oil's current position and where the company wants to be in the future.

The talent management program was further developed in 2012, with a particular focus on individuals' development and successor plans. Neste Oil's long-term target is to fill 80% of key positions that fall vacant through internal recruitment and keep job rotation at the current level of 6-8%.

The results of the 2012 personnel survey show that employees appreciate the opportunities their work offers them and that managers and supervisors support people in their personal development.

Yardsticks and indicators used in developing talent and competencies at Neste Oil include:

- Performance and development discussions held 2-4 times annually and development plans

- Job rotation and learning on the job
- Skill reviews
- Job and responsibility descriptions
- Project work
- Internal training
- Supporting employees' participation in external training
- Online self-study material
- Choosing the right people
- Induction and on-the-job training, and
- Personnel survey.

Training for personnel

An average of 2.5 (2.8) training days per employee were provided at Group level in 2012, and a total of EUR 3.6 million (4.2 million) was spent on training. Training was provided for all grades of employees.

Training provided in 2012 covered:

- Professional training
- Safety and first aid courses
- Language courses
- IT courses
- Leadership training
- Training for project managers, project owners, and steering group members, and
- Training for specialist personnel.

Neste Oil also offers employees a range of self-study materials and online modules covering areas such as information security, competition law, and work permits. Some of this training is provided as part of complying with Neste Oil's statutory commitments.

Remuneration and fringe benefits

Neste Oil's policy of providing equal and motivational remuneration is intended to encourage personnel to perform at their best and attract people with the right skills and talent to join and stay with the company.

Neste Oil applies and observes the requirements of local employment legislation and collective bargaining agreements wherever it operates, and these determine things such as minimum wages and supplements such as overtime pay. Managers are informed about local collective bargaining agreements and remuneration systems as part of their management training.

Neste Oil's senior executives do not come within the scope of collective bargaining agreements, and are covered instead by Neste Oil's senior management remuneration principles.

Elements of remuneration at Neste Oil:

- Basic salary
- Short-term incentives
- Comprehensive range of fringe benefits
- Long-term incentives
- Incentives for excellent performance, and
- Intangible benefits.

Remuneration principles

Neste Oil's Group-wide employee remuneration principles are based on people's job responsibilities and job complexity, their performance, and equality regardless of such factors as gender. These principles are applied wherever Neste Oil operates within the framework of local collective bargaining agreements, national labor markets, and the competitive environment.

All personnel are covered by Neste Oil's incentive systems, of which the main short-term incentive is the annual performance-based incentive system. The Personnel Fund represents Neste Oil's main long-term incentive and covers the Group's employees in Finland. Similar funds do not exist in other countries where Neste Oil operates. Neste Oil's long-term goal is to develop its salary structure in Finland and a short-term incentive system for the entire Group, and to develop IT-based remuneration tools for Group use.

Work continued on developing [the incentive scheme](#) used for senior management in 2012, and a new scheme will be introduced during 2013. Based on share-based rewards, the new scheme complies with the guidelines issued by the Ownership Steering Department of the Prime Minister's Office published on 13 August 2012 covering arrangements of this type.

A new pay agreement covering workers in the oil, gas, and petrochemical industry in Finland was approved by employers and employees in December 2012. The new agreement came

into force at the beginning of 2013 and covers some 1,000 employees at the Porvoo and Naantali refineries. The aim of the new system is to encourage employees to extend their skill set, and a skills assessment will be one of the factors taken into account in determining people's salary. A tool for assessing people's skills will be trialed during 2013 and is due to be introduced at the beginning of 2014.

One of Neste Oil's long-term goals is to increase employees' awareness of salaries and performance and enhance the transparency of salaries across the Group. Neste Oil took part in a study carried out by Aalto University in 2011 that investigated the company's awareness of remuneration. The results indicated that there is still room for improvements in raising awareness and in internal communication on basic salary systems, whereas employees seem well-aware of Neste Oil's short-term annual incentives. The results of this study will be used in planning HR work in 2013.

[Read more about Remuneration and shareholdings of the President & CEO and the Neste Executive Board.](#)

[Read more about Investments in personnel.](#)

Fringe benefits

In addition to salary, Neste Oil aims to offer its employees competitive fringe benefits in line with local market practices, such as quality health care, a personnel fund, and an insurance fund.

Pension cover

Statutory occupational pension cover is offered to employees in all the countries in which Neste Oil operates, together with possible additional pension benefits in accordance with local practice, mainly through pension insurance cover. The Ilmarinen Mutual Pension Insurance Company is responsible for managing Neste Oil's statutory occupational pensions in Finland and the associated pension portfolio.

The additional pension benefits provided to people who joined the company before 1994 are managed by OP Life Assurance Company Ltd. The most important benefit of this additional cover is the opportunity to retire earlier than the statutory minimum age of 63. The statutory occupational pensions of seamen are covered by the Seamen's Pension Fund, in accordance with the relevant legislation. No changes took place in employees' pension cover during 2012.

29.5% (29.3%) of the Group's personnel in Finland and overseas were entitled to a supplementary pension in 2012.

There are large country-specific differences between additional pension benefits. Neste Oil's aim is that new additional pension provision arrangements should be contributory in nature and that the company should not guarantee a specific level of pension

payable when a person retires; instead, Neste Oil should pay an agreed proportion of people's salaries to a pension insurance company. Defined benefit-based arrangements are still in place in some countries and are statutory in Finland.

Sustainability ► Personnel ► Equality and diversity

Equality and diversity

Neste Oil has worked systematically to promote equality in the workplace for many years, and equality is taken into account in Group-wide recruitment and remuneration principles, and in HR policy. In accordance with its HR Policy, Neste Oil treats all employees equally and fairly, regardless of their gender, nationality, age, religious beliefs, political convictions, and other factors. Neste Oil is committed to respecting human rights and treating all employees as individuals.

Neste Oil believes that a diverse personnel pool will give the company a competitive edge in the future, both in the marketplace and in the competition for the best possible talent. The company's goal is to make local personnel responsible for operations in all of the countries where Neste Oil operates; this is both cost-effective and a good way of leveraging the potential offered by the local job market. Treating employees equally and fairly helps promote job satisfaction, creates a positive atmosphere, motivates people, and encourages them to commit themselves to Neste Oil's goals. Neste Oil did not record any cases of discrimination in 2012.

All of Neste Oil's personnel have the right to organize among themselves and belong to associations. No threats to this right were identified in any area of operations during 2012. Not all countries are covered by collective bargaining agreements. 92.2% (90.4%) of personnel came within the scope of these types of agreements in 2012. Some of the employees at the Singapore refinery came within the scope of local collective bargaining agreements at the end of 2012.

Gender equality

Women accounted for 11.1% (11.1%) of the members of the Neste Executive Board in 2012, and for 32.9% (27.6%) of the members of the management teams of Neste Oil's business areas and common functions. Three of the members of the Board of Directors were women, equivalent to 42.9% (37.5%) of Board membership. 8.9 (8.3%) of all women and 16.8% (17.5%) of all men working for Neste Oil were in supervisory positions.

Neste Oil monitors gender distribution based on the composition of its employees, management, management groups, and the membership of the Board of Directors. The age distribution and educational level of employees are also monitored. Employees' ethnic origin or nationality are not monitored.

Neste Oil's equality principles cover the underlying principles and practical measures used to develop equality between men and women in the company in Finland and elsewhere. These principles are applied throughout Neste Oil. All the indicators required under Finland's equality legislation and Neste Oil's equality plan are monitored annually together with employee representatives. Outside Finland, company practice is required to comply with local legislation and requirements aimed at promoting greater equality between men and women.

The results of the personnel survey indicate that employees' views on remuneration and equality have developed favorably.

Promoting equality and diversity in recruitment

The principles followed by Neste Oil in its recruitment form part of the company's management system, and are followed in all the countries where Neste Oil operates in accordance with local legislation. Neste Oil recruits personnel based on their experience, expertise, skills, and values; and is committed to guaranteeing all applicants equal opportunities and fair and equal treatment during the recruitment process. Recruitment is also used to promote diversity across the company.

Neste Oil has not encountered any particular challenges in recruiting new personnel in Finland up until now. This situation has begun to change, however, in respect of shipping operations, as a result of the high qualifications expected in the oil industry and the large numbers of retirees in the sector. Passenger shipping is also increasingly competing for students. Neste Oil is working with colleges in the field to ensure that it has continued access to suitable talent; on-board training positions often lead to permanent employment on the company's tankers. A total of

around 400 people work on Neste Oil's vessels today. Neste Oil's low profile outside Finland represents a bigger challenge in terms of recruitment.

Salary equality in practice

Neste Oil extended the statistics that it collects on equality to countries where this is not required by local legislation in 2012. Pay equality surveys are carried out annually in Finland in accordance with the company's equality plan. Country-specific equality plans are recommended for implementation in 2013.

Company statistics indicate that the ratio between the average basic salaries of women and men working full-time and belonging to upper white-collar, white-collar, and blue-collar employee categories in Finland varied between 93% and 114% in 2012 (91-121%), depending on the responsibilities of the people concerned and the category of employee. An analysis of salaries carried out by the Mercer consultancy company in 2012 showed that equality between women and men, as measured in terms of salary, is clearly better at Neste Oil in Finland than in the private sector on average.

Sustainability ► Personnel ► Wellbeing at work and occupational health

Wellbeing at work and occupational health

Neste Oil believes that an individual's physical and mental health and other capabilities are fundamental to their wellbeing. Neste Oil's occupational health care service promotes a healthy work place, the health of employees throughout their careers, and the prevention of work-related illness and accidents.

Occupational health

Neste Oil's occupational health care offers a comprehensive range of services aimed at promoting employees' health and their ability to work. Expert assistance in developing working conditions and wellbeing at work based on preventive initiatives is provided. This approach is developed in line with changes in the working life and through ongoing cooperation between employer and employee representatives.

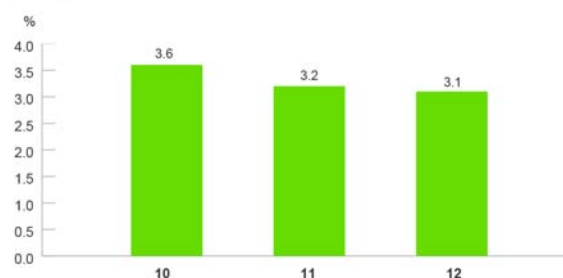
Occupational health care services are provided at Neste Oil's main locations in Finland (Porvoo, Espoo, and Naantali) by the company's own occupational health care units, supplemented by a voluntary membership in the Enerkemi Insurance Fund and the Kilpilahti sickness fund. Occupational health care services at other locations are sourced from external service providers. Neste Oil uses various rehabilitation models to promote and support employees' work ability.

Medical care offered by Neste Oil's occupational health service focuses on preventing, caring for, and following up work-related illnesses. The number of cases of work-related illnesses and diseases remains low and no work-related illnesses were reported in 2012. A system for following up occupational diseases was created in 2012.

Neste Oil makes use of an alternative work procedure for personnel injured by accidents at work. Under this, employees and the occupational health physicians treating them, together with the company's job placement coordinator, investigate people's potential for working in alternative assignments during their recovery.

Neste Oil's goal is to reduce the amount of sick leave taken by personnel by developing working conditions and making use of various part-time solutions. Neste Oil's sick leave percentage calculated as a proportion of theoretical regular working hours per month was 3.1% (3.2%) at Group level in 2012. The goal was to reduce sick leave to below 3.2% in 2012.

Sick leave



Wellbeing at work

Work continued in 2012 on promoting employees' wellbeing at work and focused in particular on developing preventive measures in this area. Development work was carried out with the Management-Employee Group, employee representatives, labor protection delegates, the HR organization, and occupational health care personnel. A wellbeing at work plan extending to 2015 was drawn up for the entire Group in 2012.

The focus of wellbeing at work initiatives in 2012 was on management work and leadership. Wellbeing at work was given increased priority in management training, to enhance managers' understanding of how this can best be managed. The emphasis was on performance management and target-setting, and increasing open dialogue.

Neste Oil's leadership and wellbeing at work indices, together with people's self-assessments of their capabilities, all developed positively according to the results of the 2012 personnel survey.

Wellbeing and health in 2012 were promoted through:

- Integrated occupational health care, including check-ups, preventive health-related advice, and medical care
- Sickness and insurance funds
- Early rehabilitation and Neste Oil's rehabilitation courses
- Guidance on alcohol and drug abuse and access to the appropriate care if required
- Early support model
- Outplacement
- Employee club activities
- Leisure time activities supported by Neste Oil, and
- Encouraging personnel to adopt a health life style and various health promotion campaigns.

Measures taken to support people's work ability

- **Developing occupational health care check-ups** Employees now fill out a new background questionnaire before going for a health check-up. This is designed to encourage people to contact occupational health care personnel proactively. The new practice was tested with a group of 50 people in Finland during 2012 and will be extended to the entire Group in 2013.
- **Selecting and training a job placement coordinator** The role of the coordinator is to find new positions for people who cannot continue in their existing ones for health reasons. In addition to improving people's overall wellbeing at work, this initiative is also designed to prevent people from retiring on an early disability pension.
- **Employing an occupational psychologist in Finland** The appointment of a new occupational psychologist is intended to give greater emphasis to the psychological aspects of people's work and make use of a wider range of professional skills in solutions related to occupational health and wellbeing at work.
- **Organizing an anti-smoking campaign in Finland** Around 150 people took part in a campaign aimed at encouraging people to give up smoking with the help of Neste Oil's occupational health care service.

Society

Neste Oil strives to be a good corporate citizen in all the countries in which it operates and complies with all applicable national and international laws and regulations, international agreements, and generally accepted corporate governance practices.

Neste Oil generates financial added value for its various stakeholders.



Values

Neste Oil's values – **excellence**, **responsibility**, **innovation**, and **cooperation** – underpin Neste Oil's participation in society.

Neste Oil offers

**around
300**

summer internships in Finland annually



Neste Oil works closely with numerous companies, organizations, R&D institutions, and decision-makers; and engages in regular dialogue with its owners, investors, the media, and its partners.

Financial responsibility

Ensuring that Neste Oil is profitable and competitive, strives for profitable growth are all part of what financial responsibility means for Neste Oil. As a biggest company in the industry in Finland Neste Oil has a significant role to play in the society as a employer, tax payer and raw material and service purchaser.

Neste Oil had net sales of EUR 17.9 billion in 2012 and employs around 5,000 people. The company has operations in 15 countries. Company's Renewable Fuels' revenue more than doubled to 2.2 billion euros in 2012. Extending company's

renewable fuels' business has enabled Neste Oil to offer customers new products with a smaller environmental footprint, create jobs, and contribute to the development of society through the taxes that it pays.

What were our targets?	Actions and achievements 2012	What next?
To increase our return on average capital employed after tax (ROACE) to at least 15% annually over the long term.	ROACE was 4.9% (2.6%).	We will continue working to achieve our long-term ROACE target.
To maintain a leverage ratio of 25-50%.	The leverage ratio in 2012 was 42.9% (45.7%).	We will continue to improve our leverage ratio.
To distribute at least a third of its comparable net profit as a dividend*.	The Board of Directors will propose a dividend of EUR 97 million (EUR 90 million), equivalent to 54% of comparable profit for the year and EUR 0.38 per share (EUR 0.35), for the 2012 financial year, at the Annual General Meeting held in 2013.	We will continue to focus on securing cash flow from our businesses and aim to distribute at least a third of its comparable net profit in the form of a dividend.

* Given the capital-intensive nature of its business, Neste Oil uses return on average capital employed after tax (ROACE) as its primary financial target. This is calculated on the basis of comparable operating profit.

Financial focal areas

Neste Oil concentrated on [improving its cash flow, the productivity of its refineries, and the profitability of its Renewable Fuels business in 2012](#). Sales of products from the company's renewable fuel plants and the new base oil plant in Bahrain increased. Although production and sales volumes of renewable

fuels were raised successfully, improvements in the business' profitability fell short of the targets that had been set for the year.

Neste Oil also strives to secure its cash flow and manage its debt-to-equity ratio by hedging refining margins in accordance with the company's risk management principles. Read more about hedging policy in [the Risk management section](#).

Creating financial added value for stakeholders

Neste Oil is committed to profitable growth and increasing shareholder value. Providing good working conditions and competitive pay for employees, developing employees competences, supplying customers with quality products and services, and good co-operation with suppliers of goods, services, and raw materials and its other partners are all essential to achieving this. The diagram below shows how Neste Oil generates financial added value for its various stakeholders.



Customers

Direct impact

Net sales, MEUR

2012	17,853
2011	15,420
2010	11,892

Net sales per employee, MEUR

2012	3.55
2011	3.13
2010	2.36



Indirect impact

- Neste Oil's products help meet society's growing need for energy.
- The premium-quality, competitive lower-emission traffic fuels supplied by Neste Oil enable people to travel and products and services to be transported with lower levels of fuel consumption, lower local emissions, and lower life cycle maintenance costs.
- Neste Oil's renewable fuels and related solutions enable corporate customers to achieve mandated emissions levels, benefiting their businesses in the process.
- Using NExBTL renewable diesel does not require any new investments by consumers, trucking or public transport companies, or oil companies, as it is compatible with all diesel engines and existing fuel logistics and distribution systems.

Other revenue (excluding State support)

Direct impact

MEUR

2012	87
2011	25
2010	70

Includes sales gains made on the shares of Neste Oil subsidiaries and material and immaterial goods, and rental income.



Financing and owners

Direct impact

Dividends, MEUR

2012	97*
2011	90
2010	90

* Proposal by the Board of Directors to the Annual General Meeting

Interest and financial expenses, MEUR

2012	84
2011	72
2010	34

Indirect impact

- Neste Oil is committed to growing the assets of its owners, by increasing the value of their holdings and through the dividends that it pays, for example.
- The dividends paid on State-owned shares contribute to the overall prosperity of society.



Suppliers of feedstocks, products, and services



Direct impact

Purchases of crude oil and other feedstocks, MEUR

2012	16,164
2011	14,199
2010	10,338

Other (incl. goods and services), MEUR

2012	790
2011	379
2010	676

Indirect impact

- Long-term cooperation between Neste Oil and its partners contributes to improved and more efficient operations and the sharing of expertise, and benefits partners through the added value they receive.
- Developing sustainability in cooperation with Neste Oil can open up new business opportunities for partners.

Public sector and society

Direct impact

State support given to Neste Oil*, MEUR

2012	11
2011	11
2010	11

* Neste Oil's renewable fuels production receives no financial support from the State or taxpayers.

Income tax, MEUR

2012	74
2011	46
2010	65

Excise tax (fuel tax and security of supply fees), MEUR

2012	2,258
2011	2,354
2010	2,250

Environmental taxes and fees, MEUR

2012	22
2011	24
2010	20

Charitable donations and sponsorship, MEUR

2012	1
2011	1
2010	1

Indirect impact

- Neste Oil supports social development and the services society provides through the taxes it pays and the employment it provides, either directly or indirectly through its partners, in all the countries in which it operates.
- Neste Oil employees pay income tax on the salaries and wages they earn, and shareholders pay capital gains tax on the dividends they receive.
- Neste Oil also promotes social prosperity through its active program of R&D and its investments.
- Neste Oil supports the economic development of local communities through its commitment to sustainability and by cooperating with local communities, organizations, and officials. This supports the economic competitiveness and prosperity of all the countries where Neste Oil operates.
- Neste Oil plays an important part in guaranteeing the security of Finland's energy supply.
- Neste Oil's renewable fuels reduce Finland's dependence on imported energy and fossil fuels, and help the country meet its bioenergy targets.

Personnel

Direct impact

Salaries and wages, MEUR

2012	253
2011	240
2010	246

Indirect employee costs, MEUR

2012	89
2011	76
2010	146

Investments in training*, MEUR (training days per employee)

2012	3.6 (2.5)
2011	4.2 (2.8)
2010	2.3 (2.2)

* Investments in training are included in indirect employee costs.



Indirect impact

- Neste Oil offers a wide range of career and learning-on-the-job opportunities, enhancing employees' job satisfaction.
- Neste Oil invests in training and developing its personnel and enhancing their intellectual capital and competitiveness on the job market.
- The salaries and wages paid by Neste Oil contribute to private consumption, while the taxes it pays contribute to promoting the overall prosperity of society.

Investments in efficiency, the environment, and safety

Neste Oil's investments in 2012 were mainly concentrated on productivity and maintenance projects, as the major program of capital investments devoted to new renewable fuel and base oil capacity was completed in 2011.

Neste Oil's most important productivity-related projects in 2012 were linked to developing internal ICT systems to secure efficient processes and operations.

The single most important maintenance project in 2012 – and the company's largest investment related to efficiency, the environment, and safety – was the major scheduled maintenance turnaround carried out at the Naantali refinery in the spring. This approximately six-week project cost around EUR 60 million, including the investments made at the time. Around 2,000 pieces of equipment were overhauled and process furnaces and other equipment were replaced or modernized during the turnaround. The turnaround was aimed at consolidating safety at the refinery and ensuring a high level of availability, good productivity, and compliance with statutory requirements. The work done during the turnaround will help ensure the refinery's performance for the next four to six years. A total of around 1,000 people were on-site during the turnaround, of whom over 700 were employed by contractors. A total of over 450,000 man-hours of work were put in during the turnaround, without any lost-time injuries or incidents involving flammable materials. Safety performance during the turnaround was the best-ever in the refinery's history.

Investments in renewable energy

Neste Oil completed nearly EUR 1.5 billion investment program in new renewable fuel capacity in 2011. Neste Oil concentrated on increasing the production, sales, and profitability of renewable fuels by opening up new markets and extending the company's customer base in 2012.

Read more about [Neste Oil's renewable fuel production and sales](#).

Other environmental and safety-related investments

Neste Oil invested a total of approximately EUR 25.6 million in safety at the Porvoo and Naantali refineries in 2012. These investments helped improve process, fire, and employee safety and operational reliability, and included the upgrade of a number of automation and safety automation systems at both sites. Safety investments at the Porvoo refinery also included improvements to the site's fire water supply network and new, safer premises for personnel.

Construction of a new system to recover gases released during loading at the harbor at Porvoo progressed. The system is capable of recovering the majority of the volatile organic

compound (VOC) emissions released into the atmosphere when loading fuels. This reduces the impact that operations have on the environment and ensuring a cleaner working environment for personnel working at the harbor. The system is expected to be ready to be tested in fall 2013. The project represents an investment of approximately EUR 24 million.

The certification of Neste Oil's NExBTL renewable diesel plants and supply chains also represents an important annual environmental and safety investment. All four NExBTL facilities are both ISCC-EU and RSPO-certified. Additionally, some facilities are also ISCC-DE-certified primarily for the German biofuel market. All NExBTL facilities also have EPA approval (Environmental Protection Agency) for the US biofuel market. These certification costs are nearly EUR 80,000. In addition, the certification process involve several Neste Oil's experts during each certification round. Certification is essential for ensuring sustainable production of NExBTL fuel as well as the viability of the company's renewable fuels on the global market.

The company's other certification (ISO, OHSAS, ISM, Bitumen FPC) costs totaled approximately EUR 92,000.

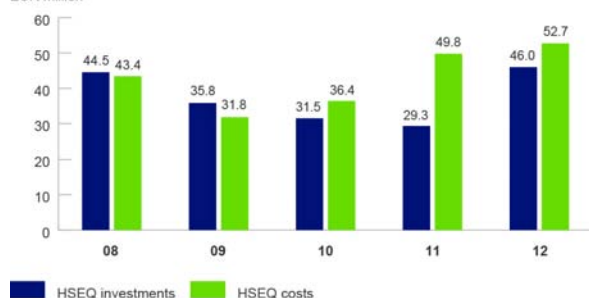
Neste Oil's safety investments, and particularly its environmental investments, are expected to grow in the future, as a result of tougher environmental legislation within the EU. [Read more about legislative developments](#).

Environmental costs associated with an oil spill in Kajaani

A spill of light fuel oil took place on 29 April 2012 at a National Emergency Supply Agency storage facility operated by Neste Oil in Kajaani in Northern Finland. Neste Oil is committed to cleaning up the damage caused by the spill and making restitution to the local population. In 2012, the costs related to the oil spill were approximately EUR 400,000. Future costs are not expected to be significant. Read more on the oil spill in the [case article](#).

Neste Oil's HSEQ costs and investments

EUR million



HSEQ = Health, Safety, Environment and Quality

Sustainability ► Society ► Financial responsibility ► Financing and owners

Financing and owners

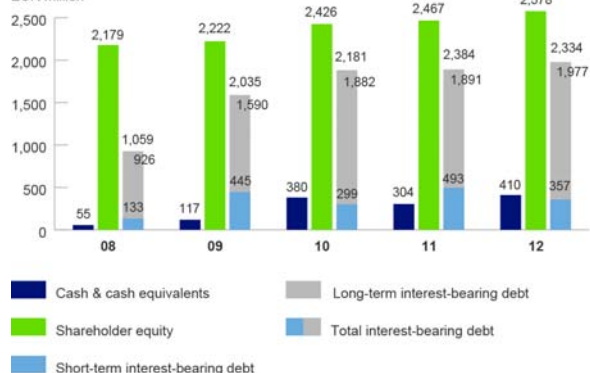
Neste Oil aims to represent an attractive investment for the financial community, specifically for debt investors. Neste Oil is considered a trustworthy and solvent company.

Neste Oil issued a EUR 250 million bond in March and a EUR 400 million bond in September. The proceeds of the two offerings will be used for refinancing and general corporate purposes.

No significant changes took place in the company's ownership structure compared to 2011. Shareholders benefit from their investment in Neste Oil through the dividends they receive and possible increases in the value of the company's shares. Neste Oil's dividend policy has remained unchanged. [Read more about shareholders.](#)

Capital structure

EUR million



Procurement of feedstock, goods, and services

Neste Oil provides a stable source of revenue for numerous suppliers of raw materials, products, and services, as well as other suppliers. Neste Oil prefers long-term contracts with its suppliers, and offers its partners a range of services and expertise to help them develop their own operations. This enhances the financial added value offered to both sides, and the stable flow of revenue offered enables Neste Oil's partners to provide permanent employment and buy products and services in their local communities.

Neste Oil procured goods, services, and feedstocks valued at a total of EUR 16,954 million in 2012 (14,578 million), equivalent to 95% of revenue (95%). Payments related to the purchase of crude oil, vegetable oil, waste animal fat, and other feedstocks totaled EUR 16,164 (14,199 million) and accounted for the majority of procurement. The company's investments in trainings totaled EUR 3.6 million (4.2).

The proportion of Russian crude oil used in refining conventional petroleum products was lower than in 2011, at 82% (85%). The remaining crude oil mainly came from Norway and Kazakhstan.

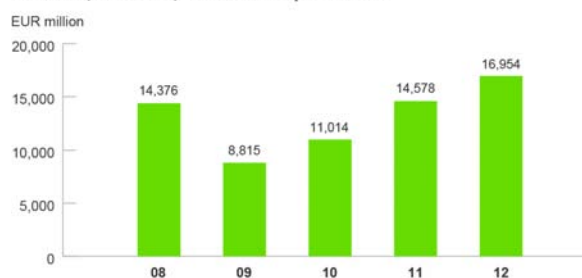
Read more about [the development of fossil feedstock prices](#).

With the wider range of renewable raw materials now used, the direct and indirect financial impact of Neste Oil's purchasing activities now affects a larger geographical area than previously. Neste Oil procured renewable raw materials from a total of 31 (29) suppliers in 2012. Neste Oil procured palm oil-based materials and waste fat from fish processors from Southeast

Asia, and other types of vegetable oil and waste animal fat from the food industry from Australasia, Europe, and North and South America. Waste animal fat continued to be sourced also from Finland during 2012.

Read more about [the price development of renewable raw materials](#) and [the renewable raw materials used at Neste Oil's plants](#).

Products, materials, and services purchased



Investments in personnel

Neste Oil is a major local employer and source of salaries, wages, and social insurance contributions at many of its major locations, such as Porvoo, Espoo, Naantali, Singapore, and Rotterdam. Neste Oil is committed to providing good working conditions and a competitive level of remuneration matching the requirements of people's jobs for all of its employees everywhere it operates.

Neste Oil employed an average of 5,031 persons (4,926) in 14 countries (14) in 2012. Total salaries, wages, and remuneration – excluding other personnel expenses – amounted to EUR 253 million (240 million), equivalent to 1.42% (1.56%) of revenue. This figure includes performance-related pay, incentives, and vacation pay. Group employees received performance incentives totaling EUR 24.5 million in 2012 (20.5 million). All personnel come within the scope of the company's incentive programs.

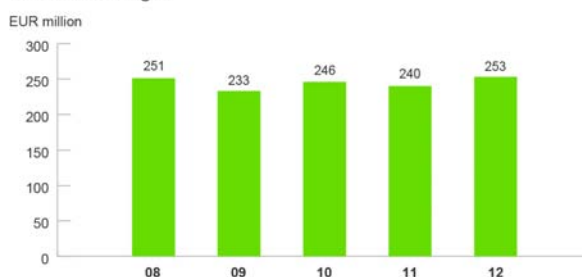
Other personnel expenses totaled EUR 89 million (76 million) and included pension and social insurance and unemployment and disability insurance payments. In addition, the company's expenditure on training and employee development are included in other personnel expenses. Salaries and wages, other remuneration, and indirect employment costs totaled EUR 342 million (316 million).

Comprehensive training is provided to all categories of personnel. Neste Oil's expenditure on training and employee development

was EUR 3.6 million (4.2 million). Salaries, compensations and indirect employer costs were 342 million (316).

Neste Oil also has a Personnel Fund, established in 2005, covering personnel employed in Finland. A total of EUR 0.8 million in profit-sharing bonuses was distributed in 2012 (0.7 million).

Salaries and wages



Sustainability ► Society ► Financial responsibility ► Taxes and payments to society

Taxes and other payments benefiting society

Neste Oil's operations benefit large areas of the local, regional, and national economy. The taxes and other payments that the company collects and pays represent an important source of income to the public sector in all the countries in which Neste Oil operates, particularly Finland. The taxes and tax-like payments paid by Neste Oil contribute to supporting society and providing services at local level in all of the company's operating countries, which also benefit from the income tax paid on employees' salaries and wages.

No major tax changes that would have caused significant risks for Neste Oil or opened up new opportunities for the company took place in 2012. Neste Oil's experts monitor tax-related developments closely.

Neste Oil's excise taxes at group level amounted to EUR 2,258 million in 2012 (2,354), which Neste Oil remitted a total of EUR 2,205 million (2,038) in statutory fuel taxes and security of supply fees in Finland.

Energy taxation in Finland has been environmentally based since 2011, with tax levels determined on the basis of the energy content of fuels and the fuel-specific CO₂ emissions released during combustion. This approach is intended to promote energy conservation and improved energy efficiency.

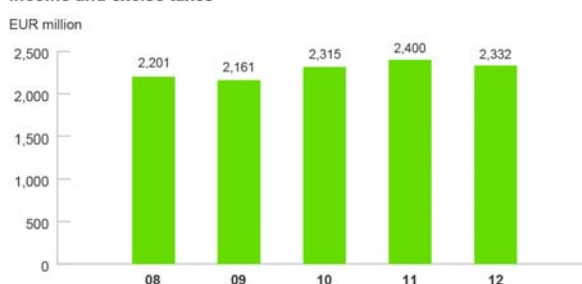
Neste Oil's income taxes were 74 million (46) in 2012.

Environmental taxes and fees at Group level amounted to EUR 22 million (24), consisting mainly of oil pollution duties

remitted in Finland. No similar taxes or fees of a similar size were remitted in other operating countries.

Neste Oil received EUR 11 million (11) in financial support from the public sector in 2012, mainly in the form of funding for shipping operations and R&D, in line with practice in previous years. Neste Oil's renewable fuel production receives no public-sector financial support.

Income and excise taxes



Charitable donations and sponsorship

Neste Oil supports local communities and the wellbeing of its stakeholders through sponsorship and charity work in the countries in which it operates. The company sponsors carefully selected international, national, and local activities to strengthen Neste Oil's customer and community relations, build relationship with youth, communicate its values, and develop its image as a responsible corporate citizen.

Neste Oil spent a similar sum on sponsorship and charity work in 2012 to that spent in recent years, approximately EUR 1 million. At Group level, Neste Oil spent a total of EUR 802,000 on selected activities, the Porvoo refinery spent EUR 38,000, and the Naantali refinery EUR 33,000. A total of EUR 38,000 was donated to international charity work.

Neste Oil's sponsorship principles are listed in detail in the company's sponsorship policy, which forms part of the management system. Read more about the [major recipients of sponsorship funding](#) and the principles followed in selecting recipients.

Values and ethical principles

Neste Oil's values – excellence, responsibility, innovation, and cooperation – together with the management principles covering equality, procurement, safety, sustainable development, and HSEQ contained in the Group's management system in particular, underpin Neste Oil's participation in society. Communication and training are used to familiarize personnel with these key principles, which also set the target level for Neste Oil's efforts to continually improve its social performance.

[Neste Oil's Code of Conduct](#) covers subjects ranging from complying with the law and observing human rights, and preventing all forms of bribery and corruption, to ensuring operational transparency and open communications and recognizing Neste Oil's responsibilities in terms of sustainability.

The Code of Conduct is intended to help employees act ethically in their day-to-day work and outlines what constitutes appropriate behavior in terms of the law and Neste Oil's own values and principles. Neste Oil takes competition-related legislation particularly seriously, and has a competition law program in place

in all its operating countries. As part of the program, training on competition law for personnel was arranged in 2012.

Neste Oil has a number of principles and guidelines designed to prevent various forms of misconduct and how this behavior should be handled if it occurs; compliance is monitored by Internal Audit. More details on Neste Oil's approach to misconduct can be found [in the section on Governance](#).

Human rights and equality

Neste Oil promotes the principles contained in the central articles of the United Nations' Declaration of Human Rights and the central conventions of the International Labour Organization (ILO). These international agreements form the foundation for the principles and practices followed in respect of human and labor rights. The same respect for human and labor rights is expected of Neste Oil's raw material suppliers and forms part of the criteria used when sourcing renewable raw materials.

All forms of harassment, discrimination, child labor, forced labor, and other forms of exploitation are strictly forbidden in Neste Oil. Neste Oil offers its personnel a healthy and safe workplace in which to develop their skills and capabilities; and selects partners that are committed to the same principles. No risks associated with the use of child, forced, or prison labor were identified in Neste Oil's operations during 2012.

Read more about [employees' freedom of association](#) in the Human Resources section

Neste Oil treats all its employees, customers, suppliers, and other partners equally, regardless of gender, nationality, age, religious beliefs, political convictions, and other similar factors. As a company, Neste Oil does not participate in political or religious activity and provides no financial support for such activities.

Neste Oil is committed to respecting human rights in all aspects of its operations. The company recognizes the economic and cultural needs of native populations, and respects their traditional way of life, and their legal entitlement to their land. In particular, this covers those geographical areas from which Neste Oil

sources the inputs used for renewable fuel production. Neste Oil continued to carry out due diligence reviews in respect of all its suppliers of renewable raw materials during 2012. As part of this, a thorough assessment was made of human rights issues, including questions such as the use of child and forced labor.

[Read more about equality and diversity.](#)

[Read more about strict sustainability criteria applied to raw material suppliers.](#)

Neste Oil continued to support the not-for-profit Borneo Child Aid organization during 2012, for the fifth year in succession. Neste Oil's donation in 2012 guaranteed comprehensive education for 265 children, whose parents worked at oil palm plantations in Sabah, Malaysia.

Stakeholder and community engagement

Neste Oil works closely with numerous companies, organizations, R&D institutions, and decision-makers; and engages in regular dialogue with its owners, investors, the media, and its partners. Interacting with people living near Neste Oil's production sites has been a priority for decades, and Neste Oil takes an active role in the local communities in which it operates. Enhancing Neste Oil's customer focus was a particular priority during 2012.

Stakeholder studies carried out in 2012 showed that Neste Oil is seen as a pioneer in its field and as a trustworthy company that takes its environmental responsibilities seriously, offers quality products, and employs skilled employees.



Cooperation with students

Proactive cooperation with students and other young people has been seen as important for many years, and Neste Oil has been involved in supporting ChemistryLab Gadolin for a number of years, for example.

Open and transparent site communications

All of Neste Oil's refineries are committed to open communications in respect of all key external and internal stakeholders should an incident occur at a site.

Managing stakeholder engagement

Neste Oil has numerous stakeholders, all of whom have their own expectations about the company. These can sometimes conflict with each other, which can be particularly challenging for Neste Oil. To resolve these and other challenges, Neste Oil engages in ongoing and active dialogue with all its key stakeholders to find an equitable balance between different sets of expectations.

Managing Neste Oil's stakeholder engagement work is split between a number of functions and units and is particularly concentrated in the hands of senior management in Communications, Marketing and Public Affairs, HR, HSEQ, and Oil Retail.

Stakeholder engagement is managed primarily on the basis of the needs of individual stakeholder groups or specific stakeholder engagement themes. Annual plans are drawn up for key areas of stakeholder engagement. Neste Oil also has an internal Stakeholder Tool database, which is used to manage and share information, particularly between those involved in working with

decision-makers and the authorities. In addition, a media communications-related database is also maintained.

Neste Oil continued involving personnel in its [strategy and innovation processes](#) during 2012, the work of the [Value Creation program](#) devoted to improving Neste Oil's customer focus, and [engaging society](#) across a broad range of areas to encourage the uptake of renewable fuels and promote greater sustainability in Europe and the US.

Measuring stakeholder engagement

The success of Neste Oil's stakeholder work is measured systematically through various studies and feedback questionnaires. Neste Oil's Market Research Team is responsible for implementing the majority of these surveys. The most important studies and questionnaires carried out regularly include:

- Brand study: investors, politicians, customers, partners, the media, organizations, and personnel (annually)
- Customer satisfaction surveys (annually)
- Personnel survey (annually)
- [Stakeholder questionnaire on sustainability](#) (every other year)
- Media monitoring (daily) and publicity analysis (quarterly)
- Local communities near Neste Oil sites (every other year)
- Supplier and service provider questionnaires (annually)
- Student studies (annually).

These and other studies have shown that Neste Oil is seen as a pioneer in its field and as a trustworthy company that takes its environmental responsibilities seriously, offers quality products, and employs skilled employees.

Sustainability ► Society ► Stakeholder and community engagement ► Neste Oil's key stakeholders

Neste Oil's key stakeholders

Stakeholder	Expectations	Actions in 2012
Customers	High-quality, reliable products and services; secure supplies; professionalism; responsible operations. Positive, trustworthy business relationships. Cleaner fuels. Reasonable prices and good availability.	Traffic services for motorists; customer events and seminars; trade fairs and other events; development of more efficient customer relationship management tools; acquiring and contracting new customers; strengthening ties with existing customers; arranging station dealer and regional meetings for station dealers; customer satisfaction surveys; brand campaign; launching and selling new products: Neste Pro Diesel, NExBTL renewable naphtha, NExBTL renewable aviation fuel. Opening up new markets for NExBTL renewable diesel in Europe and the US and securing chemical approval in Australia; ensuring product quality throughout the supply chain; sustainable operations everywhere that Neste Oil operates.
Personnel	Good management; fair and equal treatment; career development opportunities; openness and collaboration between different parts of the organization; trustworthiness; responsibility; a safe workplace; quality; customer care; competitive salaries; well-functioning teams; good employer image.	Management and leadership development; Value Creation programs; performance and development discussions; professional development; job rotation opportunities; quarterly Group performance updates; employee communications; innovation system; involving people in analyzing the results of Neste Oil's personnel survey; communicating updated vision and strategy; strategy dialogue and strategy presentations; manager events; developing wellbeing at work and occupational health.
Shareholders and investors	Dividends; increase in shareholder value; profitable growth; reliable information on Neste Oil and its future prospects; transparency; willingness and ability to act sustainability and be a pioneer.	Meetings with investors and analysts; AGM; press conferences; stock exchange and press releases; IR section of the Neste Oil Web site; teleconferences; webcasts; awards.

Stakeholder	Expectations	Actions in 2012
Decision-makers and the authorities	Compliance with legislation and statutory reporting; expertise on fuels and how they are produced and how they should be used; active approach to collaboration.	Collaboration with and reporting to the authorities at international, national, and local level; expert position papers and other involvement in public debate; public affairs and advocacy in Finland and internationally.
People living and working near Neste Oil plants	Honest, open, and up-to-date information on plant operations and incidents; constant monitoring of plants' environmental impact; incident-free operations. Acting as a good corporate citizen in the local community.	Open-day events; local company newsletters at refinery sites (Porvoo and Naantali); local environmental reporting at refinery sites (Porvoo and Naantali); updates on incidents; cooperation with service providers and local companies.
Partners	Reasonable prices; reliable source of revenue and business development opportunities; commitment; partnerships; good collaboration.	Systematic development of procurement processes and principles; support for developing operations (such as certification); meeting with service providers; visits and training service providers; trade fairs; Web site; Extranet; guidelines; joint crisis exercises (oil spill containment); auditing; cooperation with equipment suppliers.
Organizations	Active participation and commitment to common goals; high level of expertise.	Memberships; participation in work groups; board work; conferences and seminars; open and interactive development work.
Universities and research institutions	Careers; internship and thesis opportunities for students; opportunity to commercialize research results; research contracts and opportunity to take part in joint research.	Joint R&D projects; participation in research projects; internships and thesis opportunities.
Students and job applicants	Financial security; challenging jobs; international opportunities; dialogue with international customers and colleagues; good references for future career development.	Jobs and summer jobs; internships; thesis opportunities; visits to sites and colleges; trade fairs and other events; collaboration with ChemistryLab Gadolin and students at Aalto University; studies on Neste Oil's profile as an employer; donations and assistance to local voluntary-based work with young people; scholarship donations to schools; learning and personal development opportunities; work experience, flexible work.
Media	Reliable, sufficient, and up-to-date information on Neste Oil's operations. Management and key employees that are easily approachable and open about Neste Oil's operations.	Stock exchange and press releases; press conferences; events; background meetings; questionnaires; organized visits; interviews.

Sustainability ► Society ► Stakeholder and community engagement ► Public affairs and advocacy

Public affairs and advocacy

Neste Oil's advocacy efforts are aimed at supporting the implementation of the company's strategy and ensuring that Neste Oil's operating environment develops in a way favorable to the company's interests.

Renewable fuels continued to play a significant role in Neste Oil's public affairs and advocacy during 2012. Neste Oil's aim is to take an active part in this debate, both in Finland and

internationally, and Neste Oil supports legislators and other decision-makers in their work by making its specialist expertise and knowledge available on industry-related matters.

Neste Oil placed particular emphasis in its advocacy work on promoting renewable fuels and sustainability generally in Europe and North America. Work on monitoring and supporting the implementation of the EU's Renewable Energy Directive and Fuel Quality Directive in member states continued during 2012.

In Finland, Neste Oil took part in debate on reforming the country's environmental protection legislation, increasing National

Oil Pollution Fund fees, and drafting work on sustainability legislation related to biofuels.

Neste Oil reorganized the internal coordination of its advocacy-related activities and strengthened its public affairs organization by establishing a permanent presence in Brussels, for example.

What were our targets?	Actions and achievements 2012	What next?
<ul style="list-style-type: none"> Continue monitoring progress on the EU's Renewable Energy Directive (RED) and Fuel Quality Directive (FQD) in member states. Meet and promote discussion with EU parliamentarians. Act as a source of specialist expertise during the drafting of new legislation. Support and provide expert advice on the drafting of Indirect land use change (ILUC)-related legislation. 	<ul style="list-style-type: none"> We informed the European Commission and the governments of Finland and other EU member states of issues related to the implementation of the Renewable Energy Directive. We held discussions with a number of EU parliamentarians. We provided expert assistance for drafting work related to the EU's Renewable Energy Directive and Industrial Emissions Directive. We took an active part in debate on ILUC-related legislation together with other biofuel experts. We supported the opening-up of new markets for NExBTL renewable diesel in the EU and North America. 	<ul style="list-style-type: none"> Continue working to help create an internal market for biofuels in cooperation with the European Commission and the governments of EU member states, and eliminate barriers related to entering markets outside Europe. Make our views known during the legislative procedure related to the EU's Renewable Energy Directive and Fuel Quality Directive. Take part in EU-level debate on developing a best available technology (BAT) reference document for oil refining. Continue to promote ILUC-related legislation. Neste Oil's goal here is to see the creation of a common body of legislation covering all activities involving land use.

Public debate on the challenges facing the energy sector

Neste Oil discussed energy-related challenges with EU bodies, ministries involved in drafting legislation in the field, MEPs and MPs, parliamentary parties, local decision-makers, and key officials on a number of important areas for Neste Oil in 2012, including the following:

- Indirect land use change (ILUC)** is not solely linked to the energy-related use of raw materials, and legislation intended to limit possible ILUC-related risks should, as a result, cover all raw material production. Significant uncertainties affect current ILUC models.
- EU targets set for the use of renewable fuels should be extended beyond 2020.** Renewable fuels have a key role to play in reducing greenhouse gas emissions, and clear long-term perspectives are needed to promote investments and innovations.
- The EU's internal market for renewable fuels remains fragmented.** The Commission needs to take a strong position

in securing the full implementation of existing directives (RED and FQD) in member states.

- Industrial Emissions Directive and best available technologies.** The nature of the refining industry calls for flexibility in the approach and timetable used to ensure that refiners invest in best available technologies, without compromising on environmental protection standards. The costs that are likely to be incurred by refiners are substantial.
- Growing protectionism** is seen as aimed at encouraging the use of local raw materials at the expense of the free market. Climate change is a global problem and calls for global solutions. Imports from countries outside Europe are essential for meeting the needs of European renewable fuel producers (in the same way as they are for European oil refiners).
- Emission reduction targets** should be set through legislative means. Ensuring that legislation is neutral in respect of both technology and raw material inputs will ensure that the best solutions can be adopted.

Advocacy in Finland, Europe, and North America

Advocacy in Finland

Neste Oil continued to engage society actively in Finland during 2012 and provided expert input on matters related to the development of Finnish biofuel legislation in particular. Neste Oil has closely monitored the implementation of the EU's Industrial Emissions Directive in Finnish national environmental legislation, and contributed to parliamentary debate on increases proposed to National Oil Pollution Fund fees.

Advocacy in Europe and North America

Advocacy related to the European Commission's legislation on biofuels continued in 2012. The proposed revision of the Renewable Energy Directive announced by the Commission in October 2012 largely supports Neste Oil's ongoing efforts to extend its feedstock base. Neste Oil considers the proposed ceiling on the use of food crop-based inputs an effective way of managing the risks associated with indirect land use change. Neste Oil will continue striving to clarify the Commission's position on residues-based raw materials; and continue to

support drafting work on biofuels legislation by taking an active part in debate in 2013.

Particular emphasis in 2012 was given to opening up new markets for NExBTL renewable diesel and putting Neste Oil's case across in Europe and North America. Neste Oil took part in the Environmental Protection Agency's regulatory process related to life cycle emissions generated by renewable diesel produced from palm oil.

Neste Oil's voluntary sustainability verification scheme, based on the EU's Renewable Energy Directive, was further fine-tuned and resubmitted to the European Commission in 2012. Neste Oil's goal is to receive the Commission's approval for the scheme, after which it will be available for use by all companies and producers for verifying the sustainability of the production of HVO-type (Hydrotreated Vegetable Oil) renewable fuel produced from any type of raw material.

Legislation and recent legislative developments

Neste Oil always complies with the requirements of local legislation in its operating countries and actively monitors changes made to legislation, as well as other initiatives taken by the authorities. All company sites are required to have a system for reporting environmental data as stipulated under local legislation and environmental and other operating permits.

Key legislative developments related to Neste Oil's sustainability in 2012

Regulation	Stage	Impact	Company actions and position
EU Renewable Energy Directive (RED)	In force, national implementation under way. The EU Commission has published a proposal to include indirect land use change, and ordinary legislative procedure on the subject has started.	Sets an EU-level target for the proportion of renewable energy used in traffic. Creates a basis for national legislation and sets sustainability criteria.	Neste Oil participates actively in preparatory work in industrial associations; monitors implementation in member states. Neste Oil's position: The Commission's proposal to place a 5% ceiling on the use of food crops will prevent the emergence of indirect impact.
EU Fuel Quality Directive (FQD)	In force, national implementation under way. The EU Commission has published a proposal to include indirect land use change, and ordinary legislative procedure on the subject has started.	Defines fuel quality and requires fuel suppliers to reduce greenhouse gas emissions by a mandated 6%.	Neste Oil has prepared for implementation by conducting technical and economical analyses. Neste Oil's position: Biofuels will play an important role in achieving the 6% reduction in greenhouse gas emissions.
EU Industrial Emissions Directive (IED)	In force, national implementation under way.	Will impact environmental permits for production plants due to requirements set for the use of best available technology. The impact at Porvoo and Naantali will be significant, and less so at Rotterdam.	Neste Oil has participated in work related to the technical implementation of legislation. Neste Oil has optimized environmental investments. Neste Oil's position: It is important that legislation is flexible when taking the specifics of individual plants into account in permitting and preserving the environment in the vicinity of plants.
EU Energy Efficiency Directive (EED)	Co-decision procedure completed, national implementation to take place by summer 2014.	New methods for regulating energy efficiency.	Energy efficiency plans have been drawn up for Neste Oil's refineries, ships, and other operations. Neste Oil's position: The voluntary energy efficiency agreements already in use represent a good way of moving forward at national level.

Regulation	Stage	Impact	Company actions and position
EU Emissions Trading Scheme (ETS)	<p>The updated directive has been implemented in member states. The new emissions trading period will begin in 2013.</p> <p>The Commission has proposed 'backloading' emission allowances to the end of the period covered by the scheme</p>	The basis for calculating and reporting CO ₂ emissions at the Porvoo and Naantali refineries will change.	Neste Oil has applied for emission allowances for the next trading period and prepared for the new requirements.
EU REACH chemical regulatory framework	In force.	Regulates in detail the use of chemicals and a information flow within the chemical supply chain.	Neste Oil carried out registration in 2010, updating and reviews took place in 2012.
EU Classification, Labelling and Packaging regulation (CLP)	In force, transition period under way.	Will require all chemical classifications and labeling to be updated.	Neste Oil has completed the process for substances, work under way for compounds. The transition period will last until 2015.
US Renewable Fuel Standard (RFS2)	The regulatory process covering how the greenhouse gas emissions of the production chain related to palm oil -based renewable diesel should be calculated was under way throughout 2012.	Approved production chains allow access to the market and to the Renewable Identification Number (RIN) system.	Neste Oil has supplied the Environmental Protection Agency (EPA) with information on renewable diesel technology, the use of its current plants, and greenhouse gas calculations for various raw material chains.
EU Marine Fuel Sulfur Directive	<p>The original decision by the International Maritime Organization (IMO) is being implemented through a directive in the EU, which was approved in 2012. National implementation under way.</p> <p>As of the beginning of 2015, ships will be required to use low-sulfur fuel or scrubbers to treat their emissions.</p>	Will impact Neste Oil as a producer of bunker fuel, ship-owner, and user of chartered tonnage.	Neste Oil projects that low-sulfur bunker fuel will be available. The company's fleet is preparing to comply with the requirements of the directive.

Participation in organizations and joint projects

Neste Oil took part in the development of the energy sector by working through the industry's key organizations, both in Finland and internationally, during 2012. Neste Oil took an active role in the boards or committees of the following organizations, amongst others:

- ASFE (Alliance for Synthetic Fuels in Europe)
- CONCAWE, the oil companies' European association for environment, health and safety in oil refining
- EBB, European Biofuels Board
- Europa (European Petroleum Industry Association)
- Chemical Industry Federation of Finland (Chairman)
- Roundtable on Sustainable Biofuels (RSB)
- Roundtable on Sustainable Palm Oil (RSPO)
- Finnish Petroleum Federation
- European Energy Forum (member from 1.1.2013 onwards).
- Responsible Care (since 1992)
- Responsible Care Global Charter (since 2007)
- Tanker Safety, a project aimed at improving marine and environmental safety in the Gulf of Finland
- European Aviation Biofuels Flightpath, an initiative aimed at increasing annual aviation biofuel usage to 2 million t/a by 2020
- A project aimed at improving work-related travel safety by building a cycle lane along Highway 170 (since 2012)
- Green Motorway project, aimed at promoting lower-emission traffic and transport (since 2008).

In addition to initiatives promoted by the above organizations, Neste Oil has also committed itself to various other joint projects and statements aimed at promoting sustainable development, including:

Interaction with non-governmental organizations

Neste Oil continued to interact actively and regularly with non-governmental organizations (NGOs) interested in the company and its operations in Finland and Europe during 2012. Close contacts were also maintained with NGOs in countries from which Neste Oil sources its renewable inputs. The focus in all aspects of this interaction was to improve the quality of dialogue and debate.

Neste Oil's Senior Vice President, Communications, Marketing and Public Affairs is responsible for the company's interaction with NGOs. The aim of this interaction is to acquire feedback on Neste Oil's work in the sustainability area and increase NGOs' understanding of the various aspects of Neste Oil's activities. A number of other experts in the sustainability area, together with the Senior Vice President, Sustainability and HSEQ, and Neste Oil's President & CEO, also took part in interaction with NGOs in 2012.

The key areas discussed during 2012 included:

- sustainability questions related to the raw materials Neste Oil uses, such as developing smallholder farming, methane recovery at palm oil pressing plants, preventing the destruction of forest land, sustainable landscaping, and educating children on oil palm plantations and in other remote areas
- Neste Oil's profitability
- the remuneration of Neste Oil's personnel, and that of senior management in particular
- the sustainability reporting requirements expected of State-owned companies in Finland
- certifications and standards for bioenergy
- transportation in the EU and the role of bioenergy, and
- indirect land use change and food crop -based biofuels in the EU's energy portfolio.

Interaction between Neste Oil and non-governmental organisations has improved all parties' ability to understand each other's goals and the fundamentals of their activities. Interaction has strengthened the conviction that waste and residues, together with completely new feedstocks, will play an increasingly important role in Neste Oil's procurement of renewable inputs in the future.

Interaction with NGO's should be further developed. During 2013, Neste Oil plans on further activating interaction with NGO's for example in the Netherlands.

More balanced discussion on palm oil

Although Neste Oil and some NGOs continue to disagree on the sustainability of Neste Oil's use of palm oil, the general perceptions surrounding palm oil have improved and become more balanced among decision-makers, organizations, and the business world. The positive impact that palm oil production has on the standard of living of small family farmers, for example, is something that has been highlighted.

The acceptability of palm oil use has also been increased by the improved availability of certified palm oil. This acceptability could grow further in 2013 following the decision by the European Commission to approve the Roundtable on Sustainable Palm Oil's RED system (RSPO RED) for verifying that biofuels comply with the sustainability criteria contained in EU directives.

Impact of indirect land use change highlighted in debate

Individual NGOs continued to voice their concerns in 2012 that the use of palm oil by companies producing biofuels could lead to an expansion of the cultivation of oil crops onto new land and that this could threaten rainforest or the cultivation of food crops, either directly or indirectly.

Read more about indirect land use change in [Sustainability Report 2011](#).

Neste Oil has consistently stressed in its interaction with NGOs and its other communications that it only procures raw materials that comply with or exceed the requirements of legislation and certification programs when producing renewable fuel suitable for use in the EU and elsewhere in the world. Current legislation and existing certification programs forbid the procurement of raw materials that have been cultivated on land cleared since the beginning of 2008:

- from rainforest
- from conservation areas and game reserves, or
- from marshland that has been drained, burnt, or otherwise managed for the purposes of cultivation.

Read more about the [sustainability criteria for renewable fuels](#) in the section on Resource efficiency and Neste Oil's supply chain.

Current legislation does not yet define how biofuel producers should take account of indirect land use change (ILUC) related to renewable material production. In 2012, the European Commission published a proposed set of amendments to the EU's Renewable Energy Directive designed to manage ILUC-related risks. Neste Oil considers the 5% ceiling proposed for the use of food crops as an efficient and sufficient way of controlling the risks linked to indirect land use change associated with biofuel production. This proposed limit would ensure that the demand for food crops for biofuel production would not grow in the future but remain roughly at current levels. Read more about Neste Oil's position [here](#).

Sustainability ► Society ► Stakeholder and community engagement ► Local community involvement at production sites

Local community involvement at production sites

Neste Oil has a total of four refineries in Finland, Singapore, and Rotterdam. Refining results in occasionally elevated noise and odor levels or additional flaring in connection with maintenance work as part of normal operations or during incidents. Neste Oil collaborates actively with the various communities around its production sites to ensure that its operations have the lowest possible level of impact on these communities and that its activities and communications are open and transparent.

Neste Oil's refineries in Finland – at Porvoo and Naantali – are located in industrial zones close to residential areas and other companies. Both sites have worked closely with their neighbors and local companies for decades.

A local outreach group operates in the Kilpilahti industrial area at Porvoo. Founded in the 1990s, this is made up of contact personnel from companies based in the area and local residents, and meets regularly four times a year to discuss topical issues affecting the local community.

In addition, Neste Oil works with local fishing cooperatives based near its Finnish sites and took part in the Jokitalkkari (River Warden) project in 2012, aimed at reviving local trout stocks in Eastern Uusimaa. Neste Oil also works with local churches in Porvoo in areas related to things such as wellbeing at work and crisis training.

Although its sites outside Finland are located in industrial areas with no local residents living nearby, Neste Oil regularly collaborates with other locally based companies and service providers as part of its commitment to local community involvement.

Open and transparent site communications

All of Neste Oil's refineries are committed to open communications in respect of all key external and internal stakeholders should an incident occur at a site.

The following stakeholders are informed of incidents:

- The media
- Local residents
- The authorities
- Local companies, and
- Personnel.

Neste Oil produces a local newsletter in Finnish (Naapurisanomat), published three-four times a year, for people living near its sites at Porvoo and Naantali. A toll-free info line provides recorded messages in the event of an incident. The companies based in the Kilpilahti industrial area at Porvoo also have a Web site (Kilpilahti.fi), which is used to communicate information on any incidents that occur at their sites. The Naantali refinery also has its own Facebook page. The Rotterdam refinery produces a local newsletter that is distributed at the site every six weeks. Environmental impact-related issues at all sites are reported annually to local residents and companies.

Open-day events are organized at Neste Oil's Finnish refineries to give local people the opportunity to discuss areas of common interest with company managers. These events are held annually at the Porvoo refinery and every other year at Naantali. Open-day events typically attract an average of 200-250 participants at Porvoo and 300-400 at Naantali. Joint open days involving all the companies in the Kilpilahti industrial area at Porvoo are held roughly every five years. The most recent of these took place in 2010 and attracted around 3,000 visitors. Neste Oil's refineries are popular with visitors year-round, and thousands of people visit the company's sites annually.

Local cooperation with companies, the authorities, and decision-makers

All of Neste Oil's refineries cooperate actively with local companies, the authorities, and decision-makers. Much of this cooperation is focused on developing the operational safety of sites. An HSE (Health, Safety, Environment) seminar for service providers in the Kilpilahti area is organized at Porvoo twice a year, hosted by all the companies in the area that use these companies' services. Companies in the area also meet regularly four times a year at safety management group meetings.

Cooperation with the authorities is closest with the rescue services at all sites. The Porvoo and Naantali refineries have their own fire services, which exercise regularly with their municipal colleagues. The Singapore and Rotterdam refineries rely on local municipal fire services. Refineries also have their own fire protection and oil spill prevention equipment, and operator firemen are trained in dealing with fires. Crisis exercises are held regularly with local fire services, the army, the police, and border guard officials. Neste Oil also cooperates extensively with members of the local authorities responsible for environmental matters.

Neste Oil meets local decision-makers based close to its refineries through regular meetings, refinery visits, seminars, and by inviting them to various events. These meetings are used to discuss topical issues and matters of general concern, and to explain the challenges that affect Neste Oil's operations locally and nationally, such as national emergency energy security-related issues in Finland. A survey of the views of local decision-makers and the local media, as well as local residents, is carried out at Neste Oil's Finnish refineries every other year.

Sustainability ► Society ► Stakeholder and community engagement ► Sponsorship and charity work

Sponsorship and charity work

Neste Oil supports the wellbeing of local communities and stakeholders in the countries where it operates through various sponsorship and charity work. A total of EUR 1 million (1 million) was spent in this area in 2012.

Neste Oil has a sponsorship policy covering the entire Group managed by the Marketing Unit, and carefully selects international, national, and local initiatives. Neste Oil does not sponsor political parties or party political projects, religious movements, or projects linked to such movements, or company clubs.

Neste Oil's sponsorship principles are based on a long-term vision, experience-based engagement, accessibility, and

involvement. The key factors influencing the choice of partners are compatibility with Neste Oil's values, the opportunity to make use of events in stakeholder activities, and the potential media visibility offered.

Neste Oil sponsored the following activities and charities at Group level in 2012:

- Neste Oil Rally

- Blues ice hockey team
- Kärpät ice hockey team
- Nuorten hyväksi (Let's Help Young People) campaign, aimed at preventing young people from being sidelined by society
- [Millennium Technology Prize](#), the world's biggest technology prize
- [Neste Oil Photo Trophy](#)
- Superpesis, the top division of Finland's national sport, pesäpallo, a game similar to baseball
- [Borneo Child Aid](#) (Humana Child Aid Society Sabah), which provides educational opportunities to children living on plantations in Borneo
- [ChemistryLab Gadolin](#), an action-based learning environment for schoolchildren and students studying chemistry
- [CMI](#)—Crisis Management Initiative
- Auta miestä mäessä (Help the Man on the Hill) campaign, aimed at securing the future of the Finnish national ski jump team, 2012-2013
- Christmas donations in 2012: [WWF Baltic](#), Help the Young campaign, [Helsinki Children's Hospital](#)
- Lastenklินิกoiden kummit, an organization dedicated to helping the patients of children's clinics at Finland's university hospitals

- Operaatio lentävä pyörätuoli (Operation Flying Wheelchair), an initiative designed to provide activities for physically disabled and other disabled young people
- [Cleantech Finland](#), a network of top Finnish cleantech companies
- City of Tampere in Finland, [University of Applied Sciences](#).

Read more about sponsorship and charity work in the [Financial responsibility section](#).

Activities sponsored at local level included:

- [Avanti!](#) Summer Festival in Porvoo
- [Naantali Music Festival](#)
- Various support for the arts, sport, environmental activities, and community projects
- Employees at the Rotterdam refinery donated 860 hours of work to remodeling [the local Idahoeve at Tiengemeten care home](#)
- Employees at the Geneva office donated 180 hours of work to [the Saturday of Partage event organized by Partage](#), an association devoted to helping local poor people.

Sustainability ► Society ► Stakeholder and community engagement ► Sponsorship and charity work ► Case: Time, money, and actions on behalf of the young



Time, money, and actions on behalf of the young

Neste Oil is one of the corporate partners of the 'Nuorten hyväksi' (Let's Help Young People) campaign organized under the patronage of the President of the Republic of Finland, Sauli Niinistö. Backed by the Tukikummit Foundation and the MTV3 television channel, the aim of the three-year campaign is to prevent young people from being sidelined by society.

The campaign involves sports people, public figures, artists, and companies. As one of the campaign's main sponsors, Neste Oil has contributed EUR 100,000, which will be channeled through a fund administered by the Evangelical Lutheran Church of Finland and will go to activities and recipients that do not currently receive any other form of support. Support will be provided in the form of equipment or services.

In addition to its financial contribution, Neste Oil will also be supporting the campaign by organizing a series of bold initiatives designed to promote young people's wellbeing.

"Young people are critical for everybody's future, and they need both courage and support to become the pioneers that society needs," says Neste Oil's President & CEO, Matti Lievonen. "We at Neste Oil want to do our bit through this campaign to help build the Finland of the future and a society in which young people are encouraged to believe in themselves and get the type of backing they need to live up to their potential."

An active approach to the job market

Neste Oil works closely with educational institutions and students to secure its access to new talent. This involves working with students in a number of areas and organizing student visits to Neste Oil's sites, giving presentations at schools, and supporting various student events and activities.

Proactive cooperation with students and other young people has been seen as important for many years, and Neste Oil has been involved in supporting ChemistryLab Gadolin for a number of years, for example. ChemistryLab Gadolin offers an empirical learning environment for a wide range of ages, from young children to college students. The number of people visiting the laboratory has grown significantly in recent years and the initiative has received positive publicity in Finland and overseas. Over 11,000 children and young people, teachers, journalists, company experts, parents, and people from overseas have visited the facility since 2008.

Summer internships and traineeships

Neste Oil offers hundreds of students and young people the opportunity to take up summer internships and traineeships, and carry out thesis work as part of studies. Although many of these positions are in Finland, some are also offered elsewhere in line with local needs.

Neste Oil offered around 300 summer internships (290) in Finland in 2012 and also took part in the national **'Responsible Summer Jobs' campaign**, committing itself to the campaign's principles of offering challenging jobs, reasonable pay, appropriate induction and guidance, fairness and equality, written contracts of employment and testimonials, and written acceptances of applications.

Building Neste Oil's image as an employer over the long term

Neste Oil has concertedly developed its employer image in Finland for many years. A new 'The Only Way is Forward' brand campaign and a 'Summer President' recruitment campaign played a particular part in this work during 2012.

Surveys carried out by Universum in Finland in 2012 indicated that Neste Oil's image as an employer has improved. A survey of university students ranked Neste Oil in 10th place (15th) among technical and natural science students and 49th (50th) among business studies students. Technical and natural science students in the 'Professionals' study ranked Neste Oil 16th (8th); while 'Young Professionals' ranked the company 19th (7th). Neste Oil was ranked 38th (60th) by business professionals in the Professionals survey, and 34th (57th) by young professionals.

Summer interns' views of working at Neste Oil in Finland are also surveyed annually. The 2012 survey gave the company a similar rating to that received in 2011, 4.2/5 (4.2), and as many as 96% (97%) of respondents said that they would be interested in working for Neste Oil and Neste Jacobs in the future.

81% of respondents to the 2012 personnel survey said that they would recommend Neste Oil as an employer.



Mikko Laine, a student at Aalto University's School of Chemical Technology, was chosen as Neste Oil's 'Summer President' for 2012.

New type of recruitment campaign proved a success

Neste Oil organized a unique 'Summer President' recruitment campaign in Finland in 2012. The summer intern selected for the position was given the chance to contribute his ideas to the company's future development after experiencing different aspects of Neste Oil's operations.

Over 60 people applied, six of who were selected through interviews to campaign for the post, using any approach they wished. Two candidates with the most public online votes went through to an election panel discussion with Neste Oil employees selected from various parts of the Group prior to the final selection.

The Summer President came up with a number of new and innovative ideas and had the chance to get to know how Neste Oil operates and communicate his thoughts via various social media.

The success of the campaign was highlighted in the fact that a total of 24,000 votes were cast for the candidates, and over 30,000 people visited the campaign's Web site.

Climate and resource efficiency

Climate and environmental protection play a major role in Neste Oil's operations. Neste Oil has a long tradition of work in this area and has systematically monitored the environmental impact of its operations since the end of the 1960s and continuously prioritized reducing the impact that its operations have on the environment. Efficient resource usage for Neste Oil is primarily related to the responsible and optimized use of energy and natural resources, such as feedstocks and water. Well-managed practices and procedures can reduce or avoid waste being generated. By managing its resource usage efficiently, Neste Oil helps protect the world's natural resources and improve its productivity, reduce its costs, and enhance its competitiveness.



Work has started on drawing up a climate program

Neste Oil started work on drawing up a climate program in the end of 2012. A clear roadmap and targets will be set. The program will bring together all the initiatives and measures used by Neste Oil in the climate protection area.



Cleaner products have a key role to play

Climate and environmental protection are closely tied to Neste Oil's cleaner traffic strategy. By offering cleaner products, Neste Oil makes a more valuable contribution to improving the quality of the environment than it could simply by improving the efficiency of its own refining and transportation operations.

We will improve energy efficiency and aim for a saving of

660 GWh

by 2016.



The broadest range of inputs used anywhere in the biofuel industry

A very wide range of vegetable oil, waste, and residues can be used to produce NExBTL renewable fuels. The current feedstock base comprises around 10 different inputs.



Environmental management

Managing environmental performance is an integral part of Neste Oil's management system, together with other areas of sustainability. Work in this area is guided by Neste Oil's sustainability policy and related HSEQ (Health, Safety, Environment and Quality) principles and guidelines.

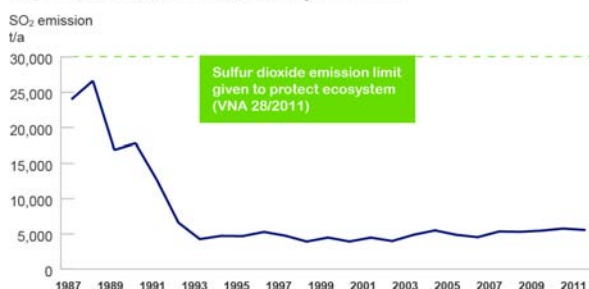
What were our targets?	Actions and achievements in 2012	What next?
Remain within environmental permit limits at all times.	Virtually all operations took place within permitted limits. Some wastewater limits were exceeded at the Porvoo and Singapore refineries and one airborne emission limit was exceeded at Rotterdam. Some shortcomings in wastewater monitoring were identified at the Naantali refinery. None of these cases resulted in damage to the environment.	Review the impact of stricter environmental permitting practice resulting from revised EU environmental legislation. Comply with stricter permit requirements where needed.
Reduce greenhouse gas emissions in our operations cost-effectively to help prevent climate change.	Further progress was made in optimizing energy generation and use. A project for identifying energy optimization opportunities was continued at Porvoo. Work carried out during the major maintenance turnaround at Naantali has improved the refinery's operational reliability and energy efficiency .	Plans for energy efficiency investments will be prepared during 2013.

Environmental impacts

Neste Oil's impact on the environment has declined significantly in recent decades, in line with steady improvements in environmental protection measures, resulting in the current good level of performance. Neste Oil's direct environmental impact today, when plants operate are running without unscheduled incidents, is essentially minor. Amongst others, Neste Oil's SO₂

emissions in Porvoo have remained on a low level for two decades.

SO₂ emissions at the Porvoo refinery 1987–2011



[Read more about protecting waterways and soil and protecting biodiversity and natural world](#)

Environmental permits and leaks

Neste Oil is committed to keeping all its emissions within the limits set out in its environmental permits and to preventing leaks or emissions into the soil, waterways, and the atmosphere occurring during accidents or incidents. In line with the terms of the environmental permits covering its refineries, Neste Oil monitors the amount of emissions that it releases into the atmosphere and the volume of wastewater it releases, and the amount of waste and noise that it generates.

Virtually all operations took place within permitted limits. The nitrogen content of wastewater exceeded the monthly permitted maximum at Naantali in June and at Porvoo in October. The maximum amount of total nitrogen in wastewater discharged into the sea at outfalls at the Porvoo refinery exceeded permitted levels in October 2012. Some shortcomings in wastewater monitoring were identified at the Naantali refinery and biological oxygen demand exceeded permitted levels in April. One airborne emission limit was exceeded at Rotterdam. At the Singapore refinery a shortcoming of wastewater treatment was identified. Measures are taken to overcome the shortcomings. None of these cases resulted in damage to the environment.

Neste Oil constantly monitors internally all incidents that occur at its production sites, terminals, and during transportation, and any leaks that result. During 2012, there were 42 (30) leaks, involving more than 100 kg of material, which resulted some emissions being released into the environment. The only serious leak during 2012 took place at a National Energy Security Agency oil storage facility operated by Neste Oil in Kajaani, where oil-contaminated water leaked into nearby soil in April. [Read more about the oil leak in Kajaani.](#)

[Read more about process safety.](#)



Climate

Climate and environmental protection are closely tied to Neste Oil's cleaner traffic strategy. Neste Oil's renewable fuels and the base oil that it produces for use in lubricants help customers reduce their vehicles' tailpipe and particulate emissions significantly. Neste Oil produces carbon footprint calculations for its products covering their entire life cycle; strives to continuously improve its overall performance in terms of its climate footprint, and is committed to further improving its energy efficiency.

Climate program under development

Work started on drawing up a climate program towards the end of 2012. This will bring together all the initiatives and measures used by Neste Oil in the climate protection area and for mitigating climate change and will establish a clear roadmap and targets. The aim is to complete the program in early 2013, and progress on the program will be reported in the 2013 Sustainability Report.

Greenhouse gas emissions during product life cycles

In line with the company's cleaner traffic strategy, the focus has been on developing and refining premium-quality fuels that reduce the environmental impact associated with keeping people

and goods on the move. By offering lower-emission products, Neste Oil makes a more valuable contribution to improving the quality of the environment than it could simply by improving the efficiency of its own refining and transportation operations.

Neste Oil produces carbon footprint calculations for its products covering their entire life cycle. The following diagram illustrates the various stages of the supply chain related to the fuels that Neste Oil produces, the greenhouse gas emissions emitted during each stage, and the sustainability verification methods used in respect of renewable fuels.

Read more about [Greenhouse gas emissions and sustainability verification throughout supply chain](#).

Emissions to air

Neste Oil measures greenhouse gas emissions across all its operations. In practice, virtually all of the company's greenhouse gas emissions take the form of carbon dioxide (CO₂), and the majority, around 90%, are refining-related. The largest sources of CO₂ emissions are the Porvoo and Naantali refineries and the Neste Oil fleet.

No significant changes took place in CO₂ emissions during 2012 compared to 2011. Neste Oil's direct CO₂ emissions totaled 3,47 million tons (3,7 million tons), approximately 6%-points less than in 2011. Nearly 80% of these emissions were generated at the Porvoo refinery. The biggest factor contributing to lower emissions in this area was the major maintenance turnaround carried out at the Naantali refinery.

Indirect CO₂ emissions related to bought-in electricity totaled 229,800 tons (162,600 tons) in 2012. The increase in indirect CO₂ emissions was the result of optimization of the use of the energy plant at Porvoo refinery.

Neste Oil reported on its greenhouse gas emissions as part of the Carbon Disclosure Project (CDP) for the sixth year in succession in 2012. In the CDP review published in fall 2012, Neste Oil was ranked C on an A-D scale and scored 79 points (58) out of a possible 100. This represents a significant improvement on previous performance and was based on data from 2011. The review based on 2012 figures will be published in fall 2013 and will be available at <http://www-cdproject.net>.

CO₂ recovery ongoing at Porvoo

Neste Oil has recovered CO₂ at the Porvoo refinery for a number of years and sells the gas to a company located in the area. There are no similar CO₂ recovery systems at Neste Oil's other refineries. The CO₂ recovery plant at Porvoo is the largest in Europe.

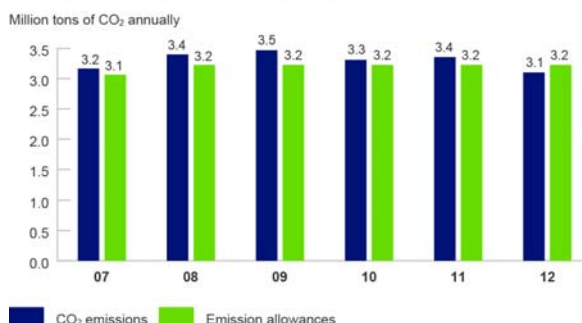
Nearly 156,000 tons (150,000 tons) of CO₂ generated at the Porvoo refinery were recovered at the site's hydrogen plant in 2012. Under a decision issued by the Finnish Energy Market Authority, 2% of the CO₂ recovered in this way can be used in CO₂ emission calculations to reduce the Porvoo refinery's total CO₂ emissions, which were approximately 2.83 million tons (2.95 million tons) in 2012. During the emissions allowance trading period beginning in 2013, this 2% reduction will be eliminated as a result of new regulation covering the monitoring and reporting of emissions trading.

Emission allowances

Neste Oil received emission allowances for 3.2 million tons of CO₂ emissions annually between 2008 and 2012. The European Commission will confirm the emission allowances for Neste Oil's

refineries for the next emissions trading period, 2013–2020, in February 2013.

Neste Oil's refineries' CO₂ emissions and emission allowances



Emissions from the Porvoo and Naantali refineries included.

Neste Oil invested EUR 5 million in GreenStream's Climate Opportunity Fund in 2011, giving the company access to additional emissions allowances under the EU emissions trading scheme for the 2013-2020 trading period. Neste Oil will have to acquire further new emissions allowances to cover the deficit affecting the 2013-2020 emissions trading period.

Only Neste Oil's refineries at Porvoo and Naantali come within the scope of the EU's emission trading scheme. The Rotterdam and Singapore refineries are not directly covered.

Other airborne emissions resulting from refining

Major airborne emissions related to normal refining operations remained at the low level typical of recent years during 2012. The following refining emissions were measured and reported to the environmental authorities:

- Carbon dioxide (CO₂)
- Nitrogen oxides (NO_x)
- Sulfur dioxide (SO₂)
- Volatile organic compounds (VOC)
- Particulates
- Nickel and nickel compounds, and
- Vanadium.

NO_x and SO₂ emissions are monitored on a continuous basis at numerous locations around the Porvoo and Naantali refineries. In addition, air quality in the area around the company's largest site, at Porvoo, is also monitored for ambient concentrations of total reduce sulfur (TRS) and ozone.

The sulfur recovery unit at the Porvoo refinery continued to operate well during 2012 following the overhaul carried out in

2010. Some signs of fouling and wear were observed at the unit towards the end of the year, however, which could result in higher SO₂ emissions being released in the future.

In general, airborne SO₂ emissions from Neste Oil's refinery operations continued to decline in 2012. The Porvoo and Naantali refineries are Neste Oil's only major sources of emissions of this type. Neste Oil uses only gas in its refinery furnaces at Porvoo, and gas is also the main fuel at the site's power plant – all of which significantly reduces the release of SO₂ emissions.

Nitrogen oxide emissions (NO_x) were 8,600 tons (10,100) and volatile organic compound (VOC) emissions were 5,200 tons (4,700). Compounds contributing to ozone depletion were eliminated from production and firefighting systems in the 1990s. Construction of a new system to recover gases released during loading at the harbor at Porvoo progressed. The system is capable of recovering the majority of the volatile organic compound (VOC) emissions released into the atmosphere when loading fuels.

Read more about airborne emissions in the [Material and Energy Balance table](#).

Levels of particulates, SO₂, and hydrocarbons in the Porvoo refinery area were measured and studied by a team led by Professor Markku Kulmala, a world-renowned expert in the field at the University of Helsinki's Department of Physics, in summer 2012 as part of research work on global climate change.

Logistics-related emissions

Neste Oil transported nearly 32.5 million tons (32.4 million tons) of refinery feedstocks, refined products, and other chemicals by sea, road and rail in 2012. However, the slightly larger transport volumes have not affected the fuel consumption because the emission levels have decreased compared to previous year. Emissions per ton of product carried by sea are lower than those of road-based logistics. Rail transport also releases small amounts of emissions and is energy-efficient compared to other modes of transport.

Road and rail shipments

The road-based deliveries of Neste Oil's fuel and gas products are handled by tanker trucks operated by outside contractors. Neste Oil transported nearly 3.9 million tons (3.7 million tons) of refinery feedstocks, refined products, and other chemicals by road. The amount of products transported by road rose slightly compared to 2011, by 3.4%. 2.8 million tons (2.8 million tons) were carried by road in Finland in 2012 and 1.1 million tons (1 million tons) in the Baltic countries, Poland, Russia, and Sweden. This has not resulted in increased fuel consumption in this area of operations, however; fuel consumption decreased by 1.3% in 2012 compared to 2011.

The areas served by tanker trucks and the cargoes they carry are planned as efficiently as possible to keep fuel consumption down and reduce tailpipe emissions. Fuel vapor released while filling up storage tanks at service stations is recovered by trucks and returned for recycling at Neste Oil's terminals.

A total of 1.2 million tons of refinery feedstocks, chemicals, and petroleum products were transported by rail in 2012. The proportion of volumes carried by rail fell compared to previous years.

Marine shipments

Neste Oil transports tens of millions of tons of crude oil and other refinery feedstocks, petroleum products, and chemicals by sea annually. The volumes carried by sea decreased by 4.3% during 2012. Bunker fuel consumption fell by 9.6%. Bunker fuel consumption and CO₂ emissions have fallen in recent years following the introduction of a basic tanker speed of 13.5 knots in 2007 and the introduction of more detailed bunkering instructions.

The maximum sulfur emissions from ships in the Baltic, the North Sea, and the English Channel will be reduced from 1% to 0.1% by 2015 as a result of stricter bunker fuel specifications issued by the International Maritime Organization (IMO).

Read more about [transport safety](#).

Energy efficiency

Neste Oil monitors its energy efficiency performance and aims to continually improve its performance. The goal is to reduce energy usage in refining and logistics in particular. Energy efficiency projects are promoted as part of strategic Value Creation programs. Cost efficiency and promoting low-emission refining are key drivers for improving energy efficiencies.

What were our targets?	Actions and achievements in 2012	What next?
Improve energy efficiency and aim for a 660 GWh saving by 2016.	We achieved approx. 59% (53%) of the energy-saving targets defined in the energy efficiency program for 2016 during 2009-2012.	Continue measures aimed at achieving our 660 GWh savings target at our refineries and terminals.
Improve energy efficiency and hydrogen usage at Neste Oil's refineries over the long term.	Further progress was made in optimizing energy generation and use. A project for identifying energy optimization opportunities continued at Porvoo. Energy efficiency enhancements implemented as part of the Naantali refinery's 2012 maintenance turnaround will achieve an annual saving of 40 GWh, equivalent to approx. 2% of energy usage in 2011.	Implement efficiency-enhancement investments and develop refinery operations over the long term.
Implement plans and measures for improving energy efficiency and monitor their progress in line with the principles of continuous improvement.	Energy efficiency principles were drawn up for all of Neste Oil's refineries and are designed to promote active identification of new ways of improving energy efficiency.	Continue developing Neste Oil's energy efficiency plans in 2013 and implement improvement measures over the longer term wherever financially feasible.

Continuous efforts to improve energy efficiency

As one of Finland's largest energy users, Neste Oil is committed to the national action program developed for energy-intensive industry. Launched in 2009, this program is designed to help combat climate change in line with Finland's national climate and energy strategy, and covers Neste Oil's most energy-intensive sites in Finland: the Porvoo and Naantali refineries and its terminals. As part of the program, Neste Oil has set an energy-saving target of 660 GWh covering the above areas of operations in Finland to be achieved by 2016. This is equivalent to 5% of the energy used at the Porvoo and Naantali refineries and the company's terminals in Finland in 2007. Land-based transportation of Neste Oil's products is not covered by the program, as this is handled by outside contractors and Neste Oil does not use any of its own energy in this area.

Neste Oil's energy efficiency has improved steadily over recent years and remained at the level achieved in 2011 during 2012. As of the end of the year, Neste Oil had reached approx. 59% (53%) of the energy-saving target set for 2016. Achieving the remaining improvements needed will be challenging, as the investments and operational changes required will be larger than earlier.

Energy efficiency at the Porvoo and Naantali refineries in Finland

Solomon Associates' Energy Intensity Index (EII), published every other year and based on a comparative study of different sites, is used as the yardstick for measuring energy efficiency at Neste Oil's fossil fuel refineries at Porvoo and Naantali. The Porvoo refinery was given an index value of 84 in the 2010 review and ranked in the top quartile of European sites in terms of energy efficiency. Porvoo's performance has remained at a similar level since then, and the next set of EII rankings, for 2012, will be published in the fall of 2013.

Measures taken at the Porvoo refinery as part of the site's energy efficiency plan during 2012 included the conclusion in the spring of an energy optimization project covering the entire site. Launched in 2011, this systematically reviewed the optimization potential of all the site's process units in terms of both their configuration and operations. The various investments and operating changes recommended as part of the project were further reviewed or trialed during the summer and fall. The energy savings they will offer are expected to be realized between 2013 and 2015.

Energy efficiency enhancement projects and measures continued at Naantali during 2012, and included the modernization of two

process furnaces and the installation of more energy-efficient equipment during the site's maintenance turnaround and various changes to operating procedures. These enabled the refinery to reduce its energy consumption by approx. 2% compared to 2011. Energy efficiency at Naantali is due to improve further during 2013 when the benefits of the refinery's new, more energy-efficient furnaces are fully realized. Modernizing these furnaces was Neste Oil's largest single energy efficiency-related investment in 2012. Naantali was given an index value of 96 in the 2010 EII review and ranked in the second quartile of comparable European sites.

Energy efficiency at Neste Oil's new refineries in Rotterdam and Singapore

Neste Oil's new NExBTL refineries in Rotterdam and Singapore feature modern technology throughout and are, by definition, energy-efficient sites. Neste Oil is, nevertheless, committed to further enhancing their energy efficiency over the long term.

Various energy efficiency enhancement measures were launched at both sites in 2012. The Rotterdam refinery joined a voluntary

energy efficiency agreement aimed at reporting energy usage, drawing up a plan for improving the efficiency of energy usage, and implementing this plan wherever financially feasible. Rotterdam drew up its first energy efficiency plan at the end of 2012.

No specific, energy efficiency-related measures were implemented at the Singapore refinery in 2012. An energy efficiency plan will be drawn up for the site in 2013.

As the Solomon Associates' method is not suitable for calculating the energy efficiency of renewable fuel refining processes, Neste Oil uses a different approach for its NExBTL refineries. Set by Neste Oil itself in 2012 and reflecting the EII index, this focuses on kWh/ton of product output. This indicator will be monitored from 2013 onwards, when the 2014 targets for the company's NExBTL refineries will be set; it will also be included in the Sustainability Report in 2014.

Sustainability ► Climate and resource efficiency ► Raw materials and material efficiency

Raw materials and material efficiency

Neste Oil uses crude oil to produce its conventional petroleum products and close to 10 different renewable inputs to produce its renewable fuels. Although crude oil continues to account for 89% of Neste Oil's feedstock usage, the increased renewable fuel capacity that has been brought on stream over the last couple of years has increased the use of renewable feedstocks.

Material efficiency

Neste Oil strives to use all of its inputs as efficiently as possibly and to make use of the sidestreams and waste that are generated during refining. Virtually all the distillates produced during crude oil refining are used and little or no waste is produced.

Neste Oil also aims to make maximum usage of the inputs it uses to produce renewable fuels.

1. For exable production and sales of NExBTL renewable naphtha to be used for example in the chemical industry were started in October 2012. Neste Oil started NExBTL renewable naphtha can be used as a raw material for producing bioplastics, for example, and as a gasoline component.
2. In addition to bionaphtha, Neste Oil is also planning to commercialize the biopropane that is also produced during the NExBTL process.

Leveraging synergies is integral part of to sustainable operations

Although Neste Oil's refineries are major users of energy and natural resources, the Porvoo site also generates electricity, steam, and heat at the combined cycle power plant located there. Fired on natural gas and fuel oil, this plant supplies most of the energy used by all the companies in the surrounding Kilpilahti industrial area.

Neste Oil also works to make better use of natural resources at its other refineries. The location of its new refineries in Singapore and Rotterdam offers numerous opportunities for leveraging synergies with neighboring plants. Neste Oil refineries procure the gases, electricity, water, and steam they need from nearby chemical and energy generation plants; and can also make use of sidestreams and process waste from nearby companies in their own production processes.

Neste Oil procures all its feedstocks from carefully selected suppliers that comply with [the company's strict criteria](#) covering sustainability other areas.

Fossil feedstocks

Neste Oil used a total of 14.2 million tons (14.8) of crude oil and other feedstocks in producing its conventional petroleum products in 2012, primarily sourced from Russia, with the remaining part coming mainly from Norway and Kazakhstan. Fossil refinery intermediates were also procured to be used, both as feedstocks and blending components. Neste Oil also sourced natural gas from Russia, primarily for energy generation and hydrogen production purposes.

Neste Oil does not engage in oil exploration or drilling and has no plans to enter this field of operations. As a result, its potential to influence on crude oil production. Neste Oil sources its crude from major international commodity trading centers. The majority of crude procured in 2012 was bought directly from production companies. Batches are generally identified only by a description of their product properties, the name of the producer, and the country of origin, as crude produced by different fields is exported through the same pipelines. Neste Oil has more detailed information on the specific batches it is produced, however.

Carbon footprint of crude oil

The CO₂ emissions released during crude production represent the key current sustainability issue related to the fossil feedstocks used CO₂. Neste Oil actively monitored research on methods and procedures that can be used for determining the carbon footprint of crude oil during 2012, focusing on reports and studies on the CO₂ emissions associated with Russian crude in particular. It

also took part in debate on the carbon footprint of crude oil related to the development of EU directives, through oil & gas industry organizations and networks, and through projects coordinated by a variety of research organizations. As relatively few reports have been available on the carbon footprint of the oil & gas industry in Russia, Neste Oil will continue investigating this area during 2013.

Neste Oil completed preliminary carbon footprint calculations for its petroleum products in 2012. These calculations, which cover products' entire life cycle, make use of literature-based data from outside sources and world average figures in respect of Russian crude oil production because of the lack of more detailed data. Neste Oil's aim is to report the carbon footprint of its fossil fuels in 2013, and was continuing to collect related to its crude oil supply chain.

More information about [feedstocks](#) in Annual Report.

Ethanol

Neste Oil procures ethanol for blending into 95 E10 and 98 E5 gasoline for sale on the Finnish market. Ethanol is not used as a raw material in fuel production, but is blended together with fossil fuels as such. In addition of other biofuels, the ethanol used in this way helps Finland comply with EU-mandated bio-content requirements. 95 E10 gasoline, which contains 10% ethanol, reduces fuel-related greenhouse gas emissions by 4-6% compared to conventional gasoline.

Ethanol is produced around the world from a variety of different renewable raw materials, such as sugar cane, sugar beet, and corn in South and North America, as well as in the EU. Where Neste Oil sources its ethanol from, and what it is produced from, depends on the market situation and cost efficiency-related issues.

Neste Oil procured 112,000 tons of ethanol for blending in 2012, primarily from North-America and the EU.

Ethanol supplied to Europe is required to meet the sustainability criteria of the EU's Renewable Energy Directive in the same way as other biofuels. Neste Oil requires all its ethanol suppliers to provide documentary proof of their compliance with sustainability criteria, and be able to show a verifiable reduction in greenhouse gas emissions and use only land permitted for cultivation purposes, for example.

Neste Oil's ethanol trading operations in Geneva were audited as part of ISCC certification during 2012.



Renewable feedstocks

Neste Oil's NExBTL refining technology enables a wide range of renewable raw materials to be used in producing renewable fuels without compromising the quality of the end-product. Extending Neste Oil's feedstock base has been one of the company's strategic goals for many years. Neste Oil is the only biofuel producer today capable of producing renewable diesel on a commercial scale from nearly 10 different types of inputs.

What were our targets?	Actions and achievements in 2012	What next?
<ul style="list-style-type: none"> • Increase the volume of waste- and residue -based feedstocks used in refining by hundreds of thousands of tons compared to 2011. 	<ul style="list-style-type: none"> • Neste Oil doubled its use of waste- and residue-based materials, increasing their use by over 400,000 tons. These materials accounted for 35% of Neste Oil's renewable feedstocks in 2012. 	<ul style="list-style-type: none"> • We continue work to increase the proportion of waste- and residue-based materials significantly.
<ul style="list-style-type: none"> • Extend Neste Oil's renewable feedstock base with raw materials not previously used. 	<ul style="list-style-type: none"> • Neste Oil started using of waste fat from the fish processing industry. When used to produce NExBTL renewable diesel, this reduces the fuel's greenhouse gas emissions by 88%. • A new microbial oil pilot plant was commissioned at Porvoo. 	<ul style="list-style-type: none"> • Review the feasibility of starting industrial-scale production based on non-food inputs, such as microbial and algae oil.

Raw material range used in refining

Neste Oil more than doubled its use of waste- and residue-based materials in refining operations in 2012, added waste fat from fish processors to its renewable feedstocks inputs, and increased the proportion of certified raw materials that it uses to 77% (49%). Already 91% (83%) of the palm oil used in 2012 was certified.

Neste Oil's use of renewable raw materials in 2012

Raw material	Proportion used in refining in 2012 (million metric tons used)	Proportion used in refining in 2011**** (million metric tons used)	Source	Greenhouse gas emission reduction*
Crude palm oil**	64.5% (1.36)	53.0% (0.44)	Malaysia, Indonesia	47%
Waste and residues (waste animal fat, waste fish processing fat, PFAD, stearin)	35.1% (0.74)	40.3% (0.33)	Australasia, South America, Europe, Southeast Asia	88-91%***
Other vegetable oil (rapeseed, soy and camelina oil)	0.3% (0.007)	6.7% (0.055)	South and North America, Europe	45-49%
	100% (2.11)	100% (0.83)		

* Average greenhouse gas emission reductions over the entire life cycle of renewable fuel produced at Porvoo and shipped to customers in Europe. The method used to calculate this figure complies with the requirements of the EU's Renewable Energy Directive and has been verified by SGS. The level of emission reduction achieved varies based on the raw materials used, the mode of transport, refining operations, logistics, and end-use.

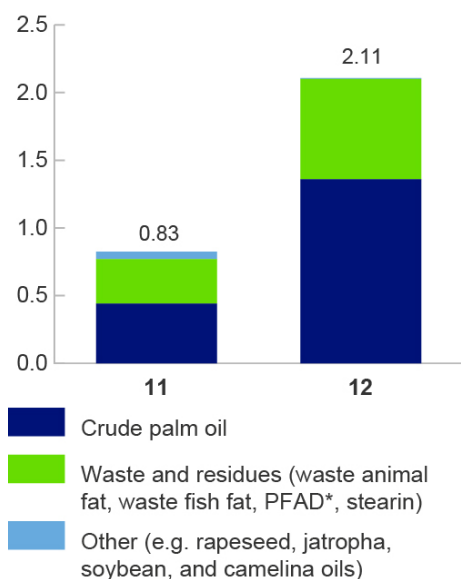
** Includes RBD (Refined, Bleached, Deodorized) palm oil.

*** Supplied to European markets where the raw material in question is classified as waste or residue.

**** Figures from 2011 have been updated.

Use of renewable raw materials in 2012

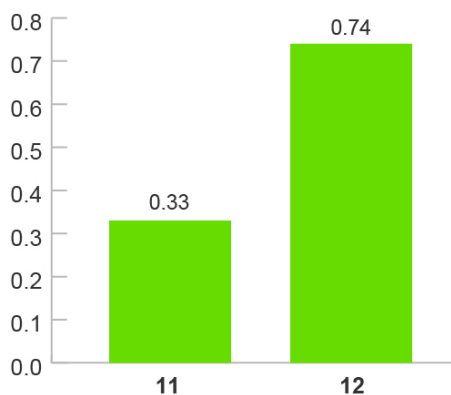
Million tons



* PFAD = Palm Fatty Acid Distillate

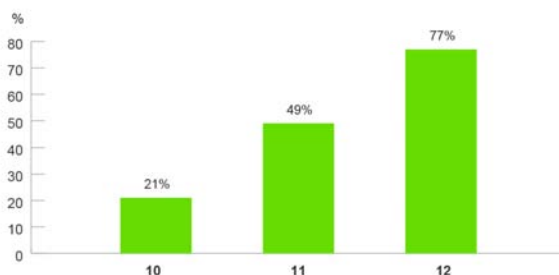
Use of waste and residues in refining

million tons



Waste and residues (waste animal fat, waste fish processing fat, PFAD, stearin)

Use of certified raw materials in refining



Depending on the feedstock used, Neste Oil's NExBTL renewable diesel provides a 40-90% reduction in greenhouse gas emissions compared to fossil diesel.

Use of waste and residues more than doubled in 2012

Neste Oil more than doubled its use of waste and residue-based raw materials in producing renewable fuel in 2012, and waste fat from the fish processing industry was also added to the inputs used. Neste Oil's target in the area of raw material usage in 2012 was to increase its use of waste and residues by hundreds of thousands of tons compared to 2011. This target was achieved, and Neste Oil's usage of waste and residues increased by over 400,000 tons in 2012, bringing total usage of these materials to

742,000 tons (333,000) or approx. 35% (40) of total renewable feedstock inputs. The goal is to further increase the usage of waste and residues significantly in 2013.

Increased use of certified raw materials

Under both European and US legislation on renewable fuels, the raw materials used to produce renewable fuels must be fully traceable back to where they were grown or produced. All of the renewable inputs used by Neste Oil in 2012 complied fully with this requirement.

77% (49%) of the renewable raw materials used by Neste Oil in 2012 was certified. A significant proportion of this increase was the result of increased use of certified crude palm oil, and 91% (83%) was certified either or both by the system specially developed for palm oil by the RSPO (Roundtable on Sustainable Palm Oil) or under the EU-approved raw material independent ISCC (International Sustainability and Carbon Certification) system covering all renewable inputs. The goal is to ensure that 100% of the palm oil Neste Oil procures is certified by the end of 2015. Neste Oil was again the world's largest buyer of fully traced, RSPO-certified palm oil in 2012. Many other major users of palm oil do not require full traceability back to the plantation and simply buy RSPO certificates for the quantities they procure.

No certification systems exist for waste- and residues-based materials or for some types of vegetable oil. In cases where a raw material-specific certification system does not exist, Neste Oil normally verifies the sustainability of raw material production and compliance with the EU's Renewable Energy Directive by making

use of a European Commission-approved sustainability verification scheme, such as ISCC, or by using a method compatible with local legislation in the country to which the fuel is to be delivered.

Read more about [renewable fuels certifications](#).

Sustainably produced palm oil represents significant raw material for Neste Oil

Sustainably produced palm oil is currently the single largest input used by Neste Oil for producing renewable diesel, based on its availability, price, and certifiability. The proportion of crude palm oil used by Neste Oil to produce renewable diesel rose to 64.5% in 2012, compared to 53% in 2011. The proportion of crude palm oil decreased while the proportion of RBD -palm oil (Refined, Bleached, Deodorized) increased significantly. The primary reason for the increase in palm oil usage was the growth of Neste

Oil's total renewable feedstock use compared to 2011, as all four of the company's NExBTL plants were fully operational throughout the year. The most significant growth in renewable inputs, however, was seen in waste- and residues-based materials, and the use of these in 2012 more than doubled compared to 2011.

World production of palm oil (including residues such as stearin and palm fatty acid distillate) was 50 million tons in 2011. Neste Oil's use continued to account for a fraction of this total, 1.4%. 77% of the world's palm oil in 2011 was used by food manufacturers, 10% by the biofuel industry, 8% by the chemical industry, and the remainder in areas such as energy generation (Source: Oil World, 2012).

Read more about [Sustainability of the renewable fuels supply chain](#).

Sustainability ► Climate and resource efficiency ► Raw materials and material efficiency ► Renewable feedstocks ► Future renewable raw materials



Future renewable raw materials

Neste Oil's long-term goal is to continuously extend the range of renewable feedstocks that it uses for refining. Extending the feedstock base will improve Neste Oil's security of supply in terms of renewable inputs and will balance out the impact that fluctuations in feedstock prices have on the company's business.

Current biofuel production around the world relies on raw materials that are available in commercial quantities and include food-grade and non-food vegetable oil and various types of waste fats. In respect of vegetable oil, Neste Oil has aimed at promoting

improved yields per hectare as one way of reducing the pressure to bring more land into cultivation for producing oil. Neste Oil continued working with Boreal Plant Breeding Oy and Raisioagro Oy during 2012, for example, on a project aimed at developing

spring oilseed rape varieties capable of yielding higher oil and protein levels and suitable for Finnish growing conditions. The goal is to increase the yields of oilseed rape and similar crops by 40% by 2020.

As part of long-term efforts to reduce the proportion of food-grade vegetable oil in its renewable feedstock base, Neste Oil has increased its use of waste- and residues-based inputs significantly. Use of waste fat from the fish processing industry was started in 2012, and a study was carried out on the potential for making use of non-food technical corn oil, used cooking oil, pine oil- and palm oil-based residue streams. Neste Oil's goal is to enable the use of these materials to start in 2013.

Neste Oil committed itself in 2012 to a EU project designed to produce renewable aviation fuel from oil produced from the European camelina plant, which is grown for rotational cropping purposes and largely used as animal feed. Camelina oil is produced as a feed by-product. Neste Oil is also working with partners planning to start production of non-food jatropa oil to help ensure that cultivation follows sustainable principles. The goal of these companies is to grow jatropa on marginal land of little value for other purposes.

In addition to increasing its already extensive use of waste and residues, Neste Oil has continued to prioritize [the development of new types of raw materials](#) to ensure that these can be used as inputs for producing biofuels as soon as possible. New non-food

raw materials, such as algae and microbial oil, are still not available for use on a commercial, and are only expected to be produced in industrial volumes in 5-10 years' time at the earliest.

Neste Oil commissioned a pilot plant for producing waste-based microbial oil at Porvoo in 2012 and continued international collaboration in the algae oil area.

Neste Oil and Stora Enso announced in August 2012 that they had decided not to go ahead with their plans for a commercial-scale NExBTL plant based on biowax produced from forest harvesting waste because of the high capital costs involved. The two companies will continue to cooperate on other bio-based products, however. When planning to use a new renewable raw material, Neste Oil evaluates:

- technical suitability for Neste Oil's refining process
- availability and security of supply in industrial scale
- price
- acceptability on different fuel markets
- overall sustainability of how it is produced and the benefits it offers in areas such as reducing greenhouse gas emissions (carbon footprint) when refined into a fuel, its water footprint, and its impact on land use.

Sustainability ► Climate and resource efficiency ► Material and Energy Balance table

Material and Energy Balance table

Neste Oil's feedstock use, production, and emissions

	2012	2011 ¹⁾	2010
Feedstocks			
Crude oil (t/a)	11,540,000	11,840,000	10,500,000 ²⁾
Other feedstocks (t/a)	4,860,000	3,700,000	3,920,000 ²⁾
Energy consumption			
Electricity (GWh/a)	1,400	1,432	1,333 ²⁾
Steam	2,875	3,170	
Oil (t/a)	51,100	89,120	97,250 ²⁾
Natural gas (billion Nm ³ /a)	0.5	0.5	0.5
Water			
Water withdrawal ³⁾ (m ³ /a)	7,430,000	7,628,000	8,410,000
Wastewater (m ³)	9,904,000	9,100,000	8,151,000 ²⁾
Waste⁵⁾			
Ordinary waste (t/a)	6,100	4,270	8,620 ²⁾

Recycled waste (t/a)	57,600	61,010	42,008 ²⁾⁴⁾
Hazardous waste (t/a)	22,000	24,400	13,800 ²⁾
Emissions to air			
Direct CO ₂ (carbon dioxide), (t/a)	3,471,000	3,696,000	3,789,000 ²⁾
Indirect CO ₂ (carbon dioxide), (t/a)	229,800	162,600	25,400 ²⁾⁶⁾
VOC (volatile organic compounds), (t/a)	5,200	4,700	6,000
NO _x (nitrogen oxides), (t/a)	8,600	10,100	11,900
SO ₂ (sulfur dioxide), (t/a)	8,200	9,300	10,500
Particles	542	505	
Emissions to water			
Oil (t/a)	3.6	1.4 ¹⁾	2.1
COD (chemical oxygen demand), (t/a)	306	317	390
Nitrogen	49	45	
Phosphorus	2.5	2.6	
Products			
LPG (liquefied petroleum gas), (t/a)	317,800	457,300	298,300
Gasoline (t/a)	4,305,500	4,265,500	3,988,500
Diesel fuel and heating oil (t/a)	9,019,200	8,491,800	7,448,800
Heavy fuel oil (t/a)	1,286,600	1,066,184	970,300 ²⁾
Bitumen (t/a)	192,500	490,100	492,900 ²⁾
Sulfur (t/a)	134,900	133,300	121,700
Solvents (t/a)	200,900	267,400	251,300
Other products	258,100	231,200	168,700
Services			
Marine shipments (t/a)	27,415,518	28,640,000	30,700,000
Marine shipments (km/a)	1,892,818	2,196,400	2,422,000
Fuel usage (t/a)	94,000	104,000	136,000
Road shipments (t/a)	3,894,000	3,767,000	3,700,000
Road shipments (km/a)	28,800,000	29,300,000	29,200,000 ²⁾
Fuel usage (t/a)	9,732	9,865	10,013 ²⁾

¹⁾ Figures were updated on 25 April 2012. The information presented in the table above has been updated since the publication of the Annual Report 2011. In respect of wastewater and emissions to water, the figures from 2012 have been used for the Porvoo refinery because the final calculated figures were not available at the time of reporting.

²⁾ Figure has been updated from 2010 report.

³⁾ Does not include cooling water.

⁴⁾ The storage of waste at the Porvoo refinery's recycling area was reduced in 2010, which explains the higher figure.

⁵⁾ Does not include contaminated soil.

⁶⁾ Proportion of purchased electricity. CO₂-free electricity was used at the Neste Oil's office buildings in Finland until the end of January 2011.



Water use and wastewater treatment

Water and steam are used extensively in Neste Oil's refining operations, and water usage is monitored constantly in terms of parameters such as water input, water usage efficiency, and cooling water and wastewater management. Fresh water is largely only used for process, firefighting, and cooling purposes. All Neste Oil refineries employ closed-cycle cooling systems.

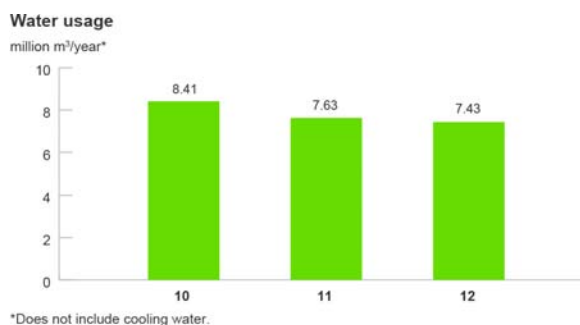
Water used in refining process

The majority of Neste Oil's water usage, around 96%, is linked to the company's refineries and the rest is used in Neste Oil's terminals, shipping, and Neste Oil's stations network. Neste Oil's water usage and wastewater levels have increased as a result of increased production and as a result of company's two new renewable fuel refineries becoming fully operational. The primary reason for the increased palm oil use was the growth of Neste Oil's total renewable feedstock use compared to 2011, as all four of the company's NExBTL plants were fully operational throughout the year. As Porvoo is the largest and most versatile refining facility, the site is also company's biggest water user. Neste Oil's new NExBTL refineries in Rotterdam and Singapore have been designed from the ground up to be highly efficient in terms of water usage.

Water balance calculations have been produced for Neste Oil's Finnish refineries showing water inputs and outputs at these sites and the volumes of the most important water flows there. These figures do not include the seawater used at both sites for cooling purposes. In Rotterdam cooling is purchased from a third party. The cooling water used at the Porvoo, Naantali, and Singapore refineries is sourced from the sea. Seawater is used to

cool the fresh water circulating in a closed circuit before being returned to the sea.

Read more about [cooling water](#).



Water balance figures for Neste Oil's refineries are currently being updated. No targets have been set for water consumption. The water used in processes affects areas such as energy consumption, product quality, and process safety. Water also impacts the corrosion and service life of equipment. As a result, setting targets for specific water consumption is not the best way forward, instead the emphasis in target-setting should be on

evaluating the overall impact of water usage on the environment and safety.

Water inventories and water scarcity areas

Water-related matters are monitored and reported more extensively than previously. Work started on updating a water inventory for Neste Oil's Finnish refineries in 2011. Water inventory analyses for the company's product chains include a more detailed assessment of the impact of water usage than that contained in a simple water balance and provide further information for minimizing possible areas of negative impact.

There is still no commonly accepted standard, method, or set of guidelines for measuring water footprints based on extensive water inventories. Neste Oil is actively monitoring international research on new methods for measuring water footprints however. During 2012, the company focused on the work being done on the ISO 14046 water footprint standard and took part in this work together with VTT Technical Research Centre of Finland and the Chemical Industry Federation of Finland. Neste Oil experts also took part in commenting work related to the Policy Options for the Blueprint to Safeguard Europe's water - initiative.

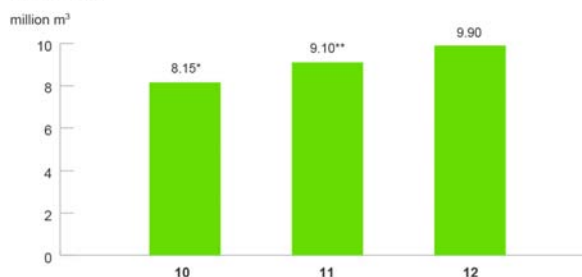
Although there are a number of ways of defining water scarcity, there is no one generally accepted definition. An analysis using the WWF's Water Risk Filter tool, published in 2012, indicates that Neste Oil has no operations in areas of water scarcity. The original sources for the water Neste Oil sources are: the River Maas in Rotterdam, the River Mustijoki in Porvoo, and the River Kokemäenjoki in Naantali. The refinery in Singapore primarily uses recycled wastewater.

The European Commission published a Water Blueprint towards the end of 2012. Neste Oil commented the strategy paper prior to its publication.

Wastewater treatment

The amount of wastewater generated as a result of Neste Oil's operations in 2012 totaled 9,904,000 m³ (9,099,000 m³). This was higher than in 2011 as a result of higher production volumes. Before being discharged into waterways, all wastewater passes through highly efficient treatment plants featuring mechanical, physical- chemical, and biological processes. Treated wastewater is discharged to waterways in Porvoo, Naantali and in Rotterdam. Wastewater from the Singapore refinery goes to a local Public Utilities Board treatment plant, where some of it is treated for re-use. The majority of the process water used by Neste Oil at the refinery comprises this recycled water.

Waste water



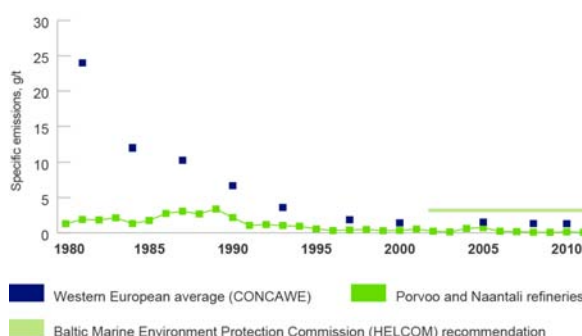
*Figure has been updated from 2010 report.

**Figure has been updated from 2011 report.

The oil content of waterborne emissions at Neste Oil's two largest refineries at Naantali and Porvoo was 0.12 grams (0.08 g) per ton of feedstock processed in 2012, which was less than 5% of the target level of 3 g/t set by the Baltic Marine Environmental Protection Commission.

Wastewater emissions at Neste Oil's refineries compared to other refineries in Western Europe

Oil emissions into the sea, 1980–2011, grams per ton of feedstock input



The HELCOM recommendation is 3 g/t, Recommendation 23/8 (6.3.2002)

Wastewater treatment at Neste Oil's refineries operated well during 2012, with the exception of two incidents in Porvoo Refinery and one incident at Naantali refinery when the limits set by the authorities for effluent discharges were exceeded. A decision to increase wastewater treatment buffer capacity at Naantali was made in 2011, and this increased capacity will be in place by 2014 at the latest.

Neste Oil has increased the efficiency of water usage and wastewater treatment at Porvoo over the last few years, partly as a result of the stricter environmental permit conditions covering the refinery's wastewater that came into force at the beginning of 2012.

Water issues in renewable feedstock procurement

Water issues are seen as fundamental, particularly when selecting which renewable inputs and which suppliers of these materials to use. Neste Oil always reviews water usage and wastewater treatment prior to the selection of any new raw materials or their suppliers. Pressing the palm oil used as one of the raw materials for NEXBTL renewable diesel, for example,

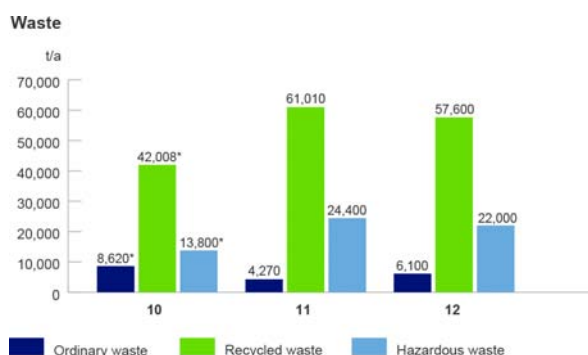
generates quantities of wastewater; and Neste Oil expects potential palm oil suppliers to treat this effluent using responsible procedures and processes. Palm oil suppliers are also expected to provide regular water reports as part of Neste Oil's continuous

sustainability monitoring process. Neste Oil's experts monitor research on the water consumption characteristics of different crops and cultivation areas producing renewable raw materials, as well as how much evapotranspiration occurs during cultivation.

Sustainability ► Climate and resource efficiency ► Waste

Waste

Neste Oil's goal is to steadily reduce the amount of waste that its operations generate and promote greater waste recycling. The majority of Neste Oil's waste, over 90%, is generated at the company's refineries. The total amount of waste amounted to 85,700 tons (89,680 tons) in 2012.



Neste Oil launched a program in 2011 to outsource waste management at its refineries to specialist professionals in the field as a means of improving overall waste management efficiency and achieving cost savings. The Porvoo refinery was the first site to see its waste management outsourced to a waste-management company, which now has a full-time site manager in the Kilpilahti area. The latter assists Neste Oil personnel in day-to-day waste management matters, guides and monitors the company's waste management partners, develops operations, and is responsible for waste reporting, monitoring legislative changes in the field, and informing Neste Oil of anything that may affect its operations.

Neste Oil's largest refinery at Porvoo concentrated on improving waste sorting, labeling waste skips, and establishing centralized waste collection points during 2012 to further reduce the volume of the site's mixed waste stream. Waste such as concrete and asphalt is shipped off-site directly to specialized treatment facilities.

The outsourcing program will continue in 2013 at other sites. The aim is to introduce the approach developed at Porvoo to the Naantali refinery, terminals, and sites outside Finland.

The majority of the waste generated at the Rotterdam refinery is organic in nature and is exported off-site for use as compost or in

producing biogas. This use of the site's waste increases the overall value of the refining process and reduces its production-related greenhouse gas emissions. Other types of waste at the site are sorted to optimize recycling and cost efficiency. Paper waste generated in the refinery's offices is collected for recycling. Waste logistics and waste management have been outsourced to an outside provider, who is also responsible for ensuring that the site complies with statutory waste management legislation and regulations.

In addition to ordinary waste, the Singapore refinery generates other types of waste, most of which takes the form of bleaching clay, sludge, and oil-contaminated water, which is sent for treatment in line with local legislation to a specialist outside contractor. Some of the bleaching clay goes to a landfill. The refinery receives payment for waste that is recycled. Office waste – such as paper, ink and toner cassettes, and cans – is sorted and recycled.

Neste Oil's single largest office, Head Office in Espoo, has been involved in the WWF's Green Office program for some time. As part of its participation, Neste Oil targeted reducing mixed and secure ICT waste there by 5% during 2012. This reduction target was not met. Mixed waste increased by over 1,000 kg and ICT waste by over 6,000 kg. Mixed waste totaled 7,000 kg (5,600kg) and ICT waste 27,500 kg (21,000 kg). This increase was mainly the result of higher personnel numbers at the site. As a result, efforts will be made in 2013 to improve employees' awareness of recycling issues.

The majority of Neste Oil's products are never packed, but are transported and sold to customer directly from product tanks. Only a very small proportion of products intended for corporate customers and consumers (such as lubricants, antifreeze, window wash, and LPG in Finland) is packed for sales purposes.

More information on Neste Oil's material usage can be found in the [Material and Energy Balance table](#).



Protecting the waterways and soil

Neste Oil protects the soil, groundwater, and waterways from being polluted by its operations and from other negative impact resulting from its refining and logistics activities everywhere it operates. Past damage is always systematically cleaned up.

Avoiding leaks and spills, and protecting soil and waterways generally, are particularly important areas of environmental protection work for Neste Oil, as the company's refineries are based at coastal locations and a significant proportion of feedstocks and product deliveries take place by sea.

Water-related questions are always highlighted as part of environmental impact assessments when planning the construction of new plants. The most recent of these was carried out in September 2011 for a biorefinery planned by NSE Biofuels Oy. No assessments of this type were carried out in 2012.

Protecting waterways

Neste Oil prioritizes the safety of its marine logistics and the importance of avoiding any accidents at sea. In line with previous years, no significant leaks into the sea took place as part of marine shipments in 2012, nor were there any other dangerous situations encountered that could have threatened sea areas, waterways, or other aspects of the environment. Neste Oil continued working with the Tanker Safety Project coordinated by the John Nurminen Foundation. Read more on [transport safety](#).

Sea areas adjacent to Neste Oil's refineries in Finland, together with water quality, have been monitored for decades, and work in this area continued in 2012. Monitoring focuses on studying

water quality, organisms that live on the seabed, pollutants, fish stocks, and fishing-related issues. No significant changes from the good level of the previous year were not found in them. The authorities are responsible for comparable monitoring at the Rotterdam refinery.

Water quality near the Porvoo refinery and the state of the sea bottom near the site do not differ from those typical of other areas along the coast in the eastern part of the Gulf of Finland. The levels of pollutants found in sediment, clams, and perch are low. Studies have shown that no significant changes have taken place in the stocks of fish that are commonly caught locally – such as pike perch, perch, and pike – over the last 20 years. Annual studies of the sea off the Naantali refinery are carried out in cooperation with other local organizations. The most recent report covering the Naantali site was published in 2011.

Cooling water and its impact on nearby waterways

Cooling water for Neste Oil's refinery in Rotterdam is sourced from a third party, while that for the Porvoo, Naantali, and Singapore refineries comes from the sea. Seawater is used to cool fresh water circulating in a closed circuit. Large quantities of water are needed, nearly 82,000 m³ an hour at the Porvoo

refinery. The temperature of this water is around 10 °C higher when it is returned to the sea.

Because of its elevated temperature, this water adds a thermal load to the area affected. Based on a study conducted at the Porvoo refinery during three winters 2008-2010, the discharge of warmer water does not weaken ice cover or melt it during the winter, however. The study concluded that water flows into the area near the site rather than out to sea, which indicates that thinner ice cover could be caused by thermal energy stored in deeper water layers being released, rather than the refinery's cooling water. A three-year fisheries study in waters near the Porvoo refinery completed in 2011 showed that cooling water intakes used by the refinery do not have a significant impact on fish catches. The size of catches may be reduced by approximately 5%, but most of the fish trapped at intakes have been of no commercial value. Monitoring of fish stocks continued in 2012.

Groundwater protection

Statutory groundwater monitoring continued at the Porvoo and Naantali refineries, the Hamina terminal, and a number of service stations during 2012. Voluntary monitoring took place at the new base oil plant in Bahrain, which is partly owned by Neste Oil. A groundwater monitoring program has been in place at Naantali since 1995, at Porvoo since 1996, at the Hamina terminal since 1998, and at the Bahrain plant since 2010.

Internal groundwater monitoring at the Porvoo site during 2012 indicated some higher-than-normal levels of pollutants, and this is being investigated.

Under the EU's Industrial Emissions Directive ratified in 2011, a survey of the current state of the soil at Neste Oil's refineries will

be required as part of the next environmental permit process for each refinery. Neste Oil has collected monitoring data on the soil and groundwater at its Finnish refineries on a voluntary basis since 1995; and the company's other refineries can also supply the soil data required by the Industrial Emissions Directive. Neste Oil's goal is to ensure that pollutants are never leached off the company's sites through groundwater.

Soil protection

A serious leak into the surrounding soil took place at the National Emergency Security Agency's oil storage facility in Kajaani operated by Neste Oil in 2012. Water contaminated with an estimated 20 cubic meters of light fuel oil leaked out of the facility in April. [Read more about the case here.](#)

Oil Retail continued work on its environmental risk management program in 2012 and carried out various measures to protect the soil and clean up polluted soil at several service stations across Finland. A total of approximately EUR 2.2 million (3.6 million) was spent on environmental protection-related pre-inspections, monitoring the impact stations have on local groundwater, soil contamination analyses, and soil clean-up measures. This figure does not include dealer-owned stations, where dealers are responsible for soil protection and possible clean-up work.

Following the closure of three stations that had operated for around 10 years, it was possible to study how effectively the structures built into new service station to protect the surrounding soil perform in 2012. The soil around the stations was shown to be free of contaminants. The Finnish Petroleum Federation came to a similar conclusion at sites operated by other companies and produced a report on the subject at the end of 2012. These findings will be used when developing methods for protecting the soil at stations located near groundwater areas in the future.



Protecting the biodiversity and the natural world

A number of factors threaten the world's forests and the biodiversity of the natural world, of which population growth, poverty, mining, construction, irresponsible forest land use, and the uncontrolled expansion of agriculture represent the most important. Neste Oil has invested in environmental protection work for decades, as part of its refining, logistics, and service station operations. Most recently, Neste Oil has concentrated on promoting environmental protection issues in its feedstock procurement operations.

In addition to continuously measuring and monitoring environmental impact, protecting the biodiversity of forests and the natural world generally calls for an efficient use of natural resources to secure the continued integrity of the world's ecosystems.

Good level of biodiversity-related management

Bioindicators have been monitored on a long-term basis since 1985, and monitoring continued during 2012. The latest report on this area of monitoring, dating from 2010, shows that forestland in the vicinity of the Porvoo and Naantali refineries is slowly recovering from the impact of previous pollution. Improvements in the local environment will help preserve the natural biodiversity of these areas. Monitoring will continue.

Neste Oil took part in the Natural Value Initiative assessment in 2011, focused on how oil companies operate in terms of biodiversity, ecosystem services, and water use management. The project rated Neste Oil's management of biodiversity as good and the company's performance as average for the industry and in line with Neste Oil's risk exposure. No similar projects took

place in 2012. Neste Oil's practices and experiences in these areas were profiled at a major conference on biodiversity held in Germany in April 2012.

Recognition for Neste Oil's work in managing and reporting its forest footprint

Neste Oil was again recognized by the international Forest Footprint Disclosure (FFD) project for the thorough management and reporting of its forest footprint in 2012. The FFD project is an important forum for sharing information and expertise related to deforestation.

Natura areas close to the Porvoo and Naantali refineries

The Stormossen bog – a 75-hectare domed bog – to the west of the Porvoo refinery has been a protected site since 1993 and is part of the European Natura 2000 network of nature conservation sites. Together with sites of significant cultural historical importance, the Stormossen bog was one of the nature conservation sites within a 20-kilometer radius of the Porvoo

refinery listed in the environmental impact assessment completed in 2011 on a possible biorefinery to be built by NSE Biofuels.

The Vanto area of deciduous woodland close to the Naantali refinery, owned by Neste Oil, was declared a protected area under Finnish nature conservation legislation at the end of 2008.

Neste Oil always takes areas such as these into account in its operations and strives to protect them and the rest of the environment around its sites.

Taking account of forestland and biodiversity in raw material procurement

Neste Oil strives to purchase only certified renewable raw materials to ensure that environmental protection practices are used in producing its inputs. Neste Oil always confirms that its renewable raw materials are fully traceable. Raw materials used by Neste Oil can only be produced in specifically designated areas and production must not be allowed to endanger sensitive areas, threaten forestland, or undermine the biodiversity of the

local environment. Neste Oil prioritizes the use of waste and residues in its feedstock procurement.

Neste Oil has committed itself to an international alliance calling for a moratorium on the felling of rainforest and an immediate end to the destruction of rainforest, biodiversity, and irresponsible land use. Neste Oil believes that producing the vegetable oil used for refining into biofuels should not be allowed to increase the amount of land used for cultivating these crops; the focus should be on increasing the yields of existing areas instead.

Read more about [the EU regulation for the cultivation and biodiversity of raw materials that have been used for biofuel production](#).

Read more about [the sustainability criteria used with the company's suppliers here](#).



Oil leak in Kajaani

Around 100 m³ of water contaminated with heating oil leaked from a National Energy Security Agency storage facility in Kajaani operated by Neste Oil in April 2012. The water is estimated to have contained around 20 m³ of oil.

Neste Oil began working with the local authorities in containing and cleaning up the spill immediately after the incident took place and continued this work throughout the year. Neste Oil also committed itself to all measures needed to remedy the damage caused and compensate local people.

Following clean-up work carried out in fall 2012 and natural processes, the size of the polluted area had shrunk significantly by the end of the year. No significant damage resulting from the leak has been observed in local waterways and the sedimentary layers of the local lake are clean of oil. The remaining oil has not found its way into the local environment and there is no immediate need for further clean-up work.

Following the incident, the capacity of the facility's water management systems has been increased by over 100 m³ and additional oil measurement sensors for monitoring water purity have been installed and existing ones upgraded. Operating procedures have also been developed and monitoring increased.

Neste Oil will continue work on the case in 2013 and will draw up a review of the contamination in the area affected by the leak and the clean-up required, which will be used when deciding whether possible further additional measures are needed. Input from the Kainuu Centre for Economic Development, Transport and the Environment and the Finnish Environment Institute on the report will be taken into account when planning follow-up measures. Neste Oil also plans to investigate whether other, lower-profile methods, such as the use of forest fertilization or land reclamation, could be used.

An on-site review of the situation will take place in April 2013, and the plan is to complete a new soil survey by the end of the summer. Neste Oil will produce a proposal covering a waterways monitoring program for the spring 2013 flood season. Further information on the leak (in Finnish) can be found here: <http://www.kajaaninoljyvahinko.fi>.

Sustainable supply chain

Supply chain in Neste Oil covers production of raw materials, transportation, refining and product use. Selection principles of raw material suppliers are outlined in Neste Oil's Supply compliance principles. Neste Oil monitors the sustainability of its renewable fuels production chain continuously and verifies that it complies with both its own and statutory sustainability criteria on a regular basis – through both its own internal audits and audits carried out by impartial third-party experts.

Sustainability of supply chain



Efficient resource usage at Neste Oil covers areas such as:

- Responsible feedstock procurement
- Reducing greenhouse gas emissions across the entire supply chain
- Continuously improving the energy efficiency of refinery operations
- Optimizing logistic flows
- Optimizing the use of water for process, firefighting, and cooling purposes
- Using closed-cycle cooling systems at the company's refineries
- Employing efficient wastewater treatment processes at refineries before discharging effluent into waterways
- Reducing the amount of waste generated during operations and improving recycling efficiency
- Making use of refining sidestreams.

All of the renewable inputs used by Neste Oil are

100%

traced back to their origin.



Palm oil from over 9,000 families

Altogether over 9,000 smallholder families supplied to Neste Oil, and all of these volumes supplied were ISCC-EU-certified (International Sustainability and Carbon Certificate) with assistance from Neste Oil's experts.

What were our targets?	Actions and achievements in 2012	What next?
<ul style="list-style-type: none"> ▪ Increase the proportion of certified raw materials by a minimum of 10%-points compared to 2011. 	<ul style="list-style-type: none"> ▪ All renewable feedstocks used in refining were 100% traceable back to their origin. ▪ 77% (49%) of renewable inputs were certified in 2012. 91% (83%) of palm oil used was certified (ISCC or RSPO*). 	<ul style="list-style-type: none"> ▪ We ensure that all renewable feedstocks continue being 100% traceable back to their origin. ▪ We continue to increase the proportion of certified renewable feedstocks in refining. ▪ Our aim is that 100% of the palm oil used by Neste Oil will be certified by the end of 2015.

* The ISCC (International Sustainability and Carbon Certification) and RSPO (Roundtable on Sustainable Palm Oil) certification systems have been approved by the European Commission as meeting the requirements of sustainability verification schemes specified in the EU's Renewable Energy Directive.

Greenhouse gas emissions and sustainability verification throughout the supply chain

The following diagram illustrates the various stages of the supply chain related to the fuels that Neste Oil produces, the greenhouse gas emissions emitted during each stage, and the sustainability verification methods used in respect of renewable fuels.

Life cycle of the fuel produced



Greenhouse gas emission reduction of the entire life cycle of the fuel produced

Product	Greenhouse gas emissions generated during the product's life cycle (g CO ₂ eq/MJ):	Emission reduction* compared to fossil diesel (using the EU calculation method):
Fossil diesel	83.8	-
NExBTL diesel (palm oil)	44.8	47
NExBTL diesel (rapeseed oil)	42.8	49
NExBTL diesel (waste animal fat)	20.5	76

* Average greenhouse gas emission reduction values calculated by Neste Oil for the entire life cycle of the fuel produced at the Porvoo refinery and shipped to European markets. The calculation method complies with the requirements of the EU's Renewable Energy Directive and has been verified by SGS. A reference figure of 83.8 g of CO₂eq/MJ has been used when calculating emission reductions. The proportions of greenhouse gas emissions accounted for by the various stages of fossil diesel production are based on CONCAWE estimates. Emission reductions are affected by raw material production methods, the mode of transport used, refining, fuel transportation, and end-use.



Production of renewable and fossil raw materials

In accordance with Neste Oil's sustainability verification scheme, we review:

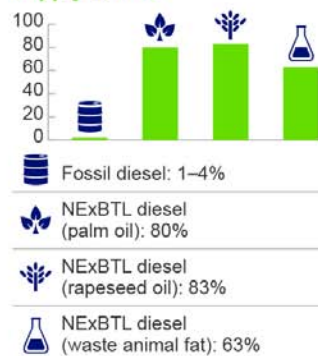
- Cultivation data provided by raw material suppliers
- Historical data on land use and when cultivation or growing started
- Data on raw material suppliers from verification, audits, and certificates
- Renewable raw material production methods, such as vegetable oil pressing.

Greenhouse gas emissions:

- Crude oil used as the feedstock for producing fossil diesel comes from underground reservoirs, and extraction and flaring account for the largest proportion of greenhouse gas emissions.

- The majority of the greenhouse gas emissions of renewable diesel are associated with cultivation in respect of rapeseed oil and pressing in respect of palm oil. The greenhouse gas emissions associated with waste animal fat are released during transportation. The greenhouse gas emissions of waste and residues (such as waste animal fat and palm fatty acid distillate, PFAD) are not included in the greenhouse gas balance of the end-product.
- Palm oil is better than most other types of vegetable oil in terms of its greenhouse gas balance, because of the excellent yields offered by oil palms and the fact that harvesting is done manually. Its greenhouse gas balance can be improved even further if methane is not generated during pressing or it is recovered.

Emissions generated as a proportion of the entire supply chain:



Raw material transportation

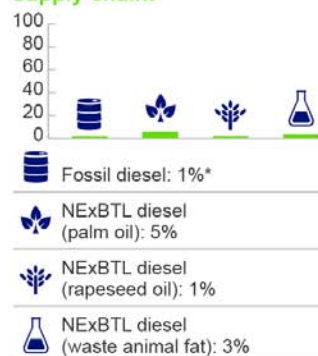
In accordance with Neste Oil's sustainability verification scheme, we review:

- Mode of transport used
- Compliance with international regulations

Greenhouse gas emissions:

- Fossil and renewable raw materials are transported from where they are produced to where they are refined by sea, rail, and road. CO₂ emissions are generated during transportation; levels depend on fuel consumption, engine efficiency, and how well machinery is maintained.

Emissions generated as a proportion of the entire supply chain:



* Raw material and fuel transportation combined.



Refining

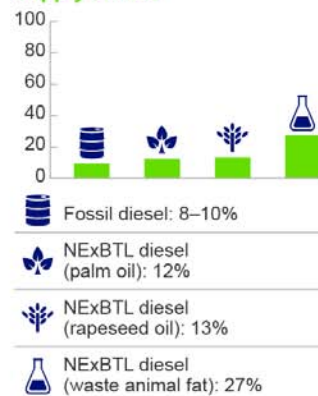
In accordance with Neste Oil's sustainability verification scheme, we review:

- Process energy use
- Energy generation configuration
- Certificates and permits

Greenhouse gas emissions:

- CO₂ is released when producing the hydrogen used in refining, for example. CO₂ generated during refining can be recovered, thereby reducing overall emissions. Neste Oil's refineries in Finland come under the EU's Emissions Trading Scheme.

Emissions generated as a proportion of the entire supply chain:



Fuel transportation

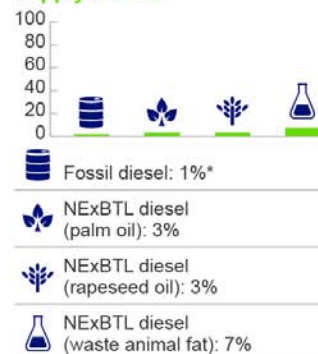
In accordance with Neste Oil's sustainability verification scheme, we review:

- Mode of transport used
- Energy consumption

Greenhouse gas emissions:

- Neste Oil sells the bulk of its fossil and renewable diesel to wholesale customers, which include major oil companies.
- Road transport generates the largest amount of CO₂ emissions; shipments by sea generate fewer emissions per ton of product.
- Road transport emissions have been reduced by equipping tanker trucks with more efficient engines and speed limiters.
- Product transport emissions include storage- and service station-related emissions generated as part of fuel distribution.

Emissions generated as a proportion of the entire supply chain:



* Raw material and fuel transportation combined.





Product use

Neste Oil's sustainability verification scheme does not cover product use.

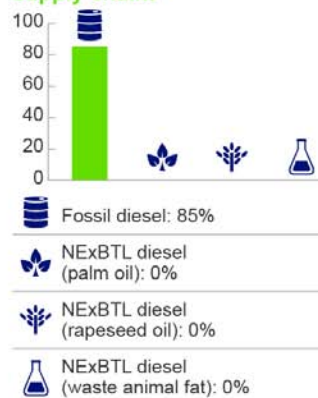
Greenhouse gas emissions:

- The majority of fossil diesel emissions are generated during usage, when the carbon contained in the crude oil used to produce it is released into the atmosphere as CO₂ during combustion.
- Similar volumes of CO₂ emissions are released during the use of NExBTL renewable diesel, but these emissions do not add fossil-based carbon to the CO₂ in the atmosphere. As a result, emissions released when using renewable fuels are not included in the CO₂ balance figures for Neste Oil's supply chain.*

- The levels of tailpipe emissions released when using NExBTL renewable diesel are significantly lower than those of fossil diesel:
 - Nitrogen oxide (NO_x), -9%
 - Particulates (PM), -33%
 - Carbon monoxide (CO), -24%
 - Hydrocarbons (HC), -30%
- Premium-quality fuels are ideal for the latest engines, which offer lower fuel consumption and lower CO₂ emissions.

* Based on the EU's Renewable Energy Directive (2009/28/EC).

Emissions generated as a proportion of the entire supply chain:



Sustainability ► Sustainable supply chain ► Strict sustainability criteria applied to suppliers

Strict sustainability criteria applied to raw material suppliers

Selection principles of raw material suppliers are outlined in Neste Oil's Supply compliance principles.

Procurement criteria for fossil and renewable feedstocks

Neste Oil decides which fossil and renewable feedstock suppliers to use based on its Supply Compliance principles and the procurement criteria contained in its risk management principles. These define the procedures to be followed in areas such as the following:

- Register of approved counterparties
- Supplier criteria
- Counterparty approval procedures
- Credit review
- Security review
- Sustainability review
- Authority to approve a counterparty and documentation.

Only those suppliers are used that operate in line with Neste Oil's HSEQ requirements – in areas such as safety, health care, and labor use – and are able to supply products and services that

comply with the appropriate statutory requirements in terms of health, safety, and the environment, and possess other relevant and appropriate statutory permits. Neste Oil's procurement organization also abides by the health, safety, and environmental guidelines of the company's various businesses and refineries.

Neste Oil requires sustainability of the raw material suppliers

Neste Oil is committed to sourcing only raw materials that can be verified as having been produced sustainably and that can be fully traced back to where they were grown or produced – in accordance with the sustainability criteria contained in the EU's Renewable Energy Directive, established by the Environmental Protection Agency in the US, or other statutory regulations.

Neste Oil employs very detailed criteria when selecting its renewable raw material suppliers, and requires suppliers to be committed to [Neste Oil's sustainable development principles](#)

[related to biofuels](#). These criteria are defined in the supplier guidelines incorporated into Neste Oil's management system – and require suppliers to be committed to sustainable development and to continuously improving their operational health, safety, and environment performance, to protecting biodiversity, to respecting human rights, to proactively promoting occupational safety, and to acting in accordance with good business ethics.

In line with its criteria, Neste Oil requires that all its renewable raw material suppliers must also be committed to international certification programs. Preference is given to certified raw materials as a means of ensuring that sustainable practices are used in producing the raw materials that Neste Oil buys.

Prior to taking a decision on a raw material supplier, Neste Oil always carries out a due diligence study to clarify areas such as the current level of a supplier's HSEQ performance and their plans for improving their performance. Neste Oil either carries out an audit itself or commissions an impartial, third-party audit of a supplier to determine whether they operate responsibly and sustainably and how they are implementing their development plans in practice.

During 2012, impartial third-party specialists audited 26 (19) of Neste Oil's raw material suppliers in connection with certification procedures. In its own audits, Neste Oil uses the criteria that it has developed as part of its sustainability verification system, which meets the requirements of the EU's Renewable Energy Directive and is expected to receive approval by the European Commission in the near future. Neste Oil also includes a sustainability clause in all the commercial contracts that it signs with its renewable raw material suppliers. NExBTL renewable diesel customers also audited Neste Oil's production and procedures during 2012.

All of the renewable inputs used by Neste Oil are 100% traced back to their origin.

Renewable feedstock suppliers

Neste Oil sourced the bio-inputs needed for producing its renewable fuels from a total of 31 (29) suppliers around the world in 2012. Waste animal fat and rapeseed oil were also sourced from Finland. Neste Oil primarily sources its renewable inputs directly from suppliers around the world. It does not engage in producing or manufacturing any raw materials used in refining renewable fuels, nor does it own or operate any plantations or facilities producing renewable inputs.

Read more about [the range of renewable fuels in production](#).

Some of the Neste Oil's palm oil procured by Neste Oil in 2012 came from smallholder-operated plantations in Indonesia. More than 9,000 smallholder families supplied Neste Oil, and all of these volumes were ISCC-EU-certified (International Sustainability and Carbon Certificate) with assistance from Neste Oil's experts. Neste Oil also continued to explore new opportunities for cooperating with palm oil smallholders in 2012.

Read more about [Sustainability of the renewable fuels supply chain](#).

No complaints proceedings or legal cases related to raw material procurement

There were no outstanding complaints proceedings or legal cases related to the procurement of Neste Oil's raw materials in 2012.

Neste Oil was aware of a new legal case related to the financial affairs of one of its raw material suppliers in 2012, but this was not linked to business between Neste Oil and the company concerned. Although Neste Oil is not involved, it is monitoring the case.

Read more about the complaints lodged against Neste Oil's raw material suppliers in [the 2011 Sustainability Report](#) and at [the RSPO Web site](#).

Sustainability of the renewable fuels supply chain

Sustainability issues related to Neste Oil's supply chain are particularly emphasized in the area of renewable fuels production. Neste Oil monitors the sustainability of its renewable fuels production chain continuously and verifies that it complies with both its own and statutory sustainability criteria on a regular basis - through its own internal audits and audits carried out by impartial third-party experts.

All of the renewable inputs used by Neste Oil are 100% traced back to their origin

The production of the raw materials used for producing biofuels is highly regulated today. Like all companies producing renewable fuels for the European market, Neste Oil is required to be able to verify a number of issues in accordance with the requirements of the EU's Renewable Energy Directive, including:

- Being able to trace the origin of the raw materials it uses back to where they are cultivated or produced
- Ensuring that the renewable fuel it produces offers a minimum 35% reduction in greenhouse gas emissions across its entire life cycle when compared to fossil fuel (over 50% from 2017 onwards), and
- Ensuring sustainable criteria are met throughout the supply chain.

All the renewable inputs used by Neste Oil can be traced back to the plantations and production sites from which they come. With thorough traceability we ensure that only acceptable raw material ends up in production.

Greenhouse gas emissions of renewable fuels

Under EU legislation, the greenhouse gas emissions released by a fuel classified as renewable diesel over the product's entire life cycle must be at least 35% lower than those of fossil diesel, and under US legislation 20% or 50% lower. The emissions of Neste Oil's renewable diesel produced from all the feedstocks currently used are 40-90% lower. The largest reductions are achieved when using waste- and residue-based inputs.

Neste Oil reviewed its palm oil suppliers' methane capture projects with different stakeholders in 2012. In the year 2012 11% of the plants supplying palm oil to Neste Oil already have equipment in place for preventing the creation of methane or recovering this gas. Neste Oil continues to work on promoting methane capturing at palm oil mills in Indonesia and Malaysia with various stakeholders sharing the same goal. Methane capture systems reduce the carbon footprint of renewable fuel produced from this input.

Rainforests are not cleared for biofuels

Raw material production for biofuels is strictly regulated. Raw materials can be produced only in carefully defined areas, that do

not threaten biodiversity. European legislation, in the shape of the EU's Renewable Energy Directive, details all areas that cannot be used to produce raw materials for biofuel production.

Areas include:

1. Areas with a particularly rich level of biodiversity, such as:
 - **Old-growth forests** comprising naturally occurring species that have not been subject to significant disturbance and where local ecological processes are essentially intact
 - Areas that have been designated as **nature reserves**
 - Areas with **rare, endangered, or highly endangered ecosystems or that have designated as sanctuaries for protected species** and that have been recognized as such by international agreements or which are included in lists of protected sites drawn up by intergovernmental organizations or the International Union for Conservation of Nature
 - Biologically **highly diverse grasslands**.
2. Carbon-rich areas, such as:
 - **Wetlands** that are covered by or saturated with water either permanently or for a large part of the year
 - Areas of permanent **forest cover** of greater than one hectare in size with trees higher than five meters and canopy cover of greater than 30% or trees able to reach these thresholds
 - Land larger than one hectare in area with trees higher than five meters and canopy cover of 10-30% or trees able to reach these thresholds
 - **Peatland**, unless it can be shown that cultivating and harvesting raw materials in these areas does not involve drainage of previously undrained soil.

New cultivation cannot be established on land listed above under EU legislation. If cultivation started before January 2008, however, EU legislation approves the use of this land.

Independent third party auditors verify compliance

Compliance with sustainability criteria covering the entire renewable fuel supply chain is demonstrated in accordance with **sustainability verification systems approved by the European**

Commission. These systems – such as ISCC and RSB EU RED – define the minimum levels of acceptable sustainability and the documentation required during the various stages of the renewable fuel supply chain. Neste Oil's supply chain is monitored through regular independent third-party audits to ensure compliance.

Neste Oil supplies documentation proving the compliance of its operations with these sustainability criteria to its corporate customers and to the authorities responsible for monitoring compliance in those countries where the fuel is sold. Biofuel that fails to meet these sustainability criteria cannot be used to meet the binding mandated bio-content requirements imposed at EU member state level. Biofuels meet the requirements of the US and Canadian markets when the raw materials they are based on, and the production process used, comply with US and Canadian fuel pathway requirements. Neste Oil currently supplies customers in both the US and Canada with renewable diesel.

All the renewable inputs used by Neste Oil meet with the strict sustainability criteria set out in EU biofuel legislation, which forbid forests, wetlands, peat bogs, and areas with high levels of biodiversity from being cleared for biofuel-related purposes.

All Neste Oil's NExBTL plants are ISCC-certified and have an EPA Certificate of Registration

All of Neste Oil's NExBTL plants were re-certified under the ISCC-EU (International Sustainability and Carbon Certification) system in 2012. ISCC certification confirms that renewable fuel is produced in accordance with the EU's Renewable Energy Directive at Neste Oil's sites. Certificates verify that Neste Oil's methods and the documentation used in raw material procurement, fuel production, and product sales match ISCC requirements, and that NExBTL renewable diesel produced from certified raw materials is suitable for use as mandated bio-content. Certification audits on NExBTL plants in 2012 were carried by an independent third party, SGS.

Neste Oil's NExBTL refineries in Singapore and Rotterdam received RIN Generator approval for the first time in 2012 from the Environmental Protection Agency (EPA), which is responsible for monitoring compliance with the sustainability criteria applied

to biofuels sold in the US. The two NExBTL units at Porvoo already have RIN Generator approval. This means that all of Neste Oil's NExBTL facilities are now approved for producing fuel complying with US renewable fuel requirements, and that NExBTL renewable diesel can be used to help meet the US' major biofuel and greenhouse gas emission reduction targets. The ability to produce NExBTL renewable diesel for the US market at all three NExBTL sites will enhance the flexibility of Neste Oil's business and represents an important logistics milestone.

Work on developing Neste Oil's sustainability verification scheme continued

Neste Oil has developed its own voluntary sustainability verification scheme applicable to any renewable raw material over the last few years. This scheme, which is designed to demonstrate compliance with the sustainability criteria contained in the EU's Renewable Energy Directive, covers the entire supply chain from raw material procurement to the delivery of fuel to the customer, and can be used by all companies producing renewable fuels of the HVO (Hydrotreated Vegetable Oil) type.

The system broadly mirrors the ISCC certification system, which is widely used in Europe, and includes separate sections devoted to the certification of renewable raw materials, fuel refining, and logistics. The system is better-suited than older ones to flexibly integrating EU-approved raw material certification schemes – such as RSPO RED for palm oil and RTRS EU RED for soy oil – into the overall certification process. This will significantly facilitate and accelerate certification-related work carried out by fuel producers and raw material suppliers, by reducing the duplicate work called for by earlier systems and the cost of certification. Renewable fuel customers will also benefit.

The scheme developed by Neste Oil passed the European Commission's technical evaluation phase in 2012, and further consideration of the system by the Commission is now under way, with feedback being received from member states. Neste Oil hopes to receive approval for the scheme from the Commission in 2013.

The key areas of the sustainability verification scheme developed by Neste Oil are profiled in this supply chain illustration.

Read more about [Strict sustainability criteria applied to raw material suppliers](#).

Sustainability reporting

The goal of Neste Oil's Sustainability Report is to share information on the sustainability of the company's operations and provide the information required by stakeholders in this area. A Sustainability Report is published annually as part of the Annual Report, and supplementary information is published on the Neste Oil Web site.

Developing reporting

Sustainability reporting has been developed based on feedback from the 2011 Report, particularly in terms of the development areas identified during the assurance process.

Emphasis has been given to clarifying the structure of the Sustainability Report, making its content more concise, and explaining the definitions and accounting principles used for the

indicators reported on. An analysis of emerging trends in the sustainability field was carried out, and the matrix of key sustainability issues used was updated on the basis of this analysis and feedback from stakeholders. Neste Oil's goal is to communicate its sustainability-related goals more effectively and to highlight the extensive work that it does in the safety area. Feedback on Neste Oil's sustainability reporting can be sent via email to corpcomviestinta@nesteoil.com.

Reporting principles

Neste Oil is committed to the principles of the AA1000APS (2008) standard covering inclusivity, materiality, and responsiveness. The 2012 Sustainability Report is the fourth to have been compiled in accordance with the G3 guidelines (version 3.0) of the Global Reporting Initiative (GRI). An independent third party has assured the sustainability information.

Neste Oil's first combined Annual Report and Sustainability Report to appear primarily [online in html-format](#) covered operations in 2011 and was published on 29 February 2012. The 2012 Annual Report and Sustainability Report will also be published primarily online.

Reporting principles and guidelines

Neste Oil is committed to the principles of the AA1000 AccountAbility Principles Standard (2008) standard covering inclusivity, materiality, and responsiveness. The 2012 Sustainability Report is the fourth to have been compiled in applying the G3 guidelines (version 3.0) of the Global Reporting Initiative (GRI).

Neste Oil's financial reporting complies with international IFRS accounting requirements, while corporate governance reporting complies with relevant national legislation and the Finnish Corporate Governance Code covering listed companies. The presentation of environmental costs and liabilities is based on Finnish accounting legislation. Financial indicator data is based on audited figures. Personnel figures are calculated in accordance with the Finnish Accounting Board's general guidelines for annual

reports. CONCAWE principles are used in calculating safety-related injury frequency figures.

Changes in previously reported figures and accounting principles are shown alongside the corresponding key figures. Definitions of the indicators reported, together with the calculation principles and formulas used, are presented in the [Principles for calculating the key indicators](#).

Reporting scope

The reporting period covered in the Sustainability Report is the same as that followed in the Annual Report: 1 January – 31 December 2012.

Safety and environmental reporting for 2012 covers all the refineries owned by Neste Oil in Finland and overseas in which the company has a greater than 50% holding. Reporting on safety and environmental matters also covers all of Neste Oil's terminals, the company's fleet (both Neste Oil's own vessels and its time-chartered tonnage), its offices, and the country companies responsible for Oil Retail operations. Neste Oil does not report environmental data for locations where it occupies only part of an office building; these locations include Neste Oil's

offices in Houston, Toronto, Oulu, and Moscow. Reporting on safety matters also covers service providers, key contractors, and the road and marine transportation of Neste Oil's products and feedstocks. In all other respects, reporting covers all aspects of Neste Oil Corporation's activities and those of companies in which Neste Oil has a greater than 50% holding. No changes in the scope of reporting took place during 2012 compared to 2011.

In addition to the corporate Sustainability Report, the Porvoo and Naantali refineries publish regular newsletters for residents in the surrounding areas covering the local impact of Neste Oil's operations. These newsletters can also be read online, in Finnish, at [Neste Oil's web site](#).

Reporting tools and practices

Neste Oil collects data on most environmental and safety indicators with a HSEQ reporting tool which supports Neste Oil's

monthly reporting and annual GRI G3 reporting. Neste Oil also continues to use various other reporting tools for collecting the data needed for its sustainability reporting. Personnel data is sourced from Neste Oil's HR systems.

Assurance

An independent third party, PricewaterhouseCoopers Oy, has assured Neste Oil's Finnish-language sustainability information and checked congruence between the Finnish and English versions. PricewaterhouseCoopers has also checked that Neste Oil's reporting meets GRI's Application Level B+ requirements.

[Read the assurance report here.](#)

Sustainability ► Sustainability reporting ► Principles for calculating key indicators

Principles for calculating the key indicators

The Group-level performance indicators include the parent company and companies where the Parent company holds more than 50 percent of shares. The associate companies are not included in the calculations.

Environment

Energy

The energy consumption figures cover Neste Oil's refineries, terminals, offices, the company's own station business and the ships controlled by the Group's own shipping company. The figures are based on the data provided by these units.

Water withdrawal

The water withdrawal volumes are based on the company's own measurements or on invoicing.

Waste water discharges

Neste Oil reports the waste water volumes, chemical oxygen consumption as well as the oil, nitrogen and phosphorus releases. The figures are calculated on the basis of refinery- or terminal-specific data based on sampling or continuous metering. The figures do not include the loading values of waste water treated in municipal or other external waste water treatment plants.

CO₂ emissions

The emission factors compliant with the fuel classification published by Statistics Finland were used for the calculations. The country-specific factors compliant with the GHG protocol

were used as the consumption factors for bought-in electricity and heat.

Safety

Accident frequency

Accidents at work resulting in absence from work, disability or medical treatment are included in the accident frequency figures. The formula for calculating accident frequency (number of accidents at work per million working hours): $\text{total number of accidents at work} \times 1000000 / \text{hours worked}$. The calculation includes the company's own personnel and service providers.

Hours worked

The hours worked by all employees and the service providers during the period under review. When recording the working hours of service providers, an estimate (e.g. accounting hours) can be used if the accurate number of hours is not known.

Accidents at work

Accidents that occur at work/while performing work duties or moving about in the workplace area.

LWI (Lost Workday Injury)

The number of accidents at work resulting in a minimum of one day's absence from work.

TRI (Total Recordable Injuries)

All recorded accidents at work: the number of accidents at work resulting in absence from work, disability or medical treatment

PSE1 (Process Safety Event)

An unplanned and uncontrolled release of any material, including non-toxic and non-flammable materials from a process, resulting in consequences according to the PSE1 classification. The consequences may be:

- 1) an accident at work resulting in absence from work (LWI, RWI) or fatality
- 2) a fire or explosion causing direct costs (not production losses) in excess of EUR 25,000
- 3) evacuation, seeking shelter indoors
- 4) a leak exceeding the reporting threshold within a certain time, with the limit values according to CONCAWE
- 5) a release through the emergency discharge system with the above consequences

PSE2 (Process Safety Event)

An unplanned and uncontrolled release of any material, including non-toxic and non-flammable materials from a process, resulting in consequences according to the PSE2 classification. The consequences may be:

- 1) an accident at work requiring medical treatment (MTC)
- 2) a fire or explosion causing direct costs (not production losses) in excess of EUR 2,500
- 3) a leak exceeding the reporting threshold within a certain time, with the limit values according to CONCAWE
- 4) a release through the emergency discharge system with the above consequences

HSEQ (Health, Safety, Environment, Quality)

Health, safety, environment and quality.

HR

Reporting of personnel numbers

The personnel numbers are calculated as headcount and include, as a rule, employees classified as active and inactive. Unless otherwise specified, the personnel numbers are reported as at December 31.

Number of permanent employees leaving the company

The number of permanent employees leaving the company from Jan 1 to Dec 31. / the number of permanent employees on Dec 31. (Including all reasons for ending the employment).

Number of permanent employees joining the company

The number of newly hired permanent employees from Jan 1 to Dec 31. / the number of permanent employees on Dec 31.

Training days per employee

Training days from Jan 1 to Dec 31. / average number of employees during the period Jan 1 to Dec 31. The training days include in-house training and external training.

Training costs

The training costs include external training-related costs, such as the fees of external trainers and the participation fees for external training events, but not, for example, the salaries of participants or the company's own trainers.

Share of managers of female and male employees

Number of female managers on Dec 31 / total number of female employees on Dec 31

Number of male managers on Dec 31 / total number of male employees on Dec 31

Job rotation

Number of employees changing their job during the period Jan 1 to Dec 31 / number of employees on Dec 31

Sick leave percentage

Percentage of absences due to illness, doctor's appointment or medical treatment of the company's own personnel.

Formula for calculating the sick leave percentage: Number of hours of absence due to illness / theoretical number of regular working hours x 100

GRI content index

PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B+.

	GRI Content	Included	Links
1. Strategy and Analysis			
1.1	CEO's statement	Yes	CEO's review
1.2	Key impacts, risks and opportunities	Yes	Sustainability risks and opportunities Strategy Industry overview Sustainability targets and actions
2. Organizational Profile			
2.1	Name of the organization	Yes	Neste Oil
2.2	Primary brands, products and services	Yes	Business areas in brief Oil products' customers and solutions Renewable products' customers and solutions
2.3	Operational structure	Yes	Business Note 33 - Group companies on 31 December 2012
2.4	Location of organization's headquarters	Yes	Neste Oil
2.5	Number of countries and location of operations	Yes	Business areas in brief Note 4 - Segment information
2.6	Nature of ownership and legal form	Yes	Note 1 - General information
2.7	Markets served	Yes	Business areas in brief Creating financial added value to stakeholders Developments in renewable fuels' markets Developments in oil products' markets
2.8	Scale of the reporting organization	Yes	Key figures
2.9	Significant changes regarding size, structure or ownership	Yes	Reporting principles
2.10	Awards received in the reporting period	Yes	Sustainability indices and ratings
3. Reporting Principles			
3.1–3.4	Report profile	Yes	Reporting principles Sustainability reporting
3.5–3.11	Reporting scope and boundary	Yes	Sustainability focus areas Sustainability-related stakeholder survey results Reporting principles Accounting principles
3.12	GRI content index	Yes	
3.13	Assurance	Yes	Independent assurance report Reporting principles

4. Governance, Commitments and Engagement		
Governance		
4.1	Governance structure of the organisation	Yes Corporate Governance Statement 2012
4.2	Position of the Chairman of the Board	Yes Board of Directors
4.3	Independence of the Board members	Yes Board of Directors
4.4	Mechanism for shareholder and employee consultation	Yes Corporate Governance Statement 2012
4.5	Impact of organisation's performance on executive compensation (inc. social and environmental performance)	Yes Remuneration and shareholdings Remuneration principles for senior management
4.6	Processes for avoiding conflicts of interest	Yes Board of Directors
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Yes Nomination Board Board of Directors
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes Sustainability policies and principles Values and ethical principles Neste Oil's sustainability policy
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes Managing sustainability Risk management
4.10	Processes for evaluating the Board's performance	Yes Board of Directors
Commitments to External Initiatives		
4.11	Addressing precautionary approach	Yes Risk management
4.12	Voluntary charters and other initiatives	Yes Participation in organisations and joint projects Neste Oil's sustainability policy
4.13	Memberships in associations	Yes Participation in organisations and joint projects
Stakeholder Engagement		
4.14	List of stakeholder groups	Yes Neste Oil's stakeholders
4.15	Identification and selection of stakeholders	Yes Managing stakeholder relations
4.16	Approaches to stakeholder engagement	Yes Neste Oil's stakeholders Stakeholder and community engagement
4.17	Key topics raised through stakeholder engagement	Yes Interacting with non-governmental organisations Neste Oil's stakeholders An active approach to the job market Public affairs and advocacy
Economic Performance Indicators		
	Management approach to economic responsibility	Yes Financial targets Sustainability targets Financial responsibility
EC1*	Direct economic value generated and distributed	Yes Creating financial added value to stakeholders
EC2*	Financial implications, risks and opportunities due to climate change	Partly Emissions to air Sustainability risks and opportunities
EC3*	Coverage of defined benefit plan obligations	Yes Remuneration and fringe benefits

			Note 30 - Retirement benefit obligations
EC4*	Significant subsidies received from government	Yes	Taxes and payments benefiting societies Note 8 - Other income
EC5	Entry level wage compared to local minimum wage	Partly	Remuneration and fringe benefits
EC7*	Local hiring procedures and proportion of local senior management	Partly	Equality and diversity
EC9	Significant indirect economic impacts	Yes	Creating financial added value to stakeholders
Environmental Performance Indicators			
	Management approach to environmental responsibility	Yes	Environmental management Sustainability management Sustainability targets
EN1*	Materials used by weight or volume	Yes	Material and energy balance Raw materials and material efficiency
Energy			
EN3*	Direct energy consumption	Yes	Material and energy balance
EN4*	Indirect energy consumption	Partly	Material and energy balance
EN5	Energy saved due to conservation and efficiency improvements	Yes	Energy efficiency
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	Renewable feedstocks Cleaner solutions for customers
Water			
EN8*	Total water withdrawal by source	Partly	Water use and waste water treatment Material and energy balance
EN9	Water sources significantly affected by withdrawal of water	Partly	Water use and waste water treatment
EN10	Percentage and total volume of water recycled and reused	Partly	Water use and waste water treatment Protecting waterways and soil
Biodiversity			
EN11*	Location and size of land holdings in areas of high biodiversity	Yes	Protecting the biodiversity and the natural world
EN12*	Description of significant impact of activities, products, and services on biodiversity	Partly	Public affairs and advocacy Protecting the biodiversity and the natural world Sustainability of the renewable fuels supply chain
EN13	Habitats protected or restored	Yes	Protecting the biodiversity and the natural world
EN14	Managing impacts on biodiversity	Yes	Sustainability of the renewable fuels supply chain Protecting the biodiversity and the natural world
EN16*- EN17*	Total direct and indirect greenhouse gas emissions	Yes	Emissions to air Material and energy balance
EN18	Initiatives to reduce greenhouse gas emissions	Partly	Climate and resource efficiency Energy efficiency
EN19*	Emissions of ozone-depleting substances	Yes	Emissions to air
EN20*	NOx, SOx, and other significant air emissions	Yes	Emissions to air Material and energy balance

EN21*	Total water discharge	Yes	Water use and waste water treatment Material and energy balance
EN22*	Total amount of waste by type and disposal method	Yes	Waste Material and energy balance
EN23*	Significant spills	Yes	Sustainability targets Environmental management Case: Oil spill and the storage facility in Kajaani
EN25	Water bodies and habitats affected by discharges of water	Partly	Water use and waste water treatment Protecting the waterways and soil
EN26*	Mitigating environmental impacts of products and services	Yes	Cleaner solutions for customers
EN28*	Non-compliance with environmental regulations	Yes	No fines or sanctions during the reporting period.
EN29	Environmental impacts of transportation	Yes	Emissions to air Transportation safety
EN30	Environmental protection expenditures and investments	Partly	Investments in efficiency, the environment and safety
Social Performance Indicators			
	Management approach to labor practices and decent work	Yes	HR management Safety management Sustainability management Sustainability targets
Employment			
LA1*	Total workforce by employment type, employment contract and region	Yes	Personnel
LA2*	Total number and rate of employee turnover	Partly	Personnel turnover
LA4*	Coverage of collective bargaining agreements	Yes	Equality and diversity
LA5*	Minimum notice period regarding operational changes	Yes	Neste Oil follows local legislation.
Occupational Health and Safety			
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Partly	Occupational safety Wellbeing at work and occupational health
LA8*	Education and prevention programmes regarding serious diseases	Yes	Wellbeing at work and occupational health
LA10*	Training hours per employee	Partly	Developing talent and competence
LA11	Programmes for skills management and lifelong learning	Yes	Developing talent and competence Developing Neste Oil's leadership and corporate culture Supporting managers in their work
LA12	Employees receiving regular performance and career development reviews	Yes	Developing talent and competence
LA13*	Composition of governance bodies and breakdown of employees	Yes	Equality and diversity Personnel
LA14*	Ratio of basic salary of men to women	Partly	Equality and diversity Remuneration and fringe benefits
Human Rights			
	Management approach to human rights	Yes	Sustainability management

			Society
HR2*	Suppliers and contractors that have undergone human rights screening	Partly	Strict sustainability criteria applied to suppliers
HR3	Human rights related training for employees	No	Human rights and equality
HR4*	Incidents of discrimination and actions taken	Yes	Equality and diversity No such cases in reporting period.
HR5*	Supporting right to freedom of association and collective bargaining in risk areas	Yes	Human rights and equality Values and ethical principles
HR6*	Measures taken to eliminate child and forced labour in risk areas	Yes	Values and ethical principles Human rights and equality
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	Yes	Values and ethical principles Human rights and equality
Society			
	Management approach to society	Yes	Sustainability management Society Strict sustainability criteria applied to suppliers Values and ethical principles
Corruption			
SO3*	Anti-corruption training	Partly	Values and ethical principles
Public Policy			
SO5*	Public policy positions and participation in public policy development and lobbying	Yes	Public affairs and advocacy
SO6	Contributions to political parties and related institutions	Yes	Human rights and equality
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	No legal actions during the reporting period.
Compliance			
SO8*	Corruption, Anti-competitive behavior, Compliance	Yes	No fines or sanctions during the reporting period.
Product Responsibility			
	Management approach to product responsibility	Yes	Product safety Sustainability management Certified operation systems
Customer Health and Safety			
PR1*	Assessment of health and safety impacts of products	Partly	Chemical safety
PR2	Non-compliance with regulations concerning health and safety impacts of products	Yes	Product safety No such cases in reporting period.
PR3*	Product information required by procedures	Partly	Product safety
PR5*	Practices related to customer satisfaction and results of customer satisfaction surveys	Partly	Stakeholder management
PR6*	Adherence to marketing communications laws, standards and voluntary codes	Yes	Product safety
* GRI Core indicator			

Independent Assurance Report

(Translation from the Finnish Original)

To the Management of Neste Oil Corporation

We have been engaged by the Management of Neste Oil Corporation (hereinafter also the "Company") to perform a limited assurance engagement on the numeric information on economic, social and environmental responsibility for the reporting period of January 1, 2012 to December 31, 2012, disclosed in the "Sustainability" section of Neste Oil Corporation's online Annual Report 2012 (hereinafter "Sustainability information").

Furthermore, the assurance engagement has covered Neste Oil Corporation's adherence to the AA1000 Accountability Principles with moderate (limited) level of assurance.

The scope of the Sustainability information covers Neste Oil Group.

Management's responsibility

The Management of Neste Oil Corporation is responsible for preparing the Sustainability information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the Sustainability Reporting Guidelines of the Global Reporting Initiative (version 3.0).

The Management of Neste Oil Corporation is also responsible for the Company's adherence to the AA1000 Accountability Principles of inclusivity, materiality and responsiveness as set out in the AA1000 Accountability Principles Standard 2008.

Practitioner's responsibility

Our responsibility is to express a conclusion on the Sustainability information based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Neste Oil Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria.

In addition, we have conducted our work in accordance with the AA1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with Neste Oil Corporation, the AA1000 Assurance Standard 2008 requires planning and performing of the assurance engagement to obtain moderate (limited) assurance on whether any matters come to our attention that cause us to believe that Neste Oil Corporation does not adhere, in all material respects, to the AA1000 Accountability Principles and that the Sustainability information is not reliable, in all material respects, based on the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability information. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees from various organisational levels of the Company with regards to materiality, stakeholder expectations, meeting of those expectations, as well as stakeholder engagement.
- Assessing stakeholder inclusivity and responsiveness based on the Company's documentation and internal communication.
- Assessing the Company's defined material sustainability topics as well as assessing the Sustainability information based on these topics.
- Performing a media analysis and an internet search for references to the Company during the reporting period.
- Visiting the Company's Head Office as well as two sites in Finland.
- Interviewing employees responsible for collection and reporting of the information presented in the Sustainability information at the Group level and at the different sites where our visits took place.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Assessing the systems and practices used for the collection and consolidation of quantitative information.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that Neste Oil

Corporation does not adhere, in all material respects, to the AA1000 Accountability Principles.

Furthermore nothing has come to our attention that causes us to believe that Neste Oil Corporation's Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria, or that the Sustainability information is not reliable, in all material respects, based on the Reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for sustainability information. This independent assurance report should not be used for interpreting Neste Oil Corporation's performance in relation to its sustainability policy.

Observations and recommendations

Based on our limited assurance engagement, we provide the following observations and recommendations in relation to Neste Oil Corporation's adherence to the AA1000 Accountability Principles. These observations and recommendations do not affect the conclusions presented earlier.

- Regarding Inclusivity: Neste Oil Corporation has a strong commitment to stakeholder engagement. The company has an extensive stakeholder engagement process in place to ensure the identification of relevant stakeholders as well as their concerns and expectations. We recommend that the Company further develops the coordination of stakeholder engagement so that a comprehensive overview of engagement with different stakeholders is obtained at the group level.

- Regarding Materiality: Neste Oil Corporation has processes in place to evaluate and determine the materiality of sustainability topics. The Company carried out a sustainability materiality assessment and defined sustainability focus areas in 2012. We recommend that the Company continues the development of the sustainability focus areas according to the objectives set.
- Regarding Responsiveness: Neste Oil Corporation is committed to being responsive to its stakeholders, which is evident from the ongoing and wide-ranging communication on sustainability issues in media, forums and other communication channels. We recommend that the Company continues to enhance transparency in the area of fossil raw materials taken into consideration its relevance in the Company's business, and the increased interest of the stakeholders based on the updated materiality matrix in 2012.

Practitioner's independence and qualifications

PricewaterhouseCoopers' own Global Independence Policy is applicable to PricewaterhouseCoopers Oy, its partners and professional staff, including all members of the assurance engagement team.

Our multi-disciplinary team of corporate responsibility and assurance specialists possesses the requisite skills and experience within financial and non-financial assurance, corporate responsibility strategy and management, social and environmental issues, as well as knowledge of the energy industry, to undertake this assurance engagement.

Helsinki, 26 February 2013

PricewaterhouseCoopers Oy

Sirpa Juutinen

Partner

Sustainability & Climate Change

Maj-Lis Steiner

Director, Authorised Public Accountant

Sustainability & Climate Change



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