Annual Report
2021
CHANGE RUNS ON
RENEWABLES

Content

2021 in brief 3
CEO's review 4

Strategy 7
Innovation 10
Our businesses 12
Key events 2021 15
Key figures 2021 and financial targets 17
Information for investors 19

Sustainability 21
Sustainability highlights 22
Sustainability at Neste 23
Material sustainability topics 27
Stakeholder engagement 37
Value creation 43
Sustainability governance 44
Compliance 46
Climate 47
Our carbon handprint 49
Our carbon footprint 53
Environment 59
Biodiversity 60
Raw materials 62
Renewable raw materials 63
Recycled raw materials 73
Sustainable supply chain 77
People 82
Human rights 85
Safety 90
Sustainability reporting in 2021 94
Performance in figures 96
GRI Content Index and UN Global Compact 100
TCFD Recommendations Disclosure 106
SASB Content Index 107
UN Guiding Principles Reporting Framework Index 109
Principles for calculating the key indicators 110
Independent Practitioner's Assurance Report 112

Governance 114
Corporate Governance Statement 115
Risk management 132
Remuneration report 136

Review by the Board of Directors 143
Review by the Board of Directors 144
Key figures 162
Calculation of key figures 164

Financial statements 167
Consolidated financial statements 168
Parent company financial statements 229
Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements 246
Auditor's Report 247

2021 in brief

Neste creates solutions for combating climate change and accelerating a shift to a circular economy. We refine waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for polymers and chemicals.

Neste's strategy remains relevant: we aim to be a global leader in renewable and circular solutions. Demand for renewable products is growing substantially, driven by higher climate ambitions and supportive regulation.

Read more about key events in 2021 on page 15 and sustainability highlights on page 22.

Watch this video to discover the highlights of the year.

Revenue
15,148 MEUR

Comparable operating profit
1,342 MEUR

Our dividend proposal for 2022 per share
0.82 EUR

Return on average capital employed after tax (ROACE)
15.5%

Leverage ratio
0.6%

Investments
1,535 MEUR

Our renewable products helped reduce greenhouse gas emissions
10.9 Mt

The share of waste and residues of Neste's total renewable raw material inputs globally
92%

Safe days
306

Average number of personnel
4,872

Resolve, Resilience and Results

Dear Stakeholders,

2021 was a year of resolve, resilience and results for Neste. The pandemic continued to significantly disrupt our lives, roil the global economy and blanket us all in a fog of uncertainty, yet Neste employees pulled together impressively. We delivered excellent performance in a year of major scheduled maintenance shutdowns and high input costs, and made clear advances in our drive to become a global leader in renewable and circular solutions. I am incredibly proud of this effort, and of this company.

During the year we executed our strategy by agreeing numerous partnerships and acquisitions to grow our three business units – Renewable Aviation, Renewable Polymers and Chemicals, and Renewable Road Transportation – expanding our global access to waste and residue recycling, and broadening our sustainability vision to include climate, biodiversity, human rights and our supply chain and raw materials. Our safety record was excellent despite the heightened risks posed by COVID and the major turnaround of our Porvoo refinery.

I will expand further on these remarkable achievements below, but first I would like to express my warm thanks for your support throughout the year. My thanks also go to all Neste employees and partners for their continued flexibility and adaptability as we navigate through the pandemic, all while keeping a steady focus on safety. Our progress during the year gives reason for optimism in 2022 and beyond, as we work towards creating a healthier planet for our children.

A track record of success – right from the start

On the first working day of 2021, we announced that we would buy a minority stake in Alterra Energy, an innovative chemical recycling technology company, and collaborate in commercializing Alterra's proprietary thermochemical technology in Europe. This agreement, which will help us produce high-quality feedstock for polymers and chemicals, supports the growth ambitions for our Renewable Polymers and Chemicals business, and it set the tone for a busy year of announcements and achievements across our businesses, including:

- Expansion of our leading sustainable aviation fuel (SAF) business through partnerships and collaborations with leading airlines such as Lufthansa, KLM, IAG, Delta Air Lines, Southwest Airlines, DHL and Easyjet, and several fuel suppliers. Our activities in the business aviation segment continued to grow, with Neste MY SAF available at 12 new airport locations in the US and three in Europe. We established partnerships with Boston Consulting Group and TripActions to enable lower-emission business traveling with our SAF based solution. And we took part in the first study on in-flight use of 100% sustainable aviation fuel on both engines of a commercial jet with Airbus and Rolls Royce, among others.

- A long-term commercial agreement with LyondellBasell to source our 100% renewable feedstock Neste RE™ and process it into polymers. This was one of many strategic Renewable Polymers and Chemicals agreements in the year, with others including collaboration with Japan's Mitsui Chemicals and Toyota Tsusho Corp. to enable the country's first industrial-scale production of renewable plastics and chemicals from 100% bio-based hydrocarbons; entering into a multi-year partnership with Unilever to reduce dependency on virgin fossil resources; and a plan to establish a joint venture with Ravago for a chemical recycling facility in the Netherlands, building upon the advancement of Alterra's technology, the company in which we purchased a minority stake.

- Growth of our Neste MY Renewable Diesel fueling network in target markets including the US and Sweden, and launching MY Renewable Diesel in Belgium. Neste MY received the TOP TIER™ Diesel Fuel certification – a performance standard written by automakers to assist in keeping engines cleaner – making it the very first renewable diesel brand to gain such recognition.

- Bolstering and expanding our capacity to produce renewable fuels, including the investment of EUR 190 million to enable production of up to 500,000 metric tons of Neste MY Sustainable Aviation Fuel at our Rotterdam refinery; finalizing the acquisition of Bunge Loders Croklaan's refinery plant in Rotterdam; and acquiring Agri Trading, one of the largest renewable waste and residue fat and oil traders in the United States. Our Singapore renewables capacity expansion project is set for start-up by the end of Q1 2023. The EUR 1.5 billion investment is planned to increase our renewable products capacity by 1.3 million ton/a, bringing our total annual production capacity to 4.5 million tons. We also chose Rotterdam as a location for our possible next world scale renewable products refinery.

- The sale of our existing base oils business to Chevron and an agreement to exit our base oils joint venture with Bahrain Petroleum Company and Nogaholding. Both portfolio transactions support our renewable and circular solutions strategy and show how Neste has transformed as a company; three years ago around 30% of our employees worked on this change strategy, and the figure is now around 70%.

- The successful completion of the 3-month scheduled maintenance, or major turnaround, of our Porvoo refinery. The investment, which totaled EUR 630 million, ensures Porvoo's safety, availability and competitiveness and keeps it on track to become Europe's most sustainable refinery by 2030. It was an especially remarkable undertaking considering the constraints imposed by the pandemic.

These achievements and our excellent strategy execution helped us report a comparable EBITDA for the year of EUR 1,920 million (EUR 1,929 million in 2020). Our dividend proposal of EUR 0.82/share reflects our robust balance sheet. This is a good moment to say warm thanks to our Chief Financial Officer Jyrki Mäki-Kala, who will retire during the spring of 2022 after serving Neste for nine years. Jyrki will be succeeded by Martti Ala-Härkönen, who will take up the position on May 8 at the latest.

Matching words with deeds in sustainability

In a year of significant activity focused on tackling the climate crisis, including the EU's unveiling of its Fit for 55 emissions reduction plan and the COP26 Climate Change Conference in Glasgow, we unveiled plans to further reduce our climate impact by extending our already ambitious commitments.

We are committed to helping customers reduce their greenhouse gas emissions with our renewable and circular solutions by at least 20 million tons of CO_2e annually by 2030. In 2021, we made strong progress with a reduction of 10.9 million tons, the equivalent of removing 4.2 million passenger cars from the roads for a full year.

We also target carbon neutral production by 2035, and continue our climate actions so they are in line with the 1.5°C emission scenarios, criteria and recommendations of the Science Based Targets initiative. Neste signed the Business Ambition for 1.5°C Commitment Letter in 2021.

We raised our ambitions even further in 2021 by broadening our sustainability vision to include climate, biodiversity, human rights and our supply chain and raw materials. We are taking the lead to transform towards a carbon neutral value chain by now including Scope 3 emissions – i.e. those of our customers – in our targets, aiming to reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020. We will do this through increasing the share of renewable and circular solutions, transforming our Porvoo refinery and working with suppliers and partners to cut emissions across the value chain. This will require transformation from Neste, its suppliers and partners with new ways of working, innovation and cooperation, but the cost of this effort pales in comparison when you consider what is at stake for the planet.

Our successful strategy execution and transformation in 2021 underscores just how agile and innovative Neste is as a company, with dedicated employees, a clear strategy, an unmatched speed of execution and a growing global network of partners to help us meet our goals.

Other milestones in 2021 included establishing a Green Finance Framework to further integrate our sustainability ambitions into our financing and in March we issued a EUR 500 million 7-year green bond, the first of its kind for Neste. We announced in December that we would use 100% renewable electricity in Finland already in 2022, part of our drive towards using 100% renewable electricity globally by 2023.

These are all efforts to be proud of, and I was pleased to see our sustainability work recognized externally. In 2021, Corporate Knights included Neste on their Global 100 Index of the world's most sustainable companies for the 15th consecutive year. We were also included in the Dow Jones Sustainability Indices for the 15th straight year. We received a Leadership level and A- score for our climate action from the non-profit CDP – our fifth consecutive year at a Leadership level – and were also recognized as a Leader in Global Child Forum's global children's rights and business benchmark. Neste continues to fully support and comply with the UN Global Compact Principles.

Showing the way with innovation

Concrete climate action requires continuous innovation, and in 2021 we showed excellent progress in our Innovation Business Platforms, which include lignocellulosic (forestry and agricultural waste based) fuels, chemicals, and materials; scalable feedstocks for sustainable aviation fuel including algae and municipal waste; and renewable hydrogen and Power-to-X utilizing renewable electricity to convert CO_2 to fuels and chemicals. We have increased our investments in innovation and been able to attract even more top experts. Some 25% of Neste employees are working in our innovation and technology divisions, and the number is growing.

A recognition of our role as a key contributor to the European energy transition was a EUR 88 million grant decision from the EU Innovation Fund to develop our green hydrogen and CO_2 capture & storage project in Porvoo, part of our efforts to decarbonize production at the refinery. We also moved a step closer to demonstrating the production of green hydrogen at our Rotterdam refinery, entering into the execution phase with our partners in the MultiPLHY consortium, which aims to install, integrate and operate the world's first high-temperature electrolyzer system at multi-megawatt-scale.

And finally, we are progressing very well with the creation of a new R&D center in Singapore to strengthen our global innovation and deepen collaboration with partners in the Asia-Pacific region.

Safety at the core of our company

Before closing I will share a few words on safety, which is a core part of Neste and a precondition for our global growth and success. This is reflected in our values of "We care. We have Courage. We Cooperate." Safety is of even greater importance during these COVID times.

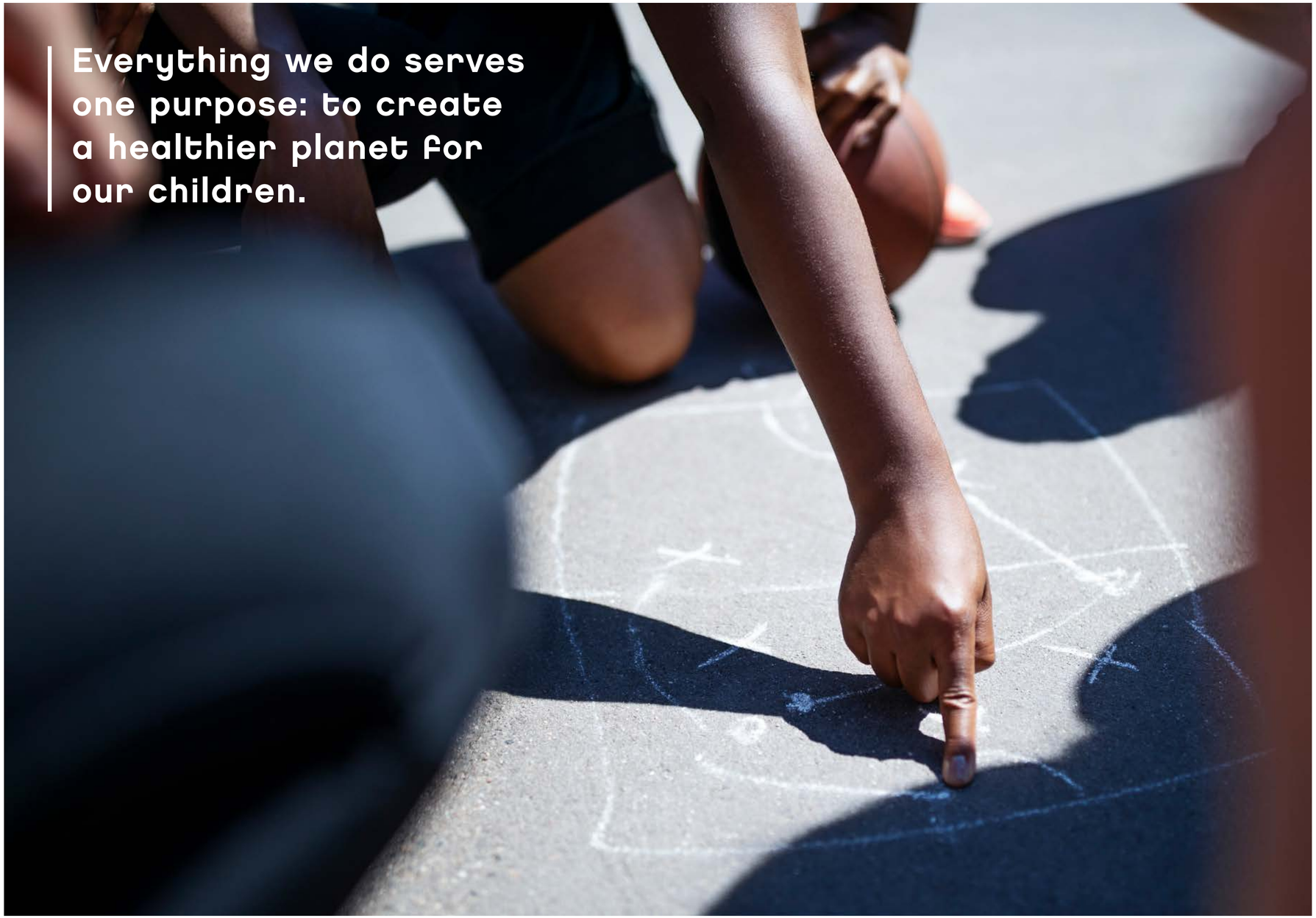
In 2021, we successfully navigated through the pandemic's peaks and troughs, reacting quickly to frequent changes in national health guidelines across multiple countries and further developing our office and production site guidelines to ensure uninterrupted operations. Our performance in occupational and process safety was exemplary: a total recordable injury frequency (TRIF) of 1.4 per 1 million hours worked, which beat our goal for the year, and a process safety event rate (PSER) of 1.4, which equaled our best-ever level. This is a fantastic achievement given the challenges of the pandemic and the major turnaround of Porvoo.

Momentum that is delivering change

Dear stakeholders, our successful track record of execution and transformation in 2021 underscores just how agile and innovative Neste is as a company, with dedicated employees, a clear strategy that is showing momentum, an unmatched speed of execution and a growing global network of partners to help us meet our goals.

Thank you for your trust and support, and once again thanks to our employees and partners for your continued commitment to our purpose during a year of significant uncertainty. I am convinced that Neste's resolve and resilience will continue to produce great results in 2022 and the years to come as we drive towards creating a healthier planet for our children.

Peter Vanacker
President and CEO
@peter_vanacker



Strategy

Strategy 7
Innovation 10
Our businesses 12
Key events 2021 15
Key figures 2021 and financial targets 17
Information for investors 19

Strategy

Our aim is to be a global leader in renewable and circular solutions.
Implementation of our Faster, Bolder & Together strategy continues.

Our strategy focuses on growing in renewable and circular solutions, creating readiness for the future, and boosting competitiveness and transformation.

With the growth of renewable and circular solutions, we aim to help **our customers reduce their greenhouse gas emissions by at least 20 million tons of CO_2e annually by 2030**. We continue to serve existing and new customers with renewable and circular solutions, and by 2030, we will have three strong renewables businesses: Renewable Aviation, Renewable Polymers and Chemicals, and Renewable Road Transportation. Growth in renewables also means expanding our production and raw material platform, which has been substantially strengthened through organic growth and acquisitions, and we will continue to grow our sourcing network and capabilities globally.

Outcomes:

Business transformation
Build a future-proof and robust business model

Climate impact
Meet climate commitments

Value creation
Continue strong financial performance and growth

The capacity expansion project at our refinery in Singapore is aiming for a start-up by the end of the first quarter of 2023, bringing our annual total renewables production capacity to 4.5 million tons. The new production line in Singapore will also provide us with an option to produce up to 1 million tons of sustainable aviation fuel (SAF) annually. Together with our Rotterdam SAF optionality project, we expect to achieve a SAF production capability of 1.5 million tons annually by the end of 2023.

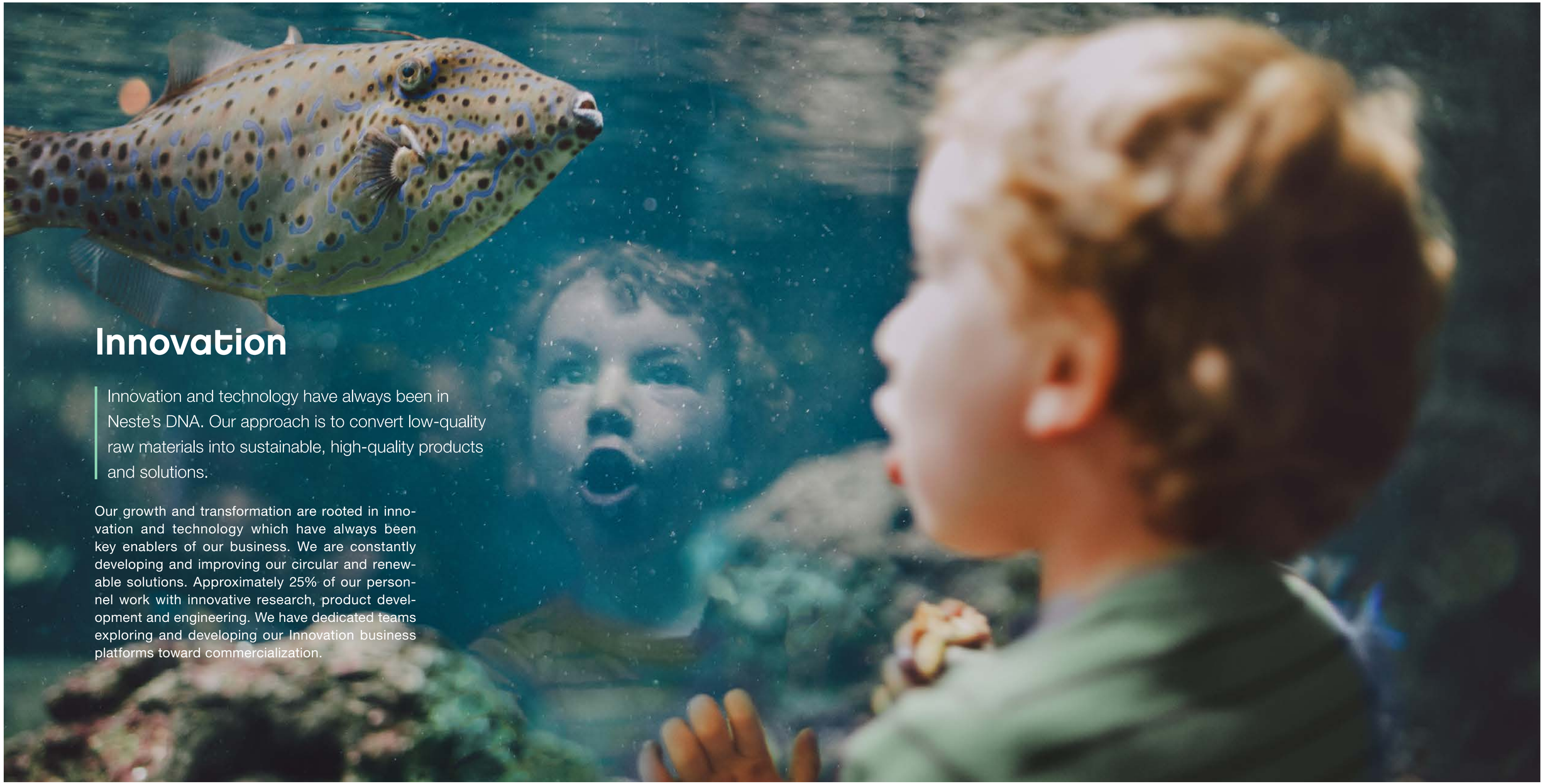
We are targeting a final investment decision for our possible next world-scale renewables refinery in Rotterdam early 2022. We focus on expanding our renewable and circular raw material sourcing capability by continuing organic and inorganic growth in existing markets, expanding to new geographical markets, the diversification of raw material portfolio to include also EU RED II (EU)2018/2001 Annex IX A raw materials, and developing novel agricultural concepts to provide additional vegetable oil volumes without increasing the demand for cultivation land. We are well on our way to reach our target of phasing out the use of conventional palm oil by the end of 2023.

We create readiness for the future by focusing on innovation. We develop and commercialize future renewable and circular solutions to serve our customers in the aviation, polymers and chemicals, and road transport sectors. Our innovation business platforms focus on the commercial and technical development of new sustainable and scalable raw materials and technologies such as algae, municipal solid waste, lignocellulosics, and renewable hydrogen and Power-to-X. The aim is to start commercial operations by 2030 in one or more of the business platforms.

Future-readiness for us also means **delivering on our climate commitments to lead the transformation towards a carbon neutral value chain by 2040**. Our broadened sustainability vision also sets aspirational targets in biodiversity, human rights, and our supply chain and raw materials. We ensure safety as a precondition for our operations and global growth.

Competitiveness and transformation within refining and distribution are the third pillar of our strategy. Our vision is to transform our Porvoo refinery, making it the most sustainable refinery in Europe by 2030. This means reducing CO_2 emissions in line with the targets of the Paris Agreement and reaching carbon neutral production by 2035, and replacing more than 10% of our crude oil use with renewable and recycled raw materials in oil refining by 2030, and creating a simplified and more flexible asset portfolio.

Read more about our strategy on our website.



Innovation

Innovation and technology have always been in Neste's DNA. Our approach is to convert low-quality raw materials into sustainable, high-quality products and solutions.

Our growth and transformation are rooted in innovation and technology which have always been key enablers of our business. We are constantly developing and improving our circular and renewable solutions. Approximately 25% of our personnel work with innovative research, product development and engineering. We have dedicated teams exploring and developing our Innovation business platforms toward commercialization.

We invest the majority of our annual R&D expenditure in research, development and testing future raw materials and technologies enabling their use. In 2021, our R&D expenditure was EUR 67 million.

Our engineering arm, Neste Engineering Solutions, also plays a key role in enabling Neste's strategy implementation by participating in research and development programs with technology development, modelling and simulation, and scaling up process engineering expertise.

Strengthening innovation to create new business

We are focusing on scalable, sustainable raw materials and required technologies for their conversion to fuels, polymers and chemicals. Our twofold aim is to ensure the growth of our current businesses and to build new growth platforms for renewable and circular solutions.

To further strengthen our R&D and innovation capabilities globally, we announced that we will establish an R&D center in Singapore. Operational in 2023, the center will drive collaboration with partners in the Asia-Pacific region, especially in Singapore. Neste's Technology Center in Porvoo, Finland continues to serve as our main R&D facility.

Innovation initiatives help the current businesses widen the supply of renewable waste and residues and other innovative raw materials, and develop business around the chemical recycling of waste plastics. The development of new businesses takes place on the business platforms formed around scalable raw material pools, such as:

- lignocellulosic (forestry- and agricultural waste and residue based) fuels, chemicals, and materials;
- scalable raw materials for sustainable aviation fuels and other renewable products, including algae and municipal waste;
- renewable hydrogen and Power-to-X, utilizing renewable electricity to convert CO_2 into fuels and chemicals.

These globally scalable raw material pools will play an important role in further reducing dependence on crude oil and tackling climate change.

Neste's green hydrogen and CO_2 capture & storage project received a positive grant decision of EUR 88 million from the EU Innovation Fund. The project aims to quickly and efficiently reduce greenhouse gas emissions at our Porvoo refinery in Finland. The project is currently in the feasibility phase.

Lignocellulosics, algae, municipal solid waste, renewable hydrogen and Power-to-X are our promising growth platforms for new business.

Extensive collaboration network

Innovation requires partnering and cooperation. Neste is already collaborating with a network of 25 leading universities and research institutes, and we continue to expand and intensify our cooperation with them. We work with technology companies, startups and value chain partners to introduce innovations in renewable and circular solutions to global-scale businesses. We have also established corporate venture activity to invest in technology startups.

In 2021, we continued to build the Veturi ecosystem, which gathers Finnish companies, startups, universities and research institutes to jointly build the future capabilities needed to establish new technologies and value chains in renewable and circular solutions. Our Veturi project aims to develop sustainable, globally scalable raw materials and technology solutions for transportation, and the production of chemicals and polymers.

In 2021, we continued to collaborate with our equity investment technology companies Alterra Energy and Recycling Technologies related to developing **chemical recycling, also known as advanced recycling,** as well as Sunfire GmbH related to green hydrogen production. We also proceeded to the execution phase with the MultiPLHY consortium to demonstrate green hydrogen production at our Rotterdam refinery.

Our businesses

Neste refines waste, residues and innovative raw materials into renewable fuels and renewable and recycled feedstock for polymers and chemicals.

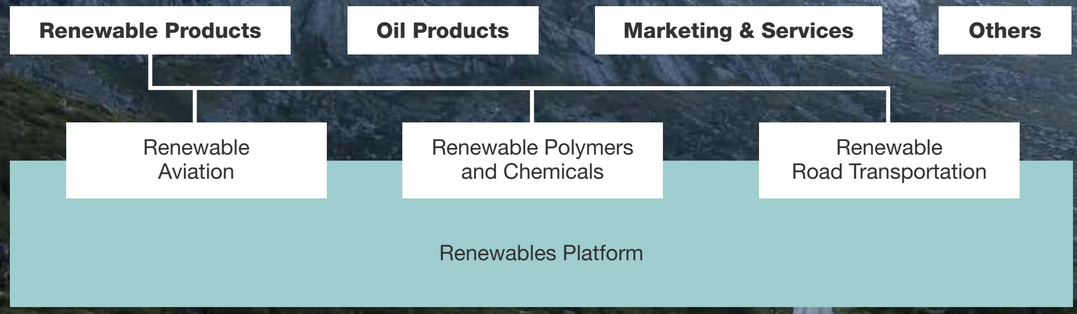
We are the world's leading producer of sustainable aviation fuel, renewable diesel, and renewable feedstock solutions for various polymers and chemicals industry uses. We are also developing chemical recycling to combat the plastic waste challenge.

We produce renewable products at our refineries in Finland, the Netherlands and Singapore entirely from renewable raw materials with a current annual nameplate capacity of approximately 3.3 million tons. In early 2023, our annual production capacity will increase to nearly 4.5 million tons of renewables as the extension of our Singapore refinery comes on stream. This helps us meet the increasing global demand for lower-emission products. As we are also a technologically advanced refiner of high-quality oil products with a commitment to reach carbon-neutral production by 2035, we are introducing renewable and recycled raw materials such as liquefied waste plastic into our oil refinery in Porvoo, Finland. At the Porvoo refinery, we aim to increase the share of renewable and recycled raw materials to over 10% by 2030 to substitute the use of fossil crude oil-based raw materials.

Our station network of nearly 1,000 stations covers four countries in the Baltic Sea region: Finland, Estonia, Latvia, and Lithuania.

We invest heavily in researching, testing and deploying new raw materials and technologies. Neste Engineering Solutions delivers high-quality technology and engineering services for the group and its external customers.

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



Renewable Products

Renewable Aviation offers Neste MY Sustainable Aviation Fuel™, which in its neat form and over the life cycle reduces GHG emissions by up to 80% compared to fossil jet fuel (calculation method: CORSIA). The fuel provides an immediate solution for reducing the GHG emissions of flying. We are actively working with partners through the supply chain to grow the availability of SAF for the aviation industry globally.

Renewable Polymers and Chemicals offers Neste RE™, a drop-in solution made entirely out of renewable and recycled raw materials to replace fossil feedstock in the production of polymers and chemicals. Neste RE can reduce GHG emissions by more than 85% compared with fossil feedstock (LCA for 100% renewable Neste RE). The business unit is also advancing chemical recycling for the plastics and chemicals sectors together with value chain partners to enable higher recycling rates for plastic waste.

Renewable Road Transportation offers Neste MY Renewable Diesel™, enabling its customers to reduce their greenhouse gas (GHG) emissions on average by 90% compared to fossil diesel over the fuel's life cycle (calculation method: EU RED II (EU)2018/2001). Neste MY Renewable Diesel is a drop-in solution, which means that it can be used in the existing diesel vehicles and fuel infrastructures as such or in a fuel blend.

Renewables Platform enables Neste's global renewables production, renewable raw material sourcing, and delivery of our renewables to our global customer base. We currently use a wide variety of globally-sourced renewable raw materials, and waste and residues account for over 90% of our global renewable raw material inputs. The capacity expansion in Singapore will bring our total renewable product capacity to 4.5 million tons annually in 2023.

Strengths:

- High-quality renewable diesel, sustainable aviation fuel, renewable feedstock for the polymers and chemicals production, as well as other renewable products as solutions to significantly reduce greenhouse gas emissions.
- Waste and residues accounted for 92% (83%) of Neste's renewable raw materials inputs globally in 2021.
- Capability to pretreat low-quality waste and residue raw materials to enable their use in the production of high-quality products.
- Global raw material supply network and customer base.
- Capability to develop and introduce new innovative raw materials, such as liquefied waste plastic, into refining.

Main demand factors:

- Increasing renewable energy requirements in transport, particularly in Europe and the U.S.
- Leading companies and brands who want to reduce their own emissions and provide customers with more sustainable products based on renewable and circular solutions.
- Need to develop alternatives to reduce fossil resource use in multiple industries, and solutions to increase circulation of materials to tackle the global plastic waste challenge.

Nameplate capacity:
ca. 3.3 million tons of renewable products annually.

Main market areas:
Europe and North America, expanding in APAC.

Customers:
Retailers, wholesale customers such as transport service companies, municipalities and other fleet owners or operators, airports, airlines, aviation fuel suppliers and corporate business travellers, as well as polymers and chemicals producers.

Market position:
Neste is the world's leading producer of sustainable aviation fuel, renewable diesel, and renewable feedstock solutions for various polymers and chemicals industry uses. We are also a forerunner in developing chemical recycling to combat plastic waste challenge.

Main competitors:
Other renewable diesel and sustainable aviation fuel producers in the U.S. and Europe, as well as producers of conventional biodiesel. Other providers of renewable and circular solutions for the polymers and chemicals sectors.

Oil Products

Our offering includes high-quality oil products and related services for the road transportation, non-road uses, aviation and marine sectors, as well as for the oil and petrochemical industries.

Neste has an ambition to make Porvoo the most sustainable refinery in Europe by 2030. We will reduce the refinery's GHG emissions (Scope 1 & 2) at least 50% by 2030 and aim to reach carbon neutral production by 2035. The share of renewable and recycled raw materials will be increased to over 10% by 2030 to substitute the use of crude oil-based feedstocks.

As a part of the transformation of our refinery operations and securing the future competitiveness of our Oil Products business, we decided to close our refinery in Naantali, Finland in March 2021 and convert it to a distribution terminal.

Strengths:

- Extensive selection of high-quality solutions combining fossil and renewable products.
- Technologically advanced refinery.

Main demand factors:

- Increasing demand for solutions containing both fossil and renewable fuels.
- Customers' requirements for flexibility in the supply chain.

Market position:
Leading position in the Baltic Sea wholesale markets.

Main competitors:
Advanced refineries in Northwest Europe, Russia, and in the Middle East.

Crude oil refining capacity:
ca. 10.5 million tons annually.

Main market areas:
Baltic Sea area, Europe, and North America.

Customers:
Retailers and distributors, oil majors and trading companies, petrochemicals companies and companies marketing lubricants and solvents.

Marketing & Services

Marketing & Services offers sustainable, low-emission and digital solutions for the needs of consumers, companies and partners in Finland and in the Baltic countries. We seek to develop a diverse range of services as part of our offering and to be where the customers are – in the mobile sphere.

Strengths:

- Best customer experience with digitalization and new innovations.
- High-quality and sustainable solutions: Neste MY Renewable Diesel, Neste MY Non-Road Diesel and Neste MY Sustainable Aviation Fuel as preferred choices.
- Strong brand and extensive station network in Finland & in the Baltic countries.
- Customer solutions that create additional value.

Main demand factors:

- Developments in traffic and transportation volumes.
- Customers' growing expectations of services and more sustainable solutions.
- Requirements by municipalities, cities, and industry for cleaner energy solutions.

Market position:
Leading market position in Finland. Among the leading operators in Estonia, Latvia, and Lithuania.

Main competitors:
Other large retailers in Finland and in the Baltic countries.

Main market areas:
Finland, Estonia, Latvia and Lithuania. Station network consists of 723 stations in Finland and 224 stations in the Baltic countries. In Finland, Neste MY Renewable Diesel is available at over 150 stations and in the Baltics at over 10 stations.

Customers:
Consumers, transport service, customers in the aviation, shipping, industrial and agricultural sectors, municipalities, heating customers, and distributors.

Key events 2021

The major turnaround 2021 successfully completed at the Porvoo refinery

Neste's three-month scheduled maintenance, i.e. major turnaround started at the Porvoo refinery at the beginning of April. In the successfully completed turnaround, the refinery was subjected to regulatory inspections, maintenance works, and selected asset improvement initiatives. With a total investment of EUR 630 million, the major turnaround was a significant investment to secure the refinery's safety, availability and competitiveness.

Broadening our sustainability vision

Our broadened sustainability vision covers climate, biodiversity, human rights, supply chain and raw materials. As part of this, we set a concrete target for Scope 3 emissions. We are committed to lead the transformation towards a carbon neutral value chain by 2040 and reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels.

Expanding the availability of Neste MY Renewable Diesel globally

We continued to expand the availability of renewable diesel by bringing it to new markets, such as Japan, and by growing the fueling network. In 2021 we launched Neste MY Renewable Diesel in Belgium. We also expanded our renewable diesel fueling stations network in Southern California.

Progressing on our projects on the Innovation business platforms

Our Innovation unit continued to focus on the business platforms that are based on scalable future raw material pools to reduce the dependence on crude oil and tackle climate change. Our green hydrogen and CO_2 capture & storage project received a positive grant decision of EUR 88 million from the EU Innovation Fund. The project aims to quickly and efficiently reduce greenhouse gas emissions at our Porvoo refinery in Finland.

Focusing on and investing in the Rotterdam production site

We decided to choose Rotterdam, the Netherlands, as a location for our possible next world scale renewable products refinery. We also decided to modify our existing renewables refinery in Rotterdam to enable up to 500,000 metric tons of Neste MY Sustainable Aviation Fuel (SAF) production, an investment of EUR 190 million. The acquisition of Bunge Loders Croklaan's refinery plant in Rotterdam was completed.

Increasing the use of wind and hydropower at the Porvoo refinery in Finland

We aim to use 100% renewable electricity globally by 2023. With the hydropower agreement with Vattenfall, we will achieve our renewable electricity target in Finland already in 2022. We have increased the use of renewable electricity at our Porvoo refinery in Finland with wind power delivery agreements with Statkraft, Ilmatar and Fortum.

Helping the aviation industry with its emission reduction targets

We continued to grow our sustainable aviation fuel (SAF) business through partnerships and collaborations with leading airlines, e.g. Lufthansa, KLM, American Airlines and DHL, as well as several fuel suppliers. Our activities in the business aviation segment continued to grow this year making our Neste MY SAF available at 12 new airport locations in the US and three in Europe. We established partnerships with BCG and TripActions to enable lower-emission business travelling with our SAF-based solutions. We also took part in the first study on in-flight use of 100% sustainable aviation fuel on both engines of a commercial jet with Airbus and Rolls Royce, among others.

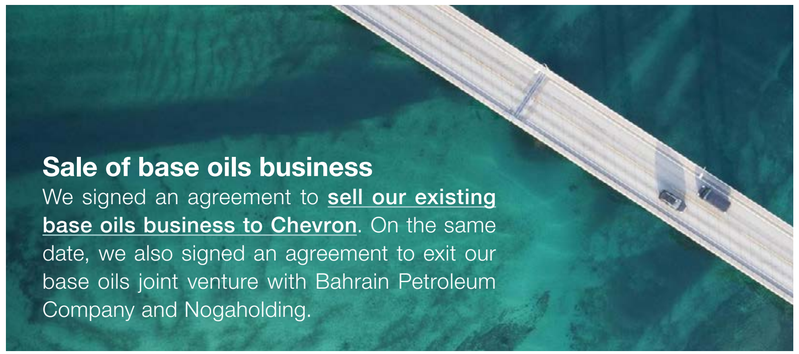
Key events 2021

Strengthening global renewable raw material sourcing

We **acquired 100% of Agri Trading**, one of the largest renewable waste and residue fat and oil traders in the US. The transaction strengthens our global renewable raw material sourcing capabilities.

Industry's First TOP TIER Certification for Neste MY Renewable Diesel in North America

Neste MY Renewable Diesel received the **TOP TIER™ Diesel Fuel certification** as the very first renewable diesel brand for its high quality and powerful performance.



Sale of base oils business

We signed an agreement to **sell our existing base oils business to Chevron**. On the same date, we also signed an agreement to exit our base oils joint venture with Bahrain Petroleum Company and Nogaholding.

Strengthening global innovation and R&D with an R&D center in Singapore

We revealed that we will **establish an R&D center in Singapore**. With this investment, we will strengthen our global innovation and R&D, and drive collaboration with partners in the Asia-Pacific region, especially in Singapore.

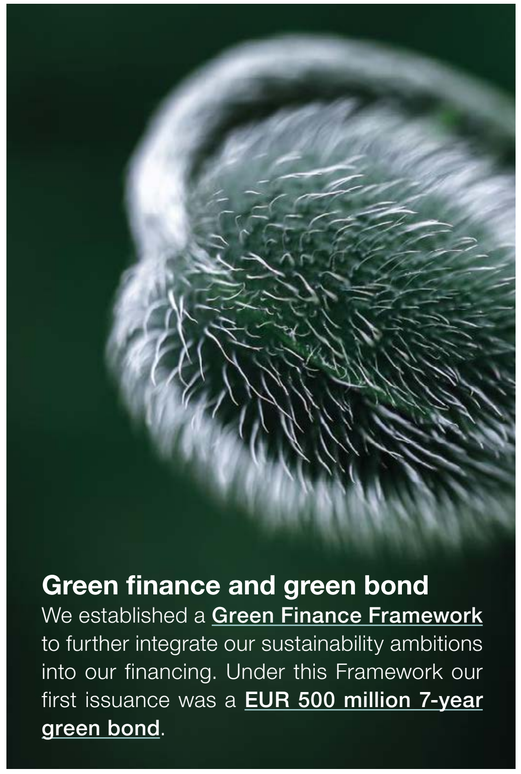
Chemical recycling of waste plastic

We announced our aim to establish a **joint venture with Ravago** to build the first industrial facility in North Sea Port in Vlissingen, the Netherlands, for chemical recycling with an annual processing capacity of about 55,000 metric tons of mixed plastic waste.

Expanding renewable polymers and chemicals availability globally with our partners

We made **a long-term commercial agreement with LyondellBasell** under which the company sources our 100% renewable feedstock Neste RE™ and processes it into polymers. Through the collaboration, Neste and LyondellBasell are jointly contributing to the development of the European market for sustainable polymers and chemicals solutions.

We also **collaborated with Alterra Energy** to commercialize Alterra's waste plastic liquefaction technology in Europe. The material Alterra produces enables Neste to produce high-quality feedstock for polymers and chemicals.



Green finance and green bond

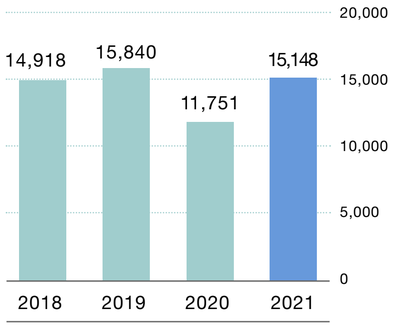
We established a **Green Finance Framework** to further integrate our sustainability ambitions into our financing. Under this Framework our first issuance was a **EUR 500 million 7-year green bond**.

Aiming to demonstrate production of green hydrogen

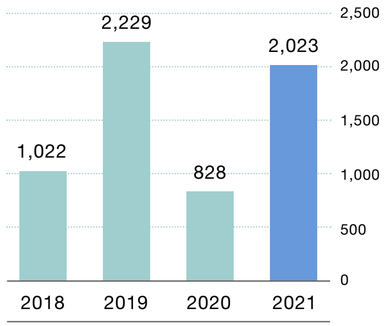
We proceeded into execution phase with partners in the **MultiPLHY** project, aiming to demonstrate production of green hydrogen at our renewable products refinery in Rotterdam.

Key figures 2021

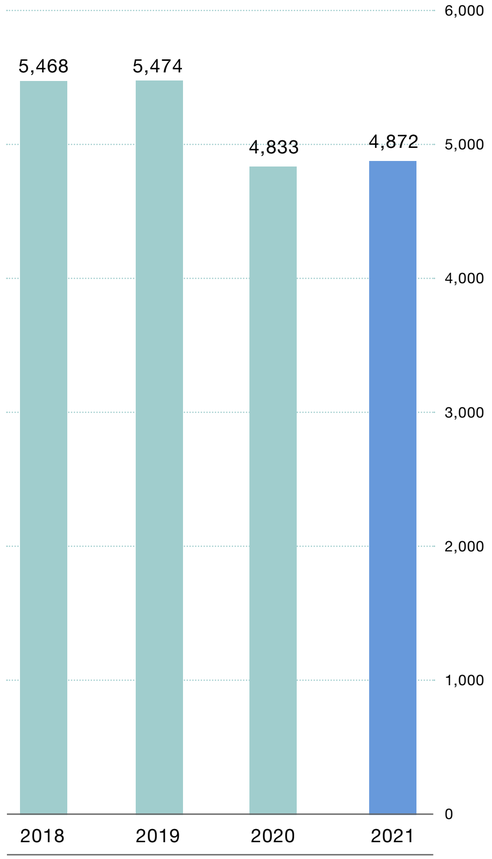
Revenue, EUR million



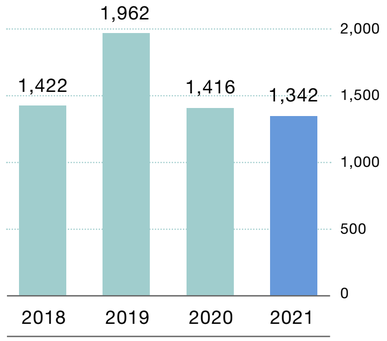
Operating profit, EUR million



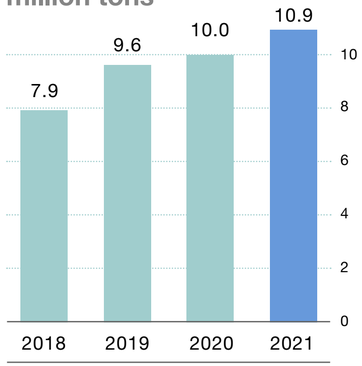
Personnel, on average



Comparable operating profit, EUR million



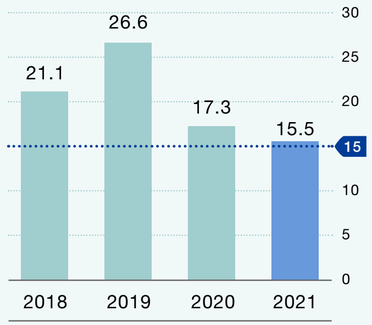
GHG reduction achieved with Neste's renewable products, million tons*



*) Compared to crude oil-based fuel.

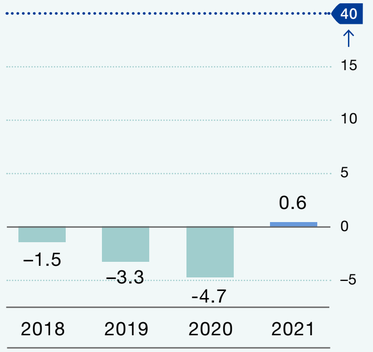
Financial targets

Return on average capital employed after tax (ROACE), %



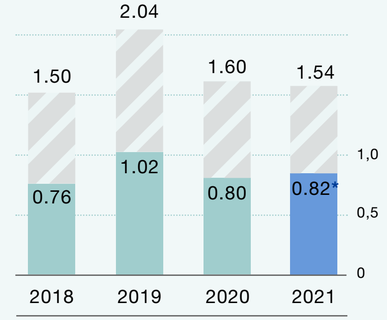
Financial target: ROACE of at least 15% annually

Leverage ratio, %



Financial target: A leverage ratio of below 40%

Dividend per share, €



Financial target: 50% of comparable net profit

* Board of Directors' proposal to the Annual General Meeting

Our dividend policy is to distribute at least 50% of our comparable net profit as dividend

Key figures 2021

	2021	2020	Change, %
Income statement			
Revenue, MEUR	15,148	11,751	29%
EBITDA, MEUR	2,607	1,508	73%
Operating profit, MEUR	2,023	828	144%
Profit before income taxes, MEUR	1,962	786	149%
Profit for the period, MEUR	1,774	714	148%
Comparable EBITDA, MEUR	1,920	1,929	0%
Comparable operating profit, MEUR	1,342	1,416	-5%
Comparable net profit, MEUR	1,179	1,229	-4%
Profitability, %			
Return on equity (ROE), %	28.5	11.8	141%
Return on average capital employed, after tax (ROACE), %	15.5	17.3	-11%
Financing and financial position			
Total equity, MEUR	6,985	5,929	18%
Interest-bearing net debt, MEUR	41	-265	116%
Leverage ratio, %	0.6	-4.7	113%
Equity-to-assets ratio, %	56.6	61.1	-7%
Net Debt to EBITDA, %	0.0	-0.2	109%
Net cash generated from operating activities, MEUR	1,994	2,057	-3%
Other indicators			
Capital employed, MEUR	8,742	7,236	21%
Net working capital in days outstanding	33.3	35.0	-5%
Capital expenditure and investment in shares, MEUR	1,535	1,197	28%
Research and development expenditure, MEUR	67	61	10%
Average number of personnel	4,872	4,833	1%
Total refining margin, USD/bbl	8.99	7.55	19%
Total Recordable Injury Frequency per million hours worked (TRIF)	1.4	1.3	8%
Process Safety Events Rate (PSER)	1.4	1.6	-13%

	2021	2020	Change, %
Share-related indicators			
Earnings per share (EPS), EUR	2.31	0.93	149%
Comparable earnings per share, EUR	1.54	1.60	-4%
Equity per share, EUR	9.09	7.72	18%
Cash flow per share, EUR	2.60	2.68	-3%
Price / earnings ratio (P/E)	18.79	63.75	-71%
Dividend per share, EUR	0.82[1)]	0.80	2%
Dividend payout ratio, %	35.5[1)]	86.2	-59%
Dividend yield, %	1.9[1)]	1.4	40%
Dividend per comparable earnings per share, %	53.4[1)]	50.0	7%
Share price at the end of the period, EUR	43.36	59.16	-27%
Average share price, EUR	50.99	37.49	36%
Lowest share price, EUR	41.17	20.37	102%
Highest share price, EUR	64.74	60.14	8%
Market capitalization at the end of the period, MEUR	33,353	45,507	-27%

1) Board of Directors' proposal to the Annual General Meeting.

	2021	2020	Change, %
Sustainability indicators			
Avoided GHG emissions by Neste customers with Neste's products (compared to fossil fuel) in $MtCO_2e$[1)]	10.9	10.0	9%
Neste's absolute CO_2 emissions in Scope 1 and 2 (production)[2)]	2.3	2.9	-21%
Use phase emission intensity of sold fuel products (gCO_2e/MJ)	55	58	-5%

1) Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directives; until the end of H1/2021 with RED 2009/28/EC and in H2/2021 with RED II (EU)2018/2001.

2) Market-based emissions for Scope 2

Information for investors

Neste shares are listed on NASDAQ Helsinki under the trading code NESTE.
The company had 107,087 (94,726) shareholders at the end of 2021.

Annual General meeting

Neste Corporation's Annual General Meeting will be held on Wednesday, 30 March 2022 at 12 noon EET. The AGM will be held under special arrangements without shareholders' or their proxy representatives' presence at Company's headquarters at the address Keilaranta 21, 02150 Espoo.

Shareholders and their proxy representatives can participate in the AGM and exercise their shareholder rights only by voting in advance and by making counter proposals and presenting questions in advance, following instructions available at www.neste.com/agm. The AGM can also be followed via live webcast.

The Board of Directors proposes to the AGM that a dividend of EUR 0.82 per share be paid on the basis of the approved balance sheet for 2021. The dividend shall be paid in two instalments.

Dividend payment in 2022

- 18 March 2022: AGM record date.
- 1 April 2022: Dividend payment record date for the first instalment.
- 8 April 2022: Dividend payable for the first instalment.
- 30 September 2022: Dividend payment record date for the second instalment.
- 7 October 2022: Dividend payable for the second instalment.

Interim reports in 2022

Neste Corporation will publish financial reports in 2022 as follows:

- Interim Report January–March 2022: 29 April 2022
- Half Year Financial Report January–June 2022: 28 July 2022
- Interim Report January–September 2022: 27 October 2022

The Interim Reports are published in Finnish and English and can be downloaded at neste.com/investors.

Contact information

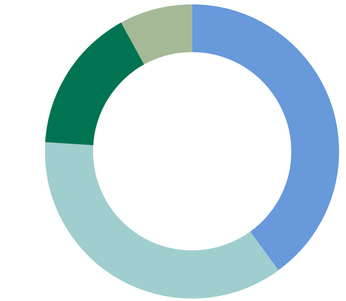
Investor Relations:
Jyrki Mäki-Kala, CFO
Tel. +358 (0)10 458 4098
jyrki.maki-kala@neste.com

Juha-Pekka Kekäläinen,
Vice President, Investor Relations
Tel. +358 (0)10 458 5292
juha-pekka.kekalainen@neste.com

Debt Investor and Banking Relations:
Mika Rydman, Vice President, Group Treasurer
Tel. +358 (0)10 458 4710
mika.rydman@neste.com

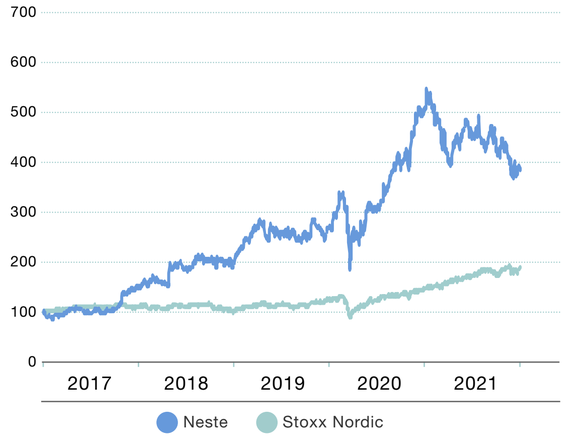
Neste's general e-mail address for investors:
investors@neste.com

Shareholder structure on 31 December 2021, %

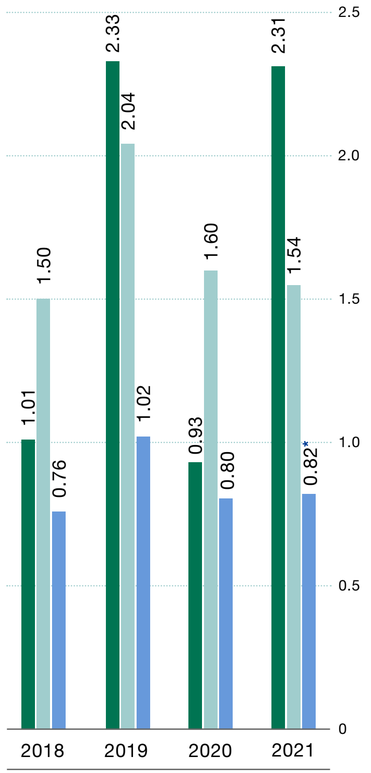


- Non-Finnish shareholders 39.6% (40.2%)
- Finnish State 35.9% (35.9%)
- Finnish institutions 17.0% (16.4%)
- Households 7.5% (7.5%)

Shareholders' total return, indexed

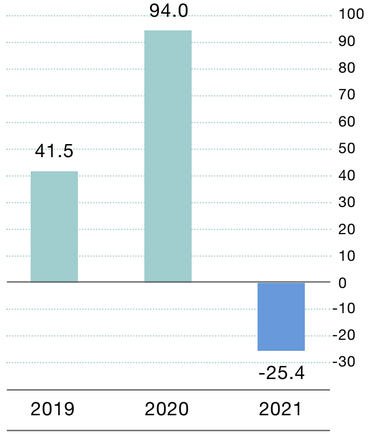


Earnings per share and dividend per share, EUR

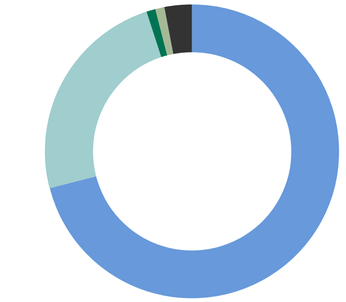


* 2021: Board's proposal to Annual General Meeting

Total shareholder return, %



Neste share's trading volumes in 2021, %



- NASDAQ Helsinki 71.3% (71.8%)
- CBOE Europe 24.0%
- Chi-X Europe 0.1% (17.0%)
- BATS Europe 0.2% (6.9%)
- Turquoise 4.4% (4.3%)

Neste's share performance 2017–2021, EUR

Sustainability

Sustainability highlights 22
Sustainability at Neste 23
Material sustainability topics 27
Stakeholder engagement 37
Value creation 43
Sustainability governance 44
Compliance 46
Climate 47
Our carbon handprint 49
Our carbon footprint 53
Environment 59
Biodiversity 60
Raw materials 62
Renewable raw materials 63
Recycled raw materials 73
Sustainable supply chain 77
People 82
Human rights 85
Safety 90
Sustainability reporting in 2021 94
Performance in figures 96
GRI Content Index and UN Global Compact 100
TCFD Recommendations Disclosure 106
SASB Content Index 107
UN Guiding Principles Reporting Framework Index 109
Principles for calculating the key indicators 110
Independent Practitioner's Assurance Report 112

Sustainability highlights 2021

SUSTAINABILITY VISION

Our broadened sustainability vision covers

- Climate
- Biodiversity
- Human rights
- Supply chain and raw materials

CLIMATE

The amount of greenhouse gas emissions our customers reduced with our renewable products in 2021:

10.9Mt

2017	8.3Mt
2018	7.9Mt
2019	9.6Mt
2020	10.0Mt
2021	10.9Mt
Target 2030	20Mt

Equaling the annual emissions from 4.2 million passenger cars

or the annual carbon footprint of 1.7 million average EU citizens[1)]

Concrete target for Scope 3 emissions[2)] to reduce the use phase emission intensity[3)] of sold products by

50%

by 2040 compared to 2020

Signing the Business Ambition for

1.5°C

Commitment Letter[4)] by Science Based Targets initiative

1) Source: World Bank.
2) As defined by the Greenhouse Gas Protocol. Scope 3 includes relevant emissions from the whole value chain. For Neste, the key categories are the use of sold products, purchased goods & services and raw material & product transport.
3) Use phase emission intensity is calculated by dividing the emissions from the use of products sold by Neste with the total amount of sold energy (gCO_2e/MJ).
4) The Business Ambition for 1.5°C Commitment Letter, as part of the Science Based Targets initiative (SBTi), is a letter for companies to commit to take urgent action aligned with 1.5°C.

PEOPLE

306

safe days
(325 in 2020)

955

external recruitments

78%

of our employees understand how their work contributes to Neste's success

RAW MATERIALS

Waste and residues accounted for 92%

of our total renewable raw material inputs globally

Plan to reduce the share of conventional palm oil to

0%

of our global renewable raw material inputs by the end of 2023

Sustainability at Neste

Our purpose to create a healthier planet for our children drives us to set high standards for sustainability. Our broadened sustainability vision covers climate, biodiversity, human rights, supply chain and raw materials – all of which are interlinked.

As the world's leading producer of sustainable aviation fuel, renewable diesel and renewable feedstock solutions for various polymers and chemicals industry uses, our business is built upon sustainability. We refine our renewable products from waste, residues and sustainably-produced vegetable oils. As the climate crisis continues, saving lives and livelihoods requires urgent effort. Renewable and circular solutions are our contribution to keeping societies running sustainably.

In 2021, we broadened our sustainability vision: we are aiming at tackling the climate crisis, biodiversity loss and inequalities – not just in our own operations, but also in our value chain.

Climate

We are well on track and continue to progress with our existing climate commitments to reduce our own emissions and reach carbon neutral production (Scope 1 & 2*) by 2035, and to help our customers reduce their greenhouse gas emissions by at least 20 million tons CO_2e annually by 2030.

In 2021, we extended our climate commitments to include also Scope 3 emissions. We are committed to lead the transformation towards a carbon neutral value chain by 2040. We aim to reduce the use phase emission intensity** of sold products by 50% by 2040 compared to 2020 levels (Scope 3*). This target will be achieved through Neste's transformation towards increasing the share of renewable and circular solutions in its offering, as well as working with our suppliers and partners to reduce emissions across our value chain.

Read more about our climate commitments and actions.

Biodiversity

Biodiversity is closely interlinked with the question of climate change. Our vision is to drive a positive impact on biodiversity and achieve a nature-positive value chain, which means that the impacts to biodiversity are minimized, and the negative impacts are compensated.

We strive for a business model that provides benefits for biodiversity instead of adverse effects on ecosystems. For example, we are committed to combating deforestation and require the same from all our suppliers. Our raw material sourcing for renewable fuels is strictly regulated by biodiversity criteria, as outlined in the EU's Renewable Energy Directive.

In 2021, we started a collaboration with Fauna & Flora International (FFI), to develop more effective practices to measure and reduce our impact on biodiversity.

Read more about biodiversity.

Human rights

Our vision is to create a more equitable and inclusive value chain in which everyone works with dignity. Priorities include advancing a living wage in our operations and supply chains, ensuring responsible recruitment practices in line with the Employer Pays Principle, increasing children's access to education, and reducing inequalities across the value chain.

We carry out continuous human rights due diligence to identify human rights impacts in our operations and supply chains, and expect all of our suppliers and business partners to uphold our Human Rights Principle and address their human rights impacts.

- We collaborate with peers to drive positive practices in the supply chain.
- We engage in multi-stakeholder partnerships to advance wider action on tackling inequality.

Read more about human rights.

*) Scope 1, 2 & 3 emissions as defined by the Greenhouse Gas Protocol. Scope 1 and 2 cover the emissions related to our own production. Scope 3 includes relevant emissions from the value chain. For Neste, the key Scope 3 categories are the use of sold products, purchased goods & services and raw material & product transport.

**) Use phase emission intensity is calculated by dividing the emissions from the use of products sold by Neste with the total amount of sold energy (gCO_2e/MJ).

Supply chain and raw materials

Sustainability of our supply chains and raw materials are critically important to Neste's sustainability ambitions overall. Our vision is to drive a safe and healthy workplace, fair labor practices and increased commitment to sustainability across the supply chain. Human rights, biodiversity and climate related targets are included in the criteria for our suppliers.

We expect all of our business partners and suppliers to uphold Neste's sustainability policies and principles, including our **Supplier Code of Conduct**, a key element in Neste's supplier management system. Our renewable raw material suppliers are additionally required to meet the requirements of our **Responsible Sourcing Principle**, adhere to our **Human Rights Principle**, as well as industry and market-specific legal requirements.

Supplier engagement is the key to drive and improve our supply base. We support our suppliers in the development of sustainability policies, management systems, transparency, traceability, due diligence and continuous improvements. For example, we conduct sustainability workshops with our suppliers every year to provide a venue to specifically discuss sustainability-related matters.

Read more about our **supply chain.**

Read more about our **raw materials.**

Neste sustainability vision

Climate

Neste leads the transformation towards a carbon neutral value chain by 2040

Biodiversity

Neste drives a positive impact on biodiversity and achieves a nature-positive[1)] value chain by 2040

Human rights

Neste strives to create a more equitable and inclusive value chain by 2030 in which everyone works with dignity

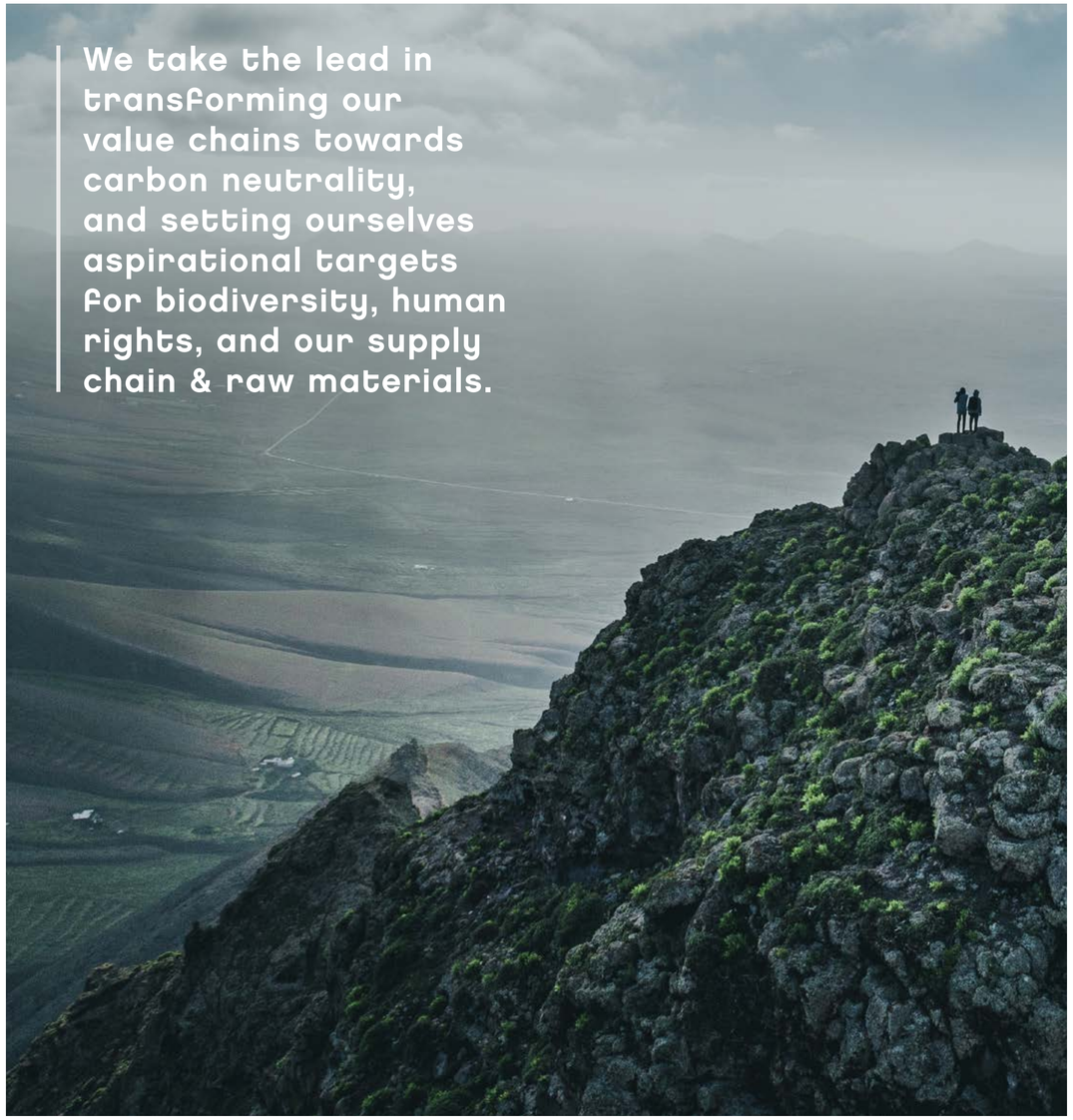
Supply chain & raw materials

Neste drives safe and healthy workplace, fair labor practices and increased sustainability commitment across the supply chain

[1)] Nature-positive refers to halting and reversing nature loss, positive impacts outweighing the adverse impacts

We believe that innovation and collaboration are the cornerstones to success in combating global challenges, like the climate crisis. This requires a change in mindsets and concrete actions from all of us. But together with our partners, we can, for example, scale up our renewable and circular solutions, increase innovation through extensive research and value chain partners, and establish mutually beneficial partnerships committed to sustainability.

While combating the global climate challenge, we also acknowledge our social and economic role regionally and locally. We have an impact on people within our own operations but also throughout our value chain. We care for our own employees' safety and health, while also paying close attention to the welfare of the most vulnerable groups of individuals in our supply chain. Economic responsibility, corporate governance and supply chain sustainability are the cornerstones of everything we do. We have identified several environmental, social and governance topics as relevant for our business and our everyday sustainability work, **relating also to the UN Sustainable Development Goals.**



Sustainability milestones in 2021

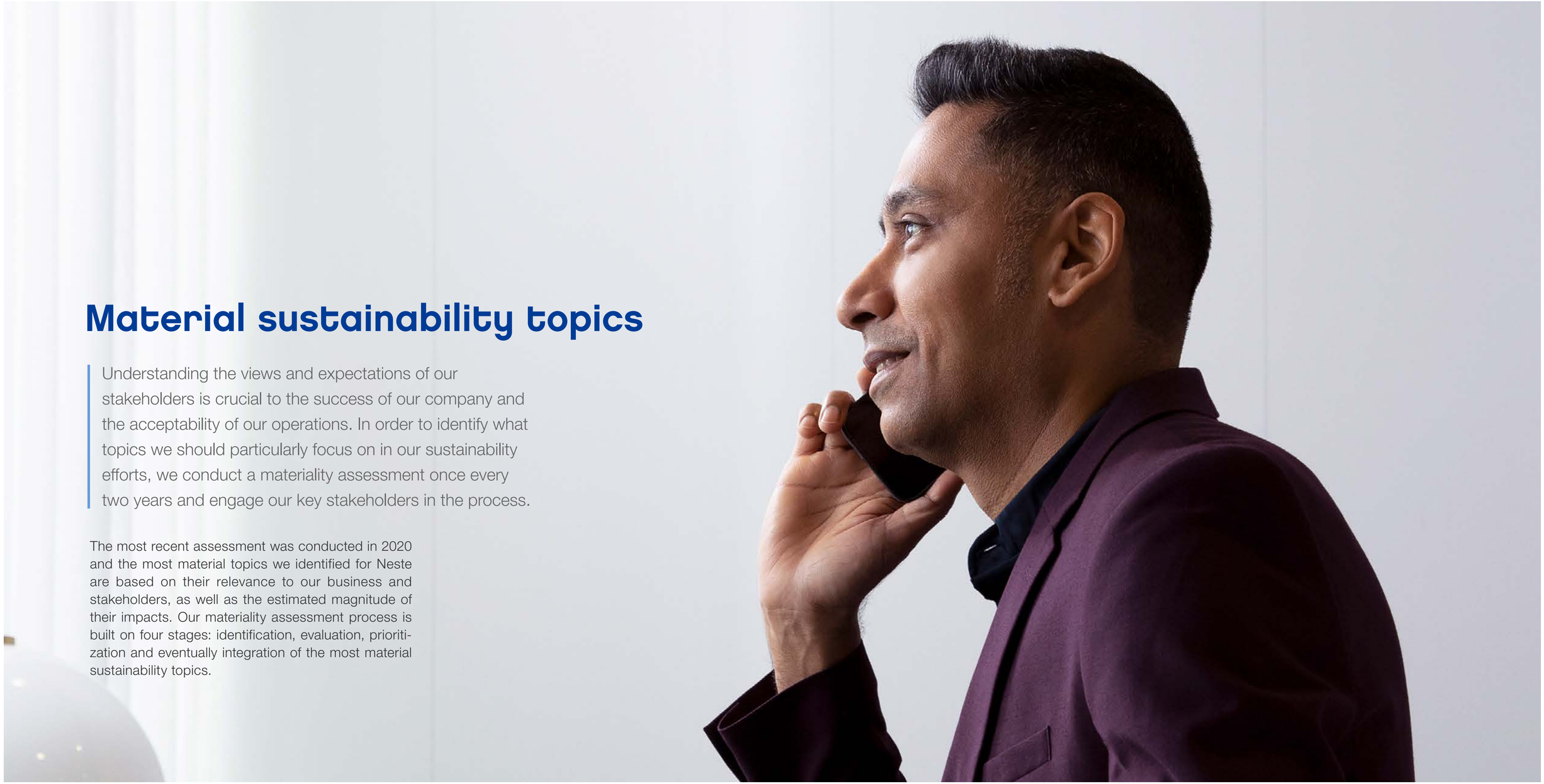
- We broadened our **sustainability vision** to cover climate, biodiversity, human rights, supply chain and raw materials.
- We extended our climate commitments to cover the entire value chain (Scope 1, 2 & 3*). We aim to:
  - help our customers reduce their greenhouse gas emissions with our renewable and circular solutions by at least 20 million tons of CO_2 eq annually by 2030;
  - reduce our production (Scope 1 & 2) emissions by 50% by 2030 compared to 2019 and reach **carbon neutral production by 2035**;
  - lead the transformation towards a carbon neutral value chain by 2040, reduce the use phase emission intensity** of sold products by 50% by 2040 compared to 2020, and work with our suppliers and partners to reduce emissions across the entire value chain (Scope 3).
- We are well on track with our commitment of reaching carbon neutral production by 2035, and we currently have over 100 identified measures to reduce the production emissions.
- We signed the Business Ambition for 1.5°C Commitment Letter and continue to build on our climate actions so that they are in line with the 1.5°C emission scenarios, the criteria and recommendations of the Science Based Targets initiative.
- We have an ambition to make Porvoo the most sustainable refinery in Europe by 2030. For instance, we aim to reduce the refinery's greenhouse gas emissions (Scope 1 & 2) by 50% by 2030 and introduce and scale up the use of renewable and recycled raw materials to over 10% by 2030 to substitute the use of fossil crude oil based feedstocks at the Porvoo refinery.
- We set a target to **reach 100% renewable electricity use globally by 2023.** This target is to be achieved ahead of schedule in Finland with the new hydropower agreement with Vattenfall. Neste has wind power agreements in place with Fortum, Ilmatar and Statkraft.
- We included our climate commitments into long-term incentives (LTIs) for Neste's key personnel.
- We published a **Green Finance Framework** to further integrate Neste's sustainability ambitions into our financing and successfully launched EUR 500 million **green bond.**
- We set a target to reduce the share of conventional palm oil (crude and refined palm oil) to zero of our global renewable raw material inputs by the end of 2023.
- We renewed the **Neste Code of Conduct.**
- We developed a **sustainability due diligence process** for our Oil Products suppliers. In 2021, a total of 86 were assessed.
- We started collaborating with Fauna & Flora International (FFI) to develop our approach on **biodiversity.**

*) Scope 1, 2 & 3 emissions as defined by the Greenhouse Gas Protocol. Scope 1 and 2 cover the emissions related to our own production. Scope 3 includes relevant emissions from the value chain. For Neste, the key Scope 3 categories are the use of sold products, purchased goods & services and raw material & product transport.
**) Use phase emission intensity is calculated by dividing the emissions from the use of products sold by Neste with the total amount of sold energy (gCO_2e/MJ).

Material sustainability topics

Understanding the views and expectations of our stakeholders is crucial to the success of our company and the acceptability of our operations. In order to identify what topics we should particularly focus on in our sustainability efforts, we conduct a materiality assessment once every two years and engage our key stakeholders in the process.

The most recent assessment was conducted in 2020 and the most material topics we identified for Neste are based on their relevance to our business and stakeholders, as well as the estimated magnitude of their impacts. Our materiality assessment process is built on four stages: identification, evaluation, prioritization and eventually integration of the most material sustainability topics.



Defining material topics

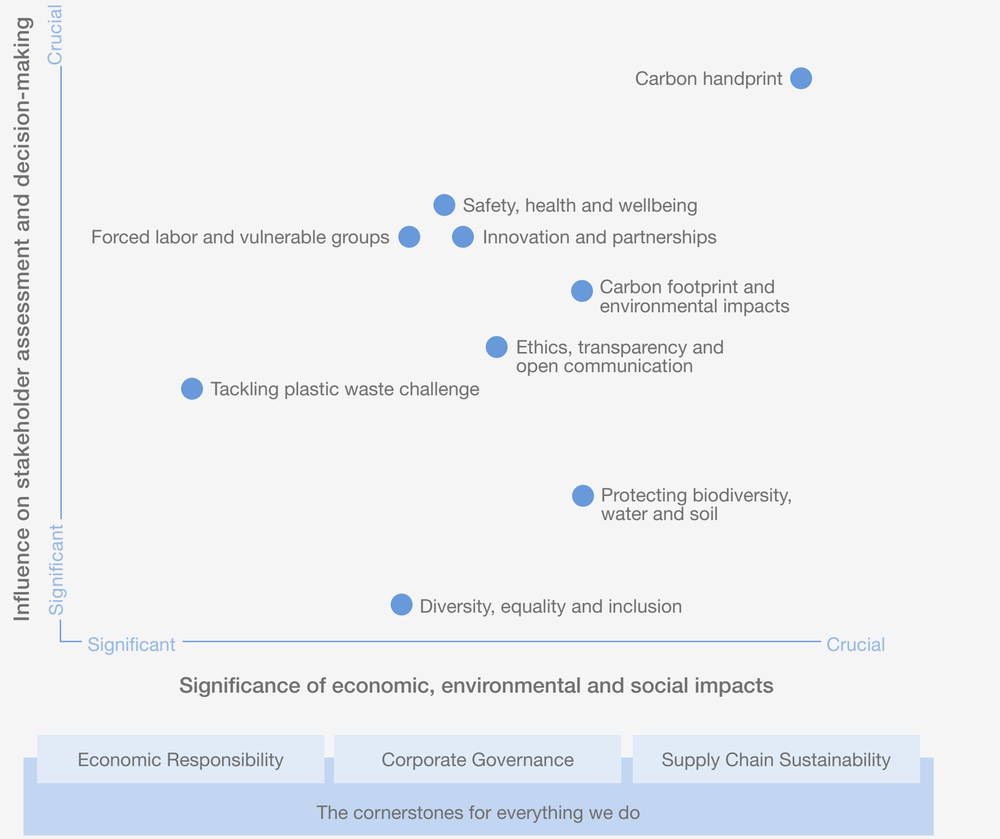
Material topics are defined by identifying Environmental Social and Corporate Governance (ESG) topics that are relevant to our business, as well as to our stakeholders. The topics are then evaluated with potential sustainability impacts and business-related key risks and opportunities. Stakeholders involved in the materiality assessment process represent a large variety of stakeholders.

Based on the results from the latest assessment process (conducted in 2020), nine important sustainability topics are identified. They are presented in the materiality matrix on the right.

The material topics reflect Neste's business operations, as well as strategic ambitions in combating climate change and creating a healthier planet for our children. The material topics represent different sustainability aspects, and they are relevant throughout our value chain. Supply chain sustainability is no longer seen as a single material topic but an underlying theme that needs to be taken into account when considering each of the nine topics. Similar underlying themes are economic responsibility and corporate governance. These three themes are the cornerstones of our sustainability agenda.

The next materiality assessment will be conducted in 2022. Read more about our materiality assessment process.

Materiality matrix



In addition to the materiality assessment, we conduct an annual Neste Brand Health Research study into the key trends and perceptions of the main global players in renewable and circular solutions, as well as on our sustainability topics, across Asia, Europe and the Americas representing a wide range of organizations. Findings from the research support the views stated in the materiality assessment. These views represent a clear foundation of strengths and significant opportunities for Neste. The assessment provides insight on our progress against our goals.

Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a collection of 17 interconnected global goals to help achieve a better and more sustainable future for all. They represent an action plan for the planet and society to thrive by 2030, and explicitly call on businesses to help lead this transformation. Neste recognizes the strategic importance of the SDGs to our business and the world and is committed to helping achieve them.

Neste has identified nine priority SDGs as the goals we most significantly contribute to and have used the SDG Compass to determine them. To understand and prioritize the most relevant SDGs for Neste, we have worked with external experts to assess both the positive and negative impacts our business has on the SDGs throughout our value chains. Our prioritization process is based on our sustainability materiality analysis, impact evaluation study, an external review as well as an internal expert analysis.

In 2021, Neste joined the UN Global Compact SDG Ambition Accelerator. This provided us with the opportunity to review our current performance and discover new opportunities for contributing to the SDGs. As our business and the world around us continues to change and evolve, so do our actual and potential impacts on the SDGs. Therefore a key outcome of participating in the SDG Ambition Accelerator workshops was the identification of three new goals (SDG 7, 10 and 15) to add to our list of priority SDGs, based on our new business impacts and sustainability vision. You can read more about our impacts related to these SDGs on pages 30–32.

Turning sustainability priorities into commitments and targets

We continue to work on embedding the SDGs into our strategy and business targets, identifying new impacts, and also reporting on our progress. Our most relevant SDGs form a strong basis for our sustainability work. By identifying material sustainability topics and the relevant SDGs, we position Neste as part of society as well as part of the global sustainability framework.

Based on the identified material topics, we have formed relevant sustainability KPIs. This helps us integrate the renewed materiality assessment in our sustainability agenda and to continue our sustainability work in a consistent and forward-looking way. We monitor, measure and follow up how our actions affect the broader context. The SDG targets will be aligned with these new sustainability targets.

The sustainability KPIs can be found in the table on pages 33–36.

How Neste contributes to the SDGs?

7 AFFORDABLE AND CLEAN ENERGY

Clean Energy

- Neste increases the share of renewable energy in the global energy mix by producing and selling low-emission renewable fuels for road transportation and aviation.
  - In 2021, Cologne Bonn Airport made Neste MY SAF available for airlines to reduce greenhouse gas emissions at the airport.
  - Hesburger and Neste started a collaboration where the used cooking oil from Hesburger restaurants was recycled into renewable diesel and used in transportation.
  - Neste's renewable fuels portfolio includes as well renewable gasoline (in testing phase) and renewable fuel oil.
- Neste aims for 100% renewable electricity use globally by 2023. This target is to be achieved ahead of schedule in Finland with the new hydropower agreement with Vattenfall. Neste has wind power agreements in place with Fortum, Ilmatar and Statkraft.

8 DECENT WORK AND ECONOMIC GROWTH

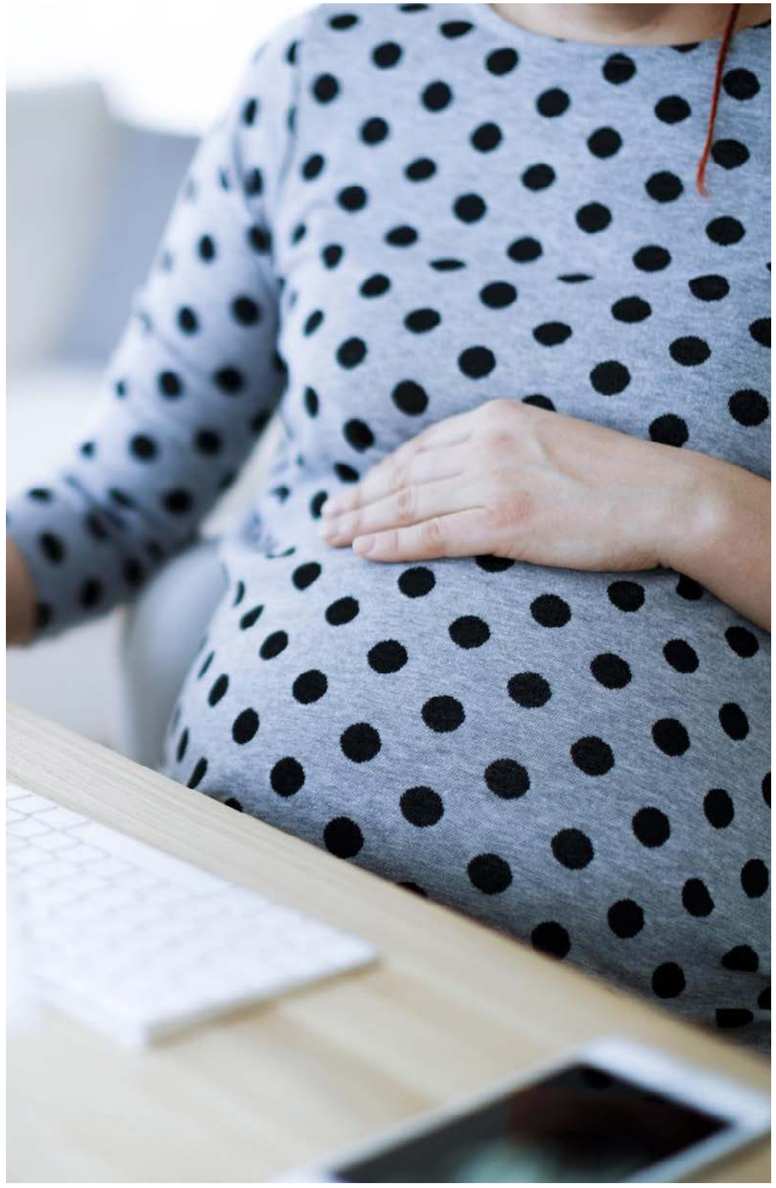
Decent Work and Economic Growth

- The new Safety Leadership Principle and team safety commitments were the focus of Neste's safety leadership and culture in 2021. Especially the theme of wellbeing was highlighted in the team level safety commitments.
- The pandemic management activities continued and included enhancing the safety and wellbeing of people.
- A new leadership development program, We Lead, and a new way of working, Smart Work, were launched.
- We actively take steps to protect labor rights and promote safe and secure working environments for all workers, with special attention to vulnerable groups.
- Neste is committed to implementing effective measures to eradicate forced labor, modern slavery, and child labor.
- Neste respects and supports children's rights and provides good-quality employment, education and training for young people. In 2021, we hired nearly 330 summer trainees to work across different functions at Neste.
- Neste joined the Consumer Goods Forum's Human Rights Coalition, which is focused on ending forced labor through focused and collective action. We began the work to identify key focus areas for action under this coalition, with further assessments projected to start in 2022.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation and Infrastructure

- Neste's growth and transformation is rooted in innovation and technology. We invest the majority of our annual R&D expenditure in research and testing future raw materials and technologies.
- Neste received a positive grant decision from the EU Innovation Fund for its Porvoo refinery green hydrogen and CO_2 capture & storage project.
- Neste is moving into the execution phase with partners in the MultiPLHY project, to demonstrate production of green hydrogen at its Rotterdam refinery.
- Neste will strengthen its global innovation and R&D by opening a R&D center in Singapore.
- Neste is involved in the VTT-led project of large-scale production and commercialization of e-fuels.
- Neste and aviation leaders have launched the first in-flight 100% sustainable aviation fuel emissions study on commercial passenger jets.
- Neste increases the use of renewable electricity at its production sites in Finland.
- Digitalization is an important accelerator at Neste. Neste launched a digital service for companies to monitor their transport fuel emissions.



10 REDUCED INEQUALITIES

Reducing Inequalities

- Our human rights ambition for 2030 is to create a more equitable and inclusive value chain, in which everyone works with dignity. This includes requiring and securing minimum living wage, advancing responsible recruitment practices in line with the Employer Pays Principle, increasing children's access to education and reducing inequalities across the value chain.
- Neste joined the WBCSD Business Commission to Tackle Inequality.
- Neste reaffirmed its commitment to FIBS Diversity Charter Finland.
- Neste became a signatory to the UN Women's Empowerment Principles and initiated a WEP gender-gap analysis.
- Neste joined the Diversity Roundtable, a cross-functional forum facilitated by Boston Consulting Group and UN Women Finland, with an objective of advancing diversity in Finland.
- Neste took part in Plan International's #GirlsTakeover campaign.
- Neste joined two Unilever Partner Promises – the Supplier Equity, Diversity and Inclusion Promise and the Living Wage/Living Income Promise.

11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities

- Neste creates value for the society and helps customers to reduce greenhouse gas emissions by offering lower-emission renewable fuels to aviation and road transportation. Reducing emissions in transportation will also decrease the pollution in cities. Some examples:
  - The collaboration between the City of Oakland (CA, USA) and Neste was recognized in the Fast Company's 2021 World Changing Ideas Awards where Neste was the winner in one of the categories.
  - Neste's renewable diesel is used to power the fleets of major Californian cities, e.g. Twin Rivers Unified School District.
  - The Finnish Ham Trick encourages households in Finland to recycle Christmas waste fats into renewable diesel.
- Neste helps the aviation industry to reduce local airport emissions with the use of Neste's SAF. The fuel was introduced at Gatwick airport.
- Neste refines waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials. In 2021, the share of waste and residues increased to 92% of Neste's total renewable raw material inputs globally.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Consumption and Production

- Neste refines waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials. Neste is the world's leading producer of renewable diesel, sustainable aviation fuel and renewable feedstock solutions for various polymers and chemicals industry uses.
- Neste's ambition is to make its Porvoo refinery the most sustainable refinery in Europe by 2030 and to increase the share of renewable and circular raw materials to over 10% of the oil refinery feeds by 2030.
- Neste continued to process liquefied waste plastic successfully at its Porvoo refinery.
- In 2021, Neste acquired a minority stake at Alterra Energy, an innovative chemical recycling technology company.
- Neste and Ravago aim to establish a joint venture to build an industrial facility for chemical recycling.
- Neste joined forces with Mitsui Chemicals, Inc. and Toyota Tsusho Corp. to produce renewable plastics and chemicals from Neste RE.
- Neste acquired Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the US.
- Neste entered into circularity cooperation at Dallas Fort Worth International Airport.

13 CLIMATE ACTION

Climate Action

- Our climate commitments cover the entire value chain (Scope 1, 2 & 3). We aim to:
  - help our customers reduce their greenhouse gas emissions with our renewable and circular solutions by at least 20 million CO_2e tons annually by 2030;
  - reduce our production emissions (Scope 1 & 2) by 50% by 2030 compared to 2019 and reach carbon neutral production by 2035;
  - lead the transformation towards a carbon neutral value chain by 2040, reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels, and work with our suppliers and partners to reduce emissions across the entire value chain (Scope 3).
- Neste joined the Business Ambition for 1.5°C campaign led by the Science Based Targets initiative (SBTi).
- Neste included its climate commitments into long-term incentives for Neste's key personnel, updated the investment criteria to include climate impact and updated its internal price for carbon.
- Neste aims for 100% renewable electricity use globally by 2023. This target is to be achieved ahead of schedule in Finland with the new hydropower agreement with **Vattenfall**. Neste has wind power agreements in place with **Fortum**, **Ilmatar** and **Statkraft**.
- Neste published a **Green Finance Framework** to further integrate its sustainability ambitions into its financing and issued its first 500 million EUR **green bond**.
- **Neste MY Renewable Diesel** was used extensively in **product distribution logistics in Finland**.
- Neste began using its own SAF in its employees' air travel in collaboration with Finnair. A SAF partnership to reduce the climate impact of business air travel with **BCG** was also announced.

15 LIFE ON LAND

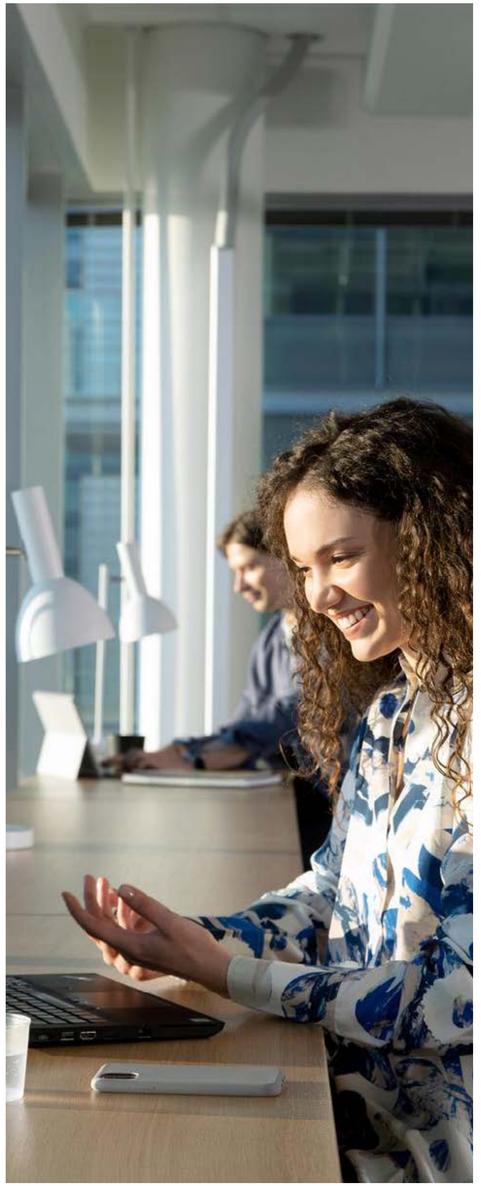
Life on Land

- Neste is committed to protecting biodiversity with a vision to drive a positive impact on biodiversity and achieve a nature positive value chain by 2040. We aim to create net positive impacts for biodiversity from new activities from 2025 onwards.
- Neste is committed to **combating deforestation** and requires the same from its suppliers.
- Biodiversity and climate topics are key when assessing potential raw materials. Neste's raw material sourcing for renewable fuels is regulated by strict biodiversity criteria as outlined in the EU RED II ((EU) 2018/2001).
- Neste engages in ongoing **local activities to protect biodiversity**, e.g. Neste has launched biodiversity assessments, and in spring 2022 will pilot new biodiversity metrics on the refinery areas in Finland.
- Neste works closely with NGOs and research partners who have a strong understanding on biodiversity, e.g. with Fauna & Flora International (FFI).
- Neste joined the Science Based Targets Network's (SBTN) Corporate Engagement Program (SBT framework for nature).

17 PARTNERSHIPS FOR THE GOALS

Partnerships for the Goals

- Partnerships are at the core of the SDGs and we see them as the key to advancing sustainable business. Recent examples of our partnerships, in addition to the aforementioned include:
  - Renewable fuel oil used in **Lumene's manufacturing process.**
  - Piloting electric vehicle charging service with **Niemi Services.**
  - **Neste and Jetflite** offer lower-emission private business flights in Finland.
  - Neste joined the **eFuel Alliance**.
  - **Neste and LyondellBasell agreed on a long-term commercial relationship** to make polymers and chemicals from renewable feedstock more widely available to global brands.
  - Neste and **Unilever work together** on developing solutions for carbon-based ingredients and packaging materials produced from renewable materials for Unilever's cleaning products.
  - Neste is a member of several organizations and councils collaboratively advancing action on sustainability, e.g. **The Nordic Business Network for Human Rights**, **WBCSD**, **Consumer Goods Forum's Human Rights Coalition,** Forest Positive Coalition, and the **Palm Oil Collaboration Group**.
- Read more about our **engagement and commitments** as well as the work we do with our stakeholders on **pages 37–42**.



Material sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2021	SDG link
Carbon handprint	Helping our customers to reduce their GHG emissions	Avoided GHG emissions by Neste customers with Neste's products (compared to fossil fuel) in $MtCO_2e$[1)]	20 $MtCO_2e$ annually by 2030	10.9 $MtCO_2e$ (10.0 $MtCO_2e$)	7 9 11 13 17
		Share of waste and residue used in renewables' production (%)	While Neste continues to focus on waste and residue raw materials in the short term, we expect to use also other types of raw materials besides waste and residues in the mid and longer term	92% (83%)	
Carbon footprint and environmental impacts	Reaching carbon neutral production and ensuring environmental quality	Neste's absolute CO_2 emissions in Scope 1 and 2 (production)	50% reduction by 2030 in comparison to 2019 baseline 3.4 $MtCO_2$	2.3 $MtCO_2$ (2.9 $MtCO_2$) 32% reduction compared to baseline.	7 9 12 13 17
		Use phase emission intensity of sold fuel products (gCO_2e/MJ)	50% reduction by 2040 in comparison to 2020 baseline 58 gCO_2e/MJ	55 gCO_2e/MJ (58 gCO_2e/MJ) 5% reduction compared to baseline.	
		Energy consumption savings achieved during reporting year (GWh) and cumulative energy consumption savings during 2017–2025 compared to 500 GWh target (%)	2017–2025 target: 500 GWh	Energy consumption savings during reporting year 95.8 GWh (33 GWh) Cumulative savings 2017-2021 compared to target: 41% (22%) achieved	
		Share of renewable electricity of total purchased electricity (%)	Aiming for 100% renewable electricity by 2023	36.5% (4.7%)	
		Availability of pollution prevention technology	100% availability of pollution prevention technology at refineries and terminals	Availability of pollution prevention technology on average 94% (96%) at refineries and terminals	
		Number of permit violations	Zero permit violations for Oil Products (OP) and Renewable Products (RP)	Permit violations: 2 (2), of which 2 (1) in OP and 0 (1) in RP	
Protecting biodiversity, water and soil	Protecting biodiversity, water and soil and mitigating negative impacts in Neste business operations and supply chains	Biodiversity workplan and criteria approved	Workplan and criteria presented during 2021	Workplan and criteria presented during 2021	11 12 13 15 17
		Support for biodiversity, water and soil projects relevant for Neste	At least one raw material-related biodiversity, water and soil project ongoing annually	We continued a sustainability impact project in the Siak and Pelalawan regions in Indonesia. The project aims to improve the region's environmental performance, including conservation and protected areas. We also initiated a biodiversity assessment at the Porvoo refinery and Naantali terminal in Finland.	
		Biodiversity, water and soil issues in expansion projects	All production expansion projects' biodiversity impacts evaluated and biodiversity, water and soil aspects included in all investment decisions	Biodiversity aspects were included in the environmental impact assessment conducted for the Rotterdam capacity growth decision. (New KPI.)	

1) Annual greenhouse gas (GHG) reduction achieved with Neste's renewable fuels compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directives; until the end of H1/2021 with RED 2009/28/EC and in H2/2021 with RED II (EU) 2018/2001.

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SDG15: Life on land
SDG17: Partnerships for the goals

Material topic	Objective	Key performance indicator	Target	Performance in 2021	SDG link
Safety, health and wellbeing	Ensuring the health and safety of employees and contractors in all Neste locations and supply chain	Total Recordable Incident Frequency (TRIF)[2]	1.7 for 2020 and 2021 Long-term target: Zero accidents	TRIF 1.4 (1.3)	8
		Process Safety Event Rate (PSER)[3]	1.7 for 2020 and 2021 Long-term target: Zero accidents	PSER 1.4 (1.6)	
		Safe days (including environmental permit violations)	310 for 2020 and 315 for 2021 Long-term target: Continuously increasing the number of Safe Days	306 (325) Safe Days	
	Promoting working culture that protects the physical and mental wellbeing of employees while at work	Wellbeing index from employee engagement survey	Baseline 2019 results: Engagement 71, wellbeing 61, change adaptation 64. Target is to maintain results on a good level.	Engagement 66 (70), wellbeing 59 (60), change adaptation 60 (62)[4]	
		The voluntary exit level / voluntary turnover for the year	To attract and retain highly skilled employees	Leaving rate of permanent employees 13.0% (6.9%). Hiring rate of permanent employees 12.1% (9.2%)	
Forced labor and vulnerable groups	Managing forced labor risks in Neste operations and supply chains	(X) number of critical and major forced labor non-compliances found in Neste Sustainability Audits, of which (X) number have been remedied.	100% of critical and major forced labor non-compliances remedied.	No critical or major forced labor non-compliances were identified in sustainability audits conducted.	8 9 10 17
		Number of Neste employees who have received training on forced labor and vulnerability	To increase the number of employees who have received training on forced labor and vulnerability, prioritizing those involved in supply chains and procurement	Training on forced labor and vulnerable groups carried out for 3381 employees as part of the new Code of Conduct E-Learning, 627 employees as part of the Neste Global Induction, 125 employees as part of the Supplier Code of Conduct e-learning, and 15 employees in a specialised in-person training session for human rights risks under new feedstock projects in Innovation.	
		Human Rights Due Diligence (HRDD)[5] carried out for key business areas/functions	To strengthen Neste's capacity to identify, assess, and address human rights risks in our operations and supply chains	Four major assessments/initiatives undertaken in 2021: 1) Corporate-wide assessment to review Neste's salient issues and understand gaps in mitigation activities. 2) Human Rights Risk Assessment completed for potential Rotterdam Refinery Expansion Project. 3) Human rights risk assessments completed for Lignocellulose and Algae Innovation platforms. 4) Development and implementation of a new channel for all onsite workers to raise grievances and access effective remedy during the 2021 Turnarounds.	

2) Number of cases per million hours worked. The figure includes both Neste's and contractors' personnel.
3) Number of cases per million hours worked.
4) Demeter and Mahoney not included.
5) HRDD refers to any activities carried out to identify, assess, address, prevent or mitigate forced labor risks, such as developing internal processes, carrying out impact assessments, risk mapping, gap assessments, etc.

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Material topic	Objective	Key performance indicator	Target	Performance in 2021	SDG link
Diversity, equality and inclusion	Fostering a diverse and inclusive workplace that ensures fair treatment while maintaining and developing the skills base within the company	Multi-country teams (%)	Increasing trend	16% (14%) are multi-country teams[4]	8 10
		Women in staff (%)	We recruit personnel based on their experience, expertise, skills and values through structured process and job criteria guaranteeing that all applicants have equal opportunities and treatment during the recruitment process	31.5% (30.2%)	
		Female representation in people manager positions (%) and senior management (%)	Women's representation in people managerial positions and women in senior managers in proportion to the overall number of women in the Neste workforce (%)	29.8% (29.0%) women in people manager positions 25.8% (25.9%) women in senior management	
		Employee engagement	Maintain a good level of employee engagement	Employee engagement score4) 66 (70), which was in line with global benchmark result. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 65% (70%) felt happy working at Neste, 64% (66%) understood how Neste plans to achieve its strategic goals, 70% (79%) thought Neste acts in a responsible way, 79% (83%) saw safety as a priority for Neste.	
		Response rate to employee engagement survey (%)	To maintain a good level of response rate	81% (81%)[4]	
Tackling plastic waste challenge	Tackling plastic waste challenge by developing solutions to utilize waste plastic as a raw material for new plastics and chemicals	Volume of liquefied waste plastic processed (t/a)	To process more than 1 Mt of liquefied waste plastics from 2030 onwards to increase the circularity of plastics and to reduce crude oil dependence in refining and petrochemical processes	In 2021 we successfully completed industrial-scale processing runs with 400 (400) tons of liquefied waste plastic in Finland.	12 13 15 17
Ethics, transparency and open communication	Ensure the appropriate scope and quality of information disclosure related to own operations and business practices in the supply chain and operating in an ethical and responsible way in society	Monthly grievance log updates	To roll out monthly updated grievance logs	12 (11) monthly logs	10 12 17
		A total of suspected misconducts reported in person or via the whistleblowing line to the Investigations Group	To further encourage employees and external stakeholders to report observed or suspected misconduct	A total of 18 (16) suspected misconducts were reported in person or via the whistleblowing line to the Investigations Group in the following categories: HR 4 (6) reports, discrimination and harassment 2 (4), conflict of interest 3 (0), bribery, corruption and facilitation payment 2 (0) fraud 0 (1), competition law and infringement 0 (1), health and safety 0 (1), and 7 (3) reports which fell outside of these categories in "Other".	
		Regular supply chain transparency via traceability dashboard (palm oil & PFAD)	To publish information twice yearly	2 (2) publications	

4) Demeter and Mahoney not included.

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Material topic	Objective	Key performance indicator	Target	Performance in 2021	SDG link
Innovation and partnerships	Initiating and fostering partnerships between Neste and its partners to address the challenges of and innovate solutions for sustainable development	Share of Clean Revenue area revenue from Group revenue, %	To maintain the annual share compared to previous year	Clean Revenue 39.3% (36.8%)	7 8 9 10 11 12 13 15 17
		Share of investments consisting of Clean CAPEX, Clean R&D and Clean M&A (Clean Investments), %	To maintain the annual share compared to previous year	Clean Investments 68.5% (69.4%)	
Supply chain sustainability	Ensuring sustainability of Neste suppliers and business partners	Percentage of business partners who have committed to Neste's minimum sustainability requirements in the Supplier Code of Conduct (%)	100% of business partners committed	86% (100%) of the new indirect procurement supplier contracts, 99% (100%) of the renewable raw material volume and 88% (78%) of the fossil raw material volume delivered to Neste in 2021 were covered by the Neste SCoC or equivalent.	8 9 10 11 12 15 17
		The number of renewable raw material supplier's sustainability assessments and their outcome	To assess all new renewable raw material suppliers against sustainability criteria	Total: 223 (219), New approved suppliers: 171 (120), All approved: 186 (133), Pending: 33 (65), Rejected: 4 (21)[6]	
		A total of sustainability audits conducted	To increase the number of sustainability audits conducted, prioritizing through a risk-based approach	27 (9) sustainability audits	
Economic responsibility	Reporting financial statements				8 9 10 12
Corporate governance	Reporting in the corporate governance statement				8 12

6) New approved suppliers include Demeter existing suppliers that were excluded in 2020 due to ongoing integration. All other figures include existing suppliers, which undergo a sustainability assessment process every 3-5 years. Supplier data includes only main contractual parties, excluding sub-suppliers.

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Stakeholder engagement

Stakeholder cooperation covers all our operations.
It is part of our daily work and management.

Understanding the views and expectations of our stakeholders plays a crucial role in the success of our company and the acceptability of our operations. We aim for continuous, active and open dialogue with our stakeholders and regularly seek external views on our operations. We follow the business environment actively to ensure that our engagement is focusing on the most relevant stakeholder groups. We regularly evaluate our sustainability topics along with these groups in our **materiality assessment process**. Active engagement is essential for us throughout our value chain and in the collaboration with suppliers and non-governmental organizations.

Our key stakeholders are:

- Corporate customers and consumers
- Analysts and shareholders
- Policymakers, authorities and legislators
- Suppliers of goods, raw materials and services
- Non-governmental organizations, industry associations and cooperation bodies
- Universities and research organizations
- Local communities
- Media
- Our own employees and management

Key stakeholder	How we engage	Key topics of interest	How we respond
B2B customers	• Engaging with customers through face-to-face and online meetings, newsletters and technical, marketing and sustainability-related training sessions • Arranging and participating in customer webinars and events • Gathering insight and managing customer satisfaction through surveys • Developing joint communications with customers • Arranging refinery site visits for customers	• Sustainability, circular economy, waste plastic recycling, sustainability vision and climate commitments, sustainable and high quality products and services, supply reliability, safety, timely distribution, customer relationships and cooperation, innovation and R&D, Neste refinery sites	• Forming tight partnerships with customers to reduce their carbon footprint with our renewable and circular solutions • Co-creating new services, building brand value and interacting with our customers and their stakeholders • Upholding ongoing dialogue with customers and proactively staying in contact with customers and partners to support them • Arranging refinery site visits for customers
Consumers	• Gathering insight through consumer surveys • Providing fact sheets, press releases and news to our consumers regularly to best serve them with their needs • Working together with local distributors to provide information to customers	• Product, service and operations sustainability and quality, customer relationships and cooperation, innovation and R&D	• Communicating proactively • Responding promptly to questions and concerns via phone, social media and Neste website
Investors and equity analysts	• Regular engagement through regulatory financial communications (financial reporting, stock exchange releases), conference calls, roadshows, individual or group meetings, and annual Capital Markets Day	• Climate change mitigation as business opportunity and challenge, sustainability of raw materials and supply chain, availability of raw materials for renewables growth strategy	• Communicating about climate commitments, palm oil phaseout target and other raw materials and the sustainability vision • Transparent and regular reporting and disclosure • Responding to questionnaires by rating companies and investors
Governmental organizations	• Sharing views on policies, laws and regulations with officials and legislators through public consultations, meetings, as well as part of a larger stakeholder dialogue with policymakers • Arranging site visits	• Climate, renewable fuels in transport, renewable and recycled materials, circular economy, sustainable finance	• Replying to public consultations and providing insights and analysis to government officials and politicians • Participating in the work of industry associations • Arranging site visits
Suppliers and contractors	Meeting the sustainability and human rights criteria as defined in Neste Supplier Code of Conduct: • Evaluating counterparty's security and reputation risks alongside an extensive sustainability assessment • Collecting information on our climate change impact annually • Conducting both external and internal audits. Helping partners to perform corrective actions in cases of non-compliances • Arranging annual supplier sustainability workshops, trainings and seminars to share information and support capacity building of the suppliers • Collaborating closely with our contractors and suppliers to ensure high level of safety, efficiency and quality	• Sustainability of supply chains and suppliers, commitment to sustainability including areas of governance (e.g. ethical business practices), labor and human rights (e.g. forced labor and freedom of association), health & safety, environment and biodiversity protection	• Supplier Code of Conduct (SCoC) trainings and workshops for suppliers and contractors • Practical SCoC information guide for suppliers and other business partners • Continuous search for new renewable raw material suppliers • Sustainability evaluation on our raw material suppliers • Collaboration to enhance sustainability performance • Audits (the number of sustainability audits was increased in 2021) • Share information with contractors at Neste sites through regular meetings, info sessions, trainings and newsletters • Sustainability Desktop Review on OP suppliers

Key stakeholder	How we engage	Key topics of interest	How we respond
NGOs	• Ongoing dialogue with stakeholders, such as several NGOs, to transparently report the status and progress of sustainability-related grievances linked to Neste's raw material sourcing • Ongoing dialogue with the Neste Advisory Council on Sustainability and New Markets • Projects to support the smallholders in improving their sustainability performance and certification • Continuous dialogue with NGOs, e.g. on biodversity and human rights	• Climate change mitigation, sustainability, human rights, biodiversity, palm oil & PFAD supply chains, circularity and recycling aspects	• Sustainability of supply chains and suppliers, commitment to sustainability, protecting biodiversity, and respecting human rights (e.g. forced labor and freedom of association) • Provide health, safety and work wellbeing related information and instructions for contractors, suppliers and partners • In 2021 Neste discussed with NGO Finnwatch their concerns related to the PFAD supplier IOI and continued the dialogue with the supplier to ensure progress on open grievances
Industry associations	• Engaging in dialogue and working with industry associations • Providing insight, analysis and our views on different topics • Taking part in events and seminars	• Climate change mitigation, transport emission reductions, circular economy, plastics recycling, industry competitiveness, sustainability	• Memberships in relevant organizations, e.g. Renewable Carbon Initiative (RCI), FuelsEurope, European Biodiesel Board, Advanced Biofuels Association (US), Drivkraft Sverige, Bioenergia ry., Bioenergy Australia, German Chemicals Industry Association (VCI), Plastics Europe (Germany), Essenscia (Belgium), Chemical Industry Federation of Finland, Accelerator table (the Netherlands) and European Bioplastics (EUBP). In addition, we are involved in many working groups at European Chemical Industry Council (CEFIC)
Cooperation bodies	• Engaging in dialogue with cooperation bodies and supporting initiatives • Participating in working groups for developing industry related matters within initiatives • Ensuring the sustainability of our entire renewable fuel production chain with certifications	• Sustainability, plastics recycling, climate change mitigation, resource efficiency, circular economy, biodiversity, human rights, innovation, climate commitments, emission reduction	• Cooperating with, e.g. Task Force on Climate-Related Financial Disclosures (TCFD), Nordic Business Network for Human Rights, UN Global Compact, World Business Council for Sustainable Development (WBCSD), International Sustainability & Carbon Certification (ISCC), Roundtable on Sustainable Biomaterials (RSB), Roundtable on Sustainable Palm Oil (RSPO), RCI and Consumer Goods Forum
Universities and research organizations	• Engaging in dialogue with student associations, local and global universities and different research organizations • Neste's Innovation organization, works closely with universities and research centers all over the world	• Innovation and R&D, renewable and circular solutions, green hydrogen, carbon capture and storage, e-fuels, industrial chemistry, combustion, artificial intelligence, among others	• Strategic cooperation with, e.g. Aalto University, Åbo Akademi and VTT (The Technical Research Centre Finland), LUT University and international partners mainly in Europe and in the US • In 2021, Neste received a positive grant decision from EU Innovation Fund for its Porvoo refinery green hydrogen and CO2 capture and storage project; Neste will strengthen its global innovation and R&D by opening an R&D center in Singapore; Neste is involved in VTT headed project of large-scale production and commercialization of e-fuels; Neste participated in CICAT2025 research project on circular economy, organized by Turku University of Applied Sciences

Key stakeholder	How we engage	Key topics of interest	How we respond
Local communities	• Engaging in dialogue and collaboration with local communities and production site neighbors via newsletters, meetings, regional website and social media • Arranging site tours for various interest groups • Engaging and meeting with authorities and local city representatives • Supporting local voluntary work for children and youth by yearly donations	• Employment and cooperation opportunities, safety and environmental concerns, site investments and development as well as impacts on the community and neighbors	• Acting sustainably, since our environmental and safety performance affects the local communities • Maintaining an open dialogue with local communities • Engaging with specific local authorities on matters that concern the Singapore Expansion project • Employees volunteering for charitable events: running for charity for Singapore Cancer Society and waste collection and cleaning at different locations, among others • At the Porvoo refinery, Neste conducts a stakeholder study bi-annually to assess the local community and authority perspectives on the refinery environmental and safety image and communications. The 2021 results are communicated externally in regional channels
Media	• Maintaining and developing relations with media globally • Regular distribution and proactive sharing of releases, news and topics to the media • Actively responding to media inquiries • Arranging interviews and media events	• Announcements, interim results and company news, M&A cases, different projects, customer stories and cooperations, societal and economic topics, innovation, research and development, sustainability topics, fuel taxing and pricing, oil price fluctuations	• Press releases and other materials as well as company information materials • Following and responding to media inquiries through media service • Connecting the media with the correct spokespersons at Neste • Actively working together with media to best serve them
Employees	• Performance leadership and people development • Employee engagement through several measures, e.g. Continuous listening and employee feedback through quarterly Pulse surveys, team and individual discussions, Town hall meetings • Systematic support for health, safety and wellbeing of Neste people • Several internal events, e.g. quarterly personnel infos • Active communication, dialogue and cooperation with internal stakeholders, including employees, line managers, employee representatives	• Updated Neste strategy and transformation, sustainability impact and efforts, sustainability vision, climate commitments, new ways of working (Smart Work), health, safety and wellbeing, ways of developing competences for the future, business ethics and human rights, Code of Conduct	• Active, systematic and responsive communications • Employee training and support, e.g. on safety and wellbeing • New ways of working and tools to support, e.g. Smart Work • Leadership development and communication • Facilitation concepts created for inclusive team dicussions • Virtual leadership and facilitation training offered especially during the pandemic

We believe in collaboration and want to be actively involved in developing a more sustainable future. We participate in the development of our industry, relevant associations, NGOs and aim to actively engage in open dialogue with all our stakeholders.

External recognitions in 2021

- Sustainability Leader: Dow Jones Sustainability Indices for the 15th consecutive year
- Most Sustainable Companies – Leadership Category: CDP Climate Change and Forests Assessment
- AAA rating: MSCI ESG Rating Index

The Advisory Council on Sustainability and New Markets

The Advisory Council on Sustainability and New Markets, established in 2019, is an independent external council consisting of a group of carefully selected experts able to provide strategic insight, guidance and assistance on our sustainability work. They are committed to helping accelerate Neste's transformation and broadening its leadership activities. The council convenes three times a year and is chaired by John Elkington, one of the pioneers of the global sustainability movement. The members of the council are:

- **John Elkington**
  Founder & Chief Pollinator, Volans
- **James Cameron**
  Senior Adviser to Pollination Group and Adviser to COP26 Presidency
- **Marcius Extavour**
  Prize Lead, Carbon XPrize
- **Louise Kjellerup Roper**
  CEO, Volans
- **Bernice Lee**
  Executive Director of the Hoffman Centre for Sustainable Resource Economy, Chatman House
- **Vanessa Perez Cirera**
  Global Director for Economics at World Resources Institute
- **Geoffrey Weston**
  Senior Partner and Global Head of Bain & Company's Global Airlines, Logistics and Transportation sector, Bain

Global increase in efforts to combat climate change

2021 saw a global movement to raise the ambition in climate targets. As climate scientists kept issuing ever more worrying data and predictions about climate change and its impacts, many governments around the world, including China, India, and Brazil announced new or updated net-zero targets in the run up to the COP 26 Conference in Glasgow. In total, 151 new climate plans were submitted in Glasgow, and several other major global announcements, including pledges to cut back on methane emissions by 30% by 2030 and to stop and reverse forest loss and land degradation by 2030, were made in parallel. Neste welcomes these developments.

Main policy and legislative developments in Europe

In July 2021, the European Commission published its Fit for 55 package aiming for a 55% reduction in greenhouse gas emissions by 2030, compared to the 1990 levels. Neste welcomes the EU's continuing commitment to long-term policies and the ambition to become climate neutral by 2050.

As part of the Fit for 55 package, the European Commission proposed an EU-wide blending obligation of Sustainable Aviation Fuels (SAF) to reduce emissions from aviation. From 2025, a progressively growing share of aviation fuels has to be either sustainable biofuels or so-called synthetic fuels made of hydrogen produced with renewable electricity and captured carbon dioxide. This proposal provides a robust roadmap for increasing the volume of SAF up until 2050, when the share of SAF represents 63% of aviation fuels. As the world's leading producer of SAF, Neste is committed to helping to meet the proposed EU-wide obligation.

We firmly believe that all solutions are needed to reduce greenhouse gas emissions in transport. The number of electric cars is currently growing at a rapid pace, which is a welcomed development as the power generation sector is progressively embracing emission-free technologies. However, achieving the ambitious climate targets requires both electric vehicles and renewable transport fuels, as internal combustion engine vehicles will keep playing a key role for a long time, particularly in the heavy-duty sector. Therefore, a broad range of sustainable raw materials are necessary to enable sufficient volumes for biofuels production. Regulatory frameworks should enable the use of current sustainably produced and sourced raw materials and incentivize innovation for new raw materials and their processing into biofuels. For more information about the sustainability of our raw materials, see page 62.

Across Europe, the EU Member States continued to increase their ambition in cutting emissions from the transport sector; e.g. in their implementation of the Renewable Energy Directive, Germany increased its road transport fuel greenhouse gas reduction obligation to 25% in 2030, and the Netherlands moved its renewable obligation up to 28% in 2030. In Sweden, the Parliament passed laws to raise the obligatory greenhouse gas reduction target to 66% in diesel and to 28% in gasoline by 2030, and to introduce a SAF obligation.

The European Green Deal aims to reduce the use of fossil carbon and facilitate its phase out. Key pillars of this legislative package include the assessment of the 2018 EU Bioeconomy Strategy as well as the

Circular Economy Action Plan (CEAP) adopted by the European Commission in March 2020 with the goal of reducing pressure on natural resources and boosting sustainable growth. The CEAP sets out 35 actions, many of which entail policy implications such as:

- A policy framework for bio-based plastics and biodegradable or compostable plastics (2021/2022)
- The Sustainable Products Initiative (2022)
- Mandatory requirements on recycled plastic content for key products such as packaging, construction materials and vehicles (2021/2022)
- Waste reduction targets for specific streams (2022)
- An EU-wide harmonized model for separate collection of waste and labeling to facilitate separate collection (2022)

The European Union continues to develop its sustainability policies. As part of its sustainable finance strategy, the European Commission proposed its first set of detailed rules on what economic activities qualify as sustainable under the so-called Taxonomy Regulation by contributing to climate change mitigation and adaptation, and publicly listed companies need to report activities pertaining to climate change mitigation and adaptation. Policy formulation continues in regards to sustainable corporate governance, biodiversity and prevention of deforestation and forest degradation.

Main policy and legislative developments in the North America and Asia-Pacific

In the United States, the Biden administration announced an ambitious climate target of 50% to 52% reduction of greenhouse gas emissions from 2005 level in 2030. In the US Congress, negotiations continue on potential policy frameworks that include provisions to create a new blender's tax credit specifically for Sustainable Aviation Fuel and an extension of the current Blenders Tax Credit.

The Washington State Legislature passed a Clean Fuels Program legislation in April, paving the way to establishing a low carbon fuel standard to reduce greenhouse gas emissions. The Clean Fuel Standard will require fuel suppliers to gradually reduce the carbon intensity of transportation fuels to 20% below 2017 levels by 2038. This program allows Neste to expand its offering of Neste MY Renewable Diesel to Washington State.

In Canada, the federal regulatory rule-making processes creating a Clean Fuel Standard is anticipated to come into force in 2022. Quebec adopted new standards and British Columbia is considering additional standards.

In the Asia-Pacific region, New Zealand declared a climate emergency in December 2020 and has since taken a multitude of steps, including a report by the Climate Change Commission on pathways to reach net-zero by 2050. This includes a consultation on a Sustainable Fuels Mandate and more recently a consultation paper on ‘Transitioning to a low-emissions, climate-resilient future’.

In April 2021, Japan announced plans to raise Japan’s greenhouse gas emission reduction target for 2030 from 26% to 46% (compared to the 2013 level), to meet the overall target of carbon neutrality by 2050. The revision of this target will require a 38% reduction in transport emissions by 2030 (compared to 2013 level).

Singapore, a forerunner in policy and regulatory development in the Asian region, has the reduction of aviation and maritime emissions from travel and trade as part of its Green Plan 2030, although electric vehicles are the focus for the decarbonization of road transport.

Research cooperation

In 2021, we continued to strengthen our cooperation with companies, startups, universities and research institutions:

- Neste’s Veturi ecosystem brings together Finnish companies, startups, universities and research institutes to jointly build the future capabilities needed to establish new value chains in renewable and circular solutions.
- Strategic cooperation with VTT, which fosters the joint use and development of research infrastructures in Finland.
- Strategic cooperation with Aalto University and Åbo Akademi University with the aim of improving the competitiveness of parties while increasing Finnish chemical industry expertise, including in such fields as chemical and process engineering, bioeconomy, digitalization and circular economy.
- Neste, together with UPM and Borealis Polymers, is providing a new a chemistry professorship specializing in circular economy at the University of Helsinki. The field of this position will encompass chemical recycling and the utilization of waste and residues.
- A five-year sponsorship for Helsinki University’s Centre for Coastal Ecosystem and Climate Change Research (CoastClim) was established, to further understand how the condition of the seas and climate change are linked.
- Neste donates a total of EUR one million to Aalto University and Åbo Akademi University to support the research and education in the chemical industry and to further strengthen the collaboration between the industry and the scientific community.

In addition, we actively engage in dialogue with several universities and research institutes on collaboration opportunities.

Read more about **Neste’s Veturi ecosystem.**

Read more about our **green hydrogen project in our Rotterdam refinery** carried out with our partners.

Value creation

Input

Indirect upstream

Economic/Governance

- Number of suppliers in
  - Renewable Products 389
  - Oil Products 75[1)]
  - Indirect procurement 6219
- Operations in 14 countries
- Production in 4 countries

Social

- 99% of Neste's new renewable raw material suppliers screened using social criteria

Environment

- 100% of our palm oil[7)] is certified and traceable to plantations
- 100% of our PFAD[8)] supply chain is mapped for palm oil mills and 85% to plantations
- 86% of the new indirect supplier contracts, 99% of the renewable raw material volume and 88% of the fossil raw material volume covered by the Neste Supplier Code of Conduct or equivalent
- Scope 2[9)] and 3 emissions from upstream value chain: 6.1 Mt CO_2e

Direct upstream

- Total equity 6,985 MEUR
- R&D expenditure 67 MEUR
- Interest-bearing net debt 41 MEUR
- Purchases of refinery feedstocks 4,497 MEUR
- Purchases of other goods and services 7,658 MEUR
- Renewable raw material inputs 3.7 Mt
- Sourced crude oil and fossil feedstock 10.1 Mt
- Indirect procurement spend 3,184 MEUR
- Cash-out investments 1,299 MEUR

- Highly skilled employees
  - Number of employees 4,872[3)]
  - Hiring rate of permanent employees 12.1%
  - Leaving rate of permanent employees 13.0%
  - Recorded average training hours per FTE 17.8[4)]
- 13,227 palm oil smallholders in Neste's supply chain

- Waste and residue raw materials used to refine renewables 3.4 Mt, 92% of the total renewable inputs
- Water intake 9,263,000 m^3/a
- Energy consumption 10.1 TWh

Neste's business model

We provide value for society by developing renewable, low-emission and circular solutions for the aviation, chemical and plastics industries, transport sector and cities.

We do this by taking the lead to transform towards a carbon neutral value chain by 2040, and setting ourselves aspirational targets for biodiversity, human rights, supply chain and raw materials.

Output

Direct downstream

- Market cap 33,353 MEUR (at the end of 2021)
- Comparable operating profit 1,342 MEUR
- ROACE 15.5%
- Dividends 630 MEUR from 2021
- Net sales 15,148 MEUR
- Share of Clean Revenue 39.3%[2)]
- Share of Clean Investments 68.5%[2)]
- Economic value retained 1,753 MEUR
- Neste MY Renewable Diesel sales 0.8 Mt
- Sales from in-house production, Oil Products 10.1 Mt
- 947 service stations in 4 countries
- Oil Products and Renewable Products in the wholesale market sold in 70 countries to approx. 270 customers

- Wages and salaries 365 MEUR
- Other personnel expenses 66 MEUR including training costs 2.2 MEUR
- 68.5% men and 31.5% women
- 2/8 members of the Board of Directors and 3/12 members of the Executive Committee are women
- Employee safety TRIF 1.1[5)]
- Safe days 306[6)]

- Energy saving measures 95.8 GWh
- Waste generated 184,500 t of which 27% recycled
- Wastewater 8,522,000 m^3/a
- Scope 1, direct CO_2 emissions 1.8 Mt CO_2
- Scope 3 emissions from downstream value chain million 29.5 Mt CO_2e

Indirect downstream

- Increase in the value of the shares and dividends
- New business opportunities
- Renewables help customers to reduce emissions, reduce their reliance on fossil resources, and support UN SDGs
- Help end users to avoid infrastructure and other investments with drop-in solutions
- M&S B2B Customer satisfaction: Net Promoter Score (NPS) 57%
- Taxes and tax-like fees paid and remitted by Neste EUR 3.9 billion

- Contractor TRIF 1.6[5)]
- Charity work and sponsorship 1.4 MEUR
- Number of Neste employees who participated in volunteer work 145

- Greenhouse gas reduction achieved with Neste's renewable products: 10.9 Mt[10)]
- Neste MY Renewable Diesel enables on average 90% lower greenhouse gas emissions over the fuel's life cycle compared to fossil diesel[10)]
- Help fight the plastic waste challenge through developing chemical recycling to increase plastics recycling and circularity of materials

Outcome

impact

- Creating new jobs and supporting the existing ones in the company's value chains
- Redirecting consumer expenditure towards sustainable solutions
- Supporting the development of customers' brand value and brand awareness

- Supporting social development and the services societies provide in countries of operation
- Enhancing competitiveness of employees in the labor market
- Wellbeing and safety of employees and suppliers
- Reducing transportation-related emissions in cities and communities
- Securing human and labor rights
- Improving gender equality

- Mitigating climate change
- Replacing fossil oil use with more sustainable alternatives
- Improving air quality
- Reducing deforestation
- Contributing to circular economy
- Influencing operating environment and regulation

1) Includes natural gas and industrial gas suppliers. 2) See Principles for calculating the key indicators. 3) Annual average number of employees. 4) Full-time equivalent (FTE). Demeter and Mahoney not included. 5) Total Recordable Injury Frequency. 6) A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit, or traffic accident. 7) Contains the use of crude palm oil (CPO) and Refined Bleached Deodorized Palm Oil (RBDPO) that we have processed into renewable products and sold to market. 8) Palm fatty acid distillate. 9) Scope 2 market-based emissions include only CO_2. 10) Compared to 100% fossil diesel. Calculation principles can be found on page 110.

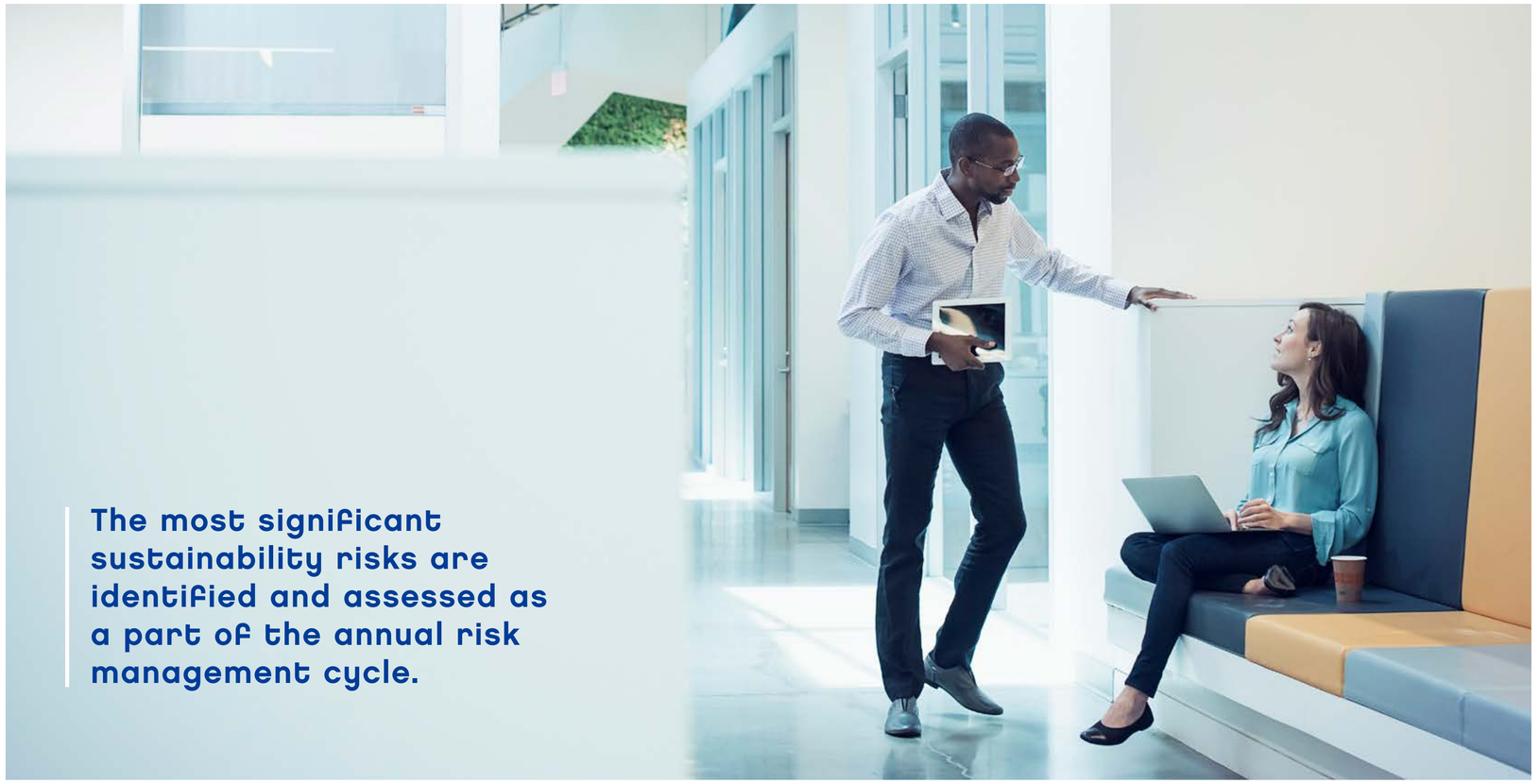
View Neste's tax footprint report on our website.
Read more about Neste's value creation on our website.

Sustainability governance

Neste's sustainability work described in this report is managed by the Sustainability, Human Resources, and Health, Safety and Environment (HSSEQ) organizations.

The Executive Committee approves our sustainability priorities. Responsibility for individual corporate sustainability targets is shared between the members of the Executive Committee. The Vice President, Sustainability, is responsible for ensuring that relevant management processes relating to material corporate sustainability topics are being developed and implemented as part of our strategy. The relevant Business Units and Functions will reserve the needed resources within their scope to implement the actions commonly agreed in the Executive Committee.

The Sustainability Leadership Team, chaired by the VP, Sustainability, has members from different functions, e.g. Sustainability Development, Supply Chain Sustainability, Human Rights, HSSEQ, Innovation and Communications. It prepares the sustainability priorities and proposals to be taken to the Executive Committee by SVP, Sustainability and Corporate Affairs, together with the relevant sustainability experts. The Board approves the long-term ambition and targets for the sustainability agenda, as well as the commitment to stakeholders, based on the proposal from the Executive Committee and the Sustainability function, and regularly reviews the sustainability performance.



The most significant sustainability risks are identified and assessed as a part of the annual risk management cycle.

Sustainability risk management

The most significant sustainability risks are identified and assessed as a part of the annual risk management cycle facilitated by Neste's risk management team. The risk management team monitors the level of risks and ensures that the risks are identified and mitigated appropriately by Neste's business units, functions and country units. Our risk-based approach and our sustainability risks are further described in our Non-Financial Information (NFI) Statement.

Our sustainability impacts are reviewed and monitored frequently at many levels of the company in addition to the Board of Directors. Sustainability-related work, including climate change-related work, is steered by the company's Senior Vice President, Sustainability and Corporate Affairs, who is a member of the Executive Committee and reports to the President and CEO.

Compliance

We are committed to high ethical standards and conduct our business and operate in compliance with applicable laws and regulations. That means acting transparently, responsibly, with integrity and in accordance with our values.

In 2021, we renewed the **Neste Code of Conduct** which sets the framework for our company's global business operations and establishes the ethical practices to guide every Neste employee in their day-to-day business tasks. We also require our suppliers and other business partners to comply with applicable laws and expect them to follow equivalent ethical business standards as stated in the Code of Conduct, as further described in our **Supplier Code of Conduct**.

The renewed Code of Conduct is based on and structured according to our values – We care, We have courage, and We cooperate – and incorporates our climate and sustainability commitments. It drives clarity and gathers Neste's existing main principles and key requirements in one document.

Raising awareness of and training in the Code of Conduct and its topics are central elements of the Neste compliance program. In connection with the renewed Code of Conduct, we issued a new Code of Conduct e-learning to support and deepen the understanding of, and commitment to, these topics. The Code of Conduct e-learning is mandatory for all Neste employees. In the first phase, the e-learning was issued to all office workers in November 2021. The rest of the organization will be trained in 2022.

We regularly internally communicate on compliance-related topics and train our employees both through e-learning courses and face-to-face trainings.

In 2021, as part of the regular compliance training efforts, we also re-issued the Privacy e-learning to targeted employees. It was completed by over 95% of the target group.

Neste's Compliance Function is regularly issuing compliance newsletters on various compliance topics. In 2021, topics included, among others, privacy, trade sanctions, competition law and ethics and general compliance awareness.

Neste also has an Anti-Corruption Principle providing more detailed guidance on responsible business practices and prevention of corruption. More information on Neste's grievance process and the related Misconduct Investigation Standard is available in the Corporate Governance Statement and in the **Report of the Board of Directors.**

We constantly develop our compliance program with special efforts in the defined key focus areas: competition law compliance, anti-corruption, trade sanctions, privacy and anti-money laundering. In 2021, we also continued developing our compliance risk management process, including carrying out a targeted Legal & Compliance Risk assessment survey.

Neste's **compliance program and function** is described in more detail as part of Neste's Corporate Governance Statement and in the Report of the Board of Directors.

Climate

Neste is committed to lead the transformation towards a carbon neutral value chain by 2040. The year 2021 marks an important milestone for us as we extended our climate commitments to cover the entire value chain (Scope 3*) in addition to our production (Scope 1 & 2).

Climate commitments are part of Neste's corporate strategy. We have a two-pronged approach to combating climate change: on the one hand we enable change, a **carbon handprint**, with our lower-emission products. On the other hand, we ourselves make a change by reducing our own **carbon footprint**.

*) Scope 3 refers to indirect greenhouse gas emissions across the company's value chain, outside of production (Scope 1 & 2).

We are well on track with our commitments to reach carbon neutral production by 2035 (Scope 1 & 2), and help our customers reduce their greenhouse gas (GHG) emissions by at least 20 million tons of CO_2e annually by 2030. In 2021, we also set a concrete target for our Scope 3 emissions: we aim to reduce the use phase GHG emission intensity of sold products by 50% by 2040 compared to 2020 levels.

Use phase emission intensity (gCO_2e/MJ) is an indicator of the GHG emissions from the use of Neste's products (e.g. combustion of fuels) divided by the total amount of energy sold. This target will be achieved by continuing Neste's transformation towards renewable and circular solutions. In addition, we are committed to work with our suppliers and partners to reduce emissions across the entire value chain, focusing on the Scope 3 emission categories that are most relevant for Neste.

Carbon handprint
Offer solutions that help **our customers reduce their emissions by at least 20 Mton CO_2e annually by 2030** and meet their climate targets

Value chain carbon footprint
Lead the transformation towards a carbon neutral value chain by 2040, reduce the **use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels**, and work with our suppliers and partners to reduce emissions across **our value chain** (Scope 3)

Production carbon footprint
Reduce emissions in our own production (Scope 1 & 2) by 50% by 2030 and **reach carbon neutral production by 2035**

> We are leading the transformation towards a carbon neutral value chain by 2040.

Committed to the TCFD reporting framework

One part of Neste's climate work is to understand and evaluate the potential implications of climate change for our business and operating environment. Neste is committed to applying the Task Force for Climate-related Financial Disclosures (TCFD) reporting framework.

Neste uses scenario-analysis as one element to guide and influence business objectives and long-term strategic direction. We base our scenario analysis on the internationally acknowledged climate pathways that represent objective and well-established benchmarks for the energy industry, e.g. IEA scenarios. For example in 2021, one of the analyzed pathways, the 1.5°C scenario, is compliant to achieving Net Zero 2050 and also a pathway based on existing policies. Neste uses a time horizon of 2030 and beyond to 2040 with a main focus on transport and the refining sector. The next 10 years are the main focus of Neste's strategic planning as e.g. legislation, capacity investments by Neste's competition and customer preferences critical for Neste's business for that period can be forecasted with sufficient certainty. Climate change and global actions to minimize climate change result in both transitional and physical risks as well as opportunities to Neste. These are included in our Enterprise Risk Management process and risk mitigation plans are implemented where appropriate.

The full TCFD recommendations set out eleven recommended disclosures around four core areas for companies to report material climate-related information to the market. You can navigate to all Neste disclosures in the annual report via the TCFD index. We will fully implement the recommended TCFD disclosures in 2022.

The change we enable – our carbon handprint

Reducing greenhouse gas (GHG) emissions and replacing crude oil-based products with renewable and circular solutions are at the core of our strategy and also sustainability vision. In 2021, we enabled our customers to reduce GHG emissions by approximately 10.9 million tons. By 2030, our aim is to help our customers to reduce their GHG emissions by at least 20 million tons per year.

We calculate the carbon footprint of our fuel products over their entire life cycle: from the production of their raw materials to the end use of the final product. The carbon footprint of our other (non-fuel) products, such as our renewable raw materials for new polymers and chemicals, includes the acquisition of the raw materials and their transport, refinery process and the end-of-life treatment of the product.

Neste's renewable products, such as Neste MY Renewable Diesel, Neste MY Sustainable Aviation Fuel, as well as Neste RE, our renewable raw material for polymers and chemicals production, have a 50-90% smaller carbon footprint over the life cycle compared to similar fossil resource-based products. The methodologies we use for calculating life cycle emissions and emissions reduction comply with the European Union's Renewable Energy Directive II ((EU) 2018/2001), CORSIA or ISO 14040, ISO 14044 and ISO 14067 standards.

This means that our renewable and circular products offer significant greenhouse gas emissions savings that help our customers to reduce their carbon footprint or the carbon footprint of their products. This is the idea behind our carbon handprint – offering solutions to our customers that decrease their carbon footprint. The bigger the handprint, the better.

We are able to increase our handprint and achieve the 2030 commitment through our strategy of growing the production capacity for renewable and circular solutions, while ensuring the emissions across the supply chain of our products remain at a low level. We are already expanding our Singapore refinery, which is expected to significantly increase our handprint in 2023. In 2021, we selected Rotterdam as a location for our possible next world scale renewable products refinery. This investment would increase our handprint even further.

Collaborations on handprint methodology

Since 2016, we have been developing the world's first science-based method for environmental handprint calculation and communication with the VTT Technical Research Centre of Finland and Lappeenranta University of Technology (LUT). It enables the communication of the beneficial environmental and climate impacts of products and services over their life cycles, offering both scientific and practical guidelines. Neste conducted the first carbon handprint case study already in 2018.

Neste continues the handprint methodology development in a new research project "The carbon neutrality empowered by handprint" with VTT, LUT University, Business Finland and other companies. The key research questions include how can the positive environmental impacts of circular economy solutions be identified and shown, and when can a company claim to be carbon neutral. The two-year project, started in September 2021, is developing an unambiguous and internationally-approved concept of carbon neutrality and reliable indication of the environmental benefits of circular economy solutions.

Lower-emission solutions for aviation and end customers

Commercial aviation is responsible for about 2-3% of global carbon emissions. Neste continues to help the aviation industry meet its emission reduction targets such as achieving **net zero carbon emission by 2050 targets**. **Neste MY Sustainable Aviation Fuel™** is made from sustainably sourced, renewable waste and residue raw materials. In its neat form and over the life cycle, it reduces greenhouse gas emissions by up to 80% compared to fossil jet fuels (calculation method: CORSIA). The fuel provides an immediate solution for reducing the carbon emissions from flying. Blended up to 50% with fossil jet fuel (the current approved SAF blend is capped at 50%), airlines and end customers can achieve significantly lower greenhouse gas emissions with Neste MY Sustainable Aviation Fuel. The fuel additionally helps reduce local emissions and provides additional climate benefits e.g. through reduced particulate emissions which also contribute to radiative forcing.

Neste MY SAF for Business was introduced as a tailored service for businesses that wish to directly reduce their organizations air travel emissions. The solution is offered to organizations in collaboration with our airline partners. The offering brings the benefits of SAF directly to the ultimate beneficiary – the business that is flying. It delivers real and direct emission reductions that can be used to meet science-based targets.

Neste's annual production capacity for sustainable aviation fuel (SAF) is currently 100,000 tons. With Neste's Singapore refinery expansion on the way, as well as the modification to Neste's Rotterdam refinery to enable SAF production, Neste will have the capacity to produce some 1.5 million tons of SAF annually by the end of 2023.

We are actively working with partners through the supply chain to grow the availability of SAF for the aviation industry globally. In 2021, we started several new partnerships and continued developing the existing ones:

- We progressed in establishing Neste as a partner or supplier to major airlines: full service carriers like **IAG**, **Lufthansa Group** (including **SWISS**), Delta Air Lines and Southwest Airlines, cargo carriers such as **DHL**, and low-cost carriers like **Easyjet**.
- We expanded partnerships along the supply chain to grow the availability of SAF: for example with **Q8**, **Vitol**, **Avfuel** and **Signature Flight Support**.
- We opened the voluntary market and established partnerships with **BCG** (in cooperation with **Finnair** and SAS), **TripActions** and Inflexion to enable lower-emission business traveling.
- We continued collaborating with OEMs (Original Equipment Manufacturers) and driving future SAF potential: flight tests with 100% SAF in the **ECLIF3 research project**, in collaboration with Airbus, Rolls Royce and DLR.
- We celebrated one year of powering flights with SAF out of **San Francisco International Airport** and **Amsterdam Airport Schiphol**, and the first SAF circular economy project at **Dallas Fort Worth International Airport**.

Neste MY Sustainable Aviation Fuel is now available to airlines across a wide network of airports in Europe, North America and Asia-Pacific.

Towards sustainable mobility

We are in the midst of a fundamental paradigm shift in how we power mobility. We firmly believe that all solutions are needed to reduce greenhouse gas emissions. The number of electric cars is growing at a rapid pace, which is a logical and welcomed development. However, there is still not enough capacity to produce low-emission electricity, and therefore it is essential to calculate emissions over the whole life cycle, instead of only the use phase emissions.

Achieving the ambitious climate targets set around the world requires multiple solutions, such as electric vehicles (EVs) and renewable fuels. When it comes to especially heavy-duty vehicles, internal combustion engines and renewable fuels, both biofuels and so-called e-fuels (Power-to-X), will be needed for a long time.

Read more about **sustainable mobility.**

Expanding the availability of Neste MY Renewable Diesel™ globally

Neste MY Renewable Diesel™ is a drop-in solution, for all diesel-powered vehicles, and its use does not require any changes to the existing engines or logistics. The use of our Neste MY Renewable Diesel helps reduce greenhouse gas emissions by 50-90% compared to 100% fossil diesel (Calculation method: European Union's Renewable Energy Directive II (EU) 2018/2001).

In 2021, we continued to expand the availability of renewable diesel by bringing it to new markets and by growing the station network. In July, we launched Neste MY Renewable Diesel in Belgium, and further expanded its availability there in October. We also opened two renewable diesel fueling stations in Southern California in May.

In Finland we expanded the availability of Neste MY Renewable Diesel from 126 to 152 stations, and in Estonia from 2 to 8 stations. In Sweden, Neste MY Renewable Diesel is available at 325 stations and in the Netherlands at more than 115 stations.

In the United States, we started several new partnerships, e.g. with Argent Materials Partners and Titan Freight Systems. We also formed a first of its kind strategic partnership with PowerSecure to offer businesses and cities the option to power stationary generators with renewable diesel.

Neste provides companies a carbon footprint service for monitoring transport fuel emissions in Finland

In 2021, Neste was the first company in Finland to provide a service for companies to monitor their climate emissions from the use of transport fuels. The digital service helps companies monitor their consumption of Neste's transport fuels, the resulting greenhouse gas emissions, and emissions reductions achieved through the use of renewable diesel over a specific time period.

Read more about the digital service.

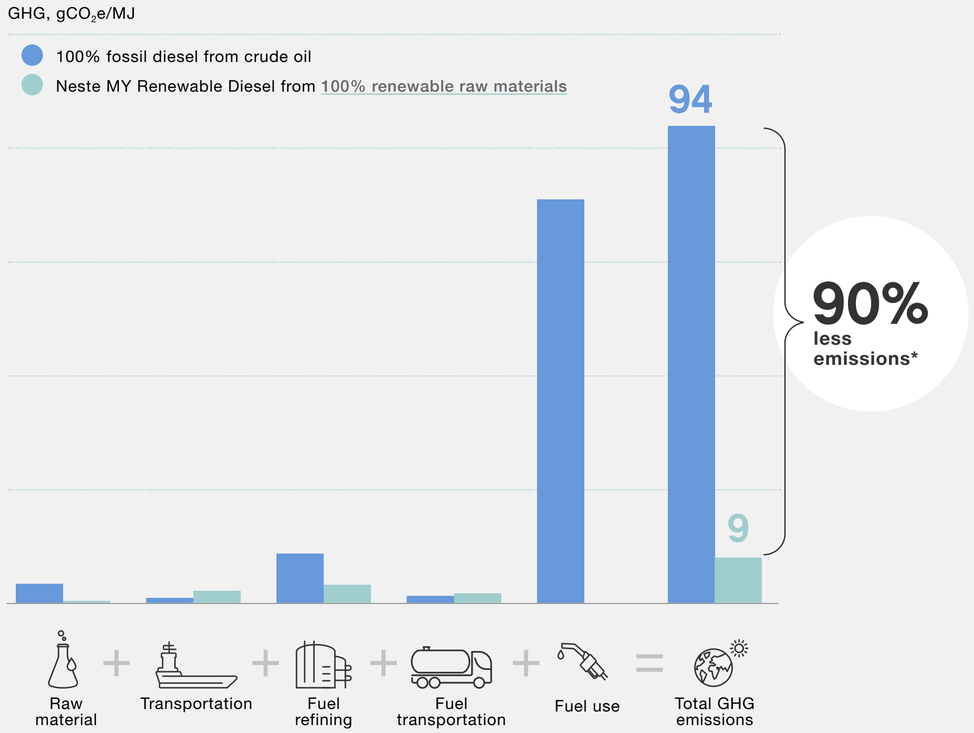
Neste's renewable fuel oil reduces greenhouse gas emissions from Lumene's manufacturing process

In 2021, Neste MY Non-Road Diesel™ replaced the fossil fuel oil previously used at the Lumene factory in Kauklahti, Espoo, Finland. By switching to a new renewable solution, Lumene is able to reduce its greenhouse gas emissions by up to 90% compared to using fossil fuel oil.

Read more about the collaboration.

Reduced emissions with Neste MY Renewable Diesel™

Comparing 100% fossil diesel to 100% Neste MY Renewable DieselTM results on average 90% lower greenhouse gas emissions when evaluating the emissions over the fuels' life cycle.



Carbon emissions from the use of renewable diesel amount to zero, as the amount of bio-based carbon dioxide released upon combustion equals the amount that the renewable raw material has absorbed earlier.

*Calculation method complies with the EU Renewable Energy Directive ((EU)2018/2001).

Testing new solutions for sustainable and renewable road transportation

We piloted our first electric vehicle charging service targeted to logistics companies in Finland to help them with their climate targets. The service was piloted together with Niemi Services. We also tested renewable gasoline for the very first time in Sweden for commercial use in existing fleets.

Read more about the **electric vehicle charging service**.

Read more about the **renewable gasoline test.**

Sustainable marine solutions

More than 90% of the world's trade is carried by sea, making maritime transport essential to the global economy. Neste helps shipping companies to reduce their emissions and respond to the tightening regulations on sulphur dioxide emissions with low-sulphur fuels. In addition, we provide maritime solutions enabling CO_2 (or GHG) emission reduction such as renewable diesel and drop-in bio-components for marine blending. We aim to develop new complementary solutions in order to widen Neste's low-emission offering for the maritime industry.

Renewable and circular solutions for the plastics and chemicals industries

Neste provides the polymers and chemicals industries with renewable and circular solutions that help mitigate climate change and reduce dependency on crude oil. Neste is already delivering renewable feedstock to be used as sustainable, drop-in raw materials in the polymers and chemicals industries. With our feedstock, the polymers and chemicals producers as well as global brands can manufacture lower carbon footprint products.

We are also committed to becoming a solution provider for **chemical recycling of waste plastic**. Chemical recycling can complement mechanical recycling and is a necessary action toward a circular economy. It has the potential to significantly increase recycling rates, as it can utilize a wider range of waste plastic, including materials that as of today have low or no value. By developing chemical recycling technologies and capacities, we also contribute to combating the global plastic waste challenge through diverting the valuable waste plastic streams from incineration and landfills to circulation. Diverting plastic waste from incineration to chemical recycling and use as a raw material provides significant climate benefits.

Our renewable polymers and chemicals business is built on partnerships and collaboration across the value chain. Downstream partners turn our renewable and circular hydrocarbons, sold under the brand **Neste RE™**, into high quality products, and support us in creating value and transparency.

Neste RE™ renewable hydrocarbons cut carbon footprint by more than 85% versus fossil feedstock in the polymers and chemicals industries

In 2021, Neste conducted a life cycle assessment study on the environmental impacts of the usage of its 100% renewable feedstock, **Neste RE™**. It showed a greenhouse gas emission reduction of more than 85% over the life cycle when Neste RE was used to replace conventional fossil feedstock in the chemical and polymers industry. The study confirms the results from earlier studies on Neste's feedstock for the polymers industry.

Read more about **the study**.

The change we make – Our carbon footprint

In addition to offering renewable and circular solutions to our customers, Neste has set ambitious targets to reduce climate impact across the entire value chain*.

*Scope 1, 2 & 3 as defined by the GHG Protocol.

Ambitious climate targets covering the entire value chain are an enormous undertaking. New ways of thinking, innovation and plenty of cooperation are needed to meet our ambitions.

The year 2021 marked an important milestone for us as we extended our climate commitments to cover the entire value chain (Scope 3). As we aim to reduce our production emissions (Scope 1 & 2) by 50% by 2030 compared to 2019 and reach carbon neutral production by 2035, we set a concrete target for Scope 3 emissions to lead the transformation towards a carbon neutral value chain by 2040, reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels, and work with our suppliers and partners to reduce emissions across the value chain.

Use phase emission intensity (gCO_2e/MJ) is an indicator of the greenhouse gas emissions from the use of Neste's sold products (combustion of fuels) divided by the total amount of energy sold. The main driver to meet the intensity target is to continue our transformation towards renewable and circular solutions.

To demonstrate our climate commitments and show leadership and determination to meet the objectives of the Paris Agreement, we signed the Business Ambition for 1.5°C Commitment Letter. This means that we will continue to build on our climate actions so that they are in line with the 1.5°C emission scenarios, the criteria and recommendations of the Science Based Targets initiative (SBTi).

Our GHG emissions across the value chain

We use the Scope framework defined in the Corporate Standard by GHG Protocol to assess the GHG emissions across our value chain. Scope 1 and Scope 2 cover the emissions related to our own production. Scope 3 includes all other relevant emissions throughout our value chain.

Scope 1

Direct emissions from refining

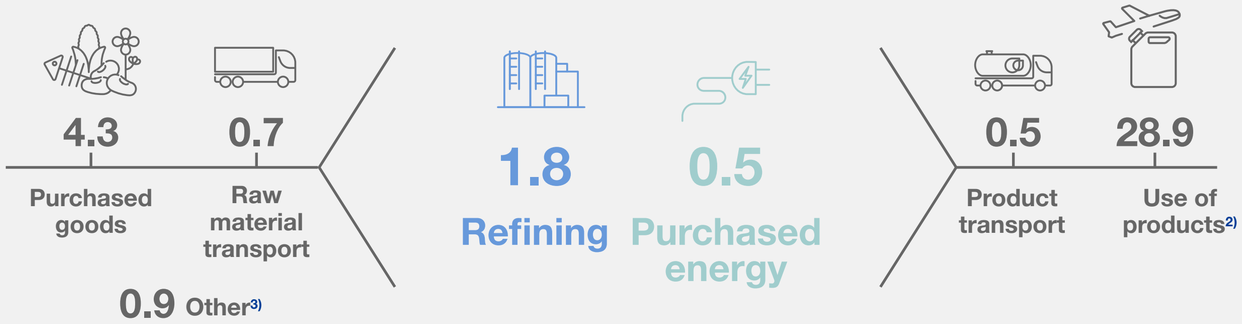
Scope 2

Indirect emissions from purchased energy

Scope 3

Other indirect emissions from value chain

Reported GHG emissions in 2021, $MtCO_2e$[1)]



1) Scope 1 & 2 accounting and reporting based on CO_2.
2) Includes Use of sold products and End-of-life treatment of sold products.
3) Including Purchased services, Waste generated in operations, and Fuel- and energy-related activities.

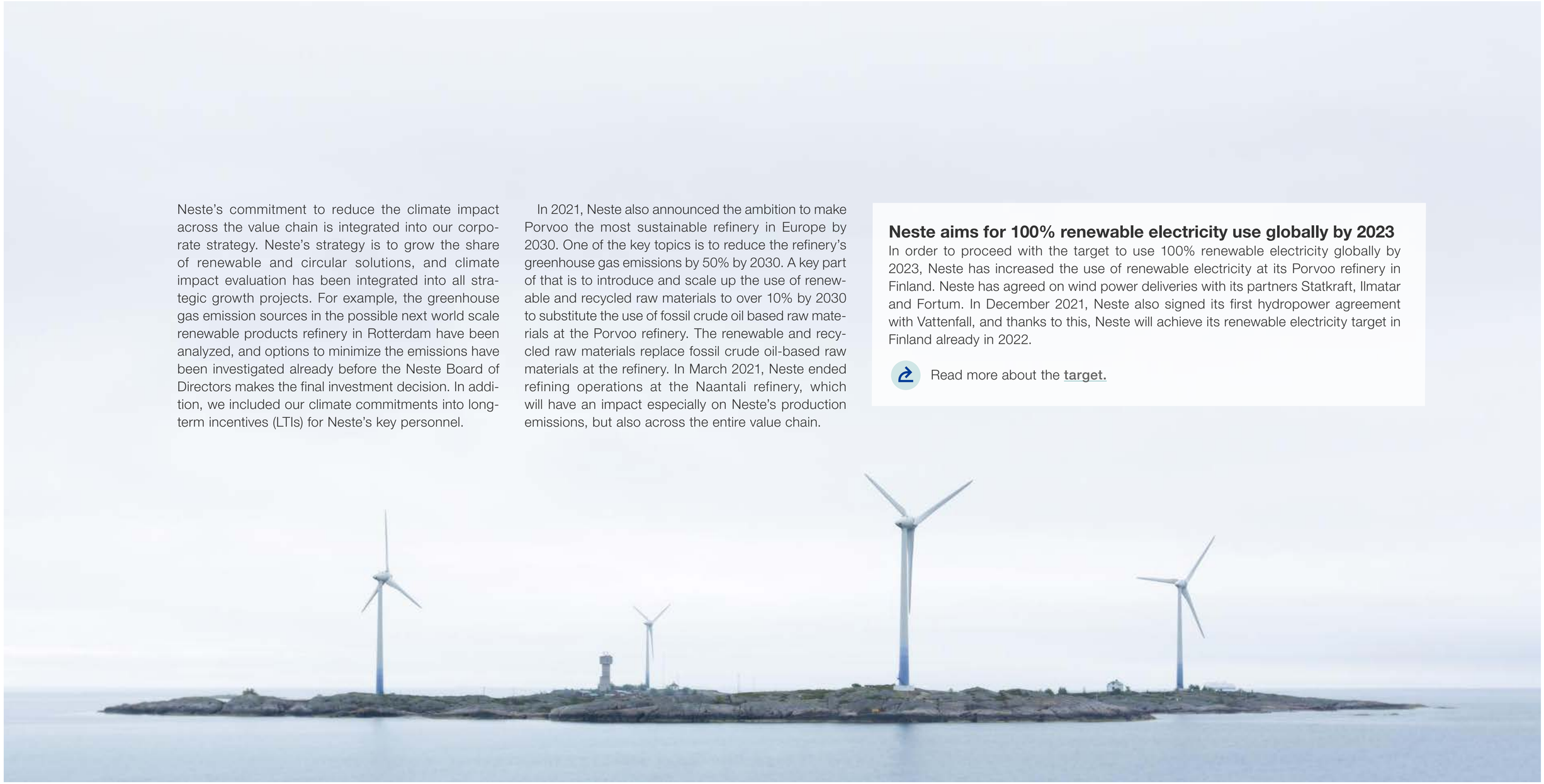
Neste's commitment to reduce the climate impact across the value chain is integrated into our corporate strategy. Neste's strategy is to grow the share of renewable and circular solutions, and climate impact evaluation has been integrated into all strategic growth projects. For example, the greenhouse gas emission sources in the possible next world scale renewable products refinery in Rotterdam have been analyzed, and options to minimize the emissions have been investigated already before the Neste Board of Directors makes the final investment decision. In addition, we included our climate commitments into long-term incentives (LTIs) for Neste's key personnel.

In 2021, Neste also announced the ambition to make Porvoo the most sustainable refinery in Europe by 2030. One of the key topics is to reduce the refinery's greenhouse gas emissions by 50% by 2030. A key part of that is to introduce and scale up the use of renewable and recycled raw materials to over 10% by 2030 to substitute the use of fossil crude oil based raw materials at the Porvoo refinery. The renewable and recycled raw materials replace fossil crude oil-based raw materials at the refinery. In March 2021, Neste ended refining operations at the Naantali refinery, which will have an impact especially on Neste's production emissions, but also across the entire value chain.

Neste aims for 100% renewable electricity use globally by 2023

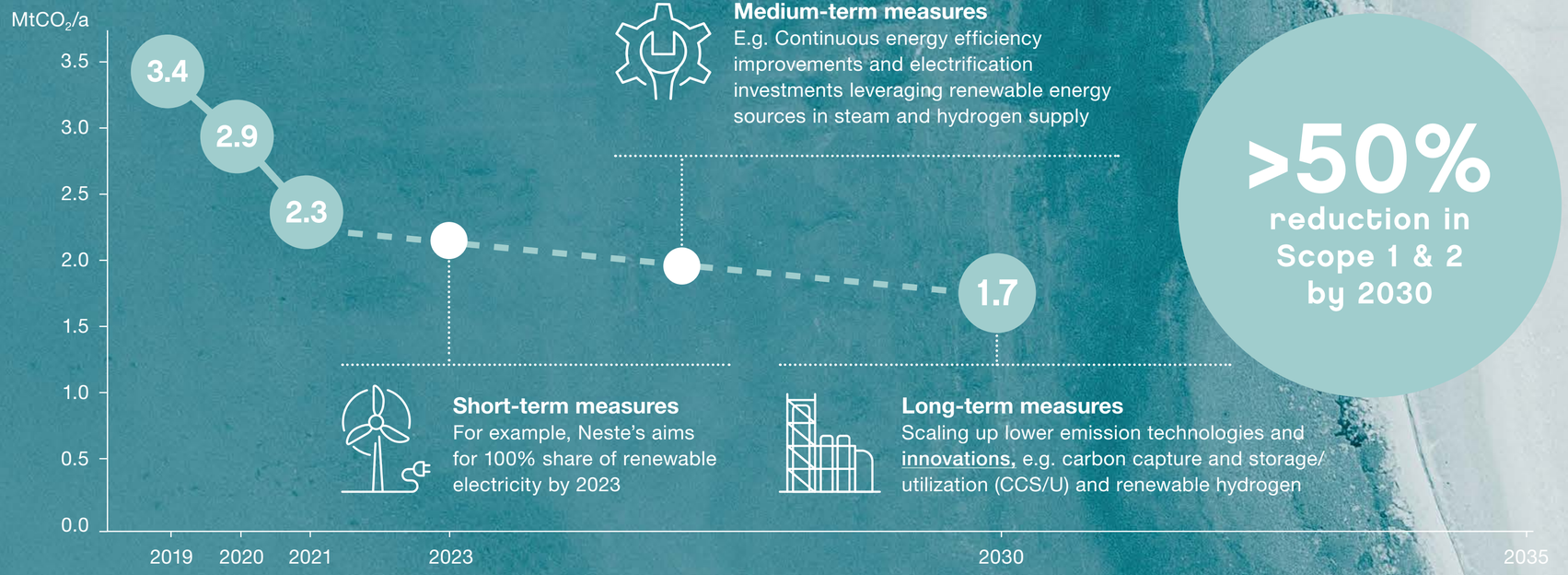
In order to proceed with the target to use 100% renewable electricity globally by 2023, Neste has increased the use of renewable electricity at its Porvoo refinery in Finland. Neste has agreed on wind power deliveries with its partners Statkraft, Ilmatar and Fortum. In December 2021, Neste also signed its first hydropower agreement with Vattenfall, and thanks to this, Neste will achieve its renewable electricity target in Finland already in 2022.

Read more about the **target.**



Our pathway to carbon neutral production by 2035

Carbon footprint: emission reduction measures are the primary lever and we aim to halve emissions by 2030.



>50%
reduction in Scope 1 & 2 by 2030

To reach carbon neutral production by 2035, we continue to prioritize and implement emission reductions across our production sites.

Any residual production emissions that cannot be mitigated will be compensated through credible methods.

Reaching carbon neutral production by 2035

The commitment to reach carbon neutral production by 2035 is ambitious, but we are well on track. We have continued the evaluation and implementation of the identified measures to reduce production emissions across all our production sites. Currently, we have over 100 identified measures to reduce production emissions.

Some of the measures have already been implemented, for example many wind power agreements have been signed with suppliers. Many of the measures are either in implementation planning, for example as part of upcoming refinery turnarounds, or being evaluated whether and when they can be implemented. The identified measures can be roughly divided into short-term, medium-term and long-term actions on our climate roadmap towards carbon neutral production.

The target is to reduce absolute Scope 1 and 2 emissions by 50% by 2030 compared to 2019, and reach carbon neutral production by 2035. We believe that these commitments are in line with global climate ambitions and the Paris Agreement.

Extending the climate commitments to cover the entire value chain

We want to ensure that our entire value chain, including Scope 3 emissions, is in line with global climate ambitions and limiting global warming to 1.5°C. This requires transformation beyond our own production, and we want to lead that transformation.

The most relevant Scope 3 emission category for Neste is the use phase emissions of the products sold by Neste. Therefore, we have a target to reduce the use phase emission intensity of our sold products by 50% by 2040 compared to 2020. To meet the target, Neste will further increase the share of renewable and circular products in its product portfolio. The use phase emissions for renewable fuels are calculated as zero as their combustion releases only bio-based CO_2, which is balanced by the amount of CO_2 absorbed from the atmosphere by the renewable raw material. See more about the accounting of the climate benefits of biofuels, such as Neste MY Renewable Diesel on our website.

For other Scope 3 areas, emissions related to purchased goods, such as raw materials, are also one of the priority areas for Neste. Neste's strategic ambitions relating to raw materials support the Scope 3 ambitions as well. For example, we continue focusing on waste and residue in our renewable raw material sourcing, and we are committed to reducing the share of conventional palm oil (crude and refined palm oil) to zero by the end of 2023. We are innovating new types of raw materials, and are aiming to replace some of the crude oil used at our Porvoo refinery with renewable and recycled raw materials through co-processing. In addition, we will work even more closely with our suppliers to reduce emissions related to our raw materials.

Transportation of the raw materials and products is another key area. We are continuously looking for opportunities to optimize our logistics network and gain more visibility to logistics emissions. Our ambition is to scale up the use of low-emission solutions and increase fuel efficiency with our logistics partners. As a concrete example, Neste's product distribution logistics in Finland used almost entirely Neste MY Renewable Diesel in 2021.

We recognize that leading the transformation across the entire value chain is a long-term ambition. We will continue to strengthen our capabilities across the organization and build our action plan for Scope 3 together with our suppliers and partners.

Greenhouse gas emission impact evaluated in every investment decision

Since 2020, we have evaluated the greenhouse gas (GHG) emission impact of every investment decision. Our investment criteria aims to make the GHG emission impact of all investments more transparent. In accordance with the new criteria, the GHG emission impact is evaluated in investment calculations and business case evaluations, and alternative solutions with smaller GHG emission impact are presented, when possible.

We want to ensure that our entire value chain, including Scope 3 emissions, is in line with global climate ambitions and limiting global warming to 1.5°C.

Progress in green hydrogen and carbon capture and storage project

In 2021, Neste continued the innovation project focusing on developing solutions for green hydrogen and CO_2 capture and storage (CCS) for the Porvoo site. These technologies are among the most important measures to reduce production GHG emissions at the Porvoo refinery. In 2021, the project advanced to the next phase called feasibility phase, and also received additional funding from the EU Innovation Fund.

Read more about the project.

Neste uses internal carbon price as a strategic tool to support its climate commitments. Internal carbon price is based on several external drivers and references, to reflect the development in our operating environment. For example, one of the key drivers, EU ETS allowance prices have increased significantly during 2021. Neste applies internal carbon price to investment calculations and business case evaluations. In 2021, Neste updated its internal carbon price to 80 EUR/tCO_2e starting from 2022. We evaluate that a higher price, even exceeding 100 EUR/tCO_2e, will be needed to support global climate ambitions by 2030. The internal carbon price is regularly reviewed as part of the strategy work.

We see that effective, robust, reliable and fit-for-purpose carbon pricing instruments are important to facilitate cost-efficient investment paths to reach global climate ambitions, and also to create a stable and predictable investment environment for companies like Neste, who are committed to fighting climate change. Therefore, we have also signed the global Call on Carbon initiative. [1)]

Developing our climate compensation approach

Neste develops its climate commitments and roadmap by closely following the latest climate science and leading practice for corporate climate targets[2)]. Therefore, ambitious emission reductions in own production and across the value chain are the primary lever for achieving Neste's climate ambition.

However, there is an acknowledged need for companies to contribute in emission mitigation beyond their own value chains to counterbalance the impact of any remaining emissions[3)]. Therefore, to reach carbon neutral production, different compensation methods will be the final lever on our climate roadmap. At Neste, we want to ensure our compensation approach is credible and leads to impactful and additional climate benefits. Moreover, we see the synergies between climate compensation and the other areas in our sustainability vision: biodiversity, human rights, supply chain and raw materials.

In 2021, we continued developing and detailing our compensation approach. We are evaluating the elements of creditable compensation project types and ensuring they are available when we need them, building the way forward together with selected partners.

Neste flies with SAF program continued

In 2020, Neste committed to reducing and compensating emissions from its employee business flights through the use of Neste MY Sustainable Aviation Fuel and announced its partnership with Finnair in March 2020. Since then, Neste has put in place arrangements to supply SAF in Europe and North America to the airlines most frequently used by Neste. In total, these lead to an estimated GHG emission reduction of 2,000 tons of CO_2e globally compared to using fossil jet fuel over the life cycle.

Read more about the program.

Employees contribute to climate commitments innovation

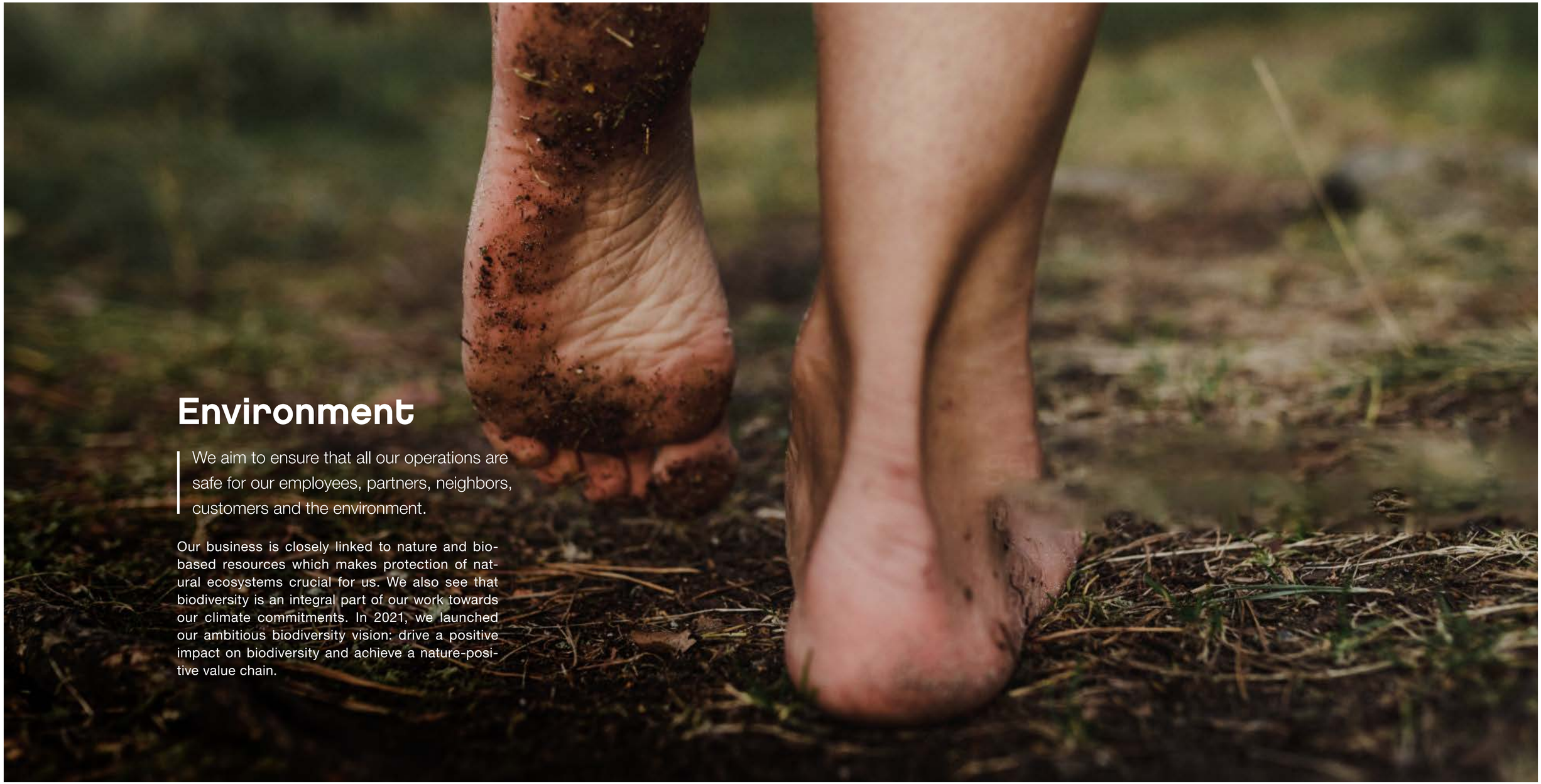
To engage Neste's employees in our new climate vision, we organized an idea challenge on our climate commitments as part of Neste's Innovation management. Neste employees were challenged to introduce new ideas on how to reduce emissions across Neste's entire value chain. In total, 18 ideas were assessed against five criteria, such as emission reduction potential and scalability. The winning idea will be evaluated and the feasibility assessed for possible future implementation.

The first green bond worth EUR 500 million

In 2021, we published a Green Finance Framework to further integrate our sustainability ambition into finance. In addition, under this framework, we also issued our first EUR 500 million green bond to provide investors the opportunity to support our objective to mitigate climate change globally by reducing GHG emissions through our renewable and circular solutions.

Read more about the financial incentives.

1) Call on Carbon is an initiative by Climate Leadership Coalition, Haga Initiative and Skift to support ramping up climate investments and carbon pricing.
2) Science-Based Targets initiative, Corporate Net Zero Standard, Version 1.0, October 2021.
3) Traditionally, this refers to companies procuring 'carbon credits' from projects in e.g. reforestation, land conservation or renewable energy investments. Carbon credits are traded on voluntary carbon markets, which are expected to grow exponentially over the next decade.



Environment

We aim to ensure that all our operations are safe for our employees, partners, neighbors, customers and the environment.

Our business is closely linked to nature and bio-based resources which makes protection of natural ecosystems crucial for us. We also see that biodiversity is an integral part of our work towards our climate commitments. In 2021, we launched our ambitious biodiversity vision: drive a positive impact on biodiversity and achieve a nature-positive value chain.

Biodiversity

Protecting biodiversity is integrated into our sustainability practices, processes and policies like our Code of Conduct. We are committed to protecting natural environments with the minimum possible negative impact. Biodiversity is considered in our supply chain; we have committed to combating deforestation in our supply chains, and to avoiding the conversion of habitats with valuable biodiversity for biomass production, requiring the same from all our suppliers and spearheading transparency in our industry's supply chain.

To chart a path towards our vision, we have set ourselves two biodiversity targets:

- We aim at creating net positive impacts (NPI) for biodiversity from new activities from 2025 onwards.
- We target no net loss (NNL) of biodiversity from all ongoing activities by 2035.

Neste's raw material sourcing for renewable fuels is strictly regulated by the sustainability criteria of, e.g., the EU Renewable Energy Directive. It defines no-go areas and restricts the use of materials originating from land with high biodiversity value. Similar restrictions are applied in the US and other markets as well, ensuring that raw material sourcing for renewables is environmentally sound.

In addition, using secondary raw material streams has been a strategic focus area, reducing the potential impacts of its raw material sourcing on biodiversity. The share of waste and residues of the total renewable raw material inputs globally was 92% in 2021.

To further strengthen our efforts towards our biodiversity vision, we started a company-wide impact assessment taking into account the value chains on top of our own refinery operations. We aim to finalize the work in 2022 to create the first biodiversity metrics.

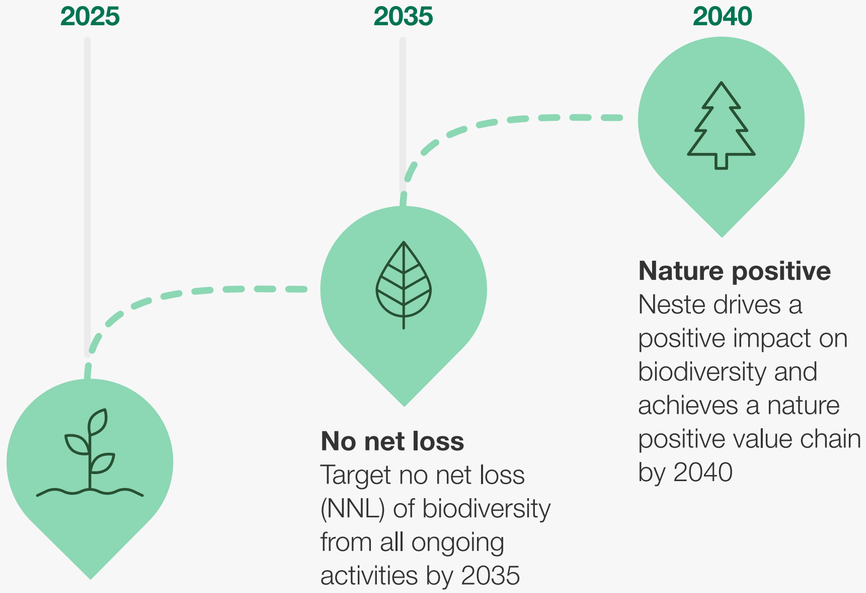
Achieving positive biodiversity impacts requires partnering and cooperation. We have continued working with NGOs and partners who have a strong understanding on the matter. In 2021, we started a collaboration with Fauna & Flora International (FFI), to understand and develop more effective practices to manage our impact on biodiversity.

We have set ourselves a principle to have all production expansion projects' biodiversity impacts evaluated, and biodiversity, water and soil aspects included in all investment decisions. For example, in the Rotterdam capacity growth decision these aspects were covered within the environmental impact assessment done within the site.

Neste joined the Science Based Targets Network's Corporate Engagement Program for nature

Setting credible biodiversity targets and metrics is crucial in our work towards our biodiversity vision. To support us in our journey, Neste joined Science Based Targets Network's Corporate Engagement Program for nature. Program aims to develop science-based targets for nature through methods, tools, and guidance. Program will guide us in developing targets and also give us an opportunity to have an impact in developing the targets framework.

Our biodiversity vision



Biodiversity neutral value chain: the impacts to biodiversity are minimized and the caused negative impacts are compensated either in the direct value chain or elsewhere.

Nature/biodiversity positive business: the overall business creates more benefits than causes adverse impacts to ecosystems.

Many local activities are ongoing. In our Porvoo refinery and Naantali terminal we initiated biodiversity assessments for the refinery areas. We will pilot new biodiversity metrics in the refineries in Finland and evaluate their applicability further in our value chain.

In the Siak and Pelalawan regions in Indonesia, Neste together with several global brands continue their cooperation in the Siak Pelalawan Landscape Programme that aims to make a large-scale transformative sustainability impact in the Siak and Pelalawan regions in Indonesia. The collaboration initially started in 2018. Read more about the program from page 72.

Material and energy efficiency

Our aim is to use energy, as well as other utilities, as efficiently as possible. Energy efficiency plays a key role particularly in our production and logistics.

We have made a commitment to the efficiency program for Finland's energy-intensive industries. During the agreement period 2017–2025, we aim to save 500 GWh compared to the 2014 level. In 2021, our energy saving measures totaled 95.8 GWh.

Water

Water use

Neste's operations use water mainly for cooling. Cooling water is withdrawn from the sea or nearby river. Most of the water used for cooling is brackish water. Cooling water is discharged back to the source in a similar condition as when withdrawn, at only a slightly elevated temperature.

A new wastewater treatment unit is under construction in Rotterdam and is expected to be completed by end of 2023.

Extensive monitoring of surface waters for more than 30 years

Surface waters (water quality and the benthos, i.e. organisms living in the sea bottom) in the vicinity of the Porvoo refinery have been monitored actively for more than 30 years. For benchmark purposes Neste undertook the very first benthos investigation as early as 1965, at the time the oil refinery started operations.

Read more about the monitoring.

Water risks

We follow the current water risk status with several tools. The most recent water risk evaluation of our operational sites was done in 2021, based on the WWF water risk filter tool that enables both a site-specific and global review of the water risks at the physical, regulatory and reputational levels. The results indicate that the physical and reputational water risks remain at an elevated level in two of Neste's refinery locations: Singapore and Rotterdam. In both locations, there are separate water risk indicators, such as flooding, water quality, ecosystem services and biodiversity importance that are at a significantly elevated risk level. Both facilities are relatively new and water use is efficient. The risks related to operations have been assessed to be low, but this causes pressure in pricing of water resources, both water intake and wastewater treatment. This is taken into consideration in operational financial planning in the long-term.

In Neste's supply chain water is mostly used in raw material extraction and cultivation and in raw material processing. On top of the operational site evaluations, the water risk evaluations covered all raw material supply chains when water risks were included in the biodiversity impact evaluations, started in 2021.

According to our company-wide environmental principle, all investment projects include an Environmental Compliance Analysis and a compliance review in case of building new production capacity or increasing the current capacity. Water risk assessment is included in the investment projects.

Environmental permit-related incidents

In 2021 we had two minor environmental permit-related incidents in our operations. In Porvoo Kilpilahti harbor, and in Naantali terminal truck loading's vapor recovery units, the emission limit values for benzene were exceeded.

Regarding difficulties in operation of the wastewater treatment system in Rotterdam, the water authority has confirmed an order to improve and stabilize the operation, subject to a threatened penalty. The operational difficulties with wastewater arise from increased use of waste and residue raw materials. To solve the issue and further improve wastewater treatment at the site, a fully new treatment facility is expected to be completed during 2023.

Environmental quality monitoring

Continuous air quality monitoring and other environmental monitoring, like marine and groundwater monitoring, continued in the vicinity of the Porvoo refinery and Naantali terminal. The area impacted by emissions has diminished over the past 20 years and the air quality around our refineries remained good in 2021.

We have three automatic air quality measurement stations in Porvoo. The air quality measurement data they generate is part of the national data, which is verified and published by the Finnish Meteorological Institute on its air quality portal.

Biodiversity initiatives at Neste's Mahoney site in the United States

Neste in collaboration with the local conservation authorities conducted many biodiversity initiatives at the Mahoney site in Mendota, Illinois, US. The initiatives included actions such as pollinator seeding to support endangered monarch butterflies and other pollinators. Additionally, wetland development to reduce the total suspended solids in the nearby river and to increase the habitat of migratory birds and other species. We plan to continue the initiatives in 2022.

Raw materials

Sustainability of our raw materials and supply chains are critically important to our sustainability ambitions. Human rights, biodiversity and climate-related targets are included in the criteria for our raw material suppliers. Our vision is to drive a safe and healthy workplace, fair labor practices and increased sustainability commitment across the supply chain. Read more about our sustainability vision on **page 23.**

Renewable raw materials

Neste uses a wide variety of sustainably-produced renewable raw materials each year to produce our renewable products, such as renewable fuels for aviation and road transportation, as well as feedstock for the production of renewable polymers and chemicals.

We expect the global waste and residue oils and fats availability by 2030 to grow to

40 Mt/a

Waste and residues accounted for

92%

of our total renewable raw material inputs globally

Diversifying our portfolio with

new types of raw materials

beyond waste and residues

Acquisition of Agri Trading further strengthens Neste's position and raw material sourcing in the United States

In 2021, we acquired Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the US. The completion of this transaction is an important step forward in delivering on Neste's growth strategy in renewables and in strengthening our global renewable raw material platform. Before the acquisition, Neste conducted a due diligence to ensure Agri Trading's sustainability performance.

Read more about the collaboration.

Focus on developing new sources of raw materials while growing the existing pool

Neste's renewable raw material supply was substantially strengthened in 2021, despite the uncertainties caused by the global pandemic. In 2021, Neste engaged in a series of acquisitions and partnerships to ensure growth and increasing availability of our raw materials.

Altogether we used 3.7 million tons of renewable raw materials, with a continued focus on developing new sources while growing the existing raw material pool towards lower-quality grades. In the short-term, we continue to focus on waste and residue raw materials. In the mid- to longer term, we expect to use also other types of raw materials, such as novel vegetable oils, agricultural and forest harvesting waste and residues, algae, municipal solid waste and Power-to-X for CO_2 conversion, among others. In 2021 we communicated our plan to reduce the share of conventional palm oil to zero of our global renewable raw material inputs by the end of 2023.

An extensive portfolio of globally-sourced renewable raw materials provides flexibility and allows us to respond to the needs of different markets and customers. None of the raw materials in our portfolio individually represent the majority share of the total annual inputs.

Read more about our renewable raw materials.

Watch a video about our renewable raw materials.

Strengthening our sourcing and pretreatment capability

One of our competitive advantages is our capability to source, transport and flexibly use various mixes of renewable raw materials to produce a wide range of high-quality renewable products with our proprietary NEXBTL refining technology. Another advantage is our unique capability to pretreat low-quality raw materials to remove impurities. This enables us to currently use primarily waste and residue raw materials to produce our renewables. All our refineries producing renewable products are technically capable of running on 100% waste and residues.

We continued to expand our renewable raw material sourcing capability in our existing markets, and have continued to expand to new markets, such as Eastern Europe and South America. We are focusing on waste and residue raw materials in these markets, such as animal fat waste and used cooking oil.

We completed the acquisition of Agri Trading, which complements our previous acquisition of Mahoney Environmental in the United States, with its wide trading network of renewable raw materials compounded with efficient logistics.

In addition, we acquired the Bunge Loders Croklaan's refinery plant in Rotterdam, the Netherlands. This acquisition allows us to accelerate the scaling up of our renewable raw material pretreatment capacity and is an important driver for expanding the use of waste and residue raw materials and increasing our raw material flexibility.

Our renewable raw materials

We have focused on waste and residue raw materials for over a decade and have successfully increased the share of waste and residues to 92% of Neste's total renewable raw material inputs globally in 2021. We expect to use other types of raw materials besides waste and residues in the mid- and longer term, such as novel vegetable oils from advanced agricultural concepts, as well as algae. These are presented in further detail on pages 67-68.

Animal fat from food industry waste, used cooking oil and various wastes and residues from vegetable oils processing represent the top three waste and residue raw material categories we use, based on their current and estimated shares of Neste's total annual renewable raw material inputs. Proportions of individual raw materials in Neste's refining, however, vary from year to year, depending on their availability, price, and specific market requirements for example.

Other waste and residue raw materials we have in our portfolio include fish fat from fish processing waste, tall-oil-based raw materials, technical corn oil (TCO) and acid oils.

Neste's waste and residue supply continued to grow organically and inorganically, for example through mergers and acquisitions in our existing sourcing markets. We source wastes and residues globally for our renewables refineries located in Finland, the Netherlands and Singapore.

The availability of waste and residues that suit our NEXBTL refining technology is expected to grow to 40 million tons a year globally by 2030. We engage in active research and development of new raw material sources and processing technologies to grow the raw material availability beyond the currently-estimated level.

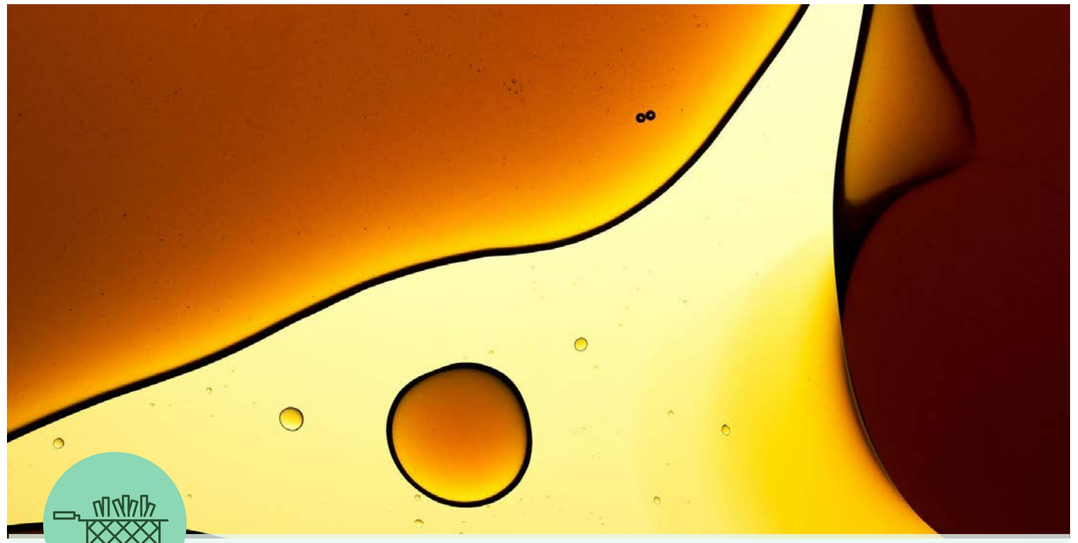
Animal fat from food industry waste

Animal fat is derived from the food industry's meat processing waste. Neste sources mixed animal fat waste that is unsuitable for human consumption. We source it globally.

In 2021, Neste opened an office in Melbourne, Australia focused on sourcing renewable raw materials, such as animal fat waste, directly from suppliers in the Australian and New Zealand markets.

In 2021, we also acquired Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the United States. The completion of this transaction is building on our acquisition of the Dutch animal fat trader IH Demeter in 2018. Agri Trading and Demeter both play an important role in supporting our raw material growth.

Read more about animal fat waste.



Used cooking oil (UCO)

UCO consists of oils and fats of a vegetable or animal origin that have been used by the food industry or restaurants to cook food for human consumption. UCO is considered a waste as it is no longer fit for human consumption for food hygiene reasons.

We source UCO from collectors and aggregators globally. Neste's office in Shanghai focuses on sourcing waste and residue raw materials, particularly UCO, in China from local collectors in the East Coast of China, especially in the regions around Shanghai. UCO is sourced also from Europe.

In addition, we have completed an acquisition of Mahoney Environmental, a leading collector and recycler of UCO in the United States, and its affiliated entities. The successful integration and continuous expansion of Mahoney activities help us gain access to a substantial volume of used cooking oil and grow our raw material supply chain in North America. Neste's sustainable aviation fuel delivery at Dallas Fort Worth International Airport, was enabled by our collaboration with Mahoney.

In 2021, we started collaborating with Hesburger to recycle UCO from Hesburger restaurants in Finland and the Baltics to produce renewable diesel. Hesburger will use renewable diesel to fuel the majority of its transport vehicles.

Read more about used cooking oil.

Vegetable oil processing waste and residues

Many vegetable oil processing wastes and residues can be used as raw materials to produce Neste's renewable products. Of these types of wastes and residues, Neste uses palm fatty acid distillate (PFAD), spent bleaching earth oil (SBEO) and palm effluent sludge (PES).

PFAD is a processing residue derived from the final stages of refining food-grade palm oil. It consists of degraded fats, free fatty acids, that need to be removed before palm oil meets the food industry's quality standards in terms of taste, smell, color and shelf life.

We only buy PFAD from suppliers that are committed to sustainable working practices and meeting or exceeding strict sustainability criteria embedded in biofuel regulation. These criteria include a proactive approach to preventing deforestation and mitigating its risk. Read more about PFAD supply chain traceability on page 71.

SBEO consists of oil waste recovered from spent bleaching earth that is used in the refining processes of various vegetable oils.

PES is oil waste derived from palm oil mill effluent; it consists of the remaining oily waste skimmed from the palm oil mill's wastewater (POME).

Read more about vegetable oil processing waste and residues.

Neste plans to reduce the share of conventional palm oil to 0% of its global renewable raw material inputs by the end of 2023.

Vegetable oils

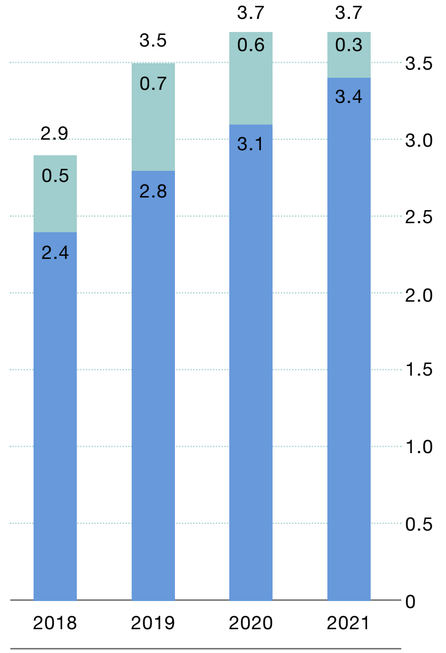
Due to the preferences in specific markets, we use sustainably-produced vegetable oils, such as 100% certified and traceable palm oil*) in the production of renewable products. Neste's use of conventional vegetable oils has decreased significantly over the past decade and is expected to be further decreased due to customers' preferences and regulatory trends.

The share of conventional vegetable oils of our global renewable raw materials inputs was approximately 8%, with palm oil representing the vast majority, over 7%. Neste plans to reduce the share of conventional palm oil to zero of its global renewable raw material inputs by the end of 2023.

Read more about the vegetable oils we have in our portfolio.

*) 100% certified and sustainably produced crude palm oil and refined palm oil

Renewable raw material inputs globally, million tons



Diversifying our raw material portfolio while building new business platforms

We continue to work towards increasing the availability of renewable and recycled raw materials, while also developing technologies to diversify our current raw material portfolio further. This will help us ensure access to sufficient volumes of raw materials to support our growing production capacity, which enables us to maximize our positive carbon handprint.

We continuously search for even lower quality wastes and residues to be used in the production of fuels, chemicals and materials. We are developing the availability of emerging lower-quality waste and residue raw materials, such as acid oils and PES, while continuing to study lignocellulosics, such as agricultural and forest harvesting residues, municipal solid waste and wastewater-derived grease (i.e. “brown grease”) as future raw material options.

Raw materials and technologies	End-use segments
Renewable hydrogen Pilot project ongoing at Neste’s Rotterdam refinery with partners. Green H_2 and CCS project at Neste’s Porvoo refinery in feasibility phase, selected for EU Innovation Fund grant.	Renewable Aviation
Power-to-X Comprehensive technology mapping in progress.	Renewable Polymers and Chemicals
Algae Construction of the technology platform in progress.	
Lignocellulose Conversion technology alternatives evaluated. Project development ongoing.	Renewable Road Transportation
Municipal solid waste Initial assessment of scalable technologies ongoing.	

Novel vegetable oils (NVO) from advanced agricultural concepts

As part of our mid- to long-term renewable raw material development efforts, we have been exploring advanced, sustainable agricultural concepts that do not create additional demand for agricultural land. With these concepts, the existing cultivation is not replaced and the indirect land use change (ILUC) risk is minimized. These novel cultivation methods could be applied to derive additional new volumes of vegetable oils from a variety of plants.

These advanced agricultural concepts are not yet widely practiced and commercial volumes of these raw materials are not yet available. Once available, the use of these additional volumes of raw materials in biofuels production will fully comply with all the sustainability requirements and criteria included in the EU RED II ((EU) 2018/2001).

Besides being used in the transportation and aviation sectors, NVOs could be used to produce our renewable feedstock for the polymers and chemicals sectors.

Over the period between 2018 and 2021, Neste participated in an EU-funded BIOPLAT-EU project, which uses a web-based decision support tool to assist in the repurposing of marginal, underutilized and contaminated lands for increased biomass production in Europe. Neste acted as the industrial partner in the project, using the web-based platform to evaluate the potential of oil crops produced in the marginal, underutilized and contaminated lands in Europe. The project was finalized in October 2021.

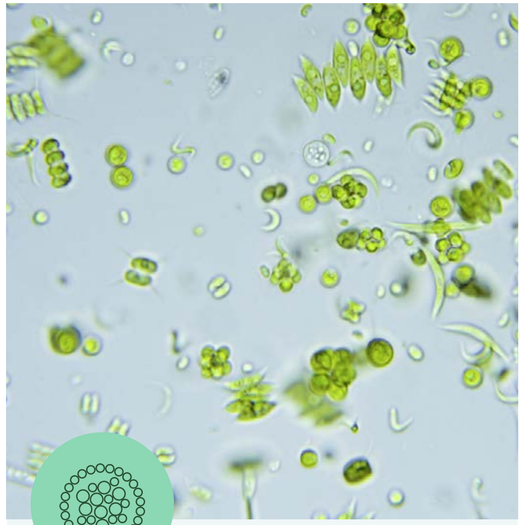
Read more about novel vegetable oils.

Lignocellulose

Plant-based biomass from forestry and agriculture that is largely underutilized or has only lower-value uses. The availability is on the scale of billions of tons each year globally.

Neste has a development project aimed at converting forestry-based waste and residue raw materials into advanced biofuels at our refinery in Porvoo, Finland. We have also established a partnership with Bioenergy La Tuque to study renewable diesel production from forest industry residues. Neste is one of the parties financing a long-term Treesearch research platform focusing on forest-based materials.

Read more about **lignocellulose.**



Microalgae

Photosynthetic microalgae may be cultivated wherever there is water and sunlight, including in salt water and land areas unsuitable for other types of cultivation. Microalgae may have a high oil yield, and they are usually rich in proteins and other valuable compounds. Through photosynthesis, microalgae contribute up to 50% of the breathable air on our planet.

Neste has explored and developed the use of algae for over 15 years. Neste has been involved in several international algae research projects, such as in the Netherlands and Australia and continues to explore algae as a potential future raw material.

Read more about **microalgae.**

Municipal solid waste

Neste explores various fractions of municipal solid waste that currently cannot be or are not recycled. These vary from market to market. Together with our partners, Neste is evaluating several technologies and potential further partners with a target of converting suitable fractions of municipal solid waste through producing fuels and chemicals.

Read more about **municipal solid waste.**

CO_2 and Power-to-X

Neste is exploring electrolysis and Power-to-X (PtX) solutions as well as carbon capture and storage (CCS) and utilization (CCU) technologies. The key technology in PtX is electrolysis, in which hydrogen is produced from water using electricity. When using electricity from renewable sources, such as wind or solar power, the technology can be used to produce renewable hydrogen.

PtX technologies are also expected to enable the conversion of CO_2 into fuels, chemicals and materials. Production of hydrogen as well as fuels and chemicals using PtX technologies is detached from biomass.

Neste is a minority owner of **Sunfire**, a leading technology developer of high-temperature electrolysis and PtX solutions. We will demonstrate green hydrogen production at our Rotterdam refinery with CEA, Sunfire, Paul Wurth and Engie in **project called MULTIPLHY.** The project aims to install and integrate the world's first multi-MW scale high-temperature electrolyser system into a refinery.

Neste is also developing the Porvoo refinery in Finland into renewable hydrogen and CO_2 utilization. In November 2021, Neste received a positive grant decision from the EU Innovation Fund for **Neste's green hydrogen and CO2 capture & storage project,** which aims to reduce greenhouse gas emissions at the refinery. The project introduces carbon capture and storage (CCS) and electrolysis solutions that allow decarbonization of production at the refinery. The project is currently in the feasibility phase.

CASE STUDY: TRANSPORTATION

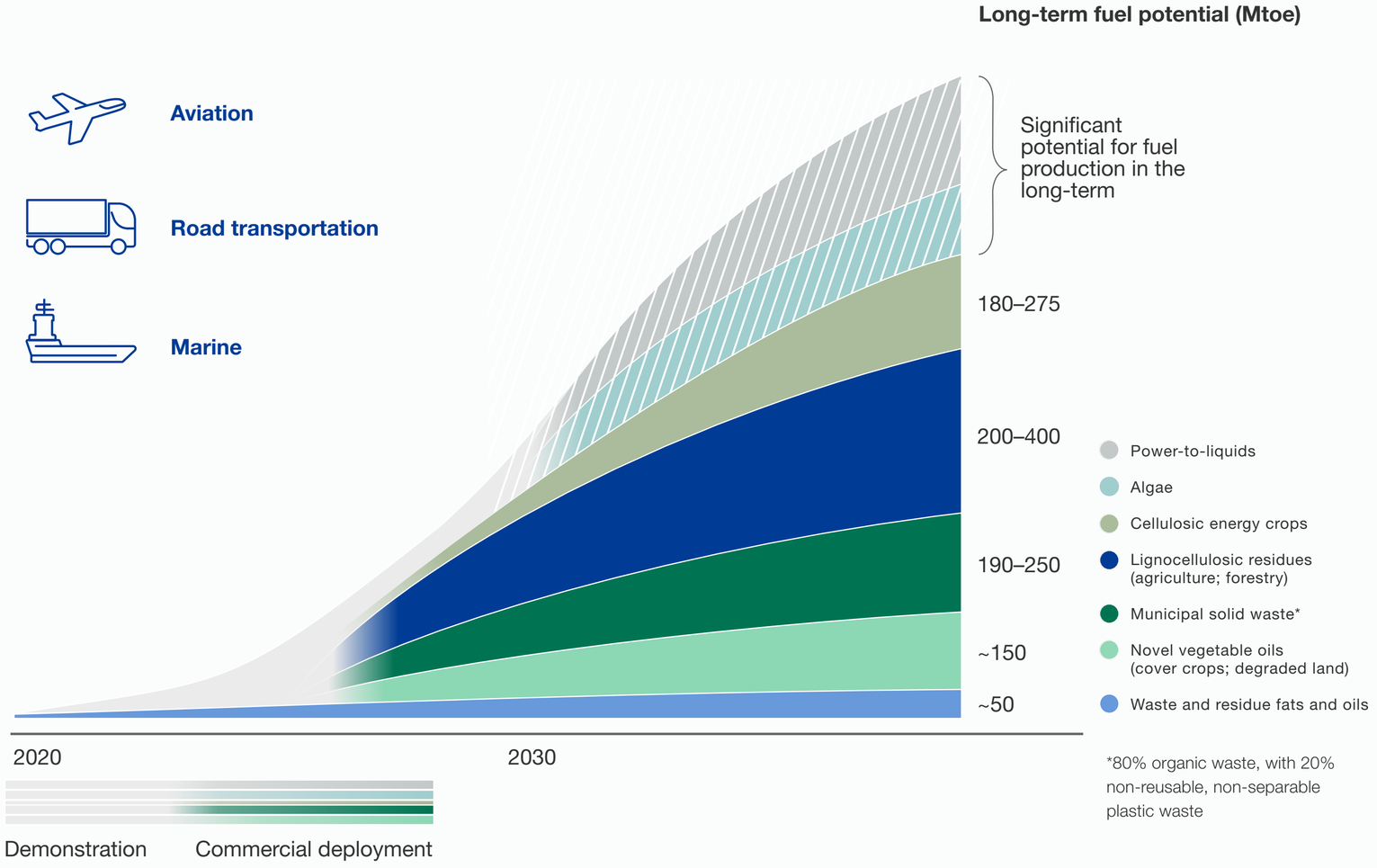
Unlocking new raw material pools with innovation to accelerate emission reductions in transportation

Renewable raw materials hold significant potential to accelerate the reduction of CO_2 emissions, particularly in the transportation sector. Existing low-carbon fuel technologies (e.g. renewable diesel) can still be scaled up significantly from current levels. Renewable waste and residue fats and oils will be indispensable in delivering emission reductions in the near future and over the longer term. Novel vegetable oils (such as cover crops cultivated on existing agricultural land during off-season) will be an increasingly important source of raw material for further scaling up solutions such as renewable diesel as well as sustainable aviation fuel production.

In addition, new conversion technologies will enable the use of currently untapped raw material pools such as municipal solid waste and lignocellulosic biomass. In the long-term, fuel produced from electricity and waste CO_2, so-called e-fuels (or power-to-liquids), will also increasingly play a role. The potential of these technologies could be substantial if innovation activities successfully enhance technology maturity and bring down costs.

Regulators hold the key to ensuring the eligibility of a broad range of raw materials to enable the full emission reduction potential of these renewable raw materials in transport and beyond.

Global raw material potential for renewable fuels (Mtoe)



Source: Neste analysis based on WEF Clean Skies for Tomorrow and other sources Biomass potential converted to fuel potential, using around 85% conversion efficiency (weight-based) for fats and oils and novel vegetable oils; around 25% efficiency for lignocellulosic biomass and municipal solid waste.

Sustainability criteria for our renewable raw materials

- We source only sustainably-produced renewable raw materials from suppliers who meet our strict criteria for sustainability. These criteria are embedded into our policies and principles, as well as the regulatory requirements in our key markets.
- We only accept renewable raw materials that are traceable to the point of origin.
- We select our renewable raw material suppliers carefully, based on a systematic approach.
- All the renewable raw materials we use meet the sustainability criteria defined in the EU RED II ((EU)2018/2001) for the European markets or Renewable Fuel Standard (RFS), California/Oregon/BC Low Carbon Fuel Standard (LCFS) requirements, as applicable, for North America. The raw material mixes used for products in specific markets additionally meet local market-specific and/or industry-specific regulatory requirements.
- We are committed to avoiding conversion of habitats with valuable biodiversity for biomass production. We ensure that the production of our raw materials has not caused deforestation and that human rights have been respected.
- We ensure that the renewable raw materials that we use to produce renewable fuels always provide the required greenhouse gas emissions savings (at least 50% reduction as per EU RED II (EU) 2018/2001) over the fuels' life cycle compared to similar emissions from 100% fossil alternatives.
- All the renewable raw materials we use are either certified or their compliance with applicable laws and regulations is verified according to the legislation of the country to which the end product will be supplied.

We maintain a presence on the ground in the regions where we source raw materials. This allows us greater visibility of the whole supply chain, closer engagement with our suppliers and the ability to ensure the highest level of sustainability performance. Read more about our supplier engagement on pages 77–81.

Our cooperation particularly with palm oil producing smallholders aims to support the development of their sustainability awareness and expertise. In 2021, our supply chain included approximately 13,200 (14,400) Indonesian palm oil smallholders, organized into cooperatives. The adoption of sustainable practices enables smallholders to achieve a certification. Neste requires a commitment to certification from all its palm oil suppliers.

Progress in PFAD supply chain traceability

Within the European Union, biofuel producers are required by law to use only raw materials that are traceable to the point of origin. We meet the traceability requirements among other legal sustainability requirements in all of the markets where our products are sold. This also means that if, PFAD is classified as a residue within a specific market for example, we ensure traceability to the palm oil refineries where PFAD is removed to produce food-grade palm oil. If PFAD is classified as a co-product, traceability is ensured to the palm oil plantations.

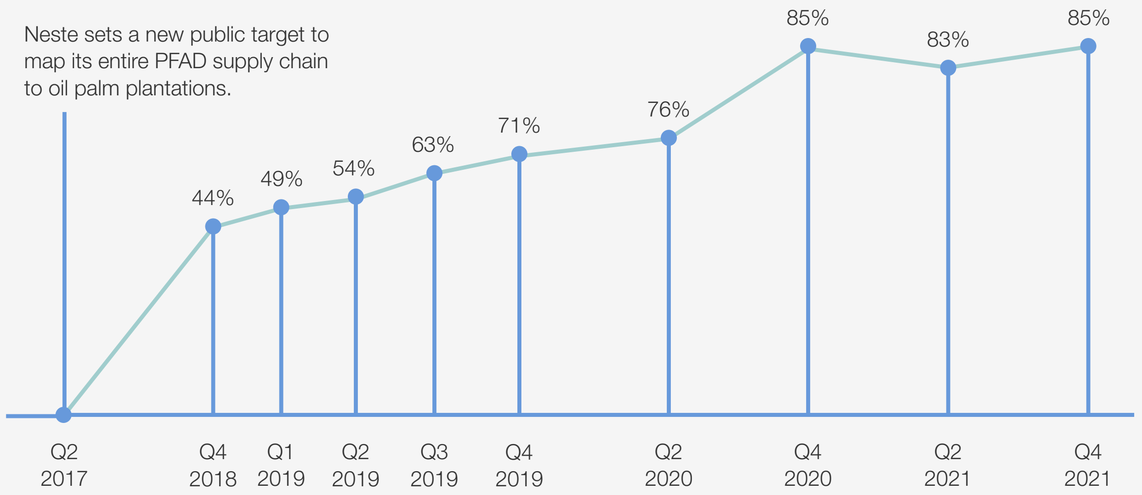
Since 2017, we have been working towards a target of developing traceability for our entire PFAD supply chain to palm oil plantations. Working towards the target has required us to map large parts of previously unmapped food industry palm oil supply chains, but we have made significant progress.

During 2021, we were able to independently map and validate 100% (99.97%) of our PFAD supply chain to the supplying palm oil mills and 85% (85%) all the way to plantations. This significantly surpasses the fuel industry's current regulatory requirement for residue raw materials, or in the case of PFAD, traceability to the palm oil refinery. When mapping the supply chain to the plantations, publicly available data (e.g. on RSPO, ISCC, ISPO certifications) and supplier reporting have been used.

We continued engaging with PFAD-supplying palm oil refineries to ensure that their operations and those of their supplying mills are in compliance with our sustainability policies and principles. We have also evaluated each palm oil mill for environmental risks as part of our proactive approach to preventing deforestation.

In 2021, we focused on improving our suppliers' No Deforestation, Peat and Exploitation (NDPE) Policies, due diligence processes, traceability to plantation data collection, human rights, grievance mechanism, among others. We also continued to work with our partner Consortium of Resource Experts (CORE) and palm oil suppliers to improve traceability and sustainability within the industry.

% of Neste's PFAD supply traceable to plantation*



*Based on Risk-calibrated Traceable to Plantation approach. Figures are weighted by refinery volumes supplied to Neste.

Building industry-wide acceptance for Traceability to plantations approach could significantly improve the overall transparency of palm oil supply chains for all industries.

Traceability to plantations (TTP) method

Our aim is to develop a commonly accepted and adopted approach to tracing palm oil-based waste and residues, such as PFAD. For this, we have continued to develop the "traceability to plantations" (TTP) approach. The TTP approach gathers data from suppliers sourcing raw materials in higher-risk areas, such as those in close proximity to forests, uncultivated peat and protected areas.

In previous years, we have engaged with palm oil and PFAD suppliers to introduce the approach and gather feedback. Building industry-wide acceptance for the approach could significantly improve the overall transparency of palm oil supply chains.

Due to the ongoing pandemic situation, most of our usual in-person supplier engagements were replaced by online meetings. We continue to engage with our suppliers via virtual platforms and video conferences for sustainability policy development, due diligence, traceability, training and workshops, grievance management, third-party suppliers, transparency and reporting, among others. We have online calls on a quarterly basis and discuss working closely with our suppliers on monitoring their time bound action plans.

Neste actively engages with its suppliers to collaboratively improve sustainability, develop new solutions in the supply chain and resolve grievances.

Palm oil & PFAD supplier sustainability workshops

Neste actively engages with its renewable raw material suppliers through workshops to collaboratively develop innovative solutions in the supply chain, continuously improve sustainability and resolve any grievances where they occur. In August 2021, Neste organized a two-day grievance-mechanism workshop for its direct suppliers to engage in capacity building, guide them in establishing effective grievance mechanisms and share best practices and practical steps for addressing No Deforestation, Peat and Exploitation (NDPE)-related grievances.

Read more about **the workshops.**

Siak Pelalawan Landscape Programme

Alongside several other global brands, Neste, as well as Daemeter, Proforest and the Siak government continued to cooperate in the Siak Pelalawan Landscape Programme. This program is designed to have a large-scale transformative sustainability impact in the regions in Indonesia. The program has helped protect forests, peat and biodiversity and support sustainability performance of smallholder farmers. In 2021, the engagement at the village level with smallholders continued and new villages were selected and validated by local stakeholders and the coalition for inclusion in the project. Various trainings on best management practices – including fire management and good agricultural practices – were conducted.

Read more about **the program.**

Recycled raw materials

Neste creates solutions for combating climate change and accelerating a shift to a circular economy. To drive a transition to a circular economy in the polymers and chemicals sectors, we continue developing technologies and capacity with value chain partners to chemically recycle post-consumer plastic waste that is currently difficult or impossible to recycle mechanically.

800t

of liquefied waste plastic processed at Neste's refineries in Finland during trial processing runs

Aiming to process

>1Mt

of plastic waste annually from 2030 onwards

3Mt

(3 Mt) the amount of non-renewable resource use that Neste's renewable and circular solutions helped replace in transport, aviation and polymers and chemicals sectors in 2021*

*Calculating principles can be found on **page 110.**

Chemical recycling increases circularity of materials

Neste is advancing chemical recycling, also known as advanced recycling, to speed up the transition to a circular economy for plastics. Neste's ambitious goal is to process over one million tons of plastic waste annually from 2030 onwards.

Chemical recycling complements mechanical recycling and enables recycling of plastic waste that is currently hard or impossible to recycle. It means transforming waste plastic back into a raw material similar to crude oil via a liquefaction process, which allows processing it into high-quality materials again. Through chemical recycling, hard-to-recycle plastic waste such as colored, multi-layer and mixed-material plastics can be turned into high-quality products again.

Neste's development of chemical recycling technologies and capacity with value chain partners supports Neste's strategic target of becoming a global leader in circular solutions. It is also aligned with our aim of reducing climate emissions and reducing crude oil dependency in society. The development of chemical recycling is crucial for meeting the ambitious circular economy targets in Europe, which aim for a 50% recycling rate of all plastic packaging by 2025 and 55% by 2030.

Chemical recycling creates possibilities and incentives to divert plastic waste from landfills and incineration by turning plastic waste into a valuable resource. Diverting plastic waste from incineration back to the plastics value chain provides significant greenhouse gas emission savings. It also helps tackle the plastic waste pollution challenge through creating value from currently hard-to-recycle plastic materials which can contribute to the reduction of plastic waste polluting the environment.

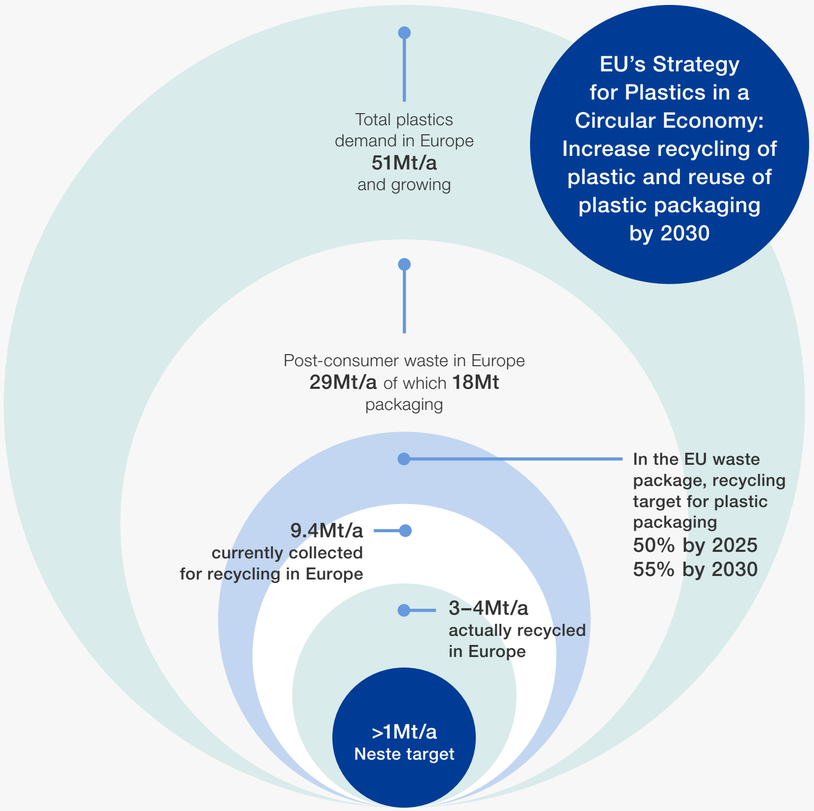
For chemical recycling, upstream partners are needed to collect, sort and process plastic waste. We have developed several partnerships to develop these technologies to enable their commercialization and to speed up their adoption. One of these partnerships is with Ravago, with whom we aim to establish a joint venture to build an industrial facility for chemical recycling in North Sea Port in Vlissingen, the Netherlands.

Chemical recycling provides several benefits, such as:

- Supporting the global reduction of plastic waste and accelerating circularity of materials by diverting valuable materials away from landfills and incineration.
- Complementing mechanical recycling, to help increase recycling rates by recycling a wider range of waste plastics (e.g. mixed, multilayer, multimaterial and colored plastics).
- Contributing to reducing crude oil dependency in society.
- Enabling production of high-quality end products based on recycled materials.
- Providing a circular drop-in feedstock solution for chemicals and polymers.
- Enabling Neste to contribute to the global development of efficient new solutions to tackle the global plastic waste challenge.

Read more about chemical recycling.

Plastics demand and recycling targets



Sources of figures: Plastics Europe, Deloitte, 2018 and 2019

We have an ambition to make our Porvoo refinery the most sustainable refinery in Europe by 2030. We aim to increase the share of renewable and circular raw materials to over 10% of the crude oil refinery feeds by 2030.

Liquefied waste plastic processed at the Porvoo refinery

Neste has successfully concluded its first series of trial runs processing liquefied waste plastic at its Porvoo refinery in Finland. After kicking the series off with its first-ever industrial scale trial run with liquefied waste plastic in 2020, Neste has conducted additional runs in 2021. In the course of the trial runs, Neste has been able to upgrade liquefied waste plastic to drop-in solutions for plastic production and develop related processing capabilities at industrial-scale.

In total, Neste has processed about 800 tons of liquefied waste plastic at our refineries in Finland. With the latest trial runs in Porvoo, we are laying the foundation for replacing crude oil-based raw materials with liquefied waste plastic and strengthening circularity together with our customers.

The trial runs will continue with higher volumes in 2022. Our decades of experience in oil refining, combined with refining expertise in upgrading low-quality raw materials, provide a solid foundation for the rapid demonstration and scaling up of chemical recycling.

Sustainability criteria for liquefied waste plastics

- In our chemical recycling value chain we accept only liquefied waste plastics that are traceable and comply with the ISCC Plus certificate requirements.
- All our suppliers are required to fulfill the requirements of our Supplier Code of Conduct (SCoC). A supplier's ability to meet the requirements of the SCoC is regarded as a significant factor when Neste is deciding an initiation or continuation of a business relationship with a supplier.
- We require our liquefied waste plastics suppliers to comply with applicable laws and regulations and environmental permits. We expect them to follow equivalent ethical business standards as stated in the Neste SCoC.
- Our liquefied waste plastics suppliers must uphold Neste's policies and principles, including the requirements of our SCoC.
- We select our liquefied waste plastics suppliers carefully, based on systematic controls for counterparty screening and monitoring in which all potential business partners and suppliers undergo automated pre-screening.

Neste RE – renewable and recycled

Neste RE™ is a raw material for polymers production that is made entirely out of renewable and recycled raw materials. It is a drop-in solution that can be used on its own or in a blend to create products of identical quality to those made out of conventional raw materials based on virgin fossil oil.

Neste RE can be produced entirely without virgin fossil oil, from 100% renewable and recycled raw materials. The renewable component of Neste RE is produced through Neste's proprietary NEXBTL refinery process. It is made from renewable raw materials, primarily waste and residue oils and fats, such as used cooking oil.

The recycled component of Neste RE consists of chemically recycled plastic waste. Chemical recycling enables Neste to use plastic waste that cannot or is hard to be recycled mechanically, such as colored, multilayered or multi-material packaging and films, for example.

Neste RE can be used for plastics and chemicals in a wide range of applications such as toys, sports equipment and clothing, food and beverage packaging, home and personal care and medical devices.

Neste is collaborating with industry forerunners to produce a wide variety of high quality polymers and chemicals from Neste RE. Read more about our partnerships on the next page.

Read more about Neste RE.

Progress with strategic partners

Neste continued to collaborate with forerunners in the polymers value chain to accelerate a shift to a circular economy. These close collaborations and initiatives across the polymers value chain are crucial to achieving a large-scale circularity transformation within the sector. Besides continuing the work with its existing partners, like LyondellBasell and Unilever as well as Borealis, Neste also started new and further developed existing strategic partnerships.

In early 2021, Neste communicated that it had **acquired minority stake in Alterra Energy**, an innovative chemical recycling technology company. The collaboration includes joint technology development, global technology licensing and jointly working towards commercializing Alterra's proprietary liquefaction technology with strong initial focus on Europe.

Neste **joined forces also with Mitsui Chemicals, Inc. and Toyota Tsusho Corp.** to produce renewable plastics and chemicals from Neste RE, 100% bio-based hydrocarbons. Neste RE replaces a part of the fossil feedstock in the production of a variety of plastics and chemicals at Mitsui Chemicals' crackers at Osaka Works. The plastics and chemicals are produced with significantly lower life cycle greenhouse gas emissions than products made from traditional raw materials, such as fossil oil.

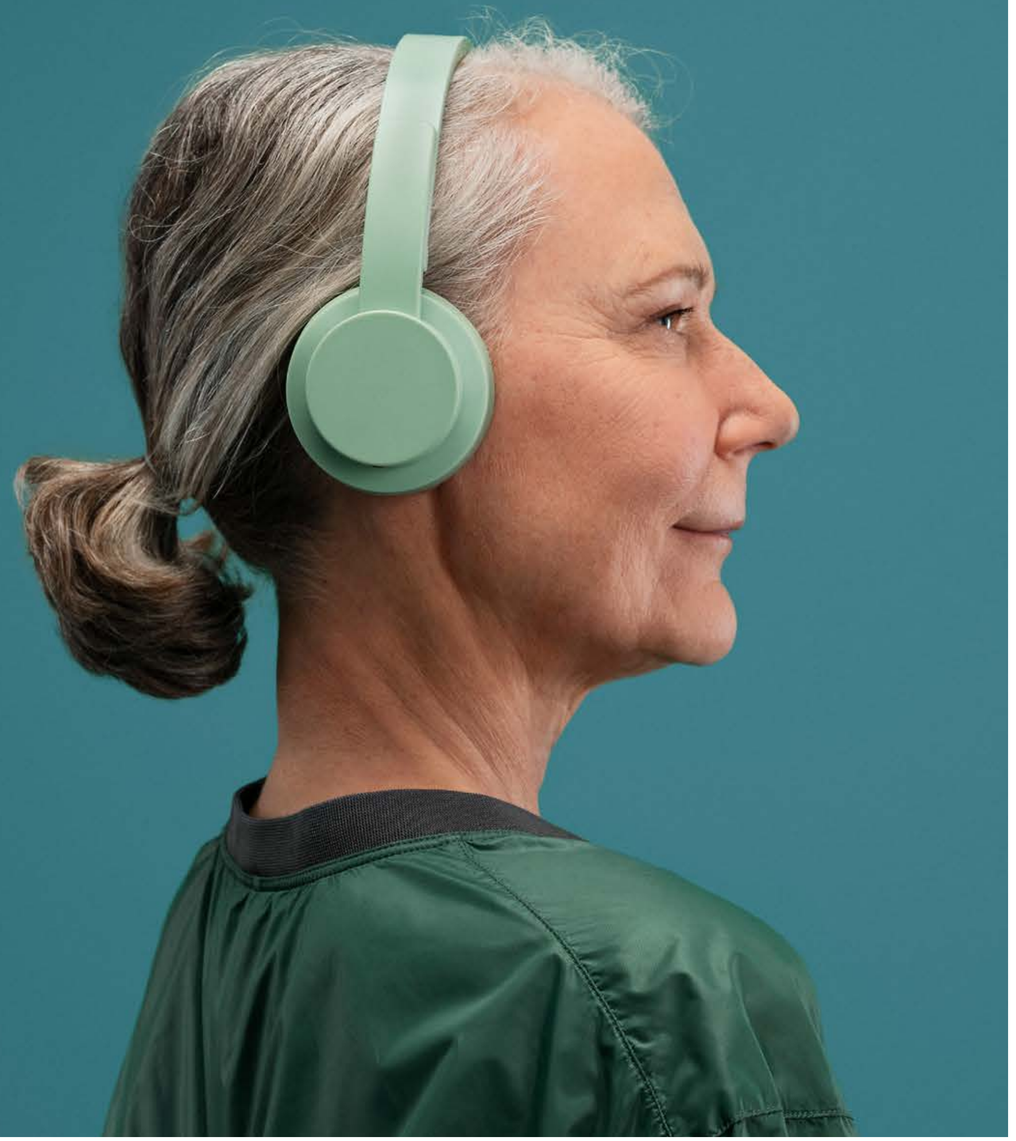
Neste continued **its partnership with LyondellBasell** and agreed on a long-term commercial relationship to make polymers and chemicals from renewable feedstock more widely available to global brands. LyondellBasell will begin to source Neste RE. The feedstock will be processed through the cracker at LyondellBasell's plant in Wesseling, Germany, into polymers and sold under the CirculenRenew brand name. Together, Neste and LyondellBasell contribute to the development of the European market for more sustainable polymers and chemicals solutions.

Neste and **Unilever started working together** on developing solutions for carbon-based ingredients, as well as packaging materials produced from renewable materials for Unilever's cleaning products. A concrete goal will be the production of surfactants based on Neste's renewable and recycled materials as crucial ingredients for Unilever cleaning products. Furthermore, the work on solutions for packaging via polyethylene and polypropylene produced with renewable and recycled materials from Neste will be part of the project.

In late 2021, Neste announced its plans with **its partner Ravago to set up a joint venture** and build an industrial liquefaction facility in North Sea Port in Vlissingen, the Netherlands. Neste started collaborating with Ravago in 2019 with the target of building chemical recycling capacities of more than 200,000 tons per year by 2030. The companies are now planning to build an industrial facility for chemical recycling in Vlissingen with an estimated capacity of 55,000 tons. The liquefaction technology for the site will be provided by Alterra Energy.

Neste continued **its strategic partnership with LG Chem**, South Korea's largest diversified petrochemicals company, to replace fossil feedstock with Neste's renewable hydrocarbons. In 2021, LG Chem successfully mass-produced the world's first ISCC Plus certified 'Bio-balanced' Super Absorbent Polymer, and delivered it to a customer to be used for making baby diapers, among other products.

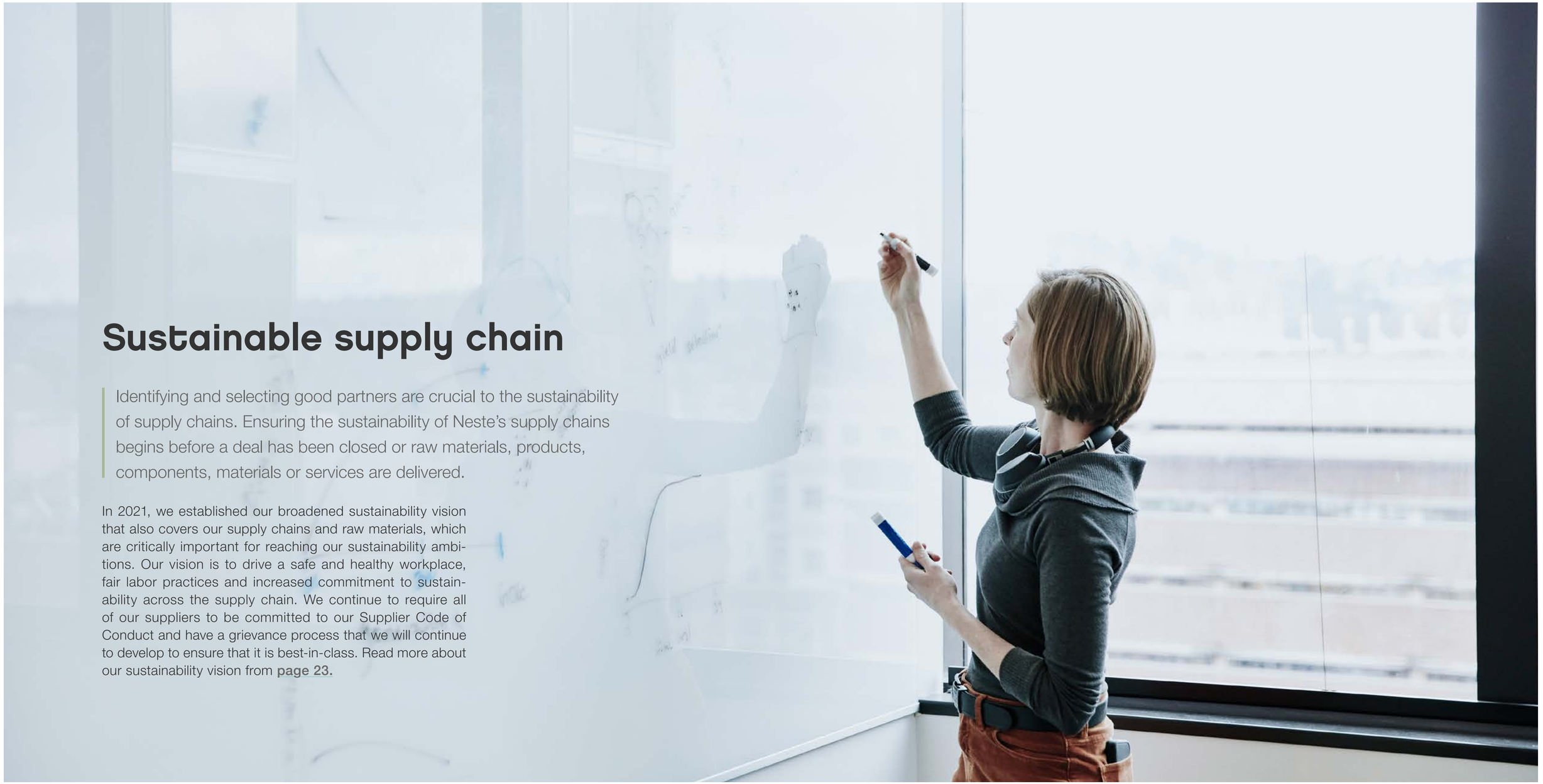
Read more about our **partnerships to create circular business solutions**.



Sustainable supply chain

Identifying and selecting good partners are crucial to the sustainability of supply chains. Ensuring the sustainability of Neste's supply chains begins before a deal has been closed or raw materials, products, components, materials or services are delivered.

In 2021, we established our broadened sustainability vision that also covers our supply chains and raw materials, which are critically important for reaching our sustainability ambitions. Our vision is to drive a safe and healthy workplace, fair labor practices and increased commitment to sustainability across the supply chain. We continue to require all of our suppliers to be committed to our Supplier Code of Conduct and have a grievance process that we will continue to develop to ensure that it is best-in-class. Read more about our sustainability vision from **page 23.**



We expect all of our business partners and suppliers to uphold Neste's policies and principles, including our Supplier Code of Conduct, a key element in Neste's supplier management system. Additionally, our renewable raw material suppliers are expected to meet the requirements of our Responsible Sourcing Principle, and adhere to our Human Rights Principle, industry as well as market-specific legal requirements.

Neste Supplier Code of Conduct

Our commitments to responsible and ethical business depend not only on our own people but also upon forming relationships with business partners who share our commitments.

The Supplier Code of Conduct updated and implemented in 2020, outlines the basic requirements Neste expects from its suppliers and their own first tier sub-suppliers, contractors and business partners to adhere to and implement throughout their businesses.

The Supplier Code of Conduct is included in the terms of contracts with all suppliers, contractors and other business partners participating in the delivery of products, components, materials or services to Neste, covering both direct and indirect procurement.

We have carried out training to support the implementation of the Neste Supplier Code of Conduct, and also in 2020 published an official guide with practical recommendations to help our suppliers meet their obligations to comply with the Supplier Code of Conduct. In 2021, we updated the guidance on equivalence assessment and clarified the guidelines.

We created a Supplier Code of Conduct e-learning in 2021, which was completed by all relevant Neste employees. The purpose of the e-learning was to outline the main elements of the Supplier Code of Conduct and describe how to report potential violations.

Neste's suppliers are expected to comply with requirements set by Supplier Code of Conduct for five elements:

In 2021, 99% (100%) of the renewable raw material volume and 88% (78%) of the total supplied volumes of crude oil and fossil feedstocks were covered by Neste's Supplier Code of Conduct or equivalent. 86% (100%) of the new indirect supplier contracts included commitment to Neste Supplier Code of Conduct or equivalent.

Visibility in our supply chains

Identifying and selecting good partners is crucial to the sustainability of our supply chains. In addition to understanding the sustainability performance of our direct suppliers, we also want to gain visibility in practices throughout the entire renewable raw material supply chain, including our sub-suppliers.

During the supplier onboarding we require our renewable raw material suppliers to disclose their supply chain actors and locations as determined by market requirements – and even go beyond that in some cases. For crude palm oil we, for example, need to know the exact coordinates of the plantations. As for used cooking oil, in addition to regulatory requirements, we require exact information about the actors in our supply chain until the collection point where the used cooking oil is gathered.

Sustainability risk assessment in our supply chain

Neste has undertaken several initiatives to identify and understand how risks may be present in our operations and supply chains. To ensure our suppliers' compliance with the Supplier Code of Conduct, Neste has implemented systematic controls for counterparty screening and monitoring in which all potential business partners and suppliers undergo automated screening, escalated to a manual review if any issues are found or the counterparty's business case matches predefined criteria.

While the screening is predominantly focused on economic sanctions and similar compliance issues, counterparties are also screened for selected ethical concern categories in third-party enforcement databases and major news outlet sources.

A key element in understanding sustainability risks in our supply chains is to assess country risk. We use a bespoke, industry leading country risk assessment methodology to map sustainability risks for the countries in which we operate and have supply chains.

We continue commercial negotiations only with approved parties who meet our sustainability requirements, and all partners must continue to meet these criteria and commit to developing their operations in the future. Our overall approach to advancing sustainability due diligence throughout the supplier relationship is to work with our suppliers to drive positive practices and mutually enhance sustainability performance through continuous engagement, collaboration, and improvement.

Renewable raw material suppliers

Our renewable products raw material suppliers are subject to rigorous sustainability due diligence as part of our supplier sustainability approval process under the Neste Principle on Renewable Products Supplier Sustainability Approval. The Principle applies worldwide to any Neste company which is establishing a business relationship with a supplier of renewable raw material for Neste's renewable products. It sets the minimum sustainability requirements for approving suppliers through a five-step sustainability due diligence process:

1. Raw Material Evaluation
2. Country and Raw Material Risk Assessment
3. Counterparty Screening
   (incl. Risk-based Financial Risk assessment)
4. Sustainability Desktop Review
5. Sustainability Audits

In order to identify sustainability risks in our renewable raw material supply chains, we use risk indices and maintain a country risk categorization. Our categorization also includes a list of no-go countries and regions based on considerations including trade sanctions, conflicts and sustainability risks.

In addition to assessing country risks, our risk assessment includes mapping of supply chains and operations, desk-based research, supplier self-assessment questionnaires, supplier engagement and discussions with expert stakeholders. The Sustainability Desktop Review encompasses a comprehensive range of Environmental, Social and Governance (ESG) topics that include governance, labor standards and practices, human rights, environment and health and safety.

Based on the supplier risk assessment, we are better able to prioritize sustainability audits, conducted either by our own local sustainability specialists or a third-party auditor. In case a third-party auditor conducts the audit, a Neste sustainability specialist participates to strengthen the collaboration with the supplier. The purpose of Neste sustainability audits is to assess and determine suppliers' compliance with Neste's Supplier Code of Conduct, our Human Rights Principle, Neste Responsible Sourcing Principle and local regulatory requirements.

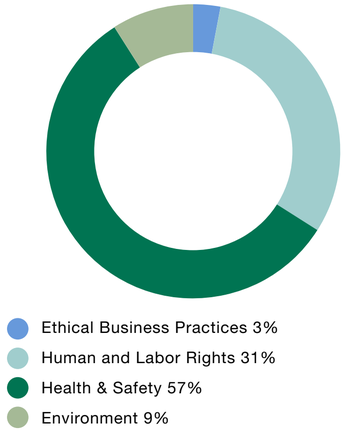
The sustainability due diligence process is mainly managed on Neste's Supplier Sustainability Portal (SSP), a digital platform that is used to facilitate our evaluation of potential and existing renewable raw material suppliers, to support performance monitoring and to enable active supplier engagement. The portal was brought fully into use in 2020. In 2021 the total number of onboarded renewable raw material suppliers was 223. In 2021, our focus area with the portal was to finalize the supplier deployment and continue our development work.

Sustainability audits

In 2021, we conducted a total of 19 sustainability audits for renewable raw material suppliers, of which 3 were onsite, 9 were virtual and 7 were third party audits. Due to the ongoing pandemic situation in 2021, we had to favor virtual auditing practices. The majority of the audit findings in 2021 were related to health and safety practices. We also conducted 8 sustainability audits for contractors in the Singapore Expansion project. In 2022, we aim to focus on increasing the number of audits, prioritizing through a risk-based approach and paying specific attention to third-party auditing.

In 2021, we also published the Neste Sustainability Audit Standard internally for all Neste companies and employees. The purpose of the standard is to provide a basic understanding of the Neste sustainability audit process and give guidelines and assessment criteria for conducting the audits.

Audit findings - different sustainability categories, renewable raw material suppliers, %



Supplier capacity building trainings

Understanding that risk assessments and sustainability audits alone are not sufficient for tackling sustainability issues, we also commit to train our employees on our policies and organize capacity building trainings for our suppliers operating in high-risk sectors and geographies. In 2021 we conducted Health & Safety and Environmental Management capacity building online trainings for our Chinese, Latin American and European renewable raw material suppliers.

In 2021 we also organized sustainability workshops for our palm oil and PFAD suppliers. Read more from page 72.

Oil suppliers

As we are transforming from a traditional oil refiner into a provider of renewable and circular solutions, we continue to produce high-quality oil products from crude oil and condensates. In 2021, we announced an ambition to make our Porvoo refinery the most sustainable refinery in Europe by 2030 and aim to increase the share of renewable and circular raw materials to over 10% of the refinery feed by 2030.

Neste is purely a buyer of crude oil; we do not own shares in any company producing crude oil, nor are we engaged in oil exploration or drilling. Additionally, we do not purchase crude oil from Arctic sea areas or conflict areas.

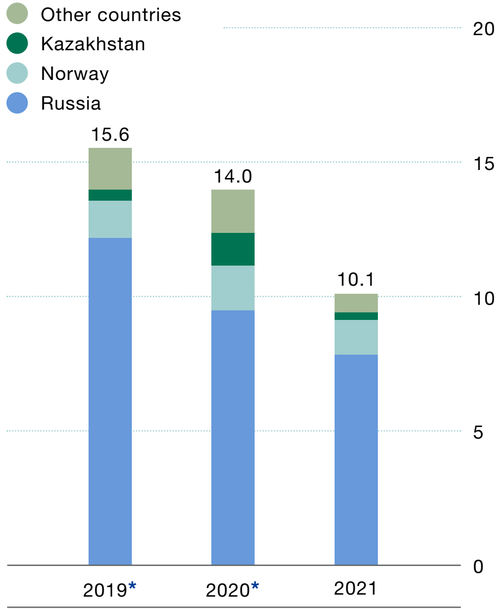
The due diligence process for our Oil Products (OP) suppliers includes Country Risk Assessment and Counterparty Risk Assessment. In 2021, we developed and implemented a Sustainability Desktop Review based on publicly available information of the suppliers to complement the existing process. In addition to assessing country and counterparty risks, our sustainability due diligence process includes reviewing a range of Environmental, Social and Governance (ESG) topics that include governance, labor standards and practices, human rights, environment, health and safety as well as oil production specific topics, such as flaring.

In 2021, a total of 86 OP suppliers were assessed. In 2022, we will focus on further improving the sustainability due diligence process and are committed to continue assessing all new suppliers.

Indirect procurement

Neste's Indirect Procurement function covers purchasing of goods and services that are not included in the sourcing and delivery of refined crude oil and renewable raw materials. It is responsible for sourcing, contract management, purchasing and supplier management. Prior to a commercial relationship with a supplier, the function carries out an initial analysis, including approval of the Neste Supplier Code of Conduct, Counterparty Screening and the supplier's financial status check. Sustainability, security, safety, quality, reliability, technical, financial and legal aspects are core requirements and used as criteria in supplier selection.

Crude oil and fossil feedstock sources by region, million tons



*) Reporting accuracy improved in 2021.
Kazakhstan earlier included in the Russian volumes.

Liquefied waste plastic suppliers

We are exploring ways to increase the availability of emerging, even lower-quality waste and residue raw materials. Liquefied waste plastic, for example provides our traditional crude oil refineries with an opportunity to replace crude oil use with more sustainable alternatives. We aim to increase the volumes of liquefied waste plastic processing gradually to continue learning and developing the value chains and processing technologies. Our target is to process over one million tons of waste plastic annually from 2030 onwards.

In 2021, we developed a sustainability process for our liquefied waste plastic and other potential types of suppliers, and will continue the piloting of the process also in 2022.

Neste's grievance process

We continuously improve our procedures for processing raw material-related grievances. We publish monthly grievance log updates on our website, and track and publicly disclose the number and type of grievances that have been raised in person or via our whistleblowing channel.

We take all allegations of suspected sustainability violations and shortcomings seriously and investigate the cases. Upon learning about serious allegations concerning our suppliers, we put all further purchases from those suppliers or supply chains on hold. If the sustainability criteria and requirements included in our contracts have been verifiably breached, the nature of these is considered serious and progress to resolve those issues is not made in a reasonable time, we terminate our contract with the supplier in question.

Our primary means of action is based on engagement and cooperation with our supplier to remediate the issue. This is because we believe that ending purchases does not sufficiently ensure that problems are resolved.

We have a proven track record of collaborating with our suppliers and external sustainability organizations, such as locally operating NGOs, to make a positive sustainability impact on the supply chain. We engage regularly with our suppliers in terms of sustainability policy development, due diligence, traceability, training and workshops and grievance management, among others.

Read more about our renewable raw material grievances.

How do we deal with shortcomings?

Engagement and cooperation with our suppliers are the primary ways of action to address any shortcomings. Ending purchases does not solve any problems; instead by working together with our suppliers we are able to make improvements.

We address shortcomings once we become aware of them by:

- Requiring the supplier to report the situation as part of Neste's grievance mechanism.
- Engaging and cooperating with suppliers. This is our primary way of action.
- Providing an assessment and, if necessary, conducting supply chain audits locally by Neste's or the partner's sustainability experts.
- Requiring a detailed plan for corrective actions from the supplier.
- Cooperating with the supplier and other stakeholders to develop operations and perform necessary corrective actions.
- Monitoring and updating on the progress online.
- Ending purchases, if we do not see adequate progress or if the supplier loses their certificate
- Reviewing, improving and adjusting our processes where needed.

Read more about our renewable raw material grievances from page 80.

Engaging with strategic Chinese suppliers to mitigate fire safety risks

In 2021, Neste worked with a professional fire engineering company to evaluate the existing fire safety risks of two strategic Chinese used cooking oil (UCO) suppliers. The evaluation included fire safety management, construction-related fire protection, safe evacuation and fire-fighting equipment. We were able to raise the suppliers' awareness and engage with them to reduce the fire risks through reasonable and practical guidance.

Improving deforestation monitoring in Neste's palm oil and PFAD supply chains

In 2021, Neste partnered with Earthqualizer to improve deforestation monitoring in its palm oil and PFAD supply chains. With this proactive approach, Neste hopes to get in touch with its suppliers more quickly and regularly. By leveraging value-added intelligence, we can help suppliers interact with their suppliers by providing the evidence needed to drive supply chain activities, which help increase discussion, monitoring and review, and creates a positive impact. Neste's multi-tier upstream supply chain has more than 1,400 indirect suppliers.

Our people

Our success is based on our people. To carry out our strategy and business growth, our values guide our work.

We support, develop and take care of the wellbeing of our people to enable them to grow, innovate and build our future. We provide them clear and transparent targets, competence and career development opportunities, empowering leadership as well as competitive compensation and rewards based on roles and responsibilities. As an employer, we want to offer a meaningful place to work for highly competent talents who share our values and are eager to join our journey towards a carbon-neutral world.

Transformation strongly in focus

Altogether about 955 employees were hired globally by the end of 2021. About 40% of the recruits were temporary, and nearly 330 were summer trainees. Most of the permanent recruits focused on growing our Renewable business units or Innovation and Neste Engineering Solutions units.

Refinery operations in Porvoo and Naantali were restructured to ensure the competitiveness of the Oil Products business. The refinery operations in Naantali were shut down in March 2021. The final number of permanent redundancies decreased from 310 to 217 as a result of successful job changes.

We implemented a large-scale change support program that includes offering new jobs for employees in other Neste locations and functions. We support the relocation of employees and their competence development to meet new roles and tasks. The leaving employees are supported financially as well as by providing support for re-employment and training, e.g. by providing personal career coaches. 70% of employees participating in the program have taken a new step in their careers by October 2021, finding new career paths and developing professionally.

We continue investing in sustainable refining and circular solutions. To support our innovation capabilities, we are building a new research and development centre in Singapore. Having a strong focus on commercial and innovation capabilities is one of our keys to success at Neste.

Developing capabilities to deliver an excellent customer experience

During 2021, we took the first steps towards the extensive development of renewable capabilities. The joint capability development will have two approaches: extending the existing capabilities developed by Renewable Road Transportation to Renewable Aviation and Renewable Polymers and Chemicals, and building completely new capabilities for all three customer-centric business units. The prioritized development capabilities are strongly related to Neste's ambition and strategy to be more customer-centric in the future.

During the past year, in close cooperation with business leaders, we have created a competence framework for our commercial organization, defined competence expectations for Renewables' commercial roles, piloted and implemented individual-level development planning for the competence framework, and are currently piloting talent acquisition and recruitment competencies.

Ensuring diversity, equality and inclusion

We believe that equality and non-discrimination are fundamental rights for everyone. We drive equal opportunities and think that a wide range of perspectives are needed to increase innovation and make better decisions. Inclusion is embedded in our values, in which we welcome everyone on Neste's growth journey and care for everyone's right to be their own true selves.

We have a great opportunity to increase and foster diversity as we expand our business and grow globally. To truly benefit from increasing diversity and making people feel valued and supported, we have continued to develop inclusive leadership and culture of belonging based on our values. The key actions are strongly linked to our people-related initiatives: leadership development programs, Smart Work to support the "new normal" of the pandemic situation and renewal of the Code of Conduct. Read more about the Code of Conduct from page 46.

Our Executive Committee follows the progress of our development work and efforts in the Diversity & Inclusion field on a quarterly basis, and the theme is also regularly discussed in the Board of Directors.

At Neste, inclusion also means that the thoughts and ideas of our people matter. We all have the opportunity to contribute to our success and take part in driving Neste forward. Through a continuous listening program, we ensure that we have an understanding on how our people are doing and hear their views to provide valuable information to support management and decision-making.

Altogether about

955

employees

were hired globally by the end of 2021.

The refinery operations in Naantali were shut down in March 2021. The final number of permanent redundancies decreased from

310→217

as a result of successful job changes.

Donations and voluntary work

We engage positively with all the communities close to our operations. Our goal is to have a positive impact through charitable donations to causes that align with our purpose, values and strategy. For this reason, we make donations in line with three key themes: innovation and education; climate and environment; and diversity and inclusion. In 2021 we made donations to the Baltic Sea Action Group, the Finnish Refugee Council and Buffalo Bayou, among others.

In addition, we offer our employees a dedicated paid full day for voluntary work as we believe volunteering activities are a way to build closer ties to our society. In 2021, many of our employees opted to dedicate their time to charitable endeavors, including raising money for charity through sponsored sports challenges and waste collection.

Read more about our donations.

The broader annual employee survey is complemented by shorter pulse surveys on current topics on a regular basis, as well as by surveys gathering onboarding and offboarding experiences. Due to the pandemic, we have recently focused on themes related to wellbeing. The survey results are regularly discussed and measures are agreed within teams at each level of the organization.

In addition to our employee surveys, we encourage people to share their ideas, e.g. by giving and asking for feedback, having regular discussions with their managers and team, sharing information and experiences and utilizing our common open communication channels. These are all ways of driving collaboration and belonging.

Wellbeing and development are key to success

Wellbeing at work is a critical factor for us to succeed. It consists of different elements: competence, motivation, health, work environment, work community and leadership. Individuals, managers and the work community all play a part in ensuring that work feels good and does good.

During 2021, we launched a new leadership development program, ‘We Lead’, that is tightly aligned with our values: We care, We have courage, We cooperate. At We Lead, we provide tools for our leaders and experts to take care of themselves and their teams. A new learning path has also been created for Neste’s new people managers.

Learning is possible on a group-wide basis in areas such as leadership, innovation, safety, hybrid work, influencing & presentation skills and language skills. In addition, the business units and functions have defined strategic capabilities and implemented various development initiatives required for their success.

We have supported our people in various ways during the pandemic, as many have been working remotely since mid-March 2020. Concrete activities have been provided to support smart ways of working, e.g. virtual leadership and remote facilitation, Walk and Talk meetings, virtual coffees and several wellbeing challenges such as Small Steps Towards a Better 2021.

Our way of working, called Smart Work, is based on trust and collaboration, which encourages us to act safely and create a feeling of belonging while working efficiently. Team discussions are at the core of implementing Smart Work. Concrete practicalities are defined together on a team level according to the relevant guidelines.

As a part of our wellbeing at work, we have also developed occupational health services in Finland, as Terveystalo was chosen as a centralized service provider in Finland as of June 2021.

At Neste, health, safety and wellbeing at work are interrelated. Neste’s teams renewed their safety commitments this year, and wellbeing was included in many of them. In the major turnaround project, TA2021, in Porvoo, we trained many of our own employees and contractors, wellbeing as one of the important topics.

In 2021, we published our new sustainability vision, which includes requiring and securing living wages, as well as joined Unilever's Living Wage/Living Income Promise. In 2022, we will start reviewing the salaries of our employees against selected living wage benchmarks. Read more about living wages in the **Human rights section**.

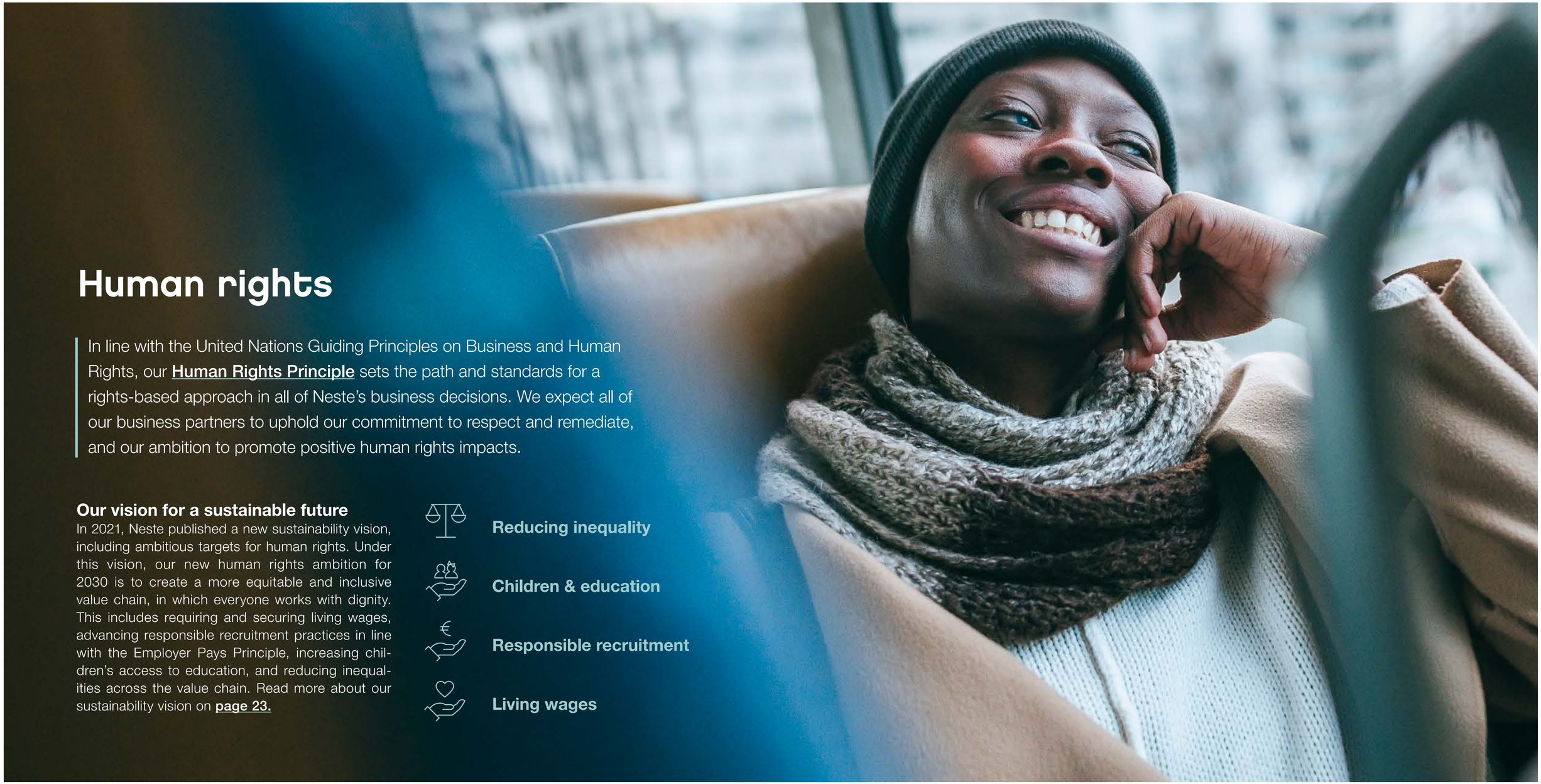
Human rights

In line with the United Nations Guiding Principles on Business and Human Rights, our **Human Rights Principle** sets the path and standards for a rights-based approach in all of Neste's business decisions. We expect all of our business partners to uphold our commitment to respect and remediate, and our ambition to promote positive human rights impacts.

Our vision for a sustainable future

In 2021, Neste published a new sustainability vision, including ambitious targets for human rights. Under this vision, our new human rights ambition for 2030 is to create a more equitable and inclusive value chain, in which everyone works with dignity. This includes requiring and securing living wages, advancing responsible recruitment practices in line with the Employer Pays Principle, increasing children's access to education, and reducing inequalities across the value chain. Read more about our sustainability vision on **page 23.**

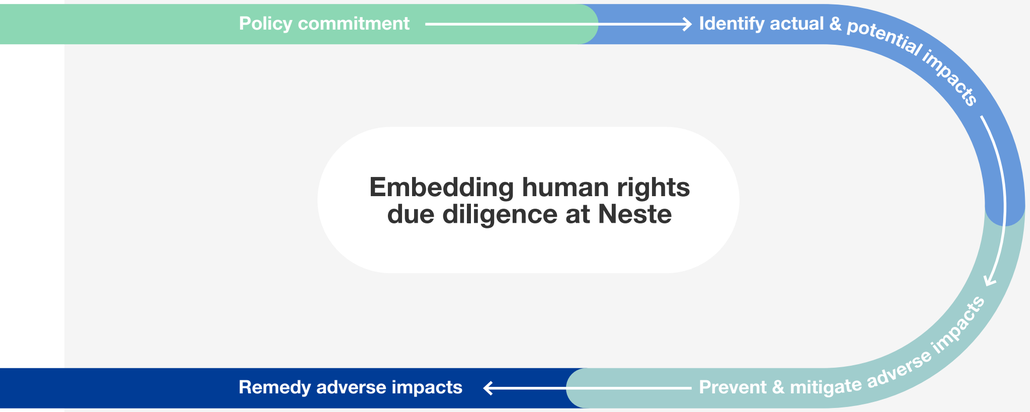
- **Reducing inequality**
- **Children & education**
- **Responsible recruitment**
- **Living wages**



Policy commitment

- Neste Code of Conduct
- Neste Human Rights Principle, supported by operational policies and procedures

Example: Our Code of Conduct, renewed in 2021, applies to the entire Neste group and contains key human rights requirements and expectations for all Neste employees to comply with in their daily work. For example, all employees are aware of how their work impacts people's human rights in Neste's operations, value chain and communities, understand the potential human rights risks in their daily work and decision-making, and know how to recognize and report signs of modern slavery.



Remedy adverse impacts

- Company wide grievance mechanism, Ethics Online
- Operational-level grievance mechanisms designed for individual sites and projects

Example: At an operational level, following the successful implementation of an onsite grievance mechanism to capture worker voices at the Singapore refinery expansion during 2020, we took steps to implement similar practices for our 2021 Turnarounds, including at our Porvoo refinery, to provide a channel for all onsite workers to raise local complaints and access effective remedies.

Identify actual & potential impacts

- Ongoing, annual practice of reviewing Neste's salient issues and understanding the gaps in our mitigation activities
- Human Rights Risk Assessment, Gap Assessments and Risk Assessments integrated into the early phases of all major business development and investment projects. Collaboration with independent third parties
- Country risk assessments
- Supplier Sustainability Portal used for supplier management and traceability throughout the business relationship, supported by regular and ongoing desktop audits and direct supplier engagement

Example: In 2021 we collaborated with BSR to conduct a Human Rights Risk Assessment of Neste's potential Rotterdam expansion project. The methodology used in the assessment was based on the United Nations Guiding Principles on Business and Human Rights, including a salience assessment.

Prevent & mitigate adverse impacts

- Supplier Code of Conduct approval by suppliers and business partners
- Counterparty pre-screening for all potential business partners, escalated to manual review if any issues are found
- Supplier Sustainability Survey and desktop audit for all new renewable raw materials suppliers
- Regular personnel surveys for all Neste employees
- Human rights training included in e-learning rolled out globally to all employees, with targeted in-person training for specific teams and functions
- Dedicated human rights specialists stationed on the ground for high-risk projects
- Capacity building with suppliers in high-risk geographies and supply chains
- Sustainability audits with strong human rights criteria
- Multi-stakeholder collaboration and partnerships to jointly address root causes and systemic issues

Example: In 2021, we collaborated with external experts to evaluate fire safety risks with two of Neste's strategic used cooking oil suppliers in China. The evaluations included site inspections to assess fire safety management, construction fire protection, safe evacuation facilities and fire facilities. As part of the collaboration, our suppliers were provided with fire safety training and practical guidance for ensuring correct fire protection design on their sites.

Human rights due diligence: a people-first approach

In recognizing that our human rights impacts may change over time as our operations and value chains continue to evolve, we are committed to embedding human rights due diligence across our business as an ongoing, iterative process

We achieve this by building human rights due diligence into our existing systems and processes, and creating new and separate processes when needed

When assessing human rights risks we engage with affected stakeholders and pay special attention to vulnerable groups such as women, children, migrant workers and Indigenous peoples. In all cases, we centralize our rights holders and ensure a people-first approach

Embedding respect for human rights across the business

In order to embed respect for human rights throughout our business operations and value chains, our ongoing process of human rights due diligence is informed by meaningful stakeholder engagement, through which we assess risks to human rights, take action to prevent and mitigate these risks, track the effectiveness of our measures and provide remedy when needed. Below we highlight some of our key activities and engagements to advance respect for human rights throughout 2021.

Focusing on salient issues

In 2017, we published Neste's seven salient human rights issues in our Human Rights Principle. Recognizing that our impacts on people continue to evolve as our business changes and our approach to human rights due diligence develops, in 2021 we initiated a new procedure for reviewing Neste's salient issues and understanding the gaps in our mitigation activities. This saliency review will be adopted as an ongoing, annual practice at Neste, enabling us to better manage risks to human rights across all of our business activities. It will also serve as the basis for reviewing and updating the Neste Human Rights Principle in 2022.

Impact assessments and social audits

We are committed to assessing and monitoring our human rights impacts in both our own operations and our supply chains. Our Supplier Code of Conduct defines minimum human rights requirements for all of our suppliers and business partners, who are also required to undergo a robust human rights assessment before they can partner with Neste. Our Sustainability Audits have a strong human rights focus and prioritize assessing impacts on people. You can read more about the Sustainability Audits carried out in 2021, including a summary of results and key findings on human rights topics on pages 77–81.

In line with our ambition to advance a rights-based approach in all of Neste's business decisions, in 2021 we strengthened the human rights criteria and assessments required for decision making on strategic business development, investments and innovation projects. The aim of this is to ensure that human rights impacts are comprehensively assessed for all major projects at Neste before any final investment decision is made, and starting from the earliest stages in the project.

We continue to monitor and assess risks to people working onsite at our refineries, including during our refinery turnarounds and at our refinery expansion project in Singapore. Following the successful implementation of an onsite grievance mechanism to capture worker voices at the Singapore refinery expansion during 2020, in 2021 we took steps to implement similar practices at our Porvoo refinery to provide a channel for all onsite workers to raise local complaints and access effective remedy during the 2021 Turnaround.

Following the recommendations from our 2018 Human Rights Risk Assessment for the construction phase of the Singapore refinery expansion project, throughout 2021 we continued to carry out regular site checks and social audits for our construction contractors in Singapore, paying special attention to the rights and needs of migrant workers, a vulnerable group on our site.

Modern slavery

Neste supports the elimination of all forms of modern slavery. We recognize that modern slavery is a growing global issue from which no industry is immune, and we are committed to taking the appropriate steps to identify vulnerable workers and mitigate modern slavery risks in our operations and supply chains. You can read more about the steps we are taking to address modern slavery risks in our annual Modern Slavery Statement.

Implementing effective grievance channels at the Singapore Expansion Project

In 2020–2021, we established a site-level grievance mechanism to capture local complaints and work-related issues at the Neste Singapore Expansion Project. It is our priority to ensure that all workers have a voice and can raise their concerns directly to Neste, including the employees of our contractors and sub-contractors.

Read more about the work.

Children & youth

We are committed to respecting and supporting children's rights, and to implementing the **Children's Rights and Business Principles** throughout our business and value chains. In 2021, Neste was recognized as a Leader in Global Child Forum's latest global children's rights and business benchmark, The State of Children's Rights and Business 2021. Neste placed among the top 9% of the 832 benchmarked companies across nine global industries and was ranked 3rd out of 119 companies assessed in the energy and utilities sector. Below are two examples of collaborative initiatives Neste participated in to promote children's rights during 2021. You can read more about our broader activities to advance respect for children's rights throughout our business on our **website**.

On October 11, 2021, Neste took part in children's rights organization Plan International's #GirlsTakeover campaign. As part of the campaign, Neste's President and CEO, Peter Vanacker, handed over his role to 15-year-old Martta Lyytinen for the day. The aim of the takeover is to provide a platform for girls' voices and empower girls to drive decision making in a genuine and meaningful way. During her takeover as CEO, Martta shared her viewpoints on topics ranging from the climate crisis to equality, inclusion and social impact.

Read more about the **initiative**.

We also support and promote children's rights in our supply chains. Since 2019, Neste, together with a number of major brands, partnered with **Business for Social Responsibility (BSR)** and Wilmar on a program aimed at protecting the rights of children living on palm plantations. In 2020, the initiative included the publication of the **Child Protection Policy Implementation Manual** and a series of workshops on child protection in the Indonesian palm oil sector. In 2021, the practical applicability of the manual was tested and assessed through pilots on selected palm oil plantations in Indonesia and Malaysia, with NGO support.

Training and capacity building

Understanding that impact assessments and social audits alone are not sufficient for tackling human rights risks, we are also committed to training our employees on our policies, and engage in capacity building with suppliers operating in high-risk sectors and geographies.

In 2021, our new Code of Conduct e-learning was rolled out to all Neste employees including topics on advancing respect for human and labor rights, and encouraging everyone to be aware of what is expected of them and how their work impacts the human rights of people in our operations, value chain and communities.

We also integrated human rights trainings into both our global induction for all new Neste employees, and our new Supplier Code of Conduct e-learning, which includes specific sections on human rights and modern slavery.

In line with our KPI to increase the number of Neste employees who have received training on forced labor and vulnerability, in 2020 we carried out targeted human rights and modern slavery trainings for our global procurement and renewable raw material supply teams. In 2021, we expanded and tailored these training sessions to key members of the innovation team involved in carrying out new research and development projects at Neste.

In 2021, we also continued to advance capacity building in our renewable raw materials supply chains, conducting a series of workshops on grievance mechanisms with our palm oil suppliers in Malaysia and Indonesia. You can read more about the workshops from page 72.

Collaborating to advance business respect for human rights

We believe that human rights are best advanced through collaboration. We actively seek out opportunities to work with stakeholders, collaboratively enhance our leverage to tackle root causes of adverse human rights impacts and contribute to systemic positive change and the wider realization of human rights. Below you can find examples of our key collaborative engagements in 2021:

In January 2021, Neste, and 11 other companies in the Nordic Business Network for Human Rights, signed a joint statement in support of EU legislation on mandatory human rights due diligence. The statement calls for maximum alignment with the UN Guiding Principles on Business and Human Rights (UNGPs), noting that “looking forward to the next decade, there is an urgent need to harness the transformative power of the UNGPs in the pursuit of recalibrating the relationship between business and society and realizing universal human rights for all”.

Read more about the joint statement.

In the autumn of 2021, we became a member of the Consumer Goods Forum (CGF) and joined the Human Rights Coalition on Working to End Forced Labour. Together with our 27 co-members of the coalition, we are committed to helping achieve fair and decent working conditions worldwide by driving individual and collective action in our operations and supply chains to eradicate forced labour.

Understanding the urgent need to build inclusive economies and reduce inequalities, in 2021 we joined the World Business Council for Sustainable Development (WBCSD) Business Commission to Tackle Inequality (BCTI). In 2022, we will continue to work closely with WBCSD and partner companies in this initiative, which aims to mobilize the global business community to tackle inequality and generate shared prosperity for all.

In 2021, Neste joined two Unilever Partner Promises: the Supplier Equity, Diversity and Inclusion Promise and the Living Wage/Living Income Promise.

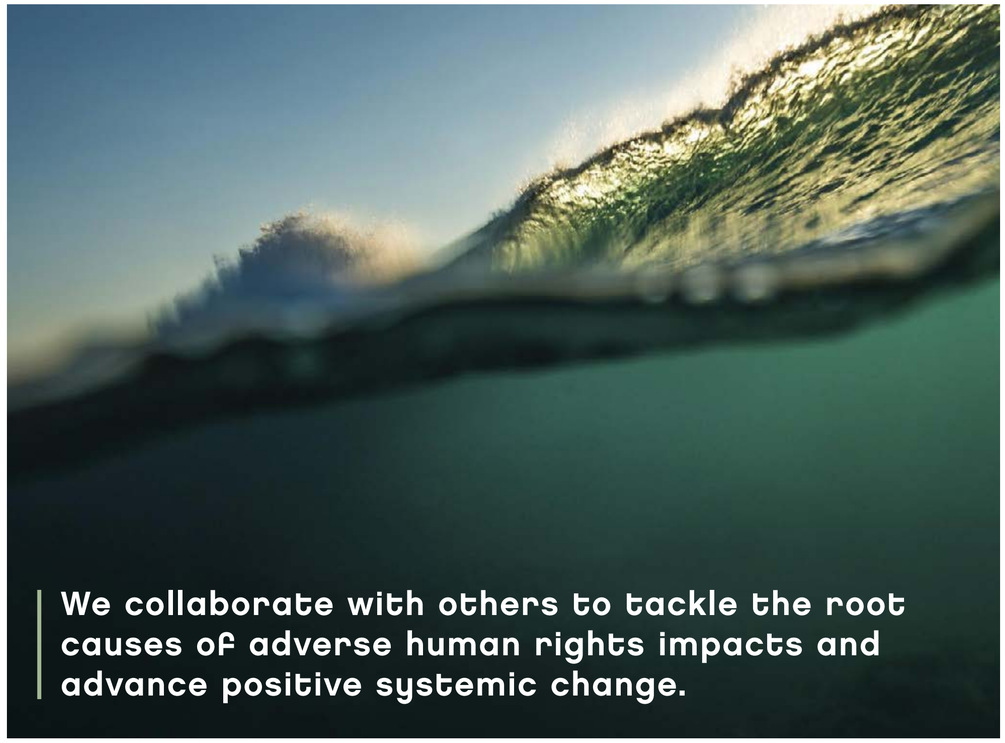
Recognizing the importance of empowering women and promoting gender equality, in 2021, we became a signatory to the UN Women’s Empowerment Principles (WEPs).

Read more about Neste’s commitment and progress in implementing the WEPs.

We also took part in a Boston Consulting Group and UN Women’s Diversity Roundtable where Neste’s CEO, Peter Vanacker, together with other leaders from large Finland-based corporations and universities came together and discussed and committed to concrete initiatives on how we can advance diversity and inclusion.

Reporting

In 2021, we are reporting in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP) Reporting Framework for the first time. You can access the framework index on page 109.



Safety

Safety is integral to our values. Improving safety and operational excellence enables us to achieve our strategic targets. For us, safety means excellence in risk management and being in full compliance with regulatory requirements at all times. It is about the existence and effectiveness of all safety barriers that help to manage risks, prevent incidents and mitigate adverse consequences.

We are determined to protect people and the environment as well as our operations, assets, information and brand from any harm. We believe that this can be achieved when everyone is truly committed to managing and improving safety. We understand all hazards related to our operations and have excellent ways to evaluate and manage risks. We strive to learn from experience and continuously improve our capabilities to understand and manage hazards.

Our safety vision – No harm. Together.

Driving safety excellence through the Operations Excellence Management System

Safety performance improvement work continued in 2021. Neste's Operations Excellence Policy, Life Saving Rules, Operations Excellence (OE) Principles and supplementary detailed standards set requirements and guidelines for how we manage and improve safety.

The key activities in 2021 were the implementation of the updated Safety Leadership Principle, deployment of the Incident Learning Practices, systematic use of the Health, Safety and Excellence (HSE) design guidelines for investment projects and approval of the storage tank safety standard.

As Neste operates in a safety critical business, our operations have the potential for major accidents. Therefore, one foundational driver for our safety management is to eliminate High Potential (HiPo) events in our operations. HiPo events have the potential for serious incidents, but do not necessarily have consequences. We improved the reporting of the HiPo events as a new safety performance indicator globally in 2021.

Developing safety leadership and culture

The implementation of the new Safety Leadership Principle and updating the team safety commitments were the key focus areas when developing Neste's safety leadership and culture during 2021.

The new safety leadership workshops and training covered the following areas: fair and just culture; compliance with legislation and relevant standards; Stop Work Authority; Life Saving Rules; awareness and prevention of HiPo incidents; questioning attitude and workforce engagement. In total, 30 workshops were organized covering 300 key leaders. The implementation of the agreed leadership actions will continue in 2022.

Systematic communication continued on several levels to support developing Neste's safety culture and leadership. The main communication activities included the development of coherent safety messages, global networking to share best practices and learning, media interviews, seminars and several safety campaigns, e.g. finger and hand injury prevention and turnaround safety management.

Process safety

In process safety, the effectiveness of the Process Hazard Analysis (PHA) implementation and utilization of the HSE design guideline for investments were in focus in 2021. Defining the process safety design guidelines for new technologies in the Renewable Products (RP) business, improving clarity and effectiveness in process safety requirements and starting the implementation of the new storage tank safety standard were also in focus for process safety.

Local initiatives, such as integrated safe system of work (ISSOW), pre start-up safety review and managing winter conditions continued as planned.

The implementation of the standardized management of the change system proceeded slower than planned. It is in use in our sites in Finland, but not fully implemented in other sites and functions. The work continues in 2022.

Contractor safety

The use of the contractor safety management model continued in 2021. We are continuously driving improvements with our contractors through auditing, regular performance evaluation, mutual feedback and with higher focus on subcontracting. Approximately 2,000 contractor HSSEQ performance assessments and over 80 contractor safety management audits provided valuable information for the performance improvement.

In local organizations, activities continued to drive improvements in the targeted areas. These include e.g. contractor safety roadmap, safety in road transportation in Marketing & Services as well as ensuring effective contractor safety practices in the turnarounds and investments in our Oil Products, Renewables Platform and Neste Engineering Solutions businesses. The key elements in these are a visible leadership commitment, systematic inductions and work practices including management of simultaneous works.

Key project performance during 2021

One of the focus areas of 2021 was to ensure safety in different projects, such as investments, change projects and turnarounds. The closure of the Naantali refinery was completed without safety deviations. In the Porvoo refinery's major turnaround, the overall safety target was not met, but the safety performance was clearly better than in the previous turnaround in 2015. A thorough lessons learnt process is ongoing to ensure improved performance in the future.

The Singapore expansion project continued at a good safety level. Project Total Recordable Injury Frequency (TRIF) was well within our target range. Key actions to drive the performance included systematic work management at the site and dedicated action focusing on the most challenging contractors. Unfortunately one serious accident occured. The corrective actions focused on the work risk management and manual handling.

The integration of new acquisitions with Mahoney Environmental and Neste's Rotterdam terminal continued. The integration to Neste practices will continue in 2022 covering all the elements of the Operations Excellence Management System (OEMS), for example Safety Leadership, Life Saving Rules, reporting, target setting and implementation of the OEMS requirements with the fit-for-purpose approach.

The Rotterdam terminal had a very good performance. Continued safety performance improvement at Mahoney Environmental is an important priority. There was a serious occupational accident at one of the facilities. The accident was thoroughly investigated, several actions were defined and their implementation is followed regularly. The key actions focus on energy isolation practices, training and competence development.

The Future Oil Products (FOP) transformation program in Finland continued during 2021 with an emphasis on risk and change management practices. No major safety deviations took place in 2021.

Product and chemical safety

Neste is committed to complying with all applicable legislation. Chemical legislation continues to rapidly develop in many countries and areas. We follow the changes closely and implement new requirements as needed. During 2021, we have updated or compiled safety data sheets, registrations and notifications according to regulatory requirements in different areas and countries, e.g. a plan was developed and executed to fulfill the new requirements in the UK after Brexit (UK REACH). Providing the required registrations and notifications, as well as carefully compiled safety data sheets in national languages, is the core to product safety at Neste.

High quality occupational hygiene surveys have been conducted in Neste's sites since 1977. In 2021, approximately 20 surveys for chemical agents, noise and other occupational exposure agents were carried out in the Finnish operations. Highlights of the year were the surveys in the Porvoo major turnaround, in the shutdown of Naantali refinery and the survey of natural radiation. Exposure assessments of new feedstock materials, such as liquefied waste plastic (LWP), were also of special interest. Occupational hygiene surveys are conducted as an integral part of the risk assessments and Personal Protective Equipment (PPE) guidance.

Occupational health services

Neste's occupational healthcare (OHC) aims at creating a healthy and safe working environment and a well-functioning work community. OHC promotes employees' health, maintains work ability and functional capacity as well as prevents risk of occupational illnesses. Neste OHC is promoting wellbeing at exceptional times globally during the pandemic by e.g. organizing expert webinars for employees about mental wellbeing, ergonomics, nutrition, sleep and recovery skill.

We follow the Neste Occupational Health Principle in the whole organization, subject to local legislation and requirements. In non-operational locations, such as offices or common functions, the requirements apply as far as they are relevant. By following our principle globally, we are aligning the quality of our health services.

Neste has also established a reproductive health standard to make sure that any exposure of Neste employees to chemical factors, temperature, noise, pressure vibration, radiation or other physical or biological factors will not affect or compromise the reproductive health of the employee. This standard is applicable to all employees of Neste, and to anyone working for the business of any company within Neste Group or acting on behalf of such company.

COVID-19 pandemic management

The ongoing pandemic continued to have an impact on Neste's activities. The pandemic preparedness and management activities continued based on the processes created in 2020. The pandemic management was led by both the corporate and local crisis management teams, as well as line organizations. The main activities included the effective implementation of the pandemic preparedness plans and systematic communication on Neste's global and local level response to the development of the pandemic.

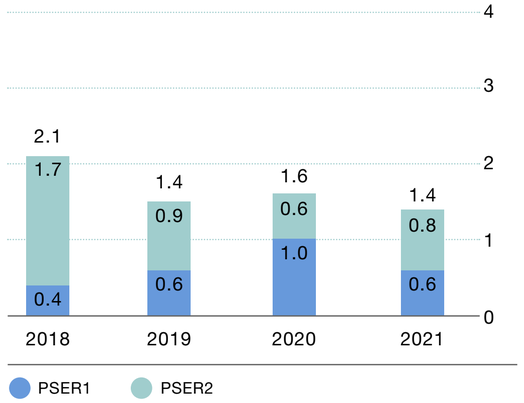
The results of the activities were successful. The number of COVID-19 cases among Neste personnel and the effect on the operations were low. The biggest impact was with the Singapore expansion project, as the local COVID-19 restrictions caused challenges in workforce availability.

The major turnaround at Neste's Porvoo refinery was successfully completed under exceptional circumstances

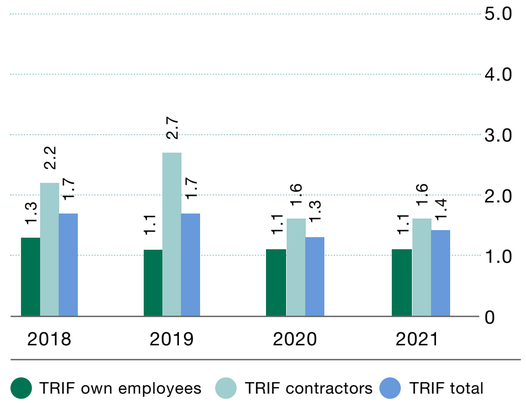
Neste ensures the safe and undisturbed operation of its refineries through regular turnarounds. A major turnaround was successfully completed at Neste's Porvoo refinery in June 2021. Together with the authorities and healthcare professionals, Neste defined a comprehensive health security plan for the turnaround. Around 6,000 people from multiple countries took part in the turnaround works, and over 1.5 million working hours were completed. A total of about 61,000 COVID-19 tests were taken during the turnaround. Thanks to the comprehensive precautionary measures, the corona situation at the refinery remained calm, and extensive chains of infection were avoided.

Read more about the **major turnaround.**

Process safety event rate (PSER)



Total recordable injury frequency (TRIF)



Safety performance in 2021

Neste's occupational safety performance (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) was in 2021 1.4 (1.3 in 2020) which was better than the target for 2021 (1.7) but slightly worse than in 2020.

Process safety performance (PSER, or the rate of process safety events per million hours worked) was in 2021 1.4 (1.6 in 2020) which was better than 2021 target level (1.7) and better than in 2020.

We also measure the number of safe days. These are the days without occupational accidents, process safety events, other fires and leaks, environmental non-compliances, marine safety incidents and traffic accidents. In 2021, the number of safe days was 306 (325), and the number of incidents was 67 (41). At Porvoo TA2021 major turnaround there were 22 safe day incidents.

Sustainability reporting in 2021

Our 2021 Sustainability Report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards: Core option. In this report we report according to the GRI Universal Standards 2016 and their updates.

In the following year we will take full use of the revised Universal GRI Standards along with the new Sector Standards, which come to force in 2023. An independent third party, KPMG Oy Ab, has assured the Topic-specific GRI disclosures for economic, social, and environmental indicators as well as General GRI disclosures 102-8 and 102-41. Information presented on the Sustainability highlights, Material sustainability KPIs, Value creation, and Performance in figures pages of the report have also been assured. In our report, we have aimed to focus on the most essential sustainability topics, based on our materiality assessment conducted biannually, latest in 2020. Our 2021 Sustainability Report is published only in English.

We are actively following various sustainability reporting framework developments, especially with the global sustainability reporting standardization in the EU and at the ISSB, in order to keep our reporting methodologies up to date proactively.

We are committed to the UN Global Compact (UNGC), United Nations Guiding Principles on Human Rights (UNGP) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Neste has been a signatory of the UNGC Principles since 2014. Our annual report includes information corresponding to the reporting requirements as we are committed to complying to the Ten Principles in each of the UNGC areas for human rights, labor, environment and anti-corruption. The reported indicators and the Global Compact Principles are listed in connection with the GRI Content Index, and for the UN Guiding Principles Reporting Framework metrics we have an index in the report as well.

Neste is committed to apply the Task Force on Climate-related Financial Disclosures (TCFD) reporting principles from 2019, in order to disclose climate-related financial risks and opportunities in the reporting. In addition to the Sustainability report, part of our TCFD reporting takes place within the Non-Financial Information Statement in the Review by the Board of Directors. Our Sustainability Report includes the TCFD index for navigation purposes between these sections in the Annual Report. Our intention is to extend our reporting within the recommended TCFD implementation time frame.

We are actively following various sustainability reporting framework developments, especially with the global sustainability reporting standardization in the EU and at the ISSB, in order to keep our reporting methodologies up to date proactively. In addition to GRI, in the 2021 Sustainability Report we report according to SASB Oil & Gas Refining and Marketing Standards where applicable, as Neste is categorized under this sector standard by SASB. However, we aim at reporting also according to SASB Biofuels Standards in the future as we see that being an even more relevant sector standard for Neste. Our report also adheres, in all material respects, to the AA1000 AccountAbility Principles.

We support the principles of the World Economic Forum's (WEF) Stakeholder Capitalism. Our reporting based on GRI, SASB and TCFD fulfils the requirements for most of the WEF Stakeholder Capitalism Metrics (SCM). Hence, we are continuing reporting with the GRI supported by SASB and TCFD, yet paying close attention to any additional SCM requirements.

Our reporting meets the requirements of the EU Directive on disclosure of non-financial and diversity information and the Finnish Accounting Act, as well as the information in accordance with the current requirements of the EU Taxonomy regulation. The information is disclosed in the Non-financial Information Statement. The required non-financial information is disclosed in the Corporate Governance Statement and the Review by the Board of Directors, whereas in our Sustainability Report, we respond to broader stakeholder expectations and to many requirements of international indices. We published our 2020 Annual Report and the included Sustainability Report on March 3, 2021 in PDF format on our website.

Reporting principles and guidelines

Our financial reporting complies with the international IFRS accounting standards, and governance-related reporting complies with the legislation on listed companies and the Finnish Corporate Governance Code. The disclosure of environmental costs and liabilities is based on the Finnish Accounting Act. The reported financial indicators are based on audited information. The general guideline issued by the Accounting Board on the preparation of review by the Board of Directors is followed in calculating the personnel-related figures. Calculations related to safety-related accident frequency rates comply with the calculation principles of Concawe (the oil companies' European association for environment, health and safety in refining and distribution). Changes to information disclosed in previous years or calculation principles are communicated in connection with the relevant indicators. The definitions, calculation principles and formulas of reported indicators are presented separately under "Principles for calculating the key indicators".

Scope of the report

Similarly to the Annual Report, the reporting period of the Sustainability Report is the financial year, January 1 – December 31, 2021. The safety and environmental reporting for 2021 covers the refineries in Finland and abroad in which the company has a holding of more than 50%. In addition, safety and environmental reporting covers the company's terminals, offices and country-specific retail companies in alignment with the financial reporting scope. The company does not report environmental information on sites in which the company only has a minor part of the premises of an office building in its use. The reporting of safety information also covers service providers and contractors. The reporting indicators do not cover Agri Trading Corporation which was acquired at the end of 2021, due to the ongoing integration process. As an exception, the average number of personnel includes all operations and acquisitions.

Reporting systems

Neste collects environmental and safety information with the HSEQ reporting tool, which supports Neste's monthly and annual reporting. Personnel-related indicators are derived from the HR systems. The company also has other reporting tools for collecting information required for sustainability reporting.

Performance in figures Climate and the environment

	2021	2020	2019
Emission limits and overruns: Deviations from environmental permits	2	2	3
Emissions into the air, tons [1]			
Direct CO_2 emissions (Scope 1)	1,828,000	2,149,000	2,464,000
Indirect CO_2 emissions (Scope 2, location-based)	519,000	625,000	518,000
Indirect CO_2 emissions (Scope 2, market-based)	509,000	736,000	941,000
Other indirect GHG emissions (Scope 3)[2]	35,000,000	48,000,000	49,000,000
Purchased goods and services[2] [3]	4,900,000	5,900,000	3,900,000
Fuel- and energy-related activities[4]	100,000	100,000	100,000
Upstream transportation and distribution[2] [5]	700,000	700,000	800,000
Waste generated in operations	200,000	100,000	200,000
Downstream transportation and distribution[2] [6]	500,000	700,000	800,000
Use of sold products	27,600,000	38,700,000	41,300,000
End-of-life treatment of sold products	1,300,000	1,600,000	1,900,000
VOC	3,170	3,430	3,920
NOX	1,090	1,410	1,490
SO_2	2,850	3,470	4,110
Particulate matter	64	90	110
Energy use			
Total energy consumption, TWh	10.1	12.2	12.8
Fuels and natural gas, %	72.0	72.9	74.2
Purchased electricity, %	13.1	11.8	11,8
Purchased heat, %	14.9	15.3	14.0
Energy efficiency, energy saving measures GWh	95.8	33	16

	2021	2020	2019
Water, m^3/a			
Water intake	9,263,000	8,557,000	9,120,000
Total water withdrawal by source			
Surface water	7,927,000	8,283,000	8,866,420
Municipal water supplies	1,336,000	274,000[7]	253,000[7]
Wastewater	8,522,000	8,880,000	8,159,000
Effluents to water, tons			
Effluents of oil to water	0.6	1.0	1.6
Chemical oxygen demand	240	240	299
Effluents of nitrogen to water	31	68	83
Effluents of phosphorus to water	1.0	1.4	1.2
Waste, tons			
Ordinary waste for disposal	5,700	3,300	5,380
Ordinary waste for recovery	18,200	33,100	56,400
Hazardous waste for disposal	129,200	75,600	104,800
Hazardous waste for recovery[8]	31,400	N/A	N/A
Number and magnitude of significant releases	3 pc / $45m^3$ + 10 tons	0	2 pc / $75m^3$
Carbon dioxide recovered, tons	130,400	134,200	170,300
Washing lye sold, tons	7,900	7,500	10,590

[1] Scope 1 and 2 emissions reporting covers CO_2 emissions. Scope 3 emissions reporting covers GHG emissions and is reported as CO_2e.
[2] Calculation principle changed in 2021.
[3] Calculation principle changed in 2020.
[4] Only natural gas related emissions included.
[5] Part of upstream transportation emissions are accounted in other categories.
[6] Part of downstream transportation emissions are accounted in category 4.
[7] Ground water from 2020 and 2019 corrected to be included in Municipal water supplies.
[8] Reporting accuracy improved in 2021. Hazardous waste for recovery earlier included in Waste for reuse, which is now specified as Ordinary waste for recovery.

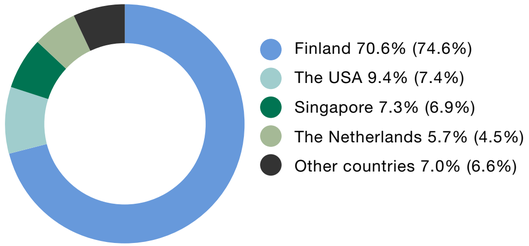
Performance in figures Climate and the environment

	2021	2020	2019
Supply chain and raw materials			
Renewable raw material inputs, million tons	3.7	3.7	3.5
Share and use of waste and residue raw materials in refining renewables	92% 3.4 Mt	83% 3.1 Mt	80% 2.8 Mt
GHG emission reduction achieved with Neste's renewable products compared to crude oil-based diesel, million tons[2) 9) 10)]	10.9	10.0	9.6
GHG emission reduction with Neste's renewable products compared to crude oil-based fuels[2) 9) 10)]	50–90%	50–90%	50–90%
Number of all renewable raw material suppliers	389	405	255
Share of certified palm oil of all palm oil use sold as product[11)]	100% 236 kt	100% 454 kt	100% 674 kt
The number of oil palm smallholders	13,227	14,403	36,947
The number of palm oil suppliers	6	6	7
The number of plantations	69	110	158
The number of palm oil mills	29	38	59
Average GHG emission reduction of palm oil based products [2) 10) 12)]	80%	77%	74%
The number of renewable raw material suppliers' sustainability assessments and their outcome[13)]	Total: 223 New approved suppliers: 171 All approved: 186 Pending: 33 Rejected: 4	Total: 219 New approved suppliers: 120 All approved: 133 Pending: 65 Rejected: 21	Total: 91 New approved suppliers: 52 All approved: 55 Pending: 36 Rejected: 0
Crude oil and fossil feedstock sources by region, million tons	10.1	14.0	15.6
Russia	7.8	9.5[14)]	12.2[14)]
Norway	1.3	1.7	1.4
Kazakhstan	0.3	1.2	0.4
Other countries	0.7	1.6	1.6

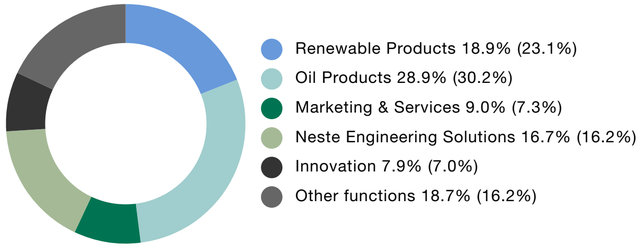
[2)] Calculation principle changed in 2021.
[9)] Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directives: until the end of H1/2021 with RED 2009/28/EC and in H2/2021 with RED II (EU)2018/2001.
[10)] Calculation principles can be found on page 110.
[11)] Contains the use of crude palm oil (CPO) and Refined Bleached Deodorized Palm Oil (RBDPO) that we have processed into renewable products and sold to market.
[12)] New reported figure 2021.
[13)] New approved suppliers include Demeter existing suppliers that were excluded in 2020 and 2019 due to ongoing integration. All other figures include existing suppliers, which undergo a sustainability assessment process every 3–5 years. Supplier data includes only main contractual parties, excluding sub-suppliers.
[14)] Revised: Reporting accuracy improved in 2021. Kazakhstan earlier included in the Russian volumes.

Performance in figures People

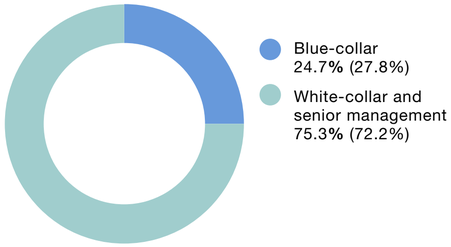
Personnel by country
as of 31 December 2021, %



Personnel by segment
as of 31 December 2021, %



Personnel by personnel group
as of 31 December 2021, %

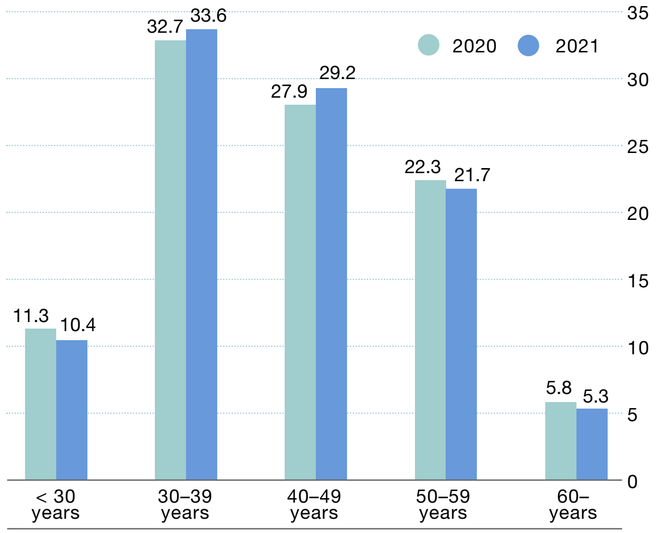


Average number of personnel

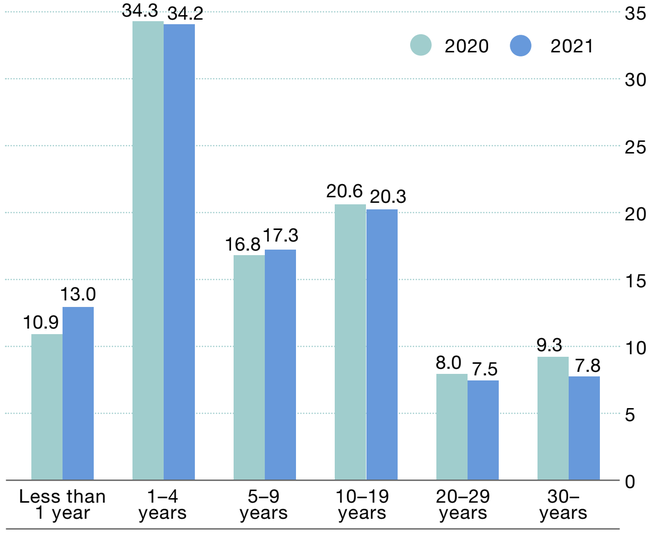
4,872

(4,833)

Employee breakdown by age
as of 31 December 2021, %



Employment length of employees
as of 31 December 2021, %



Neste Personnel and Contractor Safety Performance
as of 31 December 2021

	2021	2020	2019
Total recordable injury frequency (TRIF) total	1.4	1.3	1.7
- TRIF own employees	1.1	1.1	1.1
- TRIF contractors	1.6	1.6	2.7
Lost workday injury frequency (LWIF) total	1.0	1.2	1.3
- LWIF own employees	1.1	1.0	1.0
- LWIF contractors	0.7	1.6	1.7
Process safety event rate (PSER) total	1.4	1.6	1.4
- PSER 1	0.6	1.0	0.6
- PSER 2	0.8	0.6	0.9
Safe Days	306	325	314
Fatalities	0	0	0

Performance in figures People

Employee distribution and turnover as of 31 December 2021, %

	Total		Finland		USA		Singapore		The Netherlands		Other countries	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
All employees	31.5	68.5	33.6	66.4	22.7	77.3	24.0	76.0	15.5	84.5	42.5	57.5
- under 30	3.8	6.6	4.2	6.5	2.5	9.1	4.0	6.6	1.1	8.1	3.0	3.0
- 30–50	19.8	44.9	20.6	43.1	13.1	46.8	16.6	57.1	12.6	53.1	30.1	41.0
- over 50	7.9	17.1	8.8	16.8	7.1	21.4	3.4	12.3	1.9	23.3	9.4	13.6
Hiring rate of permanent employees , all	11.5	12.4	8.2	6.1	37.3	47.6	19.5	11.1	35.7	22.0	7.0	10.1
Proportion of permanent hires	29.9	70.1	40.2	59.8	18.7	81.3	35.6	64.4	23.1	76.9	34.5	65.5
- under 30	8.0	16.4	12.5	14.7	3.5	21.2	15.6	24.4	3.1	7.7	3.5	3.5
- 30–50	19.8	45.1	25.5	39.3	11.8	50.7	20.0	33.3	20.0	47.7	31.0	62.1
- over 50	2.1	8.7	2.2	5.8	3.5	9.4	0.0	6.7	0.0	21.5	0.0	0.0
Leaving rate of permanent employees, all	9.5	14.7	9.8	16.2	15.7	24.2	6.1	8.4	9.5	3.5	4.2	1.6
Proportion of permanent leavers	22.8	77.2	23.4	76.6	16.0	84.0	18.5	81.5	33.3	66.7	19.5	80.5
- under 30	1.5	9.5	2.0	6.5	0.0	23.0	0.0	3.7	0.0	33.3	0.0	19.5
- 30–50	13.5	40.7	12.4	37.3	14.0	52.0	18.5	74.1	16.7	8.3	16.0	51.9
- over 50	7.9	26.9	9.1	32.8	2.0	9.0	0.0	3.7	16.7	25.0	3.5	9.1
Permanent employees	30.6	67.0	32.5	64.6	22.7	77.3	23.4	74.6	15.5	83.8	41.9	55.8
Temporary employees	0.9	1.6	1.1	1.9	0.0	0.0	0.6	1.4	0.0	0.7	0.6	1.8
Full-time employees	30.1	67.7	32.2	65.6	21.8	76.4	24.0	76.0	13.3	82.7	40.1	56.6
Part-time employees	1.3	0.9	1.4	0.9	0.9	0.9	0.0	0.0	2.2	1.9	2.4	0.9

Information on employees and governance bodies by gender ratio as of 31 December 2021, %

	Women		Men	
	2021	2020	2021	2020
All employees	31.5	30.2	68.5	69.8
Blue-collar	1.2	1.7	23.6	26.1
White-collar and senior management	30.3	28.5	45.0	43.7
Managers	30.3	29.0	69.7	71.0
Senior managers	25.9	25.9	74.1	74.1
Neste Executive Committee	25.0	25.0	75.0	75.0
Board of Directors	25.0	37.5	75.0	62.5
Permanent	30.6	29.0	67.0	67.8
Temporary	0.9	1.2	1.6	2.0
Full-time	30.1	28.9	67.7	68.8
Part-time	1.3	1.3	0.9	1.0

GRI Content Index and UN Global Compact

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Global Compact Principles
GRI 102: General Disclosures 2016				
1. Organizational profile				
102-1	Name of the organization	19–20		
102-2	Activities, brands, products, and services	12–14		
102-3	Location of headquarters		Espoo, Finland	
102-4	Location of operations		Operations in 14 countries: Finland, Australia, Belgium, China, Estonia, Germany, Italy, Latvia, Lithuania, the Netherlands, Singapore, Sweden, Switzerland, the USA (R)	
102-5	Ownership and legal form	19–20		
102-6	Markets served	12–14		
102-7	Scale of the organization	17–18		
102-8	Information on employees and other workers	98–99, 111	The rate of temporary employees is very low and not relevant for reporting. Neste reports only total number of employees.(O)	6
102-9	Supply chain	43, 62–72, 73–76, 78–81		
102-10	Significant changes to the organization and its supply chain		In 2021 Neste acquired Bunge Lodgers Croklaan's refinery plant as well as of Agri Trading. Neste now holds all their shares. Neste sold its LPG cylinder business and its 50% shareholding in the bottling plant Oy Innogas Ab. (R)	
102-11	Precautionary Principle or approach	23–26, 27–32, 44–46, 59–61, 90–93, 153,156-157		7
102-12	External initiatives	38–40, 94–95 Certificates, Involvement in organizations and joint projects		
102-13	Membership of associations	38–40, Involvement in organizations and joint projects		
2. Strategy				
102-14	Statement from senior decision-maker	4–6		

GRI Standards Disclosure		Location in the report or our webpage	Reporting (R) / Omission (O)	Global Compact Principles
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	4–6, 46, 82–93 Our values		10
4. Governance				
102-18	Governance structure	44–46, 115–122, 128–130		
5. Stakeholder engagement				
102-40	List of stakeholder groups	37–40		
102-41	Collective bargaining agreements		3,510 persons, 73.2% (R)	3
102-42	Identifying and selecting stakeholders	37–42		
102-43	Approach to stakeholder engagement	27–29, 37–42		
102-44	Key topics and concerns raised	27–29, 37–42		
6. Reporting practice				
102-45	Entities included in the consolidated financial statements	94–95, 110–111, 172–174,182		
102-46	Defining report content and topic Boundaries	27–29, 94–95		
102-47	List of material topics	27–32		
102-48	Restatements of information	94–95, 110–111	No major changes during the reporting period. Possible changes in the previously disclosed key figures are disclosed in connection with the figure in question. (R)	
102-49	Changes in reporting	27–32, 94–95		
102-50	Reporting period	94–95		
102-51	Date of most recent report	94–95		
102-52	Reporting cycle	94–95		
102-53	Contact point for questions regarding the report		Sustainability, Safety, and Environment contacts	
102-54	Claims of reporting in accordance with the GRI Standards	94–95		
102-55	GRI content index	100–105		

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
102-56	External assurance	112–113		
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary	27–32, 94–95		
103-2	The management approach and its components	27–32, 44–46, 94–95		
103-3	Evaluation of the management approach	27–32, 44–46, 94–95		
GRI 200: Economic				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	43 Value Creation		
201-4	Financial assistance received from government	149, 190		
GRI 203: Indirect Economic Impacts 2016				
203-2	Significant indirect economic impacts	43		

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	46, 78, 156–157,160	Neste Board Audit Committee receives regular updates on Neste compliance program and compliance activities, including such related to anti-corruption. All Neste employees have access to the company's Anti-corruption Principle and related guidance via Neste global intranet and compliance newsletters. Neste ExCo members and targeted employees are required to complete an Annual Compliance Acknowledgement confirming their compliance with i.a. the Code of Conduct (CoC) and Anti-corruption Principle. In 2021, Neste renewed its CoC, which has been launched and communicated internally via different channels and also available on Neste's external webpages. A related CoC e-learning was issued as a first step to all office workers in 2021. We also require our suppliers and other business partners to comply with applicable laws and expect them to follow equivalent ethical business standards as stated in the CoC (including zero tolerance to corruption), as further described in our Supplier Code of Conduct. We are continuously developing our anti-corruption training processes and aspire to extend the reporting with the remaining indicator requirements related to training when applicable. (R/O)	10
205-3	Confirmed incidents of corruption and actions taken	35, 46,160	No confirmed incidents during the reporting period. (R)	10
GRI 206: Anti-competitive Behaviour 2016				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No cases during the reporting period. (R)	

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 300: Environmental				
GRI 301: Materials				
Neste indicator	Volume of liquefied waste plastic processed (t/a)	35, 75		9
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	33, 61, 96, 110		7, 8
302-4	Reduction of energy consumption	33, 56, 61, 96, 110	Energy savings consists of different initiatives in our production covering steam and cooling. (R)	8, 9
GRI 303: Water and effluents 2018				
303-1	Interactions with water as a shared resource	61		7, 8
303-2	Management of water discharge-related impacts	61, 110		7, 8
303-3	Water withdrawal	61, 96, 110	Neste water withdrawal is reported only in total. Neste's water withdrawal from areas with water stress is not significant and seen as not material. Neste is reviewing the GRI reporting on water categories including certain amount of total dissolved solids (R/O).	7, 8
GRI 304: Biodiversity 2016				
304-2	Significant impacts of activities, products, and services on biodiversity	33, 60–61	Neste is developing its biodiversity work consistently, and will be proceeding with the company's biodiversity vision in the following years. Details in accordance with the indicator requirements will be reported as the work is progressing and impacts are further mapped. (O)	7, 8
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	33, 95, 96, 110		7, 8
305-2	Energy indirect (Scope 2) GHG emissions	33, 95, 96, 110		7, 8
305-3	Other indirect (Scope 3) GHG emissions	96, 110		7, 8
305-4	GHG emissions intensity	33	Emissions used in the calculation: Scope 3 Use of sold products. (R)	7, 8
305-5	Reduction of GHG emissions	33, 47–58, 110		8, 9
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	96,110	Neste considers the reported emissions as significant. (R/O)	7, 8

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 306: Waste 2020				
306-1	Waste generation and significant waste-related impacts		Neste is continuously developing ways to use materials more effectively and finding solutions to recycle and reuse. Reducing the amount of waste and improved material efficiency also impacts to our climate performance. We are currently covering the most significant impacts in our reporting, according to the new reporting requirements. (O)	8
306-2	Management of significant waste-related impacts	65, 73–76, 80, 96	Neste's strategic target is to become a global leader in circular solutions. We are using waste and residues as raw materials creating notable positive impact in the upstream value chain. Mapping and minimizing the most significant impacts also in our own operations and further downstream will enhance circular economy and our climate performance. Our own operation's waste is handled by contracted third parties locally and our waste reporting is based on data provided by them. We are following the local waste regulations and legislations in our operations and continuously looking for new opportunities to minimize the landfill waste. (R/O)	8
306-3	Waste generated	96		8
GRI 307: Environmental Compliance 2016				
307-1	Non-compliance with environmental laws and regulations	61	No significant fines or non-monetary sanctions with environmental laws and regulations during the reporting period. Regarding difficulties in operation of the wastewater treatment system in Rotterdam, the water authority has confirmed an order to improve and stabilize the operation, subject to a threatened penalty. (R)	8
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	77–81 Sustainability policies and principles	98.6 % of Neste's new renewable raw material suppliers screened using environmental criteria. OP suppliers and indirect procurement proportions reporting development proceeding. More on their screening processes in the report. (R/O)	8

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 400: Social				
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	34, 43, 83, 99		6
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	90–92		
403-2	Hazard identification, risk assessment, and incident investigation	90–91	Neste Hazard Identification and Risk Assessment Principle includes processes and policies for workers to report hazardous situations and also instructions how to remove themselves from these types of situations. The principle describes minimum safety requirements for operating and maintenance procedures as well as safe work practises. Key common requirements include the Process Hazard analysis standard consisting of standards for process risk classification, process safety information and work risk management. (R)	
403-3	Occupational health services	92		
403-4	Worker participation, consultation, and communication on occupational health and safety		OEMS Safety Leadership Principle sets requirements for Businesses to engage workforce for Health and Safety issues in various groups, development of work practices, investigation of incidents and risk assessments throughout Neste globally. Practices and fulfilling of requirements are followed through OEMS audit practices. In addition to to Safety Leadership Principle the local statutory requirements are identified and followed to engage personnel in Health and Safety issues. (R)	
403-5	Worker training on occupational health and safety	91–92		
403-6	Promotion of worker health	40, 84, 92		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	90–92		
403-9	Work-related injuries	90–93, 98, 110–111	We have defined our Life Saving Rules based on the high-risk activities which have caused fatalities and serious injuries at Neste and in the Industries. The purpose of the Life Saving Rules (Working at heights, Confined spaces, Equipment isolation, Work permit and Traffic hazards) is to help save lives and prevent serious injuries. In addition to Life Saving Rules related injuries we monitor comprehensively factors related injuries such as lenght of absence, injury types etc. In 2021 we faced one injury at work resulting permanent effect on health. All together we had six cases which included potential to severe injury or fatality. Main injury types; slips, strips and falls, cuts and scratches or overextertions caused by single straining motion at work, are the same both in employees and contractors. Total amount of working hours was circa 8,000,000 hours for employees and 6,750,000 hours for contractors. (R)	
GRI 404: Training and Education 2016				
404-2	Programs for upgrading employee skills and transition assistance programs	40, 43, 83–84		
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	35, 43, 83, 98–99, 118–121		6
405-2	Ratio of basic salary and remuneration of women to men		Women's mean basic salary in relation to men's by pay grade and employee category in Finland: blue-collars 91%–103% and white-collars 87%–106%. Finland is reported as it is significant with over 70% weight of employees in total personnel. (R)	6

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 407: Freedom of Association and Collective Bargaining 2016				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	85–89 Neste Human Rights Commitment, Neste Human Rights Principles, Neste Supplier Code of Conduct, Modern Slavery Statement	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks to freedom of association and collective bargaining. The updated Neste Supplier Code of Conduct includes a minimum requirement to recognize and respect employees' right to organize freely and bargain collectively. Specific operations and geographic areas not disclosed publicly. (R)	3
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk of incidents of child labor	85–89 Neste Human Rights Commitment, Neste Human Rights Principles, Neste Supplier Code of Conduct, Modern Slavery Statement	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks of child labor. The updated Neste Supplier Code of Conduct includes minimum requirements regarding child labor. Further details regarding management approach, high risk operations and supply chains, and measures taken by Neste to assess and address child labor risks available in Neste's annual Modern Slavery Statement. (R)	5

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	85–89 Neste Human Rights Commitment, Neste Human Rights Principles, Neste Supplier Code of Conduct, Modern Slavery Statement	We have put in place a firm policy to mitigate this potential impact in our global operations and supply chains and the policy is implemented through our due diligence processes. We use a bespoke, industry leading, country risk assessment methodology from Verisk Maplecroft to identify countries or geographic areas with the highest risks of forced labor. The updated Neste Supplier Code of Conduct includes minimum requirements regarding forced and compulsory labor. Further details regarding management approach, high risk operations and supply chains, and measures taken by Neste to assess and address forced labor risks available in Neste's annual Modern Slavery Statement. (R)	4
GRI 412: Human Rights Assessment 2016				
412-1	Operations that have been subject to human rights reviews or impact assessments	85–89 Neste Human Rights Commitment, Neste Human Rights Principles, Neste Supplier Code of Conduct, Modern Slavery Statement	All of Neste operations assessed as part of our 2021 corporate-wide human rights saliency assessment to evaluate the risk of Neste being associated with or complicit in adverse human rights impacts. We assess country risk using a bespoke, industry leading, country risk assessment methodology from Maplecroft to map sustainability risks for the countries in which we operate and have supply chains. For our renewable raw material supply chains, we use country risk indices and maintain a country risk categorization. Our categorization includes a list of no-go countries and regions based on considerations regarding trade sanctions, conflicts and sustainability risks. The due diligence process for our Oil Products (OP) suppliers includes Country Risk Assessment and Counterparty Risk Assessment. (R)	1, 2
412-2	Employee training on human rights policies or procedures		In 2021, 1076 hours were used for training on human rights policies and processes relevant to Neste's business operations and supply chains. 77% of Neste employees were trained on topics related to Neste's human rights policies and processes during 2021. (R)	

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	43, 77–81	98.6 % of Neste's new renewable raw material suppliers screened using social criteria. OP suppliers and indirect procurement proportions reporting development proceeding. More on their screening processes in the report. (R/O)	2, 4, 5
GRI 415: Public Policy 2016				
415-1	Political contributions		Neste does not make political contributions. (R)	10
GRI 416: Customer Health and Safety 2016				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No cases during the reporting period. (R)	
GRI 417: Marketing and Labeling 2016				
417-3	Incidents of non-compliance concerning marketing communications		One legal action in Lithuania which was closed during 2021. One new RCC complaint in the Netherlands, and one closed case after the rejection by the Advertising Code Committee during 2021. (R)	

TCFD Recommendations Disclosure

TCFD Recommendations Disclosure		Location in the report
Governance Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate related risks and opportunities.	44–46, 133
	b) Describe management's role in assessing and managing climate related risks and opportunities.	44–46, 133
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	47–48, 134–135,156–157
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	8–9, 12–14, 43, 47–58, 59–61, 62–72, 73–76, 77–81, 154, 156–157
	c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	47–48, 156–157
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	132–135, 156–157
	b) Describe the organization's processes for managing climate-related risks.	132–135, 156–157
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	132–135, 156–157
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	23–26, 33–36, 43, 47–58, 59–61, 96–97, 110–111, 136,154
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	96, 33, 54–58, 110–111
	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	23–26, 33–36, 47–58, 59–61

SASB Content Index

Neste disclosure of SASB Sustainability Accounting Standards for Oil and Gas Refining and Marketing

Code	Accounting metric	Unit of measure	Location in the report or our webpage	Additional SASB reporting information Reporting (R) / Omission (O)
GHG Emissions				
EM-RM-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Metric tons (t) CO_2e, Percentage (%)	96, 110	98% covered under EU ETS. (R)
EM-RM-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	n/a	33, 47–58	
Air Quality				
EM-RM-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N_2O), (2) SOx, (3) particulate matter (PM10), (4) H2S, and (5) volatile organic compounds (VOCs)	Metric tons (t)	96, 110	
EM-RM-120a.2	Number of refineries in or near areas of dense population	Number		All 4 Neste refineries in 2021 located in near areas (within 49km) of an urbanized area. (R)
Water management				
EM-RM-140a.1	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m^3), Percentage (%)	96, 110	Neste's water withdrawal from areas with water stress is not significant and seen as not material. Percentage for recycled water is not calculated separately, as most of the water withdrawn for cooling is discharged back to the source in similar condition as when withdrawn. (R)
EM-RM-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	61	
Hazardous Materials Management				
EM-RM-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	96	160,600 metric tons (t), recycled 20 % (R)
EM-RM-150a.2	(1) Number of underground storage tanks (USTs), (2) number of UST releases requiring cleanup, and (3) percentage in states with UST financial assurance funds	Number, Percentage (%)		25 underground storage tanks for petroleum products. No UST releases. Reporting based on Neste's environmental permits. (R)
Workforce Health and safety				
EM-RM-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Rate	93, 98, 111	(1) and (2) Neste reports the most relevant OHS performance figures in its own operations (TRIF, LWIF, PSER, Safe Days, Fatalities). (3) NMFR 142. (R)
EM-RM-320a.2	Discussion of management systems used to integrate a culture of safety	n/a	90–93, 103	

Code	Accounting metric	Unit of measure	Location in the report or our webpage	Additional SASB reporting information Reporting (R) / Omission (O)
Product Specifications & Clean Fuel Blends				
EM-RM-410a.1	Percentage of Renewable Volume Obligation (RVO) met through: (1) production of renewable fuels, (2) purchase of separated renewable identification numbers (RIN)	Percentage (%)		(1) 0%, (2) 100%. (R)
EM-RM-410a.2	Total addressable market and share of market for advanced biofuels and associated infrastructure	Reporting currency, Percentage (%)	13, 146	
Pricing Integrity & Transparency				
EM-RM-520a.1	Total amount of monetary losses as a result of legal proceedings associated with price fixing or price manipulation	Reporting currency, Percentage (%)		No legal proceedings.
Management of the Legal & Regulatory Environment				
EM-RM-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	n/a	41–42, 52, 53–58, 66, 69–70, 134–135,153–154	
Critical Incident Risk Management				
EM-RM-540a.1	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1) and lesser consequence (Tier 2)	Rate	98, 111	Neste reports PSER1 and PSER2 rates as described in Principles for calculating the key indicators.
EM-RM-540a.2	Challenges to Safety Systems indicator rate (Tier 3)	Rate		Rate 77.6. Tier 3 Challenges to Safety Systems indicator are included in Neste's PSE3 that we report. (R)
EM-RM-540a.3	Discussion of measurement of Operating Discipline and Management System Performance through Tier 4 Indicators	n/a	90–93	Process safety management system weaknesses that may cause in the future PSE1 or PSE2 events. They are reported as part of PSE4 indicator at Neste.

Code	Activity metrics	Unit of measure	Location in the report or our webpage	Additional SASB reporting information
EM-RM-000.A	Refining throughput of crude oil and other feedstocks	Barrels of oil equivalent (BOE)		Oil Products 74 MMBOE (R)
EM-RM-000.B	Refining operating capacity	Million barrels per calendar day (MBPD)	14	Oil Products 0.26 MBPD (R)

UN Guiding Principles Reporting Framework Index

Section of the Framework	Location in annual report or website	Page location in 2021 Modern Slavery Statement*
PART A: Governance of Respect for Human Rights		
A1 Policy Commitment		
A1	85; Neste Human Rights Principle	7
A1.1	Neste Human Rights Principle was developed based on the results of a corporate-wide human rights impact assessment, with input from both internal and external stakeholders.	7
A1.2	All of Neste's rights-holders as defined on p.7 of the Neste Human Rights Principle	
A1.3	72, 78–79, 86, 88–89, 105, 129. Neste's Human Rights Principle is internally accessible on the Neste intranet. It is communicated to employees via e-learnings, and to business partners via Neste's Supplier Code of Conduct Guidance and capacity building.	9, 17, 18
A2 Embedding Respect for Human Rights		
A2	24–25, 44–45, 85–89, NBNHR Joint Statement, WBCSD CEO Call to Action	3, 7, 19, 20
A2.1	44–45, 115, Human Rights Principle (p.7)	7
A2.2	44–46, 83	22
A2.3	46, 88–89, Neste Code of Conduct	7, 9, 16–18
A2.4	25, 38, 77–80, 86–87	9, 12–15, 17-18
A2.5	24, 46, 79–80, 85–89	7–9, 11–12, 14, 16-19, 21–22
PART B: Defining the Focus of Reporting		
B1 Statement of salient issues	87; Neste Human Rights Principle (p.2-6)	8
B2 Determination of salient issues	87	8
B3 Geographical focus		10–11
B4 Additional severe impacts	N/A	N/A
PART C: Management of Salient Human Rights Issues		
C1 Specific Policies		
C1	Neste Human Rights Principle, Code of Conduct, Supplier Code of Conduct, Sustainability Policy, Neste Responsible Sourcing Principle, Neste People Policy, Equality and Non-Discrimination Principle, Misconduct Investigation Standard, Neste Life Saving Rules, Operations Excellence Policy, Safety Leadership Principle, Neste Privacy Principle, Neste Cyber Security Principle	7–9
C1.1	34, 38, 40, 46, 72, 78, 79, 84, 86, 88, 89, 91–92	17–18
C2 Stakeholder Engagement		
C2	27–28, 37–40, 72, 86–89	16, 19–21
C2.1	27–28, 37–40, 72, 86–89	16, 19–21
C2.2	27–28, 30–31, 37–40, 86–89, 91	16, 19–21
C2.3	30–31, 37–40, 86–89, 91	10–11, 16, 19–21
C3 Assessing Impacts		
C3	34–36, 86–89	8, 10–14, 21
C3.1	34–36, 79, 86–89, 91–93	14, 16
C3.2	34–36, Sustainability Grievances	
C4 Integrating Findings and Taking Action		
C4	86	10–16
C4.1	Cross–functional collaboration e.g. 44, 84, 86–89	7, 11
C4.2	81, 86	11, 15
C4.3	78–81, 83–84, 85–93	7–21
C5 Tracking Performance		
C5	34–36, 38–40, 72, 79, 84, 86–89, 91–93, 122	14, 16, 21
C5.1	34–36, 38–40, 79, 84, 86–89, 91–93, 122	14, 16, 21
C6 Remediation		
C6	80–81, 86–87, 128; Neste Human Rights Principle (p.1, 5)	9, 15, 16, 21
C6.1	80–81, 86–87, 128	9, 15, 16, 21
C6.2	35, 72, 80; Singapore Expansion, Sustainability Grievances	16, 21
C6.3	35, 80–81, 128; Grievance Process; Singapore Expansion.	9, 15, 16, 21
C6.4	35, Singapore Expansion, Sustainability Grievances	16
C6.5	35, Singapore Expansion, Sustainability Grievances	16

* 2021 Modern Slavery Statement will be published on the Neste website during H1 2022

UN Guiding Principles Reporting Framework Index

The UN Guiding Principles Reporting Framework provides comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights. For full details on the framework, please visit www.ungpreporting.org

Principles for calculating the key indicators

Environment

Energy: The energy consumption figures cover Neste's refineries, terminals, offices, the company's own station business and time-chartered ships. The figures are based on the data provided by these units. Consumption is calculated based on invoicing and meters. Standard conversion factors are used (SI). Neste follows the Energy Efficiency Agreement for Industries which is an agreement between the Government and industrial associations on the efficient use of energy, providing also guiding methodology for energy efficiency calculations.

Carbon dioxide (CO_2) or Greenhouse gas emissions (GHG): For the Scope 1 emissions, the emission factors compliant with the fuel classification published by Statistics Finland were used in addition to Neste's in-house laboratory measurement data. Scope 2 covers emissions from indirect purchased electricity, steam and heat production. Market-based Scope 2 emissions are based mainly on energy supplier-specific emission factors. Location-based Scope 2 emissions are based on country-specific emission factors (e.g. Motiva and AIB). Scope 1 & 2 accounting and reporting is based on CO_2 (the estimated share of other GHG is negligible compared to CO_2).

Scope 3 calculation is based on the principles of the GHG protocol. The calculation of Scope 3 emissions is based on internal data sources (e.g. sales and supply data), information available from public sources (e.g. Renewable Energy Directive) and Neste's accredited in-house calculation data have been used as the emission factors. Scope 3 emissions reporting covers GHG emissions and is reported as CO_2e. Only relevant scope 3 categories are included in the report.

GHG emission reduction calculation method complies with the EU Renewable Energy Directives; until the end of H1/2021 with RED 2009/28/EC and in H2/2021 with RED II (EU)2018/2001. Neste regularly updates its GHG emission factors in line with the updates in legislation and the certification schemes. Since the beginning of 2021 volumes sold are applied in calculation instead of volumes produced earlier. Average GHG emission reduction of sourced palm oil contains the use of crude palm oil (CPO) and Refined Bleached Deodorized Palm Oil (RBDPO) that we have sold within the year 2021.

VOC, NOx, SO_2, PM: Other emissions to air (excluding CO_2) are measured with direct measurements (on-line or periodic) or with indirect monitoring methods. On-line measurement is typically done on major emission points. Both direct measurements and indirect monitoring is based on the site environmental permit or other local environmental regulation. Relevant process parameters linked to pollutant emissions are monitored too. All emission monitoring is done in accordance with standards. If EN standards are not available, ISO, national or other international standard/method is used to ensure the provision of data of high scientific quality.

Water withdrawal: The water withdrawal volumes are based on the company's own measurements or on invoicing. Neste's water withdrawal from areas with water stress is not significant and seen as not material. Neste don't currently have water withdrawal from ground water or other water sources.

Wastewater discharges: Neste reports the wastewater 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 wastewater treated in municipal or other external wastewater treatment plants. Neste operates according to local discharge permits and requirements. Our process waters are always treated to meet the requirements before they are safely discharged.

Non-renewable resource use: The amount of non-renewable resource use that Neste's renewable and circular solutions helped replace in transport, aviation and polymers and chemicals sectors. Calculations include fossil resource usage over renewable and circular production life cycles. An energy-based comparison is made with relevant fossil references. The difference is expressed as the energy content of crude oil.

Safety

Total Recordable Injury Frequency (TRIF): Accidents at work resulting in absence from work, restriction to work, 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): total number of accidents at work × 1,000,000 / hours worked. The calculation includes in-house personnel, contractors and service providers working at Neste's sites.

Workplace accidents: Accidents that occur at work/while performing work duties.

Safe Day: A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit, or traffic accident.

Hours worked: The hours worked by the whole personnel 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. Workplace accidents: Accidents that occur at work/while performing work duties.

TRI (Total Recordable Injuries): All recorded accidents at work: the number of accidents at work resulting in absence from work, restriction to work or medical treatment.

LWIF (Lost Workday injury frequency): The number of accidents at work resulting in lost workdays, relative to a million hours worked.

Process safety event rate (PSER): Rate of process safety events per million hours worked.

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.

Possible consequences:

- Workplace accident leading to absence (LWI, RWI) or fatality.
- Fires or explosions with direct expenses (excluding loss of production) higher than EUR 25,000.
- Evacuation or taking cover indoors.
- A leak exceeding the reporting threshold during a certain period, threshold according to Concawe (European Oil Company Organisation for Environment, Health and Safety).
- A pressure relief device (PRD) discharge with above-mentioned consequences.

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

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.

Possible consequences:

- Workplace accident requiring medical treatment (MTC).
- Fires or explosions with direct expenses (excluding loss of production) higher than EUR 2,500.
- A leak exceeding the reporting threshold during a certain period, threshold according to Concawe.
- A pressure relief device (PRD) discharge with above-mentioned consequences.

PSE3 (Process Safety Event): Cases are less severe uncontrolled or unplanned releases and other process safety related incidents. PSE3 represents also process safety incidents like a challenges to safety barrier systems, failures of safety critical equipment or findings in primary containment inspection that equipment has been operated outside acceptable limits.

HSEQ: Health, safety, environment and quality.

Personnel

Reporting of personnel numbers: The personnel numbers are calculated as numbers of employees, and include, as a rule, all personnel with active contracts of employment or employees on leave. Hourly paid employees are not included as their numbers of working hours vary greatly, and their number in proportion to other employees is very small. Unless otherwise specified, the personnel numbers are reported as at December 31.

Number of permanent employees leaving the company: The number of employees leaving a permanent contract of employment 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 employees entering a permanent contract of employment from Jan 1 to Dec 31/the number of permanent employees on Dec 31.

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

Innovation

Clean revenue means revenue from all goods and services which have a clear environmental and/or social benefits. Clean investments are investments in such benefits consisting of Clean CAPEX, Clean R&D and Clean M&A. Clean Revenue and Clean Investments include for example revenue from, and investments in, clean transition as well as low-carbon and circular economy solutions.

Clean Investments (%): Clean CAPEX+Clean R&D+Clean Acquisitions/Total CAPEX+R&D+Acquisitions.

Clean Revenue (%): Clean Revenue/Total Revenue.

Independent Practitioner's Assurance Report

To the Management of Neste Corporation

We have been engaged by the Management of Neste Corporation (hereafter "Neste") to provide limited assurance on selected sustainability disclosures presented in the "Sustainability section" of Neste's Annual Report 2021 (hereafter "Selected Sustainability Information") for the year ended on 31 December 2021.

The Selected Sustainability Information consists of selected economic, social and environmental sustainability disclosures listed within the GRI Standards Topic-Specific Disclosures and General Disclosures 102-8 and 102-41 as well as information presented in the "Sustainability highlights 2021", "Sustainability KPIs", "Value creation", and "Performance in figures" sections in Neste's Annual Report 2021.

The assurance engagement has also covered Neste's adherence to the AA1000 AccountAbility Principles with moderate level of assurance.

Management's responsibilities

The Management of Neste is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with the reporting criteria, i.e. GRI Sustainability Reporting Standards, and the information and assertions contained within it. The Management is also responsible for determining Neste's objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

The Management of Neste is also responsible for the adherence to the AA1000 AccountAbility Principles of inclusivity, materiality, responsiveness, and impact as set forth in the AA1000 AccountAbility Principles Standard (AA1000AP, 2018).

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our limited assurance engagement on the Selected Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement. We conducted our moderate assurance engagement as a type 2 engagement in accordance with AA1000 Assurance Standard v3 (AA1000AS, 2020), issued by AccountAbility.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Procedures performed

A limited assurance engagement on Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of Neste's senior management and relevant staff responsible for providing the Selected Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Selected Sustainability Information;
- Assessed data management processes, information collecting and working methods used to gather and consolidate the Selected Sustainability Information;
- Reviewed the presented Selected Sustainability Information and assessed its quality and reporting boundary definitions;
- Assessed of the Selected Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis; and
- Assessed Neste's adherence to the AA1000 AccountAbility Principles of inclusivity, materiality, responsiveness, and impact through interviews and data requests performed at Neste.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Sustainability Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the limited assurance engagement is not presented, in all material respects, in accordance with the GRI Sustainability Reporting Standards.

Furthermore, nothing has come to our attention that causes us to believe that Neste does not adhere, in all material respects, to the AA1000 AccountAbility Principles.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Sustainability Information has been prepared for Neste Oyj in connect with reporting to Neste Oyj and for no other purpose or in any other context.

Key observations in relation to AA1000 AccountAbility Principles

Without affecting our conclusion, the following observations are made:

- Inclusivity: Neste is committed to stakeholder inclusivity and has processes in place for active stakeholder engagement.
- Materiality: Neste has defined material sustainability topics and has a process in place to regularly update these.
- Responsiveness: Neste has policies and procedures in place to respond to stakeholder's expectations and integrate these into Neste's sustainability approach.
- Impact: Neste has identified and is in the process of identifying its impacts relating to material sustainability topics, measures and monitors the impacts actively and is committed to transparently disclosing information on these.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Neste Oyj for any purpose or in any other context. Any party other than Neste Oyj who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Neste Oyj for our work, for this independent assurance report, or for the conclusions we have reached.

Our report is released to Neste Oyj on the basis that it shall not be copied, referred to or disclosed, in whole (save for Neste Oyj's own internal purposes) or in part, without our prior written consent.

Helsinki, 3 March 2022
KPMG Oy Ab

Leenakaisa Winberg
Authorized Public Accountant, KHT

Tomas Otterström
Partner, Advisory

Governance

Corporate Governance Statement 115
Risk management 132
Remuneration report 136

Corporate Governance Statement 2021

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

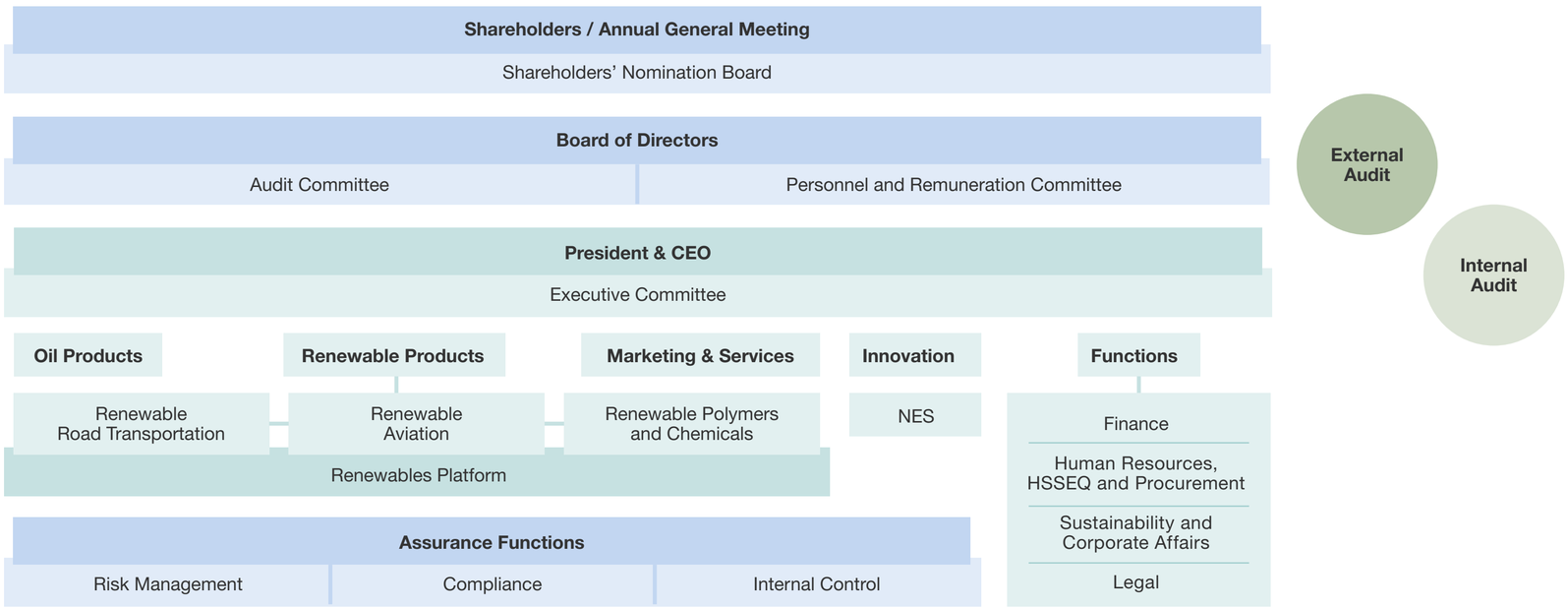
Regulatory framework

Neste Corporation ("Neste" or the "Company") observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2020 Corporate Governance Code. The Corporate Governance Code can be found at cgfinland.fi/en/. Neste also complies with the rules of Nasdaq Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

Neste's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, KPMG Oy Ab, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

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

Neste's Governance Bodies



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

Governance Bodies

The control and management of Neste is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President and Chief Executive Officer (President and CEO). Ultimate decision-making authority lies with shareholders at the AGM which appoints the members of the Board of Directors and the Auditor. The Board of Directors is responsible for Neste's strategy and overseeing and monitoring the Company's business. The Board of Directors appoints the President and CEO. The President and CEO, assisted by the Executive Committee (ExCo), is responsible for managing the Company's business and implementing its strategic and operational targets.

Neste's headquarters are located in Espoo, Finland.

Annual General Meeting

Under the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings of Shareholders, and attend meetings in person or through an authorized representative. Each share entitles the holder to one vote.

Shareholders at the AGM make decisions on matters including:

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

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

Under the Articles of Association, an invitation to a General Meeting of Shareholders shall be delivered to shareholders by publishing it on the Company's website neste.com no earlier than two months, and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company may, if the Board of Directors decides so, publish details on the date and time and location of the meeting, together with the address of the Company's website, in one or more newspapers.

Neste is not aware of any shareholders' agreements regarding the Company's shares.

2021

The 2021 AGM was held on 30 March 2021 under special arrangement at the Company's headquarters in Espoo. In order to prevent the spread of the COVID-19 pandemic, the AGM was held without shareholders' or their proxy representatives' presence at the venue of the meeting. Shareholders and their proxy representatives had the possibility to participate in the meeting and exercise their shareholder rights by voting in advance and by making counter-proposals and presenting questions in advance. The AGM supported all the proposals presented to the meeting and approved the Remuneration Report. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2020 and discharged the Board of Directors and the President & CEO from liability for 2020.

The AGM approved the Board of Directors' proposal that a dividend of EUR 0.80 per share will be paid on the basis of the approved balance sheet for 2020. The dividend was paid in two installments.

The first installment of dividend, EUR 0.40 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which was 1 April 2021. The first dividend installment was paid on 12 April 2021.

The second installment of dividend, EUR 0.40 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which was 5 October 2021. The second dividend installment was paid on 12 October 2021.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the number of members of the Board of Directors at nine, following the amendment of the Articles of Association to the effect that the maximum number of Board members is increased from eight to ten. The AGM decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Auditor. The AGM also approved the Board's proposals to the AGM, including amendments to the Company's Articles of Association.

Shareholders' Nomination Board

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

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

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

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

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

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

On 20 September 2021, the following members were appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors.

Activities

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

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

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

Shareholders' Nomination Board members

Kimmo Viertola
M.Sc. (Econ.), Chair of the Shareholders' Nomination Board since 18 September 2019.
Born in 1961.
Director General of the Ownership Steering Department at the Prime Minister's Office of Finland. Member of the Board of Municipality Finance Plc. Chair of the Shareholders' Nomination Board of Fortum Oyj. Member of the Shareholders' Nomination Board of SSAB.

Holdings in Neste Corporation on 31 December 2021: no holdings/ 0 shares.[1)]
Prime Minister's Office: 276,213,495 shares.[2)]

Outi Antila
Master of Laws with court training,
Member of the Shareholders' Nomination Board since 14 September 2020.
Born in 1957.
Director General, The Social Insurance Institution of Finland. Member of the Shareholders' Nomination Board of Outokumpu Oyj. Member of the General Assembly of Confederation of Finnish Industries. Member of the Advisory Council for Employment Matters of Diaconia University of Applied Sciences (Diak).

Holdings in Neste Corporation on 31 December 2021: no holdings/ 0 shares.[1)]
The Social Insurance Institution of Finland: 7,945,272 shares.[2)]

Reima Rytsölä
M.Soc.Sc, CEFA, AMP, Member of the Shareholders' Nomination Board.
Born in 1969.
Deputy CEO and Chief Investment Officer, Varma Mutual Pension Insurance Company. Member of the Board of Kojamo Plc. Member of the Board of Nordea Funds Ltd. Member of the Board of Ylva Services Ltd.

Holdings in Neste Corporation on 31 December 2021: no holdings/ 0 shares.[1)]
Varma Mutual Pension Insurance Company: 10,550,615 shares.[2)]

Matti Kähkönen
M.Sc. (Engineering), Member of the Shareholders' Nomination Board.
Born in 1956.
Senior Advisor, Metso Corporation 2017–2019. Chair of the Board of Neste Oyj. Vice Chairman of the Board of Directors at Kemira, 2021–. Chairman of the Board of Directors at the Finnish Fair Corporation 2020–. Chair of the Supervisory Board of the Ilmarinen Mutual Pension Insurance Company until 2021. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 December 2021: 12,310 shares.[1)]

Holdings in Neste Corporation on 31 December 2021:
[1)] Own holdings and controlled entities.
[2)] Shareholder's holdings represented by the member of the Shareholders' Nomination Board.

The Shareholders' Nomination Board convened 9 times between the date of the 2021 AGM and 31 January 2022, and the members of the Shareholders' Nomination Board attended such meetings as follows:

	Attendance
Kimmo Viertola	9/9
Outi Antila	9/9
Reima Rytsölä	9/9
Matti Kähkönen	9/9

Decisions on the proposals for the 2022 AGM were made by the members of the Shareholders' Nomination Board in a manner set out in more detail in the stock exchange release published on 28 January 2022.

Composition of the Shareholders' Nomination Board prior to the 2021 AGM

On 14 September 2020, the following members were appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors. The Shareholders' Nomination Board convened seven times between its formation on 14 September 2020 and 29 January 2021 and two times between the 2020 AGM and 14 September 2020. The Shareholders' Nomination Board presented its proposal covering the members of the Board of Directors on 29 January 2021, but it did not reach unanimity concerning the Board remuneration to be paid for the next term of office.

Board of Directors

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

Diversity of the Board of Directors

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

Significant factors concerning the composition of the Board of Directors include a variety of competences that complement the other members of the Board, education and experience in different professional and industrial fields and in business operations and management existing in different development phases, as well as the personal qualities of each member, all of which add diversity to the Board of Directors. The diversity of the Board of Directors is also supported by experience in industrial fields and markets that are strategically significant for Neste, experience and abilities in technologies and the international operating environment, and a diverse age and gender distribution so that both genders are always adequately represented in the Board of Directors. In considering the composition of the Board of Directors, it is important to pay attention to Neste's current and evolving needs, and to ensure that the Board of Directors, as a whole, enables the current and future business development of Neste, which diversity also supports.

Neste's Board of Directors was composed of nine members between the 2021 AGM and 21 July 2021, when Sonat Burman-Olsson announced her resignation from the Board due to her election as a member of the Board of Directors of the Brazilian energy company Raizen S.A. After that the Board was composed of eight members, all of whom hold a university-level degree, and one of whom has a doctorate. These degrees are from different fields, with technical fields being in the majority. Each member of the Board of Directors has international work experience in different types of positions, and has worked or is working in the Board of Directors or management of listed or unlisted companies. Three members have worked in managerial positions at major international petrochemical companies. The Board of Directors is also diverse in terms of cultural backgrounds: its members come from five different countries and speak five different native languages. Women comprise 25% of all members of the Board of Directors. With regard to age, the members of the Board of Directors are divided evenly between 50 and 65 years of age. The duration of the terms of office of the Board members is divided as follows: four members have been on the Board of Directors for more than four years, while four members have been on the Board of Directors for less than four years.

Activities of the Board of Directors

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

Duties of the Board of Directors

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

2021

The 2021 AGM confirmed the membership of the Board of Directors at nine members, and the following were re-elected to serve until the end of the next AGM: Ms. Sonat Burman-Olsson, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Matti Kähkönen, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén. Mr. John Abbott was elected as a new member. Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. On 21 July 2021, Ms. Sonat Burman-Olsson announced her resignation from the Board due to her election as a member of the Board of Directors of the Brazilian energy company Raizen S.A.

The Board convened 13 times in 2021. The attendance rate at the meetings was 98.1%. The Board focused in 2021 on the Company's long-term strategy by means of e.g. the continued scale-up of the Company's renewables businesses as well as the expansion of the Company's renewables feedstock platform and production capabilities, including the on-going Singapore expansion project and the project for a possible next worldscale renewables refinery in Rotterdam. In addition to the above and matters set out in the Board Charter, the Board also supervised strategy execution as well as evaluated the changes in the long-term operational environment and their impact on the Company's business operations from e.g. a sustainability perspective. Leadership matters, including changes in senior management announced during 2021, and talent management were also dealt with by the Board. The Board continuously monitored the Company's safety, financial and operational performance as well as risk management. M&A and investment projects were also on the Board agenda during 2021. The Board work has during the year assessed itself with a particular focus on the competences of the Board members.

Board of Directors, 31 December 2021

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings	
									Board	Committees
Matti Kähkönen	Chair	1956	M.Sc. (Eng.)	Non-Executive Director	•	•	•		13/13	7/7
John Abbott	Member	1960	B.Sc. (Chem. eng.)	Non-Executive Director	•	•		•	11/11	6/6
Sonat Burman-Olsson	Member	1958	M.Sc. (Econ), MBA	Non-Executive Director	•	•		• until 21.7.2021	8/8	3/3
Nick Elmslie	Member	1957	B.Sc. (Chem.)	Non-Executive Director	•	•		•	12/13	7/7
Martina Flöel	Member	1960	PhD (Chem.)	Non-Executive Director	•	•	•		13/13	7/7
Jean-Baptiste Renard	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•	•		13/13	7/7
Jari Rosendal	Member	1965	M.Sc. (Eng.)	President and CEO of Kemira	•	•		•	13/13	6/7
Johanna Söderström	Member	1971	M.Sc. (Econ.)	EVP, Chief Human Resources Officer at Tyson Foods Inc	•	•	•		12/13	7/7
Marco Wirén	Member	1966	M.Sc. (Econ.)	Chief Financial Officer at Nokia Corporation	•	•		•	13/13	7/7

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

Members of the Board of Directors

Matti Kähkönen

(born in 1956)
M.Sc. (Engineering)
Chair of the Board since 2018
Member of the Board since 2017
Independent member

Senior Advisor, Metso Corporation 2017–2019. President and CEO, Metso Corporation 2011–2017. Executive Vice President and Deputy to the CEO, Metso Corporation 2010–2011. President, Mining and Construction Technology, Metso Corporation 2008–2011. President, Metso Minerals 2006–2008. President, Metso Automation, 2001–2006. President, Metso Automation, Field Systems Division, 1999–2001. Prior to 1999, various managerial and development positions in Neles-Jamesbury and Rauma-Repola. Vice Chairman of the Board of Directors at Kemira, 2021–. Chairman of the Board of Directors at the Finnish Fair Corporation 2020–. Board Chair of the Supervisory Board of the Ilmarinen Mutual Pension Insurance Company until 2021. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2021:
12,310 shares.[1)]

John Abbott

(born in 1960)
B.Sc. First Class Honours, Chemical Engineering, Birmingham University, UK
Member of the Board since 30 March 2021
Independent member

Downstream Director and a Member of the Executive Committee of Royal Dutch Shell plc, 2013–2019. Executive Vice President of Global Manufacturing at Shell, 2012–2013. Executive Vice President of Shell's Upstream Americas Heavy Oil business, based in Calgary, Canada, 2008–2012. Vice President Manufacturing (Refining and Chemicals) Excellence and Support at Shell based in Houston, USA, 2006–2008. Various positions at Shell in the UK, Singapore, Thailand, the Netherlands, Canada, and the USA, predominantly in the areas of Global Manufacturing (Refining and Chemicals) as well as Supply, Trading and Distribution, 1981–2006. (In 1994, he was also seconded to the British Government for a short assignment). Member of the Board at Fiat Chrysler Automobiles N.V. 2018–2021. Non Executive Director of the Intercontinental Exchange (ICE) Futures Europe 2021–. Advisor and participant at Mobility Impact Partners (MIP) 2020–. Mentor in the FTSE 100 cross-company mentoring foundation 2013–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2021:
No holdings.[1)]

Nick Elmslie

(born in 1957)
B.Sc. (Chemistry)
Member of the Board since 2020
Independent member

Chief Executive, BP Global Petrochemicals based in Shanghai 2011–2015. Controller, Head of Finance Function, BP Downstream 2006–2011. Various directorial positions at BP plc., including Chief Executive, Acetyls Business and Business Unit Leader, Head of Chemicals Strategy and CFO, Polymers & Olefins 1992–2006. Various positions at BP plc 1978–1992. Member of the Board and Investor at 3fbio Ltd 2017–. Member of the Supervisory Board of OTI Greentech AG 2017–. Member of the Board of Fosroc Group Holdings Limited 2009–. Chairman of i-Keg Ltd 2021–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2021:
2,000 shares.[1)]

Martina Flöel

(born in 1960)
M.Sc. (Chemistry), Ph.D. (Chemistry)
Member of the Board since 2017
Independent member

CEO of Oxea 2007–2016. Managing Director and EVP, Europe of European Oxo in 2003–2007. Vice President Oxo Chemicals, Celanese Chemicals 2000–2003. Plant Manager Böhlen, Celanese Chemicals 1998–2000. Prior to 1998, various managerial and directorial positions in the Hoechst Group. Member of the Board of Directors of Sasol 2018–. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2021:
No holdings.[1)]

[1)] Holdings in Neste Corporation: own holdings and controlled entities.

Members of the Board of Directors

Jean-Baptiste Renard

(born in 1961)
M.Sc. (Eng.) and an engineering diploma in petroleum economics from the French Petroleum Institute (IFP)
Member of the Board since 2014
Independent member

Founder and CEO, 2PR Consulting, independent energy expert and consultant. Several positions at BP 1986–2010; Regional Group Vice President for Europe and Southern Africa BP plc 2006–2010, Group Vice President, Business Marketing and New Markets, and Member of Downstream Executive Committee BP plc 2003–2006. Non-Executive Director of Masana Petroleum Solutions (South-Africa); Supervisory Board Member of IFP Training (France); Non-Executive Director of Exolum (Spain); Pro bono consulting for social entrepreneurs. Member of the Supervisory Board and Vice President of Entreprendre&+. Member of the Advisory Board of IFP School. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2021:
22,950 shares.[1)]

Jari Rosendal

(born in 1965)
M.Sc. (Eng.)
Member of the Board since 2018
Independent member

President and CEO at Kemira since 2014. Various divisional President and Directorial positions, including Member of the Executive Board, at Outotec Oyj in 2001–2014. Various managerial and expert positions in the Outokumpu Group in Finland and the United States 1989–2001. Member of the Board of Directors of Chemical Industry Federation of Finland 2015–, Chairman of the Board of Directors 2017–2018 and Vice Chairman of the Board of Directors 2019–2020. Member of the Board of Directors of CEFIC, 2014–. Member of the Board of TT fund of the Confederation of Finnish Industries 2020–2021. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2021:
No holdings.[1)]

Johanna Söderström

(born in 1971)
M.Sc. (Econ.)
Member of the Board since 2020
Independent member

Executive Vice President, Chief Human Resources Officer at Tyson Foods Inc. 2020–. Senior Vice President, Chief Human Resources Officer at the Dow Chemical Company 2014–2019. Vice President, Center of Expertise Human Resources at the Dow Chemical Company 2012–2014. Various directorial HR positions at Dow Chemical Company, Dow Europe GmbH and Dow Chemical Handels- und Vertriebsgesellschaft mbH 2007–2012. Head of Global Compensation & Benefits at Huhtamäki Oyj 2006–2007. Various specialist and managerial positions at Dow Europe GmbH, Dow Chemical Handels- und Vertriebsgesellschaft mbH and Dow Suomi Oy 1999–2006. Prior to 1999, various specialist positions at Oy L M Ericsson Ab. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2021:
3,000 shares.[1) 2)]

Marco Wirén

(born in 1966)
M.Sc. (Econ.)
Vice Chair of the Board since 2020
Member of the Board since 2015
Independent member

Chief Financial Officer, Nokia Corporation 2020–. President, Wärtsilä Energy & Executive Vice President, Wärtsilä Corporation 2018–2020. Executive Vice President and Chief Financial Officer Wärtsilä 2013–2018. SSAB, Executive Vice President and CFO 2008–2013. SSAB, Vice President Business control 2007–2008. Eltel Networks, CFO and Vice President Business Development 2002–2007; NCC, Vice President Business Development and Group Controller 1995–2001. Chair of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2021:
3,000 shares.[1)]

Sonat Burman-Olsson

(born in 1958)
M.Sc. (Economics), Executive MBA, Strategic Management Studies

Member of the Board since 2019
Independent member

– Member of the Board until 21 July 2021

[1)] Holdings in Neste Corporation: own holdings and controlled entities.
[2)] Correction based on ownership existing prior to commencement of Board service.

Board Committees

The Board has established an Audit Committee, which had five members until 21 July, 2021 when Sonat Burman-Olsson resigned from the Board. Since then, the Audit committee has had four members. Board has also established a Personnel and Remuneration Committee, which has four members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their Charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. In addition, the Board of Directors can appoint committees as needed, for instance, for significant investment projects or other special tasks. Committees meet at least twice a year. Each committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

Audit Committee

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

Duties

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

2021

Starting from 30 March 2021, the Audit Committee comprised Marco Wirén (Chair), John Abbott, Sonat Burman-Olsson, Nick Elmslie and Jari Rosendal until 21 July 2021, when Sonat Burman-Olsson resigned and the Audit Committee continued with four members. In 2021, the Audit Committee convened seven times, and the attendance rate was 96.6%. In addition to the tasks specified in its Charter, including those relating to external and internal audit, the Audit Committee supervised and reviewed the Company's financial, non-financial and sustainability reporting. The Audit Committee also focused on risk and compliance management, including in relation to financial, market and geopolitical risks but also certain other risk areas, such as IT systems, segregation of duties and cyber security. Moreover, the Audit Committee also monitored e.g. legal and tax matters.

Personnel and Remuneration Committee

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

Duties

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

2021

Starting from 30 March 2021, the Personnel and Remuneration Committee comprises Matti Kähkönen (Chair), Martina Flöel, Jean-Baptiste Renard and Johanna Söderström. The Personnel and Remuneration Committee convened seven times in 2021, and the attendance rate was 100.0%. During 2021, the Personnel and Remuneration Committee continued to focus on reviewing and developing Neste's total remuneration and talent management and development to support the Company's operational and strategic targets. In line with duties coming from its Charter, the Personnel and Remuneration Committee also followed up the ongoing performance period 2021 and outcomes of the rewarding based on 2020 results. To further ensure the implementation of our strategy, international growth and leadership in sustainability the Committee led the special project on developing total compensation at Neste. In addition, the Personnel and Remuneration Committee has followed up the personnel engagement level based on the Company's Forward survey and Pulse survey results. Following up the implementation of the strategic capability development programs and the COVID-19 pandemic continuity plan were also in focus during the year.

President and CEO

Neste's President and CEO Peter Vanacker (b. 1966, M.Sc., Chemical Engineering, Polymers Engineering), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors, and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO is appointed by the Board of Directors, which evaluates the performance of the President and CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee. Information on the remuneration of the President and CEO can be found in the 2021 Remuneration report.

Executive Committee

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

2021

During 2021 the ExCo comprised 12 members, except for the period between 27 July 2021 and 30 November 2021 when the number of members was 11. The ExCo had 12 meetings during the year, and also met outside such meetings in relation to specific themes. In addition to supporting the President and CEO in the fulfillment of his general duties, the ExCo continued during 2021 to work with the development and execution of the company's strategy aiming at global leadership in renewable and circular solutions. In such context, the strategic focus areas included, among others, the continued scale-up of the company's renewables businesses as well as the expansion of the company's renewables feedstock platform and production capabilities, including the on-going Singapore expansion project and the project for a possible next worldscale renewables refinery in Rotterdam. Another focus area was the development of the company's innovation activities through the business platforms and the chemical recycling of waste plastic platform. The ExCo also dealt with the company's broadened sustainability vision, including the new target for Scope 3 emissions and the company's other climate commitments. The restructuring of the Oil Products' business initiated in 2020 and the Porvoo 2021 turnaround project were also closely followed by the ExCo. In addition, a number of other matters were given special attention during the year, including people and talent development, the company's M&A and investment activities, the company's operational excellence program, cash flow development and cost saving efforts, IT and cybersecurity matters as well as sustainability and compliance matters. The company's safety, financial and operational performance were regularly monitored by the ExCo.

Members of the Executive Committee

Peter Vanacker
(born 1966)
President and CEO, Chair of the Executive Committee
M.Sc. (Chemical Engineering, Polymers Engineering)
President and CEO since 2018

President and CEO Peter Vanacker has on 9 December 2021 given notice of his resignation from the company. He will leave his position at Neste at the latest in June 2022.

Joined the company in 2018. Served as CEO and Managing Director, CABB Group GmbH 2015–2018 as well as CEO & Managing Director of Treofan 2012–2015. Worked as Executive Vice President and Member of the Executive Board of Bayer MaterialScience (today Covestro AG) 2004–2012 with responsibility of the global Polyurethanes business and as Chief Marketing and Innovation Officer. Before that had several directorial and managerial positions in Belgium, Brazil, US and Germany at Bayer since 1990. Chair of the Advisory Board for the European Institute for Industrial Leadership. Member of the Supervisory Board of Symrise AG.

Holdings in Neste Corporation on 31 Dec 2021:
40,512 shares.[1)]

Mercedes Alonso
(born 1966)
Executive Vice President,
Renewable Polymers and Chemicals
M.Sc. (Chem)
Member of the Executive Committee since 2019

Joined the company in 2019. Responsible for the Renewable Polymers and Chemicals business unit. Previously served as Marketing Director Advanced Polymer Solutions Europe in LyondellBasell in 2019, Managing Director Eng. Composites Europe 2016–2019, and Global Director Corporate Marketing in A. Schulman Inc. 2013–2016, as well as Global Business Excellence Leader, Advanced Materials in Dow Chemical Inc. Europe GmbH 2010–2013. Member of the Board of The European Chemical Industry Council (Cefic) 2020–.

Holdings in Neste Corporation on 31 Dec 2021:
0 shares.[1)]

Panu Kopra
(born 1972)
Executive Vice President,
Marketing & Services
BBA, MBA
Member of the Executive Committee since 2016

Joined the company in 1996. Responsible for the Marketing & Services business unit. Previously served as Vice President in Oil Retail Sales in Finland and Baltic Rim 2014–2015, Vice President in Oil Retail Russia and Baltic Rim 2010–2014, General Manager in St. Petersburg Russia in 2009, Business Development Manager in Renewable Products 2007–2008, Sales Director in 2006, General Manager in Latvia 2003–2005 and in several other positions in the company.

Holdings in Neste Corporation on 31 Dec 2021:
11,355 shares.[1)]

Markku Korvenranta
(born 1966)
Executive Vice President, Oil Products
M.Sc. (Eng)
Member of the Executive Committee since December 2021

Joined the company in December 2021. Responsible for the Oil Products business unit. Served previously as SVP, Group Portfolio Development at Marquard & Bahls, in Germany, 2019–2021. EVP, Base Chemicals & Member of Executive Board in Austria, 2010–2018. Before that had several directorial and managerial roles at Borealis in Austria, Finland, Denmark and Belgium 1994–2010. Has also served in various roles at Neste Chemicals in Finland, 1990–1994. Member of the Board of Directors of Nordic Electrofuel in Norway, 2020–.

Holdings in Neste Corporation on 31 Dec 2021:
0 shares.[1)]

[1)] Holdings in Neste Corporation: own holdings and controlled entities.

Members of the Executive Committee

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

Joined the company in 2020. Responsible for the Renewable Aviation business unit. Previously served as Head of Fuel Procurement (global) at Lufthansa Group 2001–2019. Has also served as Product Manager, Automotive Lubricants at FUCHS DEA Schmierstoffe GmbH&Co KG 1999–2001, Director Industry Lubricants at DEA Mineraloel AG 1998–1999 as well as Marketing Manager and Pricing Groundfuels at DEA Mineraloel AG 1992–1997. Member of the IATA Fuel Steering Group. Previously as the Chairman of the IATA Commercial Fuel Group and Member of the IATA Fuel Working Group as well as a Member of the Star Alliance Fuel Advisory Group.

Holdings in Neste Corporation on 31 Dec 2021:
0 shares.[1)]

Matti Lehmus
(born 1974)
Executive Vice President,
Renewables Platform
M.Sc. (Eng.), eMBA
Member of the Executive Committee since 2009

Joined the company in 1997. Responsible for the Renewables Platform. Previously responsible for the Oil Products business area 2014–2019. Has also served as Executive Vice President of the Oil Products and Renewables business area 2011–2014, Executive Vice President of the Oil Products business area 2009–2010, Vice President of the Base Oils business in the Specialty Products Division 2007–2009, Vice President of Oil Refining Business Development in 2007 and Gasoline Exports and Trading Manager 2004–2007 in the Oil Refining Division. Member of the Board of the Chemical Industry Federation of Finland 2019–2021. Member of the National Emergency Supply Council 2018–.

Holdings in Neste Corporation on 31 Dec 2021:
17,511 shares.[1)]

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

Joined the company in 2005. Responsible for the Renewable Road Transportation business unit. Served in various positions at Neste, most recently as Vice President of Sales Scandinavia of the Renewable Products business area 2016–2019, Vice President, Supply, Oil Products at Neste Geneva 2014–2016 and Trading Manager, Crude Oil 2013–2014. Managing Director of Neste AB 2017–2019. Member of the Board of eFuel Alliance e.V. 2021–.

Holdings in Neste Corporation on 31 Dec 2021:
5,837 shares.[1)]

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

Joined the company in 2020. Senior Vice President, Sustainability and Corporate Affairs. Served previously as the EVP Marketing & Corporate Affairs at Konecranes 2018–2020, VP, Corporate Affairs at Nokia 2015–2018, SVP, Marketing, Communications & Corporate Responsibility at Outotec 2012–2015 as well as Head of Communications, Federation of Finnish Financial Services 2010–2012. Various roles in global communications, investor relations, corporate responsibility and government relations at Elcoteq 2004–2009. Various roles at European Commission 1992–2004. Chair of the EU and Trade Policy Committee at the Confederation of Finnish Industries EK. Vice Chair of the Business at OECD Trade Committee. Member of the Board at Finland-China Trade Association, National Defense Course Association and Savonlinna Opera Festival.

Holdings in Neste Corporation on 31 Dec 2021:
1,930 shares.[1)]

[1)] Holdings in Neste Corporation: own holdings and controlled entities.

Members of the Executive Committee

Hannele Jakosuo-Jansson

(born 1966)
Senior Vice President,
Human Resources, HSSEQ and Procurement
M.Sc. (Eng.)
Member of the Executive Committee since 2006

Joined the company in 1990. Senior Vice President of Human Resources, HSSEQ and Procurement. Previously responsible for the Group's Human Resources and Safety corporate functions. Served as Vice President, Human Resources at Oil Refining (2004–2005) and Laboratory and Research Manager at the Technology Center (1998–2004). Member of the Board of Directors of Finnair Plc.

Holdings in Neste Corporation on 31 Dec 2021:
32,133 shares.[1)]

Lars Peter Lindfors

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

Joined the company in 2007. Senior Vice President of Innovation. Previously responsible for Research & Development, Investment Management, Information Technology, Procurement, and Business Processes. Served previously as Senior Vice President, Technology and Strategy 2009–2012, Vice President for the company's Research and Technology unit 2007–2009, Executive Vice President, Renewal and Development and Member of the Executive Team, Perstorp Group 2001-2007, and prior to that at Neste as R&D Manager and various other positions 1989–2001. Member of the Board of the Fortum and Neste Foundation.

Holdings in Neste Corporation on 31 Dec 2021:
20,992 shares.[1)]

Jyrki Mäki-Kala

(born 1961)
Chief Financial Officer,
Strategy and IT
M.Sc. (Econ.)
Member of the Executive Committee since 2013

CFO Jyrki Mäki-Kala will retire during the spring 2022.

Joined the company in 2013. Chief Financial Officer and responsible for the Group's strategy, financial management, investor relations, M&A, IT, business processes and risk management. Served at Kemira in various business and corporate financial positions 2005–2013 and as CFO 2008–2013. Previously worked for Nokia Chemicals/Finnish Chemicals in various finance and business positions 1988–2005. Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors and Audit Committee of Anora Group Plc.

Holdings in Neste Corporation on 31 Dec 2021:
28,800 shares.[1)]

Christian Ståhlberg

(born 1974)
General Counsel
LL.M.
Member of the Executive Committee since 2017

Joined the company in 2017. Responsible for the Group's legal affairs and compliance. Secretary to the Executive Committee, the Board of Directors, the Audit Committee, the Shareholders' Nomination Board and to the Stakeholder Advisory Panel. Served previously as General Counsel of Rettig Group Ltd 2015–2017, Director, Legal in Pohjola Bank plc 2011–2014, Senior Legal Counsel in Neste Oil Corporation 2007–2011 and Senior Associate in Roschier Attorneys Ltd 1998–2007.

Holdings in Neste Corporation on 31 Dec 2021:
3,297 shares.[1)]

Marko Pekkola

(born 1969)
M.Sc. (Energy Technology)
Executive Vice President,
Oil Products until July 2021.

Member of the Executive Committee from 2019 until 27 July 2021.

- decided to continue his career outside Neste in July 2021.

Martti Ala-Härkönen

(born 1965)
Dr.Sc. (Econ.), Lic.Sc. (Tech.)

- has been appointed as Chief Financial Officer (CFO), Strategy and IT and member of the Neste Executive Committee and will take up the position on 8 May 2022, at the latest.

[1)] Holdings in Neste Corporation: own holdings and controlled entities.

Company Auditor

The AGM elects the Auditor annually. The Auditor's term of office ends at the end of the next AGM following election.

The Auditor is responsible for auditing the Company's accounts, its financial statements, and Neste's administration. The Auditor's Report covers the Consolidated Financial Statements and the Parent Company's Financial Statements, and can be found in the **Financial Statements** section of the Annual Report.

2021

The 2021 AGM elected KPMG Oy Ab as the Company's new auditor, and Authorized Public Accountant Mrs. Virpi Halonen acted as the auditor with principal responsibility.

The statutory audit fees in 2021 were EUR 1.3 million, and other fees charged amounted to EUR 1 million.

Internal Audit

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

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

Internal Audit work is carried out based on an annual Internal Audit Plan. Neste's strategic objectives, key projects and identified risks are key elements in the audit planning process. The Vice President of Internal Audit reports periodically to the senior management and the Board Audit Committee Internal Audit's activities relative to the annual plan, including audit recommendations and action plans established by organizations aiming for the continuous improvement and mitigation of risks.

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

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

2021

Internal Audit performed internal audits set out in the Internal Audit Plan 2021 and special assignments assigned by the senior management and the Board Audit Committee. The Internal Audit function continued to strengthen cooperation with other Neste assurance functions such as compliance, risk management and internal controls with an aim to integrate activities and reporting to the management.

Neste's key business processes, projects and risk areas were in focus during the year 2021, including for example trade sanction compliance process, excise tax management process and Neste Green Finance Framework.

Compliance function

Neste is committed to high ethical standards and conducts its business and operates in compliance with applicable laws, regulations and generally accepted practices for good corporate governance. Neste's Code of Conduct, which was renewed in 2021, sets the framework for Neste's global business operations, and establishes the ethical practices to guide Neste employees in their day-to-day business activities and decisions. Neste also requires suppliers and other business partners to comply with applicable laws and expects them to follow equivalent ethical business standards as stated in the Code of Conduct, as further described in our Supplier Code of Conduct. More info on Neste's Code of Conduct in **Neste's Sustainability Report** and in **Neste's external web pages**.

The purpose of Neste's Compliance function is to develop, establish, facilitate and oversee compliance procedures and programs aimed at ensuring that Neste's global organisations have effective systems and processes in place for identifying, preventing, detecting and correcting non-compliance with applicable laws, regulations and Neste's internal rules. The function supports Neste's management in their responsibility for overall compliance risk management, as well as Neste's organizational unit management in their responsibilities to identify and manage compliance risks related to their operations.

The compliance function works in close collaboration with Neste's business units, functions and other internal assurance organizations, in particular the Risk Management, Internal Control and Internal Audit functions. The compliance function is headed by the Chief Compliance Officer (CCO), who reports to Neste's General Counsel. The CCO reports on compliance activities on a regular basis to the ExCo and to the Board of Directors' Audit Committee. Neste also has an Ethics and Compliance Committee, which oversees and steers the management of the ethics and compliance program in Neste. Reports on suspected misconducts received via the company's externally operated and other reporting channels are investigated in accordance with applicable laws and Neste's internal Misconduct Investigation Standard.

In addition to other reporting channels, Neste has also an externally operated misconduct reporting system, Ethics Online, available to all Neste's internal and external stakeholders, including various actors in its supply chains. Ethics Online serves as a grievance mechanism and enables Neste's stakeholders to raise concerns related to alleged misconduct in Neste's practices. Neste's Investigation Group is responsible for evaluating and investigating such reported cases. Neste has a non-retaliation policy for concerns reported in good faith. Neste's main principles and policy followed in internal misconduct investigations is described in the company internal Misconduct Investigation Standard. The possible irregularities or misconducts are reported regularly to the Board of Directors' Audit Committee.

Insider administration procedures

Neste complies with the EU Market Abuse Regulation (596/2014), including related regulation, as well as Nasdaq Helsinki Ltd's Insider Guideline as a minimum standard on insider matters. In addition, the Board of Directors has approved the Company's own Guidelines for Insiders.

The Company's General Counsel is responsible for the coordination and supervision of insider matters, along with the insider register manager, the insider communication manager and individuals responsible as heads of project-specific registers. All the above individuals have their own deputies. In addition, the head of each organizational unit is responsible for supervising insider matters within his or her organization. The Company arranges training related to the insider guidelines.

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

The Company has defined, as persons discharging managerial responsibilities, the members of the Board of Directors and its secretary, the President and CEO, as well as the members of the ExCo and its secretary. These managerial persons and their closely associated persons must report their own transactions conducted with the Company's financial instruments or financial derivatives to the Company and the Financial Supervisory Authority without delay, and no more than three business days of completing the business transaction. Reports to the Company and the Financial Supervisory Authority can be made by following the instructions on **neste.com/trading**.

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

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

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

Main features of internal control and risk management systems pertaining to the financial reporting process

Objectives

The objective of internal control over financial reporting at Neste is to provide a reasonable assurance with regard to the financial reporting and the preparation of financial statements in accordance with the applicable laws and regulations and the internal requirements.

The system of internal controls at Neste Corporation is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management sets its level of risk appetite by defining the Group-level control objectives. Control Objectives set the Group's minimum control requirements for the control activities in financial and business processes in order to mitigate the underlying key risks and establish the desired level of assurance for correct financial reporting, adherence with the regulations and policies, and prevention of fraud. Group-level control objectives are endorsed by the Executive Committee and Audit Committee and reflect the top management guidelines, auditor reports, policies and regulations Neste complies with, as well as Neste Internal Control Principle and control requirements defined in Controls over Financial Reporting standard (COFR).

Control environment

Under the Finnish Companies Act, the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances. Responsibility for arranging this control is delegated to the President and CEO, who is required to ensure that the Company's accounts are in compliance with the law and that its financial management has been arranged in a reliable manner.

The internal control at Neste is based on the corporate structure whereby the operations are organized into organizational units. The heads of business units and finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate controls over financial reporting. Operational management owns the risks and controls and is responsible that controls and deficiency related corrective actions are implemented.

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

Neste has prepared and established its own Internal Control Principle in accordance with the COSO framework. Internal Control Principle emphasizes the importance of internal controls and clarify the responsibilities of the Three Lines for establishing effective controls in business processes. Neste's values and management system containing the formal Code of Conduct are the foundation of the control environment. The President and CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting.

Risk assessment

As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly. The assessment of risk includes risks related to fraud.

Additional information on risk management principles is available in the Risk Management section of the Annual Report.

Control activities

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

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

Communication

Neste corporate-level communication practices support the completeness and correctness of financial reporting. Neste personnel have access to adequate information and communication regarding accounting and reporting principles and guidelines. The main means of communicating the relevant matters for appropriate financial reporting consist of internal control training, detailed Finance Instructions containing accounting principles and guidelines for forecasting and reporting, info sessions, on-the-job training, process walk-throughs, and postings on internal channels and pages.

Neste business units prepare regular financial and management reports for the management review, including analysis and comments of financial performance. The Executive Committee and the Board of Directors receive financial reports monthly. Interim Reports are reviewed in Audit Committee meetings, and thereafter by the Board of Directors.

Monitoring

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

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

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

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

2021

In 2021, the internal control activity focus has been on three key areas:

First, establishing a renewal business remediation program under direct supervision of the renewable business EVPs and with the aim at addressing control improvements that not only mitigate risks, but also bring advancement in business processes. Concrete improvements have been recorded in process lead times and networking capital.

The second focus area has been on strengthening the control monitoring and control automation technology. Neste has purchased the licenses for GRC Process Control solution and the first phase of implementation project is concluded in 2021. The first phase implementation brings capabilities for worldwide control performance and monitoring. The second phase, scheduled to start in spring 2022, will bring automation capabilities for continuous control monitoring. Significant monetary investment is in the financial plans for the second phase.

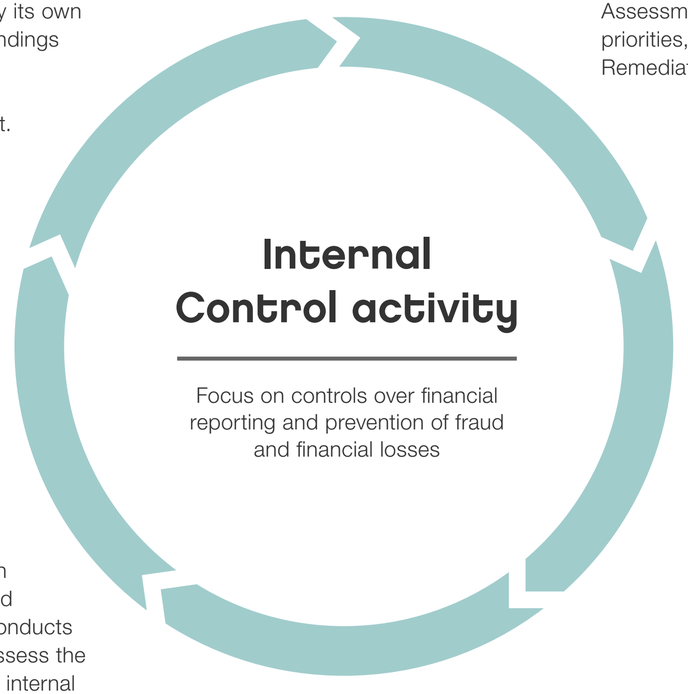
The third focus area has been on achieving a step improvement in the Segregation of Duties related controls. A new round of risk review, role design and mitigating processes, was implemented inside the S/4 Hana upgrade program and it is expected to yield improved KPIs by S/4 go live, early 2022.

Key to success in developing the control environment has been the ongoing close cooperation between the Internal Control function and business owners, through a network of process owners and risk owners established at all levels of the organization.

The tone at the top by the senior management has also encompassed topics on implementing the internal controls as a component of the successful execution of the strategy and business objectives. The Executive Committee is monitoring closely the status of internal controls company-wide.

Deep dives and cooperation with the external auditor, KPMG, have been performed and analysis results are being followed up by the Audit Committee.

Building effective Internal Control is an ongoing process driven by strategy and control objectives



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

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

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

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

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

Performance Management Process

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

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

Individual and team objectives are based on Neste's strategy and way of working. There is a clear link between wellbeing at work and good leadership performance.

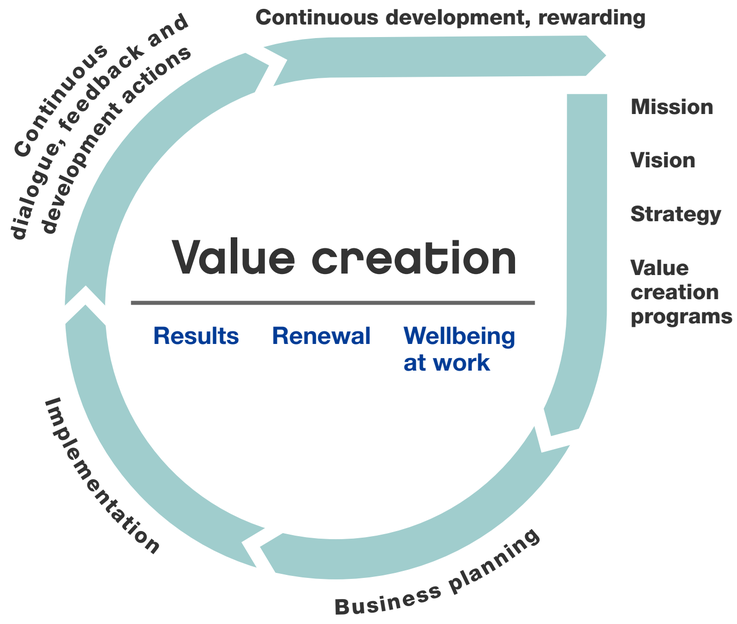
The key elements in the Neste daily performance leadership approach are:

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

From a financial outlook and reporting point of view, the Neste Performance Management Process consists of long-term financial projections based on the strategy and Performance Planning covering the mid-term (3 years) outlook. During the year, performance is evaluated in weekly Management Reporting, the monthly Business Review, and the bi-annual Common Functions Review.

Financials and KPIs related information is evaluated against the strategic goals and business plans, and required actions are steered and followed throughout the year.

Performance Management Process



Risk management

Risk management objectives and scope

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

Neste's risk management practices can be characterized by the following statements:

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

Risk management framework and principles

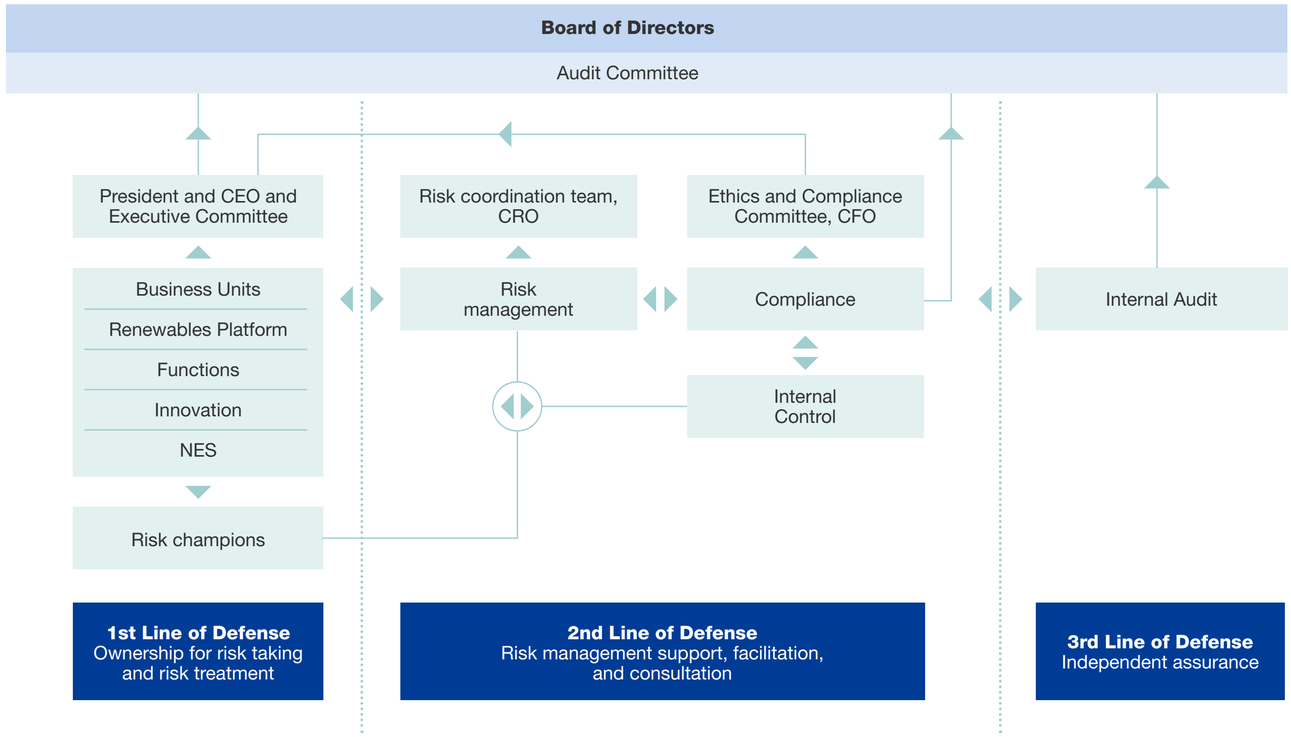
Framework and principles for risk management have been defined in the Neste Corporate risk management policy, which has been approved by the Board of Directors. The policy is supplemented by risk management principles, guidelines, and instructions for specific risk disciplines.

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

In Neste's risk model, risks are classified into external, strategic, and preventable risks that are more operational in nature.

- External risks are exposures that cannot be fully influenced or controlled by Neste. The main risk classes are changes in the external environment and risks in the extended enterprise.
- Strategic risks relate to strategic choices, strategy implementation, and risks in the planning and execution of major projects (e.g. refinery turnarounds). Strategic risks are not inherently undesirable as they typically contain both upside and downside risk potential.
- The third category of risks, preventable risks, consists of various risk classes that arise within the organization and are mostly controllable. In general, Neste does not gain strategic benefits from taking these risks.

Risk governance



Risk governance

The Neste Board of Directors has the ultimate accountability for risk oversight. Among other duties the Board is in this role responsible for setting the Group's risk appetite and for approving the Risk Management Policy.

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

1st Line of Defense

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

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

2nd Line of Defense

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

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

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

3rd Line of Defense

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

Risk reporting

Risk reporting aims at the transparent, consistent, and comprehensive communication of risk status in different areas. As a result of risk reporting, the Company's risk profile can be compared with the defined risk appetite and it can be concluded whether additional risk treatment actions are needed.

Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle.

Formal risk reporting is directed to the Business Unit and Function management teams, the Neste Executive Committee, the Audit Committee, and the Board of Directors. The Corporate risk management team is responsible for aggregating risk information for reporting to different internal and external audiences.

Risks relating to Neste's business

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

External risks – Economic conditions, Geopolitics, Pandemic

Overall market volatility, geopolitical tensions and the risk of an economic slowdown may have an adverse effect on the market conditions for the supply of feedstock and sales of refined products. During 2021, the global economic and financial markets started to recover from the heavy impact brought by the COVID-19 pandemic. The continuing COVID-19 pandemic could bring risks to oil product demand, in the form of slow economic recovery and reintroduction of local virus containment measures ("lockdowns") that started to be implemented in many markets to some extent towards the end of 2021. This, in combination with ample global refining capacity could continue to pressure refining margins globally.

The OPEC+ plan to taper its crude production cuts continues until later 2022. Any additional supply cuts from the OPEC+ as well as continued sanctions on oil exports from Iran and Venezuela, could narrow the discount of Urals relative to Brent crude oil, with negative impact on Neste's business.

Natural gas prices reached record highs in Europe in 2021 due to limited Russian supplies, and led to rising utility costs at Neste's refinery as well as an increase in EU ETS allowance prices. Further increase in natural gas prices, for instance through a particularly cold winter, could continue to negatively impact Neste's business.

Renewable fuels policies in the EU continued to take concrete shape as the transposition of the Renewable Energy Directive II into national legislation has been successfully concluded in a number of Member States. In the United States, existing state-level policies like California's LCFS program and US federal-level Renewable Fuel Standard in combination with the Blenders Tax Credit adopted through 2022, made for a fairly stable regulatory environment for biofuels.

External risks – Environment

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

External risks – Laws and regulation

Changing regulation presents both an opportunity and threat to Neste's business. Neste's refining operations and products are subject to extensive regulation (incl. environmental, health & safety, sustainability). General regulatory requirements in areas like commodity trading and data protection have also contributed to the formalization of operating procedures.

Neste's business units mainly benefit from increased support for biofuels and renewable fuels (for example requirements that relate to renewable content in diesel and gasoline). However, changes in regulation especially in the European Union and the United States also create uncertainties as these may influence the speed at which the demand for renewable products develops, and new raw materials sources are brought into use. For the renewable products, a significant source of uncertainty is fragmented regulation around the acceptability and use of waste and residue feedstock.

Risks relating to strategic choices and strategy implementation

The majority of strategic risks relate to the viability of strategic choices and risks in strategy implementation. Opportunities and threats may arise from changes in the competitive landscape or from internal decision making and use of technology.

Neste's competitive position in the selected key markets is good. Neste's proprietary NEXBTL production technology is a proven technology for producing high-quality diesel from renewable raw materials. However, there is no assurance that this competitive position will continue as new players enter the market, current competitors develop their technologies or customer preferences for clean mobility change. In addition to the development of alternative feedstocks and production technologies for liquid fuels, the evolution of engine technologies and introduction of alternative powertrains can be faster than expected.

Staying ahead of competition requires continuous improvement, the ability to challenge current business models and a strong focus on innovations such as new production technology and feedstock platforms. In addition, Neste's products and services must continuously meet customer requirements relating e.g. to product quality and sustainability. Evolving customer requirements together with more complex sourcing and logistics networks and production methods increase the exposure to quality risks that need to be managed well in order to maintain the high-quality brand image. As risk mitigation, Neste has implemented systematic quality management measures both in its own operations and in partner networks.

Strong governance practices and the continued contributions of Neste's senior management, personnel and partners are vital for the company's success. Due to fierce competition for talent, there is a risk that Neste may not be able to recruit and retain the highly skilled employees that are needed for strategy deployment and successful operations in the future. There is also a risk that Neste will not be able to build and manage strategic partnerships that contribute to future success.

Project risks
Successful projects play a key role in Neste's strategy deployment, operational development, and the digitalization of processes. Significant delays in project planning or execution may reduce operational efficiency or impair Neste's ability to secure its competitive position.

Business continuity risks
Neste's business is dependent to a significant extent on its refineries in Finland (Porvoo), Singapore and the Netherlands (Rotterdam). In addition to the planned maintenance turnarounds, for example disruptions in the supply of utilities or breakdown of critical machinery may cause unexpected shutdowns that affect Neste's ability to fulfill demand for end products.

The vessels chartered to Neste or owned by Neste are subject to inherent risks like maritime disaster, damage to the environment and loss of or damage to cargo and property. Such events can be caused by multiple factors, such as adverse weather conditions or mechanical failures.

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

The extent of the disrupting impact that COVID-19 has had on the commodity and financial markets has challenged many industries and companies. In the oil & energy industry the pandemic has caused a global demand shock, increased the uncertainty with regard to the climate policies and targets and emphasized the need for Company-level business continuity arrangements. The economic and social impacts of the pandemic have also affected Neste's business environment and operating practices. Therefore, there has been an increased focus on business continuity both at Neste's own offices and sites and in the customer interface and supply chains.

Market risks
Commodity markets have been and are expected to continue to be very volatile. General market turbulence may result in unexpected swings in the market prices of crude oil and other raw materials. It is also expected that the high demand for different waste & residue feedstock streams continues as competitors are increasing their production capacity for renewable products.

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

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

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

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

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

Credit risk
Credit and counterparty risk arises from sales, hedging, and trading transactions, as well as cash investments. The risk is linked to the potential failure of a counterparty to meet its contractual payment obligations, and is therefore dependent on the creditworthiness of the counterparty and the size of the exposure concerned. In order to manage the risk, Neste has implemented systematic controls for counterparty screening and monitoring.

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

ICT and cyber risks
Digitalization and emerging technologies (for example the use of artificial intelligence and robotics) offer opportunities to automate dangerous or error-prone tasks and increase the efficiency of operations. At the same time, the increasing sophistication of cyber threats and generally rising frequency of attacks targeted at oil & gas companies is also a concern for Neste. Cyber risks multiply the impact of other risks and as individual risks could also have a major negative impact on Neste's reputation or continuity of business operations.

The reliability of the key IT systems and partnerships is essential for continuous business operations. Prolonged disruption in the availability of the key systems, data or interfaces could limit Neste's ability to conduct its business operations in a profitable, efficient and controlled manner.

Risk management focus in 2021
In 2021, special risk management initiatives focused on risk support for major investments, M&A transactions and business model changes.

Neste Remuneration Report 2021

Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2021 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year of 2021 and describing how the Remuneration Policy approved by the 2020 Annual General Meeting of Shareholders (AGM) has been implemented in practice. This Remuneration Report has been prepared in accordance with the Finnish Corporate Governance Code 2020, and the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act, and the Decree of the Ministry of Finance. The report will be presented at the 2022 AGM of Neste for an advisory shareholder vote.

Our approach to remuneration and link to sustainability

Our purpose as a Personnel and Remuneration Committee is to ensure that remuneration programs at Neste reflect our longstanding remuneration principles of supporting the business strategy, paying for performance, encouraging value-based behavior and individual accountability, and paying competitively and fairly.

Based on our remuneration principles we have designed our remuneration policies, practices and processes to ensure that we are able to compete and retain the best workforce, talents and senior management in the diverse markets in which we operate. We believe that our performance-based remuneration programs together with selecting the right individuals for key positions, versatile career progression, proactive succession planning and appropriate market competitive rewarding are key to our success also in the future.

Neste's safety culture has been developed systematically for several years and the measures related to the improvement in both process and personnel safety constitute 20% of the short-term incentives' measures. Similarly, Neste's commitment to our strategic sustainability targets is also reflected in our long-term incentives plan where 20% of measures are based on our combined Greenhouse Gas impact.

Our remuneration structure aims to reinforce and support our key strategic target to become a global leader in renewable and circular solutions, which will support sustainable, long-term value creation for all stakeholders. For our President and CEO a significant proportion of remuneration is derived from variable pay to ensure that there is strong alignment between sustainable value creation for shareholders, company performance and reward. The Board of Directors sets the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational, ESG and strategic measures.

Neste performance in 2021

In a pandemic which continued to significantly disrupt our lives in 2021, Neste was able to deliver a comparable operating profit of EUR 1,342 million and make clear advances in its drive to become a global leader in renewable and circular solutions.

The performance measure for Performance Share Plan (PSP) 2019–2021 has been relative Total Shareholder Return (relative TSR) of Neste share compared to the STOXX Europe 600 index between 2019 and 2021. Neste Total Shareholder Return was at the 72nd percentile compared to the index.

Application of the Remuneration Policy in 2021

The remuneration for the Board of Directors and the CEO during the financial year 2021 was executed in accordance with the 2020 Remuneration Policy. No deviations from the Remuneration Policy have been made and no remuneration of the Board of Directors or the CEO has been reclaimed or restated during the financial year 2021.

Advisory Shareholder vote regarding the Remuneration Report 2020 and shareholder engagement

At the Annual General meeting in 2021, 95% of the Neste Shareholders supported the Neste Remuneration Report 2020.

Looking ahead to 2022

During 2021 the Personnel and Remuneration Committee of Neste conducted a thorough total remuneration benchmarking review regarding Neste remuneration plans to strengthen our pay for performance approach on remuneration and to ensure the competitiveness and attractiveness as an employer in the international markets where Neste operates.

Neste President and CEO Peter Vanacker will be stepping down during 2022 and I would like to thank him for his excellent service to Neste. The Committee has taken the opportunity to update the future CEO profile and has started the search for the best candidate to continue the execution of our strategy.

Matti Kähkönen
Chair of the Personnel and Remuneration Committee

Neste Personnel and Remuneration Committee

Matti Kähkönen
Chair of the Personnel and Remuneration Committee

Committee members during 2021:

- **Martina Flöel**
- **Jean-Baptiste Renard**
- **Johanna Söderström**

Remuneration of the Board of Directors for the previous financial year

Remuneration paid to the members of the Board in 2021

	Board fees (EUR)	Meeting attendance fees (EUR)	Total (EUR)
Matti Kähkönen, Chair	67,900	12,600	80,500
Marco Wirén, Vice Chair	49,600	13,800	63,400
John Abbott*	27,034	12,600	39,634
Sonat Burman-Olsson**	19,878	7,200	27,078
Nick Elmslie	35,700	15,600	51,300
Martina Flöel	35,700	17,400	53,100
Jari Rosendal	35,700	11,400	47,100
Jean-Baptiste Renard	35,700	16,200	51,900
Johanna Söderström	35,700	12,600	48,300

* Member of Board since 30 March, 2021
** Member of the Board until 21 July, 2021

Remuneration has been paid from the parent company.

The meeting attendance fees include meeting fees paid due to special tasks set by the Board of Directors, but not travel expenses.

Details of the shareholdings of the Board of Directors are shown in the web pages. These shares are personally acquired. On March 30th 2021, the 2021 AGM confirmed the following annual fees for the members of the Board of Directors.

Chair	67,900 EUR per annum
Vice Chair	49,600 EUR per annum
Member	35,700 EUR per annum

In addition to the annual fees, members of the Board of Directors received a meeting fee of EUR 600 for each meeting held in the member's home country and EUR 1,200 for each meeting held in another country, plus compensation for expenses in accordance with the Company's travel guidelines. The meeting fee for telephone meetings was paid according to the fee payable for meetings held in each member's home country.

Remuneration of the President and CEO in 2021

The remuneration of the CEO consists of fixed annual remuneration, such as base salary and fringe benefits and variable remuneration, such as short- and long-term incentives plans. The table below includes the taxable value of the remuneration in each year.

	Fixed Annual Remuneration	Variable Remuneration			Total Remuneration	Proportion of fixed and variable remuneration
			Long-term incentive plans			
Peter Vanacker	Fixed Annual Salary*	Short-term incentive plan	Cash	Shares	Total Annual Compensation	
Paid during 2021 (based on financial year 2020 performance)	972,150.00	215,931.59	288,385.18	569,890.49	2,046,357.26**	48% / 52%
Paid during 2020 (based on financial year 2019 performance)	925,440.00	311,271.48	190,907.70	377,197.17	1,804,816.35**	51% / 49%

* Benefits and vacation pay included in fixed remuneration.

** In 2021, as well as in 2020, the long-term share incentive rewards paid out to the President and CEO was limited to ensure that the total value of incentives (short-term and long-term incentives combined) does not exceed 1.2 times fixed annual base salary. The table above includes the taxable value of the paid remuneration and therefore the total value of incentives may deviate from 1.2 times fixed annual base salary.

Remuneration has been paid from the parent company.

Variable, performance-based pay, meaning short- and long-term incentives, forms a substantial part of the President and CEO's total remuneration. In 2021, the paid short- and long-term incentives formed 52 percent of total compensation and the fixed annual salary 48 percent.

The retirement age of the President and CEO is set according to the Finnish Employee's Pension Act (TyEL); he does not have an additional pension scheme. No other financial benefits were paid to the President and CEO in 2021.

Short-term incentives

The maximum short-term incentive for the President and CEO was 40 percent of annual base salary both in 2020 and in 2021. In 2020 the short-term incentive was based on Comparable EBIT with 60% weight, Comparable Free Cash Flow with 20% weight and safety measures of TRIF and PSER with 10% weight. In 2021 the Comparable Free Cash Flow was replaced with Free Cash Flow. The President and CEO's achievement ratio for the short-term incentives for the year 2020 paid in March 2021 was 22.4 percent.

Details of the short-term incentive plan award for the President and CEO for 2020 paid in March 2021:

President and CEO 2020 STI		**2020 results**
Weighting	Measures	Level of achievement
60%	Group comparable EBIT	Between threshold and target
20%	Comparable Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	Between target and maximum
	Total	Between target and maximum

The achievement ratio for the year 2021 to be paid in 2022 is 26.6 percent and the incentive payment of EUR 261,179 will be paid in March 2022.

Details of the short-term incentive plan award for the President and CEO for 2021:

President and CEO 2021 STI		**2021 results**
Weighting	Measures	Level of achievement
60%	Group comparable EBIT	Between threshold and target
20%	Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	At maximum
	Total	Between target and maximum

Details of the short-term incentive plan award for the President and CEO for 2022, potential reward payment in March 2023:

President and CEO 2022 STI	
Weighting	Measures
50%	Group comparable EBITDA
20%	Free Cash Flow
10%	Adjusted ROACE
10%	Group Safety (TRIF)
10%	Group Process Safety (PSER)

Adjusted ROACE was introduced to measure how efficiently Neste uses its capital to generate profits from its current active operations.

Long-term incentives

The share-based incentive payment for the President and CEO during the year 2021 was based on the Performance Share Plan 2018–2020. The maximum long-term incentive reward for the President and CEO at grant was 33,600 shares. Performance measures for the plan were cumulative comparable free cash flow (75% weight) and the relative total shareholder return of Neste shares compared to the STOXX Europe 600 index (25% weight).

Performance Share Plan 2018–2020

Weighting	Measure	How the targets were set	Level of achievement
75%	Cumulative Group Comparable Free Cash Flow	The Board of Directors set the performance requirements for threshold, target and maximum levels.	Maximum was achieved
25%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors set the performance requirements for threshold and maximum levels.	Above upper quartile

The achievement ratio for the PSP 2018–2020 was 100 percent and 10,598 net shares were delivered to the President and CEO. The total value of short- and long-term incentives was capped to 1.2 times fixed annual base salary and the gross number of payable shares was cut in order for the total amount of variable pay not to exceed this limit. The share price on the share delivery date of March 15, 2021 was 53.77 EUR.

Performance Share Plan 2019–2021

Weighting	Measure	How the targets were set	Level of achievement
100%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors set the performance requirements for threshold and maximum levels.	72nd percentile

As President and CEO Peter Vanacker has given notice of his resignation from the company, the share allocation to him has been canceled.

Other ongoing Performance Share Plans

PSP 2020–2022: Number of original shares granted was 31,600, Performance measure is Total Shareholder Return (TSR, weight 100%) versus STOXX Europe 600 index, shares will vest in March 2023, with no post-vesting holding period applicable. The share allocation to the President and CEO has been canceled.

PSP 2021–2023: Number of original shares granted was 18,600, Performance measures are Relative Total Shareholder Return 2021–2023 (TSR, weight 80%) versus the STOXX Europe 600 index and Combined Greenhouse Gas Impact 2021–2023 (GHG, weight 20%) measured cumulatively in CO_2 equivalent, shares will vest in March 2024, with no post-vesting holding period applicable. The share allocation to the President and CEO has been canceled.

Performance Share Plan 2022–2024

Weighting	Measure	How the targets were set
80%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors has set the performance requirements for threshold and maximum levels.
20%	Combined Greenhouse Gas Impact 2022–2024	The Board of Directors has set the performance requirements for threshold, target and maximum levels.

Performance Share Plans President and CEO Peter Vanacker

Performance Share Plan	Grant date	Number of shares originally granted	Vesting date	Number of gross shares vested*	End of the holding period	Notes
PSP 2016–2018	1.9.2018	48,000 shares	23.9.2019	39,123 shares	16.3.2022	
PSP 2017–2019	1.9.2018	24,534 shares	16.3.2020	22,717 shares	16.3.2021	
PSP 2018–2020	1.9.2018	33,600 shares	30.4.2021	15,961 shares	16.3.2022	
PSP 2019–2021	24.4.2019	40,300 shares	31.3.2022	xx	31.3.2022	As President and CEO Peter Vanacker has given notice of his resignation from the company, the share allocation for him has been canceled
PSP 2020–2022	6.2.2020	31,600 shares	31.3.2023	xx	31.3.2023	
PSP 2021–2023	11.12.2020	18,600 shares	31.3.2024	xx	31.3.2024	

* This number of shares represents a gross earning, from which the applicable payroll tax is withheld and the remaining net value is paid to the recipients in shares.

Remuneration and company performance over the last five financial years

Average compensation EUR		2017	2018	2019	2020	2021
Chair of the Board	Annual Board fee	66,000	66,000	66,000	67,900	67,900
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
Vice Chair of the Board	Annual Board fee	49,200	49,200	49,200	49,600	49,600
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
Other members of the Board	Annual Board fee	35,400	35,400	35,400	35,700	35,700
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
President and CEO (taxable value of the remuneration in each year)	Matti Lievonen (until 10/2018)	2,540,360	2,497,774			
	Peter Vanacker (from 11/2018)		150,040	2,131,983	1,804,816	2,046,357
Average Neste employee*		54,822	57,830	58,378	71,216**	78,044***
Company performance Comparable operating profit (MEUR)		1,101	1,422	1,962	1,416	1,342

* Average Neste employee includes all wages and salaries incl. incentive payments (LTI based on accounting value) without indirect employee costs (social security costs, pension costs, other costs) divided by the average number of personnel during the year.

** Cost provision for personnel arrangements relating to the Naantali refinery closure of 22 MEUR has been eliminated from wages and salaries before calculating the average.

*** The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of 11 MEUR has been eliminated from wages & salaries before calculating the average. The average compensation between 2019 and 2020 has increased partly due to the divestment of Neste operations in Russia in 2019 covering 1,133 employees, and between 2020 and 2021 due to personnel decreases related to the closure of Naantali refinery. Simultaneously, strategic headcount increase has focused on white collar and higher employee cost markets.

Review by the Board of Directors

Review by the Board of Directors 2021 144

Key figures 162

Calculation of key figures 164

Review by the Board of Directors 2021

Neste ended year 2021 with an excellent performance in all business units. Our business proved to be very resilient amid the continued COVID-19 pandemic, scheduled maintenance and high utility and feedstock costs in 2021. We posted a solid comparable operating profit of EUR 1,342 million, compared to EUR 1,416 million in the previous year. Renewable Products was able to improve its sales volumes and sales margin despite having several scheduled shutdowns, but was negatively impacted by a weaker US dollar and higher fixed costs. The refining market recovered and Oil Products was able to exceed the previous year's result despite the largest ever turnaround implemented at the Porvoo refinery and the closure of the Naantali refinery. Also Marketing & Services improved its performance compared to the previous year. The return on average capital employed (ROACE) was 15.5% and our leverage ratio 0.6% at the end of the year. Our cash flow before financing activities was very solid at EUR 511 million in a year of significant investments and acquisitions. The solid financial position enables the implementation of our growth strategy going forward while continuing to reward our shareholders.

During the year we continued executing our strategy by agreeing on numerous partnerships and acquisitions to grow our three renewables businesses – Aviation, Polymers and Chemicals and Road Transportation – and expanding our global access to waste and residues. We also broadened our sustainability vision to include climate, biodiversity, human rights and our supply chain and raw materials. As announced in our Capital Markets Day in September, we have set a target to make Porvoo the most sustainable refinery in Europe by 2030. Our Singapore renewables capacity expansion investment project is currently on schedule for start-up by the end of the first quarter 2023. The EUR 1.5 billion investment is planned to increase our nameplate production capacity to 4.5 million tons annually. Together with our Rotterdam Sustainable Aviation Fuel (SAF) optionality project, we expect to reach SAF production capability of 1.5 million tons/a by the end of 2023. The project for a possible next worldscale renewables refinery in Rotterdam is in the engineering phase. During 2021 we acquired Bunge's pretreatment facility in Rotterdam and Agri Trading in the US to strengthen our feedstock sourcing platform, and announced an agreement to sell our base oils business. All of these actions support our strategic transformation and we are making good progress in our journey to become a global leader in renewable and circular solutions. The Board of Directors will propose a dividend of EUR 0.82 per share (0.80) for 2021, totaling EUR 630 million (614 million).

Figures in parentheses refer to the financial statements for 2020, unless otherwise noted.

The Group's results for 2021

Neste's revenue in 2021 totaled EUR 15,148 million (11,751 million). The change in revenue resulted from higher market and sales prices, which had a positive impact of approx. EUR 6.6 billion, and lower sales volumes mainly due to the Porvoo refinery major turnaround, which had a negative impact of approx. EUR 2.9 billion on the revenue. Additionally, a weaker US dollar had a negative impact of approx. EUR 300 million on the revenue.

The Group's comparable operating profit was EUR 1,342 million (1,416 million). Renewable Products' comparable operating profit was EUR 1,238 million (1,334 million), lower that in 2020 mainly due to the weaker US dollar and higher fixed costs. Despite the Porvoo refinery major turnaround, Oil Products' reached a comparable operating profit of EUR 71 million (50 million) in the improved refining market. Marketing & Services' comparable operating profit was EUR 74 million (68 million) as a result of higher sales volumes and unit margins. The Others segment's comparable operating profit was EUR -35 million (-37 million).

The Group's operating profit was EUR 2,023 million (828 million), which was impacted by inventory valuation gains of EUR 573 million (losses of 119 million), and changes in the fair value of open commodity and currency derivatives totaling EUR 106 million (-112 million), mainly related to margin hedging. Profit before income taxes was EUR 1,962 million (786 million), and net profit EUR 1,774 million (714 million). Comparable earnings per share were EUR 1.54 (1.60), and earnings per share EUR 2.31 (0.93).

Group key figures, MEUR	**2021**	**2020**
Comparable operating profit	1,342	1,416
- inventory valuation gains/losses	573	-119
- changes in the fair value of open commodity and currency derivatives	106	-112
- capital gains/losses	3	-42
- impairments	0	0
- other adjustments	-1	-314
Operating profit	2,023	828

Revenue	**2021**	**2020**
Renewable Products	5,895	4,270
Oil Products	7,810	6,063
Marketing & Services	3,803	3,055
Others	170	177
Eliminations	-2,530	-1,813
Total	15,148	11,751

Comparable operating profit	2021	2020
Renewable Products	1,238	1,334
Oil Products	71	50
Marketing & Services	74	68
Others	-35	-37
Eliminations	-6	1
Total	1,342	1,416

Operating profit	2021	2020
Renewable Products	1,723	1,239
Oil Products	263	-396
Marketing & Services	77	68
Others	-34	-84
Eliminations	-6	1
Total	2,023	828

Financial targets

Return on average capital employed after tax (ROACE) and leverage ratio are Neste's key financial targets. ROACE figures are based on comparable results. The company's long-term ROACE target is 15%, and the leverage ratio target is below 40%. At the end of December 2021, ROACE calculated over the last 12 months was 15.5%, and leverage ratio remained well below the 40% target.

	31 Dec 2021	31 Dec 2020
Return on average capital employed after tax (ROACE)*, %	15.5	17.3
Leverage ratio (net debt to capital), %	0.6	-4.7

* Last 12 months

Cash flow, investments, and financing

The Group's net cash generated from operating activities totaled EUR 1,994 million (2,057 million) in 2021 despite the increase in net working capital. Cash flow before financing activities was EUR 511 million (1,019 million), mainly due to the higher capital expenditure compared to 2020. The Group's net working capital in days outstanding was 33.3 days (35.0 days) on a rolling 12-month basis at the end of 2021.

	2021	2020
EBITDA	2,607	1,508
Capital gains/losses	0	-1
Other adjustments	-118	277
Change in net working capital	-362	460
Finance cost, net	-39	-54
Income taxes paid	-95	-133
Net cash generated from operating activities	1,994	2,057
Capital expenditure	-1,298	-972
Other investing activities	-186	-67
Free cash flow (Cash flow before financing activities)	511	1,019

Cash-out investments excluding M&A were EUR 976 million (762 million), and totaled EUR 1,299 (995 million) including M&A in 2021. Maintenance investments accounted for EUR 411 million (190 million) and productivity and strategic investments for EUR 888 million (805 million). Renewable Products' investments were EUR 877 million (670 million), mainly related to the Singapore refinery capacity expansion project, and the acquisitions made in the segment. Oil Products' investments amounted to EUR 380 million (250 million), with the largest projects being the Porvoo refinery turnaround related investments. Marketing & Services' investments totaled EUR 13 million (17 million). Investments in the Others segment were EUR 29 million (59 million), concentrating on IT and business infrastructure upgrades.

Interest-bearing net debt was EUR 41 million at the end of December 2021, compared to EUR -265 million at the end of 2020. The average interest rate of borrowing at the end of December was 1.2% (1.9%) and the average maturity 3.7 (2.1) years. At the end of the year the Net debt to EBITDA ratio was 0.0 (-0.2).

The leverage ratio was 0.6% at the end of December 2021 (31 Dec 2020: -4.7%). The Group's strong financial position enables implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

The Group's liquid funds and committed, unutilized credit facilities amounted to EUR 3,066 million at the end of December 2021 (31 Dec 2020: 2,922 million). There are no financial covenants in the Group companies' current loan agreements.

In accordance with the hedging policy, Neste hedges a large part of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar. At the end of December 2021 the Group's foreign currency hedging ratio was approximately 50% of the sales margin for the next 12 months.

US dollar exchange rate	2021	2020
EUR/USD, market rate	1.18	1.14
EUR/USD, effective rate *	1.18	1.14

* The effective rate includes the impact of currency hedges.

Segment reviews

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

Renewable Products

Key financials	2021	2020
Revenue, MEUR	5,895	4,270
EBITDA, MEUR	1,950	1,423
Comparable EBITDA, MEUR	1,460	1,518
Operating profit, MEUR	1,723	1,239
Comparable operating profit, MEUR	1,238	1,334
Net assets, MEUR	4,748	3,470
Return on net assets*, %	40.9	36.3
Comparable return on net assets*, %	29.4	39.1

* Last 12 months

Key drivers	2021	2020
Comparable sales margin, including BTC, USD/ton	715	703
Biomass-based diesel (D4) RIN, USD/gal	1.50	0.63
California LCFS Credit, USD/ton	178	200
Palm oil price*, USD/ton	999	645
Waste and residues' share of total feedstock, %	92	83

* CPO BMD 3rd, Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price

Waste and residue prices were rising during the first half of 2021 following the uptrend in vegetable oils. Over the second half of the year price developments diverged depending on the region. The European animal fat (AF) and used cooking oil (UCO) prices started to come down from the record-high levels in the autumn. On the other hand, US prices continued to increase supported by the growing biofuels production capacity. Asia-Pacific AF markets continued to strengthen due to the combined impact of tight supply and strong demand for exports. Towards the end of the year European waste and residue prices started to rise again on the back of good demand. The vegetable oil prices increased throughout the year lead by soybean oil (SBO) first and crude palm oil (CPO) later in the year. The palm oil gasoil price differential (POGO) started the year at a high level and declined mid-year as CPO prices came down significantly due to signs of healthy production recovery. However, this development was short lived as CPO prices moved significantly up again as a result of a weaker production outlook following labor shortages and increasing fertilizer prices.

The US Renewable Identification Number (RIN) D4 price mirrored the SBO price development with a gradual increase through mid-year before coming down during the second half of the year when the market was waiting for the final biofuel mandate for 2021. In December, the US Environmental Protection Agency (EPA) released a proposal for the 2020–22 volume mandates, which gave a small boost to the RIN prices. The California Low Carbon Fuel Standard (LCFS) credit price declined during the year starting from a high level of approximately USD 200/ton and ending at a level of USD 150/ton. This reflected the weaker than expected fuel demand recovery and an outlook for increased supply of renewables to the Californian market.

Renewable Products' full-year comparable operating profit was EUR 1,238 million (1,334 million). The comparable sales margin was slightly higher than in 2020, supported by an outstanding sales performance. The higher sales margin had a positive impact of EUR 36 million on the comparable operating profit year-on-year. The US Blender's Tax Credit (BTC) contribution was EUR 295 million (231 million) in 2021. Sales volumes were 3.021 million tons in 2021, about 2% higher than in the previous year, and enabled by a new annual production record. This performance provides the basis for the increase our nameplate production capacity from 3.2 million to 3.3 million tons. Higher sales volumes had a positive impact of EUR 33 million on the comparable operating profit compared to 2020. During 2021 approximately 65% (71%) of sales volume went to Europe and 35% (29%) to North America. The share of 100% renewable diesel delivered to end-users was 27% (30%) of total volumes in full-year 2021. Our feedstock mix optimization continued, and the average proportion of waste and residue inputs increased to 92% (83%). A weaker USD had a negative impact of EUR 54 million on the segment's comparable operating profit compared to 2020. During 2021 the segment's fixed costs were EUR 68 million higher than in the previous year, mainly due to the expansion of our Renewable Aviation and Renewable Polymers and Chemicals business units and as we continued to build up our organization to prepare for future growth.

Production	2021	2020
Neste Renewable Diesel, 1,000 ton	3,005	2,993
Other products, 1,000 ton	256	239
Utilization rate, %	94	94

Sales	2021	2020
Neste Renewable Diesel, 1,000 ton	3,021	2,966
Share of sales volumes to Europe, %	65	71
Share of sales volumes to North America, %	35	29

Oil Products

Key financials	2021	2020
Revenue, MEUR	7,810	6,063
EBITDA, MEUR	546	29
Comparable EBITDA, MEUR	353	312
Operating profit, MEUR	263	-396
Comparable operating profit, MEUR	71	50
Net assets, MEUR	2,045	1,848
Return on net assets*, %	11.9	-16.8
Comparable return on net assets*, %	3.2	2.1

* Last 12 months

Key drivers	2021	2020
Reference refining margin, USD/bbl	3.75	0.61
Additional margin, USD/bbl	5.23	6.94
Total refining margin, USD/bbl	8.99	7.55
Urals-Brent price differential, USD/bbl	-1.87	-0.62
Urals' share of total refinery input, %	65	68

Crude oil prices were on a rising trend during 2021, and Brent traded between USD 50/bbl and 86/bbl. Oil demand was still under pressure due to the COVID-19 pandemic, but recovered significantly from 2020 supported by increased road mobility and industrial production. OPEC+ countries gradually reduced their oil production cuts. These drivers, together with rising equity markets, gave support to oil prices. Brent price was USD 78/bbl at the year-end after peaking at USD 86/bbl during the early fourth quarter until the new Omicron-variant caused uncertainty in the markets.

The Russian Export Blend (REB) crude averaged USD 1.9/bbl lower than Brent in 2021, and USD 1.7/bbl lower during the fourth quarter. The REB-Brent price differential was again volatile during 2021. As OPEC+ gradually reduced their production cuts during the year, heavier crudes were brought to the market. This combined with the rising crude oil price and weakening fuel oil margins pushed REB prices to lower levels.

Overall the refining margin increased during 2021 as recovering demand and several refinery closures reduced product inventories and supported margins. Margins were still very low during the first half of the year, but increased during the second half. The gasoline margin was the strongest part of the barrel as middle distillate margins only started to increase during the late autumn, when high natural gas prices started to impact diesel production. It is important to note that high natural gas, electricity and emission allowance prices negatively impacted overall refining economics from the summer onwards, partly offsetting the impact of improving reference refining margin. Neste reference margin averaged USD 3.8/bbl in 2021 and USD 7.0/bbl in the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 71 million (50 million). Oil product demand improved year-on-year, but was still negatively impacted by the COVID-19 pandemic especially in the aviation sector. The reference margin averaged USD 3.8/bbl (0.6/bbl) in 2021. The higher reference margin had a positive impact of EUR 236 million on the comparable operating profit year-on-year. Our additional margin was negatively impacted by the significantly higher utility costs and the lack of contango inventory profits, and it averaged USD 5.2/bbl (6.9/bbl). The lower additional margin had a negative impact of EUR 196 million compared to the previous year, and EUR 93 million of that was caused by the high utility costs. Due to the Porvoo refinery major turnaround implemented in the second quarter and the Naantali refinery closure at the end of March, our sales volumes were significantly lower than in 2020. The lower sales volumes had a negative impact of EUR 114 million on the comparable operating profit year-on-year. Profitability of our specialty products business was strong in 2021. A weaker USD exchange rate had a negative impact of EUR 21 million on the comparable operating profit compared to 2020. During the year 2021 the segment's fixed costs were EUR 52 million lower than in the previous year, supported by the Naantali refinery closure.

Production	2021	2020
Refinery		
Production, 1,000 ton	9,504	12,791
Utilization rate, %	72	84
Refinery production costs, USD/bbl	6.8	4.7
Bahrain base oil plant production (Neste's share), 1,000 ton	211	178

Sales from in-house production, by product category (1,000 t)	2021	%	2020	%
Middle distillates*	4,823	48	6,282	47
Light distillates**	3,420	34	4,510	34
Heavy fuel oil	1,000	10	1,309	10
Base oils	386	4	441	3
Other products	421	4	813	6
Total	10,051	100	13,354	100

* Diesel, jet fuel, heating oil, low sulphur marine fuels
** Motor gasoline, gasoline components, LPG

Sales from in-house production, by market area (1,000 t)	2021	%	2020	%
Baltic Sea area*	6,264	62	7,830	59
Other Europe	2,485	25	4,395	33
North America	864	9	784	6
Other areas	438	4	345	2

* Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

Marketing & Services

Key financials	2021	2020
Revenue, MEUR	3,803	3,055
EBITDA, MEUR	106	96
Comparable EBITDA, MEUR	103	96
Operating profit, MEUR	77	68
Comparable operating profit, MEUR	74	68
Net assets, MEUR	212	192
Return on net assets*, %	38.1	31.0
Comparable return on net assets*, %	36.6	31.0

* Last 12 months

Marketing & Services segment's full-year comparable operating profit was EUR 74 million (68 million). The road transportation fuel demand followed a normal seasonality pattern during the year, and the volumes generally increased from 2020, which was significantly impacted by the COVID-19 pandemic and related restrictions. The aviation and marine fuel demand were still below the previous year's level. Our sales volumes were higher than in the year 2020, which had a positive impact of EUR 4 million on the comparable operating profit. We were also able to improve our average unit margins, which had a positive impact of EUR 5 million year-on-year. The cost saving programs continued successfully, and the segment's fixed costs were only EUR 3 million higher compared to the low level in 2020.

Sales volumes by main product categories, million liters	2021	2020
Gasoline, station sales	612	603
Diesel, station sales	1,629	1,559
Heating oil	663	666

Net sales by market area, MEUR	2021	2020
Finland	2,896	2,352
Baltic countries	908	703

Others

Key financials	2021	2020
Operating profit, MEUR	-34	-84
Comparable operating profit, MEUR	-35	-37

The Others segment consists of Neste Engineering Solutions, and common corporate costs. The full-year comparable operating profit of the Others segment totaled EUR -35 million (-37 million).

Shares, share trading, and ownership

Neste's shares are listed at NASDAQ Helsinki Ltd. The share price closed the year at EUR 43.36, down by 26.7% compared to the end of 2020. The total shareholder return (TSR) was -25.4% (94.0%) in 2021. At its highest during 2021, the share price reached EUR 64.74, while the lowest price was EUR 41.17. Market capitalization was EUR 33.4 billion as of 31 December 2021. An average of 0.98 million shares were traded daily, representing 0.1% of the company's shares.

At the end of December 2021, Neste held 1,241,662 treasury shares. Neste's share capital registered with the Trade Register totaled EUR 40 million, and the total number of shares was 769,211,058.

The Board of Directors has no authorization to issue convertible bonds or share options.

As of 31 December 2021, the State of Finland owned directly 35.9% (35.9% at the end of 2020) of outstanding shares, foreign institutions 39.6% (40.2%), Finnish institutions 17.0% (16.4%), and households 7.5% (7.5%).

Largest shareholders as of 31 December 2021

Shareholder	Shares	% of shares
State of Finland / Prime Minister's Office	276,213,495	35.91%
The Finnish Climate Fund	63,894,123	8.31%
Varma Mutual Pension Insurance Company	10,550,615	1.37%
Ilmarinen Mutual Pension Insurance Company	8,038,000	1.05%
The Finnish Social Insurance Institution	7,945,272	1.03%
City of Kurikka	4,652,625	0.60%
Elo Mutual Pension Insurance Company	3,707,974	0.48%
The State Pension Fund	2,250,000	0.29%
Danske Invest Finnish Equity Fund	1,490,000	0.19%
OP-Finland	1,305,180	0.17%
Neste Corporation	1,241,662	0.16%
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	972,000	0.13%
Nordea Fennia Fund	877,733	0.11%
Stiftelsen för Åbo Akademi	805,514	0.10%
Alhopuro Eero Sakari	732,150	0.10%
Nordea Nordic Fund	703,070	0.09%
Nordea Pro Finland Fund	630,877	0.08%
Jenny and Antti Wihuri Foundation	630,000	0.08%
Finnish Cultural Foundation	575,592	0.07%
Sakari Alhopuro Foundation	572,315	0.07%
20 largest shareholders total	387,788,197	50.41%
Nominee registered	303,890,241	39.51%
Others	77,532,620	10.08%
Number of shares, total	769,211,058	100.00%

Breakdown of share ownership as of 31 December 2021

By the number of shares owned

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1–100	51,246	47.9%	1,852,540	0.2%
101–500	31,825	29.7%	8,318,907	1.1%
501–1,000	10,539	9.8%	7,691,985	1.0%
1,001–5,000	11,367	10.6%	23,688,781	3.1%
5,001–10,000	1,303	1.2%	8,878,956	1.2%
10,001–50,000	678	0.6%	12,529,834	1.6%
50,001–100,000	54	0.1%	3,798,471	0.5%
100,001–500,000	48	0.0%	10,633,896	1.4%
500,001–	27	0.0%	691,817,688	89.9%
Total	107,087	100.0%	769,211,058	100.0%
of which nominee registered	12		303,890,241	39.5%

By the owner sector	% of shares
Central government*	44.2%
Non-Finnish shareholders	39.6%
Households	7.5%
General government	5.0%
Financial and insurance companies	1.5%
Corporations	1.0%
Non-profit organizations	1.2%
Total	100.0%

* Includes both State of Finland and The Finnish Climate Fund.

Corporate governance

The control and management of Neste Corporation is divided between shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO). The General Meeting of Shareholders appoints the Board of Directors based on a proposal made by the Shareholders' Nomination Board. The term of office of the Board of Directors will expire at the end of the next Annual General Meeting of Shareholders (AGM) following its election. Neste's President and CEO is appointed and expelled by the Board of Directors.

Changes to the company's Articles of Association can be made at the General Meeting of Shareholders based on a proposal by the Board of Directors.

Neste Corporation's Annual General Meeting (AGM) was held under special arrangement at the Company's headquarters in Espoo on 30 March 2021. In order to prevent the spread of the COVID-19 pandemic, the AGM was held without shareholders' or their proxy representatives' presence at the venue of the meeting. Shareholders and their proxy representatives had the possibility to participate in the meeting and exercise their shareholder rights by voting in advance and by making counter-proposals and presenting questions in advance.

The AGM supported all the proposals presented to the meeting and approved the remuneration report. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2020 and discharged the Board of Directors and the President and CEO from liability for 2020.

Dividend of EUR 0.80 per share paid in two instalments

The AGM approved the Board of Directors' proposal that a dividend of EUR 0.80 per share will be paid on the basis of the approved balance sheet for 2020. The dividend was paid in two instalments.

The first instalment of dividend, EUR 0.40 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend instalment, which was 1 April 2021. The first dividend instalment was paid on 12 April 2021.

The second instalment of dividend, EUR 0.40 per share, was paid to a shareholder registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend instalment, which was 5 October 2021. The second dividend instalment was paid on 12 October 2021.

Composition and remuneration of the Board of Directors

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the number of members of the Board of Directors at nine, following the amendment of the Articles of Association to the effect that the maximum number of Board members was increased from eight to ten.

The AGM decided that the following were re-elected to serve until the end of the next AGM: Mr. Matti Kähkönen, Ms. Sonat Burman-Olsson, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén. Mr. John Abbott was elected as a new member. Sonat Burman-Olsson announced her resignation from the Board of Directors on 27 July 2021.

Mr. Matti Kähkönen was re-elected as Chair and Mr. Marco Wirén was re-elected as Vice Chair. Board member introductions can be found at the company's web site.

Convening right after the AGM, Neste's Board of Directors elected the members of its two Committees. Matti Kähkönen was elected Chair and Martina Flöel, Jean-Baptiste Renard and Johanna Söderström as members of the Personnel and Remuneration Committee. Marco Wirén was elected Chair and John Abbott, Sonat Burman-Olsson, Nick Elmslie and Jari Rosendal as members of the Audit Committee.

The AGM decided on the remuneration to the Board as follows:

- Chair: EUR 67,900 per annum
- Vice Chair: EUR 49,600 per annum
- Member: EUR 35,700 per annum
- Chair of Audit Committee: EUR 49,600 per annum if he or she does not simultaneously act as Chair or Vice Chair of the Board

In addition to the annual fee, members of the Board of Directors receive a meeting fee of EUR 600 for each meeting held in the member's home country and EUR 1,200 for each meeting held in another country, plus compensation for expenses pertaining to the Company's travel guidelines.

Company Auditor

In accordance with a proposal by the Board of Directors, KPMG Oy Ab, Authorized Public Accountants, were appointed as the company's Auditor, with Authorized Public Accountant Ms. Virpi Halonen as the principally responsible auditor for Neste Corporation, until the end of the next AGM. Payment for their services shall be made in accordance with their invoice approved by the Company.

Authorizing the Board of Directors to decide the buyback of Company shares

Under this buyback authorization, the Board was authorized to decide the purchase of and/or take as security a maximum of 23,000,000 Company shares using the Company's unrestricted equity. The number of shares shall be equivalent to approximately 2.99% of the Company's total shares.

Shares may be purchased in one or more lots. The purchase price shall be at least the lowest price paid for Company shares in regulated trading at the time of purchase and no more than the highest price paid for Company shares in regulated trading at the time of purchase. In connection with the buyback of Company shares, derivative, share lending, or other agreements that are normal within the framework of capital markets may take place in accordance with legislative and regulatory requirements and at a price determined by the market. The authorization shall allow the Board to decide to purchase shares otherwise than in proportion to shareholders' current holdings (directed buyback).

Shares so purchased can be used as consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, as part of the Company's incentive program, or be retained, conveyed, or cancelled by the Company.

The Board of Directors shall decide the other terms related to the buyback of Company shares. The buyback authorization shall remain in force for eighteen (18) months from the decision taken by the AGM.

Amendments to the Articles of Association

The AGM approved the Board's proposal to amend the Company's Articles of Association as follows:

Article 4 concerning the Board of Directors was amended so that the maximum number of the members of the Board of Directors will be increased from eight (8) to ten (10) members.

Article 9 concerning the Auditors was amended so that it corresponds to the terminology in the existing legislation on auditing as regards wording.

The last sentence of the first paragraph of Article 10 concerning the notice to the General Meeting of Shareholders was amended so that information about the time and location of the General Meeting as well as the address of the Company's web site may be published in one or more newspapers if the Board of Directors so decides. As a result of the amendment, it will not be necessary to publish the abovementioned information in one or more newspapers (nor within the same period of time with the AGM notice), but the power of decision in the matter will be vested in the Board of Directors.

Due to changes in legislation, the second paragraph of Article 11 concerning Annual General Meeting of Shareholders was amended so that, in addition to the matters to be resolved on in the Annual General Meeting of Shareholders in accordance with the second paragraph of Article 11 of the current Articles of Association, the Annual General Meeting shall, if necessary, resolve on approval of the remuneration policy and approval of the remuneration report.

Neste's Corporate Governance Statement is issued as a separate document.

Innovation

Neste's innovation expenditure totaled EUR 67 million (61 million) in 2021. The growth was largely driven by boosting efforts in developing new innovation business platforms and by higher R&D investments into strategic areas of current renewables businesses. The R&D laboratories were in full operation during the whole year taking necessary precautions due to the continuing pandemic situation.

The new Innovation business platforms, focusing on new feedstock pools such as lignocellulose, algae, municipal waste, carbon dioxide and renewable electricity utilization, continued to grow in 2021, developing co-operations and preparing for technology demonstrations. An example is the MULTiPLHY project at the renewable products refinery in Rotterdam, which entered into execution phase to integrate and operate the world's first high-temperature electrolyzer system provided by Sunfire to demonstrate production of green hydrogen for the refinery's processes. At the end of 2021 Neste received a positive grant decision of EUR 88 million from the EU Innovation Fund for our green hydrogen and CO_2 capture & storage project, which is currently in feasibility phase and intends to introduce carbon capture and storage and electrolysis solutions to allow decarbonization of production at the Porvoo refinery, which aims to be carbon neutral by 2035.

In 2021 work also continued to expand the use of waste and residue feedstock, and about 3.3 million tons (2.9 million) of waste and residue feedstock was used during the year. Development of advanced technology for feedstock pretreatment progressed according to plans, with focus on Renewable Energy Directive (RED) II Annex IX A and other challenging waste and residue feedstock. To further boost its innovation capabilities and to support the feedstock expansion Neste announced to set up a new R&D center in Singapore, which is expected to become fully operational in 2023.

Co-processing of renewable feeds to replace part of the crude oil input of the Porvoo refinery was investigated. In addition to co-processing of renewable feeds, chemical recycling of waste plastics was advanced by exploring and developing waste plastic liquefaction and upgrading technologies together with partners. Industrial scale test runs with liquefied waste plastic were successfully conducted at the Porvoo refinery, and products were delivered to polymers and plastics producers. Neste's target is to utilize at least 1 million tons of waste plastic feedstock by 2030.

The benefit of Neste MY Renewable Diesel™ over the whole well-to-wheel lifecycle was demonstrated, and the role of renewable fuels as a vital part of the solution to reduce transport related emissions was emphasized. Expertise was systematically developed and used to support production and sales of new products such as Neste MY Sustainable Aviation Fuel™, where also the use of 100% SAF was investigated in in-flight tests in the ECLIF3 consortium, Neste RE™ renewable and recycled polymers and chemicals for the petrochemical and polymer industry, as well as low sulphur Neste Marine fuels for the shipping industry.

In 2021, we continued to build the Business Finland funded Veturi ecosystem, which gathers Finnish companies, startups, universities and research institutes to jointly build future capabilities needed to establish new technologies and value chains in renewable and circular solutions. The Neste Veturi project aims to develop sustainable, globally scalable raw materials and technology solutions for transportation, and the production of chemicals and polymers. Strategic cooperation with Aalto University, Åbo Akademi and VTT - The Technical Research Centre of Finland continued in 2021, as well as with several existing and new international partners mainly in Europe and the USA.

Main events published during 2021

On 29 January, Neste announced that the Shareholders' Nomination Board had proposed to the AGM to be held on 30 March 2021 that Mr. Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board, Ms. Sonat Burman-Olsson, Mr. Nick Elmslie, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, Ms. Johanna Söderström and Mr. Marco Wirén were proposed to be re-elected for a further term of office. The Nomination Board proposed that Mr. Wirén shall be re-elected as the Vice Chair of the Board. Further, subject to the approval of the AGM of a proposal for amending the Articles of Association to the effect that the maximum number of Board members is increased from eight to ten, the Nomination Board proposed that the Board of Directors shall have nine members and that Mr. John Abbott shall be elected as a new member.

On 2 March, Neste announced that it had completed the acquisition of Bunge Loders Croklaan's refinery plant in Rotterdam, the Netherlands. The refinery plant is located next to Neste's existing biorefinery and it consists of a pretreatment facility, tank farm, jetties and has a pipeline connection to Neste's site. The transition of operations and employees will be implemented in phases with the refinery plant's full and modified pretreatment capacity available for processing Neste's feedstock by the end of 2024.

On 15 March, Neste announced that it had chosen Rotterdam as the location for its possible next world scale renewable products refinery. Neste announced in March 2020 an intention to increase its renewable products production capacity in Europe according to the company strategy. The company had concluded a thorough study phase concerning the two possible locations, Porvoo, Finland and Rotterdam in the Netherlands. Neste has existing sites in both locations. While there are many positive drivers for both sites, the difference between the costs is significant in favor of Rotterdam.

On 16 March, Neste announced that it had established a Green Finance Framework to further integrate the company's sustainability ambitions into its financing. The Green Finance Framework is designed to support financing or refinancing Eligible Assets and Projects, i.e. investments into the development, operations, maintenance and expansion of our renewable and circular solutions with the objective to mitigate climate change globally by reducing greenhouse gas emissions. The environmental objectives targeted with proceeds allocated relate to the reduction of the carbon emissions by the expansion and development of Neste's production capacity for renewable products, which provide a sustainable and direct drop-in alternative to fossil fuels and products.

On 18 March, Neste announced that a team of aerospace specialists had launched the world's first in-flight emissions study using 100% sustainable aviation fuel (SAF) on a wide-body commercial passenger aircraft. Airbus, German research centre DLR, Rolls-Royce and SAF producer Neste teamed up to start the pioneering 'Emission and Climate Impact of Alternative Fuels' (ECLIF3) project looking into the effects of 100% SAF on aircraft emissions and performance.

On 18 March, Neste announced that it issues a EUR 500 million green bond. The 7-year bond carries a coupon of 0.75 per cent. The bond offering was allocated to approximately 120 investors. The bond represented the first issuance under the newly established Green Finance Framework.

On 25 March, Neste announced that it had submitted an application for the EUR 500 million green bond to be admitted to trading on the official list of sustainable bonds of NASDAQ Helsinki Ltd. Trading on the green bond commenced on 29 March 2021 under the trading code "NESJ075028".

On 31 March, Neste announced that its Porvoo refinery was getting ready for the major turnaround starting in April. The duration of the turnaround was approximately 12 weeks. The shutdown of the process units began in stages on 5 April 2021. After the maintenance work, the refinery was expected to be operating normally by the end of June. In the major turnaround, the refinery was subject to regulatory inspections, maintenance works and selected asset improvement initiatives that are required for the refinery's operations.

On 13 April, Neste announced that it was joining forces with Finnair to reduce carbon emissions related to Neste employees' business travel by using Sustainable Aviation Fuel (SAF). Neste had recently made 300 tons of Neste MY Sustainable Aviation Fuel™ available at Helsinki Airport in Finland for Finnair's use. By replacing a part of the fossil jet fuel

with SAF on its flights departing from Helsinki Airport, Finnair will reduce its greenhouse gas emissions by 900 tons of CO_2 equivalent. The collaboration between Neste and Finnair also serves as a showcase for other businesses, since it offers a clear solution on how to reduce business air travel emissions. Neste's aim is to make this solution available for businesses, public institutions and other organizations with ambitious climate commitments.

On 29 April, Neste announced that it will modify its existing renewables production capacity in Rotterdam, the Netherlands, to enable production of Sustainable Aviation Fuel (SAF). Currently the refinery produces mainly Neste MY Renewable Diesel™. The modifications to the refinery, an investment of approximately EUR 190 million, will enable Neste to optionally produce up to 500,000 tons of SAF per annum as part of the existing capacity. Neste expects the project to be completed in the second half of 2023.

On 20 May, Neste announced that Neste, Mitsui Chemicals, Inc. and Toyota Tsusho Corp. were joining forces to enable Japan's first industrial-scale production of renewable plastics and chemicals from 100% bio-based hydrocarbons. In this collaboration, Mitsui Chemicals will use Neste RE™, 100% bio-based hydrocarbons produced by Neste, to replace a part of the fossil feedstock in the production of a variety of plastics and chemicals at its crackers within Osaka Works during 2021. In doing so, Mitsui Chemicals will become Japan's first company to use bio-based feedstock in its crackers. The collaboration between Neste, Mitsui Chemicals and Toyota Tsusho will enable brand owners and other potential clients in the Asian market, particularly in Japan, to start incorporating renewable plastics and chemicals into their products and offerings.

On 11 June, Neste announced that as part of its effort to reach carbon neutrality in its production by 2035, Neste aims for 100% renewable electricity use globally by 2023. In order to proceed with this target, Neste will increase the use of renewable electricity at its Porvoo refinery and has signed a new wind power agreement with a wind power company Ilmatar. Renewable electricity produced by wind power is one of the key ways to reduce greenhouse gas emissions related to the electricity purchases of production facilities.

On 17 June, Neste announced that Neste and LyondellBasell had made a long-term commercial agreement under which LyondellBasell will source Neste RE™, a feedstock from Neste that has been produced from 100% renewable feedstock from bio-based sources, such as waste and residue oils and fats. This feedstock will be processed through the cracker at LyondellBasell's Wesseling, Germany, plant into polymers and sold under the CirculenRenew brand name. Through their collaboration, Neste and LyondellBasell are jointly contributing to the development of the European market for more sustainable polymers and chemicals solutions. By ensuring continuity with significant industrial-scale volumes of renewable polymers produced with renewable feedstock from bio-based sources, the companies wish to enable sustainability-focused brands to develop more sustainable products and offerings.

On 17 June, Neste announced that Neste and Boston Consulting Group (BCG) had signed a new agreement for the purchase of Neste MY Sustainable Aviation Fuel™, to be delivered to airlines SAS and Finnair, covering the volume of all the flights with these carriers taken by BCG employees in the Nordics. Through this new partnership, BCG expects to significantly reduce greenhouse gas emissions on flights with these airlines.

On 24 June, Neste announced that the scheduled major turnaround at Neste's Porvoo refinery in Finland was successfully completed and production has started at the refinery. The major turnaround is a significant investment to secure safety, availability and competitiveness of the refinery. The total investment of the Porvoo refinery major turnaround was approximately EUR 630 million, of which approximately EUR 300 million was realized in 2021. In 2020, only the most critical maintenance work was executed at the refinery as the corona pandemic delayed the turnaround by a year.

On 25 June, Neste announced that it had set up a supply of Neste MY Sustainable Aviation Fuel™ at Cologne Bonn Airport. By doing so, Neste is helping to meet increasing levels of demand from air freight and corporate customers at Cologne Bonn Airport. AFS, the leading provider for aviation fueling services in Germany, supports Neste to serve this market. As a forerunner in sustainability, Cologne Bonn Airport is one of the first German airports where Neste MY Sustainable Aviation Fuel (SAF) is now available for all airlines.

On 21 July, Neste announced that Sonat Burman-Olsson had announced her resignation from the Board of Directors of Neste Corporation. The Shareholders' Nomination Board of Neste assessed that the Board remained functional after Burman-Olsson's resignation, and that the Board's composition continued to meet the requirements set out in the Articles of Association.

On 27 July, Neste announced that Markku Korvenranta, M.Sc. (Eng), had been appointed as Executive Vice President, Oil Products business unit and member of the Neste Executive Committee. He was to join Neste in January 2022, at the latest, and reports to President and CEO Peter Vanacker. Korvenranta transferred to Neste from Marquard & Bahls, Germany, and is based in Finland. Marko Pekkola, who had been leading the Oil Products business, had decided to continue his career outside Neste.

On 7 September, Neste announced that it had agreed to acquire 100% of Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the United States, and its affiliate entities. The transaction supports Neste in its efforts to build a solid, resilient and flexible global waste and residue raw material platform that can keep pace with the customer's growing demand for renewable products.

On 20 September, Neste announced that the following members had been appointed to Neste's Shareholders' Nomination Board: The Chair, Director General Kimmo Viertola of the Ownership Steering Department in the Prime Minister's Office of Finland; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company; Director General Outi Antila of The Social Insurance Institution of Finland and Matti Kähkönen, the Chair of Neste's Board of Directors. The Nomination Board is responsible for drafting and presenting proposals covering the remuneration and number of members of the Board of Directors and for presenting candidates as potential Board members to the AGM.

On 23 September, Neste announced that it was holding its Capital Markets Day 2021 as a webcast under the theme: Delivering on strategy and renewal through innovation. Neste's strategy remains relevant: we aim to be a global leader in renewable and circular solutions.

Demand for renewable products is growing substantially, driven by higher climate ambitions and supportive regulation. We will grow in renewable aviation, renewable polymers and chemicals, and in renewable road transportation, and intend to have three substantial renewables businesses by 2030. Neste has an excellent safety record, and great progress has been made in strategy execution despite the global pandemic. Innovation will continue to be at the core of our success. We are targeting commercial-scale operations in at least one of our current innovation business platforms by 2030.

Neste's renewable feedstock and production platform has been substantially strengthened through organic growth and recent acquisitions, and we will continue to grow our platform globally. We expect the global waste and residue availability to grow to 40 million tons by 2030. We are focusing on developing new sources while growing the existing feedstock pool. Our target for the share of crude palm oil and refined palm oil grades is to reach zero by the end of 2023, and the share of novel vegetable oils and other new low-ILUC feedstock is expected to grow post 2023.

Great progress has been made with the Neste Excellence program. By the end of 2020, a comparable EBIT improvement totaling EUR 237 million was realized through the program. The improvement targets for the Neste Excellence program have been increased from EUR 225 million to EUR 350 million by the end of 2022, and from EUR 300 million to EUR 500 million by 2030. These improvements are measured compared to the year 2018.

Our estimate for the Group's full-year 2021 cash-out capital expenditure, excluding M&A, was revised from approximately EUR 1.2 billion to EUR 1.1 billion.

On 4 October, Neste announced that it had signed an agreement to sell its existing base oils business to Chevron Corporation. The agreement covers a combination of share and asset deals forming Neste's entire global base oils business. As part of the divestment, the parties had also agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. With the same date, Neste signed an agreement to exit its base oils joint venture with Bahrain Petroleum Company and Nogaholding. The completion of the divestment is subject to the approval of the competition authorities and customary closing conditions, with estimated completion date by the end of Q1/2022.

On 20 October, Neste announced that Neste and Ravago aimed to establish a joint venture to build an industrial facility for chemical recycling in North Sea Port in Vlissingen, the Netherlands. The facility is intended to be the starting point of joint global chemical recycling activities, built upon the advancement of the thermochemical liquefaction technology of US-based Alterra Energy. With this, Neste and Ravago plan to demonstrate and advance the commercialization of chemical recycling. The transaction is awaiting for and subject to regulatory approval.

On 27 October, Neste announced that it had extended its climate commitments. Neste has two existing and ambitious climate commitments: reaching carbon neutral production (Scope 1 & 2) by 2035 and helping its customers reduce their greenhouse gas emissions by at least 20 million tons of CO_2e annually by 2030. This work is well on track. Neste decided to also set a concrete target for Scope 3 emissions to reduce the use phase emission intensity of sold products by 50% by 2040 compared to 2020 levels. This target will be achieved through Neste's transformation towards increasing the share of renewable and circular solutions as well as working with suppliers and partners to reduce emissions across the value chain. Neste's climate commitments show leadership and determination to meet the objectives of the Paris Agreement and Neste later signed the Business Ambition for 1.5°C Commitment Letter. Neste will continue to build on its climate actions so that they are in line with the 1.5°C emission scenarios, the criteria and recommendations of the Science Based Targets initiative (SBTi). The approval process with the SBTi will begin as soon as the sectoral guidance for the Oil and Gas industry is published.

On 2 November, Neste announced that the Agri Trading acquisition, announced in September 2021, had been approved by regulatory authorities, and the deal had been closed.

On 9 November, Neste announced that Martti Ala-Härkönen Dr.Sc. (Econ.), Lic.Sc. (Tech.) had been appointed as Chief Financial Officer (CFO), Strategy and IT and member of the Neste Executive Committee. He will report to President and CEO Peter Vanacker, and take up the position on 8 May 2022, at the latest. Neste's current CFO Jyrki Mäki-Kala will retire during the spring 2022 after serving the company for nine years.

On 15 November, Neste announced that that it exercised its right to redeem in full its outstanding 2.125 per cent. unsecured fixed rate notes due in 2022 on the redemption date of 17 December 2021 in accordance with the terms and conditions of the notes. The outstanding nominal principal amount of the notes was EUR 321 million. On the redemption date, Neste paid the holders of the notes a redemption price equal to 100 per cent of the outstanding nominal principal amount of each note together with any accrued but unpaid interest to but excluding the date of redemption in accordance with the terms and conditions of the notes. The notes were listed on the official list of NASDAQ Helsinki Ltd. Neste applied to remove the notes from trading in connection with the redemption of the notes.

On 23 November, Neste announced that it was entering into execution phase with its partners in the MultiPLHY consortium. The MultiPLHY project aims at installing, integrating and operating the world's first high-temperature electrolyzer system in multi-megawatt-scale at Neste's renewable products refinery in Rotterdam to demonstrate production of green hydrogen for the refinery's processes. The technology of the high-temperature electrolyzer is provided by Sunfire.

On 9 December, Neste announced that its President and CEO Peter Vanacker had given notice of his resignation from the company. He will leave his position at Neste at the latest in June 2022. The search for Vanacker's successor started immediately.

On 22 December, Neste announced that its aim of 100% renewable electricity use will be achieved ahead of schedule in Finland. Neste had signed its first renewable hydropower purchase agreement with Vattenfall, one of Europe's largest producers and retailers of electricity and heat. Vattenfall delivers the hydropower from its Nordic hydropower plants and the deliveries started at the beginning of January 2022.

Events published after the reporting period

On 28 January 2022, Neste announced that the Shareholders' Nomination Board had forwarded to the Board of Directors of the Company its proposals to the 2022 AGM. The Nomination Board proposed that Matti Kähkönen shall be re-elected as the Chair of the Board of Directors. In addition, the current members of the Board, John Abbott, Nick Elmslie, Martina Flöel, Jari Rosendal, Johanna Söderström and Marco Wirén were proposed to be re-elected for a further term of office. The Nomination Board proposed that Marco Wirén shall be re-elected as the Vice Chair of the Board. Further, the Nomination Board proposed that the Board shall have nine members and that Just Janz and Eeva Sipilä shall be elected as new members.

Risk Management

Neste considers risk management an integral part of daily management processes and good corporate governance. Systematic risk management practices are the means to ensure that Neste is successful in achieving the set strategic targets and business objectives and can maintain continuous operations in the changing business environment. Neste's risk management framework and processes are aligned with internationally recognized best practices: the COSO Enterprise Risk Management framework, and the International Standard for risk management, ISO 31000:2009.

A risk management framework and risk management principles have been defined in Neste's Corporate Risk management Policy which has been approved by the Board of Directors. Risk management policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines. Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle. Formal risk reporting is directed to the business management and function management teams, the Neste Executive Committee, the Audit Committee, and the Board of Directors.

Risks relating to Neste's business

The global COVID-19 pandemic continues to cause risks and uncertainties for Neste's business. The pandemic may have an impact on Neste's operations, feedstock sourcing and product demand, or delivery of projects. Other risks affecting Neste's financial results for the next 12 months include macroeconomic, regulatory and geopolitical risks, changes in market prices and competitive situation, any scheduled or unexpected shutdowns at Neste's refineries, potential strikes, rising energy costs and outcome of legal proceedings. The risks may be realized e.g. as unexpected changes in biofuel regulation, prolonged economic recession or intensified trade tensions.

For more detailed information on Neste's risks and risk management, please refer to the Annual Report Governance's chapter Risk Management and the Notes to the Financial Statements. For more information on Neste's sustainability risks, please see Sustainability Risks under the following Non-Financial Information reporting.

Non-Financial Information Statement

Neste fulfills the requirements of the EU Directive on disclosure of non-financial and diversity information, and the changes made in the Finnish Accounting Act. Information in accordance with the current requirements of EU Taxonomy regulation is disclosed in this non-financial information statement. In addition, Neste reports according to the GRI (Global Reporting Initiative) Standards Core option, and reports SASB Oil & Gas Refining and Marketing indicators where applicable. Neste is committed to applying the Task Force on Climate-related Financial Disclosures (TCFD) reporting principles in disclosing climate-related financial risks and opportunities in the reporting. Part of our TCFD reporting takes place within this Non-Financial Information (NFI) Statement in addition to our Sustainability Report, which also includes the TCFD index for

navigation purposes between these sections. For more on Neste's sustainability, see **Neste's Sustainability Report** and Neste's **website**.

Business model

Neste employed an average of 4,872 (4,833) employees during 2021, of which 1,309 (1,035) were based outside Finland. At the end of December, the company had 4,845 employees (4,825), of which 1,461 (1,228) were located outside Finland.

We are the world's largest producer of sustainable aviation fuel and renewable diesel refined from waste and residues, also introducing renewable solutions to the polymers and chemicals industries. We are also a technologically advanced refiner of high-quality oil products, exploring ways to start using waste plastics as a raw material to produce new plastics, and developing chemical recycling to combat the plastic waste challenge.

Neste's businesses are grouped into four reporting segments: Renewable Products (RP), Oil Products (OP), Marketing & Services (M&S) and Others. Our renewables businesses are Renewable Aviation, Renewable Polymers and Chemicals, and Renewable Road Transportation. Neste has integrated sustainability into its business strategy to secure the long-term success of its business. Neste's purpose is to create a healthier planet for our children, with a vision to lead the way towards a sustainable future together. Neste sets high standards for sustainability. Our broadened sustainability vision is an integral part of the new wave of Neste's transformation: we take the lead to transform towards a carbon neutral and nature positive value chain, and set ourselves aspirational targets for biodiversity, human rights, and our supply chain and raw materials. Our sustainably-produced solutions are our most significant contribution to the implementation of the Paris Agreement, as well as the United Nations' Sustainable Development Goals (SDG).

Neste creates value for society by helping its customers reduce climate emissions by developing sustainably lower-emission solutions for transportation, aviation, and marine uses, as well as renewable and circular solutions for the chemical and plastics industries. Neste's NEXBTL refining technology enables the flexible use of various renewable raw materials, including low-quality waste and residue oils and fats. We believe in a strong focus on the circular economy. Renewable waste and residue fats and oils will be indispensable in delivering emission reductions in the near future and over the longer term. Novel vegetable oils (such as cover crops cultivated on existing agricultural land during the off-season) will be an increasingly important source of raw material for further scaling up solutions such as renewable diesel as well as sustainable aviation fuel production. In addition, new conversion technologies will enable the use of currently untapped raw material pools such as municipal solid waste and lignocellulosic biomass. In the long term, fuel produced from electricity and waste CO_2, so-called e-fuels (or power to-liquids), will also increasingly play a role. The potential of these technologies could be substantial if innovation activities successfully enhance technology maturity and bring down costs. Securing the supply of renewable raw materials is considered essential for the success of Neste's growth strategy. Neste also focuses on providing excellent customer service, as well as flexible and reliable customer solutions.

Neste's value creation is also based on its high-quality products, a global business model for raw material sourcing and product sales, in-depth knowledge of regulations and global customer requirements for both renewable and fossil products, as well as continuous innovation and development of products and solutions. In 2021, we had refineries in Porvoo, Naantali (until March), Rotterdam and Singapore. Non-financial assets, e.g. production, sales and sourcing expertise, are an essential part of Neste's value creation. Substantial effort is made to maintain and develop the skills base within the company. We are investing in developing our corporate culture to deeply ingrain customer satisfaction, safety and operational efficiency to our day-to-day operations. Please see Neste's value creation map in our **Sustainability Report**.

See also: **Outlook**

Proportion of Taxonomy-eligible economic activities

The EU Taxonomy is a classification system for sustainable economic activities. It is a tool assisting in redirecting investments toward the climate transition by defining what is environmentally sustainable economic activity through, inter alia detailed technical screening criteria, eligibility and alignment definitions, "do no significant harm" criteria and minimum social safeguards. Its intention is to create a common classification for sustainable economic activities and to involve financial markets in environmental objectives and the fight against climate change. As of January 2022, large undertakings such as Neste that are required to publish non-financial information pursuant to the Non-Financial Reporting Directive (NFRD) are required to disclose information on how and to what extent their activities are associated with environmentally sustainable economic activities as defined in the Taxonomy. They need to report the proportion of their activities that is considered eligible activity in their turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx).

The EU Taxonomy technical screening criteria for the first Delegated Act including climate change mitigation and adaptation establishes criteria for the "Manufacture of biogas or biofuels for use in transport and of bioliquids'' activity. The threshold for greenhouse gas (GHG) emission savings from the manufacture of biofuels and biogas for use in transport are at least 65% for new manufacturing facilities in relation to the GHG emission saving methodology and the relative fossil fuel comparator. The EU taxonomy refers to the manufacture of biofuels for use in transport as a sustainable activity, and we have assessed Neste's Renewable Products manufacturing to be an eligible economic activity based on the taxonomy regulation. Neste's Renewable Products reporting segment includes three businesses – Renewable Road Transportation, Renewable Aviation and Renewable Polymers and Chemicals. The Renewables Platform enables Neste's global renewables production, renewable raw material sourcing and delivery of our renewables to our global customer base. Renewable Road Transportation and Renewable Aviation businesses offer renewable fuels for the road transport and aviation sectors, whereas the Renewable Polymers and Chemicals business offers renewable feedstock solutions for various polymers and chemicals industry uses.

The recognized activity, manufacturing biofuels, makes a substantial contribution to climate change mitigation. Neste is committed to transformation towards a carbon neutral value chain and the production of renewable products contributes substantially to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system, consistent with the Paris Agreement's long-term temperature goal.

Our solution for the taxonomy-eligible activity, manufacturing of Renewable Products, represents climate change mitigation solutions and is well in line with our ambitious climate commitments. Our calculations for Taxonomy eligibility are based on the delegated acts of the Taxonomy Regulation. In calculating the proportion of turnover from products associated with Taxonomy-eligible economic activities, we include revenue from goods and services which have a clear relation to the biofuels. Eligibility calculations for turnover proportion include the revenue from our Renewable Products segment. The Capital Expenditure (CapEx) proportion calculation consists of investments related to Renewable Products. The Taxonomy-eligible Operating expenses (OpEx) relate to Renewable Products segment short-term leases, repair and maintenance, and R&D related to the production of biofuel. We have estimated that the proportion of Taxonomy-aligned revenue will be somewhat lower than the proportion of eligible activities.

Proportion from products or services associated with Taxonomy-eligible economic activities:

Taxonomy eligibility-KPI 2021	Total MEUR	Proportion of Taxonomy eligible economic activities	Proportion of Taxonomy non-eligible economic activities
Turnover	15,148	39%	61%
CapEx	1,535	67%	33%
OpEx	211	43%	57%

Neste is consistently following the EU Taxonomy developments, and actively preparing for the following years' reporting requirements with Taxonomy-aligned activities.

Materiality

This NFI Statement focuses on the most material sustainability topics for Neste and its stakeholders in relation to value creation and risk management. Neste conducts a materiality assessment once every two years. The most recent assessment was conducted in 2020. The materiality assessment identified nine material topics that provide the framework for Neste's sustainability agenda. The nine topics are: Carbon handprint; Carbon footprint and environmental impacts; Protecting biodiversity, water and soil; Ethics, transparency and open communication; Innovation and partnerships; Safety, health and wellbeing; Forced labor and vulnerable groups; Diversity, equality and inclusion; and Tackling the plastic waste challenge. Several of the material topics are relevant in our own operations but also in our supply chain. Hence, the supply chain responsibility is no longer seen as a single material topic but an underlying theme that needs to be considered for each of the nine topics' impacts. Similar underlying themes are economic responsibility and corporate governance. These three themes are the cornerstones of our sustainability agenda. Our materiality matrix describes the significance of sustainability topics from the perspective of our business operations and stakeholders.

Neste's nine material topics relate to all four themes in non-financial reporting requirements: environmental matters; social and employee matters; respect for human rights; and anti-corruption and anti-bribery.

Policies and principles

Climate matters

Neste's climate commitments are a key part of the company strategy. They are discussed at the Executive Committee at least twice a year and by the Board of Directors at least once a year. The decision to strengthen the governance with regular reviews was made by the Neste Executive Committee in 2019. Key risks related to climate change are presented to the Audit Committee in connection with the risk reviews. Responsibility for climate issue management belongs to the SVP Sustainability and Corporate Affairs, who is responsible for managing climate-related risks and opportunities and presenting them to the Board as part of the meetings, together with the sustainability organization.

As part of Neste's strategy development, the company has set ambitious climate targets. We are well on track with our commitments to reach carbon neutral production by 2035 (Scopes 1 & 2) and help our customers reduce their greenhouse gas emissions by at least 20 million tons of CO_2e annually by 2030. In 2021, we also set a concrete target for our Scope 3 emissions: We aim to reduce the use-phase emission intensity of sold products by 50% by 2040 compared to 2020 levels. In addition, we are committed to working with our suppliers and partners to reduce emissions across the entire value chain (Scope 3). We have an established roadmap that we follow to proceed toward the target of carbon neutral production. We have also identified the first key actions to proceed with the new commitment covering the value chain.

Climate-related metrics for emissions, including Scopes 1, 2 and 3 emissions as well as the use phase emission intensity of sold products are reported in the 2021 Sustainability report.

Environmental matters

All Neste's refineries and the company-managed security stockpiles have been certified in accordance with the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards. Our key policies and principles concerning environmental matters related to our own operations are our Sustainability Policy and Sustainability Principle. All Neste's renewable products refineries have EU-compliant International Sustainability and Carbon Certification (ISCC), as well as Roundtable on Sustainable Palm Oil (RSPO) certificates. In the United States, the sustainability of Neste's renewable fuels is monitored based on the Environmental Protection Agency's (EPA) sustainability requirements.

We expect all our business partners and suppliers to uphold Neste's policies and principles, including our Supplier Code of Conduct, a key element in Neste's supplier management system. The Supplier Code of Conduct was updated at the end of 2019, and the updated code was implemented in 2020. The Supplier Code of Conduct is included in the terms of contract with all suppliers, contractors and other business partners participating in the delivery of products, components, materials or services to Neste, covering both direct and indirect procurement. Our renewable raw material suppliers are also expected to meet the requirements of our Responsible Sourcing Principle, as well as to adhere to our Human Rights Principle, and industry and market-specific legal requirements.

Neste has undertaken several initiatives to identify and understand how risks may be present in our operations and supply chains. To ensure our suppliers' compliance with the Supplier Code of Conduct, Neste has implemented systematic controls for counterparty screening and monitoring in which all potential business partners and suppliers undergo automated pre-screening. A key element in understanding sustainability risks in our supply chains is assessing country risk. Our overall approach to sustainability due diligence is to work with our suppliers to drive positive practices and mutually enhance sustainability performance through continuous engagement, collaboration and improvement.

Raw material suppliers for our renewable products are subject to rigorous sustainability due diligence as part of our Principle on Renewable Products Supplier Sustainability Approval. The principle applies worldwide to any Neste company establishing a business relationship with a supplier supplying renewable raw material for Neste's renewable products, and it sets the minimum requirements for supplier sustainability approval. We continue commercial negotiations only with approved parties who meet our sustainability requirements, and all partners must continue to meet these criteria and commit to developing their operations in the future.

Potential Oil Products suppliers undergo a two-phase assessment that includes a financial review and a compliance assessment. In 2021, we developed and implemented a Sustainability Desktop Review based on suppliers' publicly available information to complement the existing process. In addition to assessing country and counterparty risks, our sustainability due diligence process includes reviewing a range of Environmental, Social and Governance (ESG) topics.

Neste's key policies and principles concerning environmental matters related to the sourcing of renewable raw materials are the Neste Supplier Code of Conduct, Sustainability Principle and Responsible Sourcing Principle. All Neste's palm oil suppliers are committed to No-Deforestation policies. Since 2015, this has also been extended to cover their third party suppliers. All the palm oil we have used has been fully traceable to the plantation level since 2007, and 100% certified since 2013.

Social and employee matters

Neste's key principles concerning social and employee matters are included in our People Policy. All the human resources (HR) principles and standards meet the Neste Management System (NMS) requirements, as well as the needs of the changing business environment, international growth and employment compliance. NMS combines unified policies, principles, standards and work procedures in one transparent structure. Globally, Neste now has one HR policy, 11 HR principles and 15 HR standards in use.

The key principles included in the People Policy are: emphasizing the importance of the continuous development of leadership and corporate culture; acting in line with the company's values and underlining everyone's responsibility for their professional development as a means of achieving excellent results; guaranteeing equal rights and opportunities regardless of gender, ethnic origin, age, religion, political convictions, and other similar issues; promoting a workplace where everyone understands the importance of their work in achieving common goals; and providing equal and fair compensation based on individual and team performance. One of Neste's central principles is to abide by all laws, statutes and official regulations wherever the company operates and in all aspects of its operations, and to follow clear ethical standards and good practices.

In 2021, refinery operations in Porvoo and Naantali were restructured to ensure the competitiveness of the Oil Products business. The refinery operations in Naantali were shut down in March 2021. The final number of permanent redundancies decreased from 310 to 217 as a result of successful job changes.

We implemented a large-scale change support program that includes offering new jobs for employees in other Neste locations and functions. We support the relocation of employees and their competence development to meet new roles and tasks. Leaving employees are supported financially, as well as by providing support for re-employment and training, e.g. by providing personal career coaches. Seventy percent of employees participating in the program had taken a new step in their careers by October 2021, finding new career paths and developing professionally.

Safety is integral to our values. Improving safety and more broadly operational excellence covering occupational health and safety, process and marine safety, environment management, chemical compliance, quality, security, productivity, reliability, and efficiency enables us to achieve our strategic targets. For us, safety means excellence in risk management. It is about the existence and effectiveness of every safety barrier that helps manage risks, prevent incidents and mitigate adverse consequences. We are determined to protect people and the environment, as well as our operations, assets, information and brand, from any harm. We believe this can be achieved when everyone working for and with us is truly committed to managing and improving safety, understands every hazard related to our operations and have excellent ways of evaluating and managing risks. Moreover, we strive to learn from experience and continuously improve our capabilities of understanding and managing hazards.

Safety performance improvement work continued in 2021. Neste's Operations Excellence Policy, Life Saving Rules, Operations Excellence (OE) Principles, and supplementary detailed standards set requirements and guidelines for how we manage and improve safety. The key activities in 2021 were the implementation of the updated Safety Leadership Principle, deployment of the Incident Learning Practices, and systematic use of the Health, Safety and Environment (HSE) design guidelines for investment projects.

One of the focus areas of 2021 was to ensure safety in investment, turnarounds and change projects. The closure of the Naantali refinery was completed without safety deviations. In the Porvoo refinery's major turnaround, the safety targets were not met, but the safety performance was significantly better than in the previous turnaround in 2015. A thorough lessons learned process is ongoing to ensure targeted performance in the future. The Singapore expansion project continued at a good safety level. The integration of the new acquisitions with Mahoney Environmental and Neste's Rotterdam terminal continued. The integration into Neste practices will continue in 2022.

The Future Oil Products (FOP) transformation program in Finland continued during 2021 with a high focus on risk and change management practices. No major safety deviations occurred in 2021.

Respect for Human Rights

In line with the United Nations Guiding Principles on Business and Human Rights, Neste has made a commitment to respect human rights and remediate adverse human rights impacts throughout our business operations and value chains. Our Human Rights Principle is informed by the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, and the UN Declaration on the Rights of Indigenous Peoples. It is also informed by the UN Global Compact and UN Women's Empowerment Principles, to which we are signatories.

Our Human Rights Principle sets the path and standards for a rights-based approach in all Neste's business decisions, and defines our seven salient human rights issues: 1. Fair employment, 2. Health & safety, 3. Equality, diversity & non-discrimination, 4. Rights of children and young people, 5. Forced labor, 6. Fair treatment and access to remedy, and 7. Social, economic and cultural rights – including respect for the rights of minority groups and Indigenous Peoples.

We require all our business partners and suppliers to comply with the minimum human rights requirements defined in our Supplier Code of Conduct. In addition, we expect them to uphold our commitment to respect and remediate, and our ambition to promote positive human rights impacts.

Neste supports the elimination of all forms of modern slavery. We recognize that modern slavery is a growing global issue from which no industry is immune, and we are committed to taking the appropriate steps to identify vulnerable groups and mitigate modern slavery risks in our operations and supply chains. Our Modern Slavery Statement, updated annually, details the actions we are taking to prevent modern slavery and human trafficking in our businesses.

We are committed to respecting and supporting children's rights, and to implementing the Children's Rights and Business Principles throughout our business and value chains, including in our workplace, marketplace and communities. More information on specific measures we take and the projects in which we are involved is available on our website.

Our Code of Conduct applies to the entire Neste group and contains key human rights requirements and expectations with which all Neste employees are to comply in their daily work. For example, all employees are expected to be aware of how their work impacts the human rights of people in Neste's operations, value chain and communities, understand how to recognize potential human rights risks in their daily work and decision making, and know how to recognize and report signs of modern slavery.

Zero tolerance for corruption

Neste and its management are committed to conducting the company's global operations ethically and with integrity. As stated in the company's Code of Conduct, Neste has zero tolerance for corruption of any kind in connection with Neste's operations, whether committed by Neste employees or third parties acting on behalf of Neste. Neste also requires that its external business partners acting for or on behalf of the company are aware of and share the commitment to zero tolerance for corruption. Neste's key policies and principles concerning anti-corruption and anti-bribery are the Code of Conduct, Anti-Corruption Principle, and Supplier Code of Conduct. Neste renewed its Code of Conduct in 2021. More information on the Code of Conduct renewal can be found in the Sustainability Report.

Sustainability risks

The Neste Corporate Risk Management policy, approved by the Board of Directors, defines the framework and principles for risk management. The policy is supplemented by risk management principles, guidelines and instructions for specific risk disciplines. The defined principles, requirements and processes also apply to sustainability risks, which are managed as a single risk category in the quarterly risk reviews. Assessment considers short-, medium- and long-term perspectives for climate risks. Sustainability risks, including climate change related risks, are identified and assessed twice a year to determine which risks and opportunities could have a substantive financial, strategic or reputational impact.

Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle. Formal risk reporting is directed to the business management and function management teams, Neste Executive Committee, Audit Committee, and the Board of Directors. Neste's sustainability risks can be categorized as follows:

Climate related risks and opportunities

One part of Neste's climate work is to understand and evaluate the potential implications of climate change for our business and operating environments. Neste is therefore committed to applying the Task Force for Climate-related Financial Disclosures (TCFD) reporting framework. Neste uses scenario-analysis as one element to guide and influence business objectives and long-term strategic direction. We base our scenario analysis on the internationally acknowledged climate pathways that represent objective and well-established benchmarks for the energy industry, e.g. IEA scenarios. Neste will continue to build on its climate actions so that they are in line with the 1.5°C emission scenarios but refers to the "most likely" scenario reflecting the existing policies and a trajectory of 3.5°C global warming by the end of the century. In addition, the resilience of Neste's strategy has been assessed in the 1.5°C Scenario, which is compliant to achieving Net Zero by 2050.

The identification of physical risks like extreme weather events also takes this scenario into account. Climate scenario work will be developed further in the coming years, with a more systematic approach in the 2021 Business Environment Outlook to the spring strategy update. Risks associated with the transition to a lower-carbon economy can entail changes for Neste to address, e.g. policy and legal risks such as uncertainty related to the development of greenhouse gas emission pricing or unexpected requirements for lower emissions in production. Market risks such as stakeholder and customer attitudes moving in a less favorable direction, shifts in our products' supply and demand and services and raw materials, an increased cost of raw materials or utilities, or scarcity of a renewable raw materials are seen as relevant risks. Physical risks like an increased severity of extreme weather events, changes in precipitation patterns and extreme variability in weather patterns may also affect Neste's ability to source different feedstocks.

The adaptability and resilience of Neste's strategy to climate change also creates opportunities by contributing to the transition to a lower-carbon economy. Our strategy has been influenced by opportunities related to renewable products, and we see that increasing global climate ambitions and related regulations continue to increase the demand for our renewable products.

Risk of adverse environmental impact from emissions to air and water

Neste is subject to a wide array of laws and regulations targeting safe operations and a reduced environmental footprint. In addition, transitioning to a lower-carbon economy entails additional requirements that affect Neste's approach to managing refining assets and place more emphasis on the efficient use of different utilities such as water and energy. To ensure continuous compliance with the applicable laws and regulations, Neste has implemented certified management systems that reflect the international standards issued by the ISO. During 2021, a comprehensive set of leading environmental performance indicators was in use in all business units to reduce the risk of environmental permit violations or emissions and incidents.

Risk of leaks, explosions and other chemical hazards

Due to their nature, Neste's operations carry an inherent risk of fires, explosions, leaks or other hazards that can result in soil, groundwater or seawater contamination.

At worst, maritime accidents would have a catastrophic impact on the surrounding environment. Neste has implemented systematic risk management actions to minimize the probability of chemical hazards. Actions taken include ship vetting, systematic safety procedures, partner selection and performance management, and training in Neste's own operations.

In process safety, Neste has implemented and is continually developing comprehensive safety rules, procedures and practices covering leadership, competence development, performance management and learning from experience. Considerable investments are carried out annually to improve the process safety of Nestes' assets. In 2021, the focus was on the effectiveness of the Process Hazard Analysis (PHA) implementation and utilization of the HSE design guideline in the investments.

Risk of adverse environmental impact from procurement of raw materials for refining

The main raw materials used in Neste's refineries include animal fats, used cooking oils and wastes, and residues from vegetable oil processing, as well as some vegetable oils and crude oils. In recent past years, the use of palm oil has created a reputational risk as the sustainability of palm oil sourcing has given rise to public discussion and concerns from NGOs and customers, for example. Neste is committed to ensuring sustainable palm oil sourcing and has implemented several measures to improve transparency in its supply chain, as described above in Climate and Environmental matters. Our target for the share of crude palm oil and refined palm oil grades is to reach zero by the end of 2023, and the share of novel vegetable oils and other new low-ILUC feedstock is expected to grow post 2023.

Risk of adverse human rights impacts

Neste has undertaken several initiatives to ensure the proper management of human rights related risks across our business.

To embed respect for human rights throughout our business operations and value chains, we carry out ongoing human rights due diligence to identify and assess risks to human rights, take action to prevent and mitigate them, track the effectiveness of our measures, and provide a remedy when required. In assessing human rights risks, we engage with affected stakeholders and pay special attention to vulnerable groups such as women, children, migrant workers and Indigenous People.

In 2021, we initiated a new procedure for reviewing Neste's salient issues and understanding the gaps in our mitigation activities. This saliency review will be adopted as an ongoing annual practice at Neste, enabling us to better manage risks to human rights across all our business activities.

In 2021, we strengthened the human rights criteria and assessments required for decision making on strategic business development, investments and innovation projects. The aim of this is to ensure that human rights impacts are comprehensively assessed for all major projects at Neste before any final investment decision is made, starting from the earliest stages in the project.

We continue to monitor and assess risks to people working onsite at our refineries, including during our refinery turnarounds and refinery expansion projects, paying special attention to the rights and needs of vulnerable groups—for example, migrant workers at our Singapore refinery expansion.

We assess and monitor our human rights impacts in both our own operations and our supply chains. For us to effectively prioritize our activities, our risk assessment includes the mapping of supply chains and operations, country risk assessments, desk-based research, supplier surveys, supplier engagement, and discussions with expert stakeholders. Our Sustainability Audits have a strong human rights focus and prioritize assessing impacts on people.

We are committed to training our employees on our policies. In 2021 we rolled out human rights e-learning courses for all of our employees, with specialized training sessions for employees working on new feedstock projects in innovation. We also engage in capacity building with our suppliers in high-risk sectors and geographies to drive positive human rights impacts throughout the supply chain. In 2021, we conducted a series of workshops on grievance mechanisms with our palm suppliers in Malaysia and Indonesia.

Risk of corruption and bribery

Risks of corruption and bribery are typically treated as inherent risks in the oil and gas sector due to its global nature, contractual relationships with local governments, and involvement in complex networks with various suppliers and contractors. Neste has zero tolerance for any form of corruption and bribery. As a preventive measure, Neste has developed a compliance program which includes policy statements (Code of Conduct, Anti-Corruption Principle), dedicated eLearning packages, annual compliance acknowledgement, regular communication, and Ethics Online for the reporting of suspected misconduct. Neste's counterparties are required to comply with the Supplier Code of Conduct and/or their own equivalent principles and undergo a compliance clearance and counterparty risk assessment. As stated in the Code of Conduct, Neste has processes in place to carry out due diligence on its business partners. The Compliance clearance and counterparty risk assessment covers the following risks: trade sanctions, politically exposed persons, money laundering, corruption and bribery.

Outcomes and key performance indicators

Neste's sustainability policies and principles apply to the company as a whole and guide all its operations. In addition, international conventions and commitments underlie Neste's work. In 2021, Neste was included in the Dow Jones Sustainability Index for the 15th consecutive time. Neste was included in both the DJSI World and DJSI Europe. The industry's best scores in materiality and environmental and social reporting contributed to the company's inclusion among the top performers. Neste achieved an AAA rating in 2021 in the MSCI ESG Rating Index measuring companies' resilience to long-term ESG risks. On the 2021 CDP Climate Change and Forests assessments, Neste achieved the Leadership level, with an A- rating.

Climate and Environmental matters

We are well on track with our commitment to help our customers reduce their greenhouse gas emissions by at least 20 million tons of CO_2e annually by 2030. Neste's performance against this target is reported in the table below.

In addition, Neste is committed to reach carbon neutral production by 2035 (Scopes 1 & 2). Neste aims for 100% renewable electricity use globally by 2023. To proceed with the target, Neste has increased the use of renewable electricity at its Porvoo refinery in Finland with wind power and has agreed wind power deliveries with its partners Statkraft, Ilmatar and Fortum. In December 2021, Neste also signed its first hydropower agreement with Vattenfall. Thanks to this agreement, Neste will achieve its renewable electricity target in Finland already in 2022.

The transition to renewable electricity has also progressed in Neste's other production sites according to plan. For example, about 75% of the electricity used in the Rotterdam refinery in 2021 has been renewable electricity certified with Guarantees of Origin. In 2021, we also updated the internal price of greenhouse gas (GHG) emissions, which is used in investment evaluations. These key climate performance indicators, GHG emission reduction for our customers and our production GHG emissions (Scopes 1 & 2), are included in the long-term incentives for Neste's key personnel.

In 2021, Neste also set a concrete target for Scope 3 emissions to reduce the use-phase emission intensity of sold products by 50% by 2040 compared to 2020 levels and is working with suppliers and partners to reduce emissions across the value chain (Scope 3).

While Neste continues to focus on waste and residue raw materials in the short term and plans e.g. to reduce the share of conventional palm oil (100% ISCC-certified crude and refined palm oil) to 0% of its global renewable raw material inputs by the end of 2023, we also expect to use other types of raw materials besides waste and residues in the mid and longer term.

Other climate-related metrics for GHG emissions (Scopes 1, 2 and 3 emissions, as well as the use phase of emission intensity of sold products) are reported in the 2021 Sustainability Report, and their associated risks are discussed in the climate-related risks above.

In 2021, we updated our Neste Traceability Dashboard to provide the latest data regarding our palm and palm fatty acid distillate (PFAD) supply chains. By the end of 2021, we had mapped hundred percent of our PFAD supply chain to the palm oil mills supplying the palm oil refineries where PFAD is extracted during vegetable oil refining. In 2021, we continued our PFAD supply chain mapping efforts in collaboration with palm oil suppliers and sustainability specialists from the Consortium of Resource Experts (CORE). With CORE, we continued conducting risk assessments of palm oil mills supplying palm oil to refineries and engaged with suppliers to further enhance their No-Deforestation, Peat and Exploitation (NDPE) pledge. We continued developing our Supplier Sustainability Portal to digitalize renewable raw material supplier evaluation, monitoring and engagement.

Emissions from operations at Neste's refineries were in substantial compliance at all sites in 2021. A total of two minor non-compliance cases occurred in Neste's operations, with very limited local environmental impact.

Regarding difficulties in operation of the wastewater treatment system in Rotterdam, the water authority has confirmed an order to improve and stabilize the operation, subject to a threatened penalty payment. The operational difficulties with wastewater are arising from increased use of waste and residue feedstock materials. To solve the issue and further improve wastewater treatment at the site a fully new treatment facility is expected to be completed during 2023.

Efforts to improve environmental management during 2021 contributed to the performance improvement.

Key figures	2021	2020
Emission limits and overruns: All deviations from environmental permits Long-term target for OP and Renewable Products (RP): zero permit violations.	Permit violations: 2, both in OP	Permit violations: 2, of which in OP, 1 and on RP Platform, 1
Energy efficiency, energy saving measures GWh Target: Reduce Neste's energy consumption by 500 GWh during 2017–2025	95.8 GWh	33 GWh
GHG emissions reduction achieved with Neste's renewable fuels compared to crude oil based diesel, million tons.[1)] 20 $MtCO_2e$ annually by 2030.	10.9 $MtCO_2$	10.0 $MtCO_2$
The number of renewable raw material supplier's sustainability assessment and their outcome [2)]	Total: 223 New approved suppliers: 171 All approved: 186 Pending: 33 Rejected: 4	Total: 219 New approved suppliers: 120 All approved: 133 Pending: 65 Rejected: 21

1) Annual greenhouse gas (GHG) reduction achieved with Neste's renewable products compared to 100% crude oil based fuel. Calculation method complies with the EU Renewable Energy Directives: until the end of H1/2021 with RED 2009/28/EC and in H2/2021 with RED II (EU)2018/2001. Calculation principle changed in 2021.

2) New approved suppliers include Demeter existing suppliers that were excluded in 2020 due to ongoing integration. All other figures include existing suppliers, which undergo a sustainability assessment process every 3–5 years. Supplier data includes only main contractual parties, excluding sub-suppliers.

Social and employee matters

Neste has a great opportunity to increase and foster diversity as the business grows globally. Neste drives equality and non-discrimination and always provides career and development opportunities to employees who are most qualified without allowing any personal attribute such as gender, ethnic background, nationality, age, pregnancy, sexual orientation or gender identity, disability, religion, or political opinions to play any part in decision making. To benefit from increasing diversity and make people feel valued and supported, Neste pursues the development of inclusive leadership and a culture of belonging based on values. The key actions in 2021 are strongly linked to Neste's people-related initiatives: leadership development programs, the Smart Work concept to support the new normal and the renewal of the Code of Conduct.

According to the engagement survey conducted in early 2021, our employee engagement index score is 66. The exceptional and challenging pandemic situation affected the overall results. The majority of our employees are positive about working at Neste and would recommend us as a workplace. Our special strengths are the meaningfulness of our own work, satisfaction with support from the manager, and a responsible and safe way of acting for both the company and our people. In addition to a broader employee engagement survey, we measure change through quicker pulse surveys and other surveys targeted at specific groups.

Neste's occupational safety performance (TRIF, or rate of accidents requiring medical treatment per million hours worked, including contractors) was in 2021 1.4 (1.3 in 2020) which was better than the target for 2021 (1.7) but slightly worse than in 2020. Process safety performance (PSER, or the rate of process safety events per million hours worked) was in 2021 1.4 (1.6 in 2020) which was better than 2021 target level (1.7) and better than in 2020.

Reaching further improvements in safety performance remains as a top priority for Neste. The active safety improvement work continues. Neste's Operations Excellence Policy, Life Saving Rules, Operations Excellence (OE) Principles, and supplementary detailed standards set requirements and guidelines for how we manage and improve safety. The focus areas remain on safety commitment and leadership, operational discipline, process safety, and contractor safety. The key process safety items are investments in asset integrity, ensuring comprehensive and effective process hazard analysis and mitigation actions in all operations, continuous development of safety-critical operations and further improvement of process safety competence.

Key figures	2021	2020
TRIF [1]	1.4	1.3
Process safety event rate PSER [2]	1.4	1.6
New employee hires and employee turnover	Leaving rate of permanent employees 13.0%. Hiring rate of permanent employees 12.1%.	Leaving rate of permanent employees 6.9%. Hiring rate of permanent employees 9.2%
Employee engagement Target: Maintain a good level of employee engagement.	According to the engagement survey conducted in early 2021, the employee engagement index score was 66. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 65% felt happy working at Neste, 78% understood how own work contributes to company's success, 70% thought Neste acts in a responsible way, 79% saw safety as a priority for Neste.	According to the engagement survey conducted early 2020 the employee engagement score was 70, which was in line with the global benchmark result. Majority of employees thought favorably of working at Neste and said they would recommend Neste as a workplace. 70% felt happy working at Neste, 81% understood how own work contributes to company's success, 79% thought Neste acts in a responsible way, 83% saw safety as a priority for Neste.

[1] Total Recordable Incident Frequency, number of cases per million hours worked. The figure includes both Neste's and contractors' personnel.
[2] Process Safety Event Rate, number of cases per million hours worked. The figure includes all operations in Neste's facilities.

See also: Diversity of the Board of Directors

Human Rights

In recognizing that our human rights impacts may change over time as our operations and value chains continue to evolve, we are committed to embedding human rights due diligence across our business as an ongoing, iterative process. We achieve this by building human rights due diligence into our existing systems and processes and creating new and separate processes when required. This year, we continued to conduct human rights due diligence within our supply chains and operations to prevent, mitigate and where necessary, remediate adverse human rights impacts.

In 2021, we initiated a new procedure for reviewing Neste's salient issues and understanding the gaps in our mitigation activities. This saliency review will be adopted as an ongoing annual practice at Neste, enabling us to better manage risks to human rights across all our business activities.

In October 2021, we commissioned BSR to conduct a Human Rights Risk Assessment of Neste's potential Rotterdam Expansion Project. The methodology used in the assessment was based on the United Nations Guiding Principles on Business and Human Rights, including a salience assessment and the integration of considerations related to the impacts of COVID-19. The assessment covered the project's construction phase, with additional analysis and considerations included for the operations phase.

In line with our ambition to advance a rights-based approach in all Neste's business decisions, we strengthened the human rights criteria and assessments required for decision making on strategic business development, investments and innovation projects in 2021. We also undertook human rights risk mapping and country risk assessments completed for the Algae and Lignocellulose Innovation projects. The aim is to ensure that human rights impacts are comprehensively assessed for all major projects at Neste before any final investment decision is made and starting from the project's earliest stages.

At an operational level, following the successful implementation of an onsite grievance mechanism to capture worker voices at the Singapore refinery expansion during 2020, in 2021, we took steps to implement similar practices for our other 2021 Turnarounds, including at our Porvoo refinery, to provide a channel for all onsite workers to raise grievances and access effective remedy.

Key figures	2021	2020
Human Rights Due Diligence carried out for key business areas/ functions. Target: To strengthen Neste's capacity to identify, assess, and address human rights risks in our operations and supply chains.	Four major assessments/initiatives undertaken in 2021: 1) Corporate-wide assessment to review Neste's salient issues and understand gaps in mitigation activities. 2) Human Rights Risk Assessment completed for potential Rotterdam Refinery Expansion Project 3) Human rights risk assessments completed for Lignocellulose and Algae Innovation platforms 4) Development and implementation of a new channel for all onsite workers to raise grievances and access effective remedy during the 2021 Turnarounds.	Two major assessments completed in 2020. 1) Corporate-wide exercise to map and understand internal processes and gaps in addressing modern slavery risks across all three of Neste's operating segments (incl. OP, RP, M&S, HR, Production, Logistics & Operations, Indirect Procurement and Risk Management). 2) Survey of Neste Malaysian palm suppliers on recruitment and employment practices for migrant workers

Anti-corruption and bribery matters

In addition to the Code of Conduct, Neste has an Anti-Corruption Principle, which sets the rules to prevent corruption in connection with Neste's business operations and providing more detailed guidance on responsible business practices. Anti-Corruption topics are regularly communicated to and trained for in the organization, including an Anti-Corruption e-learning course issued in 2019. The e-learning course also includes a requirement for employees to report observed or suspected violations of Neste's Anti-Corruption Principle to their own superior, Neste's HR, and the Compliance or Internal Audit functions. Employees may also report their concerns anonymously via Neste's externally operated misconduct reporting system, Ethics Online, which can be used by phone or via the website. Ethics Online is available both for employees and external stakeholders. More information on Neste's grievance process and the related Misconduct Investigation Standard is available in the Corporate Governance Statement.

Neste has issued an Anti-Money Laundering and Counter-Terrorist Financing (CTF) Standard detailing Neste's guidance and process in relation to preventing money laundering risks.

In 2021, Neste renewed its Code of Conduct. A related Code of Conduct e-learning course was issued as a first step for all office workers in 2021. The e-learning course also covers anti-corruption topics and how to report observed or suspected violations of Neste's Code of Conduct. In 2022, the Code of Conduct e-learning course will be issued for the rest of the organization. The e-learning course was also included in the training package for all new employees.

A total of eighteen suspected misconduct incidents were reported during 2021, leading to all in all 17 investigations as two reported cases linked, and half of these reports came via the EthicsOnline system. Confirmed misconduct by Neste employees was identified in two of the completed investigations, and misconduct by third parties in Neste's supply chain was confirmed in three investigations, all leading to further actions and process improvements. No confirmed misconduct was related to corruption or bribery. Further, no misconduct was found in eleven completed investigations. One investigation is pending. Neste's Investigations Group investigated the received reports and reported the number of reported cases per category to the Board of Directors' Audit Committee and to the Ethics and Compliance Committee, consisting of Neste Executive Committee members, the Chief Compliance Officer, and the VP, Internal Audit. In three investigations in 2021, the Neste Investigation Group retained independent external forensic expertise to conduct the investigation.

Training on anti-corruption, anti-money laundering, competition law compliance, trade sanction compliance and privacy was conducted with defined target groups such as the sales, supply and procurement teams.

Recognizing the need for sustainable raw materials in the supply chain, Neste has improved its procedures for tracking and processing grievances. This includes establishing a cross-functional team to ensure speed and consistency in how we manage grievance cases and maintaining a publicly available log of grievances raised in our raw materials supply chains on our website. The grievance log is updated on a monthly basis to include new grievances, as well as to provide status updates on the remediation of existing grievances, and how these are being addressed or monitored by Neste.

Key figures	2021	2020
Number of suspected misconducts reported in person or via the whistleblowing system to the Investigations Group. Target: To further encourage employees and external stakeholders to report observed or suspected misconducts.	Number of suspected misconducts reported in person or via the available reporting channels including EthicsOnline to the Investigations Group was in total 18 of which HR 4 reports, discrimination and harrassment 2, conflict of interest 3, bribery, corruption and facilitation payment 2, and 7 reports belong to category "other". Two reported suspected misconducts linked, leading to a total of 17 investigations. Misconduct by Neste employees confirmed in 2 cases, related to asset misuse, manager conduct, substance abuse and/or inappropriate behavior. Misconduct by a third party confirmed in 3 cases, related to inappropriate, discriminative and/or non-professional behaviour. All leading to further actions and process improvements. One investigation is pending. The confirmed cases of misconduct were not related to corruption, bribery or facilitation payments. Renewable raw material Supply chain related external grievances are reported separately by the Sustainability team on the Neste website.	Number of suspected misconducts reported in person or via the available reporting channels including EthicsOnline to the Investigations Group was in total 16 of which HR 6 reports, discrimination and harrassment 4, fraud 1, competition law infringement 1, health and safety 1 and 3 reports belong to category "other". In two cases misconduct related to inappropriate behaviour was established and led to further actions and process improvements. Renewable raw material Supply chain related external grievances are reported separately by the Sustainability team on Neste website.

Read more about the topics on Neste's website.

Outlook

Visibility in the global economic development still remains low due to the COVID-19 pandemic. As a consequence, we expect volatility in the oil products and renewable feedstock markets to remain high.

Renewable Products' first-quarter sales volumes are expected to be on a roughly similar level as in the previous quarter. Waste and residue markets are anticipated to remain tight as their demand continues to be robust. Following the conclusion of the term sales contract negotiations, the share of term sales is expected to be approximately 75% of sales volumes in 2022. Our first-quarter sales margin is expected to be within a range USD 650-725/ton. The segment's full-year fixed costs, including, among other things, fixed costs relating to the completed acquisitions, are expected to be approximately EUR 140 million higher than in 2021.

Utilization rates of our renewables production facilities are forecasted to remain high. We have scheduled a six-week turnaround at the Singapore refinery in the third quarter, and a seven-week turnaround at the Rotterdam refinery in the fourth quarter of 2022. The Singapore turnaround is currently estimated to have a negative impact of approximately EUR 90 million, and the Rotterdam turnaround a negative impact of approximately EUR 100 million on the segment's comparable EBITDA.

Oil Products' market demand has recovered year-on-year, but is still seen to be negatively impacted by the COVID-19 pandemic. The reference margin is expected to remain volatile and to be lower than in the fourth quarter of 2021. The very high natural gas price is expected to keep depressing the segment's additional margin. The first-quarter sales volumes are forecasted to come down somewhat from the high level seen in the fourth quarter boosted by cold weather and high natural gas price. The Porvoo major turnaround impacted refinery availability in 2021, and the planned downtime is significantly lower in 2022.

In Marketing & Services the sales volumes and unit margins are expected to follow the previous years' seasonality pattern in the first quarter. The COVID-19 pandemic is anticipated to have some negative impact on the demand and sales volumes.

Based on our current estimates and a hedging rate of 85%, Neste's effective EUR/US dollar rate is expected to be within a range 1.17–1.19 in the first quarter of 2022.

Neste estimates the Group's full-year 2022 cash-out capital expenditure to be approximately EUR 1.1 billion, excluding M&A. Comparable EBITDA will replace comparable EBIT as Neste's main profitability indicator starting from the first quarter of 2022 since we consider comparable EBITDA to better reflect our underlying business performance during a heavy investment period.

Dividend distribution proposal

Neste's dividend policy is to distribute at least 50% of its comparable net profit in the form of a dividend. The parent company's distributable equity as of 31 December 2021 amounted to EUR 2,800 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.82 per share (0.80), totaling EUR 630 million (614 million), shall be paid on the basis of the approved balance sheet for 2021. The dividend shall be paid in two installments.

The first installment of dividend, EUR 0.41 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the first dividend installment, which shall be 1 April 2022. The Board proposes to the AGM that the first dividend installment would be paid on 8 April 2022. The second installment of dividend, EUR 0.41 per share, will be paid to shareholders registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the second dividend installment, which shall be 30 September 2022. The Board proposes to the AGM that the second dividend installment would be paid on 7 October 2022. The Board of Directors is authorized to set a new dividend record date and payment date for the second installment of the dividend, in case the rules and regulations on the Finnish book-entry system would be changed, or otherwise so require.

The proposed dividend represents a yield of 1.9% (at year-end 2021 share price of EUR 43.36) and 53% of the comparable net profit in 2021.

Key figures

Income statement		2021	2020	2019
Revenue	EUR million	15,148	11,751	15,840
EBITDA	EUR million	2,607	1,508	2,731
- of revenue	%	17.2	12.8	17.2
Operating profit	EUR million	2,023	828	2,229
- of revenue	%	13.4	7.0	14.1
Profit before income taxes	EUR million	1,962	786	2,067
- of revenue	%	13.0	6.7	13.0
Profit for the period	EUR million	1,774	714	1,789
- of revenue	%	11.7	6.1	11.3
Comparable EBITDA	EUR million	1,920	1,929	2,452
Comparable operating profit	EUR million	1,342	1,416	1,962
Comparable net profit	EUR million	1,179	1,229	1,564
Profitability				
Return on equity (ROE)	%	28.5	11.8	35.8
Return on average capital employed, after tax (ROACE)	%	15.5	17.3	26.6
Financing and financial position				
Interest-bearing net debt	EUR million	41	-265	-191
Leverage ratio	%	0.6	-4.7	-3.3
Equity-to-assets ratio	%	56.6	61.1	60.8
Net Debt to EBITDA	%	0.0	-0.2	-0.1
Other indicators				
Capital employed	EUR million	8,742	7,236	7,243
Net working capital in days outstanding		33.3	35.0	36.7
Capital expenditure and investments in shares	EUR million	1,535	1,197	890
- of revenue	%	10.1	10.2	5.6
Research and development expenditure	EUR million	67	61	54
- of revenue	%	0.4	0.5	0.3
Average number of personnel		4,872	4,833	5,474

Share-related indicators		2021	2020	2019
Earnings per share (EPS)	EUR	2.31	0.93	2.33
Comparable earnings per share	EUR	1.54	1.60	2.04
Equity per share	EUR	9.09	7.72	7.71
Cash flow per share	EUR	2.60	2.68	1.90
Price / earnings ratio (P/E)		18.79	63.75	13.32
Dividend per share	EUR	0.82 [1)]	0.80	1.02
Dividend payout ratio	%	35.5 [1)]	86.2	43.8
Dividend yield	%	1.9 [1)]	1.4	3.3
Share prices				
Closing price	EUR	43.36	59.16	31.02
Average price	EUR	50.99	37.49	29.85
Lowest price	EUR	41.17	20.37	22.19
Highest price	EUR	64.74	60.14	33.33
Market capitalization	EUR million	33,353	45,507	23,861
Trading volumes				
Number of shares traded	1,000	246,647	340,904	307,770
- of weighted average number of shares	%	32	44	40
Weighted average number of shares outstanding		767,643,112	767,370,423	767,151,336
Number of shares outstanding at the end of the period		767,969,396	767,836,640	767,683,600

[1)] Board of Directors' proposal to the Annual General Meeting. 2019 key figures include extraordinary dividend.

BS
IS

Reconciliation of key figures to IFRS Financial Statements

Reconciliation between comparable operating profit and operating profit is presented in Note 4, Segment information.

Reconciliation between comparable operating profit and comparable EBITDA

EUR million	2021	2020	2019
Comparable operating profit	1,342	1,416	1,962
IS Depreciation, amortization and impairments	584	680	502
Items in depreciation, amortization and impairments affecting comparability	-5	-167	-11
Comparable EBITDA	1,920	1,929	2,452

Reconciliation between comparable operating profit and comparable net profit

EUR million	2021	2020	2019
Comparable operating profit	1,342	1,416	1,962
IS Total financial income and expenses	-61	-41	-163
IS Income tax expense	-188	-72	-278
IS Non-controlling interests	-2	-2	-1
Tax on items affecting comparability	89	-71	43
Comparable net profit	1,179	1,229	1,564

Reconciliation of return on average capital employed after tax (ROACE), %

EUR million	2021	2020	2019
Comparable operating profit last 12 months	1,342	1,416	1,962
IS Financial income	4	4	10
IS Exchange rate and fair value gains and losses	-10	0	-64
IS Income tax expense	-188	-72	-278
Tax on other items affecting ROACE	82	-77	35
Comparable net profit, net of tax	1,229	1,271	1,666
Capital employed average	7,952	7,326	6,275
Return on average capital employed after tax (ROACE), %	15.5	17.3	26.6

Reconciliation of equity-to-assets ratio, %

EUR million	2021	2020	2019
BS Total equity	6,985	5,929	5,922
BS Total assets	12,417	9,815	9,793
Advances received	-86	-104	-46
Equity-to-assets ratio, %	56.6	61.1	60.8

Reconciliation of net working capital in days outstanding

EUR million	2021	2020	2019
Operative receivables	1,561	1,179	1,918
BS Inventories	2,618	1,829	1,678
Operative liabilities	-2,795	-1,883	-2,001
Net working capital	1,384	1,125	1,595
IS Revenue	15,148	11,751	15,840
Net working capital in days outstanding	33.3	35.0	36.7

Calculation of key figures

Neste presents Alternative Performance Measures to enhance comparability between financial periods as well as to reflect operational performance and financial risk level. These indicators should be examined together with the IFRS-compliant performance indicators.

Key figure			Calculation	Reason for use
EBITDA	=		Operating profit + depreciation, amortization and impairments	EBITDA is an indicator to measure the operational performance and cash flow generation of the Group and its businesses.
Comparable EBITDA	=		Comparable operating profit + depreciation, amortization and impairments - items in depreciation, amortization and impairments affecting comparability	Comparable EBITDA describes underlying operational performance and cash flow generation.
Comparable operating profit	=		Operating profit -/+ inventory valuation gains/losses -/+ changes in the fair value of open commodity and currency derivatives -/+ capital gains/losses - insurance and other compensations + impairments -/+ other adjustments	Comparable operating profit reflects Neste's underlying operational performance. [1)]
Items affecting comparability	=		Inventory valuation gains/losses, changes in the fair value of open commodity and currency derivatives, capital gains/losses, insurance and other compensations, impairments and other adjustments	Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. [1)]
Comparable net profit	=		Comparable operating profit - total financial income and expense - income tax expense - non-controlling interests - tax on items affecting comparability	Comparable net profit is the basis for Neste's dividend policy. Dividend distribution is one element in the company's cash allocation.
Return on equity (ROE), %	=	100 x	Profit before income taxes - income tax expense, last 12 months / Total equity average, 5 quarters end values	Return on equity provide additional information on the profitability of Neste's operations.
Return on average capital employed, after-tax (ROACE), %	=	100 x	Comparable operating profit + financial income + exchange rate and fair value gains and losses - income tax expense - tax on other items affecting ROACE, last 12 months / Capital employed average, 5 quarters end values	Return on average capital employed after-tax (ROACE) is one of Neste's key financial targets. It is a long-term over the cycle indicator measuring the Group's profitability and efficiency of capital usage.
Capital employed	=		Total equity + interest bearing liabilities	Capital employed is primarily used to determine the return on average capital employed (ROACE) which is Neste's key financial target.
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents - current investments	Interest-bearing net debt is an indicator to measure the total external debt financing of the group.
Leverage ratio, %	=	100 x	Interest-bearing net debt / Interest bearing net debt + total equity	Leverage ratio is one of Neste's key financial targets. It provides useful information regarding the Group's capital structure and financial risk level.

Key figure			Calculation	Reason for use
Equity-to-assets ratio, %	=	100 x	Total equity / Total assets - advances received	Equity-to-assets ratio provides useful information regarding Neste's financial risk level.
Net working capital in days outstanding	=	365 x	Net working capital / Revenue, last 12 months	Net working capital in days outstanding measures Neste's efficiency in turning its net working capital into revenue.
Net Debt to EBITDA	=		Interest-bearing net debt / EBITDA, last 12 months	Net debt to EBITDA measures Neste's capital structure and ability to cover its debt.
Return on net assets, %	=	100 x	Segment operating profit, last 12 months / Average segment net assets, 5 quarters end values	Neste uses return on net assets to follow the operational performance of its operating segments.
Comparable return on net assets, %	=	100 x	Segment comparable operating profit, last 12 months / Average segment net assets, 5 quarters end values	Neste uses comparable return on net assets to follow the underlying operational performance of its operating segments.
Segment net assets	=		Property, plant and equipment + intangible assets + investments in associates and joint ventures + inventories + interest-free receivables and liabilities - provisions - pension liabilities allocated to the business segment	Segment net assets are primarily used to determine the return on net assets and comparable return on net assets.

Calculation of share-related indicators

Earnings per share (EPS)	=		Profit for the period attributable to the owners of the parent / Weighted average number of shares outstanding during the period
Comparable earnings per share	=		Comparable net profit / Weighted average number of shares outstanding during the period
Equity per share	=		Shareholder's equity attributable to the owners of the parent / Number of shares outstanding at the end of the period
Cash flow per share	=		Net cash generated from operating activities / Weighted average number of shares outstanding during the period
Price / earnings ratio (P/E)	=		Share price at the end of the period / Earnings per share

Key figure			Calculation	Reason for use
Dividend payout ratio, %	=	100 x	Dividend per share / Earnings per share	
Dividend yield, %	=	100 x	Dividend per share / Share price at the end of the period	
Average share price	=		Amount traded in euros during the period / Number of shares traded during the period	
Market capitalization	=		Number of shares at the end of the period x share price at the end of the period	

Calculation of key drivers

Oil Products reference margin (USD/bbl)	=		Product value - feed cost - standard refining variable cost - sales freights	Oil Products reference margin measures the segment's unit sales margin driven by general market elements. USD/bbl is a standard unit used in the oil industry.
Oil Products total refining margin (USD/bbl)	=		Comparable sales margin x average EUR/USD exchange rate for the period x standard refinery yield / Refined sales volume x standard barrels per ton	Oil Products total refining margin measures the segment's comparable sales margin per refined unit sold. USD/bbl is a standard unit used in the oil industry.
Oil Products additional margin (USD/bbl)	=		Oil Products total refining margin - Oil Products reference margin	Oil Products additional margin measures the segment's unit sales margin generation capability above the general market elements. USD/bbl is a standard unit used in the oil industry.
Renewable Products comparable sales margin (USD/ton)	=		Comparable sales margin / Renewable diesel sales volume	Renewable Products comparable sales margin measures the sales margin per unit sold.

[1] In the business environment where Neste operates, commodity prices and foreign exchange rates are volatile and can cause significant fluctuations in inventory values and operating profit. Comparable operating profit eliminates both the inventory valuation gains/losses generated by the volatility in raw material prices and changes in open derivatives, and better reflects the company's underlying operational performance. Also, it reflects Neste's operational cash flow, where the change in operating profit caused by inventory valuation is mostly compensated by changing net working capital. Items affecting comparability are linked to unpredictability events of a significant nature that do not form part of normal day-to-day business. They include among others impairment losses and reversals, gains and losses associated with the combination or termination of businesses, restructuring costs, and gains and losses on the sales of assets. Only items having an impact of more than EUR 1 million on Neste's result will be classified as items affecting comparability.

Financial Statements

Consolidated Statement of Income 168

Consolidated Statement of Comprehensive Income 168

Consolidated Statement of Financial Position 169

Consolidated Cash Flow Statement 170

Consolidated Statement of Changes in Equity 171

Notes to the Consolidated Financial Statements 172

Parent company Income Statement 229

Parent company Balance Sheet 229

Parent company Cash Flow Statement 230

Parent company Notes to the Financial Statements 231

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements 246

Auditor's Report 247

Consolidated Statement of Income

EUR million	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Revenue	4, 5	15,148	11,751
Other income	6	48	17
Share of profit (loss) of associates and joint ventures	15	-3	-38
Materials and services	7	-11,751	-9,253
Employee benefit costs	8	-431	-431
Depreciation, amortization and impairments	4	-584	-680
Other expenses	9	-403	-538
Operating profit		2,023	828
Financial income and expenses	10		
Financial income		4	4
Financial expenses		-55	-45
Exchange rate and fair value gains and losses		-10	0
Total financial income and expenses		-61	-41
Profit before income taxes		1,962	786
Income tax expense	11	-188	-72
Profit for the period		1,774	714
Profit attributable to			
Owners of the parent		1,771	712
Non-controlling interests		2	2
		1,774	714
Earnings per share from profit attributable to owners of the parent (in euro per share)	12		
Basic earnings per share		2.31	0.93
Diluted earnings per share		2.30	0.93

Consolidated Statement of Comprehensive Income

EUR million	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Profit for the period	1,774	714
Other comprehensive income net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements on defined benefit plans	-30	-6
Net change of other investments at fair value	11	5
Items that may be reclassified subsequently to profit or loss		
Translation differences	24	4
Cash flow hedges		
recorded in equity	-99	73
transferred to income statement	-9	-12
Share of other comprehensive income of investments accounted for using the equity method	4	12
Total	-80	77
Other comprehensive income for the period, net of tax	-98	76
Total comprehensive income for the period	1,675	790
Total comprehensive income attributable to:		
Owners of the parent	1,673	788
Non-controlling interests	2	2
	1,675	790

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	13	516	264
Property, plant and equipment	14	5,152	4,477
Investments in associates and joint ventures	15	60	56
Non-current receivables	17	63	61
Deferred tax assets	11	45	35
Derivative financial instruments	16, 19	11	3
Other financial assets	17	48	32
Total non-current assets		5,894	4,928
Current assets			
Inventories	18	2,618	1,829
Trade and other receivables	17	1,677	1,208
Derivative financial instruments	16, 19	243	260
Current investments	17	135	20
Cash and cash equivalents	17	1,581	1,552
Total current assets		6,253	4,869
Assets classified as held for sale	28	270	17
Total assets		12,417	9,815

EUR million	Note	31 Dec 2021	31 Dec 2020
EQUITY			
Capital and reserves attributable to the owners of the parent	20		
Share capital		40	40
Other equity		6,941	5,885
Total		6,981	5,925
Non-controlling interests		4	4
Total equity		6,985	5,929
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	21	1,378	1,050
Deferred tax liabilities	11	309	222
Provisions	22	210	232
Pension liabilities	23	146	111
Derivative financial instruments	16, 19	1	1
Other non-current liabilities	21	43	21
Total non-current liabilities		2,087	1,638
Current liabilities			
Interest-bearing liabilities	21	379	257
Current tax liabilities		12	7
Derivative financial instruments	16, 19	161	111
Trade and other payables	21	2,761	1,872
Total current liabilities		3,313	2,247
Liabilities related to assets held for sale	28	32	0
Total liabilities		5,432	3,886
Total equity and liabilities		12,417	9,815

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

EUR million	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flows from operating activities			
Profit before income taxes		1,962	786
Adjustments for			
Share of profit (loss) of associates joint ventures	4, 15	3	38
Depreciation, amortization and impairments	4	584	680
Other non-cash income and expenses		-121	239
Financial expenses - net	10	61	41
Profit / loss from disposal of fixed assets and shares		0	-1
Cash flow before change in net working capital		2,490	1,784
Change in net working capital			
Decrease (+) / increase (-) in trade and other receivables		-401	735
Decrease (+) / increase (-) in inventories		-795	-176
Decrease (-) / increase (+) in trade and other payables		835	-99
Change in net working capital		-362	460
Cash generated from operations		2,127	2,244
Interest and other finance cost paid		-52	-46
Interest income received		1	4
Realized foreign exchange gains and losses		12	-11
Income taxes paid		-95	-133
Finance cost and income taxes paid		-133	-187
Net cash generated from operating activities		1,994	2,057

EUR million	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2022
Cash flows from investing activities			
Purchases of property, plant and equipment		-929	-727
Purchases of intangible assets	13	-48	-35
Acquisitions of subsidiaries	27	-322	-175
Acquisitions of associates and joint ventures	15	0	-35
Proceeds from sales of shares in joint arrangements and business operations	27	8	-2
Proceeds from sales of property, plant and equipment		6	1
Changes in long-term receivables and other investments		-200	-66
Cash flows from investing activities		-1,483	-1,039
Cash flow before financing activities		511	1,019
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		111	-35
Proceeds from non-current interest-bearing liabilities		618	0
Repayments of non-current interest-bearing liabilities		-489	-142
Dividends paid to the owners of the parent		-614	-783
Dividends paid to non-controlling interests		-2	-1
Cash flows from financing activities		-377	-961
Net decrease (-) / increase (+) in cash and cash equivalents		134	57
Cash and cash equivalents at beginning of the period		1,552	1,493
Exchange gains (+) / losses (-) on cash and cash equivalents		9	2
Cash and cash equivalents at end of the period [1]	17	1,696	1,552

[1] Including cash and cash equivalents of EUR 115 million classified as held for sale as of 31 December 2021. See Note 28 for more information.

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2020		40	19	16	-7	-6	-60	-39	5,957	**5,919**	2	**5,922**
Profit for the period									712	**712**	2	**714**
Other comprehensive income for the period, net of tax						77	-6	4		**76**	0	**76**
Total comprehensive income for the period		0	0	0	0	77	-6	4	712	**788**	2	**790**
Transactions with the owners in their capacity as owners												
Dividend decision									-783	**-783**	-1	**-784**
Share-based compensation				0	1				1	**2**		**2**
Transfer from retained earnings			0					0		**0**		**0**
Total equity at 31 December 2020	20	40	20	16	-7	71	-66	-35	5,886	**5,925**	4	**5,929**

EUR million	Note	Share capital	Reserve fund	Reserve of invested unrestricted equity	Treasury shares	Fair value and other reserves	Actuarial gains and losses	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2021		40	20	16	-7	71	-66	-35	5,886	**5,925**	4	**5,929**
Profit for the period									1,771	**1,771**	2	**1,774**
Other comprehensive income for the period, net of tax						-93	-30	24		**-98**		**-98**
Total comprehensive income for the period		0	0	0	0	-93	-30	24	1,771	**1,673**	2	**1,675**
Transactions with the owners in their capacity as owners												
Dividend decision									-614	**-614**	-2	**-617**
Share-based compensation					1				-4	**-3**		**-3**
Transfer from retained earnings			0					0		**0**		**0**
Total equity at 31 December 2021	20	40	19	16	-6	-22	-96	-10	7,040	**6,981**	4	**6,985**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Neste Corporation (Neste) is a Finnish public limited liability company domiciled in Espoo, Finland. Neste is listed on the NASDAQ Helsinki Oy. The address of its registered office is Keilaranta 21, P.O. Box 95, 00095 Neste, Finland.

Neste Corporation and its subsidiaries (together referred to as Neste) create sustainable solutions for transport, business, and consumer needs. Neste's wide range of renewable and circular solutions enable its customers to reduce climate emissions. Neste is the world's largest producer of renewable diesel and sustainable aviation fuel refined from waste and residue, developing chemical recycling to combat the plastic waste challenge. Neste is also a technologically advanced refiner of high-quality oil products. Neste wants to be a reliable partner with widely valued expertise, research, and sustainable operations.

Neste's customers benefit not only from the high-quality products, but also from the comprehensive supply and logistics services that Neste can provide in Finland and abroad. Neste's refineries are located in Finland, the Netherlands and Singapore and Neste is also a co-owner of a base oil plant in Bahrain. Neste has a network of service stations and other retail outlets in Finland and the Baltic countries.

The Board of Directors has approved these consolidated financial statements for issue on 9 February 2022.

2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union. The consolidated financial statements also include compliance with Finnish accounting and corporate legislation. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the Neste's accounting policies.

The consolidated financial statements are presented in million euros unless otherwise stated. The figures in the tables are subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

Neste discloses its accounting policies in conjunction with each note to provide enhanced understanding of each accounting area. The following symbols **IS**, **OCI**, **BS**, and **CF** are used to show which amounts in the notes can be reconciled to consolidated statement of income (**IS**), consolidated statement of comprehensive income (**OCI**), consolidated statement of financial position (**BS**) or consolidated cash flow statement (**CF**).

New standards, significant amendments and interpretations adopted by Neste

Neste applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. These amendments had no impact on the consolidated financial statements of Neste. Neste has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as of 1 January 2021 (unless otherwise stated):

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2
- Amendments to IFRS 16: Covid-19-related Rent Concessions beyond 30 June 2021 (effective as of 1 April 2021)
- IFRIC agenda decision finalized in April 2021: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets).

New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. Neste intends to adopt these standards when they become effective.

There are no IFRS or IFRIC interpretations that are not yet effective and that would be expected to have a material impact on Neste.

Estimates and judgements requiring management estimation

The preparation of consolidated financial statements in conformity with the International Accounting Standard requires Neste's management to make estimates and assumptions which have an impact on reported assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. In addition, management judgement may be required in applying the accounting principles, for example, classifying assets as held for sale.

These estimates, assumptions and judgements are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ significantly from the estimates used in the financial statements.

Neste follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

The sources of uncertainty which have been identified as most significant estimates by Neste are presented in connection to the items considered to be affected.

Neste proved to be very resilient amid the continued pandemic, scheduled maintenance and high energy and feedstock costs in 2021. Oil demand was still under pressure due to the COVID-19 pandemic, but recovered significantly from 2020. Neste continued to assess the impacts of COVID-19 pandemic by reviewing the carrying values of the balance sheet items, which did not indicate a need for asset impairments. Neste's financial position remained strong. Visibility in the global economic development still remains low due to the COVID-19 pandemic. As a consequence, volatility in the oil products and renewable feedstock markets is expected to remain high. Further information is presented in the following notes: Note 3 Financial risk management, Note 13 Intangible assets.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neste Corporation, and all those companies over which Neste has control. Neste controls an entity when Neste is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Neste, and are no longer consolidated when this control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at their fair value on their date of acquisition. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value on their acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is re-measured at its fair value at the end of each reporting period and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently re-measured. The consideration transferred does not include any transactions accounted for separately from the acquisition. Acquisition-related costs are expensed as incurred.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within Neste, are eliminated in the preparation of consolidated financial statements.

The result for the period and items recognized in other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the statement of income and statement of other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the equity holders of the company. Other comprehensive income is allocated to the equity holders of the company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed the non-controlling interests' investment in the company.

When Neste ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if Neste had directly disposed of the related assets or liabilities.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control, and in which the sharing of control has been contractually agreed between the parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Neste has assessed the nature of its joint arrangements and determined them to be either joint ventures or joint operations.

Joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures are accounted for using the equity method. Joint operations are consolidated for its share of the assets, liabilities, revenues, expenses and cash flow on a line-by-line basis. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize Neste's share of the post-acquisition profits or losses and movements in other comprehensive income. When Neste's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of Neste's net investment in the joint ventures), Neste does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between Neste and its joint arrangements are eliminated to the extent of Neste's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset being transferred.

Associates

Associated companies are entities over which Neste has significant influence but not control, and generally involve a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method as described above in the "Joint arrangements" paragraph.

Structured entities

Neste engages in business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entities are consolidated when the substance of the relationship between Neste and the structured entities indicate that the structured entities are controlled by Neste. The extent of Neste's interests in unconsolidated structured entities will vary depending on the type of structured entities. Entities are not consolidated because Neste does not control them through voting rights, contract, funding agreements, or other means.

Management uses judgement when determining the accounting treatment of the structured entities. In addition to the voting rights or similar rights, the management considers other factors such as the nature of the arrangement, contractual arrangements and level of influence with the structured entities.

Foreign currency translation

(a) Presentation currency

Items included in the financial statements of each of Neste's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the company's presentation currency.

(b) Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all Neste entities (none of which uses a hyperinflationary economy currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and currency instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is partially disposed of, sold, or liquidated, translation differences accrued in equity are recognized in the income statement as part of the gain or loss on the sale/liquidation. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity in question and translated at the closing rate.

3 Financial risk management

Financial risk management principles

The Neste Board of Directors has approved the Corporate risk management policy. This policy together with the related principles and instructions defines the framework for financial risk management within Neste. Mandates and limits that are applicable to financial risks have been defined in the risk management policy.

For more information regarding Neste's risk management principles and key risk areas, please refer to the risk management section in the annual report.

Market risks

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. For Neste, the main types of market risks are commodity price risk, foreign exchange risk and interest rate risk. These are specified in more detail in the following sections.

In accordance with the Corporate risk management policy, various derivatives transactions are executed to mitigate exposure to risk. The positions are monitored and managed on a daily basis.

1. Commodity price risks

The main commodity price risks Neste faces in its businesses are related to market prices for crude oil, renewable feedstocks, and other feedstocks, as well as refined petroleum and renewable products. These prices are subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand.

Neste's results of operations in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors, combined with Neste's own consumption of raw materials and output of refined products, drive operational performance and cash flows in Renewable Products and Oil Products, which are Neste's largest segments in terms of revenue, profits and net assets.

Neste divides the commodity price risks affecting Neste's revenue, profits and net assets into two main categories: inventory price risk and refining margin risk.

Inventory price risk

From a price risk management perspective, Neste's refinery inventory consists of two components. The first and largest component remains relatively constant over time and is referred to as the 'base inventory'. The second and daily fluctuating component is the amount of inventories differing from the base inventory level and at Neste it is called 'transaction position'.

The base inventory is the minimum level that can reasonably assure the continuous operation of the refineries and prevent deliveries from being compromised. It comprises inventories at the refineries and within the supply chain. The base inventory includes the minimum level of stocks that Neste is required to maintain under Finnish laws and regulations.

In Renewable Products, the base inventory level is approximately half of the annual renewables refining capacity used. In Oil Products, the base inventory is approximately one-tenth of the total annual fossil fuel refining capacity.

The base inventory creates a risk in Neste's income statement and balance sheet since Neste applies the weighted average method for measuring the cost of goods sold, raw materials and inventories. Hedging operations related to price risk do not target the base inventory. Instead, Neste's inventory risk management policies target the 'transaction position' in as much as these stocks create cash flow risks depending on the relationships between feedstock purchases, refinery production and refined petroleum product sales over any given period. According to the Neste risk management policy, any open exposures of the transaction position are hedged without delay when the underlying pricing-in or pricing-out occurs.

In hedging the transaction position, derivative financial instruments are used. Because of the differences between the quality of the underlying feedstocks or end products for which derivative financial instruments can be sold and purchased and the actual quality of Neste's feedstocks and end products, the business will remain exposed to some degree of basis risk. Basis risk is typically higher in the Renewables business compared to the fossil fuel refining due to the nature of the feedstock pool and limited availability of hedging instruments.

If crude or oil product markets are in contango where current forward prices are higher than current spot prices, Neste has the capability to build physical contango storages from time to time. These storages are excluded from the transaction position and are hedged separately.

Refining margin risk

Neste is exposed to a greater margin volatility in the Renewable Products segment compared to that of fossil fuel refining. In the Renewables business, the refining margin is mainly an outcome of the renewable product sale price received and the cost of feedstocks used. The underlying indices used in renewable diesel pricing are primarily related to oil products. Premiums over pricing indices fluctuate regionally depending on the nature of bio mandates and incentives, local supply and demand, and fossil fuel prices. In North America, Soy Methyl Ester (SME) is an important price driver through its link to Renewable Identification Number (RIN) prices. The cost of feedstocks depends on feedstock selection and is typically derived from different vegetable oils and fats. Feedstock prices are mainly driven by supply and demand balances, crop forecasts and regional weather. In Renewable Products segment, operational activities and margin hedges are the primary means of mitigating margin volatility.

Refining margin is an important determinant of Oil Products segment's earnings. Its fluctuations constitute a significant risk. The refining margin risk is a result of the revenue from sold petroleum products and the cost of raw materials together with other costs. Neste's exposure to low refining margins in traditional oil refining is partly offset by its high-conversion refinery capacity.

With the aim of securing its margin and cash flow, Neste has defined margin hedging principles for its main refining businesses. In the Renewable Products segment, the targeted hedge ratios are typically higher and can be expected to fluctuate over time. In the fossil fuel business, the hedge ratios are typically moderate.

In hedging the refining margin, commodity derivatives are used. Hedging transactions are targeted at the components of Neste's refining margin, based on its forecast or committed sales and refinery production, which are exposed to international market price fluctuations. Just as in transaction hedging, also when hedging the refining margin, the business will remain exposed to a certain degree of basis risk that comes from the differences between actual qualities of feedstocks and products and qualities of available hedging arrangements.

The exposure to open positions of commodity derivative contracts is summarized in Note 19. Neste does not apply IFRS hedge accounting for commodity hedging positions.

2. Foreign exchange risk

As the underlying currency of Neste's main markets is the U.S. Dollar, and Neste operates and reports in Euro, this factor is one that exposes Neste's business to currency risk. The objective of foreign exchange risk management in Neste is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by hedging currency risks in contracted and forecast cash flows and balance sheet exposures (referred to as transaction exposure) as well as the equity of non-euro-based subsidiaries (referred to as translation exposure).

Transaction exposure

In general, all reporting segments hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecast over a 12-month period on a rolling basis and hedged on average 70% for the first six months and 30% of the next six months for the Renewable business and on average 80% for the first six months and 40% for the following six months for the fossil fuel businesses. Deviations from the benchmark position are allowed in line with the limits set by treasury principles. The most important hedged currency is the U.S. dollar. Other currencies to which Neste is exposed are the Swedish crown (SEK), the Chinese renminbi (CNY), the Singapore dollar (SGD), the Australian dollar (AUD) and the Malaysian ringgit (MYR). Neste's net exposure is managed through the use of forward contracts and options. All transactions are made for hedging purposes and the majority is also hedge-accounted for according to IFRS. Segments are responsible for forecasting net foreign currency cash flows, while Group Treasury & Risk Management is responsible for implementing hedging transactions. In addition to the above mentioned foreign currency hedging programs Neste has continued to hedge the Singapore expansion project related currency exposures until the end of the investment. Both currency forwards and currency options can be used in order to manage this position.

Neste has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts. Similarly to commodity price risk management, the foreign exchange transaction hedging targets inventories in excess of the base inventory. Open exposures are allowed based on risk limits set by treasury principles. The largest and most volatile item in terms of balance sheet exposure is net working capital. Since many of the Neste's business transactions, sales of products and services and purchases of crude oil and other feedstock are linked to the U.S. dollar, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2021, the daily balance sheet exposure fluctuated between approximately EUR 983 million and 1,912 million (2020: EUR 208 million and 1,258 million). Group Treasury & Risk Management is responsible for consolidating various balance sheet items and carrying out hedging transactions. Foreign exchange risk is estimated by measuring the impact of currency rate changes based on historical volatility.

The exposure to open positions of foreign exchange derivative contracts is summarized in Note 19.

Translation exposure

Group Treasury & Risk Management is responsible for managing Neste's translation exposure. This consists of net investments in foreign subsidiaries and joint ventures. Although the main principle is to leave translation exposure unhedged, Neste may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Any hedging decisions are made by Group Treasury & Risk Management. At the end of 2021, the most important translation exposures were: U.S. dollar EUR 571 million and Swedish Crown EUR 76 million (2020: U.S dollar EUR 227 million, Swedish Crown EUR 65 million). Neste has not hedged the exposures in 2021 or 2020.

3. Interest rate risk

Neste is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the interest rate risk management is to limit the volatility of interest expenses in the income statement. The benchmark duration for the debt portfolio is 12 months, and duration can vary between six and 96 months. As of 31 December 2021, the duration was 44 months (2020: 26 months). In addition to duration, Neste has defined a flow risk limitation.

Interest rate derivatives are used to adjust the duration of the debt portfolio. Neste's interest rate risk management is handled by Group Treasury & Risk Management. Neste has not used interest rate derivatives in 2021 or 2020.

The re-pricing period of interest-bearing debt occurs 2021	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	258	0	0	258
Other loans	131	0	0	131
Financial instruments with fixed interest rate				
Bonds	0	399	494	893
Lease liabilities	111	141	192	444
Other loans	0	30	0	30
	501	570	686	1,757

The re-pricing period of interest-bearing debt occurs 2020	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	128	0	0	128
Other loans	26	0	0	26
Financial instruments with fixed interest rate				
Bonds	0	720	0	720
Lease liabilities	114	112	177	403
Other loans	0	30	0	30
	268	862	177	1,307

4. Key sensitivities to market risks

Sensitivity of operating profit to market risks arising from the Group's operations

Due to the nature of its operations, Neste's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Neste's key price and currency exposures would have on its operating profit for 2022 (2021), assuming normal market and operating conditions and with following assumptions on sensitivities:

- Hedging transactions are excluded
- The sensitivity of each factor in the table is individual, assuming other factors to remain constant, i.e., the ceteris paribus principle
- The sensitivity in the EUR/USD exchange rate is based on exposure forecast
- The sensitivity in the Oil Product totals refining margin is based on forecast volumes, representing an impact from change of 1 USD/barrel
- The sensitivity in the Oil Products crude oil price is based on impacts through inventory gains/losses and changes in utility and freight costs
- The sensitivity in the Renewable Products raw material price is based on impacts through inventory gains/losses
- The sensitivity in the Renewable Products refining margin is based on nameplate capacity at end of 2021, representing an impact from a change of 50 USD/ton

Approximate impact on operating profit, excluding hedges		2022	2021
+/- 10% in the EUR/USD exchange rate	EUR million	-289/+353	-224/+274
+/- USD 1.00/barrel in Oil Products total refining margin	USD million	+/-90	+/-85
+/- USD 10/barrel in crude oil price for Oil Products [1]	USD million	+/-85	+/-95
+/- USD 100/t in Renewable Products raw material price [1]	USD million	+/-150	+/-145
+/- USD 50/t in Renewable Products refining margin [2]	USD million	+/-160	+/-160

[1] Inventory gains/losses excluded from comparable operating profit

[2] Based on nameplate capacity

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of Neste's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2021 (2020). Financial instruments affected by the above market risks include net working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, liquid funds, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

The following assumptions were made when calculating the sensitivity to the change in oil prices:

- The flat price variation for oil derivative contracts of crude oil, refined oil products and vegetable oil is assumed to be +/- 20%
- The sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument
- The sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation

The following assumptions were made when calculating the sensitivity to changes in the EUR/USD exchange rate:

- The variation in the EUR/USD-rate is assumed to be +/- 10%
- The position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, trade and other payables, and liquid funds, as well as derivative financial instruments
- The position excludes USD-denominated future cash flows

The following assumptions were applied when calculating the sensitivity to changes in interest rates:

- The variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve
- The interest rate risk position includes interest-bearing liabilities (excluding leases), interest-bearing receivables, and interest rate swaps, however liquid funds are excluded
- The income statement is affected by changes in the interest rates of floating-rate financial instruments except derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity

The sensitivity analysis presented in the following table may not be representative, since the Neste's exposure to market risks also arises from balance sheet items other than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which Neste hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items which are recorded directly in equity. Items affecting the income statement are not included in equity.

Sensitivity to market risk arising from financial instruments as required by IFRS 7		2021 Income statement	2021 Equity	2020 Income statement	2020 Equity
+/- 20% change in oil price [1]	EUR million	-/+ 2	+/- 0	+/- 7	+/- 0
+/- 10% change in EUR/USD exchange rate	EUR million	+100/-122	+132/-138	+83 /-101	+152 /-151
+/- 1% parallel shift in interest rates	EUR million	-/+2	+/-0	-/+1	+/-0

[1] Includes crude oil, refined oil products and vegetable oil derivatives

Liquidity and refinancing risks

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times. The COVID-19 pandemic did not have an effect on Neste's liquid funds and committed unutilized credit facilities.

Neste's principal source of liquidity is expected to be cash generated from operations. In addition, Neste seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. Certain other limits have also been set to minimize liquidity and refinancing risks. The amount of short-term financing is limited to the greater of the following: EUR 500 million or 30% of total interest-bearing liabilities. Unused committed credit facilities together with excess cash must always be at a minimum EUR 500 million and sufficient to cover all forecasted negative free cash flows and interest bearing liabilities maturing within the next 12-month period.

The average loan maturity as of 31 December 2021 was 3.7 years (2020: 2.1 years). The most important financing programs in place are committed revolving multicurrency credit facility of EUR 1,200 million, committed overdraft facilities of EUR 150 million and uncommitted domestic commercial paper program of EUR 400 million.

Liquid funds and committed unutilized credit facilities	31 Dec 2021	31 Dec 2020
Liquid funds	1,716	1,572
Overdraft facilities, expiring within one year	150	150
Revolving credit facility, expiring beyond one year [1]	1,200	1,200
Total	3,066	2,922
In addition: unused commercial paper program (uncommitted)	400	400

[1] EUR 1,200 million revolving credit facility dated 18 December, 2019 for general corporate purposes. The facility has a tenor of five years with two one-year extension options. The margin under the facility will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target.

Maturity profile of financial liabilities based on contractual payments 31 Dec 2021	2022	2023	2024	2025	2026	2027–	Total
Trade payables and other liabilities	2,656	9	9	9	1	16	2,699
Interest-bearing liabilities							
Bonds	0	0	400	0	0	500	900
Loans from financial institutions	137	6	6	6	6	98	258
Lease liabilities [1)]	111	62	39	27	13	192	444
Other loans	131	0	30	0	0	0	161
Interest of lease liabilities	22	20	18	16	14	204	293
Interest of other liabilities	15	12	13	5	5	8	57
Total	3,073	109	514	62	39	1,018	4,814
Commodities	85	1	0	0	0	0	86
Gross settled forward foreign exchange contracts							
- inflow (-)	-3,909	-10	0	0	0	0	-3,919
- outflow	3,947	10	0	0	0	0	3,957
Derivatives total	123	1	0	0	0	0	124

[1)] Refer to Note 30 Leases for further information.

Maturity profile of financial liabilities based on contractual payments 31 Dec 2020	2021	2022	2023	2024	2025	2026–	Total
Trade payables and other liabilities	1,872	1	1	1	1	17	1,893
Interest-bearing liabilities							
Bonds	0	321	0	400	0	0	721
Loans from financial institutions	128	0	0	0	0	0	128
Lease liabilities [1)]	114	44	30	20	18	177	403
Other loans	14	11	0	30	0	0	55
Interest of lease liabilities	22	19	18	16	15	223	312
Interest of other liabilities	15	15	8	8	0	0	45
Total	2,164	411	57	475	34	417	3,558
Commodities	96	0	0	0	0	0	96
Gross settled forward foreign exchange contracts							
- inflow (-)	-3,882	-98	0	0	0	0	-3,980
- outflow	3,762	99	0	0	0	0	3,861
Derivatives total	-24	1	0	0	0	0	-23

[1)] Refer to Note 30 Leases for further information.

Credit and counterparty risk

Credit and counterparty risk arises from sales, hedging and trading transactions as well as from cash investments. The risk arises from the potential failure of the counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure. The objective of credit and counterparty risk management is to minimize the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for credit and counterparty risk are covered in the Corporate risk management policy and separate principle and instruction-level documents.

The amount of risk is quantified as the expected loss to Neste in the event of a default by the counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste's reporting segments, which are responsible for counterparty risk management within these limits.

When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent company guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services. In addition, Neste may reduce its counterparty risks by selling trade receivables to a third party, e.g., the bank. The sale of the receivables essentially transfers the title, benefits and interest in the trade receivables to the bank, indicating the bank to obtain all of the rights associated with the receivables. The sale and transfer shall be without guarantee from the seller in respect of the buyer's creditworthiness and with limited recourse to the seller. The seller receives the purchase price from the bank at the time of sale. Fees and other expenses are deducted from the payment or invoiced separately. No arrangements for selling receivables were in place in 2021 or 2020.

The credit lines for counterparties are divided into three categories according to contract type: physical sales contracts, derivative contracts and investments. Credit lines are restricted in terms of the time horizon associated with the payment and credit exposure risk. In determining counterparty credit limits, two levels of delegation are used: authority mandates to rated counterparties by general rating agencies and authority mandates related to unrated counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste has negotiated framework agreements in the form of the ISDA (International Swaps and Derivatives Association) master agreement with the main counterparties concerning commodity, emission allowance, currency and interest rate derivative financial instruments. These contracts permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events. Some of these agreements include Credit Support Annexes (CSA) with the aim of reducing credit and counterparty risk by requiring margin call deposits in the form of cash or letter of credit for balances exceeding the mutually agreed limit. At the end of December 2021, Neste had received EUR 120 million in cash collateral (2020: EUR 12 million) and EUR 0 million letter of credit (2020: EUR 5 million) due to CSA agreements. Neste had issued EUR 0 million in cash collateral (2020: EUR 0 million) and EUR 0 million letter of credit (2020: EUR 0 million) due to CSA agreements.

	31 Dec 2021				31 Dec 2020			
	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
Financial impact of netting for instruments subject to an enforceable master netting agreement (or similar)	**Derivatives**	**Trade receivables**	**Derivatives**	**Trade payables**	**Derivatives**	**Trade receivables**	**Derivatives**	**Trade payables**
Gross amount of recognized financial instruments	254	30	162	2	263	17	113	1
Related liabilities or assets subject to master netting agreements	98	0	98	0	89	0	89	0
CSA agreements	120	0	0	0	12	0	0	0
Net exposure	36	30	64	2	163	17	24	0

Neste reduces credit risk by executing treasury transactions only with approved counterparties. All counterparties have a minimum credit rating that is defined in Corporate risk management policy. Neste subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis in order to provide sufficient visibility and management of Neste's cash balance and risks associated with it.

As for counterparty risk management, the minimum credit rating requirement for companies providing insurance for Neste Group is defined in treasury principles.

Neste has a large number of different counterparties on the international markets. As to the range of counterparties, the most significant types are primarily large international oil companies and financial institutions. However, Neste's exposure to unexpected credit losses within one reporting segment may increase with the concentration of credit risk through a number of counterparties operating in the same industry sector or geographical area, which may be adversely affected by changes in economic, political or other conditions. These risks are reduced by taking geographical risks into consideration in decisions on creditworthiness.

Counterparties to contracts comprising derivative financial instruments exposure on 31 December 2021: over 80% of the counterparties or their parent companies related to commodity derivative contracts have investment-grade rating from an established international credit rating agency. Respectively, Group Treasury & Risk Management had an exposure for currency and interest rate derivative contracts as of 31 December 2021 with banks, of which all have investment-grade rating at a minimum. Commodity derivative transactions are also done through exchange, which reduces credit risk.

Neste assesses expected credit losses and calculates impairment loss from trade receivables based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. Analysis is conducted utilizing industry outlook and economic forecasts from various data sources. Neste has chosen a cautious expected credit loss calculation as indicated by the low level of actual historical credit losses compared to the loan loss provision. The effects of Covid-19 have been considered, and it has been concluded by management that the basis of the expected credit loss calculation is in line with the economic outlook, taking into account Neste's requirement of collateral from counterparties with lower creditworthiness, and reassessment of credit limits conducted due to the pandemic. The receivables have been divided in aging buckets and segments depending on business area and geographic region, in addition to which they are assessed case by case. Impairment loss from trade receivables for the period is EUR 9 million (2020: EUR 9 million). Recognized credit loss of trade receivables amounts to EUR 1 million (2020: EUR 4 million).

Analysis of trade receivables by age	31 Dec 2021	Probability of Credit Loss, %	31 Dec 2020	Probability of Credit Loss, %
not past due	1,253	0–0.04%	810	0–0.04%
1–30 days overdue [1)]	76	0.01–4%	23	0.01–4%
31–60 days overdue	4	5–43%	4	5–43%
61–90 days overdue	1	10–55%	49	10–55%
91–180 days overdue	3	25–100%	48	25–100%
more than 180 days overdue [1)]	74	100%	27	100%
Trade receivables total	1,412		961	
Impairment loss	-9		-9	
Trade receivables – Net	1,403		952	

[1)] Blender's Tax Credit receivables from the US tax authorities on 31.12.2021 were total EUR 96 million, of which EUR 21 million 1–30 days overdue and EUR 49 million more than 180 days overdue.

Financial assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery may be, e.g., a debtor failing to engage in a repayment plan with the company, or a debtor failing to make contractual payments more than 180 days past due. However, the write-offs are interpreted case by case and thus if there is a high probability that the receivable is still paid, no write-off is made. For all bankruptcies and debt restructurings, Neste makes an immediate write off. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Of the trade receivables portfolio exposure, 56% (2020: 61%) is from counterparties or their parent companies having an investment-grade credit rating; 44 % (2020: 39%) consists of trade receivables from counterparties that do not have an investment-grade credit rating, most of it comprising from a large number of corporate and private customers.

Capital risk management

Neste's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which Neste operates. Despite the fact that Neste does not have a public credit rating, the Group's target is to have a capital structure equivalent to investment-grade rating. The capital structure of Neste is reviewed by the Board of Directors on a regular basis.

Neste monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less liquid funds. Over the cycle, Neste's leverage ratio is likely to fluctuate, and it is Neste's objective to maintain the leverage ratio below 40%.

The leverage ratio	31 Dec 2021	31 Dec 2020
Total interest-bearing liabilities	1,757	1,307
Liquid funds	1,716	1,572
Interest-bearing net debt	41	-265
Total equity	6,985	5,929
Interest-bearing net debt and total equity	7,026	5,664
Leverage ratio	0.6%	-4.7%

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2021	-1,552	-20	403	904	-265
Cash flows	-117	-115	-144	397	22
New lease liabilities	0	0	141	0	141
Acquisitions and disposals	-5	0	22	22	38
Foreign exchange differences	-22	0	12	-10	-19
Other non-cash movements	114	0	10	0	125
Net debt as at 31 December 2021	-1,581	-135	444	1,313	41

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2020	-1,493	-19	418	903	-191
Cash flows	-64	0	-115	-24	-203
New lease liabilities	0	0	135	0	135
Acquisitions and disposals	-4	0	0	19	15
Foreign exchange differences	9	0	-15	5	0
Other non-cash movements	1	0	-21	0	-21
Net debt as at 31 December 2020	-1,552	-20	403	904	-265

4 Segment information

Accounting policy

Neste's operations are divided into four operating segments: Renewable Products, Oil Products, Marketing & Services, and Others. The performance of the reporting segments are reviewed regularly by the chief operating decision-maker, Neste's President & CEO, to assess performance and to decide on allocation of resources. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The segments' operating results are measured based on comparable operating profit and return on comparable net assets. The accounting policies applicable to the segment reporting are the same as those used for establishing the Neste consolidated financial statements. All inter-segment transactions are on an arm's length basis and are eliminated in consolidation. Segment operating profit includes realized gains and losses from foreign currency and commodity derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the consolidated statement of income.

Segment operating assets and liabilities consist of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, intangible assets, investments in associates and joint ventures, inventories and receivables. They exclude deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operating liabilities consist of operating liabilities, pension liabilities, short-term and long-term lease liabilities and provisions; and exclude items such as current and deferred taxes, interest-bearing liabilities, and derivative financial instruments designated as hedges of forecasted future cash flows.

Neste's business structure

Neste's operations are built around three business areas and six common functions. The business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Renewable Products, Oil Products, and Marketing & Services. The common functions are: Finance, Human Resources, HSSEQ and Procurement, Sustainability and Corporate Affairs, Innovation; Legal, and Neste Engineering Solutions. The common functions are responsible for supporting business areas and other organizations, and ensure their cost efficiency, transparency, and harmonization of procedures across the company, and for overseeing the use and sufficiency of Neste's resources.

Operating segments

Operating segments are engaged in the following key business activities:

The Renewable Products segment produces, markets and sells renewable diesel, renewable jet fuels and solutions, renewable solvents as well as raw material for bioplastics based on Neste's proprietary technology to domestic and international wholesale markets. Renewable diesel is produced at the Porvoo, Singapore, and Rotterdam refineries, which have a combined capacity of 3.2 million tons per year.

The Oil Products segment produces, markets and sells an extensive range of low-carbon solutions that are based on high-quality oil products and related services to a global customer base. The product range includes diesel fuel, gasoline, aviation and marine fuels, light and heavy fuel oils, base oils, gasoline components, special fuels, such as small-engine gasoline, solvents, liquid gases, and bitumens. Oil products are refined at the Neste Finland Refinery in Porvoo. Base oils are also produced by a joint arrangement production plant in Bahrain. Crude oil refining capacity is 10.5 million tons per year. Neste Shipping's chartering operations are included in the Oil Products segment.

The Marketing & Services segment markets and sells cleaner fuels and oil products and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste's own service station network and direct sales.

The Others segment consists of the engineering and technology solutions company Neste Engineering Solutions and common corporate costs.

The operating segments presented above do not include any segments which are formed by aggregating two or more smaller segments.

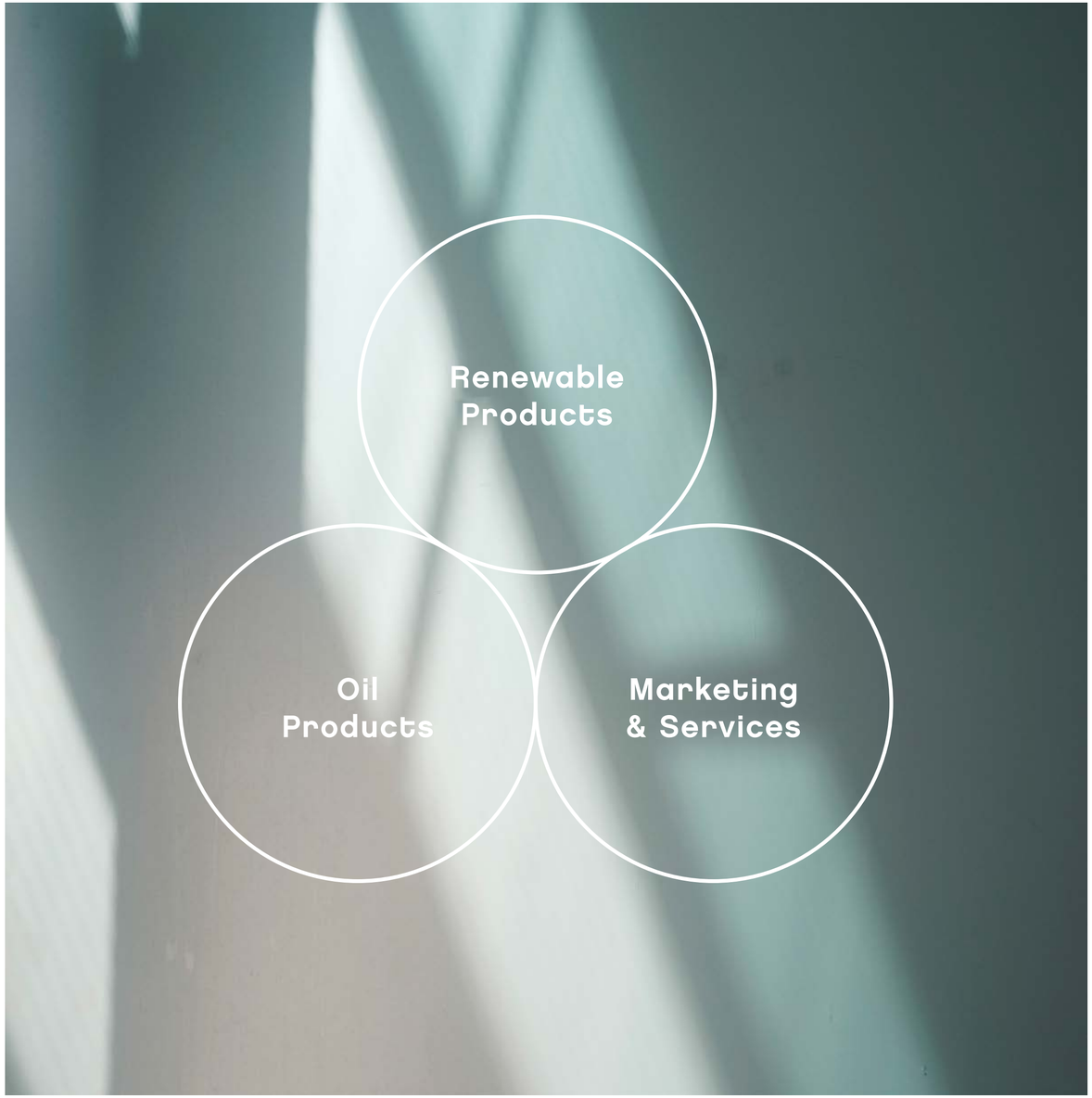
The 'other expenses' included in the consolidated statement of income for each business segment includes the following major items:

Renewable Products: repairs and maintenance, planning and consulting services, rents and other property costs, travel-, HSE- and marketing costs, and insurance premiums.

Oil Products: repairs and maintenance, planning and consulting services, rents and other property costs, travel- and HSE costs and insurance premiums.

Marketing & Services: repairs and maintenance, rents and other property costs and marketing costs.

Neste's customer structure in 2021 and 2020 did not result in any major concentration in any given geographical area or operating segment.



Information about Neste's operating segments as of and for the years ended December 31, 2021 and 2020 is presented in the following tables:

2021	Renewable Products [1]	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
IS External revenue	5,658	5,690	3,772	28	0	15,148	
Internal revenue	237	2,120	31	142	-2,530	0	
IS Total revenue	5,895	7,810	3,803	170	-2,530	15,148	5
IS Other income	10	18	9	31	-20	48	6
IS, CF Share of profit (loss) of associates and joint ventures	-3	0	0	0	0	-3	15
IS Materials and services	-3,576	-6,948	-3,616	-53	2,442	-11,751	7
IS Employee benefit costs	-132	-103	-25	-174	3	-431	8
IS, CF Depreciation, amortization and impairments	-227	-283	-29	-46	0	-584	
IS Other expenses	-243	-232	-66	37	100	-403	9
IS Operating profit [1]	1,723	263	77	-34	-6	2,023	
IS Financial income and expense						-61	10
IS Profit before income taxes						1,962	
IS Income tax expense						-188	11
IS Profit for the period						1,774	
Comparable operating profit	1,238	71	74	-35	-6	1,342	
inventory valuation gains/losses	409	164	0	0	0	573	
changes in the fair value of open commodity and currency derivatives	81	25	0	0	0	106	
capital gains and losses	0	-2	5	0	0	3	
impairments	0	0	0	0	0	0	
other adjustments	-4	5	-2	1	0	-1	
IS Operating profit	1,723	263	77	-34	-6	2,023	

[1] The US Blender's Tax Credit (BTC) contribution was EUR 295 million on the Renewable Products' operating profit in 2021.

IS
CF

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2021	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
Comparable EBITDA	1,460	353	103	11	-6	1,920	
Capital expenditure and investments in shares	1,023	451	22	39	0	1,535	
Segment operating assets	5,689	3,967	588	350	-328	10,266	
BS Investments in associates and joint ventures	35	25	0	0	0	60	15
BS Deferred tax assets						45	11
Unallocated assets						2,045	
BS Total assets	5,724	3,992	588	350	-328	12,417	
Segment operating liabilities	1,327	1,990	429	281	-315	3,712	
BS Deferred tax liabilities						309	11
Unallocated liabilities						1,411	
BS Total liabilities	1,327	1,990	429	281	-315	5,432	
Segment net assets	4,748	2,045	212	78	-13	7,069	
Return on net assets, %	40.9	11.9	38.1	29.6			
Comparable return on net assets, %	29.4	3.2	36.6	30.1			

2020	Renewable Products [1]	Oil Products [2]	Marketing & Services	Others [2]	Eliminations	Group	Note
IS External revenue	4,114	4,578	3,031	28	0	11,751	
Internal revenue	156	1,485	24	149	-1,813	0	
IS Total revenue	4,270	6,063	3,055	177	-1,813	11,751	5
IS Other income	1	7	4	26	-21	17	6
IS, **CF** Share of profit (loss) of associates and joint ventures	0	4	0	-42	0	-38	15
IS Materials and services	-2,540	-5,505	-2,874	-50	1,716	-9,253	7
IS Employee benefit costs	-106	-145	-24	-158	2	-431	8
IS, **CF** Depreciation, amortization and impairments	-184	-425	-28	-43	0	-680	
IS Other expenses	-201	-396	-64	6	117	-538	9
IS Operating profit [1]	1,239	-396	68	-84	1	828	
IS Financial income and expense						-41	10
IS Profit before income taxes						786	
IS Income tax expense						-72	11
IS Profit for the period						714	
Comparable operating profit	1,334	50	68	-37	1	1,416	
inventory valuation gains/losses	10	-130	0	0	0	-119	
changes in the fair value of open commodity and currency derivatives	-105	-7	0	0	0	-112	
capital gains and losses	0	0	0	-42	0	-42	
impairments	0	0	0	0	0	0	
other adjustments [2]	0	-310	0	-5	0	-314	
IS Operating profit	1,239	-396	68	-84	1	828	

[1] The US Blender's Tax Credit (BTC) contribution was EUR 231 million on the Renewable Products' operating profit in 2020.
[2] Other adjustments of EUR -312 million were booked in the fourth quarter relating to the Naantali refinery closure. They included an asset write-down, and cost provisions for site demolition, clean-up and personnel arrangements.

2020	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
Comparable EBITDA	1,518	312	96	3	1	1,929	
Capital expenditure and investments in shares	804	307	26	60	0	1,197	
Segment operating assets	3,963	3,382	476	349	-249	7,920	
BS Investments in associates and joint ventures	35	21	0	0	0	56	15
BS Deferred tax assets						35	11
Unallocated assets						1,804	
BS Total assets	3,998	3,402	476	349	-249	9,815	
Segment operating liabilities	825	1,600	339	206	-243	2,726	
BS Deferred tax liabilities						222	11
Unallocated liabilities						937	
BS Total liabilities	825	1,600	339	206	-243	3,886	
Segment net assets	3,470	1,848	192	149	-6	5,653	
Return on net assets, %	36.3	-16.8	31.0	-42.5			
Comparable return on net assets, %	39.1	2.1	31.0	-18.7			

Geographical information

Neste operates production facilities in Finland, Singapore, the Netherlands and Bahrain and its retail sales network in Finland, Estonia, Latvia and Lithuania. The following table provides information on Neste's revenue, which is allocated based on the country of destination, irrespective of the origin of the goods or services, and non-current assets and capital expenditure, which are allocated based on where the assets are located.

Non-current assets consist of intangible assets, property, plant and equipment and investments in associates and joint ventures. 'Other Nordic countries' includes Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania, Russia and Poland. Neste's activities in this geographical area consists mainly of retail activities in the aforementioned countries.

2021	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
IS Revenue by destination	4,877	2,603	1,155	3,122	3,230	162	15,148
Non-current assets	2,666	2	78	1,027	371	1,583	5,727
Capital expenditure	828	2	7	115	142	441	1,535

2020	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
IS Revenue by destination	3,763	1,982	930	3,323	1,603	150	11,751
Non-current assets	2,531	2	81	731	233	1,220	4,797
Capital expenditure	430	1	7	93	222	445	1,197

5 Revenue

Accounting policy

Revenue from contracts with customers is recognized when or as Neste satisfies a performance obligation by transferring control of a promised good or service to a customer. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service, either over time or at a point in time. Neste principally satisfies its performance obligations at a point in time. The amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, Neste recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which Neste expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on the standalone selling prices of the goods or services promised.

Timing for revenue recognized at a point in time is typically when control has been transferred based on the delivery terms used. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue recognized over time is measured in accordance with the input method (progress measured based on costs incurred) when the outcome of the contract can be estimated reliably. Neste uses an input method in measuring progress of the services because there is a direct relationship between Neste's effort and the transfer of service to the customer. When the outcome cannot be reliably determined, the costs arising are expensed in the same financial period in which they occur, but the revenue is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately.

Some of Neste's contracts may involve elements of variable considerations, such as rebates, bonuses or penalties. The variable consideration is estimated by using either the expected value or the most likely amount –method, depending on the type of variable element and related contractual terms and conditions. Amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue does not occur later.

Neste provides its customers with standard payment terms. If extended payment terms exceeding one year are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Revenue is presented net of indirect sales taxes such as value added tax and statutory stockpiling fees, penalties and discounts.

Low Carbon Fuels Standard credits (LCFS) and Renewable Identification Numbers (RINs) are recognized in revenue. Blender's Tax Credit (BTC) impacts Revenue and Materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, all or some of the BTC credit value is included in the sale price and recognized in revenue and the Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in materials and services.

	2021	2020
Sale of goods	15,052	11,664
Revenue from services	78	78
Royalty income	2	2
Other	16	7
IS Revenue	15,148	11,751

Sale of goods includes product sales from the Neste's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products amounting to EUR 1,517 million (2020: EUR 1,394 million) are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in Materials and Services, in Note 7.

Oil trading included in the Sale of goods comprise of revenue from physical trading activities conducted on international and regional markets by taking delivery of and selling petroleum products and raw materials within a short period of time for the purpose of generating a profit from short-term fluctuations in product and raw material prices and margins.

Net gains/losses on financial instruments related to sales designated as cash flow hedges are included in Sale of goods amounting to EUR 6 million (2020: EUR 9 million).

Revenue from services mainly comprises revenue from the chartering services and Neste Engineering Solutions, which is included in the Others segment.

Revenue by category	2021					2020				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**
Fuels [1]	5,517	4,882	3,667	0	14,065	4,076	3,933	2,927	0	10,937
Light distillates	138	2,325	876	0	3,339	97	1,820	720	0	2,636
Middle distillates	5,379	2,090	2,786	0	10,255	3,979	1,813	2,204	0	7,996
Heavy fuel oil	0	467	5	0	471	0	300	4	0	304
Other products	141	767	97	0	1,005	38	604	94	0	736
Other services	0	41	9	28	78	0	41	9	28	78
IS Total	5,658	5,690	3,772	28	15,148	4,114	4,578	3,031	28	11,751

[1] Light distillates comprise motor gasoline, gasoline components, LPG, renewable naphtha, and biopropane. Middle distillates comprise diesel, jet fuels, low sulphur marine fuels, heating oil, renewable fuels, and renewable jet fuels. RINs (Renewable Identification Number), LCFS (Low Carbon Fuels Standard) credits, and BTCs (Blender's Tax Credits) are included in the corresponding fuel categories in the Renewable Products segment.

Timing of revenue recognition	2021					2020				
External revenue	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**	**Renewable Products**	**Oil Products**	**Marketing & Services**	**Others**	**Total**
Goods transferred at point in time	5,658	5,649	3,764	0	15,070	4,114	4,537	3,021	0	11,673
Services transferred at point in time	0	41	9	1	51	0	41	9	1	52
Services transferred over time	0	0	0	27	27	0	0	0	26	26
IS Total	5,658	5,690	3,772	28	15,148	4,114	4,578	3,031	28	11,751

Revenue by operating segment 2021	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	5,658	5,690	3,772	28	0	15,148
Internal revenue	237	2,120	31	142	-2,530	0
IS Total revenue	5,895	7,810	3,803	170	-2,530	15,148

Revenue by operating segment 2020	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	4,114	4,578	3,031	28	0	11,751
Internal revenue	156	1,485	24	149	-1,813	0
IS Total revenue	4,270	6,063	3,055	177	-1,813	11,751

Revenue by operating destination	2021					2020				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Finland	402	1,604	2,848	22	4,877	169	1,260	2,313	21	3,763
Other Nordic countries	1,723	878	2	0	2,603	1,287	691	4	0	1,982
Baltic Rim	44	190	921	0	1,155	36	181	712	0	930
Other European countries	1,329	1,789	2	2	3,122	1,509	1,809	2	4	3,323
North and South America	2,111	1,115	0	4	3,230	1,089	512	0	2	1,603
Other countries	48	114	0	0	162	24	125	0	0	150
IS Total	5,658	5,690	3,772	28	15,148	4,114	4,578	3,031	28	11,751

6 Other income

Accounting policy

Revenue from activities outside normal operations is reported in other income. This includes items such as capital gains on disposal of other non-current assets and rental income.

	2021	2020
Gain on sale of joint arrangements and business operations	5	0
CF Capital gains on disposal of other non-current assets	0	1
Rental income	13	3
Government grants	8	5
Insurance compensations	8	1
Other	14	6
IS Other income	48	17

Government grants relate mainly to innovation subsidies, and grants to shipping operations, which are entitled to apply for certain grants based on Finnish legislation. More information on sales of joint arrangements and business operations is presented in Note 27.

7 Materials and services

Accounting policy

Blender's Tax Credit (BTC) impacts revenue, and materials and services and is recognized if the Government of the United States decide to grant it. The decision is made annually. Blender's Tax Credit is an incentive given to fuel blenders to use more renewable fuel by making the bio mandates less costly to achieve. In case Neste's customers are blenders, all or some of the BTC credit value is included in sales price and recognized in Revenue. The Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in Materials and services.

	2021	2020
Materials and supplies	12,491	9,333
Change in inventories	-820	-152
External services	80	72
IS Materials and services	11,751	9,253

Materials and supplies include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,517 million (2020: EUR 1,394 million). The corresponding amount is included in Revenue in Note 5.

The net result of non-hedge accounted commodity and foreign exchange derivatives amounted to EUR 66 million (2020: EUR 337 million). Net gains/losses on derivative instruments related to purchases designated as cash flow hedges amounted to EUR 0 million (2020: EUR 0 million). Both above-mentioned items are included in Materials and supplies.

Materials and supplies also include EUR 11 million (2020: EUR 21 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 30 Leases for further information.

8 Employee benefit costs

	2021	2020
Wages and salaries [1)]	365	359
Social security costs	21	17
Share-based payments	4	7
Pension costs - defined contribution plans	49	40
Pension costs - defined benefit plans	6	4
Wages and salaries capitalized in fixed assets	-23	-5
Other costs	9	8
IS Employee benefit costs	431	431

[1)] Includes cost provision for personnel arrangements relating to the Naantali refinery closure totaling EUR 22 million in 2020 and reversed unused provision totaling EUR 11 million in 2021.

Wages, salaries and other compensation for key management are presented in Note 25. Share-based payments are described in Note 24 and defined benefit plans in Note 23.

Number of personnel (average)	2021	2020
Renewable Products	1,245	1,014
Oil Products	1,328	1,604
Marketing & Services	392	387
Others	1,907	1,828
	4,872	4,833

9 Other expenses

	2021	2020
Repairs and maintenance	127	132
Services	145	169
Rents and other property costs	30	31
Insurances	32	26
Other	69	180
IS Other expenses	403	538

Services include planning and consulting services, IT services, research and lab services and other services.

Rents and other property costs include EUR 9 million (2020: EUR 9 million) of expenses related to lease contracts which are accounted for as an expense on a straight-line basis over the lease term. Refer to Note 30 Leases for further information.

Other expenses include travel expenses, HSE and advertising costs. In 2020 other expenses included provisions related to the Naantali refinery closure totaling EUR 124 million.

Research expenditure is recognized as an expense as incurred and included in other expenses in the consolidated statement of income.

Fees charged by the statutory auditor	2021	2020
Authorised Public Accountants	KPMG	PwC
Auditor's fees	1.3	1.5
Tax advisory	0.6	0.0
Other advisory services	0.4	0.2
	2.3	1.7

The statutory audit fees of KPMG Oy Ab included fees of 607 thousand euros for audit and 10 thousand euros for auditor's statements. Non-audit services to entities of Neste Group were 835 thousand euros in total during the financial year 2021. These services included 486 thousand euros of tax advisory and 349 thousand euros of other advisory services.

In 2020 auditor was PricewaterhouseCoopers Oy and its non-audit services were 159 thousand euros, which included tax advisory 9 thousand euros and other advisory services 150 thousand euros.

10 Financial income and expenses

	2021	2020
Financial income		
Income from financial assets at fair value through profit or loss	0	0
Interest income from financial assets at amortized cost	3	4
	4	4
Financial expenses		
Interest expenses for financial liabilities/receivables at amortized cost		
Lease liabilities	-21	-22
Other liabilities	-26	-20
Write-downs of loan receivables	-4	0
Other financial expenses	-4	-3
	-55	-45
Exchange rate and fair value gains and losses		
Financial instruments at amortized cost	11	-2
Financial instruments at fair value through profit or loss	-21	3
	-10	0
IS Total financial income and expenses	-61	-41

Net gains/losses on financial instruments included in operating profit and fixed assets	2021	2020
Foreign exchange derivatives, hedge accounted [1)]		
Included in revenue	6	9
Included in materials and services	0	0
Included in fixed assets	3	2
Foreign exchange derivatives, non-hedge accounted		
Included in materials and services	-68	77
Commodity derivatives, non-hedge accounted		
Included in materials and services	134	260
	76	348

[1)] The recognized ineffectiveness was EUR 0.2 million due to Singapore expansion (2020: EUR 1.7 million).

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11 Income taxes

Accounting policy

Neste's income tax expenses include taxes of group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. In respect of the deferred tax liability on undistributed foreign earnings, the amount recorded is based on expected circumstances and management expectations regarding the profit distribution. For items recognized directly in equity or other comprehensive income, the income tax effect is similarly recognized.

Adjustments regarding uncertain tax positions (IFRIC 23), if any, are recorded based on estimates and assumptions of the most likely amount or the expected value, depending on which method Neste expects to better predict the resolution of the uncertainty when it is not likely that certain positions may be accepted upon review by local tax authorities and/or courts.

Deferred income taxes are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates that are in force on the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets are recognized for tax loss carryforwards and other unused tax credits to the extent that the utilization of the related tax benefit through future taxable profits is probable.

Estimates and judgements requiring management estimation

Liabilities and assets are recognised with respect to income tax amounts when management is expecting to pay and recover, respectively. Management has chosen not to discount non-current tax balances.

Neste has deferred tax assets and liabilities which are expected to be realized through the income statement over extended periods of time in the future. Neste management has made certain assumptions regarding future tax consequences and used certain estimates when calculating differences between carrying amounts of assets and liabilities and their tax bases. Key assumptions underlying tax calculations include e.g. likelihood that recoverability periods for tax loss carryforwards will not change, and that existing tax laws and rates remain unchanged into the foreseeable future. At each balance sheet date deferred tax assets are assessed for recoverability and when circumstances indicate that it is no longer probable that deferred tax assets can be recovered, balances are reduced to their recoverable amounts.

The major components of income tax expense	**2021**	**2020**
Current tax	94	116
Adjustments recognized for current tax for prior periods	0	1
Change in deferred taxes	94	-45
IS Income tax expense	188	72

The reconciliation of income taxes	**2021**	**2020**
IS Profit before income taxes	1,962	786
Hypothetical income tax calculated at Finnish tax rate 20%	-392	-157
Differences in tax rates in other countries	195	99
Non-deductible expenses and other permanent differences	-1	-2
Tax exempt income	2	1
Tax on undistributed earnings	0	0
Taxes for prior periods	0	-2
Net results of joint ventures	-1	-8
Realisability of deferred tax assets	11	-2
Other	-1	0
IS Income tax expense	-188	-72
Effective tax rate, %	10	9

Neste's effective tax rate was lower than the Finnish statutory tax rate (20%) mainly due to lower taxation in Estonia, Lithuania, Singapore and Switzerland, where Neste has business operations. The most significant portion of the lower tax rate relates to Singapore and the Renewable Products' profitability. Neste's manufacturing investment in Renewable Products during 2008-2010 in Singapore is subject to tax exemption for 2010-2023 under the applicable Singapore legislation. The realisability of deferred taxes includes EUR 9 million impact of tax losses utilized in Bahrain, of which deferred tax asset has not been previously booked.

Changes in deferred tax assets and liabilities 2021	On 1 Jan 2021	Charged to Income Statement	Charged in Other comprehensive income	Acquisitions / Disposals	Exchange rate differences, assets held for sale and other changes	On 31 Dec 2021
Tax loss carried forward	1	5	0	0	0	5
Provisions	44	-9	0	0	0	35
Pensions	22	0	8	0	0	30
Fixed assets	13	1	0	0	0	14
Derivative financial instruments	1	0	8	0	0	8
Other temporary differences	9	5	0	0	-2	13
Total deferred tax assets	90	1	16	0	-2	105
Netting against liabilities	-55	-5	0	0	0	-60
BS Deferred tax assets	35	-4	16	0	-2	45
Tax on undistributed earnings	9	0	0	0	0	9
Fixed assets	249	81	0	11	0	341
Derivative financial instruments	16	15	-16	0	0	15
Other temporary differences	3	-1	3	0	-1	4
Total deferred tax liabilities	277	95	-13	11	-1	369
Netting against assets	-55	-5	0	0	0	-60
BS Deferred tax liabilities	222	90	-13	11	-1	309

Changes in deferred tax assets and liabilities 2020	On 1 Jan 2020	Charged to Income Statement	Charged in Other comprehensive income	Acquisitions / Disposals	Exchange rate differences, assets held for sale and other changes	On 31 Dec 2020
Tax loss carried forward	3	-3	0	0	0	1
Provisions	11	33	0	0	0	44
Pensions	22	-1	1	0	0	22
Fixed assets	6	7	0	0	0	13
Derivative financial instruments	1	0	-1	0	0	1
Other temporary differences	10	0	0	0	0	9
Total deferred tax assets	53	36	1	0	0	90
Netting against liabilities	-13	-42	0	0	0	-55
BS Deferred tax assets	40	-6	1	0	0	35
Tax on undistributed earnings	11	-2	0	0	0	9
Fixed assets	255	-6	0	0	0	249
Derivative financial instruments	0	0	16	0	0	16
Other temporary differences	1	0	1	1	0	3
Total deferred tax liabilities	267	-9	17	1	0	277
Netting against assets	-13	-42	0	0	0	-55
BS Deferred tax liabilities	255	-51	17	1	0	222

There are in total EUR 84 million (2020: EUR 126 million) of tax loss carryforwards and other unused tax credits for which no deferred tax asset is recognized, the majority of them relating to Neste Oil Bahrain W.L.L.. Expiry dates are between 2021 and 2026 for EUR 3 million (2020: EUR 4 million) and no expiry for EUR 81 million (2020: EUR 121 million).

A deferred tax liability has been recognized for undistributed earnings of subsidiaries where income taxes would be payable upon distribution.

Deferred tax recognized relating to components of other comprehensive income:

	2021		
	Before tax	Tax (charge) / credit	After tax
OCI Remeasurements of defined benefit plans	-37	7	-30
OCI Net change of other investments at fair value	14	-3	11
OCI Translation differences	24	0	24
Cash flow hedges			
OCI recorded in equity	-122	23	-99
OCI transferred to income statement	-10	1	-9
OCI Share of other comprehensive income of investments accounted for using the equity method	4	0	4
OCI Other comprehensive income	-127	29	-98

	2020		
	Before tax	Tax (charge) / credit	After tax
OCI Remeasurements of defined benefit plans	-7	1	-6
OCI Net change of other investments at fair value	6	-1	5
OCI Translation differences	4	0	4
Cash flow hedges			
OCI recorded in equity	91	-18	73
OCI transferred to income statement	-13	1	-12
OCI Share of other comprehensive income of investments accounted for using the equity method	12	0	12
OCI Other comprehensive income	92	-17	76

12 Earnings per share and dividend per share

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year. The dilutive effect of equity settled share-based payments is included in the computation of diluted earnings per share.

	2021	2020
IS Profit for the period attributable to owners of the parent, EUR million	1,771	712
Weighted average number of shares outstanding during the year (thousands)	767,643	767,370
IS Basic earnings per share (euro per share)	2.31	0.93
Effect of share-based incentive plans (thousands)	890	1,132
Diluted weighted average number of shares during the year (thousands)	768,533	768,503
IS Diluted earnings per share (euro per share)	2.30	0.93

Dividend per share

The dividends paid in 2021 were EUR 0.80 per share, totalling EUR 614 million (2020: EUR 1.02 per share, totalling EUR 783 million). A dividend of EUR 0.82 per share, totalling EUR 630 million will be proposed at the Annual General Meeting on 30 March 2022. This dividend is not reflected in the financial statements.

13 Intangible assets

Accounting policy

Intangible assets, except goodwill, are stated at historical cost and amortized in a straight-line method over expected useful lives. Intangible assets comprise the following:

Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and introduce the software in question. The costs include the software development employee costs and professional fees arising directly bringing the asset to its working condition. Capitalization also depends on the technology used, e.g., cloud services are not capitalized. Costs are amortized over their estimated useful lives (three to five years). Costs associated with updates or maintaining computer software programs are recognized as an expense.

Trademarks and licenses

Trademarks and licenses have a definite useful life and are carried at cost less accumulated amortization. They are amortized over their estimated useful lives (three to ten years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Neste's share of the net identifiable assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested for impairment and carried at cost, less accumulated impairment losses. Impairment testing is done annually and whenever there is an indication that the asset may be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing, using those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The discount rates used in impairment testing of goodwill represent the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. WACC rates are specified for each of the cash generating units separately. WACC% and growth rate are used purely for the impairment testing.

The key assumptions used for the estimated cash flows in Renewable Products are sales margin and sales volumes and in Oil Products the total refining margin and the sales volumes.

Emission allowances

Emission allowances, which are purchased to cover future periods deficit, are recorded in intangible assets and measured at cost, and emission allowances received free of charge are recorded in their nominal value, i.e., at zero.

A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received, as well as any change in the probable amount of the provision, are reflected in the operating profit.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Estimates and judgements requiring management estimation

Intangible assets as well as property, plant and equipment are always tested for impairment, when there is any indication that an asset may be impaired. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognized as an expense immediately and the carrying amount is reduced to the asset's recoverable amount.

The amounts recoverable from cash-generating units' operating activities are determined based on value in use calculations. These calculations are based on estimated future cash flows approved by Neste's management, covering a period of three years. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the sales margin, total refining margin and discount rates. The impacts of the COVID-19 pandemic to lower demand of oil products has been taken into account in estimating future cash flows.

2021	Goodwill	Software and other intangible assets	Total
Gross carrying amount on 1 January	120	363	483
Exchange rate differences	10	2	12
Acquisitions	206	24	230
CF Additions	25	23	48
Disposals	0	-1	-1
Reclassifications	0	0	0
Gross carrying amount on 31 December	362	410	772
Accumulated amortization and impairment losses on 1 January	0	219	219
Exchange rate differences	0	0	0
Disposals	0	-1	-1
Reclassifications	0	0	0
Amortization for the period	0	39	39
Accumulated amortization and impairment losses on 31 December	0	256	256
BS Carrying amount on 1 January 2021	120	144	264
BS Carrying amount on 31 December 2021	362	154	516

2020	Goodwill	Software and other intangible assets	Total
Gross carrying amount on 1 January	16	308	323
Exchange rate differences	-12	-5	-17
Acquisitions	116	24	140
CF Additions	1	34	35
Disposals	0	0	0
Reclassifications	0	2	2
Gross carrying amount on 31 December	120	363	483
Accumulated amortization and impairment losses on 1 January	0	188	188
Exchange rate differences	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
Amortization for the period	0	31	31
Accumulated amortization and impairment losses on 31 December	0	219	219
BS Carrying amount on 1 January 2020	16	120	135
BS Carrying amount on 31 December 2020	120	144	264

Impairment test of goodwill

Goodwill is allocated to Neste's cash-generating units (CGU's). From identified CGU's goodwill is allocated to the following: Renewable Products cash-generating unit which is equal with the Renewable Products segment and Traffic Fuels cash-generating unit in the Oil Products segment.

A segment-level summary of the goodwill allocation is presented below:

	WACC%	2021	2020
Renewable Products	5.6	359	118
Oil Products	5.8	2	2
		362	120

A decrease of 10% in sales margin and total refining margin or 2.5%-points increase in the discount rate would not create a situation in which the carrying amounts of the cash-generating units would exceed their recoverable amounts. Cash flows beyond the three-year period are extrapolated by using 1.0% nominal growth rate in Renewable Products and -1.0% in Oil Products.

14 Property, plant and equipment

Accounting policy

Property, plant, and equipment mainly comprise oil refineries and other production plants and storage tanks, marine fleet, and retail station network infrastructure and equipment. Neste owns station network infrastructure with the exception of dealer stations. Property, plant, and equipment are stated at historical cost in the balance sheet, less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items in question and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges related to foreign currency purchases of property, plant, and equipment. Assets acquired through the acquisition of a new subsidiary are stated at their fair value on the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Neste and the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3-5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e., the time between shutdowns. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land areas are not depreciated. The bottom of crude oil rock inventory and precious metals in catalysts used in production process are included in other tangible assets and are depreciated according to possible usage. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and structures, including terminals	20–40 years
Machinery and equipment:	
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Retail station network infrastructure and equipment	5–15 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years

The residual values and useful lives of assets are reviewed and adjusted where appropriate at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the former amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in 'Other income' or 'Other expenses' in the consolidated statement of income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, a major initial investment, such as a new production facility, form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Expenditure on development activities is capitalized only when it fulfills strict criteria e.g., development relates to new products that are both technically and commercially feasible. The majority of Neste's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Leases

Neste assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, Neste recognizes the right-of-use asset on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations at the commencement date of the lease.

Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment, intangible assets, and goodwill (see Note 13).

Refer to Note 30 Leases for further information.

2021	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount on 1 January	280	2,529	4,971	453	1,166	9,399
Exchange rate differences	0	1	3	9	1	14
Additions	7	33	443	183	499	1,164
Acquisitions	8	66	58	4	1	136
Disposals	-7	-7	-195	-99	-7	-315
Reclassifications	0	57	303	0	-350	11
Assets held for sale	0	0	10	-31	0	-22
Gross carrying amount on 31 December	287	2,679	5,593	518	1,310	10,387
Accumulated depreciation and impairment losses on 1 January	28	1,205	3,523	162	4	4,922
Exchange rate differences	0	0	1	4	0	5
Disposals	-4	-6	-184	-43	0	-237
Reclassifications	2	2	7	0	0	11
Depreciation and write downs for the period	12	85	358	85	6	545
Assets held for sale	0	0	11	-22	0	-12
Accumulated depreciation and impairment losses on 31 December	38	1,287	3,715	186	10	5,235
BS Carrying amount on 1 January 2021	252	1,324	1,448	291	1,162	4,477
BS Carrying amount on 31 December 2021	249	1,392	1,879	332	1,300	5,152

The carrying amount of of assets under construction at 31 December 2021, included mainly assets related to the ongoing Singapore expansion project. Property, plant and equipment include right-of-use (ROU) assets where Neste is a lessee as specified in Note 30 Leases.

2020	Land	Buildings and constructions [1]	Machinery and equipment [1]	Other tangible assets [1]	Assets under construction [1]	Total
Gross carrying amount on 1 January	245	2,467	4,871	388	599	8,570
Exchange rate differences	0	0	-1	-7	0	-8
Additions	15	34	153	131	596	929
Acquisitions	28	28	21	1	1	79
Disposals	-9	-11	-51	-42	0	-113
Reclassifications	0	11	9	-18	-30	-28
Assets held for sale	0	0	-30	0	0	-30
Gross carrying amount on 31 December	280	2,529	4,971	453	1,166	9,399
Accumulated depreciation and impairment losses on 1 January	14	1,108	3,138	121	3	4,384
Exchange rate differences	0	0	0	-3	0	-3
Disposals	-1	-7	-45	-4	0	-57
Reclassifications	2	2	-18	-20	0	-34
Depreciation and write downs for the period [1]	13	102	464	68	1	649
Assets held for sale	0	0	-17	0	0	-17
Accumulated depreciation and impairment losses on 31 December	28	1,205	3,523	162	4	4,922
BS Carrying amount on 1 January 2020	231	1,359	1,733	268	597	4,187
BS Carrying amount on 31 December 2020 [2]	252	1,324	1,448	291	1,162	4,477

[1] Includes EUR 167 million asset write-down relating to the Naantali refinery closure.
[2] Includes the write-down concerning property plant & equipment in Neste Oil Bahrain W.L.L. from 2018.

Property, plant and equipment include right-of-use (ROU) assets where Neste is a lessee as specified in Note 30 Leases.

Capitalized borrowing costs

During 2021 borrowing costs amounting to EUR 1.9 million (2020: EUR 2.0 million) were capitalized related to the Singapore expansion project. They are included in property, plant and equipment. Neste's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 1.5% (2020: 2.0%).

15 Investments in associates and joint ventures

Carrying amount	2021	2020
On 1 January	56	22
IS, **CF** Share of profit (loss) of associates and joint ventures	-3	-38
OCI Share of other comprehensive income of investments accounted for using the equity method	4	12
CF Investments	0	35
Translation differences	4	26
BS On 31 December	60	56

Neste's interest in its principle associates and joint ventures at 31 December, all of which are unlisted, are listed in the following table:

	Country of incorporation	Nature of the relationship	2021 % interest held	2020 % interest held
Alterra Energy LLC	USA	Note 1	40.00	40.00
Glacia Limited	Bermuda	Note 2	50.00	50.00
Kilpilahti Power Plant Ltd	Finland	Note 3	40.00	40.00

Note 1: Alterra Energy LLC is a US-based, chemical recycling technology company. The cooperation between Neste and Alterra includes joint technology development and commercialization of the technology.

Management has classified Alterra as an associated company due to the considerable influence that Neste has in the company.

Note 2: Glacia Limited is a joint venture company owned on a 50/50 basis by Neste and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste fleet in January 2007.

Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, the legal form of which (limited liability company) separates the assets and liabilities of the arrangement from the assets and liabilities of its shareholders, and are directed so that the relevant activities of the company require unanimous consent from all shareholders.

Note 3: Kilpilahti Power Plant Ltd is a joint venture company that produces and supplies steam and other utilities to Neste´s refinery and Borealis´ petrochemical plant in Porvoo, Finland. The joint venture is owned 40% each by Neste and Veolia and 20% by Borealis.

Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, the legal form of which separates its assets and liabilities of its shareholders and it is directed so that the relevant activities of the company require unanimous consent from all parties sharing control. The new power plant´s capacity is also meant to serve external customers in addition to Neste and Borealis and thus optimize the returns of all shareholders in form of net profit. Management has also taken into account that Kilpilahti Power Plant Ltd plans and executes the power plant operations as its own business decisions which are operated by Veolia.

Associates and joint ventures have been consolidated using the equity method.

Summarized financial information in respect of Neste's associates and joint ventures are set out in the following table:

	Alterra Energy LLC		Glacia Limited		Kilpilahti Power Plant Ltd	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Non-current assets	29	30	15	17	471	421
Current assets						
Cash and cash equivalents	2	9	29	25	38	20
Other current assets (excl. cash and cash equivalents)	1	0	0	1	150	97
Total current assets	3	10	29	25	188	117
Non-current liabilities						
Non-current financial liabilities (excl. trade payables and provisions)	0	0	0	0	444	411
Other non-current liabilities	0	0	0	0	14	13
Total non-current liabilities	0	0	0	0	458	425
Current liabilities						
Current financial liabilities (excl. trade payables and provisions)	0	0	0	0	31	27
Other current liabilities	1	0	1	1	141	55
Total current liabilities	1	0	1	1	171	83
Net assets	31	39	43	41	29	31
Revenue	1	0	5	6	257	150
Depreciation, amortization and impairments	2	2	3	4	8	8
Interest income	0	0	0	0	0	0
Interest expense	0	2	0	0	6	5
Income tax expense	0	0	0	0	92	0
Profit/loss	-8	-8	-2	-1	-4	-6

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates and joint ventures.

	Alterra Energy LLC		Glacia Limited		Kilpilahti Power Plant Ltd	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Opening net assets 1 January	87	0	41	44	0	0
Investment in associate/joint venture	0	87	0	0	0	0
Profit for the period	-8	0	-2	0	2	11
Other comprehensive income	7	0	2	-3	9	-9
Other changes	0	0	0	0	-1	-1
Closing net assets 31 December	86	87	43	41	10	0
Interest in joint venture	35	35	21	21	4	0
Carrying value	35	35	21	21	4	0

The share of profits of associates and joint ventures are consolidated based on the companys' preliminary results for the financial period. Alterra Energy LLC was purchased in December 2020 so the result for the year 2020 was not consolidated in Neste's 2020 consolidated statement of income. Additional information concerning acquisitions and disposals in associates and joint ventures during the reporting period are disclosed in Note 27.

Transactions carried out with associates and joint arrangements are disclosed in Note 25. Contingent liabilities relating to the Neste's interest in the associates and joint arrangements are disclosed in Note 29.

16 Financial assets and liabilities by measurement categories

Neste classifies financial assets and liabilities according to IFRS 9. Accounting policies, classification criterias and other information relating to financial assets and liabilities can be found in Notes 17 and 21.

31 Dec 2021 Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
BS Non-current receivables		2	60	63	63			
BS Derivative financial instruments	0	11		11	11		11	
BS Other financial assets	42	6		48	48			48
Current financial assets								
Trade and other receivables [1)]			1,664	1,664	1,664			
BS Derivative financial instruments	20	224		243	243	1	242	
BS Current investments			135	135	135			
BS Cash and cash equivalents			1,581	1,581	1,581			
Financial assets	62	243	3,440	3,744	3,744			
Non-current financial liabilities								
BS Interest-bearing liabilities			1,378	1,378	1,393	909	484	
BS Derivative financial instruments		1		1	1		1	
Other non-current liabilities [1)]			43	43	43			
Current financial liabilities								
BS Interest-bearing liabilities			379	379	379		379	
BS Derivative financial instruments	59	102		161	161	25	136	
Trade and other payables [1)]			2,656	2,656	2,656			
Financial liabilities	59	103	4,456	4,618	4,634			

[1)] Excluding non-financial items

Derivative financial instruments under Fair value through OCI -category meet criteria for hedge accounting. Accounting policies and other information relating to derivative financial instruments can be found in Note 19.

Financial instruments that are measured at fair value in the balance sheet and the interest-bearing liabilities are presented according to fair value measurement hierarchy:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: inputs for the assets or liability that is not based on observable market data.

Interest-bearing liabilities at level 1 consist of listed bonds. Derivative financial instruments at level 1 consist of commodity derivatives which are directly valued based on exchange quatations. Other financial assets in fair value through profit and loss category include unlisted other investments of EUR 6 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 42 million. Fair values are determined in accordance of IFRS 13.

During the year 2021 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31 Dec 2020 Balance sheet item	Fair value through OCI	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
BS Non-current receivables			61	61	61			
BS Derivative financial instruments	0	3		3	3	0	3	
BS Other financial assets	27	5		32	32			32
Current financial assets								
Trade and other receivables [1]		4	1,193	1,197	1,197			
BS Derivative financial instruments	108	152		260	260	1	260	
BS Current investments			20	20	20			
BS Cash and cash equivalents			1,552	1,552	1,552			
Financial assets	136	163	2,826	3,125	3,125			
Non-current financial liabilities								
BS Interest-bearing liabilities			1,050	1,050	1,072	742	330	
BS Derivative financial instruments	1	0		1	1		1	
Other non-current liabilities [1]			20	20	20			
Current financial liabilities								
BS Interest-bearing liabilities			257	257	257		257	
BS Derivative financial instruments	14	97		111	111	23	88	
Trade and other payables [1]			1,779	1,779	1,779			
Financial liabilities	15	98	3,105	3,218	3,240			

[1] Excluding non-financial items

During the year 2020 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

17 Financial assets

Accounting policy

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are classified as non-current assets. Purchases and sales of financial assets are recognized on the settlement date (excluding derivatives, Note 19). Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Amortized cost category consists of liquid funds, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest. Financial assets recognized at amortized cost are valued using the effective interest method.

Assets at fair value through profit or loss consists of equity investments (and derivatives which do not meet the criteria for hedge accounting). The investments in unlisted companies are measured at their fair value according to IFRS 13. Gains or losses of the equity investments are included in financial income and expenses.

Other financial assets in fair value through other comprehensive income category include unlisted shares which are not held for trading. These are strategic investments and Neste considers this classification to be more relevant.

Liquid funds

Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents includes cash in hand, deposits held at banks, and other highly liquid investments with original maturities of three months or less. Current investments includes deposits held at banks and other liquid investments with original maturities from 3 to 12 months.

Impairment

The general expected credit loss model is used for debt instruments carried at amortized cost and the impairment is recognized through profit or loss. The credit loss is recognized based on individual assessment of receivable. The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Every business area uses a specific provision matrix for the trade receivables due to the different nature of the businesses. The business area impairment process is based on historical credit loss experience combined with current conditions and forward looking macroeconomic analysis. The impairment or credit loss is recognized in the consolidated statement of income within other expenses.

Liquid funds	2021	2020
BS Current investments	135	20
BS, CF Cash and cash equivalents	1,696	1,552
Classified as assets held for sale	-115	-1
Liquid Funds	1,716	1,572

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note 3 sets out more information about credit risk. The impairment of liquid funds has not been recognized because the amount is immaterial.

Trade and other receivables	2021	2020
Trade receivables	1,403	952
Other receivables	294	216
Advances paid	1	2
Accrued income and prepaid expenses	43	39
Classified as assets held for sale	-64	0
BS Trade and other receivables	1,677	1,208
Trade and other receivables excluding non-financial items	1,664	1,197

Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note 3, Financial risk management, section 'credit and counterparty risk'.

Non-current financial assets	2021	2020
Non-current interest-bearing receivables	40	35
Other non-current receivables	23	26
BS Non-current receivables	63	61
BS Other financial assets	48	32

The fair value of non-current financial receivables is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables. Other financial assets consist of unlisted shares.

18 Inventories

Accounting policy

Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognized in profit or loss as consumed. RIN (Renewable Identification Number) and LCFS (Low Carbon Fuels Standard) credits are accounted for as government grants upon receipt of the product inventory in the USA and are accounted for as inventory to the extent they have been separated from the physical goods, which happens when renewable fuel is blended with fossil fuel. RINs and LCFSs are included in Finished products and goods -category.

Estimates and judgements requiring management estimation

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

	2021	2020
Materials and supplies	1,044	692
Finished products and goods	1,637	1,138
Other inventories	1	2
Classified as assets held for sale	-64	-3
BS Inventories	2,618	1,829

Cumulative inventory valuation gains due to oil price changes amounted EUR 573 million (2020: losses EUR 119 million) of which EUR 80 million (2020: EUR 52 million) consisted of inventory write-downs recorded at the end of the period.

19 Derivative financial instruments

Accounting policy

Derivative financial instruments are initially recognized at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. The fair values of the foreign exchange forward and the interest rate swap contracts are calculated as the present values of the future cash flows and the fair values of foreign exchange options by using the Black and Scholes option pricing model. The fair value of the exchange traded commodity derivatives is based on exchange market quotations and the fair value of over-the-counter commodity derivative contracts is based on the net present value of cash flows. The fair value of all derivatives is calculated using the observable market inputs for currency and interest rates, volatilities and commodity price quotations on the closing date. Derivative contracts are included in current assets or liabilities, except derivatives maturities greater than 12 months after the balance sheet date, which are classified as non-current assets or liabilities.

Most of the derivatives do not qualify for hedge accounting, although these instruments are mainly held for economic hedging purposes. Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item. Impact to the income statement from the derivatives is presented in Note 10.

When hedge accounting is applied to the derivative contracts, the method of recognizing any resulting gain or loss depends on the nature of the item being hedged. Neste designates certain derivative financial instruments as either hedges of highly probable forecast transactions (cash flow hedges); or hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or hedges of net investments in foreign operations.

The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity. Amounts accumulated in equity hedging future sales are recorded within revenue when the hedged item affects the income statement or in case of capital expenditures as part of acquisition cost. Forward points in currency forwards and time value of options are transaction related and thus recognized in equity and reclassified either to the income statement or adjusting the hedged item according to hedging relationship. In cash flow hedges the critical terms in hedged item and hedging instruments are the same and hedge ratio is 1:1. Any potential gain or loss relating to the ineffective portion is recognized immediately in the income statement. Accured interest of interest rate swaps hedging floating rate interest-bearing liabilities is recognized in the income statement within financial expenses. If a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of interest rate swaps that are designated and qualified as fair value hedges are recorded in the income statement in financial income and expenses, together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk compensating the effect. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Neste documents at the inception of the transaction the relationship between hedging instrument and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Neste also documents its assessment, both at hedge inception and on an ongoing basis quarterly, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

	31 Dec 2021					31 Dec 2020				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Foreign exchange and interest rate derivatives										
Foreign exchange derivatives, forwards	2,216	10	20	55	-35	2,577	70	103	15	88
Foreign exchange options										
Purchased	159	0	0	0	0	205	0	6	0	6
Written	159	0	0	5	-5	205	0	0	0	0
Derivatives designated as cash flow hedges	2,534	10	20	59	-39	2,987	70	108	15	93
Foreign exchange derivatives, forwards	1,730	0	14	17	-3	1,184	28	33	1	32
Non-hedge accounting derivatives	1,730	0	14	17	-3	1,184	28	33	1	32
Commodity derivatives										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	23	0	29	57	-29	22	0	6	85	-79
Purchased forwards, million bbl	19	0	100	15	86	18	0	108	11	97
Electricity and gas derivatives										
Purchased forwards, GWh	2,966	940	91	14	77	2,164	1,094	7	0	7
Non-hedge accounting derivatives			220	86	134			122	96	26
Derivatives Total			254	162	92			263	113	151
of which										
BS Non-current derivative financial instruments			11	1	10			3	1	2
BS Current derivative financial instruments			243	161	82			260	111	149

Neste uses foreign exchange, interest rate and commodity derivatives to manage market risks (Note 3). Hedge accounting is not applied to commodity derivatives, although these are mainly held for economic hedging purposes. Commodity derivatives include oil, vegetable oil, freight, electricity and gas contracts. Neste uses forwards as hedging instruments for commodities.

Neste has designated certain foreign currency and interest rate derivatives as hedges of future transactions i.e., as cash flow hedges. Such contracts are, e.g., foreign exchange derivatives hedging USD- and SEK-sales for the next twelve months according to the Corporate risk management policy or hedging investment costs in Singapore refinery (Note 3). On 31 December 2021, there were no interest rate swaps.

20 Equity

Share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2021 totalled EUR 40,000,000, divided into 769,211,058 shares of equal value. Neste Oyj has one class of shares and each share entitles a shareholder to one vote at the Annual General Meeting. The nominal value of one share is not determined. The share capital is fully paid. There have been no changes in share capital in 2021 or 2020.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
1 January 2021	769,211	-1,374	767,837
Transfer of treasury shares	0	133	133
31 December 2021	769,211	-1,242	767,969
1 January 2020	769,211	-1,527	767,684
Transfer of treasury shares	0	153	153
31 December 2020	769,211	-1,374	767,837

Treasury shares

On 15 March 2021 a total of 132,756 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the earning period 2018-2020 of the share-based incentive program 2016 according to the terms and conditions of the program. The directed share issue is based on the authorization granted by the Annual General Meeting of Shareholders on 18 May 2020. The number of treasury shares after the directed share issue is 1,241,662 shares.

On 16 March 2020 a total of 153,040 treasury shares of Neste Corporation has been conveyed without consideration to the key persons participating in the Share Ownership Plan 2016 according to the terms and conditions of the plan. The directed share issue is based on the authorization granted by the Annual General Meeting of Shareholders on 2 April 2019. The number of treasury shares after the directed share issue is 1,374,418 shares.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

The reserve of invested unrestricted equity includes other equity-related investments and that part of the share subscription price that has not specifically been allocated to share capital.

Fair value and other reserves include the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges, amounts recognized directly in equity concerning other financial assets, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the consolidated statement of income.

Actuarial gains and losses includes the remeasurements of defined benefit plans and net change of other investments at fair value, which are recognised in other comprehensive income.

Translation differences include exchange differences arising from the translation of the net investment in foreign entities on consolidation, change in the fair value of currency instruments designated as hedges of the net investment, and exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates.

21 Financial liabilities

Accounting policy

Financial liabilities are classified at amortized cost (except derivative financial liabilities whose accounting policy is presented at Note 19). Financial liabilities measured at amortized cost are recognized initially at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method. Liabilities are recognised on the date when the entity becomes a party to the contractual provisions of the instrument. Any difference between net proceeds and nominal amount is recognized as interest cost over the period of the borrowing using the effective interest method. Financial liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date, which are included in current liabilities. A financial liability is derecognized when the related obligation is discharged, cancelled or expires.

Bank overdrafts are recorded in current liabilities on the balance sheet. Fees of revolving credit facility are capitalized and amortized over the period of the facility.

The fair values of the listed bonds are driven from market quatations. The fair values of other interest-bearing liabilities at amortized cost are determined by using the discounted cash flow method employing market interest rates at the balance sheet date.

Non-current financial liabilities	2021	2020
Bonds [1]	893	720
Loans from financial institutions	121	0
Lease liabilities [2]	333	289
Other loans	30	41
Other non-current liabilities	43	20
Total	1,420	1,070
BS of which interest-bearing	1,378	1,050
Other non-financial items included to other non-current liabilities	1	1

Current financial liabilities	2021	2020
Bonds	0	0
Loans from financial institutions	137	128
Lease liabilities [2]	111	114
Other loans	131	14
Advances received	67	85
Trade payables	1,829	1,228
Other current liabilities	760	466
Total	3,036	2,036
BS of which interest-bearing	379	257
Other non-financial items included to trade and other payables	105	93

[1] Neste issued a EUR 500 million green bond in March 2021. The 7-year bond carries a coupon of 0.75 per cent. The bond represents the first issuance under the Green Finance Framework established in February 2021. The proceeds from the issue are allocated in accordance with the Green Finance Framework to investments into the development, operations, maintenance and expansion of the renewable and circular solutions with the objective to mitigate climate change globally by reducing greenhouse gas emissions.

[2] Refer to Note 30 Leases.

The fair values of financial liabilities can be found in Note 16. Re-pricing periods of interest-bearing liabilities are disclosed in Note 3, Financial risk management, section 'Market risk'.

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal amount	Carrying amount
2017/2024	Fixed	1.5000	1.5080	EUR	400	399
2021/2028	Fixed	0.7500	0.9000	EUR	500	494
Total					900	893

22 Provisions

Accounting policy

The nature of certain Neste's businesses exposes Neste to risks of environmental costs and potential contingent liabilities. The risks arise from the manufacture, use, storage, disposal and maritime and inland transport as well as sale of materials that may be considered to be contaminants when released into the environment. Liability may also arise through the acquisition, ownership or operation of properties or businesses.

A provision is recognized in the consolidated statement of financial position when Neste has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the conditions referred to above are met. Neste has asset retirement obligations recorded in the consolidated statement of financial position.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

Estimates and judgements requiring management estimation

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation. In addition to the provisions recognized, there are some off-balance-sheet contingent liabilities for which the future potential outcome (timing, costs) cannot be estimated reliably.

The most significant provisions in the consolidated statement of financial position relate to environmental liabilities. Environmental provisions are based on management's best estimate of remediation costs. The restructuring provision is recognized when Neste has prepared a detailed restructuring plan and published it.

	Environmental provisions	Restructuring provisions	Provision to return emission allowances	Other provisions	Total
BS **On 1 January 2021**	204	23	0	5	232
Additions	5	0	17	5	27
Amounts used during the period	-7	-10	-17	-1	-35
Reversed unused provisions	-1	-11	-1	0	-12
Changes in the discount rate and inflation assumption	-3	0	0	0	-3
BS **On 31 December 2021**	199	2	0	9	210

	Environmental provisions [1)]	Restructuring provisions [1)]	Provision to return emission allowances	Other provisions	Total
BS **On 1 January 2020**	86	0	4	3	93
Additions [1)]	119	23	0	2	144
Amounts used during the period	-3	0	-4	0	-8
Reversed unused provisions	-1	0	0	0	-1
Changes in the discount rate and inflation assumption	3	0	0	0	3
BS **On 31 December 2020**	204	23	0	5	232

Environmental provisions consists mostly of Neste's asset retirement obligations (ARO) that are related to retail stations and refineries which are expected to be realised in 1–50 years. Neste recognizes a provision for the decommissioning costs of an oil installation to the extent that Neste is obliged to rectify damage already caused. The provisions are to be discounted, where the effect of the time value of money is material.

The exchange rate difference relating to Neste's provisions is immaterial.

Emission allowances

Neste Finland Refineries in Porvoo and Naantali come under the European Union's greenhouse gas emission trading system, and were granted a total of 2.2 million tons emission allowances for 2021. Naantali refinery has been operating as a port and distribution terminal from April 2021 onwards. Naantali port and terminal operations are no longer under the emission trading system. In addition to refinery operations Neste purchases allowances to cover certain emissions of the local partners who provide utility services to Neste. A provision is recognized to cover the obligation to buy emission allowances if emission allowances received free of charge and purchased emission allowances intended to cover the deficit do not cover actual emissions. Emission allowances, which are purchased to cover future periods deficit are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero.

As at 31 December 2021 there was no obligation to purchase emission allowances in the balance sheet of Neste (31.12.2020 EUR 0 million). The actual amount of CO_2 emissions in 2021 were 2.6 million tons (2020: 3.1 million tons). Neste has traded emission allowances for net amount of 0.4 million tons during the financial period ended 31 December 2021 (2020: 0.6 million tons).

23 Employee benefit obligations

Accounting policy

Neste has pension arrangements in different countries, which are generally funded through insurance companies. Pension cover is based on the legislation and agreement in force in each country. Pension schemes consist of both defined benefit and defined contribution plans. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, Neste has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfill these conditions are considered defined benefit plans.

In defined benefit plans, after Neste has paid the amount for the period, an excess or deficit may result. The defined benefit obligation represents the present value of future cash flows from payable benefits, which are calculated for by using the projected unit credit method. The discount rate assumed in calculating the present value of the pension obligation is based on the market yield of high-quality corporate bonds (AA-rated) with appropriate maturities. Pension costs are recognized in the consolidated statement of income so as to spread the current service cost over the service lives of employees based on actuarial calculations. The net interest is included as part of the finance cost in the consolidated statement of income.

The liability (or asset) recognized in the consolidated statement of financial position is the pension obligation at the closing date less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Actuarial valuations for Neste's defined benefit pension plans are performed annually.

Estimates and judgements requiring management estimation

Accounting for defined benefit pensions and other long-term employee benefits involves making significant estimates when measuring Neste's pension expenses and obligations. The assumptions that are the most significant to the amounts reported are the discount rate, the rate of salary increase and future benefit increase. Changes in these assumptions could result in significant changes to the carrying amount of Neste's pension liability and future pension expenses.

Neste has defined benefit pension plans in Finland, Belgium, Switzerland and the Netherlands. The largest plans are in Finland, which account for 95% (2020: 96%) of Neste's total defined benefit pension obligation and 96% (2020: 97%) of Neste's total plan assets. The voluntary pension plan in Finland accounting for most of this has been closed since 1 January 1994. The insured supplementary pension scheme consists of defined benefit group pension insurances, which are very similar in structure, with the exception of retirement age and pension accrual rules.

Other long-term employee benefits are long-service remunerations, which are accounted for as an unfunded defined benefit plan in accordance to IAS 19.

Characteristics of the post-employment defined benefit plans in Finland

In Finland, Neste has a voluntary pension plan for a certain group of employees to fulfill an aggregated benefit after retirement. The voluntary pension plan is managed in an insurance company.

The voluntary plan's benefit is based on the aggregated benefits determined by the insurance contract. The voluntary benefit is the difference between aggregated benefits and compulsory benefits calculated at the age 63 in the old age plan. The aggregated benefits are at most 60% or 66% of the supplementary pension salary depending on the plan. The supplementary pension salary is calculated based on the last 10 years' salaries prior to the pension event adjusted by the index level. The benefits in the plans are old age and disability pensions, survivors' pensions for widows and children, and funeral grants. Old-age pension ages are 60, 62 and 65 years. In some pension schemes the pension cover also includes the right to early old-age pension retirement ages.

The insurance company collects premiums on a yearly basis from the employer. The future premiums are adjusted so that the old-age pension will be fully funded until retirement. The disability and survivor's pension are also financed by risk premiums collected during the employment period. The premiums with fixed discount rate 1.5% are based on the last known salary without any assumptions on future salary increases. The insurance company guarantees the same interest yield to the assets in the plan, as the one they have used in calculating the premiums.

The employer finances the index-linkage by paying an additional premium covering the index increase during the year. Discretionary bonuses from the insurance company will lower the index premium. The insurance company decides the amount of the bonus annually.

Neste has insured the benefits index increases each year as the benefits have been increased. If the insurance company's granted bonus index does not cover the annual index increase, the insurance company collects a premium from the employer to cover the increase. The insurance company's bonus index varies on yearly basis.

Risks associated with defined benefit plans

Through its defined benefit pension plans Neste is exposed to a number of risks. The employer´s defined benefit obligations pension liability depends on the discount rate which is determined to a yield of corporate bonds as at the reporting date. A decrease in used discount rates increase the defined benefits obligations. However, a decrease in the used discount rate yield also increases the fair value of the assets partially offsetting the total impact of change in yield on the net defined benefit pension liability.

The benefit of the plans is tied to the future benefit increase, which depends on inflation and common salary index. Higher inflation increases the benefit increase, which leads to an increase in liabilities and annual payments to the insurance company.

If the active employee's salary increases more than the common salary index, the amount of promised benefit and the benefit obligation increases together with annual payments to life insurance company.

The longevity risk is borne by the insurance company in case the actual mortality differs from the assumed. Possible adjustments in mortality assumption have an effect on the employer's liability according to IFRS. The insurance company completely bears the mortality risk on accrued benefits. The employers have a mortality risk only if the insurance company will raise its future benefit accruals premiums because of mortality adjustment.

Defined benefit plans

Cost of defined benefit plans	2021	2020
Service cost	6	4
Net interest (+expense/-income)	0	1
Remeasurements related to other long-term remunerations	0	0
Defined benefit cost recognized in the consolidated statement of income	6	5

Remeasurements of defined benefit plans	2021	2020
Actuarial gains/losses		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-17	-24
Return on plan assets, excluding amounts included in net interest expense	-25	8
Experience adjustments	4	9
Total remeasurements recognized in other comprehensive income	-38	-7

Amounts recognized in the consolidated statement of financial position	2021	2020
Present value of funded defined benefit obligations	488	492
Present value of unfunded defined benefit obligations	8	7
Fair value of plan assets	-350	-388
BS Net defined benefit liability	146	111

Changes in fair value of plan assets	2021	2020
January 1	388	385
Interest income	1	2
Return on plan assets (excluding amounts included in net interest expense)	-25	8
Employer contributions	8	12
Benefits paid	-19	-19
Assets held for sale	-3	0
December 31	350	388

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution within categories is not possible to provide.

Changes in the present value of the defined benefit obligation	2021 Funded	2021 Unfunded	2020 Funded	2020 Unfunded
January 1	492	7	487	8
Current service cost	5	1	4	0
Interest cost	1	0	3	0
Actuarial gains (-)/ losses (+)	12	1	15	0
Settlements	0	0	0	0
Benefits paid	-18	-1	-18	-1
Liabilities related to assets held for sale	-5	0	0	0
December 31	488	8	492	7

The expected contributions to be paid to the defined benefit plans in 2022 are EUR 8 million.

Significant actuarial assumptions (presented as weighted average)	2021	2020
Discount rate, %		
Finland	0.80%	0.30%
Other countries	0.31%	0.28%
Future salary increase, %		
Finland	3.5%	2.7%
Other countries	1.1%	1.6%
Future benefit increase, %		
Finland	2.3%	1.5%
Other countries	0.0%	0.0%

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Assumptions	Change in assumption		Impact on the defined benefit pension obligation 2021	Impact on the defined benefit pension obligation 2020
Discount rate				
	0.50% increase	EUR million	-22	-34
	0.50% decrease	EUR million	43	38
Future salary increase				
	0.50% increase	EUR million	11	4
	0.50% decrease	EUR million	6	-4
Future benefit increase				
	0.50% increase	EUR million	31	31
	0.50% decrease	EUR million	-28	-28

- 0.50% increase/decrease in the discount rate would lead to a decrease /increase of 4.5%/8.8% in the defined benefit obligation.

- 0.50% increase/decrease in the rate of salary increase would lead to a increase of 2.2%/1.2% in the defined benefit obligation.

- 0.50% increase/decrease in the rate of pension index would lead to a increase /decrease of 6.3%/5.7% in the defined benefit obligation.

The above sensitivity analysis may not be representative of the actual impact of change. If more than one assumption is changed simultaneously, the combined impact of changes would not necessarily be the same as the sum of the individual change. If the assumptions change to a different level compared to that presented above, the effect on the defined benefit obligation may not be linear.

Maturity profile of the undiscounted defined benefit obligation	2021
Within the next 12 months	20
Between 1 and 5 years	92
Between 5 and 10 years	102
Beyond 10 years	351
Total	566

The average duration of the defined benefit pension obligation at the end of the reporting period is 15 years.

24 Share-based payments

Accounting policy

Neste's share-based incentive plans include a net settlement feature, i.e., share-based payments are settled net in shares after withholding taxes, and thus they are accounted for as fully equity settled plans. The compensation expense for the shares is recognized as an employee benefit expense evenly during the required service period whereas the compensation expense resulting from the cash portion is recognized as an employee benefit expense on accrual basis between grant and payment date. The entire transaction is measured at fair value prevailing on the grant date of the share-based incentive plan and the amounts recognized in the consolidated statement of income are accumulated in equity. The difference realized upon the settlement date is also accounted for against equity.

The purpose of Neste's share-based long-term incentive plans is to drive long-term sustainable growth and align the interests of executives with shareholders. The Board annually selects the members of Neste's senior management and other key employees to participate in the long-term incentive plans.

Share-based incentive plan as of 1 January 2019

The Board of Directors of Neste Corporation decided on 12 December 2018 to establish a new share-based long-term incentive scheme for selected members of Neste's management and key employees. The decision included a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

The Performance Share Plan consists of three annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The three plans commence in the years 2019, 2020 and 2021. The commencement of each individual plan is, however, subject to a separate Board approval.

The potential reward will be paid in shares of Neste (deducted with the applicable payroll tax), provided that the performance target set by the Board of Directors is achieved. For award plan cycles commenced in 2019 (PSP 2019–2021) and 2020 (PSP 2020–2022), relative total shareholder return of Neste's share compared to STOXX Europe 600 index is set as a performance measure. In the PSP 2021–2023 plan, in addition to the relative total shareholder return of Neste's share, Neste's combined greenhouse gas (GHG) impact is also set as a performance measure. The combined GHG impact includes GHG emission reductions achieved with Neste renewable products by customers and GHG emissions from Neste production.

The combined amount of variable compensation paid to an individual participant any given year, including the long-term incentive scheme and the annual short-term incentive scheme, may not exceed 120% of the individual' annual gross base salary. If the individual's employment terminates before the payment date of the share reward, the individual is not, as a main rule, entitled to any reward based on the plan. The plans do not include a separate restriction period after the performance period.

The Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Neste (deducted with the applicable payroll tax). The commencement of each individual plan is subject to a separate Board approval. A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Neste continues until the payment date of the reward.

The first plan (RSP 2019–2021) within the Restricted Share Plan started in the beginning of 2019 and the potential share reward thereunder will be paid in the spring 2022. The second plan (RSP 2021–2023) started in the beginning of 2021 and the potential share reward thereunder will be paid in the spring 2024.

Neste applies a share ownership policy to the members of the Neste Executive Committee (ExCo). According to the policy, each member of the ExCo is expected to retain in his/her ownership at least half of the shares received under the share-based incentive programs of Neste until the value of his/her share ownership in Neste corresponds to at least his/her annual gross base salary.

Share-based incentive plan as of 1 January 2016

The Board of Directors of Neste Corporation decided on 14 December 2015 to establish a new long-term share-based incentive plan for Neste's senior management and nominated key personnel. The plan includes three individual share plans, each with a three-year earning period. The plans began in 2016, 2017 and 2018, respectively.

The earning criteria for the earning periods 2016–2018, 2017–2019 and 2018–2020 are Neste's cumulative comparable free cash flow (75%) and total return by Neste's share compared to STOXX Europe 600 index (25%). In plan 2016–2018 the target long-term incentive for the President & CEO and the other members of the Neste Executive Committee (ExCo) is around 40% of individuals' annual fixed salary. In plans 2017–2019 and 2018–2020 the target long-term incentive for the President & CEO and the other members of the ExCo is around 30% of individuals' annual fixed salary. The maximum long-term incentive for the President & CEO is 100% of his annual fixed salary and 80% for the other members of the ExCo. The combined amount of incentives paid based on earnings under the long-term incentive program together with the incentive paid on the annual short-term program, may not exceed 120% of participants' annual fixed salary in any given year.

Participants shall not be entitled to sell or transfer the shares they receive as incentives during a restriction period following the end of the earning period. The lenght of this period is three years in the 2016–2018 plan. In 2017–2019 and 2018–2020 plans the restriction period is one year.

For the 2016–2018 LTI plan cycle, the maximum target set in December 2015 for Neste's cumulative comparable free cash flow were exceeded and Neste generated a total shareholder return clearly out performing the Europe Stoxx 600 Market Index. A gross reward of 412,472 shares (after the share split) equaling EUR 13.0 million were awarded to the participants of the plan. The net amount of shares delivered totalled 193,528 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date were 31.6 euros (15.3.2019) and 29.8 euros (23.9.2019). The members of Neste's Executive Committee received a gross reward equaling to 49,030 shares.

For the 2017–2019 LTI plan cycle, the maximum target set in December 2016 for Neste's cumulative comparable free cash flow were exceeded and Neste generated a total shareholder return clearly out performing the Europe Stoxx 600 Market Index. A gross reward of 308,515 shares equaling EUR 7.7 million were awarded to the participants of the plan. The net amount of shares delivered totalled 153,040 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date was 25.0 euros (16.3.2020). The members of Neste's Executive Committee received a gross reward equaling to 72,789 shares.

For the 2018–2020 LTI plan cycle, the maximum target set in December 2017 for Neste's cumulative comparable free cash flow were exceeded and Neste generated a total shareholder return clearly out performing the Europe Stoxx 600 Market Index. A gross reward of 273,079 shares equaling EUR 14.7 million were awarded to the participants of the plan. The net amount of shares delivered totalled 132,756 shares and the rest of the reward was paid in cash to cover taxes. The fair value of the share as at delivery date was 53.8 euros (15.3.2021). The members of Neste's Executive Committee received a gross reward equaling to 50,879 shares.

Share-based incentive plan as of 1 January 2013

The Board of Directors of Neste Corporation decided on 13 December 2012 to establish a new long-term share-based incentive plan for the Neste's senior management and nominated key personnel. The plan includes three individual share plans, each with a three-year earning period. The share plans have started in 2013, 2014, and 2015.

The earning criteria for the earning period 2015–2017 have been Neste's cumulative comparable free cash flow (75%) and total return by Neste's share compared to a peer group of 10 oil industry peers (25%). The combined amount of incentives to be paid based on maximum-level earnings under the short-term program and this long-term incentive program may not exceed 120% of participants' annual fixed salary in any given year. Participants shall not be entitled to sell or transfer the shares they receive as incentives during a restriction period following the end of the earning period. The length of this period is three years in respect of the President and CEO and the other members of the ExCo, and one year in respect of other participants.

More specific information on the share-based incentive plans is presented in the following tables.

Plan	Long-Term Incentive Plan 2019					Long-Term Incentive Plan 2016			Long-Term Incentive Plan 2013
Type	Share allocation					Share allocation			Money Allocation
Instrument	PSP 2021–2023	RSP 2021–2023	PSP 2020–2022	PSP 2019–2021	RSP 2019–2021	PSP 2018–2020	PSP 2017–2019	PSP 2016–2018	PSP 2015–2017
Grant dates	13 Jan 2021	21 Jan 2021	20 Feb 2020	6 May 2019	26 Jun 2019	11 Jan 2018	19 Jan 2017	1 Feb 2016	11 Feb 2015
Grant prices, euros	57.81	59.82	35.72	26.70	27.98	16.87	10.06	8.70	-
Share price as at grant date, euros	60.94	62.64	38.91	28.94	30.08	18.82	11.41	9.58	-
Beginning of earnings period	1 Jan 2021	1 Jan 2021	1 Jan 2020	1 Jan 2019	1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016	1 Jan 2015
End of earnings period	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
End of restriction period	31 Mar 2024	31 Mar 2024	31 Mar 2023	31 Mar 2022	31 Mar 2022	31 Mar 2022	31 Mar 2021	30 Apr 2022	31 Mar 2019/ 31 Mar 2021
Changes during the period, share allocation [1)]	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**	
Outstanding at the beginning of the reporting period, pcs	0	0	298,338	351,752	10,100	475,829	256,009	322,783	
Granted during the period	223,654	12,500	0	0	0	0	0	0	
Forfeited during the period	1,200	0	9,513	9,400	0	202,750	0	0	
Excercised during the period	0	0	0	0	0	34,042	256,009	6,531	
Outstanding at the end of the period, pcs	222,454	12,500	288,825	342,352	10,100	239,037	0	316,252	
Number of persons at the end of the reporting year	127	7	112	90	4	97	0	69	0
Share price at the end of the reporting period, euros	43.36	43.36	43.36	43.36	43.36	53.77	25.01	31.61	17.78
Estimated rate of realization of the earnings criteria, %	41%	100%	61%	57%	100%	100%	100%	100%	100%
Estimated termination rate before the end of the restriction period, %	10%	0%	5%	10%	0%	0%	0%	0%	0%

[1)] Changes during the period, money allocation: 48,930 shares excercised from plan 2015–2017.

Fair value determination

The fair value of share-based incentives have been determined at grant date and the fair value is expensed until vesting. The grant price, i.e., fair value as of the grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the earning period. For plans under the Long-Term Incentive Plan 2019, which include market based criteria, the fair value estimation is calculated using the Monte Carlo simulation with Geometric Brownian Motion. The simulation requires some parameters, such as volatility and the risk-free rate to be estimated.

The expense included in the income statement is specified in the following table:

	2021	2020
Expense arising from equity-settled share-based payment transactions	4	7
Total expense arising from share-based payment transactions	4	7

At the end of the period the estimated future cash payments to be paid to the tax authorities from share-based payments are EUR 11 million (2020: EUR 25 million).

25 Related party transactions

Neste is controlled by the State of Finland, which owns 44.2% of the company's shares. The remaining 55.8% of shares are widely held.

Neste has a related party relationship with its subsidiaries, associates, joint arrangements and the entities controlled by Neste's controlling shareholder, the State of Finland. Related parties also include the members of the Board of Directors, the President and CEO and other members of the Neste Executive Committee (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families.

Subsidiaries, associates and joint arrangements are presented in Note 26 Group companies.

Parent company of Neste is Neste Corporation. The transactions between Neste and its subsidiaries, which are related parties of the company, have been eliminated during consolidation and are not disclosed in this note. Details of transactions between Neste and other related parties are disclosed below. All transactions between Neste and other companies controlled by the State of Finland are on an arm's length basis.

Transactions carried out with related parties

2021	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint ventures	189	121	159	2	17
Other related parties	40	50	3	0	0
	229	171	162	2	17

2020	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Joint ventures	165	125	88	2	1
Other related parties	108	45	2	0	0
	273	170	90	2	1

There were no material transactions with key management persons or entities controlled by them.

The major part of business between Neste and its joint ventures was with Kilpilahti Power Plant Ltd. Neste's transactions with Kilpilahti Power Plant Ltd consisted mainly of steam purchases and sales of heavy fuel oil, water and asphaltene. Transactions with Nynas AB continued until 15 September 2020 when its sale of shares was completed.

Board of Directors and key management compensation

EUR thousand	2021	2020
Salaries and other short-term employee benefits	5,346	5,150
Statutory pensions	745	749
Supplementary pensions	416	424
Share-based payments	2,736	1,712
Total (Including statutory pensions)	9,243	8,034

Key management consists of President and CEO and other members of the Neste Executive Committee. There were no outstanding loan receivables from key management on 31 December 2021 or 31 December 2020.

Compensation to President and CEO and members of the Neste Executive Committee

	President and CEO		Members of the Neste Executive Committee	
EUR thousand	2021	2020	2021	2020
Annual remuneration				
Base salary	972	925	2,788	2,614
Taxable benefits	0	0	130	201
Annual incentive (STI plan)	216	311	778	654
Total annual remuneration	1,188	1,237	3,696	3,469
Vested long term remuneration				
Supplementary pension (insurance contributions)	0	0	416	424
Share-based incentive plan	858	568	1,878	1,144
Total remuneration	2,046	1,805	5,990	5,036

Compensation to the Board of Directors

EUR thousand	2021	2020
Board of Directors at 31 December 2021		
Matti Kähkönen	80	79
John Abbott, since 30 March 2021	40	0
Nick Elmslie, since 18 May 2020	51	29
Martina Flöel	53	51
Jean-Baptiste Renard	52	49
Jari Rosendal	47	48
Johanna Söderström, since 18 May 2020	48	28
Marco Wirén	63	68
Former Board members		
Elizabeth Burghout, until 18 May 2020	0	19
Sonat Burman-Olsson, until 21 July 2021	27	48
Willem Schoeber, until 18 May 2020	0	26
Board of Directors, all members total	462	444

Compensation to the Board of Directors include annual remuneration and meeting fee paid to each member of the Board for each meeting attended as well as for any meetings of the Board committees attended. Board members are not covered by the company's remuneration systems and do not receive any performance or share related payments.

Should the company decide to give notice of termination, the President & CEO shall be entitled to his salary during the 6 months period of notice, together with a severance payment equivalent to 6 months' salary. The retirement age of the President and CEO is according to the Finnish Employee's Pension Act (TyEL).

Net liability of defined benefit plans of former Presidents and CEOs on 31 December 2021 were EUR 1,757 thousand (2020: EUR 1,197 thousand).

26 Group companies

Subsidiaries	Group holding %	Country of incorporation
Agri Trading Fats & Oils, LLC (new)	100.00%	USA
B J B, LLC (new)	100.00%	USA
B J B, Properties of Hutchinson, LLC (new)	100.00%	USA
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Mahoney Environmental Solutions, LLC	100.00%	USA
Mahoney Transportation Services LLC	100.00%	USA
Navidom Oy	50.00%	Finland
Neste (Shanghai) Trading Company Limited	100.00%	China
Neste (Suisse) S.A.	100.00%	Switzerland
Neste AB	100.00%	Sweden
Neste Affiliate B.V.	100.00%	The Netherlands
Neste Asia Pacific Pte. Ltd	100.00%	Singapore
Neste Australia Pty Ltd	100.00%	Australia
Neste Base Oils Finland Oy	100.00%	Finland
Neste Belgium NV (new)	100.00%	Belgium
Neste Canada Inc.	100.00%	Canada
Neste Components B.V.	100.00%	The Netherlands
Neste Demeter B.V.	51.00%	The Netherlands
Neste Eesti AS	100.00%	Estonia
Neste Engineering Solutions B.V.	100.00%	The Netherlands
Neste Engineering Solutions Oy	100.00%	Finland
Neste Engineering Solutions Pte. Ltd.	100.00%	Singapore
Neste Germany GmbH	100.00%	Germany
Neste Insurance Limited	100.00%	Guernsey
Neste Italy S.R.L.	100.00%	Italy
Neste Markkinointi Oy	100.00%	Finland
Neste Netherlands B.V.	100.00%	The Netherlands
Neste NV	100.00%	Belgium
Neste Oil Bahrain W.L.L.	100.00%	Bahrain
Neste Pretreatment Rotterdam B.V. (new)	100.00%	The Netherlands
Neste Renewable Solutions US, Inc.	100.00%	USA
Neste RPC Solutions US, Inc.	100.00%	USA
Neste Shipping Oy	100.00%	Finland
Neste Singapore Pte. Ltd.	100.00%	Singapore
Neste Terminal Rotterdam B.V.	100.00%	The Netherlands
Neste US, Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA
SIA Neste Latvija	100.00%	Latvia
Sterling Logistics, LLC (new)	100.00%	USA
UAB Neste Lietuva	100.00%	Lithuania

Associates	Group holding %	Country of incorporation
Alterra Energy LLC	40.00%	USA
Neste Arabia Co. Ltd. (inactive)	48.00%	Saudi Arabia

Joint arrangements	Group holding %	Classification	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Joint Operation	Finland
Bahrain Lube Base Oil Company B.S.C. (Closed)	45.00%	Joint Operation	Bahrain
Glacia Limited	50.00%	Joint Venture	Bermuda
Kilpilahti Power Plant Ltd	40.00%	Joint Venture	Finland
Tahkoluodon Polttoöljy Oy	31.50%	Joint Operation	Finland
Tapaninkylän Liikekeskus Oy	40.03%	Joint Operation	Finland

Specification of financial information on subsidiaries with material non-controlling interests

	Neste Demeter B.V.		Navidom Oy	
	2021	2020	2021	2020
Proportion of shares held by non-controlling interests	49.00%	49.00%	50.00%	50.00%
Current assets	155	82	0	0
Non-current assets	0	0	0	0
Current liabilities	147	75	0	0
Non-current liabilities	0	0	0	0
Revenue	868	555	1	1
Profit for the period	5	5	0	0
Dividends paid to non-controlling interests	-2	-1	0	0
Cash flows from operating activities	9	24	0	0
Cash flows from investing activities	-6	-1	0	0
Cash flows from financing activities	-4	-23	0	0

Unconsolidated structured entities

In 2015, Neste sold its shares of Aurora Kilpilahti Oy (former Kilpilahden Sähkönsiirto Oy) to InfraVia European Fund II, an infrastructure fund managed by InfraVia. After the sale Neste does not have direct or indirect investment in the company. Aurora Kilpilahti Oy is responsible for high- and medium-voltage electricity distribution in the Kilpilahti industrial area where Neste Finland Refinery in Porvoo is situated. In addition to Neste, Aurora Kilpilahti Oy's customers include other companies operating in the area.

As the Kilpilahti electricity distribution network requires significant investments, Neste selected InfraVia as its electricity distribution partner to contribute to the effective implementation of the investments and, therefore, secure reliable electricity distribution in Kilpilahti.

Under the contractual arrangements with Aurora Kilpilahti Oy Neste has been supplying small and decreasing part of the operating services needed in electricity distribution. It can be considered that Neste has the possibility to influence only limited development investments made by Aurora Kilpilahti Oy. Aurora Kilpilahti Oy distributes electricity to Neste and Neste remains to be the main user of the capacity of the electricity distribution network. Aurora Kilpilahti Oy operates on land leased from Neste for 30 years with an option to extend the lease. Neste has not provided any financial support or other significant support to Aurora Kilpilahti Oy without contractual obligation.

Based on the factors described above Neste has determined that it has limited influence though no control over Aurora Kilpilahti Oy and treats the company as unconsolidated structured entity in its consolidated financial statements. Management has assessed the company's exposure to losses by considering the nature of Neste's involvement in Aurora Kilpilahti Oy, and the company's significance to Neste from an operative perspective. Neste's exposure is mainly dependent upon the efficient operation of the distribution network.

Consolidated structured entities

Since 2014, Neste has treated the sold vessels' long-term agreements made with Ilmarinen Mutual Pension Insurance Company and Finland's National Emergency Supply Agency as structured entities. As a part of these arrangements, Neste guarantees the vessels' residual value and certain return on the investors' investments.

27 Acquisitions and disposals

Acquisitions

2021

Bunge Loders Croklaan's refinery plant

On 1 March 2021 Neste acquired Bunge Loders Croklaan's refinery plant located in Rotterdam, the Netherlands. The refinery plant is located next to Neste's existing biorefinery and it consists of a pretreatment facility, tank farm, jetties, and has a pipeline connection to Neste's site. The name of the acquired company was changed from Bunge Loders Croklaan Oils B.V. to Neste Pretreatment Rotterdam B.V. The transition of operations and employees will be implemented in phases with the refinery plant's full and modified pretreatment capacity available for processing Neste's feedstock by the end of 2024. The acquisition is consolidated into the Renewable Products segment.

The acquisition of the refinery plant supports Neste's global growth strategy in renewables. It allows Neste to accelerate the scaling up of renewable raw material pretreatment capacity, which is an important driver for expanding the use of waste and residue feedstocks and increasing Neste's feedstock flexibility.

The fair values of the acquired net assets are presented in the table below. Based on the purchase price allocation, a portion of the purchase price was allocated to property, plant & equipment. Goodwill represents synergies arising from expanding the use of waste and residue feedstocks, increasing feedstock flexibility, and the plant's location next to Neste's existing refinery. Goodwill is not deductible in taxation.

The transaction costs of the acquisition are included in other expenses in the consolidated statement of income. The acquisition does not have a material impact on the Group´s revenue nor profit. The purchase price was paid fully in cash and material adjustments to purchase price are not expected.

Values of acquired assets and liabilities at time of acquisition	**Fair value**
Intangible assets	1
Property, plant and equipment	104
Inventories	1
Total assets	107
Interest-bearing liabilities	10
Deferred tax liabilities	11
Current tax liabilities	3
Trade and other payables	1
Total liabilities	25
Fair value of acquired net assets	81
Consideration transferred	255
Fair value of acquired net assets	-81
Goodwill	173

Cash flows of acquisition	**2021**
Consideration, paid in cash	-255
Transaction costs of the acquisition	-2
Net cash flow on acquisition	-257

Agri Trading

On 1 November 2021 Neste acquired 100% of Agri Trading, one of the largest independent renewable waste and residue fat and oil traders in the United States. The acquisition is consolidated into the Renewable Products segment.

Neste's feedstock strategy is focusing on waste and residues growth and the development of new feedstock sources. Agri Trading is an important partner for Neste as an industry leader in trading animal fat waste, used cooking oil, technical corn oil, and other vegetable oils in North America. The completion of this transaction is an important step forward in delivering on Neste's growth strategy in renewables and in strengthening our global renewable raw material platform. Additionally, Agri Trading's established logistics networks and assets will enable Neste to source and transport raw material efficiently with a lower carbon footprint and, ultimately, enable Neste to maintain its leadership position in the global raw material market.

The fair value of acquired net assets, based on preliminary assessment, are presented in the table below. Based on preliminary purchase price allocation, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. Transactions costs of the acquisition have been recognized as other expenses in the consolidated statement of income. Agri Trading contributed revenue of EUR 103 million to Neste's revenue during the two months under Neste's ownership. If the acquisition had occurred on 1 January 2021, the management estimates that consolidated revenue would have been EUR 415 millions more. The acquisition does not have a material impact on Neste's result.

Purchase price was paid fully in cash and as part of the purchase agreement with the previous owners of Agri Trading, a contingent consideration has been agreed. There will be additional cash payments to the previous owners if they meet certain predefined financial targets for 2022-2024. The additional cash payments will be paid during 2023-2025. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 23 million. The future changes in the fair value of contingent consideration are recognized through profit or loss. The purchase price will be also adjusted by net working capital and other provisional adjustments amounting to EUR 3 million, which Neste expects to receive during 2022. In connection with the closing of the acquisition, the interest bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

Values of acquired assets and liabilities at time of acquisition	**Fair value**
Intangible assets	23
Property, plant and equipment	32
Inventories	28
Trade and other receivables	27
Cash and cash equivalents	5
Total assets	115
Interest-bearing liabilities	33
Provisions	1
Trade and other payables	23
Total liabilities	56
Fair value of acquired net assets	59
Consideration transferred	72
Adjustment to consideration in 2022	-3
Fair value of contingent consideration	23
Fair value of acquired net assets	-59
Goodwill	33

Cash flows of acquisition	**2021**
Consideration, paid in cash	-72
Cash and cash equivalents in acquiree	5
Acquiree's liabilities paid off at closing	-21
Transaction costs of the acquisition	-4
Net cash flow on acquisition	-91

Other business combinations

In year 2021 Neste has made smaller business combinations that are immaterial individually. The collective fair values of the acquired net assets are presented in the table below. Based on purchase price allocations, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The business combinations do not have a material impact to Neste's revenue nor result. The purchase prices were paid fully in cash.

Values of acquired assets and liabilities at time of acquisition	Fair value
Intangible assets	4
Property, plant and equipment	3
Inventories	0
Trade and other receivables	0
Total assets	7
Fair value of acquired net assets	7
Consideration transferred	30
Fair value of contingent consideration	2
Fair value of acquired net assets	-7
Goodwill	26

Cash flows of acquisition	2021
Consideration, paid in cash	-30
Transaction costs of the acquisition	0
Net cash flow on acquisition	-31

2020

Mahoney Environmental

On 1 May 2020 Neste acquired 100% of Mahoney Environmental (Mahoney) and its affiliated entities. Mahoney is a leading collector and recycler of used cooking oil in the United States. The acquisition is consolidated into Renewable Products segment.

Neste's feedstock strategy is focusing on waste and residues growth and the development of new feedstock sources. The company is targeting 100% waste and residues share by 2025. The completion of this transaction is an important step forward in delivering on Neste's growth strategy in renewables since Mahoney Environmental already has access to a substantial volume of used cooking oil with room to grow across North America. Used cooking oil is one of more than 10 different types of feedstock that Neste can use to produce renewable diesel, sustainable aviation fuel and raw materials for renewable polymers. Alongside used cooking oil collection and recycling, Mahoney also provides cooking oil equipment installation and design, fresh oil delivery and grease trap cleaning.

The fair values of the acquired net assets are presented in the table below. Based on purchase price allocation, a portion of the purchase price was allocated to supplier and customer relations that have been recognized as intangible assets. The recognized goodwill is deductible for income tax purposes, and represents the value of acquired business knowledge and synergies. The transaction costs of the acquisition are included in other expenses in the consolidated statement of income. The acquisition does not have material impact on the Group´s revenue nor profit.

The purchase price was paid fully in cash. In connection with the closing of the acquisition, the interest-bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

Values of acquired assets and liabilities at time of acquisition	Fair value
Intangible assets	24
Property, plant and equipment	31
Inventories	2
Trade and other receivables	6
Cash and cash equivalents	5
Total assets	68
Interest-bearing liabilities	20
Trade and other payables	14
Total liabilities	34
Fair value of acquired net assets	34
Consideration transferred	143
Fair value of acquired net assets	-34
Goodwill	109

Cash flows of acquisition	2020
Consideration, paid in cash	-143
Cash and cash equivalents in acquiree	5
Acquiree's liabilities paid off at closing	-25
Transaction costs of the acquisition	-4
Net cash flow on acquisition	-167

Count Terminal Rotterdam

On 7 May 2020 Neste acquired 100% of the Dutch Count Companies BV's Count Terminal Rotterdam BV and its supporting entities, part of the First Dutch Group of Peter Goedvolk. The acquisition is consolidated into Renewable Products segment.

The acquisition is an important step for Neste in the execution of its growth strategy. It supports company's efforts to build a global renewable waste and residue raw material platform that can keep pace with the world's growing demand for renewable products. Count Terminal Rotterdam stores, refines and blends renewable waste and residue-based raw materials in the Rotterdam harbor area. Count Terminal Rotterdam will be the first terminal asset Neste owns for renewable feedstock aggregation, thus enabling Neste to further develop its raw material logistics for the future. The transaction will also enhance Neste's competitiveness in the global renewable waste and residue raw material market.

The fair values of the acquired net assets are presented in the table below. The goodwill is non-deductible for income tax purposes, and represents the value of synergies. The transaction costs of the acquisition are included in other expenses in the consolidated statement of income. The acquisition does not have material impact on the Group´s revenue nor profit.

The purchase price was paid fully in cash and it is not subject to further adjustments. In connection with the closing of the acquisition, the interest-bearing liabilities of the acquiree were paid off, and the related cash flow impact is presented in cash flows from financing activities.

Values of acquired assets and liabilities at time of acquisition	**Fair value**
Property, plant and equipment	48
Trade and other receivables	1
Cash and cash equivalents	0
Total assets	50
Interest-bearing liabilities	18
Deferred tax liabilities	1
Trade and other payables	1
Total liabilities	19
Fair value of net assets total	30
Consideration transferred	37
Fair value of acquired net assets	-30
Goodwill	7

Cash flows of acquisition	**2020**
Consideration, paid in cash	-37
Cash and cash equivalents in acquiree	0
Acquiree's liabilities paid off at closing	-17
Transaction costs of the acquisition	-3
Net cash flow on acquisition	-57

Alterra Energy LLC

On December 29, 2020 Neste acquired a minority stake in Alterra Energy LLC, an innovative chemical recycling technology company. The collaboration between Neste and Alterra includes joint technology development and enables commercializing Alterra's proprietary thermochemical liquefaction technology in Europe. Neste management has classified Alterra as an associate and is presented under Investments in associates and joint ventures.

Disposals

2021

On 15 January 2021 Neste sold its liquefied petroleum gas (LPG) cylinder business and its 50 percent shareholding in the bottling plant Oy Innogas Ab to Oy Linde Gas Ab (formerly AGA). Liquefied petroleum gas (LPG) cylinder business and Oy Innogas Ab were part of the Marketing & Services segment. The divestment does not have a material impact on the Group´s revenue nor profit.

Sale of LPG cylinder business and stake in Oy Innogas Ab	**Recognized values**
Total consideration	9
Sold net assets	-4
Gain on sale	5
Cash consideration received	9
Cash and cash equivalents disposed of	-1
Net cash flow of the disposal	8

2020

During the financial period 2020, the Group sold its 49.99% shareholding in joint venture Nynas AB to Bitumina Industries Ltd. Total consideration is subject to provisional adjustments which could change the final consideration. Loss on sales is presented as share of profit (loss) of joint ventures in the consolidated statement of income.

Sale of shares of Nynas AB	**Recognized values**
Total consideration	0
Sold net assets	0
Translation differences and share of other comprehensive income related to disposal (reclassified from equity)	-42
Loss on sale	-42
Net cash flow of the disposal	0

28 Assets held for sale

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value, less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use and sale is considered highly probable. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The assets are not depreciated after being classified as held for sale.

2021

Futura and Mastera tankers

The assets classified as held for sale as of 31 Dec 2021 relate to the sale of the tankers Futura and Mastera. Futura and Mastera tankers are planned to be divested within the next 12 months. The vessels are consolidated into the Oil Products segment.

Assets classified as held for sale	Futura and Mastera vessels 2021
Property, plant and equipment	15
Total	15

Base oils business

The assets held for sale at 31 Dec 2021 relate to an agreement to sell its existing base oils business to Chevron Corporation. As part of the divestment, the parties have also agreed on a long-term offtake for Neste's base oils supply from Porvoo, Finland. In connection with the divestment, Neste has signed an agreement to exit its base oils joint arrangement with Bahrain Petroleum Company and Nogaholding. The completion of the divestment is subject to the approval of the competition authorities and customary closing conditions, with estimated completion date by the end of Q1/2022. Base oils business is consolidated as part of the Oil Products segment.

Assets classified as held for sale	Base Oils business 2021
Property, plant and equipment	9
Deferred tax assets	2
Inventories	64
Trade and other receivables	64
Cash and cash equivalents	115
Total	255

Liabilities related to assets held for sale	Base Oils business 2021
Non-current interest-bearing liabilities	3
Deferred tax liabilities	1
Pension liabilities	2
Current interest-bearing liabilities	7
Trade and other payables	18
Total	32

2020

Neste and Futura vessels

The assets classified as held for sale as of 31 December 2020 related to replacing the vessels Neste and Futura with new product tankers. The vessels were consolidated into the Oil Products segment.

Assets classified as held for sale	Neste and Futura vessels 2020
Property, plant and equipment	14
Total	14

LPG cylinder business and stake in Innogas Oy

The assets classified as held for sale as of 31 December 2020 related to the sale of Neste's liquefied petroleum gas (LPG) cylinder business and Neste's share of the bottling plant Oy Innogas Ab operating in Kilpilahti. In the transaction, Oy Linde Gas Ab (formerly AGA) acquired Neste's LPG business, i.e. related agreements and assets, and Neste's 50 percent shareholding in the previously co-owned Oy Innogas Ab. Transaction was completed in January 2021. Classified liquefied petroleum gas (LPG) cylinder business and Oy Innogas Ab were part of the Marketing & Services segment.

Assets classified as held for sale	LPG cylinder business and stake in Innogas Oy 2020
Inventories	3
Cash and cash equivalents	1
Total	4

29 Contingencies and commitments

Contingent liabilities	Value of collateral 2021	Value of collateral 2020
On own behalf for commitments		
Real estate mortgages	26	26
Other contingent liabilities	59	62
Total	85	88
On behalf of joint arrangements		
Pledged assets	44	40
Total	44	40
On behalf of others		
Guarantees	1	1
Total	1	1
	130	128

The pledged assets on behalf of joint arrangements are granted to the secured creditors as continuing security for due and punctual payment, discharge and performance of all or any part of the secured obligations of Kilpilahti Power Plant Ltd. The pledged assets mean all shareholder loan receivables, all contribution loan receivables and the shares of Kilpilahti Power Plant Ltd. The security period ends on the date on which all the secured obligations have been unconditionally and irrevocably paid and discharged in full.

Commitments	2021	2020
Commitments for purchase of property, plant and equipment and intangible assets	289	616
Other commitments	9	10
Total	298	626

Take-or-pay contracts

Neste's take-or-pay contracts relate to hydrogen supply agreements. Agreements include volume based hydrogen purchase obligations until 2026. The total fixed fees payable under the agreements as of 31 December 2021 are presented in the table below.

Fixed fees payable under take-or-pay contracts	2021	2020
Payable	15	15
Payable after the financial period	74	87
Total payable	89	102

30 Leases

Accounting policy

Neste assesses at contract inception whether a contract is, or contains, a lease, i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Neste as a lessee

Neste has lease contracts for various land areas, vessels, tanks, containers, facilities and other equipment used in its operations. Lease contracts are made for fixed periods of 1 to 60 years. Some leases include an option to extend the lease for an additional period after the end of the contract term or terminate the contract during the lease term.

Neste recognises a leased asset and a lease liability at the lease commencement date, except for short-term leases and leases of low-value assets.

i) Right-of-use assets

Neste recognises right-of-use assets on the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any restoration obligations and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to Neste at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Neste's right-of-use assets are included in Property, plant and equipment (see Note 14).

ii) Lease liabilities

At the commencement date of the lease, Neste recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by Neste and payments of penalties for terminating the lease, if the lease term reflects Neste exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Neste uses interest rate implicit in the lease if readily determinable and if not, Neste uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Neste's lease liabilities are included in Interest-bearing liabilities (see Note 21).

iii) Short-term leases and leases of low-value assets

Neste applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Neste as a lessor

At inception of a lease contract, Neste makes an assessment whether the lease is a finance lease or an operating lease. If the lease substantially transfers all the risks and rewards incidental to ownership of the asset, it is considered to be a finance lease; if not, the lease is considered to be an operating lease. Neste has a minor amount of operating lease contracts, whereby the lease payments are recognised on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Estimates and judgements requiring management estimation

Neste determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Neste has several lease contracts that include extension and termination options. Neste's management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, Neste's management reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Neste's management applies judgement also for estimating the term of lease agreements in effect until further notice. The management's estimates are based on the company's strategic situation and market conditions, as well the costs that would incur if the leased asset would be replaced by another asset.

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Note	2021	2020
Land		183	161
Buildings and constructions		22	20
Machinery and equipment		102	106
Other tangible assets		127	95
Total assets included in property, plant and equipment	14	434	382
Lease liabilities			
Non-current interest-bearing liabilities		333	289
Current interest-bearing liabilities		111	114
Total liabilities included in interest-bearing liabilities	21	444	403

Additions to the right-of-use assets during the 2021 financial year were EUR 213 million (2020: EUR 136 million).
The maturity analysis of lease liabilities is disclosed in Note 3 Financial risk management.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	Note	2021	2020
Land		14	14
Buildings and constructions		9	9
Machinery and equipment		47	41
Other tangible assets		81	61
	14	151	125
Interest expense (included in finance cost)	10	21	22
Expense relating to short-term leases (included in materials and services)	7	11	6
Expense relating to short-term leases (included in other expenses)	9	5	4
Expense relating to leases of low-value assets (included in other expenses)	9	0	0
Variable lease payments not included in lease liabilities (included in materials and services)	7	1	15
Variable lease payments not included in lease liabilities (included in other expenses)	9	4	5

The total cash outflow for leases in 2021 was EUR 144 million (2020: EUR 115 million) which is included in the line item 'Repayments of non-current interest-bearing liabilities' under the cash flows from financing activities in the consilidated cash flow statement.

31 Disputes and potential litigations

Neste is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

32 Events after the balance sheet date

No significant events took place in Neste after the balance sheet date.

Parent company income statement

EUR million	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Revenue	2	10,021	7,909
Change in product inventories		233	-48
Other operating income	3	27	16
Materials and services	4	-8,948	-6,696
Personnel expenses	5	-220	-253
Depreciation, amortization and write-downs	6	-236	-391
Other operating expenses	7	-511	-505
Operating profit/loss		365	32
Financial income and expenses	8	534	11
Financial income and expenses total		534	11
Profit/loss before appropriations and taxes		898	43
Appropriations	9	-54	276
Income tax expenses	10	-52	-62
Profit for the year		792	256

Parent company balance sheet

EUR million	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Fixed assets and other long-term investments	11, 12		
Intangible assets		103	118
Tangible assets		1,976	1,952
Other long-term investments		2,251	1,837
		4,329	3,907
Current assets			
Inventories	13	1,300	921
Long-term receivables	14	66	38
Short-term receivables	15	2,552	1,564
Cash and cash equivalents		1,492	1,443
		5,410	3,966
Total assets		9,739	7,873
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		40	40
Other funds and reserves			
Invested non-restricted equity fund		19	19
Fair value reserve		-32	64
Other funds and reverses total		-13	83
Retained earnings		2,027	2,385
Profit for the year		792	256
		2,846	2,764
Accumulated appropriations	17	1,092	909
Provisions for liabilities and charges	18	115	141
Liabilities	19		
Long-term liabilities		1,134	1,177
Short-term liabilities		4,552	2,881
		5,686	4,059
Total equity and liabilities		9,739	7,873

Parent company cash flow statement

EUR million	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flows from operating activities		
Profit/loss before approriations and taxes	898	43
Depreciation, amortization and write-downs	236	391
Other non-cash income and expenses	-67	177
Financial income and expenses	-534	-11
Divesting activities, net	0	0
Operating cash flow before change in working capital	534	600
Change in working capital		
Decrease (+)/increase (-) in interest-free receivables	-616	388
Decrease (+)/increase (-) in inventories	-379	-3
Decrease (-)/increase (+) in interest-free liabilities	1,072	333
Change in working capital	77	718
Cash generated from operations	611	1,318
Interest and other financial expenses paid, net	-11	-7
Dividends received	547	29
Income taxes paid	-52	-93
Realized foreign exchange gains and losses	2	-7
Net cash from operating activities	1,097	1,240

EUR million	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flows from investing activities		
Capital expenditure	-250	-255
Proceeds from sale of fixed assets	0	0
Investments in shares in subsidiaries	-427	-234
Investments in shares in other shares	-1	-15
Proceeds from shares in subsidiaries	0	0
Change in other investments, increase (-)/decrease (+)	-318	-58
Net cash used in investing activities	-996	-562
Cash flow before financing activities	101	678
Cash flows from financing activities		
Proceeds from long-term liabilities	583	432
Payments of long-term liabilities	-322	-1
Change in other long-term liabilities	121	0
Change in short-term liabilities	104	-363
Dividends paid	-614	-783
Group contributions, net	76	69
Cash flow from financing activities	-52	-645
Net increase (+)/decrease (-) in cash and cash equivalents	49	33
Cash and cash equivalents at the beginning of the period	1,443	1,410
Cash and cash equivalents at the end of the period	1,492	1,443
Net increase (+)/decrease (-) in cash and cash equivalents	49	33

1 Accounting policies

The financial statements of Neste Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

Neste Corporation proved to be very resilient amid the continued COVID-19 pandemic, scheduled maintenance and high utility and feedstock costs in 2021. Oil demand was still under pressure due to the COVID-19 pandemic, but recovered significantly from 2020. Neste Oyj's Oil Products suffered from a very weak refining market in 2020 caused by the global COVID-19 related demand destruction and oversupply. This development accelerated the need to improve the long-term competitiveness of the refining business, and restructuring measures, including the closure of the Naantali refinery. Relating to the closure, EUR 300 million were booked in the fourth quarter. They included an asset write-down, and cost provisions for site demolition, clean-up and personnel arrangements.

Revenue

Revenue includes sales revenues from actual operations less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Revenue is recognised on accrual accounting basis.

Other operating income

Other operating income includes gains on the sales of fixed assets and contributions received as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate gains and losses related to operative items are recognized as adjustments to operative income and expenses in the income statement. Net exchange rate differences related to financial items are reported under financial income and expenses.

Financial assets and liabilities

Derivative financial instruments are initially recognised at fair value on the trade date and are subsequently re-measured at their fair value on the balance sheet date. Other financial assets and liabilities are measured at amortized cost and recognized initially at fair value on the settlement date. Available for sale financial assets include non-listed shares, which are at amortized cost.

Loans and receivables consist of cash and cash equivalents, loans granted together with trade and other receivables. Other financial liabilities include interest-bearing liabilities together with trade and other payables. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value.

Changes in the fair value of derivatives, for which hedge accounting is not applied, are recognized in the income statement. The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualified as cash flow hedges are recognized in equity.

Derivative financial instruments

The company uses derivative financial instruments mainly to hedge commodity price, foreign exchange and interest rate exposures. Derivatives not qualified for hedge accounting are recognized in the income statement either in operating profit or financial income and expenses, depending on the underlying hedged item.

Current investments

Current investments includes deposits held at banks and other liquid investments with original maturities from three months to 12 months.

Hedge accounting

The company applies hedge accounting on certain forward foreign exchange contracts, options and interest rate derivatives.

Fair value hedges

The company applies fair value hedge accounting to reduce exposure to fair value fluctuations of interest-bearing liabilities due to changes in interest rates. Changes in fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of hedged liabilities attiributable to the hedged risk, are recognized in financial income and expenses.

Cash flow hedges

The company applies cash flow hedge accounting to reduce exposure of currency and interest rates. The result of foreign currency derivative contracts hedging future cash flows and qualifying for hedge accounting is recognized once matured and when the hedged item affects the income statement. Gains or losses for interest rate swaps derivative financial instrument used to hedge the interest rate risk exposure are accrued over the period to maturity and are recognized as an adjustment to the interest income or expense of the underlying liabilities.

Fixed assets and other long-term investments

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Land areas are not depreciated. The depreciation is based on the following expected useful lives:

Buildings and structures	20–40 years
Production machinery and equipment, including special spare parts	15–20 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years
Intangible assets [1)]	3–10 years

[1)] Capitalized development expenditure in intangible assets consists of capitalized patents and license fees.

Investments in subsidiaries and other companies are measured at acquisition cost, or fair value in case the fair value is lower than cost.

Inventories
Inventories are stated at either cost or net realizable value, whichever is the lowest. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for trading purposes are measured at fair value less selling expenses. Standard spare parts are carried as inventory and recognized in profit or loss as consumed.

Research and development
Research expenditure is recognized as an expense as incurred and included in other operating expences in the income statement. Expenditure on development activities is capitalized only when it fulfills tight criteria e.g. development relates to new products that are techincally and commercially feasible. The majority of the company's development expenditure does not meet the criteria for capitalization and are recognized as expences as incurred.

Cash pool receivables/liabilities
Cash pool items are presented as short-term receivables or liabilities.

Pension expenses
An external pension insurance company manages the pension plan.The pension expenses are booked to income statement during the year they occur.

Appropriations
Appropriations consist of received or given group contributions from or to Neste Group companies and depreciation above the plan.

Deferred taxes
Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply.

Provisions
Foreseeable future expenses and losses that have no corresponding revenue and which Neste Corporation is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the pension liabilities, guarantee obligations, restructuring provisions, expenses relating to the future clean-up of proven environmental damage and obligation to return emission allowances. Provisions are recorded based on management estimates of the future obligation.

2 Revenue

Revenue by segment	2021	2020
Renewable Products	3,656	2,890
Oil Products	6,255	4,930
Marketing & Services	8	6
Other	103	83
	10,021	7,909

Revenue by market area	2021	2020
Finland	3,301	2,343
Other Nordic countries	2,195	1,527
Batlic Rim	856	434
Other European countries	2,914	3,183
North and South America	554	134
Other countries	201	288
	10,021	7,909

3 Other operating income

	2021	2020
Rental income	6	6
Gain on sale of intangible and tangible assets	0	0
Gain on sale of shares	0	0
Insurance compensations	8	3
Government grants	3	2
Other	9	6
Other operating income total	27	16

4 Materials and services

	2021	2020
Materials and supplies		
Purchases during the period	8,733	6,488
Change in inventories	-146	-51
	8,587	6,437
External services	361	259
Materials and services total	8,948	6,696

5 Personnel expenses

	2021	2020
Wages, salaries and remunerations	200	190
Restructuring provisions related to Naantali refining operations closure [1)]	-11	22
Indirect employee costs		
Pension costs	36	35
Other indirect employee costs	9	8
Wages and salaries capitalized in fixed assets	-15	-1
Personnel expenses total	220	253

[1)] Includes reversed unused provision of Naantali refinery closure in 2021.

Salaries and remuneration

Key management compensations are presented in Note 25 in the Neste Group consolidated financial statements.

Average number of employees	2021	2020
White-collar	1,740	1,731
Blue-collar	699	907
	2,439	2,638

6 Depreciation, amortization and write-downs

	2021	2020
Depreciation according to plan	232	234
Write-offs	4	2
Write-downs of Naantali refining operations closure	0	154
Depreciations, amortization and write-downs total	236	391

7 Other operating expenses

	2021	2020
Operating leases and other property costs	23	20
Repairs and maintenance	265	108
Other	223	253
Cost provisions related to Naantali refining operations closure	0	124
Other operating expenses total	511	505

Fees charged by the statutory auditor

EUR thousands	2021	2020
Authorised Public Accountants	KPMG	PwC
Auditor's fees	553	772
Tax advisory	42	9
Other advisory services	62	149
	657	930

8 Financial income and expenses

	2021	2020
Dividend income		
From Group companies	547	29
From associated companies	0	0
Dividend income total	547	29
Interest income from long-term loans and receivables		
From Group companies	10	8
From others	2	2
Interest income from long-term loans and receivables total	12	10
Other interest and financial income		
From Group companies	1	0
Other	0	1
Other interest and financial income total	1	1
Write-downs on long-term investments		
Write-downs on long-term investments	-4	0
Return of write-downs on long-term investments	17	0
Write-drowns of other long-term investments	0	0
Write-downs on long-term investments total	13	0
Interest expenses and other financial expenses		
To Group companies	-1	-1
Other	-24	-18
Interest expenses and other financial expenses total	-25	-19
Exchange rate differences	-15	-11
Financial income and expenses total	534	11

Total interest income and expenses	2021	2020
Interest income	13	12
Interest expenses	-22	-16
Net interest expenses	-9	-5

9 Appropriations

	2021	2020
Change in depreciation difference		
Difference between depreciation according to plan and depreciation in taxation	-182	200
Group contributions		
Group contributions received	128	76
Appropriations total	-54	276

10 Income tax expense

	2021	2020
Income taxes on regular business operations	52	80
Taxes for prior periods	0	4
Change in deferred tax assets	0	-22
Income tax expense total	52	62

11 Fixed assets and long-term investments

Change in acquisition cost 2021

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2021	1	287	288
Increases	0	18	18
Decreases	0	-2	-2
Transfers between items	0	0	0
Acquisition cost as of 31 December 2021	1	303	304
Accumulated amortization and write-downs as of 1 January 2021	1	169	170
Amortization for the period	0	31	31
Accumulated amortization and write-downs as of 31 December 2021	1	200	201
Balance sheet value as of 31 December 2021	0	103	103

Change in acquisition cost 2020

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2020	1	255	256
Increases	0	32	32
Decreases	0	0	0
Transfers between items	0	0	0
Acquisition cost as of 31 December 2020	1	287	288
Accumulated amortization and write-downs as of 1 January 2020	1	142	143
Amortization for the period	0	27	27
Accumulated amortization and write-downs as of 31 December 2020	1	169	170
Balance sheet value as of 31 December 2020	0	118	118

Change in acquisition cost 2021

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2021	26	1,418	3,218	102	415	5,178
Increases	0	11	202	0	14	227
Decreases	0	0	-3	0	-2	-6
Transfers between items	0	58	259	0	-318	0
Acquisition cost as of 31 December 2021	26	1,487	3,676	102	109	5,400
Accumulated depreciation and write-downs as of 1 January 2021	0	797	2,410	46	0	3,253
Accumulated depreciation and write-downs of decreases and transfers	0	-2	-3	0	0	-4
Depreciation and write downs for the period	0	38	160	2	0	200
Write-downs of Naantali refining operations closure	0	1	0	0	0	2
Accumulated depreciation and write-downs as of 31 December 2021	0	835	2,567	48	0	3,451
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2021	32	672	1,108	55	109	1,976
Balance sheet value of machinery and equipments used in production						1,108

Change in acquisition cost 2020

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2020	26	1,409	3,176	101	292	5,003
Increases	0	4	48	0	146	198
Decreases	0	0	-24	0	-1	-25
Transfers between items	0	6	18	0	-21	2
Acquisition cost as of 31 December 2020	26	1,418	3,218	102	415	5,178
Accumulated depreciation and write-downs as of 1 January 2020	0	736	2,134	44	0	2,915
Accumulated depreciation and write-downs of decreases and transfers	0	0	-23	0	0	-23
Depreciation and write downs for the period	0	39	167	2	0	208
Write-downs of Naantali refining operations closure	0	22	132	0	0	154
Accumulated depreciation and write-downs as of 31 December 2020	0	797	2,410	46	0	3,253
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2020	32	642	808	56	415	1,952
Balance sheet value of machinery and equipments used in production						808

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2021	1,719	58	7	35	19	0	1,837
Increases	427	260	0	38	1	12	738
Decreases	0	-279	0	-36	0	-6	-321
Acquisition cost as of 31 December 2021	2,145	39	7	37	20	6	2,254
Accumulated depreciation and write-downs as of 1 January 2021	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	4	4
Accumulated depreciation and write-downs as of 31 December 2021	0	0	0	0	0	4	4
Balance sheet value as of 31 December 2021	2,145	39	7	37	20	2	2,251

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of 1 January 2020	1,470	33	7	31	3	4	1,548
Increases	249	58	0	3	15	0	325
Decreases	0	-33	0	0	0	-4	-37
Acquisition cost as of 31 December 2020	1,719	58	7	35	19	0	1,837
Accumulated depreciation and write-downs as of 1 January 2020	0	0	0	0	0	0	0
Accumulated depreciation and write-downs as of 31 December 2020	0	0	0	0	0	0	0
Balance sheet value as of 31 December 2020	1,719	58	7	35	19	0	1,837

Interest-bearing and interest-free receivables	2021	2020
Interest-bearing receivables	79	93
Interest-free receivables	0	0
	79	93

12 Revaluations

	Revaluations as of Jan 1 2021	Increases	Decreases	Revaluations as of Dec 31 2021
Land areas	6	0	0	6
Buildings	21	0	0	21
Revaluations total	27	0	0	27

Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.

Deferred taxes have not been booked on revaluations.

13 Inventories

	2021	2020
Raw materials and supplies	601	455
Products/finished goods	698	466
Advance payments on inventories	0	1
Inventories total	1,300	921
Replacement value of inventories	1,490	1,007
Book value of inventories	1,300	921
Difference	191	86

14 Long-term receivables

	2021	2020
Long-term receivables from others		
Long-term advance payments	22	25
Other receivables	12	4
Deferred tax assets	32	8
Long-term receivables total	66	38

15 Short-term receivables

	2021	2020
Receivables from Group companies		
Trade receivables	703	458
Loan receivables	139	5
Other receivables	342	217
Accrued income and prepaid expenses	73	39
Total	1,257	719
Receivables from associated companies		
Trade receivables	69	21
Total	69	21
Receivables from others		
Trade receivables	636	377
Loan receivables	0	4
Other receivables	181	104
Accrued income and prepaid expenses	408	341
Total	1,225	824
Short-term receivables total	2,552	1,564

Short-term accrued income and prepaid expenses	2021	2020
Accrued interest	0	3
Derivative financial instruments [1)]	318	331
Current investments	135	20
Other	28	26
Total	481	380

[1)] The amount of derivative financial instruments presented in 2020 under short-term accrued income and prepaid expenses has been restated with missing derivative financial instruments.

16 Changes in shareholders' equity

	2021	2020
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Fair value reserve at 1 January	64	-3
Increases	1,692	1,277
Decreases	-1,788	-1,211
Fair value reserve at 31 December	-32	64
Restricted shareholders equity	8	104
Invested non-restricted equity fund at 1 January	19	19
Transfer of treasury shares	0	0
Invested non-restricted equity fund at 31 December	19	19
Retained earnings at 1 January	2,641	3,168
Dividends paid	-614	-783
Profit for the year	792	256
Retained earnings at 31 December	2,819	2,641
Non-restricted shareholders equity	2,838	2,660
Capitalized development expenditure	6	3
Distributable equity	2,800	2,657

17 Accumulated appropriations

	2021	2020
Depreciation difference	1,092	909

18 Provisions for liabilities and charges

	2021				2020			
	at 1 Jan	Increase	Decrease	at 31 Dec	at 1 Jan	Increase	Decrease	at 31 Dec
Restructuring provisions	23	0	21	2	0	23	0	23
Provision for environment	1	0	0	1	1	0	0	1
Provision for environment for Naantali refining operations closure	117	2	6	112	0	117	0	117
Liability to return emission rights	0	0	0	0	4	0	4	0
Other provisions	0	1	1	0	0	0	0	0
Total	141	3	29	115	5	139	4	141

19 Liabilities

Long-term liabilities	2021	2020
Bonds	893	720
Advanced payments	19	20
Liabilities to Group companies		
Other long-term liabilities	99	436
Other long-term liabilities	121	1
Accruals and deferred income	1	1
Long-term liabilities total	1,134	1,177

Interest-bearing liabilities due after five years	2021	2020
Loans from financial institutions	98	0
Bonds	494	0
	592	0

Short-term liabilities	2021	2020
Advances received	36	46
Trade payables	890	821
Liabilities to Group companies		
Advances received	0	0
Trade payables	736	351
Other short-term liabilities	1,718	977
Accruals and deferred income	140	95
Total	2,594	1,423
Liabilities to associated companies		
Trade payables	17	0
Total	17	0
Other short-term liabilities	779	387
Accruals and deferred income	236	205
Short-term liabilities total	4,552	2,881

Short-term accruals and deferred income	2021	2020
Salaries and indirect employee costs	57	49
Accrued interests	8	9
Derivative financial instruments	307	240
Other short-term accruals and deferred income	3	2
	376	300

Interest-bearing and interest-free liabilities	2021	2020
Long-term liabilities		
Interest-bearing liabilities	1,105	1,155
Interest-free liabilities	29	22
	1,134	1,177
Short-term liabilities		
Interest-bearing liabilities	1,838	986
Interest-free liabilities	2,714	1,896
	4,552	2,881

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal, million	Carrying amount, EUR million
2017/2024	Fixed	1.5000	1.5080	EUR	400	399
2021/2028	Fixed	0.7500	0.9000	EUR	500	494
Total outstanding carrying amount 31 December 2021						893

20 Contingent liabilities

Contingent liabilities	2021	2020
Contingent liabilities given on own behalf		
Real estate mortgages	26	26
Pledged assets	0	0
Other contingent liabilities	23	58
Total	49	84
Contingent liabilities given on behalf of Group companies		
Guarantees	278	74
Total	278	74
Contingent liabilities given on behalf of associated companies		
Pledged assets	44	40
Total	44	40
Contingent liabilities given on behalf of others		
Guarantees	1	1
Total	1	1

Other contingent liabilities

The Company is obliged to adjust VAT deductions made from real estate investments if the taxable utilization of real estate will decrease during a 10 years control period.

Operating lease liabilities	2021	2020
Due within a year	16	15
Due after a year	14	8
Total	31	22

Capital commitments	2021	2020
Commitments for purchase of property, plant and equipment and intangible assets	17	148
Other commitments	9	10
Total	25	158

21 Derivative financial instruments

	31 Dec 2021					31 Dec 2020				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Foreign exchange and interest rate derivatives										
Foreign exchange derivatives, forwards	1,604	10	8	45	-37	1,657	0	80	4	76
Foreign exchange options										
Purchased	124	0	0	0	0	136	0	4	0	4
Written	124	0	0	3	-3	136	0	0	0	0
Derivatives designated as cash flow hedges	1,851	0	8	48	-40	1,929	0	84	4	80
Foreign exchange derivatives, forwards	2,343	0	26	27	-1	2,104	99	55	12	44
Intra-group forward foreign exchange contracts	950	0	13	23	-10	1,122	70	12	27	-15
Currency options										
Purchased	35	0	0	0	0	68	0	1	0	1
Written	35	0	0	1	-1	68	0	0	0	0
Intra-group currency options										
Purchased	35	0	0	0	0	68	0	0	1	-1
Written	35	0	1	0	1	68	0	0	0	0
Non-hedge accounting	3,434	0	41	51	-11	3,500	169	69	40	29

	31 Dec 2021					31 Dec 2020				
	Nominal value by maturity		Fair Value			Nominal value by maturity		Fair Value		
	< 1 year	> 1 year	Positive	Negative	Net	< 1 year	> 1 year	Positive	Negative	Net
Commodity derivatives [1]										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	26	0	29	71	-42	22	0	6	85	-79
Purchased forwards, million bbl	21	0	107	15	92	18	0	108	11	97
Intra-group oil and vegetable oil derivatives										
Sold forwards, million bbl	9	0	7	48	-41	12	0	8	93	-85
Purchased forwards, million bbl	13	0	45	11	34	12	0	52	5	46
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	0	0	0	0	0
Purchased forwards, GWh	2,966	940	91	14	77	2,164	1,094	7	0	7
Intra-group electricity and gas derivatives										
Sold forwards, GWh	1,236	590	3	60	-57	1,248	568	0	3	-3
Non-hedge accounting	4,270	1,530	281	218	63	3,475	1,662	182	197	-15
Derivatives Total			330	318	12			335	242	93
of which										
Current derivative financial instruments			318	307	10			331	240	91
Non-current derivative financial instruments			12	10	2			4	2	2

[1] Commodity derivative contracts with non-hedge accounting status include oil, vegetable oil, electricity and gas derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e.the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant and the measurement date.

The fair values of the interest rate swaps are the present values of the estimated future cash flows. Foreign exchange forward contracts are calculated using the valuation model and the market rates as per last business day of financial year. The fair value of currency options are calculated using market rates as per last business day of financial year and by using the Black and Scholes option valuation model.

The fair value of exchange traded commodity futures and option contracts is determined using the forward exchange market quotations as per last business day of financial year. The fair value of over-the-counter derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per last business day of financial year.

Fair value hierarchy of derivatives	2021				2020			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	1	0	1
Commodity derivatives	0	12	0	12	0	0	0	0
Other financial assets [1)]	0	0	0	0	0	0	0	0
Current derivative financial instruments								
Currency derivatives	0	48	0	48	0	152	0	152
Commodity derivatives	3	266	0	269	17	165	0	182
Financial liabilities								
Non-current derivative financial instruments								
Currency derivatives	0	0	0	0	0	1	0	1
Commodity derivatives	0	10	0	10	0	0	0	0
Current derivative financial instruments								
Currency derivatives	0	99	0	99	0	43	0	43
Commodity derivatives	3	205	0	208	33	164	0	197

[1)] 2020 fair value hierarchy derivatives presentation for other financial assets from level 3 has been restated by 3 million euros concerning non-listed shares which has been measured at amortization costs.

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierachy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices)
Level 3: inputs for the assets or liablity that is not based on obervable market data (unobservable inputs).

22 Shares and holdings

	Country of incorporation	No of shares	Holding -%
Subsidiary shares			
Kiinteistö Oy Espoon Keilaranta 21	Finland	16,000	100.00
Navidom Oy	Finland	50	50.00
Neste (Suisse) S.A.	Switzerland	200	100.00
Neste AB	Sweden	2,000,000	100.00
Neste Affliliate B.V.	Netherlands	26,090	100.00
Neste Base Oils Finland Oy	Finland	100	100.00
Neste Belgium NV	Belgium	615	100.00
Neste Components B.V.	Netherlands	40	100.00
Neste Eesti AS	Estonia	10,000	100.00
Neste Engineering Solutions Oy	Finland	3,500	100.00
Neste Germany GmbH	Germany	25,000	100.00
Neste Insurance Limited	Guernsey	7,000,000	100.00
Neste Italy S.R.L.	Italy	1	100.00
Neste Markkinointi Oy	Finland	210,560	100.00
Neste Netherlands B.V.	Netherlands	18,000	100.00
Neste NV	Belgium	4,405,414	99.99
Neste Pretreatment Rotterdam B.V.	Netherlands	18,000	100.00
Neste Renewable Solutions US, Inc.	USA	1,000	100.00
Neste RPC Solutions US, Inc.	USA	1,000	100.00
Neste Shipping Oy	Finland	101	100.00
Neste Singapore Pte. Ltd.	Singapore	1,727,535,875	100.00
Neste US, Inc.	USA	1,000	100.00
Associated companies			
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	Finland	14	40.00
Kilpilahti Powerplant Ltd.	Finland	20,000	40.00
Neste Arabia Co. Ltd.	Saudi Arabia	480	48.00
Tahkoluodon Polttoöljy Oy	Finland	630	31.50

	Country of incorporation	No of shares
Other shares and holdings		
CLEEN Oy	Finland	100
East Office of Finnish Industries Oy	Finland	1
Kiinteistö Oy Anttilankaari 8	Finland	51
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51
Kiinteistö Oy Katinkullan Hiekkaniemi	Finland	102
Kiinteistö Oy Katinkultaniemi	Finland	51
Kiinteistö Oy Kuusamon Tähti 1	Finland	51
Kiinteistö Oy Laavutieva	Finland	51
Kiinteistö Oy Lapinniemi & Osakeyhtiö Lapinniemi	Finland	24
Posintra Oy	Finland	190
Recycling Technologies Ltd.	United Kingdom	3,122,666
Sunfire GmbH	Germany	264,121
Telephone shares		
Elisa Oyj	Finland	1
Osuuskunta PPO	Finland	1
Pietarsaaren Seudun Puhelin Oy	Finland	3
Savonlinnan Puhelinosuuskunta SPY	Finland	1

23 Disputes and potential litigations

Neste Corporation is involved in legal proceedings and disputes incidental to its business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Neste's financial position.

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

The Parent company's distributable equity as of 31 December 2021 stood at EUR 2,800 million. The Board of Directors proposes Neste Corporation to pay a dividend of EUR 0.82 per share for 2021, totalling EUR 630 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 9 February 2022

Matti Kähkönen

Martina Flöel

John Abbott

Johanna Söderström

Marco Wirén

Jari Rosendal

Nick Elmslie

Jean-Baptiste Renard

Peter Vanacker
President and CEO

Helsinki, 9 February 2022

KPMG Oy Ab
Authorised Public Accountants

Virpi Halonen
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Neste Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Neste Corporation (business identity code 1852302-9) for the year ended December 31, 2021. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition (reference to the note 5 in the consolidated financial statements) Neste Group has several different revenue streams, under the Renewable Products, Oil Products, and Marketing & Services segments. The revenue streams are different in nature and underlying risks differs by revenue stream. In the Renewable Products and Oil Products segments, the company has deliveries, which can be considered individually significant. The Marketing & Services segment's revenues consist of several small transactions, with short payment terms, low complexity and significant automation. Therefore, we have assessed that there is a risk of misstatement of the financial statements related to transactions occurring close to the year-end, as transactions could be recorded in the wrong financial period in the Renewable Products and Oil Products segments (cut-off).	Our audit procedures related to cut-off in revenue recognition in the Renewable Products and Oil Products segments covered: • Assessing the accounting principles and practises applied and evaluation the appropriateness of the revenue recognition principles in relation to the IFRS-standards. • Assessing the implementation as well as testing of the operating effectiveness of the key controls associated to sales. • Assessing the recognition of revenues on accrual basis by testing entries and accruals affecting revenues based on the delivery terms in sales and delivery documents or system generated reports. • Analytical audit procedures. In addition, we considered the appropriateness of the Group's disclosures in respect of revenues.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Biofuel credits in the USA (reference to notes 5 and 18 in the consolidated financial statements) Renewable Products revenue includes income deriving from biofuel credits which Neste earns its sales operations in the USA. Neste's biofuel credits relate to the import and sale of renewable fuels in the USA in the form of Renewable Identification Number (RINs), Low Carbon Fuel Standard (LCFSs) and Blenders Tax Credits (BTC). RINs and LCFSs are accounted for as government grants upon receipt of the product inventory in the USA and are recognized as a revenue when biofuel credits are sold to a third party. RINs and LCFSs are accounted for as inventory to the extent they have been separated from the physical goods, which happens when renewable fuel is blended with fossil fuel. As there is a risk relating to the level of judgement included in valuation of biofuel credits it has been considered as a key audit matter.	Our audit procedures related to biofuel credits included: • Assessment on that the Group's accounting principles and underlying IFRS principles have been applied when recording biofuel credits. • Evaluation of the process for registering biofuel credits and monitoring balances of the eligible credit. • Testing of the registered balances against the systems administered by the Environmental Protection Agency. • Verification of balances against purchase and sales contracts. In addition, our test of details included the following procedures to confirm valuation of biofuel credits: • Comparing the valuation of RINs and LCFSs accounted for as inventory to quoted market prices, assessing the reasonability of the difference taking into account the liquidity of the market. • Comparing the value of RINs and LCFSs against historical sales prices obtained by Neste. • Comparing of the value of the BTC to that confirmed by the authorities in the USA.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of inventories (reference to note 18 in the consolidated financial statements) The company has significant inventory balances in both the Renewable Products and Oil Products segments. The inventory is valued at the lower of cost or net realizable value. The cost of inventory in the Renewable Products segment reflects purchase prices, which are impacted by the market prices of different feedstocks as well as the mix of feedstocks purchased. Inventory management, stocktaking routines and costing of inventories are underlying key factors in determining the value of inventories. Due to complexity of the inventory valuation calculations for Renewable Products the valuation of inventories is considered as a key audit matter.	Our audit procedures related to valuation of Renewable Products' inventories included: • Evaluating the appropriateness of the accounting policies applied by reference to IFRS standards. • Assessing functionality of the key IT systems of inventory management. • Testing of controls over inventory management and accuracy of inventory amounts. • Performing substantive audit procedures in order to test the accuracy of inventory valuation at the lower of cost or net realization value at reporting date by testing selected inventory items to relevant components of valuation. In addition, we assessed the appropriateness of the Group's disclosures in respect of inventory valuation.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors for the financial year 2021 March 30, 2021 by the Annual General Meeting.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki February 9, 2022
KPMG OY AB

Virpi Halonen
Authorised Public Accountant, KHT