NESTE

Annual Report 2020

CHANGE RUNS ON RENEWABLES

Content

2020 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 plastics and other materials.

In 2020, despite the COVID-19 pandemic, we stayed on course with our strategy: Faster, Bolder and Together.

Read more about key events in 2020 on page 13 and sustainability highlights on page 20.

Watch this video to discover the highlights of the year.

Revenue
11,751 MEUR

Comparable operating profit
1,416 MEUR

Our dividend proposal for 2021 per share
0.80 EUR

Return on average capital employed after tax (ROACE)
17.3%

Investments
1,197 MEUR

Leverage ratio
-4.7%

Our renewable products helped reduce greenhouse gas emissions
10.0 Mt

The share of waste and residues of the total renewable raw material inputs globally
83%

Safe days
325

Average number of personnel
4,833

A global leader in renewable and circular solutions

It has been said that a crisis does not create character, it shows it. A crisis reveals the true colors of people and companies, and their underlying values. 2020 was a challenging year for the whole world, and also for us, revealing the true character of Neste: we are passionate, tough and successful when working together towards our shared purpose, creating a healthier planet for our children.

Despite the challenges and disruptions posed by the COVID-19 pandemic, 2020 was a success for Neste in many ways. Thanks to our dedicated people, we were able to stay on course in our strategy of becoming a global leader in renewable and circular solutions.

We took bold steps forward on multiple fronts and markets and were proud to announce many new agreements and partnerships especially in our growth areas, Renewable Aviation and Renewable Polymers and Chemicals.

Our capacity expansion for renewable products proceeded well despite the COVID-19 disturbances. We were also happy to sign almost ten new acquisitions and investments. Among these were the acquisitions of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and Bunge's refinery plant in Rotterdam to increase raw material pretreatment capacity for the production of renewable products.

Neste’s overall performance in 2020 was solid, with the renewables business proving to be very resilient. Enabled by a new annual production record, we were able to increase our sales volumes in renewables and help customers reduce even more greenhouse gas emissions than before. On top of this, we reached the best ever occupational safety performance in 2020.

However, the decline in demand for oil products was substantially accelerated by the COVID-19 pandemic. In order to improve our competitiveness and maintain refining operations and related strategic capabilities in Finland, we decided to restructure our refining operations in Finland and close down refinery operations in Naantali by the end of March 2021. We will focus the Naantali site on terminal and harbor operations, as well as change our operating model in the Oil Products business unit. In the second phase of the transformation, the Porvoo refinery will be developed towards co-processing renewable and circular raw materials. The transformation will lead to approximately 370 redundancies, but we will support our people in adapting to this change in several ways.

We put a lot of focus on operational excellence and process improvement. Until the end of 2020, we have been able to increase our EBIT by approximately EUR 237 million through the successful execution of Neste Excellence projects aiming at operational excellence and efficiency. Driven by our strategy, our portfolio needs to be continuously reviewed. In 2020, we sold our shares in Nynas, a Swedish manufacturer and marketer of naphthenic specialty oils and bitumen products, to Bitumina Industries. In the past two years, we also successfully divested our fuel retail business in Russia to PJSC Tatneft and sold the non-strategic offices of Neste Engineering Solutions and entered into a strategic partnership with Rejlers. These are examples of the major transformation we have been able to accomplish, enabling us to substantially increase our focus on renewable and circular solutions.

Solutions for combating climate change

Sustainability is deeply embedded in Neste's everyday business. We are committed to combating climate change and accelerating a shift to a circular economy. We have consistently been included in the Dow Jones Sustainability Indices and the Global 100 list of the world's most sustainable companies, and we support and comply with the UN Global Compact Principles.

We have made two climate commitments. One is that we will help customers to reduce greenhouse gas emissions with our renewable and circular solutions by at least 20 million tons of CO_2eq annually by 2030. In 2020, we made excellent progress on this with a reduction of 10.0 million tons, equaling the annual carbon footprint of 1.5 million average EU citizens or the removal of 3.7 million passenger cars from the roads for a full year.

We have also made an ambitious commitment of reaching carbon neutral production by 2035. We have already identified approximately 80 different measures and actions; for example, we have set a target to start using 100% renewable electricity at our production sites. We have already achieved a 50% share in Rotterdam and made three power purchase agreements for wind energy for the refinery in Porvoo. We will also explore new, less emitting production methods, such as utilizing biogas or electrolysis for hydrogen production.

A circular economy company

Our strategy is built on renewable or recycled solutions, in other words, developing different alternatives to ensure that carbon is used again and again. We refine waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials.

For example, our Neste MY Renewable Diesel™ is already being sold in almost 500 fuel stations in several European countries, as well as in the US in California and Oregon. Our sustainable aviation fuel (SAF) is available and in commercial use by over 10 airlines globally. Neste currently has an annual capacity of 100,000 tons of SAF. With the Singapore refinery expansion on the way, and with possible additional investment in the Rotterdam refinery, we will have the capacity to produce some 1.5 million tons of SAF annually by the end of 2023 at the latest.

In 2020, we launched a new product, Neste RE, a 100% renewable and recycled raw material for plastics and chemicals production. It is a product for tackling climate change through reducing the need to use virgin fossil resources, while it also provides a new solution to the end-of-life related challenges the polymers and chemicals industries are facing today.

We aim to become a significant solution provider for chemical recycling and have set a target to process annually over 1 million tons of waste plastic from 2030 onwards. In the fall of 2020, we completed our first industrial-scale processing run with liquefied waste plastic, and processed 400 tons of liquefied plastic waste at our refinery in Finland. In 2020, we also made an investment in Recycling Technologies Ltd, a specialist plastic recycling technology provider, and acquired a minority stake in Alterra Energy, an innovative chemical recycling technology company.

Limitless curiosity for innovation

In 2020 we updated our brand promise to "Change runs on renewables". It reflects the understanding that every technology, process, business and society needs to run on something. And at the same time, we will need all technology solutions to tackle the climate crisis. When these run on renewables, so does change.

We speed up the pace of change through our limitless curiosity for innovation, something in which Neste's transformation is deeply rooted. 25% of our people are working in Innovation and Technology, which is key to our current and future success.

In 2020, we reached our best ever result in occupational safety performance, and our process safety was slightly better than the target level. Our systematic work for developing safety performance continues together with our people, partners, and customers.

Our two-fold aim is to develop our existing businesses to stay ahead of the competition, and build new growth platforms in renewable and circular solutions. Currently, part of our development work in these areas takes place on three business platforms, where we study scalable but not yet fully utilized raw materials and technologies. And not only those that might be reality in 20 years, but also on those that could be available in the next 3 to 5 years.

We are, for example, putting a lot of focus on lignocellulosic fuels and materials, scalable feedstocks for aviation fuels such as algae and municipal solid waste, as well as Power-to-X solutions.

However, these new solutions and technologies require major investments. And investments need a predictable business environment and policies that encourage innovation. A carefully planned policy framework can encourage companies like Neste to innovate, and maximize value from existing resources. This is essential for accelerating the shift towards a circular economy, and for economic growth and recovery in general.

Improved occupational safety performance

Safety is integrated in our values and in everything we do. In 2020, the pandemic created many additional challenges for both office workers and for those working in our operations. Our change management included continuous support for remote work, and at our production sites, special safety measures were introduced to ensure the continuity of refinery operations and secure the supply of products to our customers. However, the full implementation of the major Porvoo refinery turnaround in 2020 was prevented by the government-imposed COVID-19 measures and delayed to 2021. Despite the challenges, we achieved our best ever result in occupational safety performance (TRIF 1.3) and our process safety was slightly better than our target level for 2020. Our systematic work for developing safety performance continues together with our people, partners, and customers.

We care. We have courage. We cooperate.

A company's success is always based on its people. Our people continue to be the driving force behind Neste's transformation. Their passion for creating a healthier planet for our children is what makes this company so unique. To strengthen this, our renewed values are: "We care, We have courage, We cooperate".

These values have already been tested amidst the pandemic. I dare to claim that our decisions and actions have been based on the commitment to ensure the safety and wellbeing of our colleagues and the people around us. We care. I am very grateful to all our employees and partners who have expressed their trust and respect for those actions.

Our transformation journey continues in 2021

In 2021, we will continue on our transformation journey to become a global leader in renewable and circular solutions. It will not be an easy year, as the pandemic is not over yet. It will rather be a year of transition, and it will take a lot of that Neste character and courage to navigate through these uncertain times.

In company transformations the most important thing is to know what you want to achieve. In 2021, we aim to expand in sustainable aviation fuels and in renewable polymers and chemicals. We will also continue to scale up our renewable production platform and ensure that more waste and residues are being reused and recycled. In addition, we want to further accelerate our innovation to develop technologies that are using new sources of waste and residue raw materials such as plastic waste, municipal solid waste, algae, and lignocellulosics. We will also further innovate in the area of renewable hydrogen and Power-to-X technologies.

The construction of our production capacity expansion in Singapore, which will bring the total global renewable product capacity to 4.5 million tons annually in 2023, is proceeding well. Looking beyond that, we are also targeting investment decision capability on the next worldscale production capacity increase by the end of 2021 or early 2022 and production start-up during the second half of 2025.

As the major turnaround at our refinery in Porvoo in 2020 had to be postponed, our goal now is to execute a safe and successful major turnaround in Porvoo in 2021. It is a significant investment, securing safety, world-scale sustainability and competitiveness of the Neste refinery in Porvoo for the next operating cycle.

I want to take this opportunity to thank our people, our customers, partners and other stakeholders for their trust and excellent cooperation in 2020. I am looking forward to 2021 as yet another exciting year of creating a healthier planet for our children.

Peter Vanacker
President and CEO
@peter_vanacker


We create solutions for combating climate change and accelerating a shift to a circular economy.

Strategy

Strategy

We are strongly committed to our Faster, Bolder and Together strategy, which is guided by our purpose to create a healthier planet for our children.

We continue to scale up in renewables while innovating new solutions that drive growth and transformation in operations for combating climate change. We offer lower-emission renewable fuels to road transportation and aviation, and introduce new renewable and circular solutions for more sustainable plastics and chemicals.

To secure our future growth, we are expanding our global feedstock and production platform for renewables. With our Singapore expansion we are bringing the total global renewable product capacity close to 4.5 million ton/a in 2023. We are targeting 100% waste and residues share by 2025, while the share of new types of raw materials is expected to grow towards 2030. We are strengthening our global waste and residues position via acquisitions and increasing innovations to grow the raw materials base that serves the broadening of our end markets and future needs.

As we continue to execute our climate roadmap, we are committed to reaching carbon-neutral production by 2035, as well as help our customers reduce their greenhouse gas emissions by at least 20 million tons annually by 2030.

We also drive efficiency and transformation in our operations to ensure world-class performance in safety, reliability, productivity and commercial competitiveness. Our upgraded target is to deliver a 225 MEUR EBIT improvement by the end of 2022 and 300 MEUR by 2030 (compared to the year 2018 baseline).

Read more about our strategy on our **website**.

We scale up faster and bolder renewable and circular solutions, increase innovation, and drive efficiency in operations.

Innovation

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

Our growth and transformation is rooted in innovation and technology which have always been key enablers of our business. We are constantly developing and improving our sustainable, 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 towards commercialization.

We invest the majority of our annual R&D expenditure in research and testing future raw materials and technologies enabling their use. In 2020, our research and development expenditure was EUR 61 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 core modeling, automation, and process engineering know-how.

Strengthening innovation to create new business

Innovation is one of the key enablers for our strategy of scaling up business faster and bolder. We are focusing on scalable and sustainable raw materials and required technologies for their conversion to fuels, polymers and chemicals. Our two-fold aim is to ensure growth of current businesses and to create new growth platforms in renewable and circular solutions.

Innovation initiatives help the current businesses to widen the supply of renewable waste and residues and develop business around the chemical recycling of waste plastics. The development of new businesses takes place on three business platforms formed around scalable feedstock pools which are not yet utilized today:

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

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

Extensive collaboration network

Innovation requires partnering and cooperation. We already have a network of 25 leading universities, R&D centers, and technical institutes and we continue to expand and intensify our collaboration with them. We are also continuously exploring opportunities to join forces, both through co-operation and through acquisitions, with technology developers and different value chain partners including start-ups and industrial players, to accelerate new innovations in renewable and circular solutions.

Lignocellulosic fuels, chemicals and materials, scalable feedstocks for renewable aviation fuels including algae and municipal waste, as well as renewable hydrogen and Power-to-X are all promising growth platforms for us.

In 2020, we received funding from Business Finland to develop sustainable, globally scalable raw materials and technology solutions for transportation and the production of chemicals and polymers. This includes a significant increase in Neste's R&D investments in Finland and strengthens the competitiveness of the Finnish science and technology ecosystem.

In 2020, we made equity investments in the technology companies Alterra Energy, Recycling Technologies and Sunfire GmbH, and we are engaged in the MULTIPLHY consortium targeting to demonstrate green hydrogen production at our Neste Rotterdam refinery.

Our businesses

Neste refines waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials. We are the world's leading producer of renewable diesel and sustainable aviation fuel, developing chemical recycling to combat the plastic waste challenge.

Our renewable products' refineries in Finland, the Netherlands and Singapore produce renewable products entirely from renewable raw materials with an annual nameplate capacity of approximately 3.2 million tons. As a technologically advanced refiner of high-quality oil products with a commitment to reach carbon-neutral production by 2035, we are also introducing renewable and recycled raw materials such as waste plastic as new raw materials into our traditional fossil oil refineries.

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. 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.

Oil Products | **Renewable Products** | **Marketing & Services**

Renewable Road Transportation | Renewable Aviation | Renewable Polymers and Chemicals

Renewables Platform

Renewable Products

Renewable Road Transportation offers Neste MY Renewable Diesel™, enabling its customers to reduce greenhouse gas (GHG) emissions by up to 90%* compared to fossil diesel over the life cycle. As a drop-in solution, Neste MY Renewable Diesel enables an effective GHG emission decrease in the transportation sector.

Renewable Aviation offers Neste MY Sustainable Aviation Fuel™, which in its neat form and over the life cycle reduces greenhouse gas (GHG) emissions by up to 80%* compared to fossil jet fuels. The fuel gives an immediate solution for reducing the direct GHG emissions of flying. Neste is 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 Renewable and Recycled™, a product for replacing virgin fossil feedstock in the production of polymers and chemicals. The business unit develops renewable and circular solutions, e.g. chemical recycling, for the plastics and chemicals sectors together with value chain partners.

Renewables Platform enables Neste to further expand its production capacity and raw material platform. We currently have more than 10 different globally-sourced renewable raw materials in our portfolio. 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 and other renewable products as solutions to reduce greenhouse gas emissions (waste and residues accounted for 83% of renewable raw materials inputs globally in 2020).
- Capability to pretreat low-quality waste and residue raw materials to enable their use in the production of high-quality products.
- Global feedstock supply network and customer base.
- Capability to develop and introduce new innovative raw materials, such as liquefied waste plastic, into refining.

Main demand factors:

- Climate change and greenhouse gas reduction targets around the world.
- Increasing renewable energy requirements in transport, particularly in Europe and the U.S.
- Need to develop alternatives to fossil oil and solutions to increase circulation of materials to tackle the global plastics waste challenge.
- Leading companies and brands who want to provide customers with more sustainable products based on renewable and circular solutions.

Nameplate capacity:
ca. 3.2 million tons of renewable products annually.

Main market areas:
Europe and North America.

Customers:
Retailers, wholesale customers such as transport service companies and municipalities, aviation industry, fleets, as well as polymers and chemicals producers.

Market position:
Neste is the world's largest producer of renewable diesel and sustainable aviation fuel. Neste's share of the world's total renewable diesel production capacity is approximately 40%. Neste is also an expert in delivering drop-in renewable chemical solutions and a forerunner in developing chemical recycling for plastic waste.

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.

* Calculation method complies with the EU Renewable Energy Directive (2009/28/EC).

Oil Products

We offer 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.

In 2020, Neste initiated a major transformation program to secure the competitiveness of its Oil Products business. The Naantali site will focus on the terminal and harbor operations. In the long run, the Porvoo refinery will be developed towards co-processing renewable and circular raw materials.

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:
Neste has the leading position in the Baltic Sea wholesale markets and offers a comprehensive selection of biofuel alternatives and related services.

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

Crude oil refining capacity:
ca. 14 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

Driven by the best customer experience, Marketing & Services offers sustainable solutions for the needs of its customers, consumers, and a wide variety of B2B partners and customers. 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 as preferred choice.
- Strong brand and extensive station network.
- 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:
749 stations in Finland, and 215 stations in the Baltic countries (Estonia, Latvia and Lithuania).

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

Key events 2020

New target for carbon neutral production by 2035
We set an ambitious target for carbon neutral production by 2035. By the end of the year, already approximately 80 different actions to decrease GHG emissions in production were identified, for example, increasing the use of wind power at our Finnish production sites to nearly 30%.

Strengthening our renewable raw material platform globally
Neste acquired Count Terminal and Bunge refinery plant in Rotterdam in the Netherlands and Mahoney Environmental in the U.S. to strengthen our renewable raw material sourcing and pretreatment capabilities.

Neste MY Renewable Diesel available in new stations in Europe and in the US
We brought Neste MY Renewable Diesel™ to 130 new stations in Sweden, 53 new stations in Finland and opened four new stations in California and the West Coast. In the Netherlands, we reached a milestone of 100 Neste MY Renewable Diesel salespoints.

Focus on safety
In total, we reached 325 safe days. Our occupational safety performance, TRIF, was 1.3 and the process safety event rate, PSER, was 1.6.

Read more about safety on page 71.

Driving sustainable aviation through partnerships
We established new and expanded existing partnerships with several airlines, airports and other industry partners to grow the availability of sustainable aviation fuels and to reduce the GHG emissions of flying. Air bp, Alaska Airlines, All Nippon Airways, American Airlines, Avfuel, DHL Express, Finnair, JetBlue Airways, San Francisco International Airport, Shell and Signature Flight Support are examples of companies collaborating with Neste to increase the use of SAF. In addition, we acquired a minority stake in Aircraft Fuel Supply, which is responsible for fuel storage at Schiphol Airport in Amsterdam.

Joining the European Alliance for Green Recovery
To place the fight against climate change at the core of the recovery of economies and societies after the COVID-19 crisis, Neste joined the European Alliance for Green Recovery.

Porvoo's major Turnaround 2020 delayed due to the COVID-19 pandemic
As safety is of the utmost importance at Neste, the Porvoo refinery's planned major turnaround 2020 was postponed due to the COVID-19 pandemic situation. Only critical maintenance works were executed in April–June.

Innovative circular economy collaboration in the Netherlands
Neste, McDonald's and HAVI enter into circular economy collaboration in the Netherlands, where used cooking oil from French fries will be recycled into Neste MY Renewable Diesel™, which will fuel the HAVI trucks that deliver goods to McDonald's restaurants.

Key events 2020

Investing in developing Power-to-X solutions

Neste invested in Sunfire, a leading technology developer of high-temperature electrolysis and Power-to-X solutions, which enable the production of emission-free renewable hydrogen and conversion of CO_2 into fuels, chemicals and materials.

Restructuring the refinery operations in Finland

To ensure competitiveness in the declining demand for oil products, Neste decided to shut down the Naantali refinery operations by the end of March 2021 and focus on harbor and distribution terminal operations in Naantali. As part of the transformation, the Oil Products operating model will also be renewed.

Partnering to grow the global biopolymers and biochemicals market

Neste and LG Chem entered into a strategic partnership to drive the polymers and chemicals industry transformation towards a circular bioeconomy. We also announced a strategic partnership with DSM to create high-performance polymers produced from recycled waste plastics and 100% bio-based hydrocarbons.

Promoting renewable and recycled raw materials for plastics production

Neste joined forces with Covestro to promote renewable raw materials in plastics production. As our cooperation with Borealis to produce renewable polypropylene proceeded, Covestro received the first supply of certified renewable phenol for polycarbonates production. We initiated another collaboration with Jokey to develop the market for rigid packaging from renewable and recycled materials.

Read more about our sustainable plastics and chemicals solutions on page 55.

Neste RE brand launched

We launched a new product, Neste RE Renewable & Recycled™, a 100% renewable and recycled raw material for plastics and chemicals production that helps replace virgin fossil feedstock in the production of plastics and chemicals for a wide range of applications.

Read more about Neste RE on page 56.

Accelerating chemical recycling of waste plastics

Neste invested in Recycling Technologies to accelerate the development of chemical recycling. With Unilever and RT, we received a £3.1m grant from UK Research and Innovation (UKRI) for a joint project to make hard-to-recycle plastic packaging recyclable. We also acquired a minority stake in Alterra Energy and joined forces to commercialize Alterra's proprietary thermochemical liquefaction technology in Europe.

Nynas ownership divested

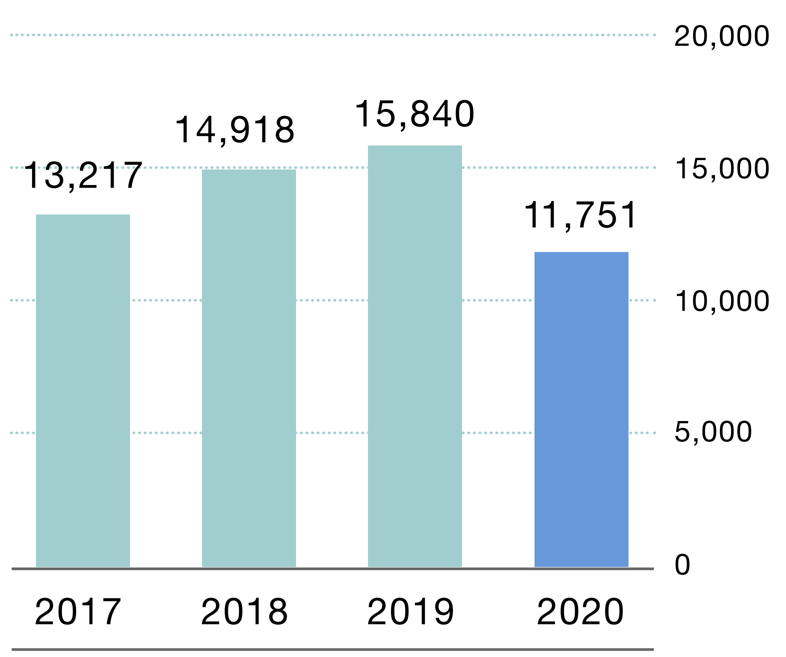
Neste sold its 49.99% shares in Nynas AB, a Swedish manufacturer and marketer of naphthenic specialty oils and bitumen products. The shares were sold to Bitumina Industries, a specialty Bitumen company.

First industrial-scale processing run of liquefied plastic waste

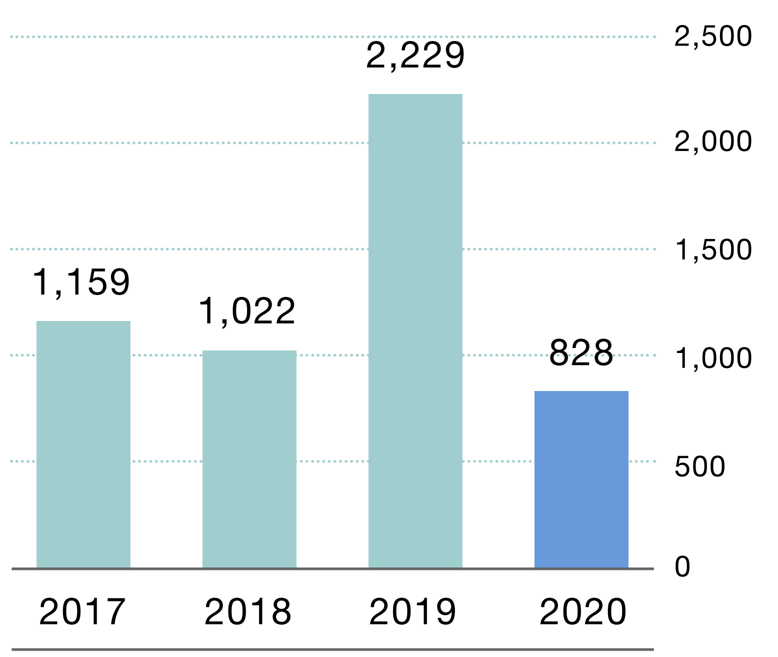
Neste successfully processed 400 tons of liquefied plastic waste at its refinery in Finland during the fall. This marked the first time Neste processed liquefied waste plastic at an industrial scale. We were able to upgrade packaging and mixed waste plastics back into high-quality recycled feedstock for the petrochemical industry, e.g. in the production of new plastic.

Key figures 2020

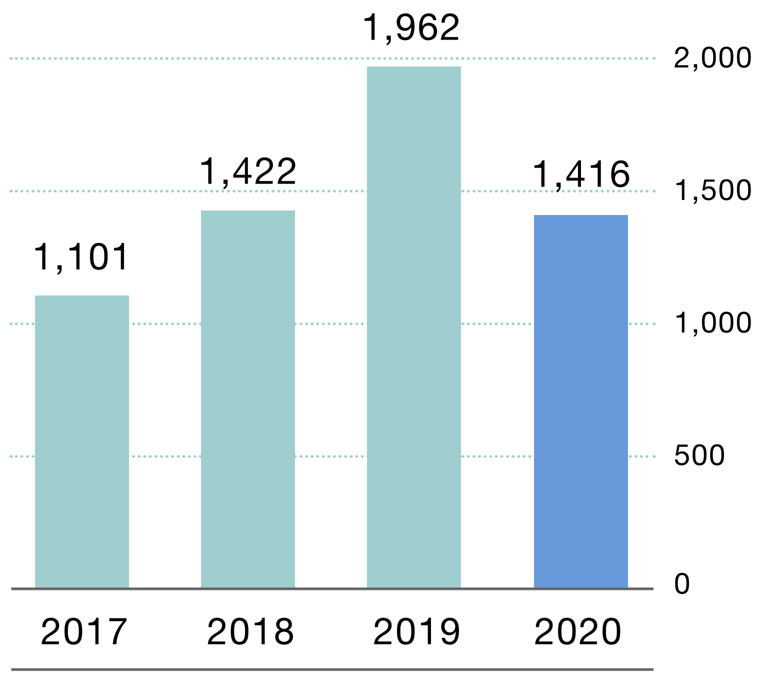
Revenue, EUR million



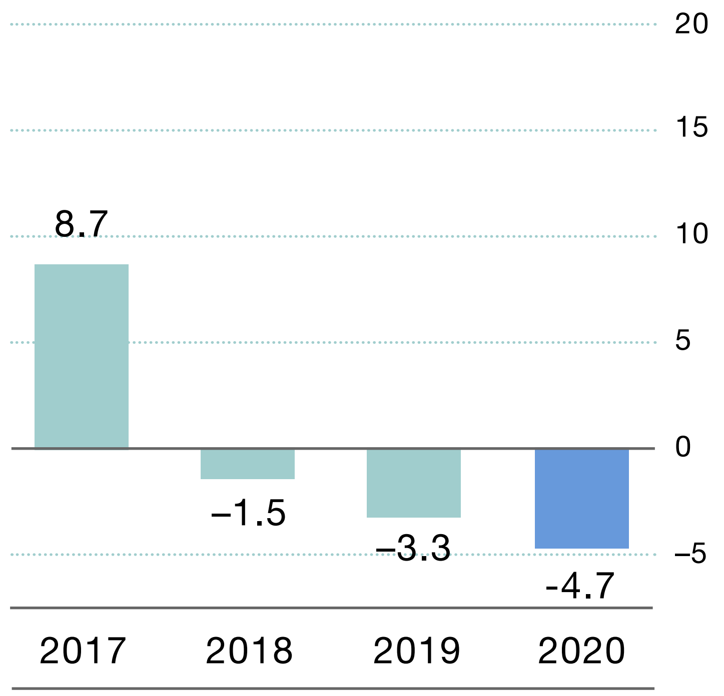
Operating profit, EUR million



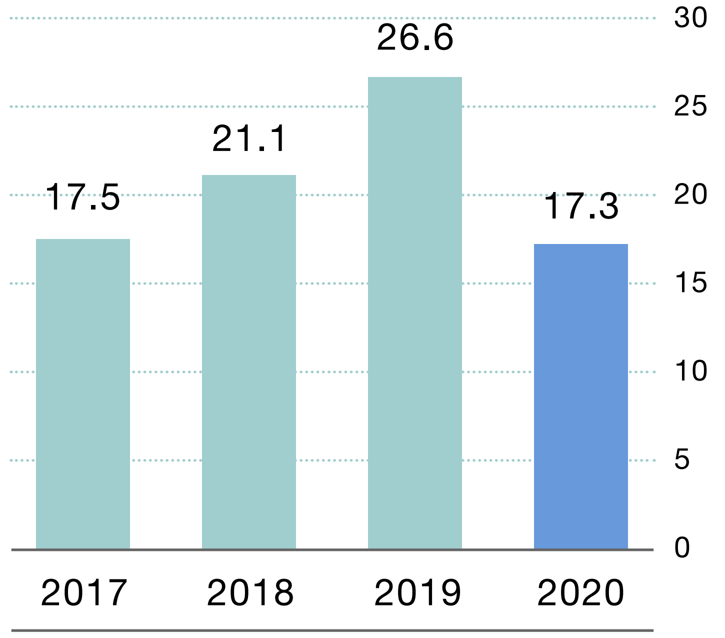
Comparable operating profit, EUR million



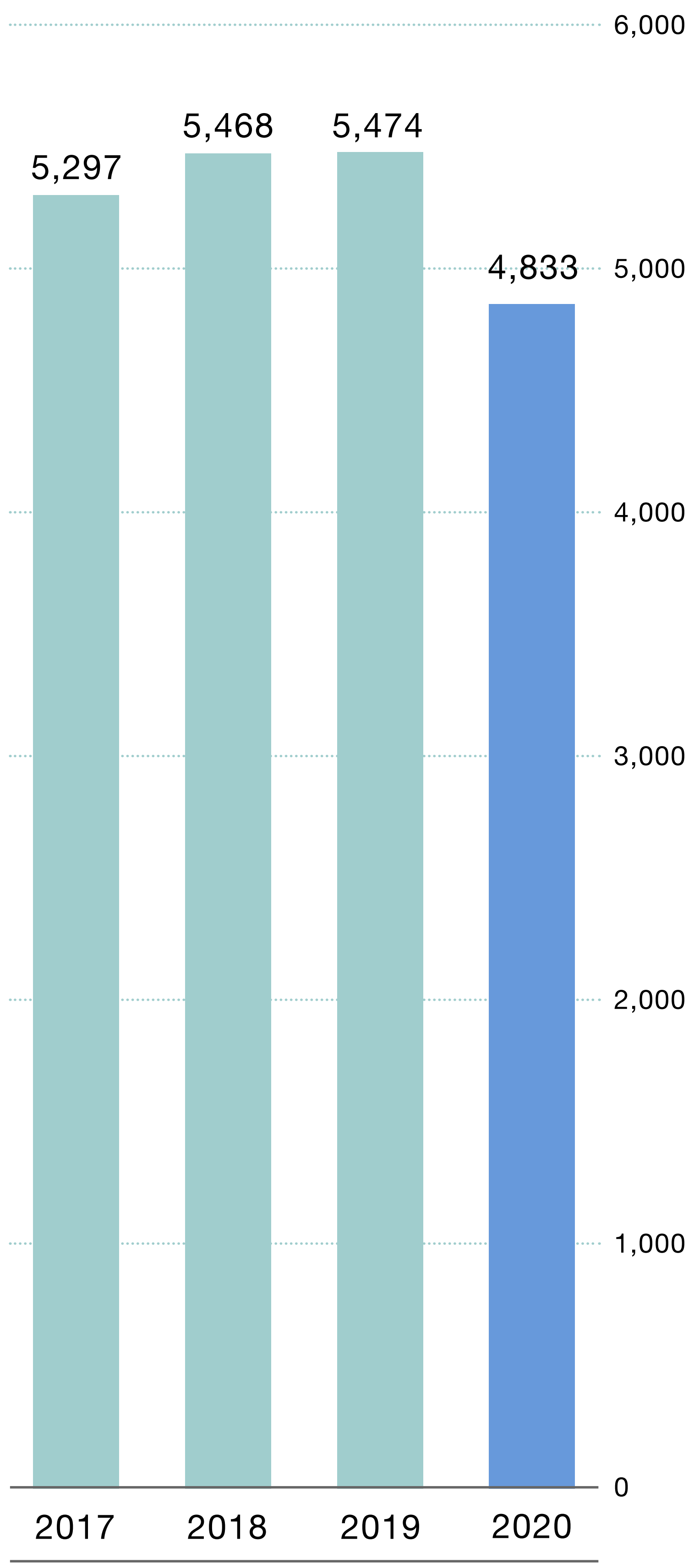
Leverage ratio, %



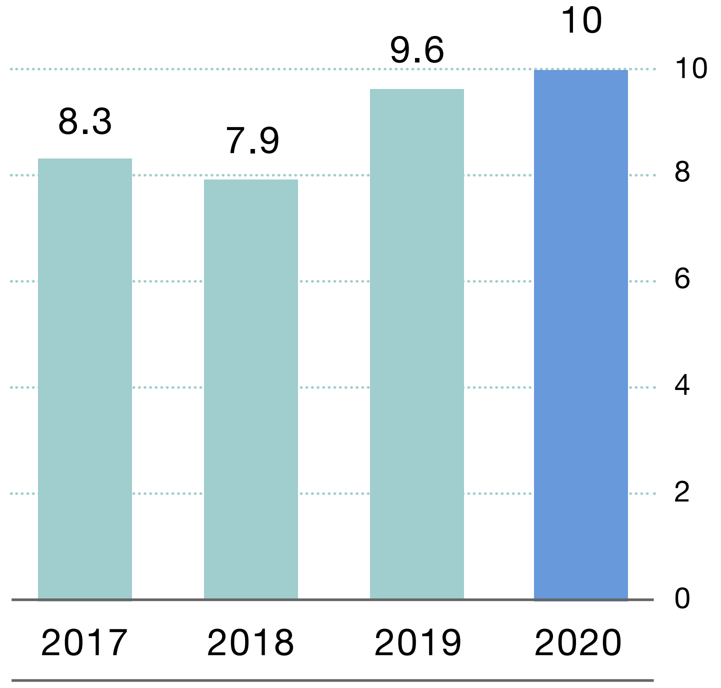
Return on average capital employed after tax (ROACE), %



Personnel, on average

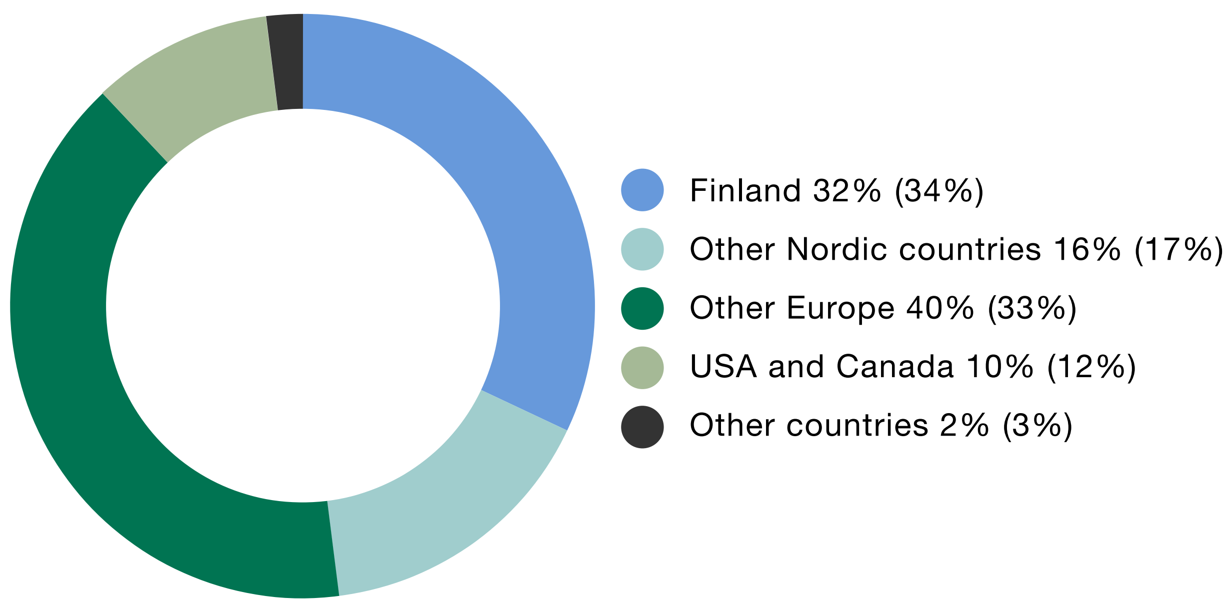


GHG reduction achieved with Neste's renewable products, million tons*

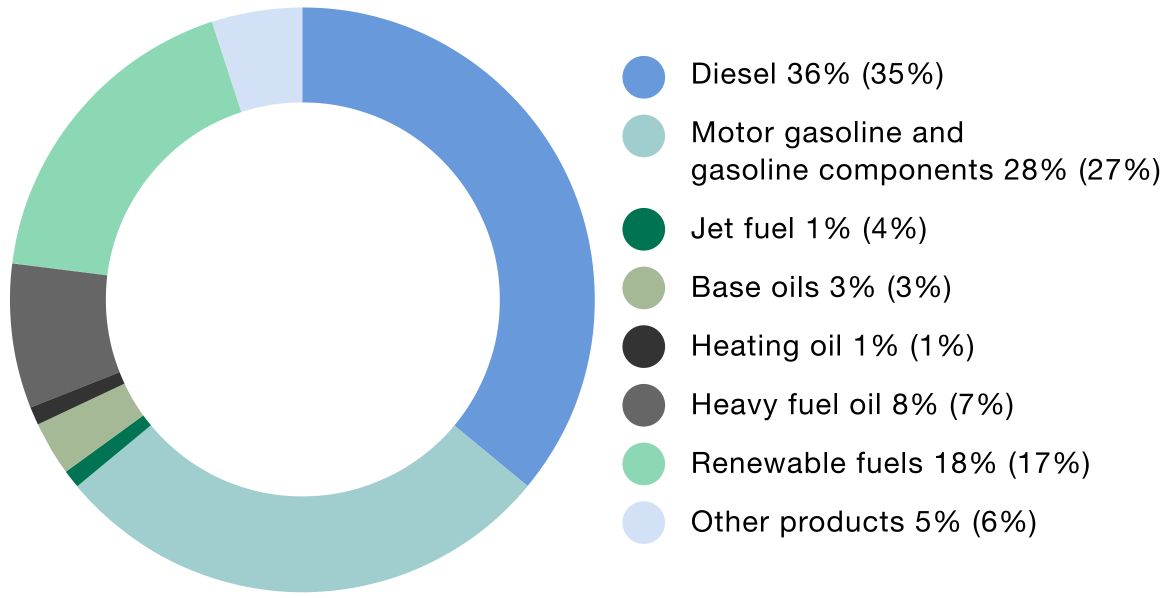


*) Compared to crude oil based diesel.

Sales by region from in-house production, %



Sales by product from in-house production, %



Key figures 2020

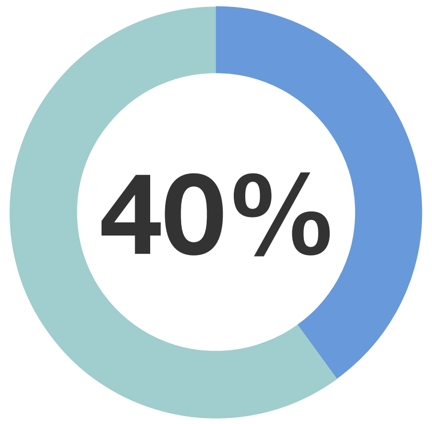
	2020	2019	Change, %
Income statement			
Revenue, MEUR	11,751	15,840	-26%
Operating profit, MEUR	828	2,229	-63%
Comparable operating profit, MEUR	1,416	1,962	-28%
Profit before income taxes, MEUR	786	2,067	-62%
EBITDA, MEUR	1,508	2,731	-45%
Comparable net profit, MEUR	1,229	1,564	-21%
Profitability, %			
Return on equity (ROE), %	11.8	35.8	-67%
Return on average capital employed, after tax (ROACE), %	17.3	26.6	-35%
Financing and financial position			
Total equity, MEUR	5,929	5,922	0%
Interest-bearing net debt, MEUR	-265	-191	-39%
Leverage ratio, %	-4.7	-3.3	-42%
Equity-to-assets ratio, %	61.1	60.8	0%
Net cash generated from operating activities, MEUR	2,057	1,456	41%
Other indicators			
Capital employed, MEUR	7,236	7,243	0%
Capital expenditure and investment in shares, MEUR	1,197	890	34%
Research and development expenditure, MEUR	61	54	13%
Average number of personnel	4,833	5,474	-12%
Total refining margin, USD/bbl	7.55	10.56	-29%
Total Recordable Injury Frequency per million hours worked (TRIF)	1.3	1.7	-24%

	2020	2019	Change, %
Share-related indicators			
Earnings per share (EPS), EUR	0.93	2.33	-60%
Comparable earnings per share, EUR	1.60	2.04	-22%
Equity per share, EUR	7.72	7.71	0%
Cash flow per share, EUR	2.68	1.90	41%
Price/earnings ratio (P/E)	63.75	13.32	379%
Dividend per share, EUR	0.80[1]	1.02	-22%
Dividend payout ratio, %	86.2[1]	43.8	97%
Dividend yield, %	1.4[1]	3.3	-58%
Dividend per comparable earnings per share, %	50.0[1]	50.1	0%
Share price at the end of the period, EUR	59.16	31.02	91%
Average share price, EUR	37.49	29.85	26%
Lowest share price, EUR	20.37	22.19	-8%
Highest share price, EUR	60.14	33.33	80%
Market capitalization at the end of the period, MEUR	45,507	23,861	91%

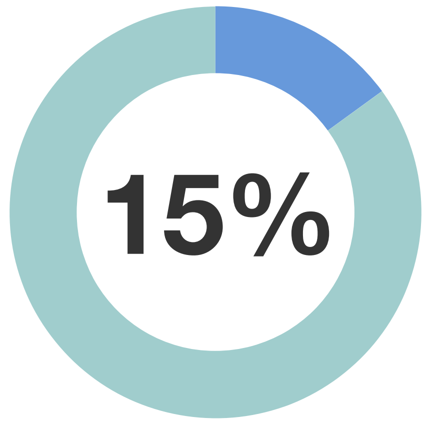
[1] Board of Directors’ proposal to the Annual General Meeting. 2019 key figures include extraordinary dividend.

Financial targets

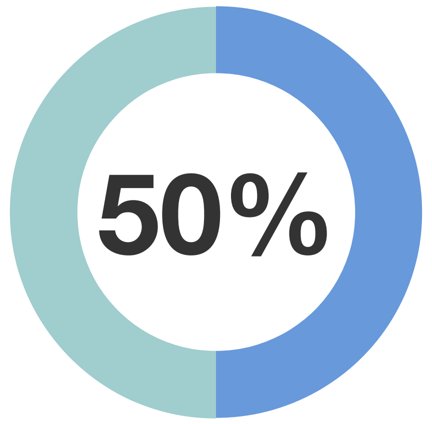
A leverage ratio of below 40%



ROACE of at least 15% annually over the long term



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



Information for investors

Neste shares are mainly traded on NASDAQ Helsinki under the trading code NESTE. The company had 94,726 (77,889) shareholders at the end of 2020.

Annual General meeting

Neste Corporation's Annual General Meeting will be held on Tuesday, 30 March 2021 at 2 p.m. 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 counterproposals 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 0.80 per share be paid on the basis of the approved balance sheet for 2020. The dividend shall be paid in two instalments.

Dividend payment in 2021

- 18 March 2021: AGM record date.
- 1 April 2021: Dividend payment record date for the first instalment.
- 12 April 2021: Dividend payable for the first instalment.
- 5 October 2021: Dividend payment record date for the second instalment.
- 12 October 2021: Dividend payable for the second instalment.

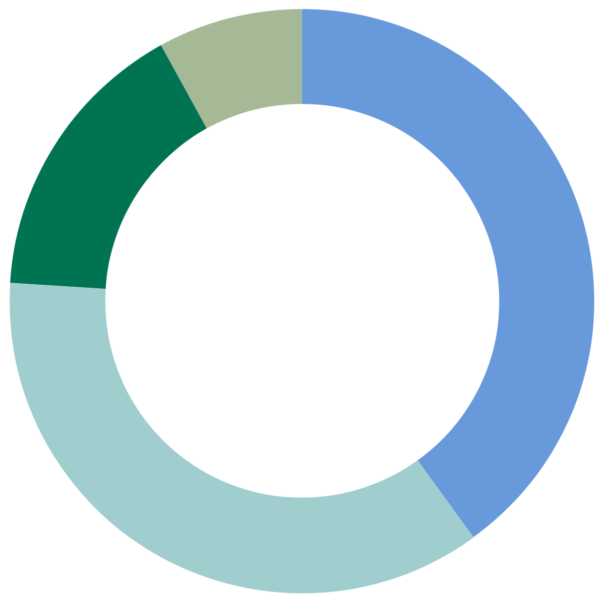
Interim reports in 2021

Neste Corporation will publish financial reports in 2021 as follows:

- Interim Report January–March 2021: 29 April 2021
- Half Year Financial Report January–June 2021: 27 July 2021
- Interim Report January–September 2021: 27 October 2021

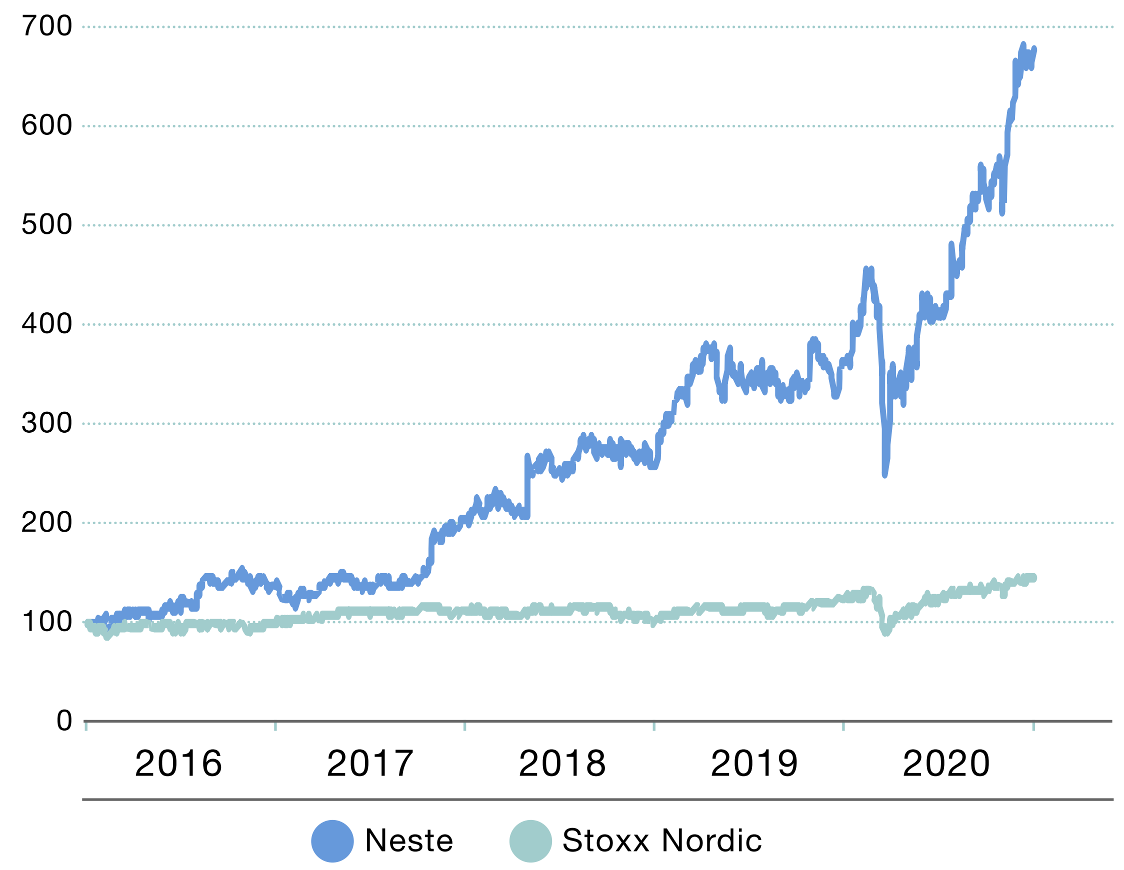
The Interim Reports are published in Finnish and English and can be downloaded at neste.com/investors.

Shareholder structure on 31 December 2020, %

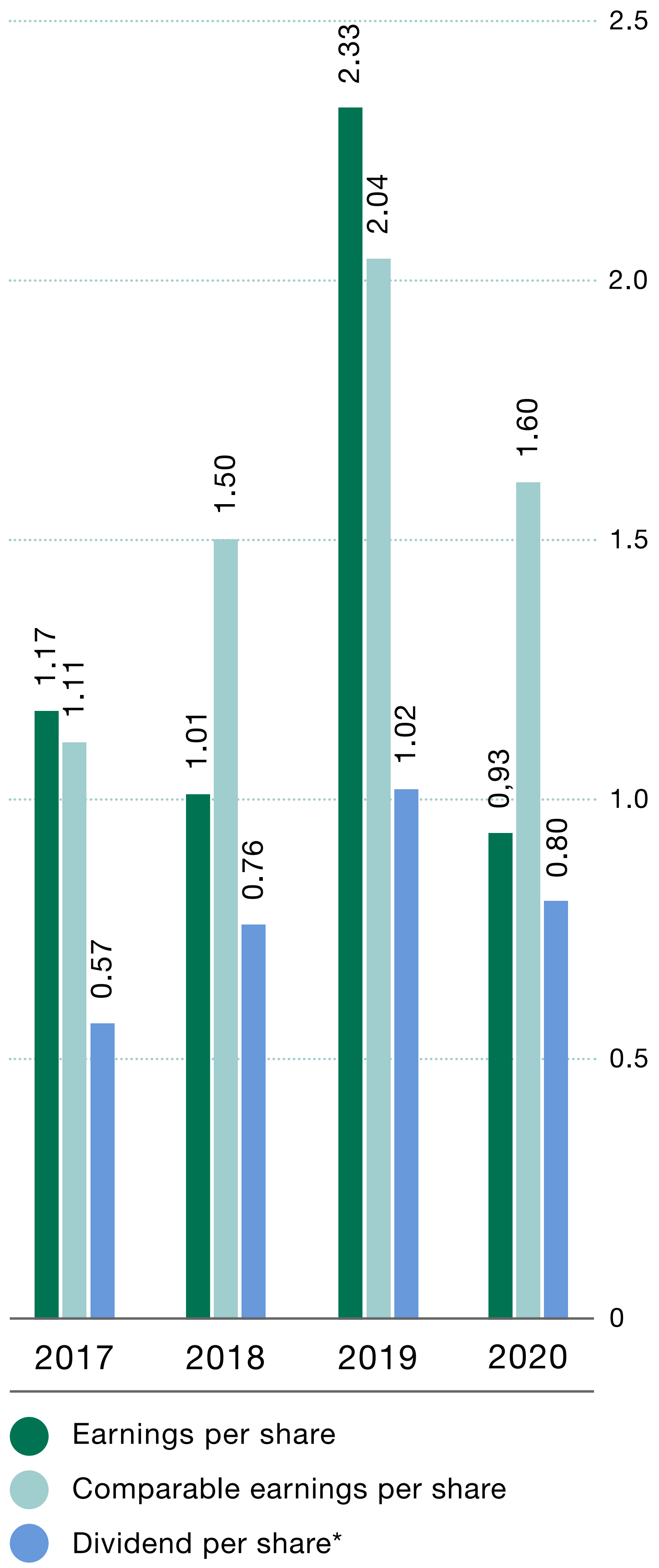


- Non-Finnish shareholders 40.2% (38.0%)
- Finnish State 35.9% (36.0%)
- Finnish institutions 16.4% (18.2%)
- Households 7.5% (7.8%)

Shareholders' total return, indexed

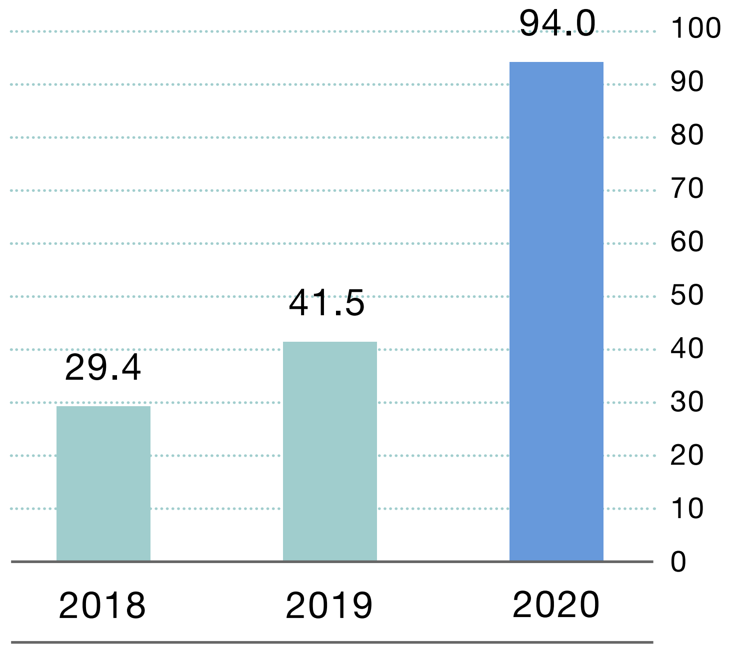


Earnings per share and dividend per share, EUR

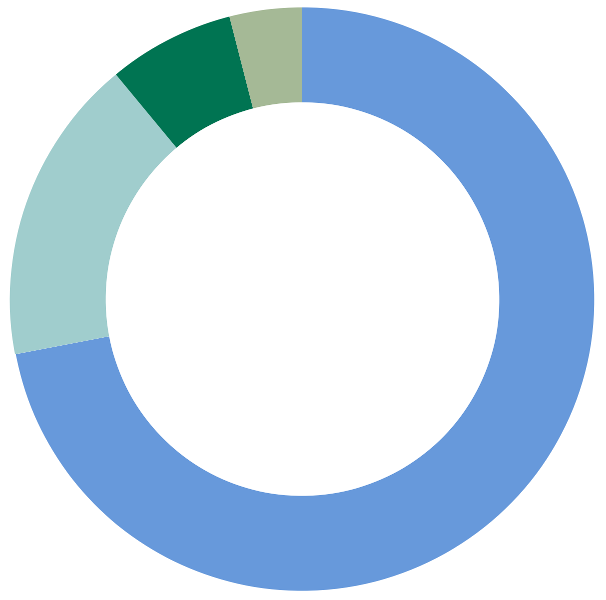


* 2020: Board's proposal to Annual General Meeting

Total shareholder return, %



Neste share's trading volumes in 2020, %



- Nasdaq Helsinki 71.8% (60.5%)
- Chi-X Europe 17.0% (23.3%)
- BATS Europe 6.9% (10.8%)
- Turquoise 4.3% (5.4%)

Neste's share performance 2016–2020, EUR

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

Sustainability

Sustainability highlights 2020

CLIMATE

The amount of greenhouse gas emissions our customers reduced with our renewable products in 2020

10.0 Mt

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

Equaling the annual emissions from 3.7 million passenger cars

or the annual carbon footprint of 1.5 million average EU citizens.*

* Source: World Bank

PEOPLE

325
Safe days
(314 in 2019)

70
Engagement index

70%
of our employees think that people live the company values

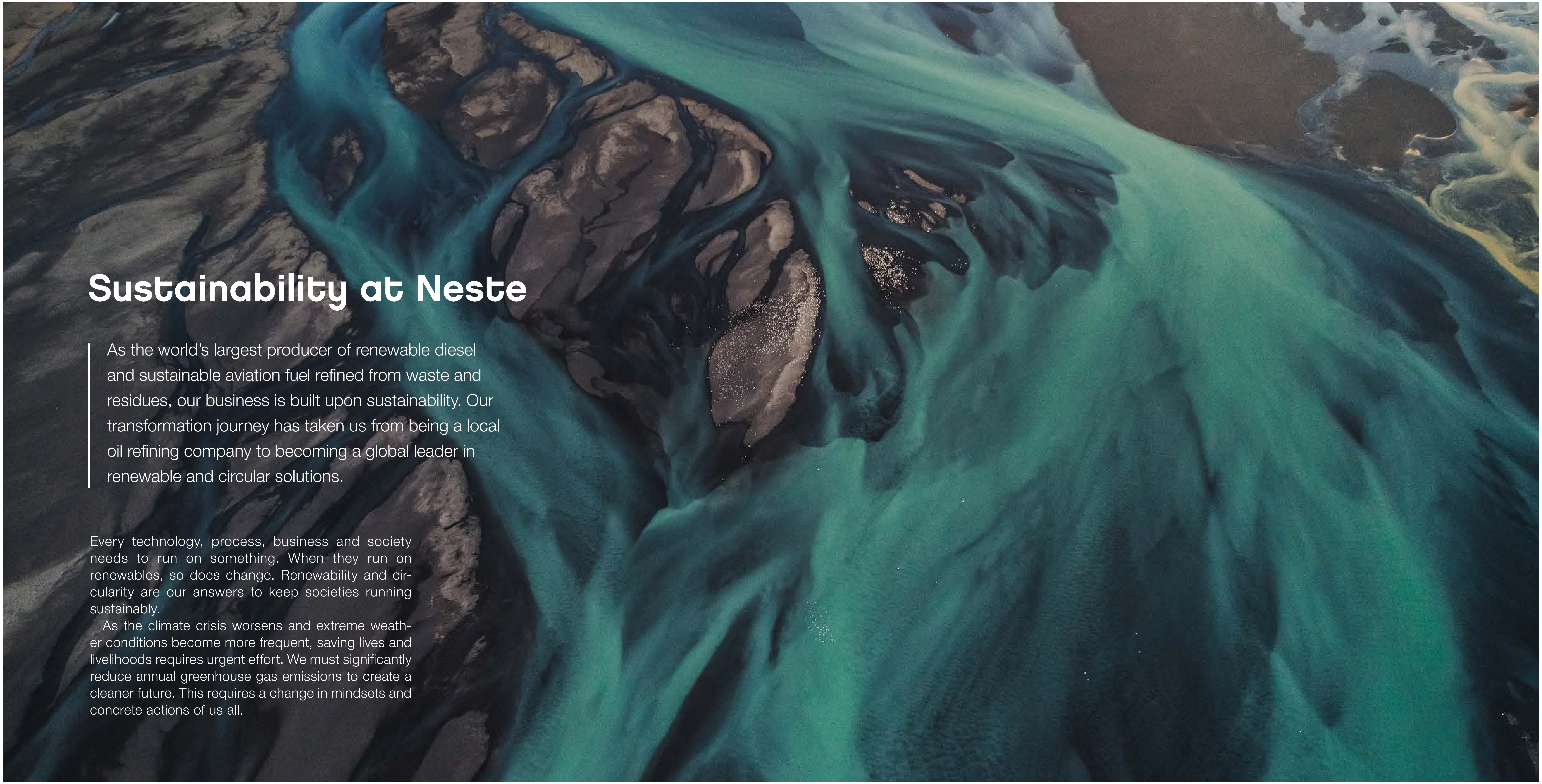
CIRCULAR ECONOMY

Waste and residues accounted for 83%
of our total raw material inputs globally to produce renewable products

We aim at processing
>1Mt
of plastic waste annually from 2030 onwards

In 2020 we successfully processed
400 tons
of liquefied plastic waste, an amount corresponding to the annual amount of plastic waste generated by 20,000 average European citizens*

* Calculations are based on figures by Eurostat.



Sustainability at Neste

As the world's largest producer of renewable diesel and sustainable aviation fuel refined from waste and residues, our business is built upon sustainability. Our transformation journey has taken us from being a local oil refining company to becoming a global leader in renewable and circular solutions.

Every technology, process, business and society needs to run on something. When they run on renewables, so does change. Renewability and circularity are our answers to keep societies running sustainably.

As the climate crisis worsens and extreme weather conditions become more frequent, saving lives and livelihoods requires urgent effort. We must significantly reduce annual greenhouse gas emissions to create a cleaner future. This requires a change in mindsets and concrete actions of us all.

We believe that together with our partners, we can succeed in combating the climate crisis.

We believe that together with our partners, we can succeed by:

- Scaling up our renewable and circular solutions
- Increasing innovation in extensive collaboration with research and value chain partners
- Establishing mutually beneficial partnerships with commitment to sustainability

We are committed to reach carbon neutrality in our own production by 2035. We also need to look at all the possibilities of providing products and services that help our customers to do the same. This is the idea behind the carbon handprint – offering solutions that decrease our customers' footprint. The bigger the handprint, the better.

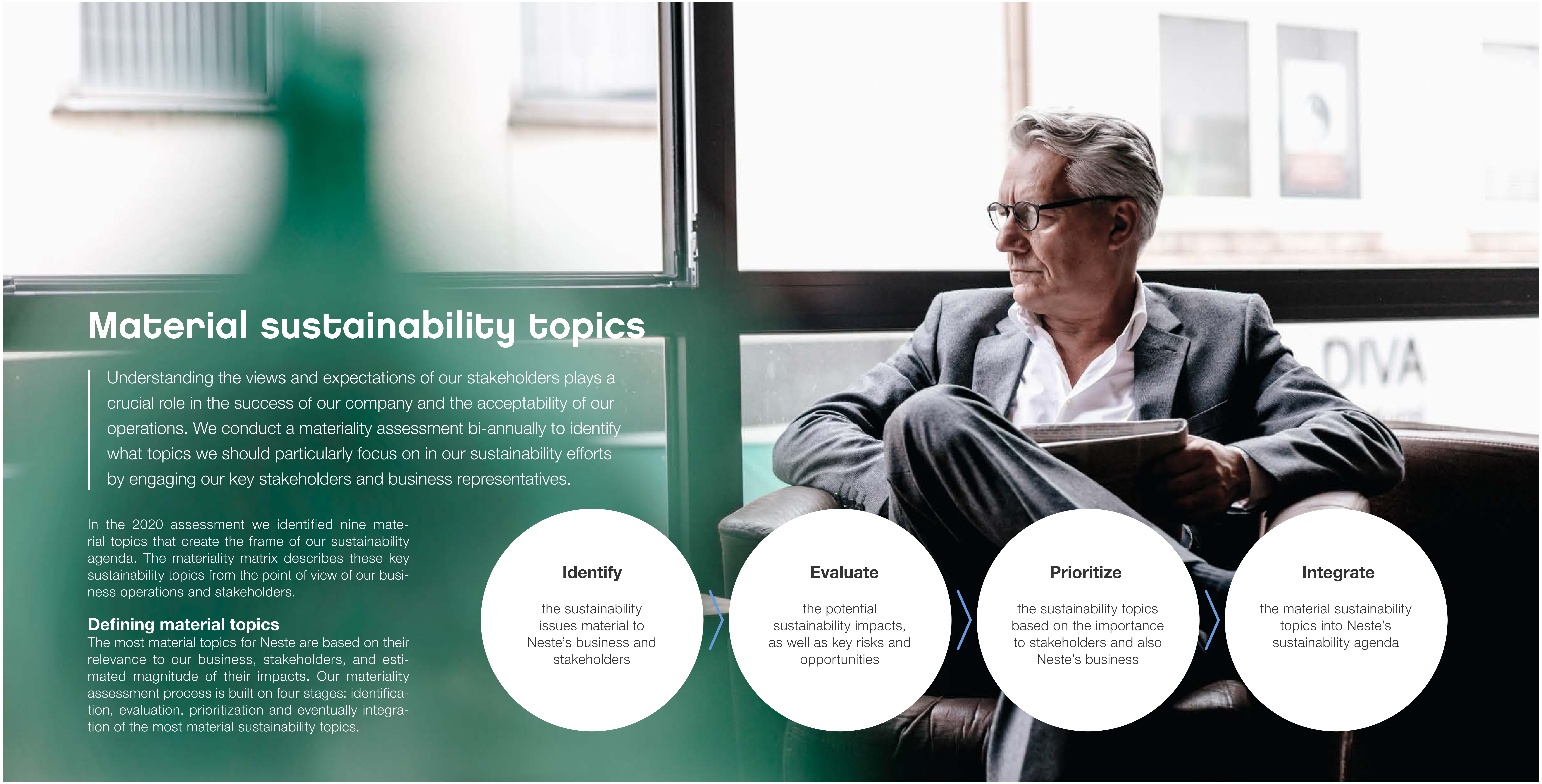
Read more about our commitment to help our customers climate emissions by 20 million tons annually by 2030.

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 and especially about safety and health, while also having our attention to the most vulnerable groups' of individuals in our supply chain. Economic responsibility, corporate governance and supply chain sustainability are cornerstones for everything we do.

We have identified several environmental, social and governance related topics as relevant for our business and our everyday sustainability work, relating also to the bigger global sustainable development goals.

Sustainability milestones in 2020:

- We committed to ambitious new climate targets: To reduce customers' greenhouse gas (GHG) emissions with our renewable and circular solutions by at least 20 million tons of CO_2eq annually by 2030; and to reach carbon neutral production by 2035.
- We updated our Sustainability Policy to reflect our strengthened ambition and plans.
- We joined the Climate Pledge initiative in December. It is a global campaign to rally leadership and support from businesses, cities, regions and investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.
- We made a commitment to use sustainable aviation fuel in our own business travel.
- We became a member of Renewable Carbon Initiative (RCI) aiming to support and speed up the transition from virgin fossil carbon to renewable carbon for all chemicals and materials by 2050.



Material sustainability topics

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 conduct a materiality assessment bi-annually to identify what topics we should particularly focus on in our sustainability efforts by engaging our key stakeholders and business representatives.

In the 2020 assessment we identified nine material topics that create the frame of our sustainability agenda. The materiality matrix describes these key sustainability topics from the point of view of our business operations and stakeholders.

Defining material topics

The most material topics for Neste are based on their relevance to our business, stakeholders, and 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.

Identify
the sustainability issues material to Neste's business and stakeholders

Evaluate
the potential sustainability impacts, as well as key risks and opportunities

Prioritize
the sustainability topics based on the importance to stakeholders and also Neste's business

Integrate
the material sustainability topics into Neste's sustainability agenda

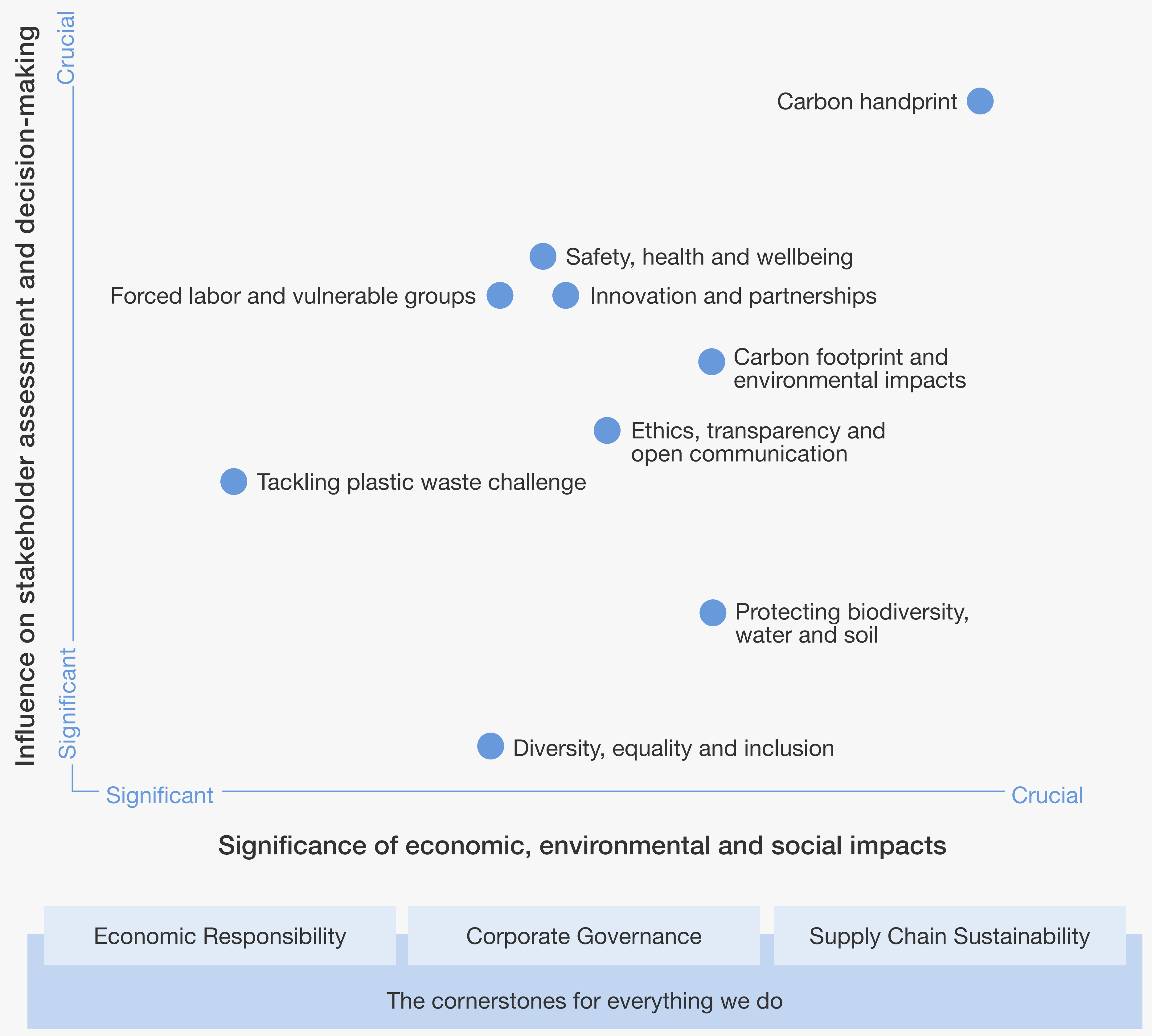
The process started by identifying ESG topics that are relevant to our business as well as to our stakeholders. Several different industry-specific aspects, external trends, sustainability frameworks and standards, regulatory requirements as well as Neste's strategy were reviewed while identifying the first universe of potential material sustainability topics.

After creating a long list of topics, the topic universe was evaluated by taking potential sustainability impacts, and business-related key risks and opportunities into consideration. The number of topics was sharpened and fit for Neste's own operations. The final list of potentially relevant sustainability topics was then laid open to our external key stakeholders for validation via a web-based sustainability survey and interviews.

We invited a large number of our key stakeholder representatives directly to respond to the sustainability survey with our potential sustainability topics. The respondents represented i.a. consumers, corporate customers, Neste personnel, analysts and shareholders, NGOs, suppliers, universities and research organizations, Neste contractors, local communities, authorities and decision makers, regulators, industry associations and media. In the survey the respondents were asked to evaluate the importance of each presented topic by scoring them. The survey was also opened publicly on our website where anyone was able to participate. In the survey we also gave the participants the possibility to provide open and anonymous feedback on our sustainability work. In addition to the widely distributed sustainability survey, our external partner conducted several interviews with our key stakeholder representatives with more in-depth discussions about Neste's sustainability work and the interviewees' stakeholder expectations. Based on the results from the sustainability survey and an internal subject matter and business expert workshops, we reached a conclusion about nine most important sustainability topics, underlined by three cornerstones in everything we do, as presented in the matrix on the right.

> **The most material sustainability topics for Neste are based on their relevance to our business, stakeholders, and estimated magnitude of their impacts.**

Materiality Matrix



The identified 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. Several of the material topics are relevant e.g. in our own operations but also in our supply chain and this was clearly recognized during the materiality assessment process. Hence, the supply chain responsibility 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' impacts. Similar underlying themes are economic responsibility and corporate governance. These three themes are the cornerstones of our sustainability agenda over the time, even when other sustainability topic weights would need to be re-evaluated.

The sustainability materiality assessment process was supported by an external objective partner who conducted the key stakeholder interviews, facilitated the public questionnaire as well as supported the data analysis, among others. The final materiality matrix and the survey results were presented to Neste's Sustainability Advisory Council in order to gain an objective round of external expert views and for final evaluation. The renewed materiality topics and the matrix were approved by Neste Executive Committee in the fall of 2020.

Conducting materiality assessments with our stakeholders also demonstrates our commitment to the principles of the AA1000APS (2018) standard, consisting of inclusivity, materiality, responsiveness and impact.

Sustainable Development Goals

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

Neste has identified six priority SDGs as the goals we can contribute to most significantly: SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, and SDG 17 Partnerships for the Goals.

The SDG Compass was used to determine these six priority SDGs. The prioritization process was based on our sustainability materiality analysis, impact evaluation study, an external review as well as internal expert analysis. To understand and prioritize which SDGs are the most relevant for Neste, we assessed both positive and negative impacts that Neste's business activities have on the SDGs throughout our value chains. This enabled us to rank the relevance of each SDG for Neste and define the six priority goals where we feel our business can have the greatest positive impact.

In 2020 we joined the UN Global Compact SDG Ambition accelerator initiative, and we are working on ambitious company targets to contribute toward the realization of the Global Goals.

> **We have assessed both positive and negative impacts that Neste's business activities have on the SDGs throughout our value chains.**

Turning sustainability priorities into commitments and targets

As the most relevant SDGs, mapped through our internal process, and the most material sustainability topics according to our external stakeholders are so well aligned, they form a strong basis for our sustainability work.

By identifying the most material sustainability topics via the materiality assessment as well as recognizing the most relevant SDGs, we can position Neste as part of society as well as part of the global sustainability framework.

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

The sustainability KPIs can be found in the table on pages 27–29.

How Neste contributes to the SDGs?

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth and Neste

- Neste Human Rights Commitment & Principles protect basic labour rights of employees in our own operations and in our supply chain. More information on human rights at Neste can be found here.
- Neste supports the elimination of all forms of modern slavery. We are committed to taking the appropriate steps to identify vulnerable workers and mitigate modern slavery risks in our operations and supply chains. More information in our Modern Slavery Act Statement.
- Neste's Safety program is integral to its corporate culture and also critical to the company's reputation and profitability. The aim is that every Neste employee feels a professional responsibility for safety in general and can return home safely after a safe day at work.
- We are a significant employer and taxpayer while offering sustainable products for our customers and value for our shareholders.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation and Infrastructure and Neste

- We are advancing resource efficiency and a circular economy.
- Examples of Neste innovation and enhancing scientific research and capabilities can be found here.

11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities and Neste

- We are helping cities to be more sustainable around the world. Some examples include:
  - The City of Oakland (USA) and Neste have partnered together so that waste feedstock from the city is now being converted to Neste MY Renewable Diesel™ and fuels the city's fleet.
  - The City of Espoo (Finland) introduces Neste MY Renewable Diesel to take a step closer to becoming carbon neutral.
  - Neste MY Renewable Diesel™ is being used to power the fleets of a number of major Californian cities.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Consumption and Production, and Neste

- Information on how we ensure sustainability in our supply chain can be found here.
- Using wastes & residues to produce renewable diesel and sustainable aviation fuel (e.g. reusing used cooking oil) and feedstock for new polymers and chemicals, and liquefied waste plastic to produce sustainable raw material for new high-performance plastics.
- Neste's chemical recycling of plastic waste.
- Sustainable practices and sustainability reporting (Neste publishes a Sustainability Report annually).

13 CLIMATE ACTION

Climate Action and Neste

- Neste has set ambitious climate targets. We are committed to help our customers to reduce their climate emissions by 20 million tons annually by 2030 and reach carbon neutral production by 2035.
- Neste has already signed agreements to increase the use of wind power to 30% by 2022 at its Finnish production sites.
- Neste updated its investment criteria during 2020. The criteria makes the GHG impact of all investments visible and sets an internal price for GHG emissions.

17 PARTNERSHIPS FOR THE GOALS

Neste's Partnerships for the Goals

- Partnerships are at the core of sustainable business and we see them as the key to truly sustainable business. Recent examples of partnerships include:
  - Turning fries into miles – how McDonald's, Neste, and HAVI create a circular economy that uses cooking oil to fuel logistics.
  - Neste and IKEA Finland to reduce the carbon footprint of home deliveries.
  - Neste is an active member of the Nordic Business Network for Human Rights.
  - Collaboration among Neste, Recycling Technologies and Unilever to make hard-to-recycle plastic packaging recyclable.
  - European Alliance for Green Recovery.
  - The Climate Pledge.
  - Siak-Pelalawan landscape project.

Sustainability KPIs

Material topic	Objective	Key performance indicator	Target	Performance in 2020	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 diesel) in $MtCO_2e$ [1]	20 $MtCO_2e$ by 2030	10.0 Mt (9.6 Mt)	
		Share of waste and residue used in renewables' production (%)	Maximizing the share of W&R raw materials in our raw material mix provides the highest possible reduction in greenhouse gas emissions when compared to products derived from crude oil	83% (80%)	
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	2.9 $MtCO_2$ (3.4 $MtCO_2$)	
		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 33 GWh (16 GWh) Cumulative savings compared to target: 22% (15%)	
		Share of renewable electricity of total purchased electricity (%)	Aiming for 100% renewable electricity by 2023	4.7% (New KPI)	
		Use phase emission intensity of sold fuel products (gCO_2e/MJ)	Decreasing trend	58 gCO_2e/MJ (New KPI)	
		Availability of pollution prevention technology	100% availability of pollution prevention technology at refineries and terminals	Availability of pollution prevention technology on average 96% (88%) in Oil Products and Renewable Products	
		Number of permit violations	Long-term target for OP and Renewable Products (RP): zero permit violations	Permit violations: 2 (3), of which 1 (2) in OP and 1 (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	New KPI for 2021	
		Support for biodiversity, water and soil projects relevant for Neste	At least one raw-material-related biodiversity, water and soil project ongoing annually	We have supported sustainability impact project in the Siak and Pelalawan regions in Indonesia improving the region's performance related to environmental issues (e.g. conservation, protected area). (New KPI)	
		Biodiversity, water and soil included in expansion projects	All production expansion projects' biodiversity impacts evaluated and biodiversity, water and soil aspects included in all investment decisions	New KPI for 2021	
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 1.3 (1.7)	
		Process Safety Event Rate (PSER) [3]	1.7 for 2020 and 2021 Long-term target: Zero accidents	PSER 1.6 (1.4)	
		Safe days (including environmental permit violations)	310 for 2020 and 315 for 2021 Long-term target: Continuously increasing the number of Safe Days	325 (314) 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 70, wellbeing 60, change adaptation 62 [4] (New KPI)	
		The voluntary exit level / voluntary turnover for the year	To attract and retain highly skilled employees	Leaving rate of permanent employees 6.9% (7.4%). Hiring rate of permanent employees 9.2% (14.0%)	

SDG8: Decent work and economic growth; SDG9: Industry, innovation and infrastructure; SDG11: Sustainable cities and communities; SDG12: Responsible consumption and production; SDG13: Climate action; SDG17: Partnerships for the goals

Material topic	Objective	Key performance indicator	Target	Performance in 2020	SDG link
Forced labor and vulnerable groups	Managing forced labor risks in Neste operations and supply chains	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	Supplier Code of Conduct training on Forced Labor and Vulnerable Groups carried out for 110 employees in supply and procurement (New KPI)	SDG8, SDG9, SDG17
		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	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 (New KPI)	
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	14% (12%) are multi-country teams [4]	SDG8
		Females 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	30.2% (30.2%)	
		Female representation in people manager positions (%) and senior management (%)	Female representation in people manager positions and senior management close to representation of females in staff (%)	29.0% (27.8%) female in people manager positions 25.9% (22.0%) female in senior management	
		Employee engagement	Maintain a good level of employee engagement	Employee engagement score [4] 70 (71), which was in line with global benchmark result. Majority of employees thought favorably of working at Neste and would recommend Neste as a workplace. 70% (72%) felt happy working at Neste, 66% (68%) understood how Neste plans to achieve its strategic goals, 79% (82%) thought Neste acts in a responsible way, 83% (85%) saw safety as a priority for Neste.	
		Response rate to employee engagement survey (%)	To maintain a good level of response rate	81% (88%) [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 circularity of plastics and to reduce crude oil dependence in refining and petrochemical processes	In 2020 we successfully completed the first industrial-scale processing run with 400 tons of liquefied waste plastic in Finland	SDG12, SDG13, SDG17

SDG8: Decent work and economic growth · SDG9: Industry, innovation and infrastructure · SDG11: Sustainable cities and communities · SDG12: Responsible consumption and production · SDG13: Climate action · SDG17: Partnerships for the goals

Material topic	Objective	Key performance indicator	Target	Performance in 2020	SDG link
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	11 monthly logs in 2020. The updates were initiated in February (New KPI)	SDG12, SDG17
		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 16 (13) suspected misconducts were reported in person or via the whistleblowing line to the Investigations Group in the following categories: HR 6 reports, discrimination and harassment 4, fraud 1, competition law and infringement 1, health and safety 1, and 3 reports belong to category "other"	
		Regular Supply Chain Transparency via Traceability Dashboard (Palm & PFAD)	To publish information twice yearly	2 (1) publications	
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 36.8% (25.8%)[6]	SDG8, SDG9, SDG11, SDG12, SDG13, SDG17
		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 69.4% (50.0%)	
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	100% (100%) of the new indirect procurement supplier contracts, 100% (100%) of the renewable raw material volume [7] and 78% (88%) of the fossil raw material volume delivered to Neste in 2020 were covered by the Neste SCoC or equivalent	SDG8, SDG9, SDG11, SDG12, SDG17
		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: 219 (91), New approved suppliers: 120 (52), All approved: 133 (55), Pending: 65 (36), Rejected: 21 (0) [7] [8]	
		A total of sustainability audits conducted	To increase the number of sustainability audits conducted, prioritizing through a risk-based approach	9 sustainability audits (New KPI)	
Economic responsibility	Reporting in the financial statements				SDG8, SDG9, SDG11
Corporate governance	Reporting in the corporate governance statement				SDG8, SDG12

1) Cumulative greenhouse gas (GHG) reduction achieved with Neste's renewable fuels compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EC). Neste regularly updates its GHG emission factors in line with the updates in legislation and the certification schemes.
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.
6) Calculation principle changed. Revised.
7) Demeter suppliers excluded from the figure due to the integration in progress.
8) All figures except "New approved suppliers" include existing suppliers, which undergo a sustainability assessment process every 3-5 years. 2020 Supplier data includes only main contractual parties, excluding sub-suppliers.

SDG8: Decent work and economic growth | SDG9: Industry, innovation and infrastructure | SDG11: Sustainable cities and communities | SDG12: Responsible consumption and production | SDG13: Climate action | SDG17: Partnerships for the goals

Stakeholder engagement

> 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 review their views on our operations.

We engage with our stakeholders as part of our daily work, organize events and meetings, take part in working groups, seminars and conferences, and hold memberships in organizations that have significance for our industry and offer value to our business operations. Stakeholder engagement is a central element in Neste's sustainability and public affairs, communications and brand marketing, as well as investor relations. Within these areas, work is primarily managed by the Vice Presidents responsible for each area. The company's business functions are responsible for continuous engagement with customers and business partners.

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 personnel and management

Key stakeholder	How we engage	Key topics of interest	How we respond
B2B customers	• Continuous engagement through 1-to-1 meetings, stakeholder events, webinars, customer surveys, newsletters, technical, marketing and sustainability -related training sessions, joint communications to drive sustainability initiatives and industry transformations	• Sustainability and carbon neutrality targets, sustainable products and services, high product quality and supply reliability, timely distribution, customer relationships and cooperation, innovation and R&D	• Forming tight partnerships in sustainability with customers to reduce their carbon footprint with renewable solutions • Co-creating new services, build brand value and interact with our customers' stakeholders • Uphold ongoing dialogue with customers and proactively communicate with customers and partners to support them
Consumers	• Gather insight with consumer surveys • Provide fact sheets, press releases and news to our consumers regularly to best serve them with their needs	• Sustainability of our operations, new sustainable product and service offerings, high product quality, customer relationships and cooperation, innovation and R&D	• Proactively communicate and promptly respond to questions and concerns of consumers via phone, social media and Neste website
Investors and analysts	• Regular engagement through conference calls, roadshows, individual or group meetings, and annual Capital Markets Day	• Climate change mitigation as business opportunity and challenge, sustainability of feedstock and supply chain, availability of acceptable feedstock for renewables growth strategy	• Publishing of climate commitments and waste and residues share target • Transparent and regular reporting and disclosure • Responding to questionnaires by rating companies and investors
Policymakers, authorities, and legislators	• Sharing views on laws regularly with officials and legislators through public consultations, meetings, as well as part of a larger stakeholder dialogue with policymakers	• Climate, renewable fuels in transport, circular economy, EU Taxonomy for sustainable finance	• Reply to public consultations and provide insights and analysis to government officials and politicians • Participate in the work of industry associations
Suppliers and contractors	• Meet the sustainability and human rights criteria as defined in Neste Supplier Code of Conduct (renewed in 2020) • Evaluate counterparty, safety and reputation risks alongside an extensive sustainability assessment • Collect information on our climate change impact annually, and conduct both external and internal audits • Arrange annual supplier sustainability workshops to share information and advance capacity building with partners • Collaborate closely with our contractors to ensure high level of safety, efficiency and quality at Neste sites	• Sustainability of supply chains and suppliers, commitment to sustainability, protecting biodiversity, and respecting human rights (e.g. forced labor and freedom of association) • Health, safety and work related information and instructions	• Renewed SCoC in 2020 for suppliers and contractors • Practical SCoC information guide for suppliers and other business partners • Continuous search for new suppliers of renewable raw materials • Sustainability evaluation on our raw material suppliers • Collaboration to enhance sustainability performance • Auditing • Share information with contractors at Neste sites through regular meetings, info sessions, trainings and newsletters
NGOs	• Ongoing dialogue with stakeholders, e.g. several NGOs, to transparently report the status and progress of sustainability-related grievances linked to Neste's raw material sourcing • Projects to support the smallholders in improving their sustainability performance and certification	• Climate change mitigation, sustainability, human rights, palm oil & PFAD supply chains	• 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

Key stakeholder	How we engage	Key topics of interest	How we respond
Industry associations and cooperation bodies	• Actively engage in dialogue and the work with industry associations and cooperation bodies • Provide associations insight, analysis and our views on different topics • Take part in events and seminars • Hold memberships in organizations	• Sustainability, climate change mitigation, resource efficiency, circular economy, biodiversity, human rights, innovation, environmental handprint and footprint	• Memberships in relevant organizations, e.g. CEFIC, Renewable Carbon Initiative, European Biodiesel Board, Advanced Biofuels Association (US), Drivkraft Sverige, European Alliance for a Green Recovery, European Plastics Pact, Helsinki Metropolitan Smart & Clean Foundation, TCFD, Nordic Business Network for Human Rights, UN Global Compact, WBCSD, ISCC, RSB, RSPO
Universities and research organizations	• Regularly engage in dialogue with student associations, local and global universities and different research organizations	• Innovation and R&D, renewable and circular solutions, polymer and chemical engineering, industrial chemistry, catalysis, combustion, engine optimization, process automation, artificial intelligence, among others	• Strategic research cooperation with universities, e.g. Åbo Akademi and Aalto University • Develop new solutions to decrease the use of crude oil and increase R&D in Finland
Local communities	• Dialogue and collaboration with local communities and production site neighbours via newsletters and social media • Arrange site tours for students and other interest groups • Regular engagement and meetings with authorities and local city representatives • Support local voluntary work for children by yearly donations	• Employment and cooperation opportunities, safety and environmental concerns, site investments and development as well as impacts on the community and neighbours	• Our environmental and safety performance affects the local communities. We must therefore act sustainably • Keep an open dialogue with the local communities • Engage with specific local authorities on matters that concern the Singapore expansion project
Media	• Regular distribution and proactive pitching of releases and news to the media • Actively responding to media inquiries, arranging interviews and media events to best serve the media	• Announcements, e.g. interim results and cooperations, and societal and economic topics, like COVID-19, fuel taxing and pricing, oil price fluctuations, strike, co-operation negotiations	• Replying to media inquiries daily • Connecting the media with the correct spokespersons at Neste • Actively working together with media to best serve them
Employees	• Performance and leadership development process • Employee engagement through several measures, e.g. quarterly Pulse surveys, team and individual discussions • 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, e.g. employees, line managers, employee representatives	• Renewed values, updated Neste strategy and transformation program, sustainability impact and efforts, new ways of working, health, safety and wellbeing	• Active, systematic and responsive communications • Employee training and support, e.g. new ways of working, safety and wellbeing • COVID-19 Pulse survey • Leadership development and communication

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 2020

Sustainability Leader for the 14th consecutive year – Dow Jones Sustainability Indices.	One of the world's Most Sustainable Companies – Leadership Category – CDP Climate change assessment.	The world's 3rd most sustainable company on the Global 100. 4th place in 2021.

Active engagement is essential for us throughout our value chain, and in the collaboration with suppliers and non-governmental organizations.

Main policy and legislative developments

The European Union's "Green Deal", a plan to make a decisive shift to carbon neutrality by 2050, became concrete through the European Commission proposal for a binding Climate Law. This law, once adopted by the EU Member States and the European Parliament, would enshrine the carbon neutrality goal into law and include an intermediate target of an at least 55% reduction of greenhouse gas emissions by 2030. In its responses to public consultations on the Climate Law roadmap and on the 2030 Target Plan, Neste welcomed the carbon neutrality ambition and supported the aim to increase the EU 2030 climate target, as well as highlighting the need to employ all available low-carbon solutions to achieve this goal.

Across Europe, countries have continued setting their climate targets and policies, including through the implementation of the REDII Directive. In its inputs to governments, Neste has emphasized the need for a high level of ambition for renewable fuels in transportation and maintaining a broad base of sustainable raw materials for biofuels. For example, in Sweden, the government coalition announced plans for very high greenhouse gas reduction obligations for the road sector, with indicative levels for 2030 of 28% for petrol and 66% for diesel, and a reduction obligation for aviation starting in 2021.

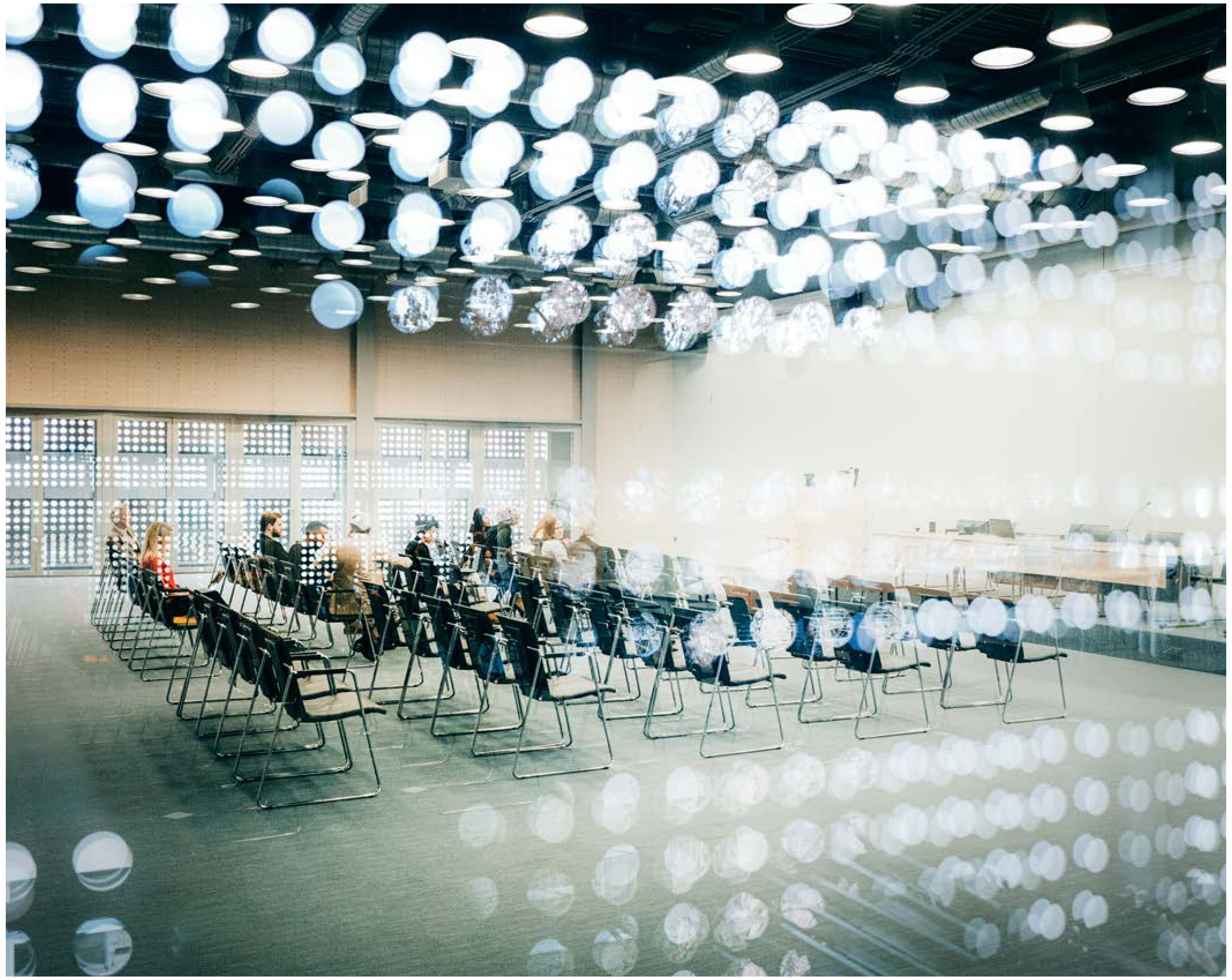
Sweden also continued its policy to grant a tax exemption to high-blend biofuels sold outside of the reduction obligation.

In North America, sustainable biofuels retained in an important role in reducing greenhouse gas emissions, and the Canadian Federal government moved ahead with its plans to introduce a Clean Fuels Standard as of 2022.

The COVID-19 pandemic notwithstanding, the need to embrace Sustainable Aviation Fuels (SAF) as the key means to reduce greenhouse emissions from aviation was high on the political agenda. At the European Union level, the European Commission began consultations on the possible introduction of an EU-wide obligation to deliver SAFs. Norway has had such an obligation already in place since January 2020, and several EU Member States, including Sweden, Finland, France, Spain and the Netherlands have announced such plans.

In the United States Congress, several initiatives indicate a growing interest in SAFs from policymakers. For example, a bill called the "Sustainable Aviation Fuel Act" was introduced, paving the way for shaping long-term policies to incentivize take-up of SAFs.

Moving towards a circular economy continued to be another key theme in policy debates. The European Union published its wide-ranging Circular Economy Action Plan aiming at reducing consumption and increasing re-use and recycling. Neste contributed actively to circular economy debates, including by becoming a founding signatory member of the European



Plastic Pact, a frontrunner public-private coalition initiated by the governments of Denmark, France and the Netherlands to make consumption and production of plastics more sustainable. The Pact has expanded to include 143 signatories along the whole value chain. Neste Executive Vice President for Renewable Polymers and Chemicals, Mercedes Alonso, was elected a Board member of Cefic, the European Chemicals Industry Council.

Neste is one of the founding members of the Renewable Carbon Initiative (RCI) launched in September 2020 by eleven leading companies from six countries under the leadership of nova-Institute (Germany). The aim of the initiative is to support the transition from fossil carbon to renewable carbon, which is carbon from alternative sources: biomass, CO_2 and recycling. In 2020, we also became a member of the recently created Chemistry 4 Climate platform; a joint stakeholder platform launched by VCI (German chemical association) & VDI (Association of German engineers) together with 20 selected stakeholders including the German Federal Ministry for Economic Affairs and Federal Ministry for the Environment. The aim is to develop concrete measures and regulatory recommendations to reach GHG neutrality for the German chemical industry by 2050, as laid down in the "VCI Roadmap 2050".

See the full list of organizations at neste.com.

Active engagement is essential for us throughout our value chain, and in the collaboration with suppliers and non-governmental organizations.

Examples of research cooperation

In 2020, we started and strengthened our collaboration with several research institutions:

- Strategic cooperation with VTT which fosters the joint use and development of research infrastructures in Finland;
- Strategic cooperation with Åbo Akademi University with the aim of improving the competitiveness of both parties while increasing Finnish chemical industry expertise, including in such fields as chemical and process engineering, the bioeconomy, and the circular economy;
- Climate University challenge in collaboration with several companies, eleven universities, Ministry of Education and Culture and Finnish Innovation Fund Sitra.

Read more about our collaboration with our suppliers and partnerships in our supply chain.

Read more about our advanced biofuel project carried out jointly with BioÉnergie La Tuque, Neste, and the Council of the Atikamekw Nation.

Value creation

Input: Indirect upstream, Direct upstream
Neste business model
Output: Direct downstream, Indirect downstream
Outcome: impact

Neste business model

We refine waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for plastics and other materials. We are also a technologically advanced refiner of high-quality oil products with a commitment to reach carbon-neutral production by 2035.

Economic/Governance

Input – Indirect upstream

- Number of suppliers in
  - Renewable Products 405 (incl. 246 Demeter suppliers)
  - Oil Products 94 [1]
  - Indirect procurement 6,403
- Operations in 14 countries
- Production in 4 countries

Input – Direct upstream

- Total equity 5,929 MEUR
- R&D expenditure 61 MEUR
- Interest-bearing net debt -265 MEUR
- Purchases of refinery feedstocks 10,710 MEUR
- Purchases of other goods and services -918 MEUR
- Use of renewable raw materials 3.7 Mt
- Sourced crude oil and fossil feedstock 14.0 Mt
- Indirect procurement spend 2,780 MEUR
- Cash-out investments 995 MEUR

Output – Direct downstream

- Market cap 45,507 MEUR (at the end of 2020)
- Comparable operating profit 1,416 MEUR
- ROACE 17.3%
- Dividends 614 MEUR from 2020
- Net sales 11,751 MEUR
- Share of Clean Revenue 36.8% [2]
- Share of Clean Investments 69.4% [2]
- Neste MY Renewable Diesel sales 0.7 Mt
- Sales from in-house production, Oil Products 13.4 Mt
- 964 service stations in 4 countries
- Oil Products and Renewable Products in the wholesale market sold in 59 countries to approx. 385 customers

Output – Indirect downstream

- Increase in the value of the shares and dividends
- New business opportunities
- Renewables help customers to reduce GHG emissions and support UN SDGs
- Helping end users to avoid infrastructure and other investments with drop-in solutions
- M&S B2B Customer satisfaction: Net Promoter Score (NPS) 56%
- Taxes and tax-like fees paid and remitted by Neste EUR 3.6 billion

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

Social

Input – Indirect upstream

- 100% of Neste's renewable raw material suppliers screened using social criteria [3]

Input – Direct upstream

- Highly skilled employees
  - Number of employees 4,833 [4]
  - Hiring rate of permanent employees 9.2%
  - Leaving rate of permanent employees 6.9%
  - Recorded average training hours per FTE 19.5 [5]
- 14,403 palm oil smallholders in Neste's supply chain

Output – Direct downstream

- Wages and salaries 359 MEUR
- Other personnel expenses 72 MEUR including training costs 1.8 MEUR
- 69.8% men and 30.2% women
- 3/8 members of the Board of Directors and 3/12 members of the ExCo are women
- Employee safety TRIF 1.1 [6]
- Safe days 325 [7]

Output – Indirect downstream

- Contractor TRIF 1.6 [6]
- Charity work and sponsorship 1.0 MEUR
- Number of Neste employees who participated in volunteer work 173

Outcome – impact

- 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

Environment

Input – Indirect upstream

- 100% of our palm oil [8] use is certified and traceable to plantations
- 99.97% of our PFAD [9] supply chain is mapped for palm oil mills and 85% to plantations
- 100% of the new indirect supplier contracts, 100% of the renewable raw material volume [3] and 78% of the fossil raw material volume covered by the Neste Supplier Code of Conduct or equivalent
- Scope 2 [10] and 3 emissions from upstream value chain: 7.3 Mt CO_2e

Input – Direct upstream

- Waste and residue raw materials used to refine renewables 3.1 Mt, 83% of the total renewable feed
- Water intake 8,557,000 m3/a
- Energy consumption 12.2 TWh

Output – Direct downstream

- Energy saving measures 33 GWh
- Waste generated 112,000 t of which 30% recycled
- Wastewater 8,880,000 m3/a
- Scope 1, direct CO_2 emissions 2.15 Mt CO_2
- Scope 3 emissions from downstream value chain million 41.1 Mt CO_2e

Output – Indirect downstream

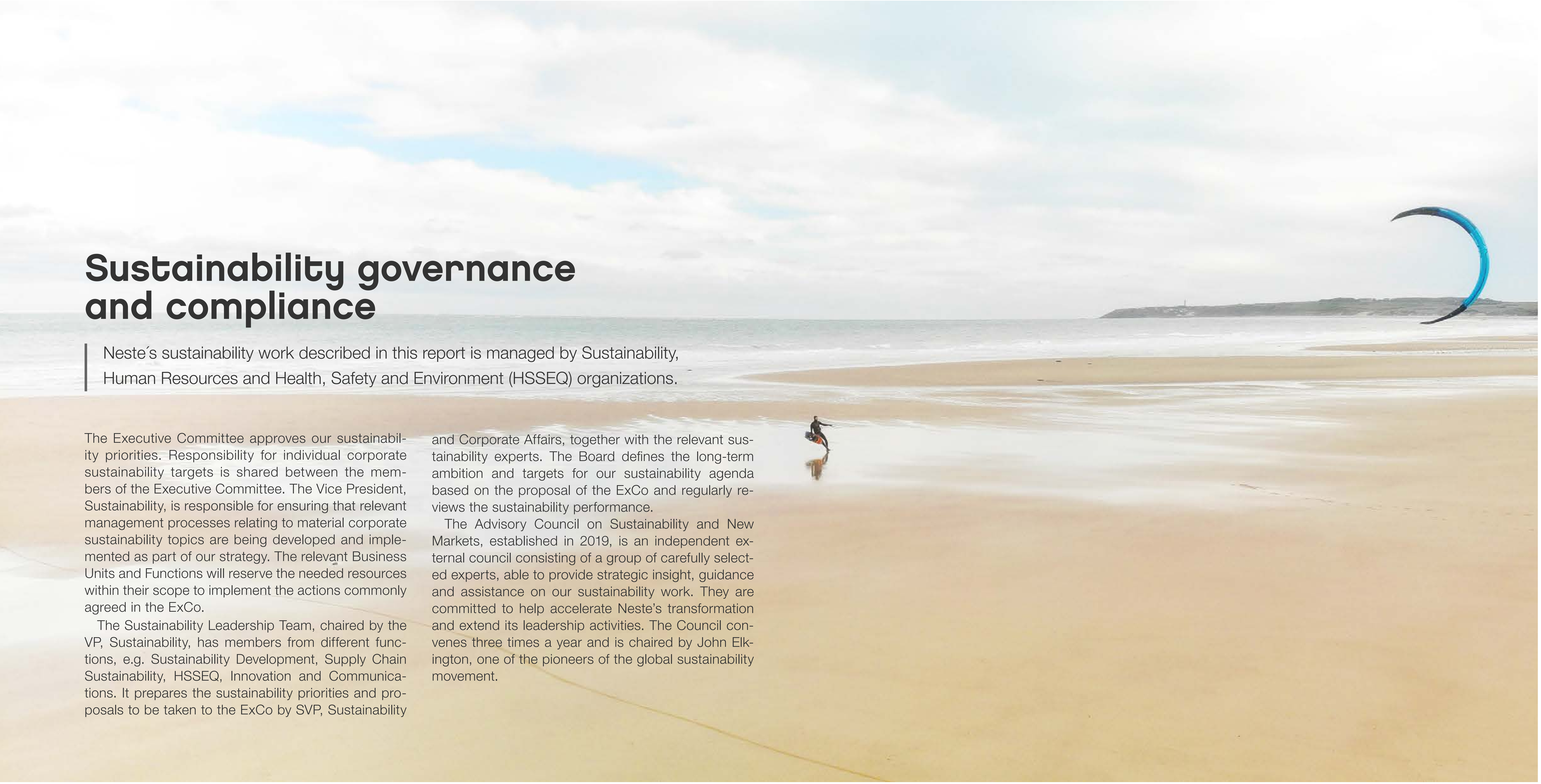
- GHG reduction achieved with Neste's renewable fuels: 10.0 Mt [11]
- Neste MY Renewable Diesel enables up to 50–90% smaller greenhouse gas emissions over the fuel's life cycle compared to conventional diesel [11]
- Help fight the plastic waste challenge through developing chemical recycling to increase plastics recycling and circularity of materials

Outcome – impact

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

1) Includes natural gas and industrial gas suppliers. 2) See Principles for calculating the key indicators. 3) Demeter suppliers excluded from the figure due to the integration in progress. 4) Annual average number of employees. 5) Full-time equivalent (FTE). Demeter and Mahoney not included. 6) Total Recordable Injury Frequency 7) A day without a TRI accident, process safety events, fire or ignition, breach of environmental permit, or traffic accident. 8) Contains the use of crude palm oil (CPO), refined bleached deodorized palm oil (RBDPO) and refined bleached deodorized palm stearin (RBDPS) that we have physically transferred out of our production plants during 2020. 9) Palm fatty acid distillate 10) Scope 2 market-based emissions include only CO_2. 11) Compared to crude oil-based diesel. Calculation method complies with the EU Renewable Energy Directive (2009/28/EC).

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



Sustainability governance and compliance

> Neste´s sustainability work described in this report is managed by 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 ExCo.

The Sustainability Leadership Team, chaired by the VP, Sustainability, has members from different functions, e.g. Sustainability Development, Supply Chain Sustainability, HSSEQ, Innovation and Communications. It prepares the sustainability priorities and proposals to be taken to the ExCo by SVP, Sustainability and Corporate Affairs, together with the relevant sustainability experts. The Board defines the long-term ambition and targets for our sustainability agenda based on the proposal of the ExCo and regularly reviews the sustainability performance.

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 help accelerate Neste's transformation and extend 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.

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 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 climate impacts are reviewed and monitored frequently on 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 honestly, transparently and responsibly and in accordance with our values.

Neste Code of Conduct sets the framework for our compliance program. Our business practices are based on our Code of Conduct, establishing the core principles to guide Neste employees in their day-to-day business activities and decisions. In addition, we require our suppliers and business partners to commit to these principles, as expressed in the Neste Supplier Code of Conduct.

Raising awareness of and training on the Code of Conduct and its topics are central elements of the Neste compliance program. We regularly internally communicate on compliance-related topics and train our employees both through e-learning courses and face-to-face training.

E-learning courses in 2020 included a targeted advanced e-learning course on Competition law compliance and an e-learning course in Anti-Money Laundering. In 2020 Neste Compliance Function started issuing regular compliance newsletters in various compliance topics, including privacy, anti-money laundering, ethics and gifts & hospitality.

Neste also has an Anti-Corruption Principle providing more detailed guidance on responsible business practices. In 2020, we issued an Anti-Money Laundering and CTF Standard detailing Neste's guidance and process related to preventing money-laundering risks.

A new Misconduct Investigation Standard was also issued in 2020. More information on Neste's grievance process and the new 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.

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

The transition to carbon neutrality requires change in mindsets and actions of us all. We strive for an understanding of our impact on the climate – as well as an understanding climate change's impact on us. To mitigate the impact of our operations, we are committed to reach carbon neutral production by 2035. We are also committed to help our customers reduce their greenhouse gas emissions by at least 20 million tons annually by 2030.

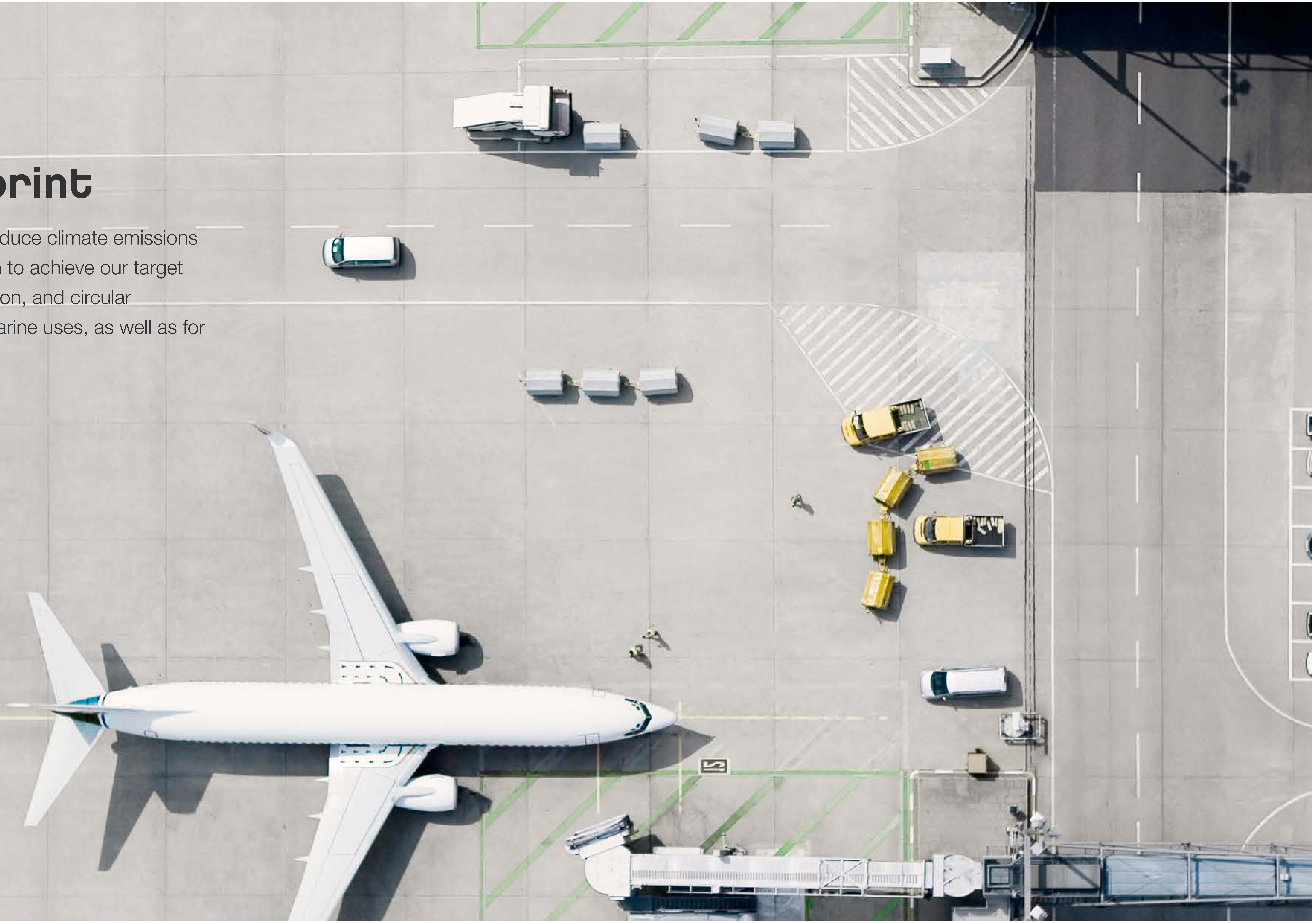
Our carbon handprint

We are committed to help our customers reduce climate emissions by 20 million tons annually by 2030. We aim to achieve our target with the portfolio of renewable, lower emission, and circular solutions for transportation, aviation, and marine uses, as well as for the plastics and chemicals industries.

In 2020, we helped our customers to reduce greenhouse gas (GHG) emissions by a total of 10.0 Mt (9.6 Mt) with our renewable products. We calculate the carbon footprint of our products over their entire life cycle: from the production of their raw materials to the end use of the final product.

When compared to a 100% fossil-based alternative defined in the European regulation (RED 2009/28/EC), our renewable and circular products offer significant greenhouse gas emissions savings for our customers to reduce their carbon footprint. This is the idea behind our carbon handprint – offering solutions to our customers that decrease their carbon footprint. The bigger the handprint, the better.

With the VTT Technical Research Centre of Finland and Lappeenranta University of Technology, we have since 2016 been developing the world's first science-based method for handprint calculation and communication. It helps to calculate the beneficial environmental and climate impacts of products and services over their life cycles, offering both scientific and practical guidelines.



Reducing emissions from transport and in cities

Cities and municipalities play a key role in combating climate change, as urban activities are major sources of greenhouse gas emissions. Estimates suggest that cities are responsible for 75% of global CO_2 emissions, with transportation and buildings among the largest contributors. It is essential, therefore, to make cities an integral part of the solution in fighting climate change. Many cities are already doing a lot by using renewable energy sources, cleaner production techniques, and regulations or incentives to limit industrial emissions. Reducing emissions will also decrease local pollution from industries and transportation.

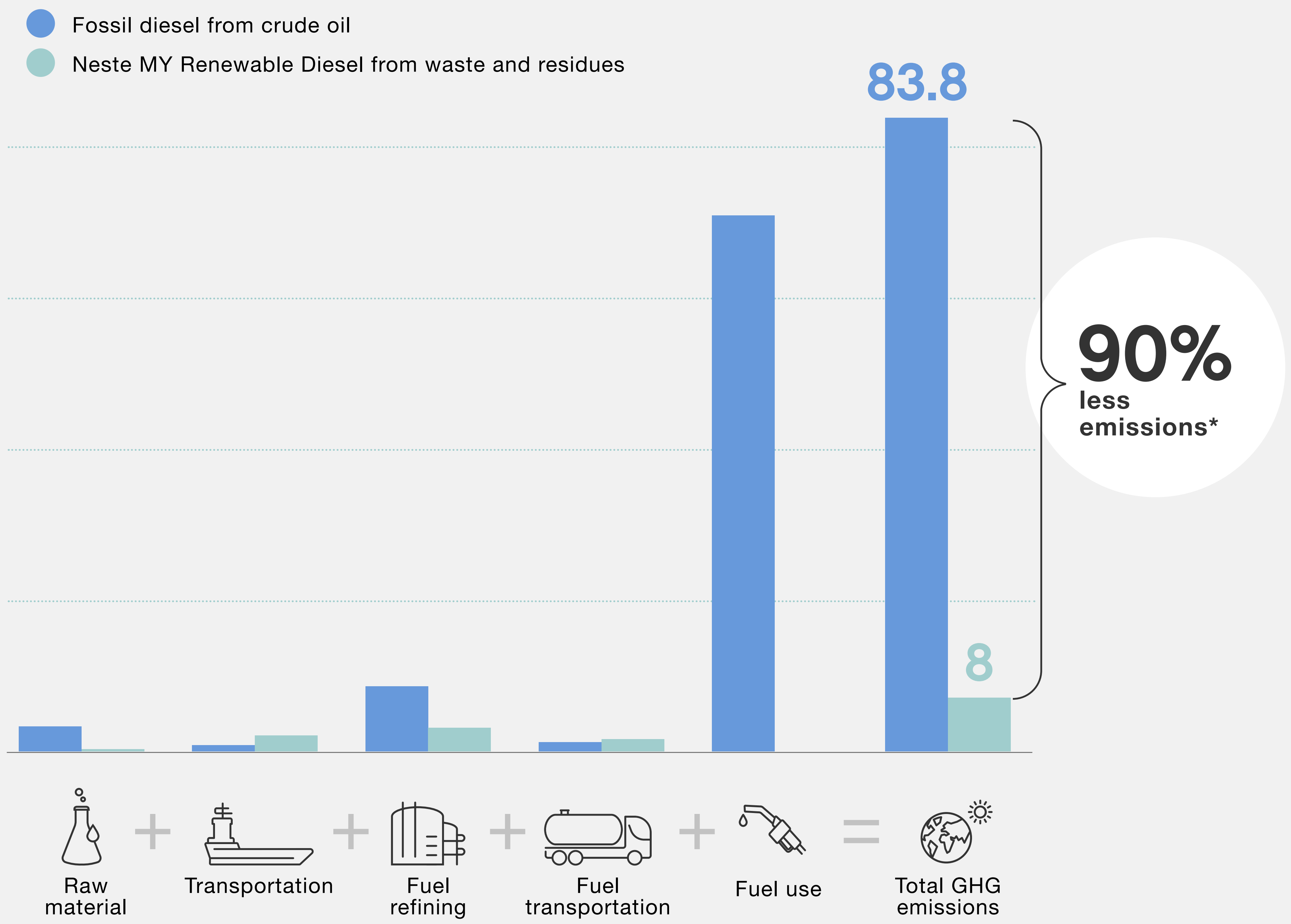
Neste MY Renewable Diesel™ is a drop-in solution for all diesel-powered vehicles, and its use does not require any alterations to the existing engines or logistics. The use of our Neste MY Renewable Diesel, for example, helps reduce greenhouse gas emissions by 50–90% compared to 100% fossil diesel, based on the European regulation (RED 2009/28/EC) calculation method.

In 2020, we expanded the availability of Neste MY Renewable Diesel in Finland, Sweden, the Netherlands and the United States, enabling many more transport and logistics companies and consumers to reduce their own carbon footprint immediately:

- In Finland, the availability of Neste MY Renewable Diesel expanded from 70 stations to over 120 stations.
- Neste MY Renewable Diesel available at 130 new stations in Sweden.
- Reached a milestone of 100 Neste MY Renewable Diesel sales points in the Netherlands.
- Four new stations were opened in California and on the West Coast.

Switching from 100% fossil diesel to 100% Neste MY Renewable Diesel™ results in up to 90% lower greenhouse gas emissions when comparing the emissions over the fuels' life cycle.

(GHG, gCO_2eq/MJ)



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 renewable raw material has absorbed earlier.

*Calculation method complies with the EU Renewable Energy Directive (2009/28/EC).

Fries to miles – a circularity partnership

Fries to miles, circularity partnership by Neste, McDonald's Netherlands and HAVI sees McDonald's restaurants in the Netherlands recycling the used cooking oil from French fries into Neste MY Renewable Diesel. The fuel will be used in HAVI trucks that deliver goods to McDonald's.

Read more about the collaboration.

How we support our customers' carbon neutrality targets – case Posti Group

We want to support our customers with their carbon neutrality targets. In 2020, Posti Group began using Neste MY Renewable Diesel in its light distribution fleet.

Read more about the collaboration.

Neste MY Renewable Diesel used in school buses in California

Neste helped the Twin Rivers Unified School District in California go fossil-free. 75 diesel-powered school buses are now running on renewable diesel.

Read more about the project.

Sustainable solutions for aviation

Commercial aviation is responsible for about 2% of the global carbon emissions. Neste continues to help the aviation industry with its emission reduction 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. The fuel gives an immediate solution for reducing the direct carbon emissions of flying. Blended up to 50% with fossil jet fuel, aviation companies can achieve significantly lower greenhouse gas emissions with Neste MY Sustainable Aviation Fuel. The fuel also reduces local emissions and provides additional climate benefits through the reduced particulate emissions.

Neste's sustainable aviation fuel annual capacity is currently 100,000 tons. With the Singapore refinery expansion on the way, and with possible additional investment in the Rotterdam refinery, Neste will have the capacity to produce some 1.5 million tons of SAF annually by 2023.

We are actively working with partners through the supply chain to grow the availability of SAF for the aviation industry globally. In 2020, we started several new partnerships and continued developing further existing ones:

- All Nippon Airways (ANA) is becoming the first airline to use SAF on flights departing from Japan and represents Neste's first SAF supply to an Asian airline.
- We initiated collaborations with Shell and continued our collaboration with Air bp to further expand market reach for SAF.
- We also acquired a minority stake in Aircraft Fuel Supply, the Amsterdam Airport Schiphol fuel storage company to become a marketer of SAF at Schiphol.
- We announced a partnership (early 2021) with Avfuel to create an efficient, continuous supply of SAF in the United States.
- We made a commitment to reduce and compensate Neste's own business flight emissions with use of SAF. Neste aims to provide this opportunity to other companies as well.
- We delivered SAF, in collaboration with Jet Aviation, to Zurich Airport during the World Economic Forum 2020 in Davos.
- Contribution to the work of World Economic Forum's Clean Skies for Tomorrow coalition in driving scale up in SAF use. Neste was one of the signatories among 15 aviation stakeholders publishing a joint proposal for the European Commission and UK government to announce implementation of the SAF mandate in 2021.

Continuous supply of sustainable aviation fuel at SFO

In the United States, Neste has established a continuous supply of sustainable aviation fuel to San Francisco International Airport. SAF is available for all commercial, cargo and business aviation operators at SFO, with commitment in place to Alaska Airlines, American Airlines, JetBlue and most recently to DHL Express. Also with Signature Flight Support and NetJets we established a strategic partnership to accelerate the adoption of SAF for private aviation operators at San Francisco and London-Luton.

Read more about the collaborations between Neste and partners at SFO.

Sustainable marine solutions

More than 90% of the world's trade is carried by sea, making maritime transport essential to the global economy. Shipping is an industry where even incremental change can deliver massive benefits. We help shipping companies to reduce their emissions and to respond to the tightening regulations on sulfur dioxide emissions with low-sulfur fuels.

In 2020 Neste helped shipping companies to respond to the IMO 2020 regulation and provided its customers with very low-sulphur fuel oil – Neste Marine 0.5. The product is compliant and has supreme technical performance.

The channel partnership for Neste Marine 0.5 distribution was concluded with BMT, a well-recognized bunkering service company on the North Sea coast in Germany. In the future we will continue our efforts to develop low-carbon cleaner marine solutions in order to create a healthier planet for our children.

Renewable and circular solutions for the plastics and chemicals industries

Neste provides the polymers and chemicals industry with renewable and circular solutions that help mitigate climate change and reduce dependency on crude oil. By developing chemical recycling technologies and capacity we also contribute to combating the global plastic waste challenge.

Neste is already delivering renewable feedstock to be used as sustainable, drop-in alternative raw materials in the polymers and chemicals industries. We are also committed to become a solution provider for chemical recycling of waste plastic. Chemical recycling can complement traditional mechanical recycling in diverting valuable materials away from landfill and incineration 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 which have low or no value in mechanical recycling.

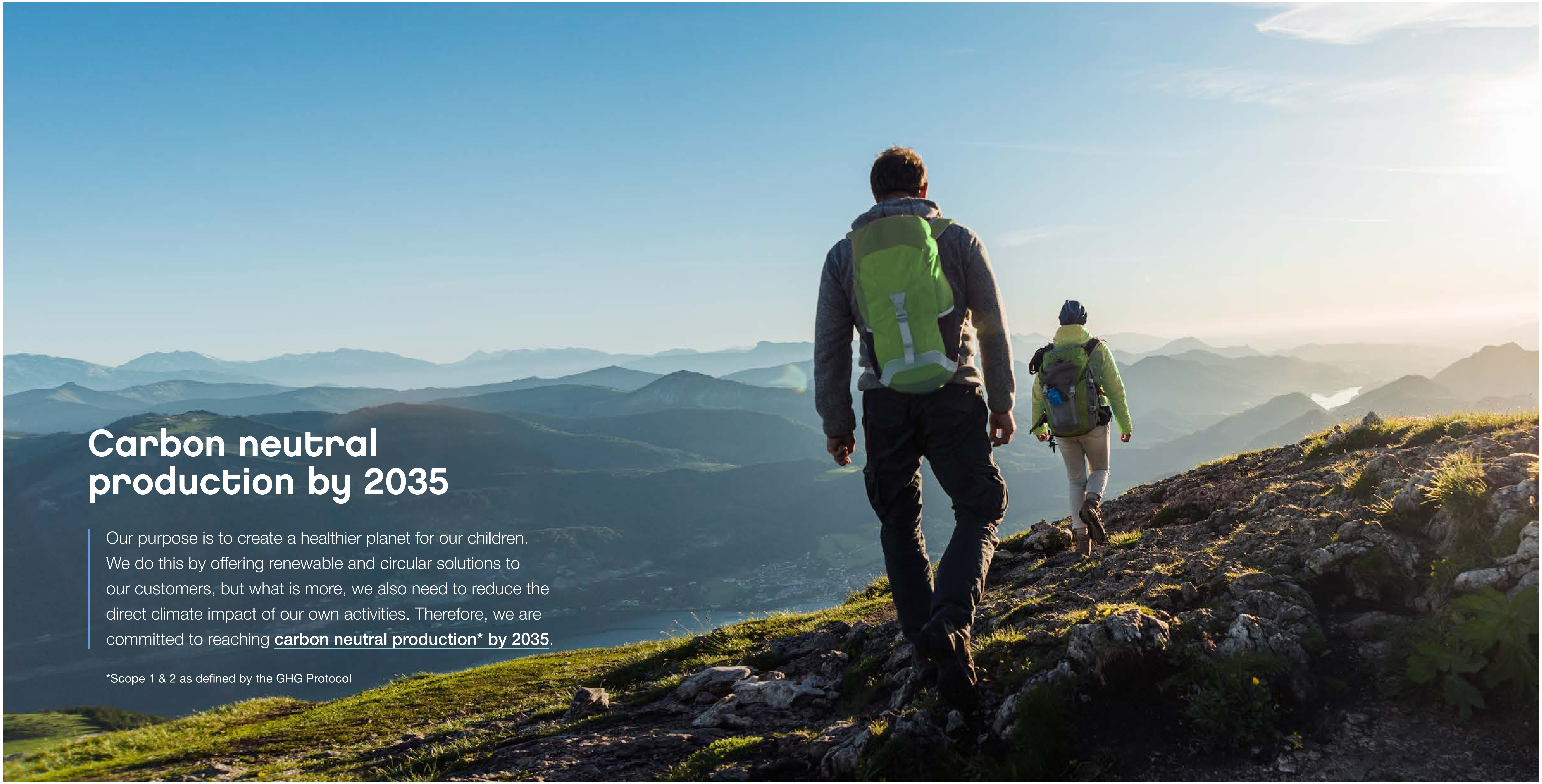
In 2020, Neste has been actively screening and developing LCA methodologies for circular solutions for the polymers and chemicals industries. LCA is an excellent tool for demonstrating not only the GHG emission reduction but also the benefits related to replacing fossil resources with more sustainable alternatives.

Our renewable polymers and chemicals business, and development of chemical recycling, are built on partnerships and collaboration in the value chain. Downstream partners turn our renewable and circular hydrocarbons, sold with a product brand Neste RE Renewable and Recycled™ to polymers and chemicals, and support in creating value and transparency. For chemical recycling, upstream partners are needed to collect, sort and process plastic waste. We have developed several partnerships to develop chemical recycling technologies to enable their commercialization and to speed up their adoption.

In 2020, we announced several new partnerships that pave the way for reducing the dependency of the polymers and chemicals industry on virgin fossil feedstock by replacing the raw materials with our renewable and recycled alternatives. The partnerships include Unilever, Jokey, Covestro, LG Chem, DSM, among others. We launched our new product, Neste RE Renewable & Recycled™, a 100% renewable and recycled raw material for plastics and chemicals production for a wide range of applications. Read more about these new partnerships and Neste RE on pages 55–56 in this report.

We made progress in making chemical recycling an industrial-scale solution. Work continued with our waste management and recycling partners Ravago and Remondis. We announced a new chemical recycling partnership with technology developer Recycling Technologies. Unilever joined this collaboration for research on achieving circularity.

Read more about our renewable and circular plastics solutions on pages 54–57 in this report.



Carbon neutral production by 2035

Our purpose is to create a healthier planet for our children. We do this by offering renewable and circular solutions to our customers, but what is more, we also need to reduce the direct climate impact of our own activities. Therefore, we are committed to reaching carbon neutral production* by 2035.

*Scope 1 & 2 as defined by the GHG Protocol

Reducing production emissions

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 2020, $MtCO_2e$

1) Includes Use of sold products and End-of-life treatment of sold products.
2) Including Purchased services, Waste generated in operations, and Fuel- and energy-related activities.

Towards carbon neutral production by 2035

We are regularly tracking and analyzing the sources of GHG emissions in our production. More importantly, we are constantly evaluating ways to reduce the emissions.

After we announced our ambitious commitment to reach carbon neutral production by 2035 in March 2020, we have put together a roadmap of key actions.

Reaching carbon neutral production by 2035 will require new ways of thinking, innovation and plenty of cooperation, and integrating GHG emissions into all decision-making and key activities. There are areas where a constant focus is needed all the way to 2035.

First of all, efforts from the whole organization are needed to reach the target, and ensuring awareness and commitment is critical to make this transformation happen. Secondly, we cannot succeed in this target alone – we need to make sure that policies and regulations develop in the direction that support actions by companies like Neste to reduce their emissions.

Thirdly, we all need to act now and act fast to keep in pace with the objective of the Paris Agreement to limit the global temperature increase to well below 2 °C and pursue efforts to limit the increase to 1.5 °C. According to the latest climate science, avoiding catastrophic consequences to natural and human systems requires the world to peak global GHG emissions as soon as possible and halve emissions every 10 years to reach net-zero GHG emissions by 2050. (Sources: EU, IPCC, SBTi)

Lastly, we recognize that although significant emissions reductions in production are needed, there are emissions that cannot be removed by 2035. To reach carbon neutral production, we will prepare and implement credible compensation methods together with our partners.

The continuous focus areas pave the way for the key actions on the roadmap to turn into reality, leading to significant emission reductions in production. By the end of 2020, approximately 80 different measures and actions have already been identified for decreasing GHG emissions from our production. Some of the identified key actions have already been started. These actions include for example using more renewable electricity, and targeting an increase in the share of renewable electricity towards 100%. In addition, we are also working together with our suppliers to enable them to utilize renewable energy sources and reduce emissions related to production steam and hydrogen supplied to Neste.

In 2020, Neste updated its investment criteria to support the key actions on the roadmap. These criteria include mandatory evaluation of the GHG impact of the investment, as well as introducing an internal price for emissions. The updated investment criteria will support prioritization of different investments needed to reduce emissions. The key investments needed include further improving our energy efficiency by optimizing the use of fuel gas, electricity, hydrogen and steam in our production. Renewing a steam-powered compressor to a more energy-efficient electric motor during the major turnaround at the Porvoo refinery 2021 is a good example of our coming investments in energy efficiency improvements. In addition, making sure that investments needed to execute Neste's

Highlights of the climate roadmap

- Increasing transparency for GHG impact of investments. Aiming for 100% renewable electricity.
- Piloting low-carbon technologies and innovations.
- Emphasizing energy efficiency.
- Ensuring that investment decisions support the target and carbon neutral growth.
- Leveraging renewable energy sources in steam and hydrogen supply.
- Scaling up low-carbon technologies and innovations, e.g. carbon capture and storage/utilization (CCS/U) and renewable hydrogen.

ambitious growth strategy also support the target of achieving carbon neutral production by 2035 – we have chosen the path of "carbon neutral growth".

Innovative new technologies are critical to make the transformation to carbon neutral production successful, and will require longer development efforts from piloting to scaling up the solutions to the commercial scale. Together with our partners, we are actively looking into new technologies and solutions to turn them into reality. These technologies include for example carbon capture, storage and utilization (CCS/U) and producing renewable hydrogen by using electrolysis technology or from biogas.

The commitment to reach carbon neutral production by 2035 is ambitious. In addition, we need to act now. We are committed fighting climate change, showing leadership through concrete actions, and making our contribution to the ambitions set in the Paris Agreement.

Key achievements in 2020

Already during 2020, we made significant steps on our roadmap to carbon neutral production:

Increasing the use of wind power

In June 2020, we signed a wind power agreement with Ilmatar, a wind power company. The agreement has been made together with Borealis, Neste's long-term partner in the Kilpilahti area in Porvoo, Finland. The total capacity of the agreement is more than 20 MW, and the electricity produced will correspond to around 7% of the electricity consumption at Neste's sites in Finland.

As a result of this agreement, as well as that signed with Fortum at the end of 2019, nearly 30% of the electricity used at Neste's production sites in Finland will be renewable wind power in 2022. The first wind power deliveries started in January 2021.

GHG impact evaluated in every investment decision

In July 2020, we updated our investment criteria to make the greenhouse gas (GHG) impact of all investments more transparent. In accordance with the new criteria, the GHG impact is evaluated in investment calculations and business case evaluations, and alternative solutions with smaller GHG impact are presented, when possible. The criteria also increase the weight of GHG emissions in strategic long-term decisions.

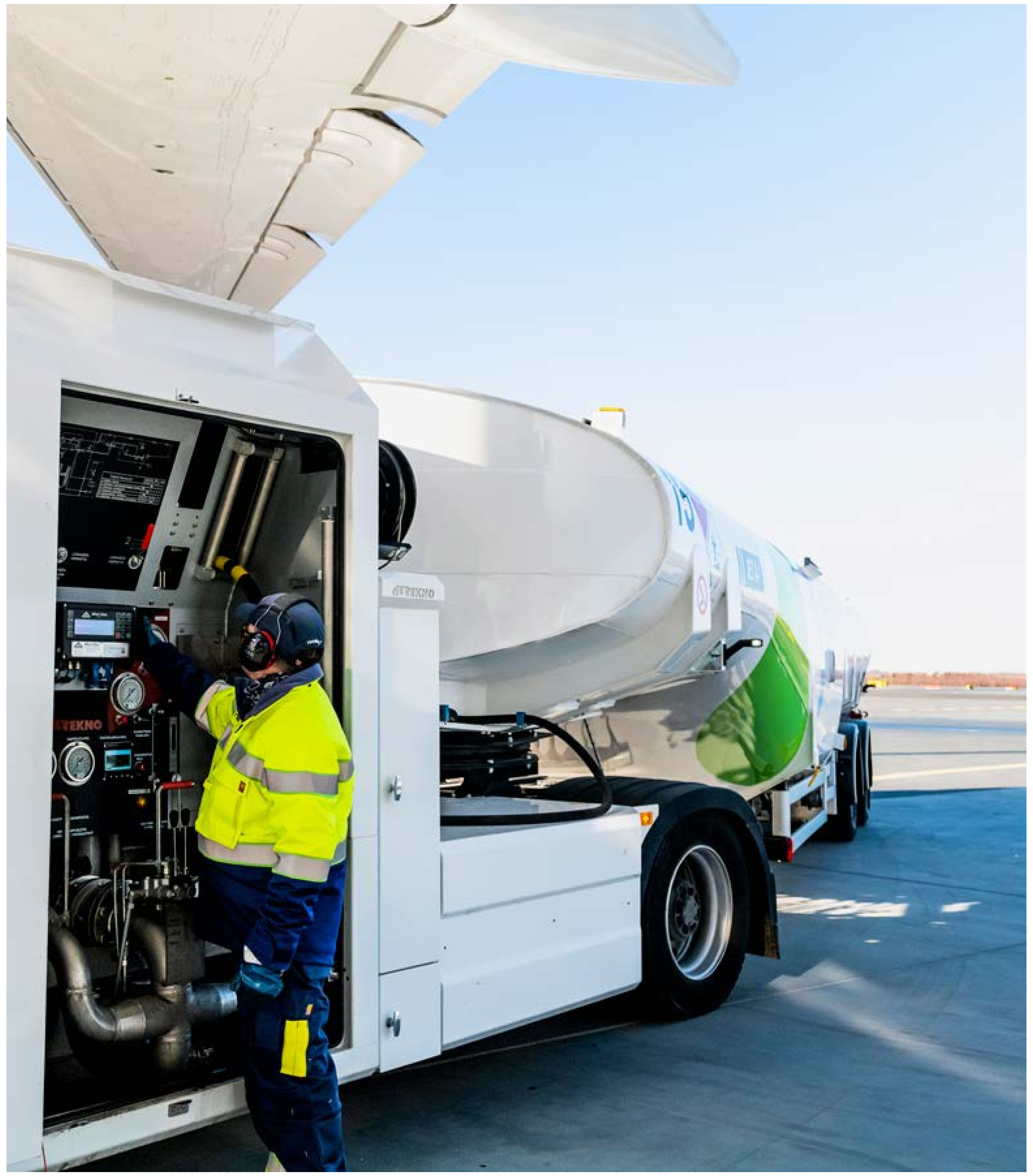
Carbon pricing as one tool to reduce GHG emissions

During 2020, we set an internal price for GHG emissions in order to increase the weight of GHG emissions in investment calculations and business case evaluations. We have also updated our view on the development of the EU ETS allowance price and expect the EU Green Deal and raised emission reduction ambition for 2030 to significantly increase the allowance price in the near future.

In 2020, the internal price for GHG emissions was 40 EUR/tCO_2e. We are in the process of evaluating the required long-term price needed to sufficiently support the required investments to reach carbon neutral production by 2035. We have evaluated that some of the critical low-carbon technologies are costly in the current situation, and a significantly higher price for emissions, even exceeding 100 EUR/tCO_2e, will be needed to support global climate ambitions. To achieve the EU's long-term goal of climate neutrality by 2050 and pursue efforts to limit the global temperature increase to 1.5°C, reducing GHG emissions cannot be more expensive than releasing them into the atmosphere. We need to together make sure that this type of business is not only environmentally sustainable, but also financially sustainable now and in the future.

Continuous focus areas

1. Ensure awareness and commitment
2. Advocate for supportive policies and regulations
3. Act now to keep in pace with the ambition set by the Paris Agreement
4. Prepare credible compensation methods



Innovative low-carbon solutions
In 2020, Neste continued the project on new GHG emission reductions for the Porvoo production site focusing on carbon capture, storage and utilization (CCS/U). In addition to CCS/U, Neste is looking into opportunities to produce green hydrogen using electrolysis technology. The innovative low-carbon technologies enable large emission reductions in production. The development and commercialization of these technologies is expensive and requires a supportive business environment. In 2020, Neste applied for additional funding from the EU Innovation Fund to support the implementation of CCS for hydrogen production, one of the biggest emission sources in refining, as well as demonstrating the electrolysis technology to produce green hydrogen to further reduce production emissions at the Porvoo production site.

Kilpilahti excess heat project
Neste is involved in a project to evaluate possibilities to utilize excess heat from the Kilpilahti production plants for district heating in the Helsinki metropolitan area. The feasibility study for the project was completed in the summer of 2020. The project partners (Neste, Borealis, Helen, Fortum and Keravan Energia) have reviewed the results of the study, and are defining how to take the initiative forward as well as the roles of each partner. More information will be published in 2021.

Liquefied waste plastic trial
Replacing crude oil is one of the key challenges in our industry to reduce GHG emissions from production. Neste reached an important milestone of replacing fossil crude oil as it successfully processed 400 tons of plastic waste at its refinery in Finland during the fall. This marked the first time Neste processed liquefied waste plastic at an industrial scale. Besides enabling circulation of materials and creating value from previously non-recyclable plastic materials, chemical recycling of plastic waste into high-quality polymers has been found to be a significantly climate-friendlier alternative to incineration for energy.

We continuously identify, analyze, and measure the financial implications of climate change for our business. We are committed to applying the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Other highlights
In 2020, we also made progress related to emission reductions outside production:

Neste “Flies with SAF”
In 2020, Neste committed to reducing and compensating emissions from its employee business flights through the use of the company’s own sustainable aviation fuel (Neste MY Sustainable Aviation Fuel). The commitment will be implemented through aviation partnerships. Neste has already joined KLM's corporate biofuel program in 2019. In addition, we announced our partnership with Finnair in March 2020. To fulfill this commitment for 2020, Neste has put in place arrangements to supply approximately 500 metric tons of SAF in Europe and North America to the airlines most frequently used by Neste (including Finnair), leading to an estimated GHG emission reduction of 1,500 tons of CO_2 equivalent globally compared to using fossil jet fuel over the life cycle. No regulatory incentives have been claimed for the supplied SAF, and thus the achieved emission reduction is incremental to that achieved by any governmental policies.

Using Neste MY Renewable Diesel in product distribution logistics in Finland
During 2020, over 70% of Neste’s product distribution logistics in Finland used Neste MY Renewable Diesel. Expanding the renewable diesel distribution network in Finland enables the achievement of an almost 90% share for renewable diesel in product logistics in Finland. Further expansions in 2021 make it possible for the product logistics in Finland to run almost entirely on renewable diesel.

Renewable raw materials

We use approximately ten different renewable raw materials each year to produce renewable products, such as renewable transportation and aviation fuels, as well as feedstock for the production of renewable polymers and chemicals.

Read more about our renewable raw material portfolio.

Waste and residues accounted for

83%

of our total raw material inputs

More than

10

different renewable raw materials in our portfolio

In 2020, we used altogether 3.7 Mt of renewable raw materials, with a continued focus on waste and residue raw materials, which accounted for 83% (80%) of our global renewable raw material inputs. Animal fat 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.

Due to preferences in specific markets, we also continued to use sustainably produced vegetable oils, such as palm oil. The share of vegetable oils, particularly conventional palm oil, in our renewable raw materials inputs globally has become significantly smaller over the past decade and continued to decrease in 2020.

None of our raw materials in our portfolio individually represent the majority share of the total annual inputs. Proportions of individual raw materials in Neste's refining vary from year to year, depending on their availability, price, and specific market requirements, for example.

Focus on waste and residues continues

In 2020, we communicated that we expected the share of waste and residue raw materials to grow from the current 80% to 100% of the company's total renewable raw material inputs by 2025 due to customers' preferences and regulatory trends. Our refineries of renewable products have been technically capable of running on 100% waste and residues since 2015.

We continued building our global platform for capturing a greater share and wider scope of raw materials from waste and residue streams. In March 2020, we acquired 100% of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and its affiliated entities. This supports our efforts to gain access to a substantial volume of used cooking oil and to grow our raw material supply chain in North America.

By being locally present in the regions where we source raw materials, we have a better visibility into the supply chain, which enables closer engagement with our suppliers, and provides us with more control to ensure high-level sustainability performance. Read more about our supplier engagement.

Diversifying our raw material portfolio while building new business platforms

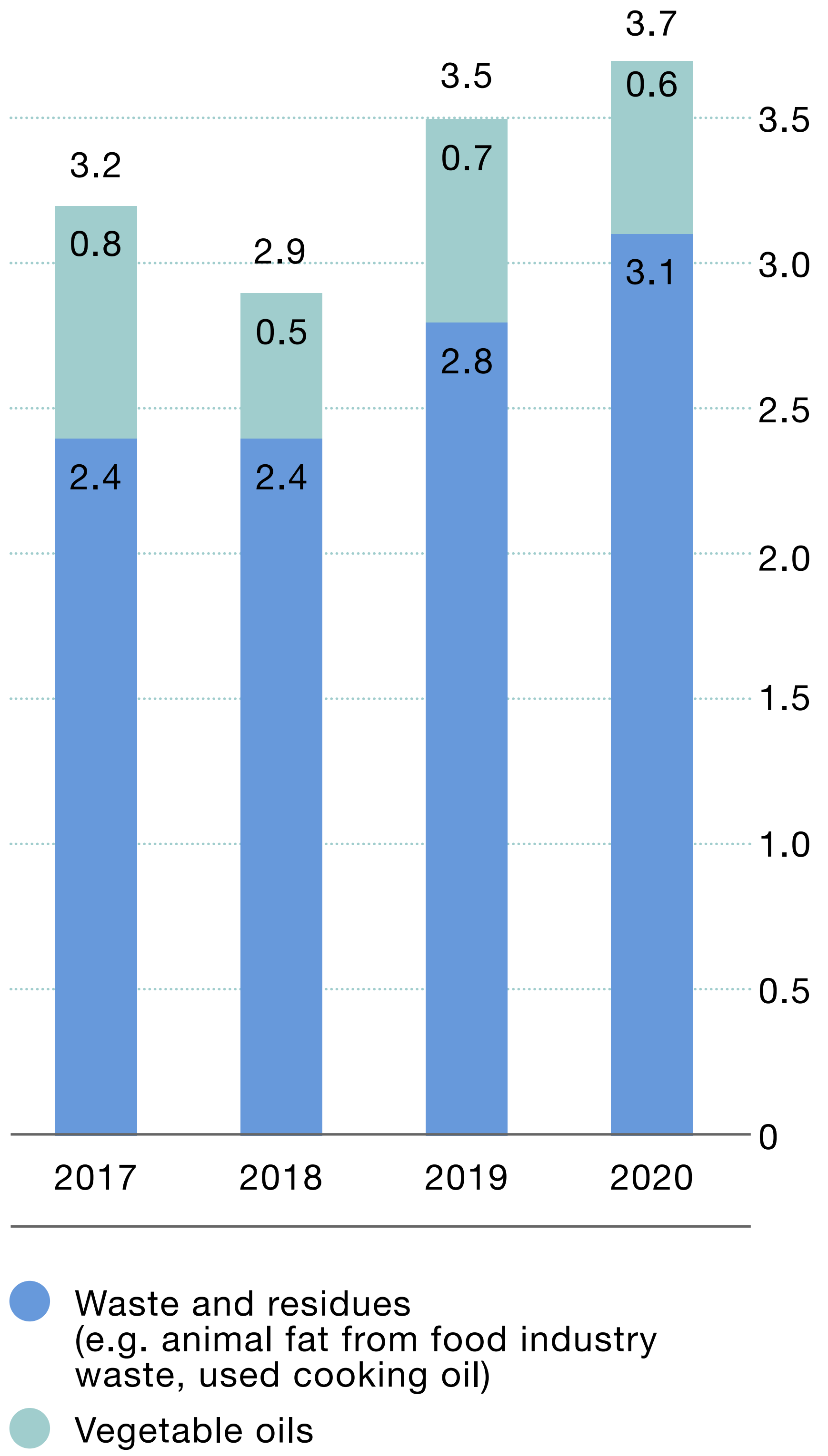
We are constantly looking into diversifying our portfolio with new raw materials. Replacing fossil oil with renewable and recycled raw materials helps reduce crude oil dependency and greenhouse gas emissions to combat climate change.

We continued to develop the availability of emerging, lower-quality waste and residue raw materials, such as acid oils and palm effluent sludge (PES), while continuing to study lignocellulosics, such as agricultural and forest harvesting residues, municipal solid waste and wastewater-derived grease as future raw material options.

Funding for a project based on lignocellulosic waste and residues

Neste has also studied lignocellulosic feedstock, such as forest industry and agricultural wastes and residues, for years. In November, the Quebec Government announced its funding for a non-profit organization Bioénergie La Tuque (BELT) with which Neste had been collaborating since 2017 to develop and demonstrate the potential of utilizing locally sourced forest-based biomass, particularly harvesting residues in the production of advanced biofuelsin in La Tuque, Quebec, Canada.

Renewable raw material inputs globally, million tons



Project on novel vegetable oils continued

In the mid- to longer term we aim to introduce novel vegetable oils (NVO) from advanced agricultural concepts to our raw material portfolio. The key sustainability benefit provided by these advanced agricultural concepts is that cultivation of crops provides additional vegetable yields as a result of improved, more sustainable agricultural practices applied to cultivation on existing agricultural land or from cultivation on degraded or pre-existing agricultural land.

Advanced agricultural concepts to produce these new volumes of vegetable oils aim to minimize the indirect land use change (ILUC) risk. They do not require the replacement of any existing cultivation, or create any demand for additional agricultural land elsewhere for, e.g. biofuels or for food and feed production purposes.

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, coming into force in 2021. Besides being used in the transportation and aviation sectors, novel vegetable oils could be used to produce our renewable feedstock for the polymers and chemicals sectors.

In 2020, the feasibility of selected novel vegetable oil concepts was further assessed to identify the first prioritized concept for development. The sustainability of the novel concept was studied with a special focus on climate and biodiversity aspects. Neste also actively took part in the novel concepts' sustainability and acceptance criteria development with key stakeholders.

Municipal solid waste

The global annual municipal solid waste (MSW) generation is expected to increase from the current 2 Bt to 3.4 Bt by 2050. Neste's aim is to explore untapped solid waste streams that can be valorised. The key is to find suitable sources and locations where we can create efficient value chains, taking us from waste collection through pre-treatment and eventually to refining. Together with partners, we are developing new business opportunities where suitable waste streams will be converted into sustainable fuels and chemicals.

Algae

At Neste, we have explored and developed the use of algae for over 15 years. The microalgae are of special interest to Neste, since they use the energy of sunlight to synthesize the sugars, fats and other complex biomolecules that promote their own rapid growth. The lipids and fatty acids they make have a high energy density and are an excellent bio-based feedstock for materials production.

In 2020, we screened the algae landscape to identify the latest updates of technology advancements and companies operating in this industry. In the past few years, some promising improvements have been made and new application areas identified.

As a means to fight climate change, they are in a class of their own and through photosynthesis, microalgae contribute up to 50% of the breathable air on our planet.

Strengthening our feedstock sourcing and pre-treatment capabilities

In 2020, we completed major acquisitions to strengthen our global renewable feedstock sourcing and pre-treatment capabilities. We acquired Mahoney Environmental, a collector and recycler of used cooking oil in the United States, as well as Count Terminal Rotterdam BV and its supporting entities. In addition, we acquired Bunge's refinery plant in Rotterdam to increase raw material pre-treatment capacity for the production of renewable products. The closing of the transaction is subject to the fulfillment of customary closing conditions and regulatory approval.

Read more about the acquisitions.

Power-to-X and CO_2

In 2020, Neste set up a business platform Renewable Hydrogen and Power-to-X (PtX). The purpose of the platform is to deploy PtX technologies at Neste's refineries and to enable production of renewable hydrogen and synthetic fuels. In March, Neste acquired a minority stake in the German cleantech company Sunfire GmbH, a leading developer of high-temperature electrolysis technology (SOEC). We started the EU project MULTIPLHY at our Rotterdam refinery, the goal of which is to demonstrate Sunfire's SOEC technology for renewable hydrogen production.

As renewable electricity is the main raw material for renewable or green hydrogen, Neste is currently evaluating future availability of renewable electricity and various sourcing options. Another feedstock in the PtX value chain is captured CO_2. Neste has set a target to reach carbon neutral production by 2035. Hence, it is also evaluating carbon capture options in its refineries.

Read more about our efforts towards carbon neutrality from the section on Climate.

Raw material aggregation capabilities improved

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 of pre-treating, i.e. purifying, low-quality raw materials to remove impurities. This enables us to 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.

Our Sluiskil plant in the Netherlands continues to focus on pre-treating renewable raw materials for our renewable products refineries. Our production capacity expansion project at the Singapore refinery will further improve our raw material pre-treatment capacity, enabling us to use even lower-quality waste and residue raw materials that would otherwise be difficult or impossible to process.

We accept only sustainably produced renewable raw materials:

- We source sustainably produced renewable raw materials only from suppliers who meet our strict criteria for sustainability. This is embedded into our policies and principles, as well as the regulatory requirements in our key markets.
- 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 for the European markets and the US EPA's requirements 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 accept only renewable raw materials that are traceable to production or cultivation sites.
- We ensure that the production of our raw materials has not caused deforestation, threatened biodiversity, 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 (in 2020 at least 50% reduction as per EU RED) over the fuels' life cycle compared to similar emissions from 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.

Read more about our supplier engagement.

PFAD as a sustainable raw material

Palm fatty acid distillate (PFAD), a processing residue removed during the final stages of refining food-grade palm oil, is one of the many waste and residue raw materials in our portfolio. Replacing crude oil with waste and residue raw materials, e.g. in the production of transport fuels, offers significant climate benefits. Their use reduces the pressure to clear new areas of land for the cultivation or production of virgin raw materials, such as vegetable oils.

We buy PFAD only from suppliers that are committed to sustainable working practices and meeting or exceeding strict sustainability criteria embedded in the biofuels regulations. These criteria include a proactive approach to preventing deforestation and mitigating its risk.

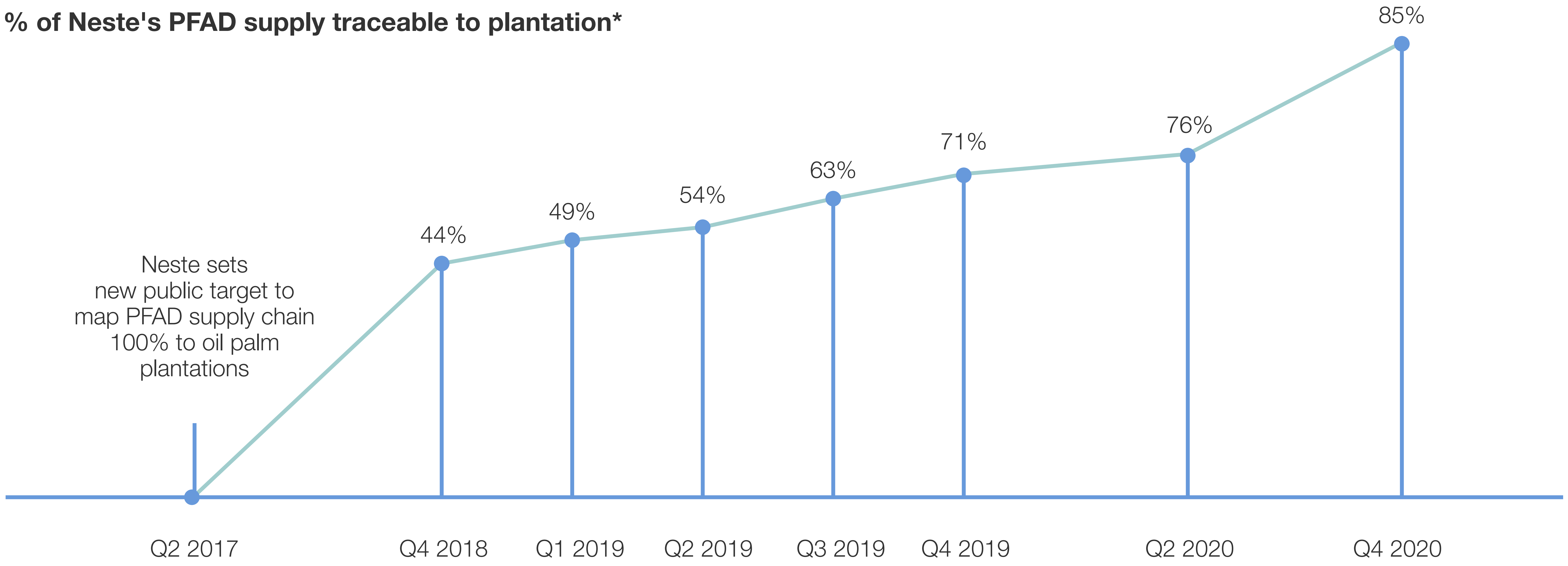
Progress in PFAD supply chain traceability

Biofuels producers are required by law (e.g. EU RED) to use only raw materials that are traceable to the point of origin. We always meet the traceability requirements in each market. This means that if PFAD is classified as a residue within a specific market, we ensure traceability to the palm oil refineries where PFAD is removed to produce food-grade palm oil, i.e. to improve the oil's taste, odor, color and shelf life. If PFAD is classified as a co-product, traceability is ensured to the oil palm plantations.

Since April 2017, we have been working towards a target of developing traceability for our entire PFAD supply chain to oil palm plantations by the end of 2020. 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.

The food industry, representing approximately 70% of global palm oil use, does not generally require its palm oil volumes to be traceable. Very limited volumes of certified PFAD are available that are traceable to the oil palm plantations. See our traceability dashboard on neste.com for the most recent detailed information on key aspects of our palm oil and PFAD supply chains (for example, certifications).

% 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.

During the second half of 2020, we were able to independently map and validate 99.97% of our PFAD supply chain to the supplying palm oil mills and 85% (71) all the way to plantations. This significantly surpasses the fuel industry's current regulatory requirement for residue raw materials, in PFAD residue's case 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.

The progress of mapping and validating PFAD supply chains was slowed down by the COVID-19 pandemic that prevented physical engagements between sustainability experts and supplier representatives. This brought PFAD mapping and validation to a halt for several months. The parts of the supply chains that remain to be mapped need significant amounts of support in the process.

Neste is reassessing its PFAD traceability target in early 2021 while continuing to work with its partner CORE and palm oil suppliers to improve traceability and sustainability within the palm oil industry.

Feedback gathered on the Traceability To Plantations (TTP) method

Our aim is to develop a common approach to tracing palm oil-based waste and residues, such as PFAD. For this, we continued to develop the "Traceability to plantations" (TTP) approach. The TTP approach prioritizes gathering more data from suppliers sourcing raw material in higher-risk areas, such as those in close proximity to forests, uncultivated peat, and protected areas.

In previous years, we had engaged with palm oil industry players 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, particularly those

Collaborative sustainability projects in Southeast Asia

Neste together with several global brands as well as with Daemeter, Proforest, and the Siak government, continues the cooperation in the Siak-Pelalawan Landscape project that aims to a large-scale transformative sustainability impact in the Siak and Pelalawan regions in Indonesia. The collaboration initially started in 2018 and continued in 2020.

Read more about the collaborative project.

that are primarily serving industries and do not have legal traceability requirements similar to those in the biofuels sector.

Due to the COVID-19 pandemic, our usual supplier engagements via physical meetings and discussions on site were canceled. We converted our annual supplier sustainability workshop to sustainability webinars for our palm and PFAD suppliers and covered e.g. the TTP method and Greenhouse gas, human rights and No Deforestation, Peat & Exploitation (NDPE) compliance. The sustainability webinars were attended by representatives from 20 companies. Read more about our supplier engagement.

Collaboration with palm oil smallholders

In 2020, our supply chain included approximately 14,400 (36,900) Indonesian palm oil smallholders, organized into cooperatives. Our cooperation with palm oil producing smallholders aims to support the development of their sustainability awareness and expertise. The adoption of sustainable practices enables smallholders to get certified; Neste requires a commitment to certification from all its palm oil suppliers.

Grievance processes enhanced

In 2020, we improved our procedures for processing raw material-related grievances. Amongst other initiatives we established a cross-functional team to ensure speed and consistency in how we manage grievance cases. Since February, we have also transparently published monthly updates on our website on the grievance cases we have been working on and actively monitoring.

We take all allegations on suspected sustainability violations and shortcomings seriously and investigate the cases. Upon learning about credible serious allegations concerning our suppliers, we put all further purchases from those suppliers or supply chains on hold while we investigate the cases. With this, we introduced a strengthened approach to mitigating alleged sustainability violations: until 2020, we would have discontinued sourcing after claims of sustainability violations had been proven to be based on verified data. From 2020 onwards, we can put further purchases on hold while we investigate serious, credible allegations. In 2020, we applied this to 3 cases, the details of which can be found in our monthly Grievance reports.

Our primary means of action remains to be 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 palm oil supply chain. We engage regularly with our suppliers in terms of sustainability policy development, due diligence, traceability to plantation, training and workshops, grievance management, etc.

We welcome all efforts to monitor our raw material supply chains to ensure unwavering commitment to sustainability. We work closely with locally operating sustainability specialists, such as the Consortium of Resource Experts (CORE) consisting of experts from Daemeter and Proforest, to monitor our supply chains. We transparently publish data on our palm oil and PFAD supply chains on our website to enable other experts to help in this work.

If the sustainability criteria and requirements included in our contracts with our suppliers have been verifiably breached and the nature of these is considered serious and progress to resolve those issues is not made in a reasonable time, we will terminate our contract with the supplier in question.

Recycled raw materials

Neste's business focuses on 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 continued developing technologies and capacity with several value chain partners to chemically recycled post-consumer plastic waste that is currently difficult or impossible to recycle mechanically.

Aiming to process

> 1 Mt

of plastic waste from 2030 onwards

First industrial-scale processing run with

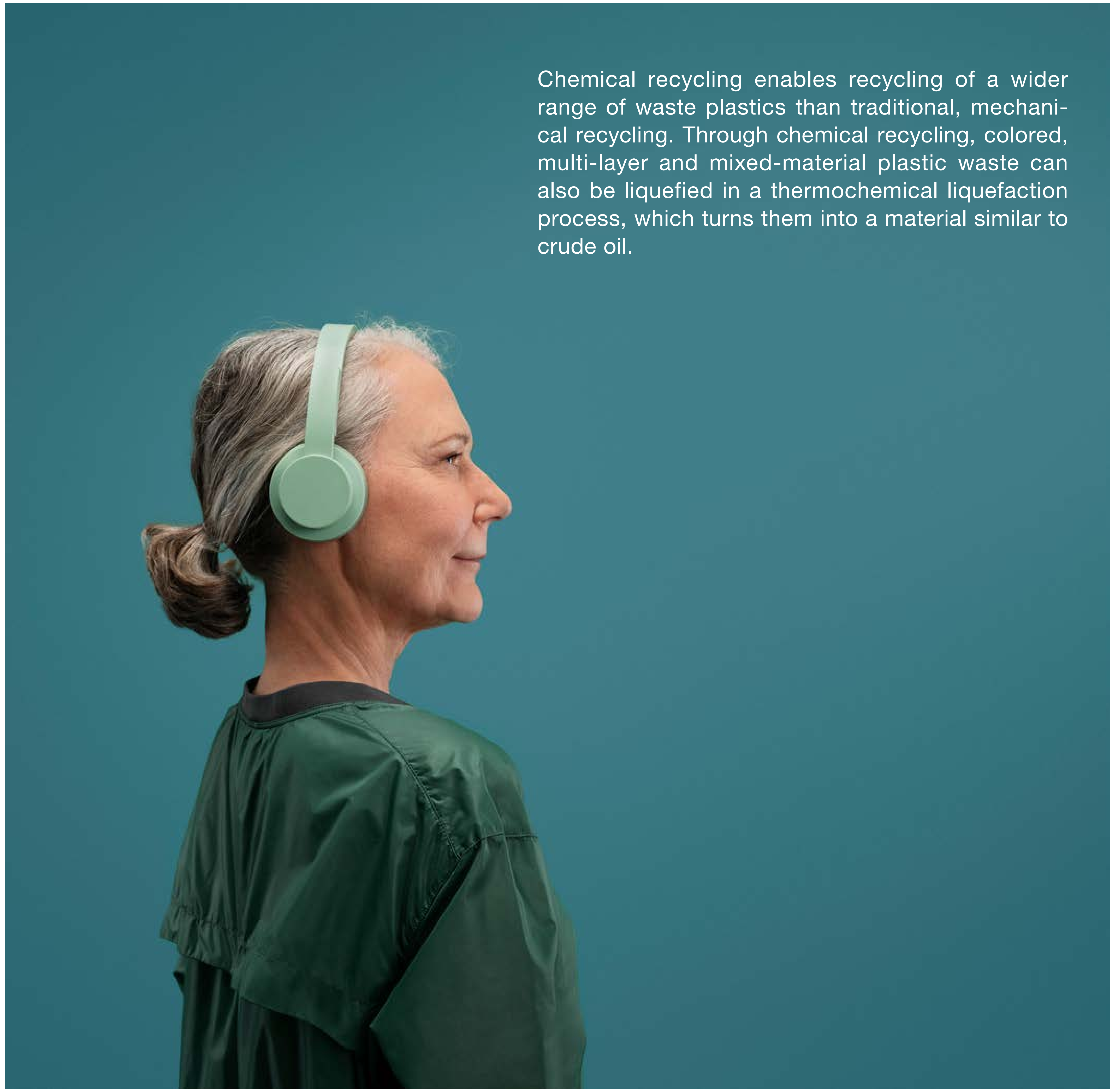
400 t

of liquefied plastic waste completed at Neste's refinery in Finland

3 Mt

(2 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*

*Calculating principles can be found on **page 83**



Chemical recycling increases circularity of materials

The development of chemical recycling capacity 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. In addition, the development supports the European Strategy for Plastics in the Circular Economy and the Circular Plastics Alliance target of introducing 10 million tons of recycled plastics into products in the European Union by 2025.

Chemical recycling creates possibilities and incentives to divert plastic waste from landfills and incineration. Diverting plastic waste from incineration back to the plastics value chain provides significant greenhouse gas emission savings. It also helps tackle the plastic waste challenge through creating value from previously non-recyclable plastic materials which can contribute to plastic waste reduction.

Read more about chemical recycling on our website.

First industrial-scale processing run of liquefied plastic waste successfully completed

Neste continued to develop its capabilities to process liquefied waste plastics as a new raw material to replace crude oil use in its existing oil refinery. Neste refines liquefied waste plastic into high-quality drop-in feedstock for high-quality, high-performance polymers and chemicals. We are committed to becoming a solution provider for the chemical recycling of plastic waste and work together with several partners to reach our target of processing more than one million tons of plastic waste by 2030.

Neste reached an important milestone with regards to its strategic aim of driving a circular economy and replacing fossil oil use at its own refineries as it successfully processed 400 tons of plastic waste at its refinery in Finland during fall. This marked the first time Neste processed liquefied waste plastic at an industrial scale.

By co-processing the liquefied waste plastic together with fossil oil, we were able to upgrade packaging and mixed waste plastics back into high-quality recycled feedstock for the petrochemical industry to use, e.g. in the production of new plastic.

Neste aims to conduct several processing runs with increasing volumes of waste plastic to learn more about processing waste plastics at our refinery and upgrading it into high-quality recycled raw material for the petrochemical industry uses.

Our track record in upgrading challenging refinery raw materials, both crude oil and low-quality renewable raw materials, provides a solid foundation for demonstrating and scaling up chemical recycling quickly.

Progress with strategic partners

Neste continued to collaborate with forerunners in the plastics value chain to accelerate a shift to a circular bioeconomy. Besides helping its existing production company partners LyondellBasell and Borealis to replace fossil feedstock with Neste's bio-based alternatives, Neste also started a new strategic partnership with LG Chem, South Korea's largest diversified petrochemicals company to enable LG Chem to start replacing fossil feedstock commonly used in the manufacturing of polymers and chemicals with Neste's bio-based feedstock, i.e. renewable hydrocarbons.

With the successful processing of first liquefied waste plastic volumes in mid-2020, Neste was able to start helping production partners and brands to incorporate these first Neste-produced volumes of recycled content into their products and offerings.

Utrecht study: renewable polypropylene cups have a smaller carbon footprint

Utrecht University conducted a study about renewable polypropylene (PP) as part of the European BIOSPRI study. In the study, fossil oil-based PP was switched to renewable PP produced from Neste's renewable hydrocarbons. The switch provided clear environmental benefits and interestingly, the GHG emissions of 1,000 PP cups from Neste's bio-based feedstock equaled those of 400-600 fossil-based cups.

Read more about the study.

Additional highlights from 2020 include:

- Investment and collaboration with Recycling Technologies, a specialist plastic recycling technology provider, to accelerate the development and commercialization of chemical recycling technology.
- Our production partner Borealis announced it had started producing polypropylene (PP) based on Neste's renewable feedstock in its production facilities in Kallo and Beringen, Belgium. This marked the first time in the world that a propane dehydrogenation facility used renewable propane to replace fossil feedstock.
- Strategic collaboration with Jokey, a leading international manufacturer of rigid plastic packaging, to develop the market for rigid packaging from sustainable renewable and recycled materials for food and non-food applications.
- Neste, Recycling Technologies and Unilever announced a joint project to develop chemical recycling to make hard-to-recycle plastic packaging recyclable. The three-year project was awarded a £3.1m grant from UK Research and Innovation (UKRI).
- Neste made an announcement with its partners Borealis and Covestro that Covestro had received a first delivery of 1,000 tons of renewable phenol from Borealis, produced with renewable hydrocarbons from Neste. Neste produces these ISCC Plus certified hydrocarbons (ISCC: International Sustainability and Carbon Certification) entirely from renewable raw materials. The collaboration enables Covestro to replace part of the phenol previously manufactured from purely fossil resources with a renewable alternative in the production of high-performance plastic polycarbonates.
- A new strategic collaboration with Royal DSM to enable the production of high-performance polymers. DSM Engineering Materials will start replacing a significant portion of the fossil feedstock used in the manufacture of its high performance polymers portfolio with feedstock produced from recycled waste plastics and/or 100% bio-based hydrocarbons. These polymers are used, for example, in the automotive, electronics and packaging industries.
- As announced in early January 2021, we acquired a minority stake in Alterra Energy and formed a partnership to commercialize Alterra's waste plastic liquefaction technology in Europe.

Neste continued to work also with recycling experts Remondis and Ravago, companies which have specific expertise and insight into waste streams and recycling. They are helping us gain access to European post-consumer plastic waste, and understand which waste plastic streams will not compete with mechanical recycling and are technically best suited for liquefaction, currently and in the future. Through our projects with the two companies, we aim to develop a new chemical recycling capacity to process 400,000 tons of waste plastic as part of our overall target of reaching one million tons by 2030. In the sourcing of liquefied waste plastic for Neste's first processing run, Neste was supported by Ravago.

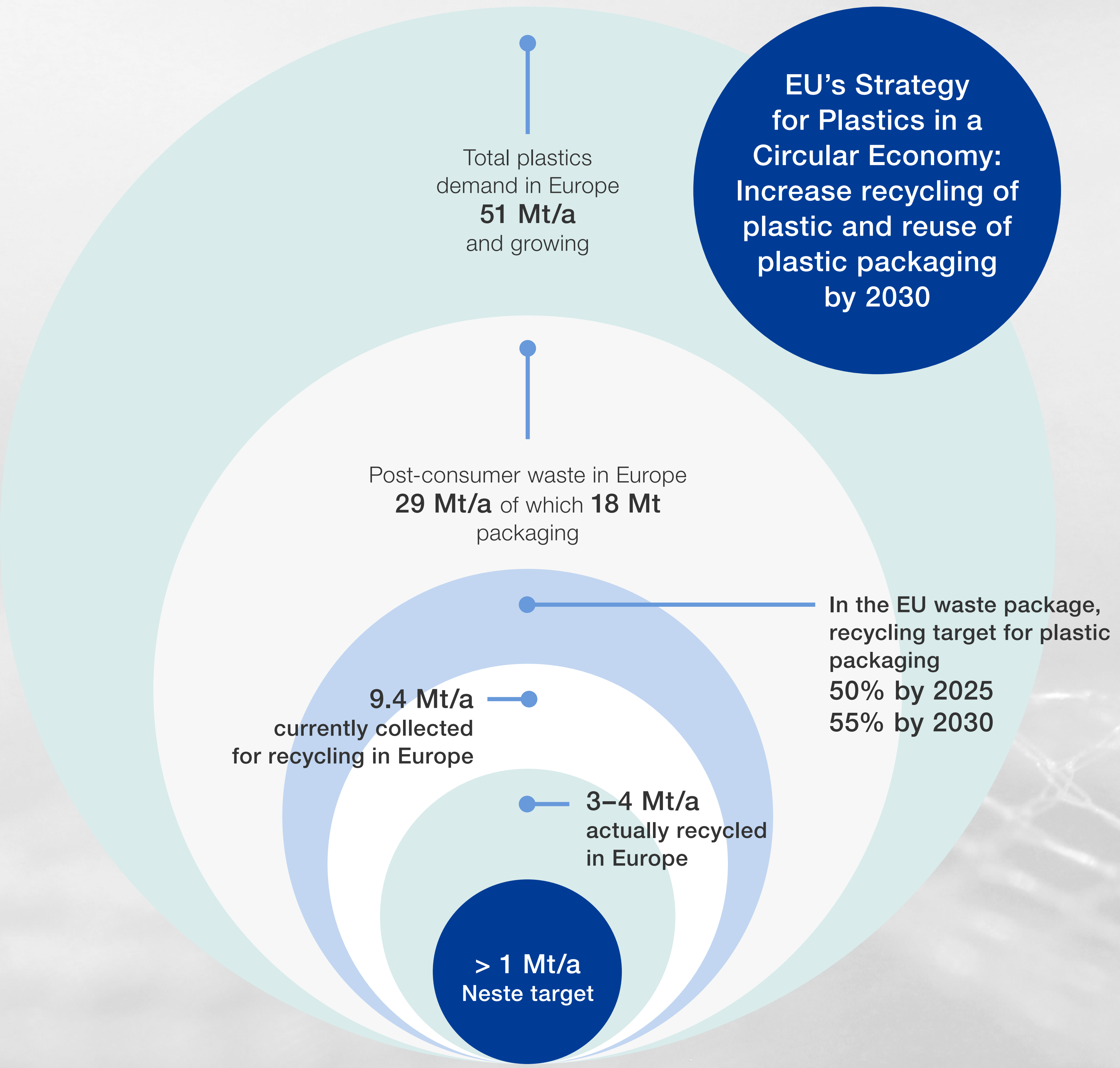
New product for more sustainable polymers and chemicals

In November, Neste launched a new product, Neste RE, as a solution to replace virgin fossil feedstock in the production of climate-friendlier polymers and chemicals. It can be used as it is or processed together with conventional fossil feedstock.

Neste RE is produced entirely without virgin fossil oil, 100% from renewable and recycled raw materials. The renewable component of Neste RE is produced from bio-based raw materials, primarily waste and residue oils and fats, such as used cooking oil. The component may consist of renewable hydrocarbons in a liquid form or gaseous renewable propane.

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

Plastics demand and recycling targets



Sources of figures: Plastics Europe, Deloitte, 2018

Chemical recycling provides several benefits

Chemical recycling means transforming waste plastic back into raw material similar to crude oil and processing it into high-quality materials. This offers several benefits, such as:

- accelerating circularity of materials by diverting valuable materials away from landfills and incineration;
- complementing traditional mechanical recycling and can help increase recycling rates by recycling of a wider range of waste plastics (for example, mixed, multilayer, multimaterial and colored plastics) than mechanical recycling;
- contributing significantly to reducing crude oil dependency in society;
- enabling production of high-quality materials which can be used in all current applications, even in the most sensitive ones, such as in primary food packaging, as well as pharmaceutical and healthcare applications;
- enabling Neste to contribute to the global development of efficient new solutions to tackle the global plastic waste challenge.

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

Read more about how we engage with renewable raw material suppliers.

Sustainable supply chain

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

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. Our renewable raw material suppliers are additionally required to meet the requirements of our Responsible Sourcing Principle, as well as adhere to our Human Rights Commitment and Principles, and industry- and market-specific legal requirements.

The Supplier Code of Conduct was updated at the end of 2019 to ensure its correspondence with existing norms and regulations, and in 2020 the updated code was implemented. In line with this, we carried out functional-level training on our Supplier Code of Conduct requirements for employees working in Indirect Procurement, NES Procurement and RP Supply. 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. A Guide for suppliers and other business partners was also published to interpret the requirements and to provide practical guidance on how to comply with Neste Supplier Code of Conduct.

In 2020, 100% (100%) of the renewable raw material volume* and 78% (88%) of the total supplied volumes of crude oil and fossil feedstocks were covered by Neste's Supplier Code of Conduct or similar schemes. 100% (100%) of the new indirect supplier contracts were covered by the Neste Supplier Code of Conduct or equivalent.

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 pre-screening. While the screening is predominantly focused on economic sanctions and trade 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 assessing 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.

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.

Identifying our supply chains

Identifying and selecting good partners is crucial to the sustainability of our supply chains, and knowing the origin of our renewable products is a basic requirement on which we will not compromise. In addition to understanding the sustainability performance of our direct suppliers, we also want to gain visibility in practices throughout the entire raw material supply chain, including our suppliers' suppliers.

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

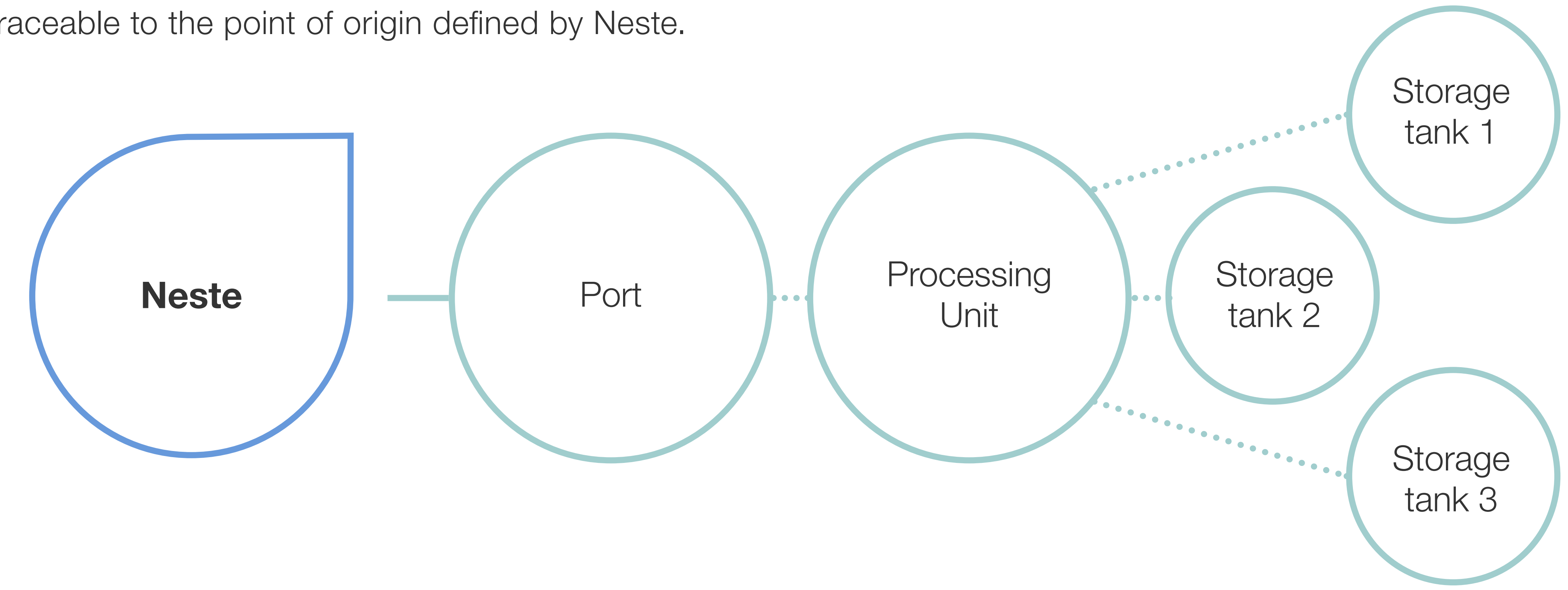
Sustainability with our renewable raw material suppliers

Raw material suppliers for our renewable products are subject to rigorous sustainability due diligence as part of our Principle on Renewable Products (RP) 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 and it sets the minimum requirements for supplier sustainability approval through a five-step sustainability due diligence process:

1. Feedstock Evaluation
2. Country and Feedstock Risk Assessment
3. Counterparty Compliance Screening (incl. Credit risk assessment)
4. Sustainability Desktop Review
5. Sustainability Audits

Overview of our supply chain

Traceability requirements are feedstock specific and at all times, the product must be traceable to the point of origin defined by Neste.



In order to identify risks related to sustainability in our renewable raw material supply chain, we use information of country risk indices and maintain a country risk categorization. Our categorization also includes a list of no-go countries and regions based on considerations regarding 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 Environment, Social and Governance (ESG) topics that include governance, labor standards and practices, human rights, environment and health and safety.

The supplier sustainability due diligence process is managed through Neste's Supplier Sustainability Portal (SSP). This digital portal is used both during onboarding and for suppliers to submit required information on each delivery to Neste. In 2020, the portal was brought fully into use. The aim has been to develop a system that supports our suppliers regardless of their location, supplied materials, or mode of transportation. In 2020, a total of 219 renewable raw material suppliers were assessed.

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.

Based on the supplier risk assessment, we are better able to prioritize sustainability audits which are conducted either by our own local sustainability specialists or a 3rd-party auditor. In 2020, we conducted a total of 9 sustainability on-boarding audits. Due to the COVID-19 pandemic, we were forced to postpone and cancel some audits and 4 of the audits were conducted as an online, virtual audit. The majority of the audit findings in 2020 were related to Health and Safety practices. In 2021, we will focus on further improving our audit documentation and reporting practices.

* Demeter suppliers excluded from the figure due to the integration in progress.

Sustainability and security aspects are essential elements to consider when selecting a new supplier. As part of the process supplier risks are evaluated based on potential severity and probability.

Sustainability with oil suppliers

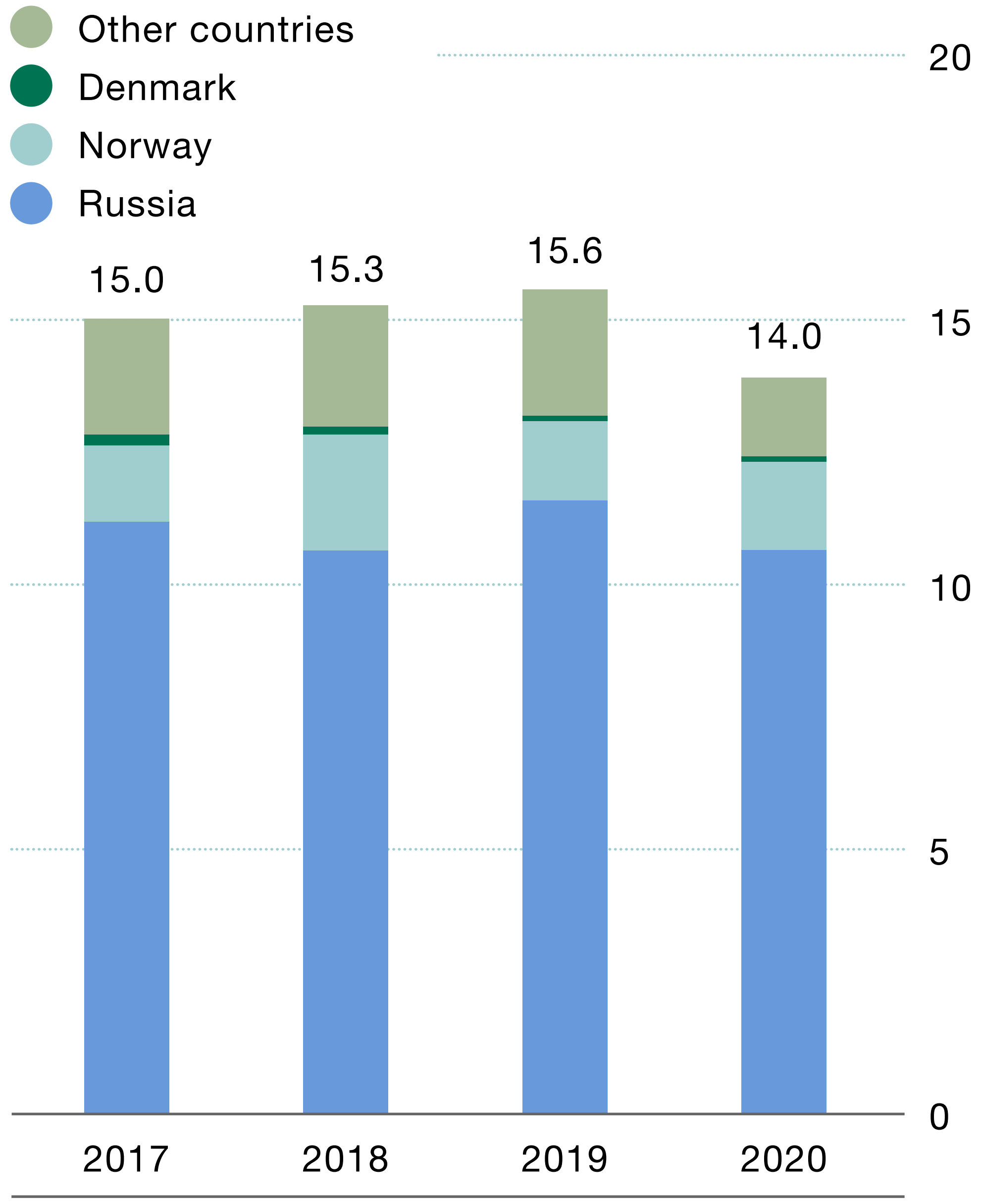
As we are transforming from a traditional oil refiner into a provider of renewable and circular solutions, we continue to produce high-quality oil products from crude oil and condensates. Neste is purely a buyer of crude oil; we do not own shares in any company producing crude oil, nor are we engaged in oil exploration or drilling. Additionally, we do not purchase crude oil from Arctic sea areas or conflict areas. In 2020, we focused on the implementation of our renewed Supplier Code of Conduct with our oil suppliers.

Sustainability within indirect procurement

Any purchasing of goods and services excluding direct logistics, supply of crude oil or renewable raw materials for refining are covered by the Neste Indirect Procurement function. Indirect Procurement is responsible for the sourcing, purchasing and supplier management of all the goods and services we use to run our businesses and implement our investments projects, such as utilities, chemicals, materials, equipment, contracting and subcontracting services, research, IT and professional services.

Requirements for the indirect procurement suppliers are constantly growing. Before entering into a potential commercial relationship with the supplier, Indirect Procurement carries out an initial analysis of the supplier including approval of the Neste Supplier Code of Conduct, Counterparty Compliance screening and supplier's financial status check. Safety, quality, reliability, technical, financial and legal requirements have formed the core requirements in supplier selection. Today sustainability and security aspects are essential elements to be considered when selecting a new supplier. As part of the process, supplier risks are

Crude oil and fossil feedstock sources by region, million tons



Engagement and cooperation with the supplier is our primary way of action in case of any shortcomings.

evaluated based on potential severity and probability. Suppliers with an increased risk level or high-risk work assignment are audited in the appropriate type of supplier audit.

Read more about our raw material related grievance procedures on page 53.

In 2020, we began a new project to advance sustainability and sustainable practices under Neste Indirect Procurement. A need for the project was identified based on the results of two separate assessments: a 2018-19 human rights due diligence gap assessment and a 2019 sustainability maturity analysis. Following on the recommendations from these assessments, in 2020 we created a framework for assessing the sustainability risks and practices within different procurement categories, and used this to carry out sustainability assessments on every major procurement category in the Neste organization. Each sustainability assessment was followed up with a category-specific sustainability plan, integrated as part of the category strategy, which will be updated annually. In addition to these category sustainability assessments, we began integrating new sustainability and human rights criteria into the tendering process for Indirect Procurement.

What do we do when we become aware of shortcomings?

Engagement and cooperation with the supplier is our primary way of action in case of any shortcomings. Ending purchases does not resolve problems; engagement and cooperation provide the most efficient means to resolve any problems.

We address shortcomings once we become aware of them and have several ways to take action:

- Requiring the supplier to provide an account of the situation
- Providing an assessment and, if necessary, a supply chain audit carried out by Neste's or partner's sustainability experts locally
- Requiring a detailed plan for corrective actions from the supplier
- In the case of palm suppliers, submitting the shortcoming to the RSPO's grievance process either by us or by the counterparty involved
- Cooperating with the supplier and other stakeholders to develop the operations
- Discontinuing purchases if we do not see adequate progress or if the supplier loses their certificate

Environment

In line with our Sustainability Policy, we aim to ensure that all our operations are safe for our employees, partners, neighbors, customers, and the environment. For sustainability and environmental improvement, we run the policy through an Environmental Roadmap.

In October, we announced a new long-term agreement on wind power with Fortum. The total capacity of the agreement is more than 60 MW, and the energy produced will correspond to around 30% of the electricity consumption at Neste sites in Finland. The shift to wind power will reduce the indirect greenhouse gas emissions of electricity purchases at Neste's production sites annually by approximately 40 kilotons.

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.

In 2020, we announced that we are committed to reach carbon neutral production by 2035.

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 from the 2014 level. In 2020, our energy saving measures were 33 GWh.

A new combined heat and power plant in Porvoo, Finland by Kilpilahti Power Plant Ltd (KPP) is expected to start to operate in 2021. The steam generation capacity of the new plant is 450 MW, and its electricity generation capacity is 30 MW. It is expected to reduce the power plant greenhouse gas emissions by approximately 20% compared to the previous situation.

Neste and Borealis Polymers, in cooperation with the energy companies Fortum, Helen, and Keravan Energia, have continued the project to recover and utilize excess heat generated at the Neste and Borealis industrial manufacturing facilities in Kilpilahti. Excess heat from the Kilpilahti plants could cover approximately one quarter of the district heating volume required in the Helsinki region.

Water in our own operations

Neste 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. In 2019–2020 the freshwater use for cooling has increased due to the new investments for pre-treatment. Cooling water use will increase in coming years due to e.g. the Singapore expansion starting operations in 2023.

The main risk to water bodies for Neste operations are the contaminants in wastewater. In 2019 Neste together with Borealis Polymers completed an investment in a new wastewater treatment plant in Porvoo. Improvements to wastewater treatment with this EUR 50 million investment has contributed to a reduced local environmental impact in Porvoo. The renewal of the chemical and biological treatment systems and introduction of a new nitrogen removal phase at the wastewater treatment plant at our refinery in Porvoo has reduced the refinery wastewater discharges of oil, COD and Nitrogen to about 10% of the amount permitted under the refinery's environmental permit. The minimum standard for the effluent discharge to the waterbody is set in the environmental permit as environmental limit values (ELV). The facility started operation in 2019.

As a result of the increasing production capacity and the changing wastewater characteristics at our Rotterdam refinery, we continued planning for a new wastewater treatment plant in Rotterdam to improve the operation.

Assessing the water-related risks

According to our company-wide environmental principle all investment projects undertake Environmental Compliance Analysis and a compliance review in case of building new production capacity or increasing the current capacity. Water scarcity assessment is included in the investment projects, and Neste follows the current water risk status with several tools. The most recent status check of Neste operational sites was done in 2020 with the recently updated WWF Water Risk Filter tool that enables both site-specific and global review of the water risks at physical, regulatory and reputational levels. As a result it was concluded that two of Neste's refinery locations, Singapore and Rotterdam, are located in an area where water stress index is high, causing 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 agricultural raw material cultivation and in other raw material processing. Water risk assessments are included in the raw material sustainability evaluations.

Continuous environmental quality monitoring at our sites

Continuous air quality monitoring and other environmental monitoring, like marine and groundwater monitoring, continued in the vicinity of the Porvoo and Naantali refineries. The area impacted by emissions has diminished over the past 20 years and the air quality around our refineries remained good in 2020.

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 (fmi.fi).

In 2020, Neste invited the Finnisn Institute for Health and Welfare to undertake a public health study associated with a discovery of per- and polyfluoroalkyl substances (PFAS) compounds migration into surface waters around Porvoo and Naantali refineries.

Preparing for changes in regulation

The European Parliament and the Council amended six directives concerning the waste sector in 2018. The key objective of the reform is to set new and more ambitious targets for the preparation of the reuse and recycling of municipal and packaging waste, and reducing the landfilling of municipal waste. The deadline for implementing the directives in the national legislation was 5 July 2020.

The amendments will have an effect on Neste, as approximately 80% of the production of our renewable products is based on waste and residues. In 2019, we analyzed particularly the potential impacts of the new end-of-waste criteria for our operations. End-of-waste criteria specify when certain waste ceases to be waste and obtains a status of a product or a secondary raw material.

Neste is closely following developments related to the EU-introduced New Green Deal and the zero pollution concept.

Environmental permit-related incidents

In 2020, we had two minor environmental permit-related incidents at our refineries in Rotterdam and Porvoo. In the production of renewable fuels in Rotterdam a small hydrogen sulfide leak for adsorbers to air was observed. The second case was recorded at Porvoo mineral oil refinery in Kilpilahti harbour in a vapour recovery unit overrun reaching the emission limit value for volatile organic compounds.

Commitments for biodiversity

Biodiversity plays an essential role in Neste climate strategy actions. Neste is committed to avoid conversion of habitats with valuable biodiversity for biomass production. Neste encourages the strengthening of protection of biodiversity and high conservation value areas and promotes and supports the resilience of their natural values. Biodiversity creates the basis for a healthy ecosystem. As a renewable and circular solutions company, we want to avoid negative impacts on air quality, climate, pollination, water purification and soil restoration.

Neste's biodiversity roadmap is based on our vision of creating a healthier planet for our children. This works as a basis in guiding our activities on biodiversity impact control. We are currently studying and setting recommendations for the biodiversity roadmap that Neste will execute in the coming years. In 2020, a study to identify the biodiversity hotspots in our value chain was conducted.

Our current targets in biodiversity work include finalization of Neste's biodiversity workplan and criteria by the end of 2021, including studying our current impacts in biodiversity at a more detailed level and setting targets for both our own operations and our value chain. We continue to support biodiversity projects relevant to us.

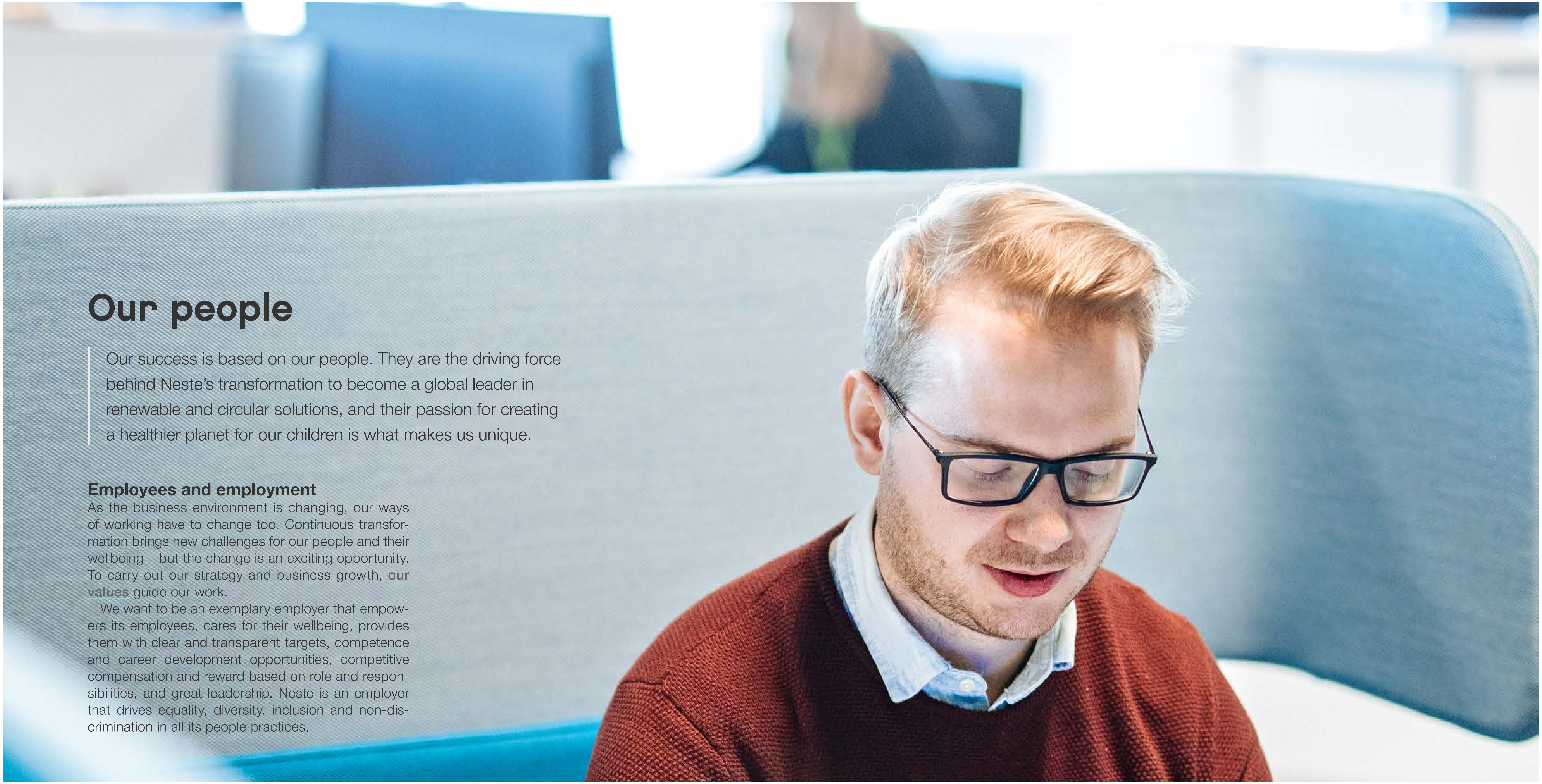
An example of our impact on biodiversity is our commitment to combating deforestation. Neste takes a clear stand against any actions that would cause deforestation. We are committed to preventing deforestation in our own supply chains, and require the same from all our raw material suppliers.

Another example of today's impact on biodiversity has been the Kilpilahti industrial area where the local nature has been considered when establishing the site. By taking nature and wildlife into consideration right from the beginning we can see today wildlife prospering next to industrial site.

Neste's environmental roadmap – Our journey toward zero pollution

Increasing level of ambition

	Compliance and operational discipline	Local environmental impact	Resource efficiency	Climate change
Distribution	Development of maintenance improvement program for Neste station network performance program implemented. Maintenance training. Station caretakers training. E-learning materials published. Station registration done within set period.	Improving soil protection measures at Neste's station network sites.	We promote and use sustainable soil remediation. The equipment from the closed stations will be reused as spare parts.	Green Hub concept to promote sustainable aviation fuel use. Expanding Neste MY Renewable Diesel distribution further.
Products and solutions	Ensuring product and chemical safety in all cases and all countries.	NEXBTL Diesel soil behavior study completed.	Chemical recycling of plastic waste • Industrial scale test run completed.	More sustainable transport, aviation,and chemical industry • New climate target. Study to utilize excess heat in district heating systems finalized.
Production	Environmental management improvements • New leading environmental indicators developed further. • Compulsory environmental training.	Environmental quality at our sites. Improving water protection and wastewater treatment • Wastewater treatment plant at Porvoo new unit is in use and membrane bioreactor in waste water treatment is reducing N-discharge to surface water at Rotterdam. PFAS risk study of Kilpilahti area with Finnish Institute for Health and Welfare. EIA studies on-going in Porvoo and Rotterdam.	Efforts to improve production efficiency in oil refining • Neste has a target to process annually more than 1 Mt plastic waste from 2030 onwards. • Pollution Control Study has been approved for the Singapore Expansion project. Renewed commitment to energy efficiency in 2017 • Achieved 33 GWh energy efficiency saving in 2020.	Reducing the carbon footprint in production and increasing the carbon handprint of our renewable products • Exploring and implementing various means to reduce the carbon footprint at our refineries and reach carbon neutral production by 2035. • Additional production capacity for renewable products to help our customers reduce their GHG emissions by 20 Mt annually by 2030.
Raw materials	Neste Supplier Code of Conduct (SCoC) • A new SCoC approved in 2019. • Implementation of SCoC in 2020.	Multiple efforts to prevent deforestation to combat climate change • Smallholder collaboration. • Sustainability cooperation contract signed with several stakeholders to achieve transformative sustainability change in Indonesia. • Renewed Neste Responsible Sourcing Principle including No-Deforestation requirements.	New method for reducing and verifying methane emissions at oil palm mills developed • Research article on the method's emission reduction potential published and referred to by e.g. certifying body ISCC.	Continued focus on waste and residues in renewables production. • Neste holds majority shares of animal fat trader Demeter and a collector and recycler of used cooking oil Mahoney Environmental. • R&D on lower-grade waste and residue raw materials.



Our people

> Our success is based on our people. They are the driving force behind Neste's transformation to become a global leader in renewable and circular solutions, and their passion for creating a healthier planet for our children is what makes us unique.

Employees and employment

As the business environment is changing, our ways of working have to change too. Continuous transformation brings new challenges for our people and their wellbeing – but the change is an exciting opportunity. To carry out our strategy and business growth, **our values** guide our work.

We want to be an exemplary employer that empowers its employees, cares for their wellbeing, provides them with clear and transparent targets, competence and career development opportunities, competitive compensation and reward based on role and responsibilities, and great leadership. Neste is an employer that drives equality, diversity, inclusion and non-discrimination in all its people practices.

Value discussions

Since launching our renewed values in early 2020, all teams at Neste have participated in value discussions. The idea behind the discussions was to have a common understanding of what the values mean to our employees and to each team at Neste.

Read more about our value discussions.

Transformation continues

Altogether about 800 new employees were hired globally by the end of year 2020. As an employer, we want to offer a meaningful place to work for high-quality talents who share our values and are eager to join our journey towards a carbon-neutral world.

In September 2020, we announced plans to restructure our refinery operations in Porvoo and Naantali, Finland, to ensure the competitiveness of the Oil Products business. For the planned changes co-operation negotiations were conducted, and as a consequence, refinery operations in Naantali was decided to shut down and changes in Oil Products' operating model to be made. The changes were estimated to reduce approximately 370 jobs during 2020-2022, including fixed-term employment and outsourcing. With regard to job changes, we are implementing a large-scale change support program, that includes offering new jobs for the employees in other Neste locations and functions. We support employees moving to other locations and their competence development to meet new roles. About a hundred people have seized new career opportunities. The final number of terminated permanent employment is approximately 250. As part of the change support program, we provide the leaving employees financial support as well as support in re-employment and training, e.g. with help of personal career coaches.

The demand for fossil oil products will continue to decline, and the share of renewable energy solutions will continue to grow in the coming years. The COVID-19 pandemic has substantially accelerated the decline in demand for oil products, which is not expected to recover to previous levels. Fundamental changes were therefore required to secure the competitiveness of Neste's Oil Products business. With these measures, we aim to improve productivity, resource efficiency and adaptiveness to market changes.

In this transformation, we offer our personnel new jobs and related training as well as compensation for moving to a new location. For those whose employment will end, Neste offers retirement agreements and specific support packages, including start-up grants to support education or entrepreneurship. In addition, a change support program will be implemented with different measures which support finding new employment.

The COVID-19 – health and wellbeing

The COVID-19 pandemic preparedness started in January. Neste Corporate Crisis Management (CCMT) was activated in February to mitigate possible business, safety and operational risks caused by the coronavirus situation. CCMT actively follows the situation globally and coordinates the Neste Group level instructions. Sharing accurate and timely information has been important in ensuring the health and safety of our people as well as in supporting business continuity in an exceptional situation.

During this exceptional year, we have supported the wellbeing of our people by offering various tools, materials and guidelines. These have included webinars on topics like mental wellbeing, recovery and sleep, tips for remote working and Wellbeing week, which was targeted at all Neste people globally. We have also provided additional support for the line managers who have been in key roles in taking care of their teams.

With our regular pulse surveys we gather feedback and insights from our employees. In August, we conducted a special COVID-19-related survey. According to the results:

- During the pandemic, people felt increasingly engaged and were doing relatively well considering the continuing exceptional situation.
- However, they still hoped to get more support and attention for the wellbeing, and worried about their colleagues, family members, home office ergonomics and work-life balance.
- People missed their colleagues, face-to-face time and sense of belonging.
- Employees understood well what they should be focusing on, but more feedback and communication was needed throughout the organization.
- Some people needed more clarity on future outlook, directions, responsibilities and priorities.
- People felt positively about working remotely and wished for full flexibility in choosing where to work in the future. Many said remote work and virtual meetings were working surprisingly well.
- However, there were many concerns regarding the continuing uncertainty and the long-term effects on our company and the mental and physical health of our people.

Ensuring diversity, equality and inclusion

We believe that equality and non-discrimination is fundamentally right and fair, and provide a competitive advantage for the future in the markets as well as in the competition for the best possible employees.

We drive equality and non-discrimination and always provide career and development opportunities to employees who are most qualified. Any personal attributes, such as gender, ethnic background, nationality, age, pregnancy, sexual orientation or gender identity, disability, religion, political opinions, does not play any part in decision-making. We also seek to address differences between people to increase the participation and contribution of all employees through fair treatment, equal access to opportunity, conflict resolution, representation of diversity at all levels of the organization, and leadership's commitment to diversity. We strive to embed diversity and inclusion in all relevant people processes.

These principles are highlighted in our Human Capital Policy, which was updated in 2020.

Human rights

> Our **Human Rights Commitment** and **Principles** set the path and standards for a rights-based approach in all of Neste's business decisions. We expect all of our business partners to share our commitment to respect and remediate, and our ambition to promote positive human rights impacts.

Call to Action on Business Leadership in Human Rights

CEO leadership plays a critical role in ensuring that human rights are taken seriously across a company, and embedded in corporate culture. After Neste joined the World Business Council for Sustainable Development (WBCSD) in January 2020, our President and CEO, Peter Vanacker, became one of 54 forward-thinking company executives to sign the WBCSD Call to Action for Business Leadership on Human Rights. Signatories of the Call to Action emphasize that urgent business leadership is needed to advance corporate respect for human rights and scale up the implementation of the UNGPs. You can read more about the Call to Action in the **WBCSD CEO Guide to Human Rights**.

Advancing Human Rights Due Diligence

In 2020, we continued to implement human rights due diligence in Neste's operations and value chains in line with the United Nations Guiding Principles on Business and Human Rights.

In 2019, we carried out a human rights due diligence gap assessment based on the UNGPs, to identify areas of the business in which the Neste Human Rights Commitment and Principles were not yet fully implemented. One of the three business areas assessed was our Indirect Procurement function. In 2020, we began a new project to advance sustainability and sustainable practices under Neste Indirect Procurement*, including the integration of human rights requirements and criteria in procurement category assessments and the tendering process.

Read more about sustainability in Indirect Procurement **here**.

* Any purchasing of goods and services that does not come under the procurement and supply of crude oil or raw materials for refining is covered by our indirect procurement function. Indirect procurement is responsible for the purchasing and supplier management of all the goods and services we use to run our business, such as contracting, maintenance, assets, equipment, stationary and other goods-not-for-resale.

Human Rights Milestones 2015–2020

2015

Neste Human Rights Commitment published, endorsing the United Nations Guiding Principles on Business and Human Rights.

Neste/BSR Social and Labor Study carried out in Malaysia

Participation in UNICEF study on children's rights in the palm oil sector

1st Neste Supplier Social and Labor Workshop

2016

Corporate-wide Human Rights Impact Assessment on Neste's business and value chains carried out in partnership with BSR.

Neste/BSR Social and Labor Study carried out in Indonesia

BSR Assessment of Neste's Renewable Products Supplier Management System

2017

Neste Human Rights Principle published with a renewed Human Rights Commitment and seven priority focus areas of focus for human rights at Neste (the Neste Human Rights Principles).

First Neste Modern Slavery Statement published

Development of a Neste supplier sustainability audit programme begins and a pilot audit is carried out on a palm supplier (CPO)

2nd Neste Supplier Social and Labor Workshop

2018

Human Rights Due Diligence Gap Assessment carried out in partnership with Enact. Three key functions assessed: Human Resources, Indirect Procurement (including NES), and Marketing and Services.

Further development of sustainability due diligence tools. Self-assessment survey for renewable raw material suppliers strengthened human rights and ethical business criteria

3rd Neste Supplier Sustainability Workshop

2019

Neste Supplier Code of Conduct renewed with strengthened human rights criteria. These are the minimum requirements Neste expects all business partners to adhere to.

Continued development of the Neste supplier sustainability audit program with pilot audits carried out for UCO and PFAD

Completed a desk-based review of the key challenges and best practices regarding migrant workers and forced labor risks in Malaysia

Collaboration with BSR and Wilmar on protecting the rights of children living on palm plantations

4th Neste Supplier Sustainability Workshop

2020

Strengthened modern slavery reporting and due diligence processes with the publication of a more comprehensive 2019 Neste Modern Slavery Statement.

Endorsed the WBCSD Call to Action on Business Leadership in Human Rights

Surveyed Malaysian palm suppliers on recruitment and employment practices for migrant workers

Mapped internal processes and gaps in addressing modern slavery risks across Neste's common functions and operating segments

Established a cross-functional internal human rights working group

5th Neste Supplier Sustainability Workshop (Webinar format due to COVID-19)

COVID-19 and Human Rights

As a global company, Neste has closely monitored the impacts of COVID-19 on the rights-holders in our value chain throughout 2020. We understand that the economic and social impacts of the coronavirus pandemic have led to deepening poverty, rising inequalities, structural discrimination and a lack of opportunity for decent work, with persons already in vulnerable positions being disproportionately affected.

One of the groups of rights-holders in our value chain identified as being most vulnerable to the impacts of COVID-19 are migrant workers. This year, we adapted our human rights priorities in response to COVID-19 by carrying out human rights due diligence to better understand the unique difficulties faced by migrant workers in Singapore where we have a refinery expansion project.

Read more about this initiative and the additional support we are providing to migrant workers in Singapore.

Eradicating 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. In 2020, our human rights activities have continued to prioritize this issue, with Forced Labor and Vulnerable Groups selected as a material topic in Neste's 2020 Materiality Assessment.

In 2020, we continued to advance our understanding of the modern slavery risks in our palm supply chains by surveying our Malaysian palm suppliers on their recruitment and employment practices for migrant workers, a vulnerable group identified in our 2019 desk-based review of best practices for addressing forced labor risks in Malaysia. The survey consisted of 35 questions on supplier recruitment and labor practices, covering topics ranging from use of recruitment agencies to termination and repatriation practices.

We believe that close engagement and collaboration with our raw material suppliers provides us the best opportunities to advance human rights and proactively mitigate modern slavery risks within our supply chains. Since 2015, we have hosted annual sustainability workshops to engage our palm suppliers in open dialogue on sustainability topics and advance capacity building on human rights. Due to COVID-19, our planned in-person workshop for 2020 was replaced with a series of four 90-minute live webinars, attended by both our direct and third-party palm suppliers. Forced labor and ethical recruitment was selected as a topic for one of the webinars. Participants were provided with training on modern slavery and Neste's expectations, and the webinar also covered best practices for tackling common indicators of forced labor in the palm sector such as recruitment fees, document retention, employment contracts, forced overtime, and calculation of wages. The webinar and training was conducted with our partner, Consortium of Resource Experts (CORE).

Recognizing that modern slavery is a complex issue that can also be hidden in those areas of a company's business activites that have not been identified as high risk, in 2020 we completed a corporate-wide exercise to map and understand internal processes and gaps in addressing modern slavery risks across our common functions and operating segments. 25 Neste personnel were interviewed in 14 sessions covering all three of Neste's operating segments. Functions and units consulted included Oil Products, Renewables, Marketing and Services, Human Resources, Production, Logistics & Operations, Indirect Procurement and Risk Management.

More information on these activities and the steps we take to identify, assess and address modern slavery risks at Neste is available in our Modern Slavery Statement.

> We believe that close engagement and collaboration with our raw material suppliers provides us the best opportunities to advance human rights and proactively mitigate modern slavery risks within our supply chains.

Collaborating to Advance Business Respect for Human Rights

We know we can scale up our efforts to create positive human rights impacts by syncing work across the business. In 2020, we created a cross-functional human rights working group as a forum for practitioners from different functions to share information, align views and collaborate internally. The working group comprises representatives from Human Rights, Sustainability, Human Resources, Public Affairs and Finance and will serve as a platform to advance business respect for human rights across the business.

We also continue to engage in collaborative efforts to protect children's rights. In 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, this initiative continued with a series of capacity building workshops on child protection in the Indonesian palm sector, and the publication of the Child Protection Policy Implementation Manual, designed to be detailed and comprehensive while also incorporating field guidance and illustrations for universal understanding. Read more on our website.

Safety

Safety is integral to our values: We care, We have courage and We cooperate. Improving safety and operational excellence enables us to achieve our strategic targets. For us, safety means excellence in risk management. It is about the existence and effectiveness of all safety barriers that help to manage risks, prevent incidents and to 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 working for and with us is truly committed to manage and improve safety, we understand all hazards related to our operations and have excellent ways to evaluate and manage risks. Moreover, we strive to learn from experience and continuously improve our capabilities to understand and manage hazards.

Key development activities in 2020

We focused strongly on managing projects and changes safely and effectively. In 2020 Neste carried out several mergers and acquisitions projects. The integration of the Mahoney Environmental and new Rotterdam terminal also had a strong focus, as well as the due diligence of the Bunge acquisition. A systematic integration practice has been developed and is in use. It covers all the elements of the Operations Excellence Management System (OEMS) including leadership, life saving rules, reporting, target setting and implementation of the OEMS requirements with the fit for purpose approach.

The ongoing Future Oil Products transformation program in Finland was one of the key initiatives during the second half of 2020. A dedicated risk and change management practice was defined and the implementation started. The implementation will continue in 2021.

Our Singapore expansion project continued at a good safety level. The COVID-19 pandemic caused several changes in the construction site operations during the year. As a response to the pandemic and also to accidents separate improvement plans were defined and implemented.

Ensuring safe construction of the Singapore Expansion Project during the exceptional times

Despite the disruptions COVID-19 has brought to the 1.5 billion euro investment of the Singapore Expansion Project, Neste has smoothly re-started the construction activities. In order to ensure the safety and wellbeing of everyone who works on site, various safety measures within and beyond local advisories have been put into place.

Read more about Singapore safety operations

Implementation and development of the Operations Excellence Management System

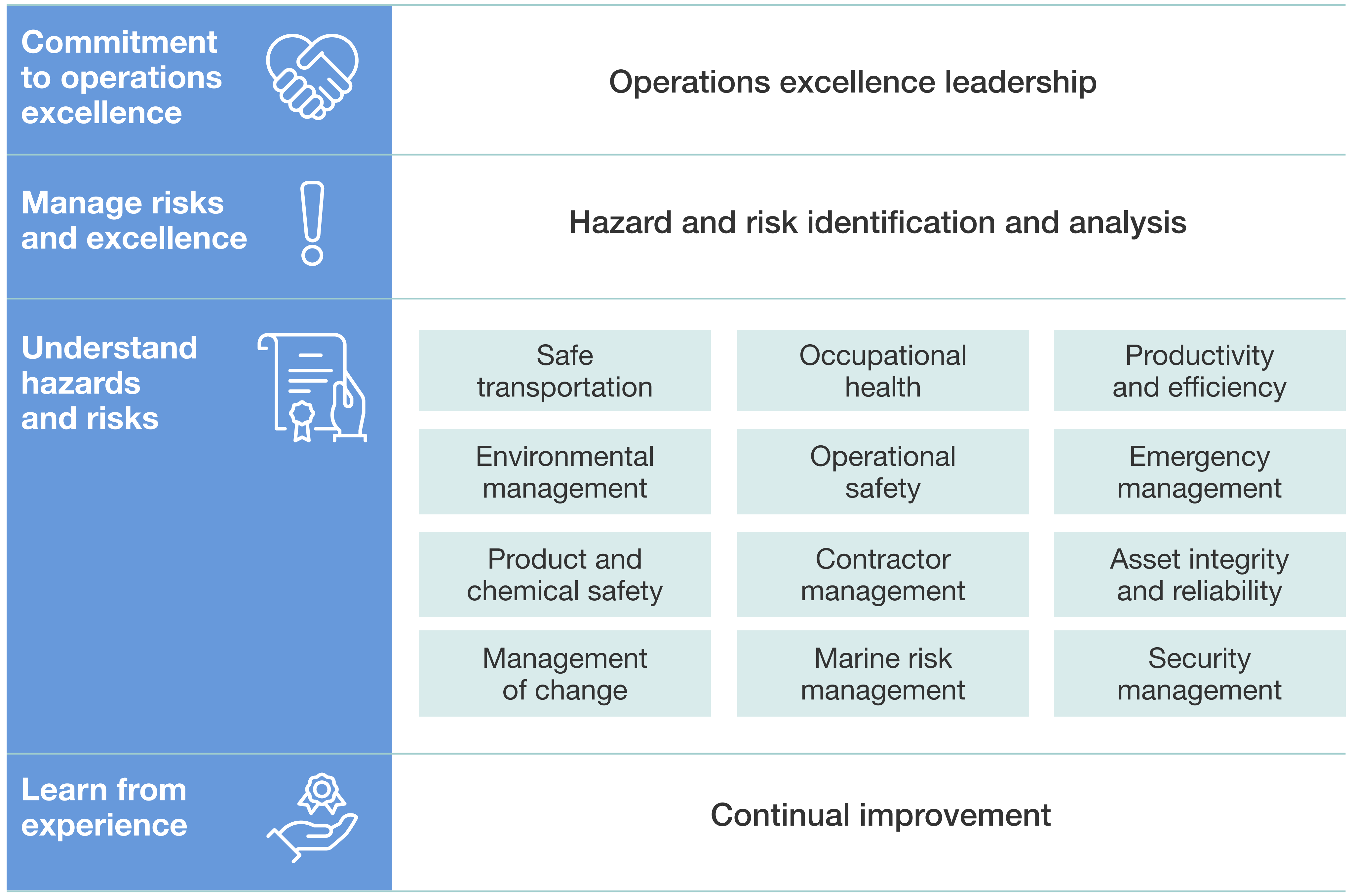
Safety development work continued actively in 2020 according to the Corporate Operations Excellence Management System (OEMS) model. The work is steered by the Operations Excellence governance group, with senior line managers. OEMS is based on recognized international industry practices, including a risk management approach with a hierarchy of control principle. Its requirements cover all Neste employees, external workforce working under Neste supervision and activities where Neste has operational responsibility.

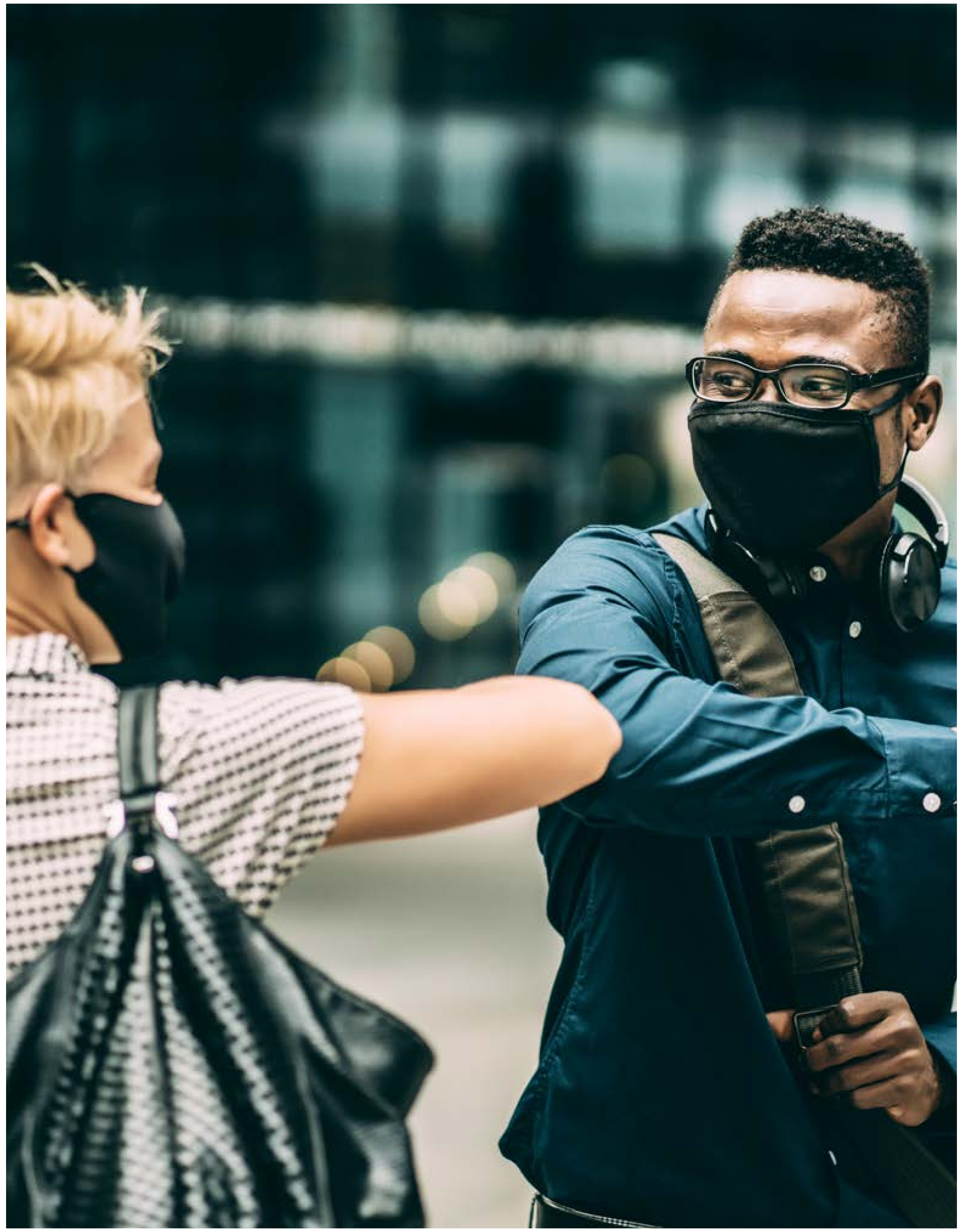
Neste's Operations Excellence policy, Life-saving rules, 15 operations excellence (OE) principles, and supplementary detailed standards set requirements and guidelines for how we manage and improve safety. In 2020, the Operations Excellence policy was defined for the Board of Directors' approval and OEMS principles were reviewed and updated. The updated requirements will be implemented according to the established practice consisting of gap assessments, improvement actions and verifications by audits. Implementation of the updated requirements will continue in 2021.

The most significant changes in the OEMS content were the update of the Safety leadership principle, definition of the HSE design guidelines for the investment projects, and a thorough review and improvement of the Incident Learning process. The OEMS auditing process was updated and better integrated into the performance plans in order to ensure a more efficient drive for continual improvement.

One of the focus areas continued to be the improvement of process safety risk management. The Process Hazard Analysis (PHA), systematic risk review practices and the integrated safe system of work (ISSOW) were implemented mostly as planned although the COVID-19 pandemic caused some delays. Implementation of these activities continues next year. Several local initiatives continued to drive process safety improvements, such as a systematic pre-start-up safety review and improved first-line breaking practices.

Operations excellence governance model





COVID-19 pandemic management

The COVID-19 pandemic had a major impact on Neste's activities. The COVID-19 preparedness and management activities started in January 2020, coordinated by the Corporate Crisis Management team and local Crisis Management teams.

The main activities included updating the pandemic preparedness plans and definition, regular updates, and systematic communication of the Neste level and local guidelines responding to the changed situation. Feedback concerning the COVID-19 management, safety and wellbeing was collected regularly in the Personnel Surveys, and actions were actively taken based on the feedback.

Systematic business continuity management was in strong focus. New practices were developed throughout the business organisations, operations and support functions. External benchmarking was actively used to maximize the effectiveness of the activities. Checklists were regularly used to ensure the update of the plans, the implementation of the agreed actions, and also to ensure compliance with the standard safety and reliability management practices during the exceptional times. Several new practices were developed which will also be utilised after the pandemic.

The results of the activities have been successful. The number of COVID-19 cases among Neste personnel and the effect on the operations has been low.

The COVID-19 pandemic caused changes to the planned maintenance and investment projects. For example the majority of the planned turnaround activities at the Porvoo refinery had to be postponed to 2021. This resulted in an extensive management of the change program in order to enable safe and reliable operation until the realization of the turnaround. Defined mitigation actions were effectively implemented and no larger deviations were experienced.

Developing safety leadership and culture

In 2020 we have updated both our values as well as our safety leadership principle. Together these form a strong commitment to safety being an integral part of everything we do. In 2020 most of our engagement activities have been around engaging teams to discuss how the values come alive in their daily work, how they contribute to creating a just and fair culture and asking all teams to ensure they have a valid and relevant team safety commitment.

In the updated safety leadership principle several leadership expectations were updated and clarified focusing on Fair and Just Culture, Compliance with legislation and relevant standards, Stop Work Authority, Life Saving Rules, Awareness and prevention of High Potential (HiPo) Incidents, Questioning Attitude and Workforce Engagement. The roll-out and implementation of the new Safety leadership principle will take place in 2021 together with the updates of team safety commitments.

We continued the safety leadership and awareness training program "I Act Safe" for our people and selected contractors although the COVID-19 pandemic slowed the progress considerably. The program continues in 2021.

The roll out of the "No Harm. Together." safety concept, which was launched in 2019, continued although the COVID-19 pandemic caused delays in the planned implementation. Neste's vision of "No Harm. Together." has been well received and the renewed safety leadership principle gives concrete guidance on how we all commit and lead safety as a value. In 2020 we have established a safety engagement and communications network. The Network mainly consists of HSSEQ and Communications professionals across all functions and locations. The Network's way of working is hands on and it aligns corporate safety engagement themes and specific actions specific actions relevant in each of the organisations.

In our safety culture we have emphasized the mindset change to learning from positive experiences by introducing safety success stories. We have set minimum standards for safety visibility in all our locations and continued with active communication around our global Safe Day and seasonal safety campaigns. A strong new element in our safety engagement program has been to make visible how safety is integrated in our growth projects and operational changes.

Safety leadership and awareness of the performance and the risks were improved by the roll out of a transparent online reporting practice providing our organizations with clear, meaningful and timely leading performance indicators. The new practice was brought into use in line with management safety reviews and in the performance reporting.

The development of the process safety competence proceeded with common Process Safety Learning workshop development. The learning workshop concept has been created with common learning objectives, didactics and content. The roll-out will start in 2021 with train-the-trainer-sessions, and the first learning workshops for key process safety leaders. Process safety competency has also been the key focus area in the competence build-up in the Singapore expansion project. Learning paths and training programs have been developed to ensure the foundational knowledge and necessary skills required to safely manage refinery operations.

Process safety

In addition to Process Hazard Analysis (PHA) improvements, systematic risk review practices, integrated safe system of work (ISSOW) and local process safety improvements, we carried out a global safety study of Neste owned and operated storage tanks with internal floating roofs. The study was developed internally and was based on the industry standards and recommendations. In total 123 storage tanks were assessed to identify safety improvement opportunities and gaps in industrial good practices. Some improvement actions have been carried out based on the study and others will continue in 2021.

In 2020 we implemented the new system of record to support risk management of changes like for example feedstock, technical, organizational, specification and temporary changes at our sites. The system will help us manage and follow changes and required risk management actions systematically in a standardized way. The system has been implemented in Finnish sites and the implementation will continue in other sites and functions in 2021.

Neste became a full member of the European Process Safety Center from the beginning of 2020. Membership helps us in networking with process safety professionals on optimum compliance with current legislation and implementation of best process safety practices.

Contractor safety

In 2020, we continued implementing the contractor safety management model. We are continuously driving improvements with our contractors through auditing, regular performance evaluation, and mutual feedback to drive improvement. For example almost 2,000 contractor HSSEQ performance assessments and almost 100 contractor safety management audits were providing valuable information for the performance improvement. All these activities will continue in 2021 with an even greater focus on subcontractor safety.

In the local organisations activities continued to drive improvements in the targeted areas such as: safety in turnarounds with visible leadership commitment, improved construction risk management practices, systematic induction and work practices including management of simultaneous works, and road transportation safety improvements in Marketing & Services.

Product and chemical safety

Neste is committed to ensure compliance with all applicable legislation. Chemicals legislation is in rapid movement phase in many countries and areas. We follow the changes closely and implement new requirements in time. In the European Economic Area for example the new way of making Poison Centre notifications has been under preparation and a process established. During 2020 we have updated about 160 safety data sheets and thus provided the latest safety information to the users of chemicals. As an active participant in the CEFIC initiative, Neste has submitted 60 REACH dossiers during 2020, consisting of both new registrations and updates of existing ones. We have also decided new indicators for the internal follow-up of chemical compliance to ensure that we can quickly manage all situations where even a small risk of non-compliance is found.

The REACH registrations and their updating needs are continuously followed and actions made as necessary. We cooperate actively with different organizations like the Finnish Chemical Industry Federation, Concawe and CEFIC work.

Providing the required registrations and notifications as well as carefully compiled safety data sheets in national languages is the core action of product safety in Neste.

Occupational hygiene surveys have been conducted in Neste sites since 1977. In 2020 25 occupational surveys for hydrocarbons, noise or other occupational exposure agents were carried out in Finnish operations.

Occupational health services

Safety, health and wellbeing have high importance for us and the topic's importance is also high in our renewed materiality assessment. 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. The contractors are covered by their own occupational healthcare services which is required from them. Operations in employee healthcare are based on knowledge obtained from workplace surveys and health examinations as well as on other information obtained by occupational healthcare. Neste OHC is promoting wellbeing at exceptional times globally during the pandemic by organizing expert webinars for employees about mental wellbeing, ergonomics, nutrition, sleep and recovery skill.

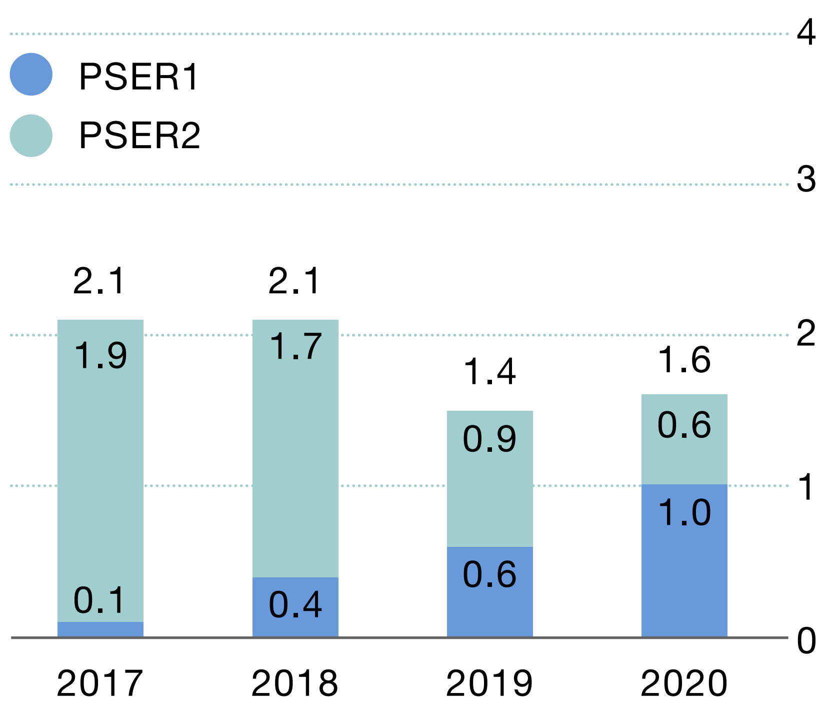
We follow the Neste Occupational Health Principle in the whole organization subject to local legislation and requirements. In non-operational locations like offices or common functions the requirements apply as far as they are relevant. By following our Principle globally we are aligning the quality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

Safety performance in 2020

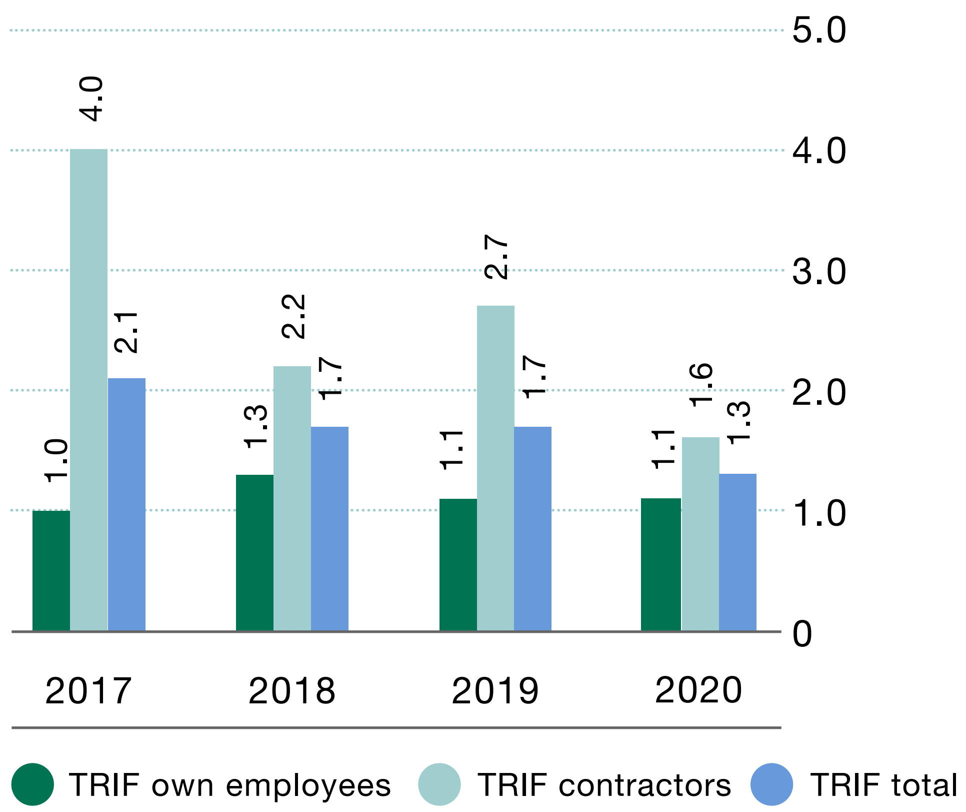
Neste's occupational safety performance, measured by the key indicator Total Recordable Injury Frequency (TRIF), improved compared to previous years and an all-time record result was reached. In contractor safety, one of our key focus areas, an all-time record result and clear improvement was achieved.

Process safety, measured by the "Process Safety Event Rate" or the PSER indicator, was worse than in 2019. The number of process safety events was 10, the same as in 2019, but a lower number of working hours increased the PSER indicator. A strong focus on process safety continues in all operations, for example, by ensuring effective process hazard analysis in all operations, and through investments in process safety improvement.

Process safety event rate (PSER)



Total recordable injury frequency (TRIF)



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. The number of safe days was improved to 325 and the number of safe day incidents was the lowest ever 43 in 2020 compared to 57 in 2019.

Several positive results were achieved during the year: our Singapore expansion project continues at a good safety level, TRIF is 0.7, renewable production sites achieved PSER = 0 as in 2019 and Neste Engineering Solutions achieved TRIF = 0 in their projects.

Focus areas for 2021

Most of the focus areas continue in 2021

- COVID-19 pandemic management
- Safety leadership with an effective implementation of Safety leadership principle and update of the team safety commitments
- Process safety focus by completion of the ongoing activities and roll-out of the process safety competence model
- Focus on the identified occupational safety challenges including high contractor safety
- Safe completion of the projects and turnarounds including effective management of change
- Integration of the new organizations into Neste practices
- Developing safety practices to ensure the safe development and introduction of the new technologies according to the Neste strategy
- Updating and promoting internal product and chemical safety training to enhance awareness and knowhow of chemicals legislation
- Preparation of a new standard to ensure that occupational exposure to chemicals, biological agents and noise is avoided

Sustainability reporting in 2020

Our 2020 Sustainability Report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards: Core option. The selected economic, social, and environmental indicators of the report in English have been assured by an independent third party, PricewaterhouseCoopers Oy. The scope of the assured information is indicated in the independent practitioner's assurance report. A congruence check has been conducted for the Finnish version's numerical sustainability information. In our report, we have aimed to focus on the most essential, based on our materiality assessment conducted in 2020.

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, labour, environment, anti-corruption. The reported indicators and the Global Compact Principles are listed in connection with the GRI Content Index.

We have committed to applying the TCFD reporting principles to disclose climate-related financial risks and opportunities in our reporting, starting from 2019. Most of the TCFD framework requirements are currently met in our Non-Financial Information (NFI) statement, but our Sustainability Report also covers several key issues related to our approach to climate change and its impacts on our operations. Our intention is to extend our reporting within the recommended TCFD implementation time frame. We are actively following various sustainability reporting framework requirements. Neste participates in CDSB's Enhanced Reporting Europe Campaign, aimed at enabling enhanced disclosure of environmental, including climate-related information in mainstream reports.

Our reporting meets the requirements of the EU Directive on disclosure of non-financial and diversity information and the Finnish Accounting Act. 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 respond to many requirements of international indices. We published our 2019 Annual Report and the included Sustainability Report on March 3, 2020 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, 2020. The safety and environmental reporting for 2020 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 average number of personnel includes all operations and acquisitions. Currently some of the employee indicators only partly cover Neste Demeter B.V., which delivers raw materials to Neste's renewable product refineries. Some of the supplier data of Neste Demeter B.V. is excluded from specific calculations due to the ongoing integration process. This is communicated in connection with the relevant indicators.

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

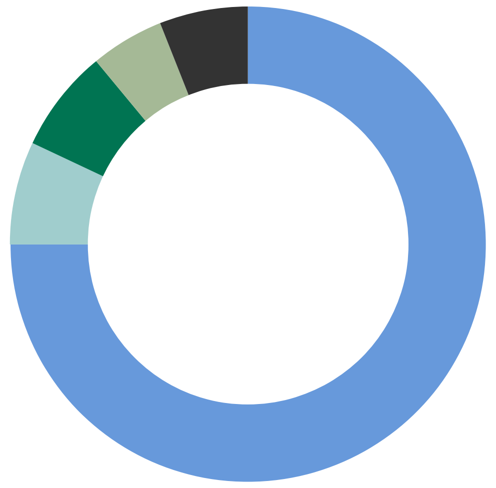
	2020	2019	2018
Emission limits and overruns: Deviations from environmental permits	2	3	2
Emissions into the air, tons			
Direct CO_2 emissions (Scope 1)	2,149,000	2,464,000	2,252,000
Indirect CO_2 emissions (Scope 2, location-based)	625,000	518,000	599,000
Indirect CO_2 emissions (Scope 2, market-based)	736,000	941,000	853,000
Other indirect GHG emissions (Scope 3)	48,000,000	49,000,000	48,000,000
Purchased goods and services [1)]	5,900,000	3,900,000	3,600,000
Fuel- and energy-related activities [2)]	100,000	100,000	< 50,000
Upstream transportation and distribution [3)]	700,000	800,000	800,000
Waste generated in operations	100,000	200,000	100,000
Downstream transportation and distribution	700,000	800,000	500,000
Use of sold products	38,700,000	41,300,000	41,000,000
End-of-life treatment of sold products	1,600,000	1,900,000	1,800,000
VOC	3,430	3,920	4,210
NOX	1,410	1,490	1,490
SO_2	3,470	4,110	4,100
Particulate matter	90	110	100
Energy use			
Total energy consumption, TWh	12.2	12.8	12.3
Fuels and natural gas, %	72.9	74.2	73.4
Purchased electricity, %	11.8	11,8	11.6
Purchased heat, %	15.3	14.0	15.0
Energy efficiency, energy saving measures GWh	33	16	57
Water, m^3/a			
Water intake	8,557,000	9,120,000	9,460,000
Total water withdrawal by source			
Surface water	8,283,000	8,866,420	8,290,000
Ground water	160	206	6,000
Municipal water supplies	274,000	253,000	1,165,000
Other	n/a	n/a	n/a
Wastewater	8,880,000	8,159,000	8,473,000
Effluents to water, tons			
Effluents of oil to water	1.0	1.6	1.0
Chemical oxygen demand	240	299	300
Effluents of nitrogen to water	68	83	70
Effluents of phosphorus to water	1.4	1.2	1.2

	2020	2019	2018
Waste, tons			
Ordinary waste for disposal	3,300	5,380	21,400
Waste for reuse	33,100	56,400	45,800
Hazardous waste for disposal	75,600	104,800	75,500
Number and magnitude of significant releases	0	2 pc / 75 m^3	4 pc / 1032 m^3
Carbon dioxide recovered, tons	134,200	170,300	136,200
Washing lye sold, tons	7,500	10,590	10,010
Supply chain and raw materials			
Use of renewable raw materials, million tons	3.7	3.5	2.9
Share and use of waste and residue raw materials in refining renewables	83% 3.1 Mt	80% 2.8 Mt	83% 2.4 Mt
GHG emission reduction achieved with Neste's renewable products compared to crude oil-based diesel, million tons [4)]	10.0	9.6	7.9
GHG emission reduction with Neste's renewable diesel compared to crude oil-based diesel [4)]	50–90%	50–90%	50–90%
Number of all renewable raw material suppliers [5)]	405 [6)]	255 [6)]	53
Share and use of certified palm oil from all palm oil use [5)]	100% 454 kt	100% 674 kt	100% 445 kt
The number of CPO smallholders	14,403	36,947	43,531
The number of palm oil suppliers	6	7	6
The number of plantations	110	158	137
The number of palm oil mills	38	59	57
Share of palm oil from sources with methane capture or measures to prevent methane formation [5)]	58%	29%	27%
The number of renewable raw material suppliers' sustainability assessments and their outcome [7)]	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	Total: 87 New approved suppliers: 41 All approved: 52 Pending: 35 Rejected: 0
Crude oil and fossil feedstock sources by region, million tons	14.0	15.6	15.3
Russia	10.7	12.6	11.7
Norway	1.7	1.4	2
Denmark	0.1	0.2	0.2
Other countries	1.5	1.4	1.3

1) Calculation principle changed in 2020. Figures are not comparable to 2019.
2) Only natural gas related emissions included
3) Part of upstream transportation emissions are accounted in other categories
4) Calculation method complies with the EU Renewable Energy Directive (2009/28/EC).
5) Contains the use of crude palm oil (CPO) and Refined Bleached Deodorized Palm Oil (RBDPO) that we have physically transferred out of our production plants within the year 2020.
6) Demeter suppliers included in the figures for 2020: 246 suppliers and for 2019: 160.
7) All figures except "New approved suppliers" include existing suppliers, which undergo a sustainability assessment process every 3–5 years. 2020 Supplier data includes only main contractual parties, excluding sub-suppliers. Demeter data excluded due to ongoing integration.

Performance in figures People

Personnel by country
as of 31 December 2020, %



Personnel by segment
as of 31 December 2020, %

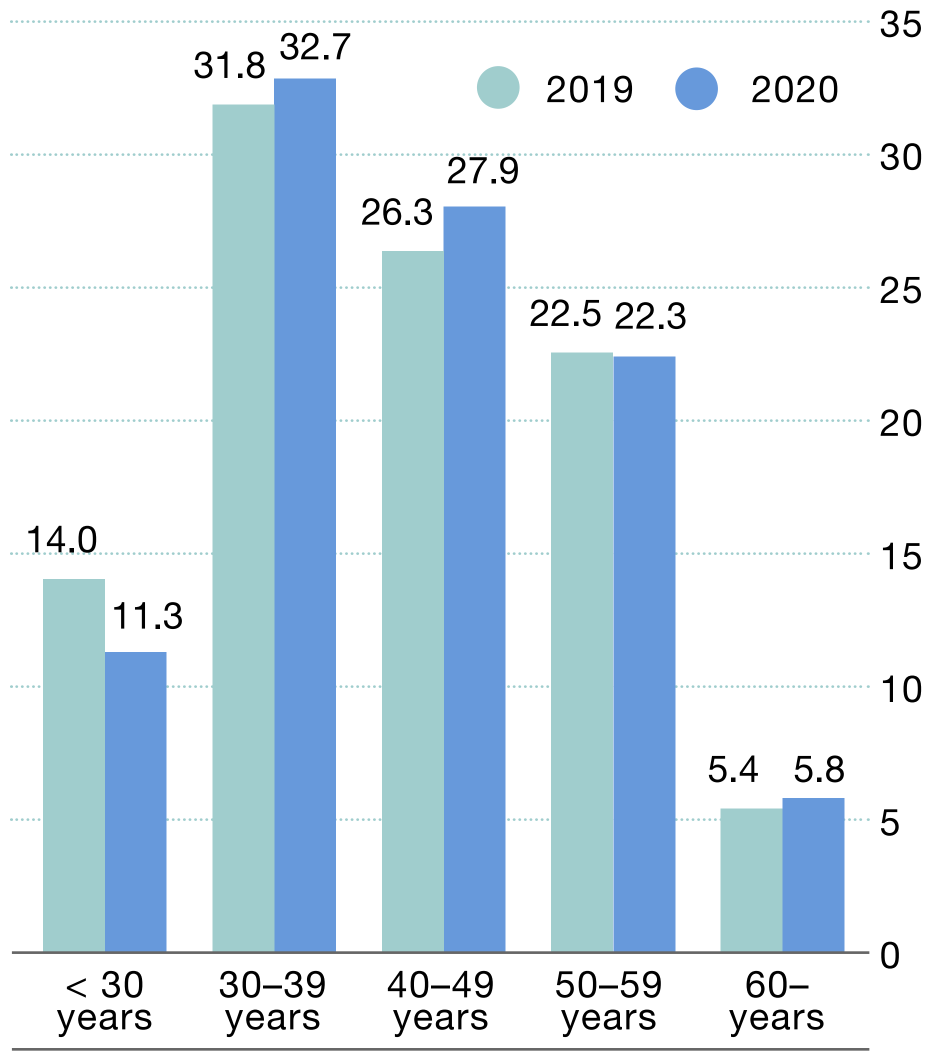
Average number of personnel

4,833

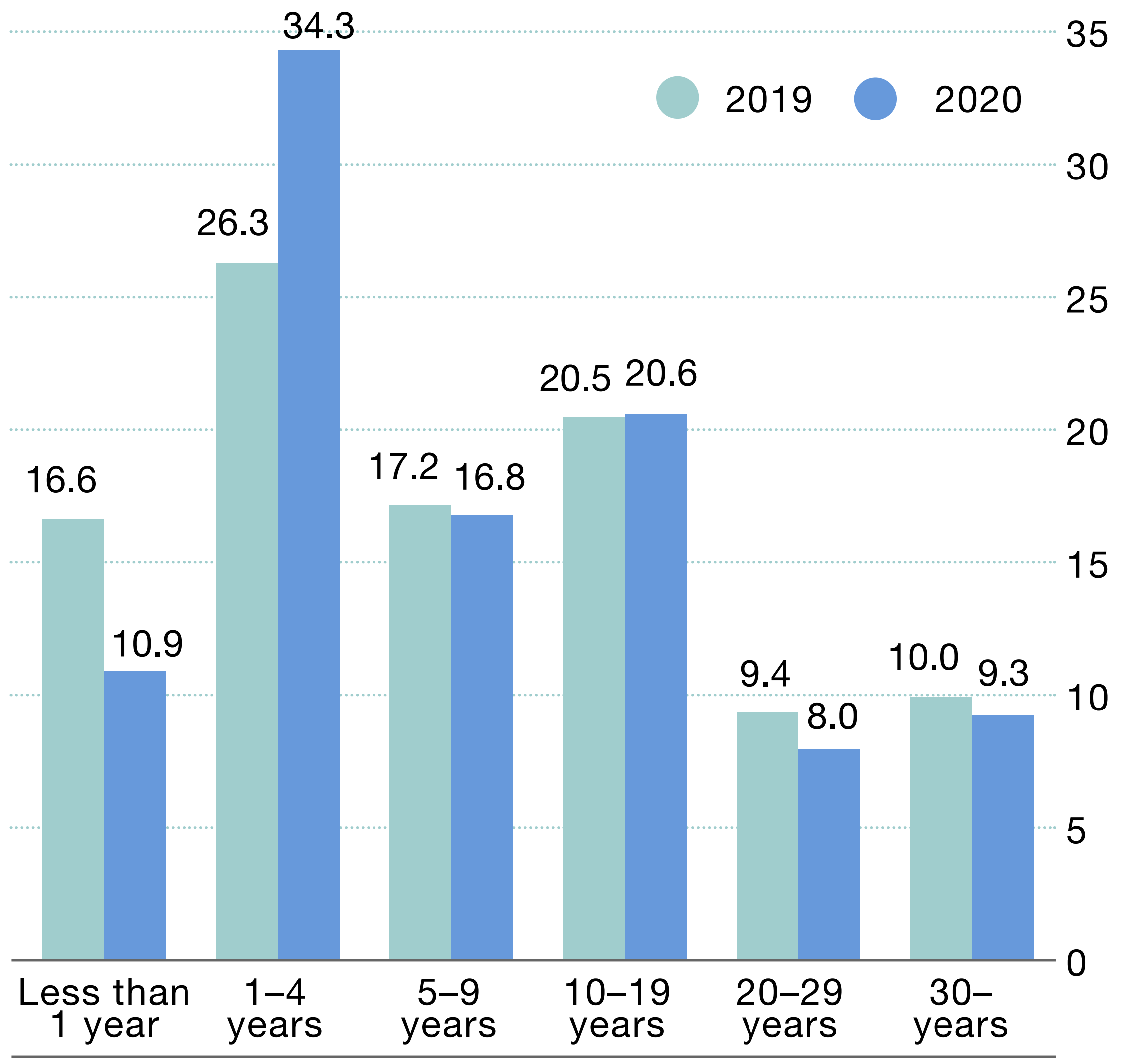
(5,474)

Personnel by personnel group
as of 31 December 2020, %

Employee breakdown by age
as of 31 December 2020, %



Employment length of employees
as of 31 December 2020, %



Information on employees and governance bodies by gender ratio
as of 31 December 2020, %

	Women		Men	
	2020	2019	2020	2019
All employees	30.2	30.2	69.8	69.8
Blue-collar	1.7	1.8	26.1	26.0
White-collar and senior management	28.5	28.4	43.7	43.9
Managers	29.0	27.8	71.0	72.2
Senior managers	25.9	22.0	74.1	78.0
Neste Executive Committee	25.0	18.2	75.0	81.8
Board of Directors	37.5	37.5	62.5	62.5
Permanent	29.0	28.2	67.8	66.3
Temporary	1.2	2.0	2.0	3.5
Full-time	28.9	28.9	68.8	69.1
Part-time	1.3	1.3	1.0	0.7

Neste Personnel and Contractor Safety Performance as of 31 December 2020

	2020	2019	2018
Total recordable injury frequency (TRIF) total	1.3	1.7	1.7
TRIF own employees	1.1	1.1	1.3
TRIF contractors	1.6	2.7	2.2
Lost workday injury frequency (LWIF) total	1.2	1.3	1.1
LWIF own employees	1.0	1.0	1.0
LWIF contractors	1.6	1.7	1.4
Process safety event rate (PSER) total	1.6	1.4	2.1
PSER 1	1.0	0.6	0.4
PSER 2	0.6	0.9	1.7
Safe Days	325	314	314
Fatalities	0	0	0
Occupational Illness Frequency Rate (OIFR), own employees	0	0 *	0 *

* Only data from Finland included in the figure

GRI Content Index and UN Global Compact

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 102: General Disclosures 2016				
1. Organizational profile				
102-1	Name of the organization	17–18		
102-2	Activities, brands, products, and services	10–12		
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	
102-5	Ownership and legal form	17–18		
102-6	Markets served	10–12		
102-7	Scale of the organization	15–16		
102-8	Information on employees and other workers	78, 83		6
102-9	Supply chain	35, 47–53, 54–57, 58–61, 68–70		
102-10	Significant changes to the organization and its supply chain		In 2020 Neste acquired Mahoney Environmental and its affiliated entities as well as the Dutch Count Terminal Rotterdam BV and its supporting entities. Neste now holds all their shares. Neste sold its shares in Nynas AB.	
102-11	Precautionary Principle or approach	21–22, 23–25, 36–37, 62–65, 71–75, 122, 124–125		7
102-12	External initiatives	31–32, 76 Certificates, Involvement in organizations and joint projects		
102-13	Membership of associations	31–32, 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 / Omission	Global Compact Principles
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	6, 37, 66–67 Our values		10
4. Governance				
102-18	Governance structure	36–37, 87–90, 93–96		
5. Stakeholder engagement				
102-40	List of stakeholder groups	31–32		
102-41	Collective bargaining agreements		3,723 persons, 77.2%	3
102-42	Identifying and selecting stakeholders	30–34		
102-43	Approach to stakeholder engagement	23–25, 30–34		
102-44	Key topics and concerns raised	23–25, 30–34		
6. Reporting practice				
102-45	Entities included in the consolidated financial statements	76, 83, 139–141, 149		
102-46	Defining report content and topic Boundaries	23–25, 76		
102-47	List of material topics	23–29		
102-48	Restatements of information	76, 83	No major changes during the reporting period. Possible changes in the previously disclosed key figures are disclosed in connection with the figure in question.	
102-49	Changes in reporting	23–29, 76		
102-50	Reporting period	76		
102-51	Date of most recent report	76		
102-52	Reporting cycle	76		
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	76		
102-55	GRI content index	79–82		
102-56	External assurance	84–85		

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary	23–29, 76		
103-2	The management approach and its components	23–29, 36–37, 76		
103-3	Evaluation of the management approach	23–29, 36–37, 76		
GRI 200: Economic				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	35		
201-4	Financial assistance received from government	157		
GRI 203: Indirect Economic Impacts 2016				
203-2	Significant indirect economic impacts	35		
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	37, 124–125, 127	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 inter alia the Code of Conduct and Anti-Corruption Principle. In 2020 a related Anti-Money Laundering e-learning course was issued for targeted employees (approx. 1,400 employees).	10
205-3	Confirmed incidents of corruption and actions taken	29, 37, 127	No confirmed incidents during the reporting period.	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.	

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)	28, 46		9
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	27, 62–65, 77, 83		7, 8
302-4	Reduction of energy consumption	44, 63, 77, 83		8, 9
GRI 303: Water and effluents 2018				
303-1	Interactions with water as a shared resource	63		7, 8
303-2	Management of water discharge-related impacts	63		7, 8
303-3	Water withdrawal	63, 77	Neste water withdrawal is reported only in total. Water withdrawn from areas with water stress: The total amount is less than 0.5% and includes total water withdrawal in Rotterdam and Singapore production 2020. Neste is reviewing the GRI reporting on water categories including certain amount of total dissolved solids.	7, 8
GRI 304: Biodiversity 2016				
304-2	Significant impacts of activities, products, and services on biodiversity	27, 64		7, 8
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	77, 83		7, 8
305-2	Energy indirect (Scope 2) GHG emissions	77, 83		7, 8
305-3	Other indirect (Scope 3) GHG emissions	77, 83		7, 8
305-4	GHG emissions intensity	27		**7, 8**
305-5	Reduction of GHG emissions	27, 43–46, 77, 83		8, 9
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	63, 77		7, 8

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 306: Effluents and Waste 2016				
306-1	Water discharge by quality and destination	77, 83		8
306-2	Waste by type and disposal method	77		8
306-3	Significant spills	77		8
GRI 307: Environmental Compliance 2016				
307-1	Non-compliance with environmental laws and regulations		No significant fines or non-monetary sanctions with environmental laws and regulations during the reporting period.	8
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	59 Sustainability policies and principles	100% of Neste's renewable raw material suppliers screened using environmental criteria. Demeter suppliers excluded from the figure due to the integration in progress.	8
GRI 400: Social				
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	27, 35, 67		6

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	71–75		
403-2	Hazard identification, risk assessment, and incident investigation	71–75		
403-3	Occupational health services	71–75		
403-4	Worker participation, consultation, and communication on occupational health and safety	71–75		
403-5	Worker training on occupational health and safety	71–75		
403-6	Promotion of worker health	71–75		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71–75		
403-9	Work-related injuries	71–75, 78	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 2020, we faced few accidents where the cause could be linked to our Life Saving Rules. These accidents did not lead to serious injuries but they clearly indicate that the compliance with the life saving rules is an absolute must in all of our operations.	

GRI Standards Disclosure		Location in the report or our webpage	Reporting / Omission	Global Compact Principles
GRI 404: Training and Education 2016				
404-2	Programs for upgrading employee skills and transition assistance programs	35, 67		
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	28, 35, 67, 78, 83, 87–90		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 85%–109%.	6
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	68–70 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 it is implemented through our DD processes. We conduct country risk assessments to identify areas with the highest risks to these. Neste SCoC includes a minimum requirement to recognize and respect employees' right to organize freely and bargain collectively. Specific operations and geographic areas not disclosed publicly.	3
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk of incidents of child labor	68–70 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 it is implemented through our DD processes. We conduct country risk assessments to identify areas with the highest risks of child labor. Neste SCoC includes minimum requirements regarding child labor.	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	68–70 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 chain and it is implemented through our DD processes. We conduct country risk assessments to identify areas with the highest risks of forced labor. Neste SCoC includes minimum requirements regarding forced and compulsory labor.	4
GRI 412: Human Rights Assessment 2016				
412-1	Operations that have been subject to human rights reviews or impact assessments	68–70 Neste Human Rights Commitment, Neste Human Rights Principles, Neste Supplier Code of Conduct, Modern Slavery Statement	Two major human rights assessments completed in 2020 (see Sustainability KPIs) 100% of main Malaysian palm suppliers assessed. Further details regarding our approach to human rights impact assessments and reviews available in the 2019 Modern Slavery Statement.	1, 2
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	35		2, 4, 5
GRI 415: Public Policy 2016				
415-1	Political contributions		Neste does not make political contributions.	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	
GRI 417: Marketing and Labeling 2016				
417-3	Incidents of non-compliance concerning marketing communications		Two legal actions in Lithuania during 2020, whereas one case is closed and one to be processed in 2021. One RCC complaint in the Netherlands to be processed in 2021.	

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.

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 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. Only relevant scope 3 categories are included in the report.

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

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.

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.

OIFR (Occupational Illness Frequency Rate): The number of occupational illnesses, relative to a million hours worked.

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 (hereinafter also the Company) to perform a limited assurance engagement on selected sustainability disclosures for the reporting period 1 January to 31 December 2020, disclosed in the "Sustainability" section of Neste Corporation's Annual Report 2020. In terms of the Company's GRI Standards reporting and GRI Standards Content Index, the scope of the assurance has covered selected economic, social and environmental sustainability disclosures listed within the Topic-Specific Disclosures and General Disclosures 102-8 and 102-41 as well as information presented in the "Neste creates value" and "Performance in figures" pages in Neste Corporation's Annual Report 2020 (hereinafter Sustainability Information).

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

Management's responsibility

The Management of Neste Corporation is responsible for preparing the Sustainability Information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the GRI Sustainability Reporting Standards of the Global Reporting Initiative where applicable. The Management of Neste Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

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

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information and on the Company's adherence to the AA1000 AccountAbility Principles based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

In addition, we have conducted our work in accordance with the AA1000 Assurance Standard v3 2018. For conducting a Type 2 assurance engagement as agreed with the Company, this Standard requires planning and performing of the assurance engagement to obtain moderate (limited) assurance on whether any matters has come to our attention that cause us to believe that Neste Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles and that the Sustainability information is not reliable, in all material respects, based on the Reporting criteria.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Information, and about the Company's adherence to the AA1000 AccountAbility Principles. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Information and an assessment of the risks of the Company's material nonadherence to the AA1000 AccountAbility Principles.

Our work consisted of, amongst others, the following procedures:

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

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Neste Corporation's Sustainability information for the reporting period ended 31 December 2020 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

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

When reading our assurance report, the inherent limitations of accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Neste Corporation for our work, for this report, or for the conclusions that we have reached.

Observations and recommendations

Based on the procedures we have performed and the evidence we have obtained, we provide the following observations and recommendations in relation to Neste Corporation's adherence to the AA1000 AccountAbility Principles (2018). These observations and recommendations do not affect the conclusions presented earlier.

Inclusivity: Neste Corporation has processes in place to ensure continuous stakeholder participation in the sustainability topics. The Company engaged proactively with stakeholders on materiality assessment during 2020. The independent Advisory Council on Sustainability and New Market has continued its activities. We recommend that the Company maintains proactive stakeholder dialogue practices with all, including the new stakeholders, incorporating their views in its operations.

Materiality: Neste Corporation has a systematic approach in place to define the materiality of sustainability topics. The Company has updated its materiality assessment during 2020, involving both internal and external stakeholders. In 2020, the company has considered also the financial impacts of the climate change. We recommend that the Company continues to elaborate and update its material aspects also from the viewpoint of the financial materiality.

Responsiveness: Neste Corporation has processes in place for identifying and communicating stakeholder needs to the decision-making bodies of the Company. Neste has established KPIs for each material sustainability topic and is monitoring its performance against them. We recommend the Company continues to ensure that the expectations of different stakeholders are incorporated into the decision-making, also during the pandemic times. We also recommend that Neste ensures its continuous adherence to the updated materiality and KPIs.

Impact: Neste Corporation has a process in place to monitor and measure the economic, environmental and social impacts of its business activities and has decided to calculate the CO_2 footprint and handprint of its business. We recommend the Company to further improve its processes to increase the transparency of measurement of the impacts, and to ensure a balanced disclosure of all impacts, also covering the value chain.

Practitioner's independence, qualifications and quality control

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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

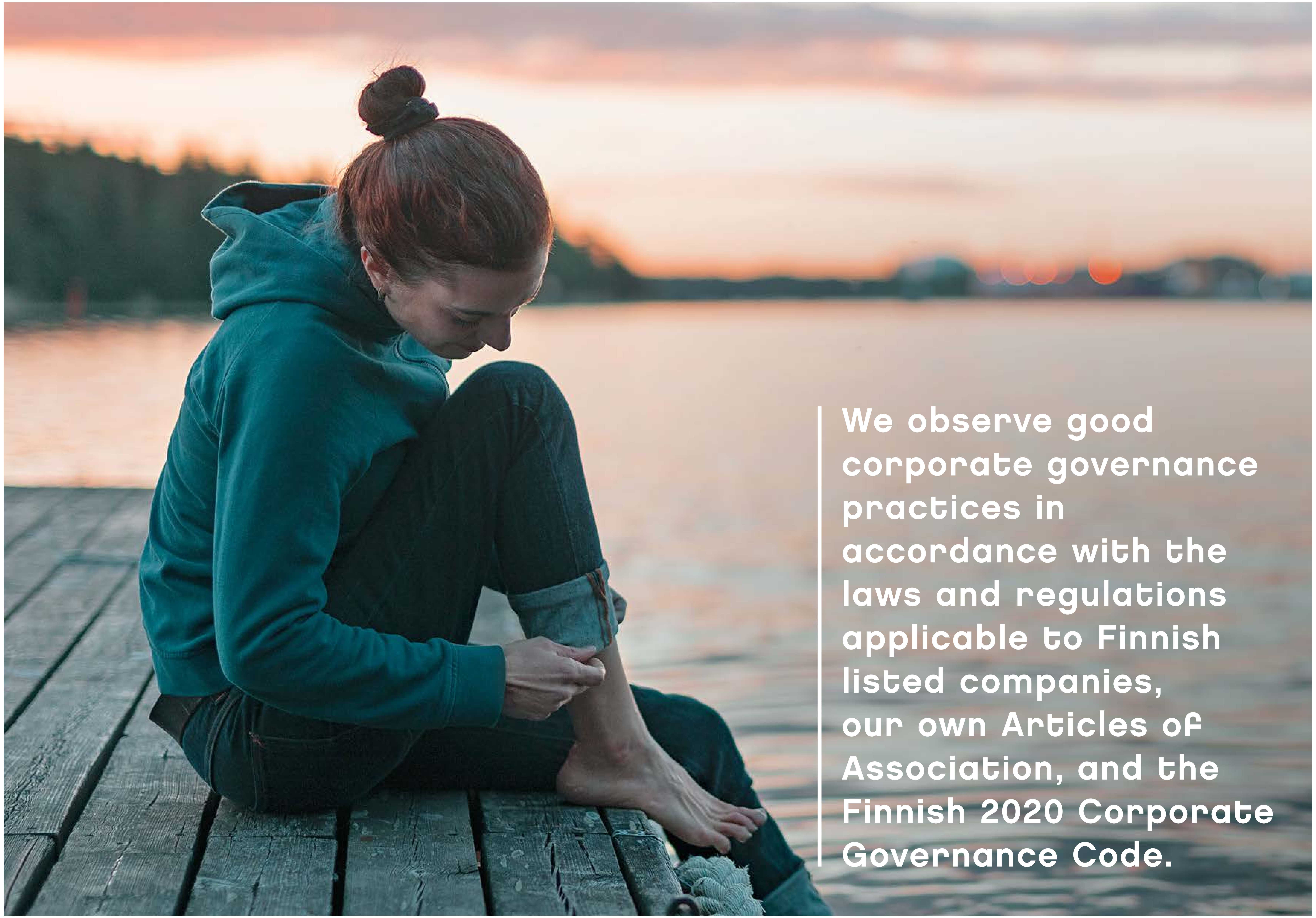
PricewaterhouseCoopers Oy applies international standard on quality control ISQC1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Helsinki, 2 March 2021

PricewaterhouseCoopers Oy

Tiina Puukkoniemi
Authorised Public Accountant (KHT)

AA1000
Licensed Assurance Provider
000-29


We observe good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, our own Articles of Association, and the Finnish 2020 Corporate Governance Code.

Governance

Corporate Governance Statement 2020

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 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 Auditors, PricewaterhouseCoopers Oy, 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.

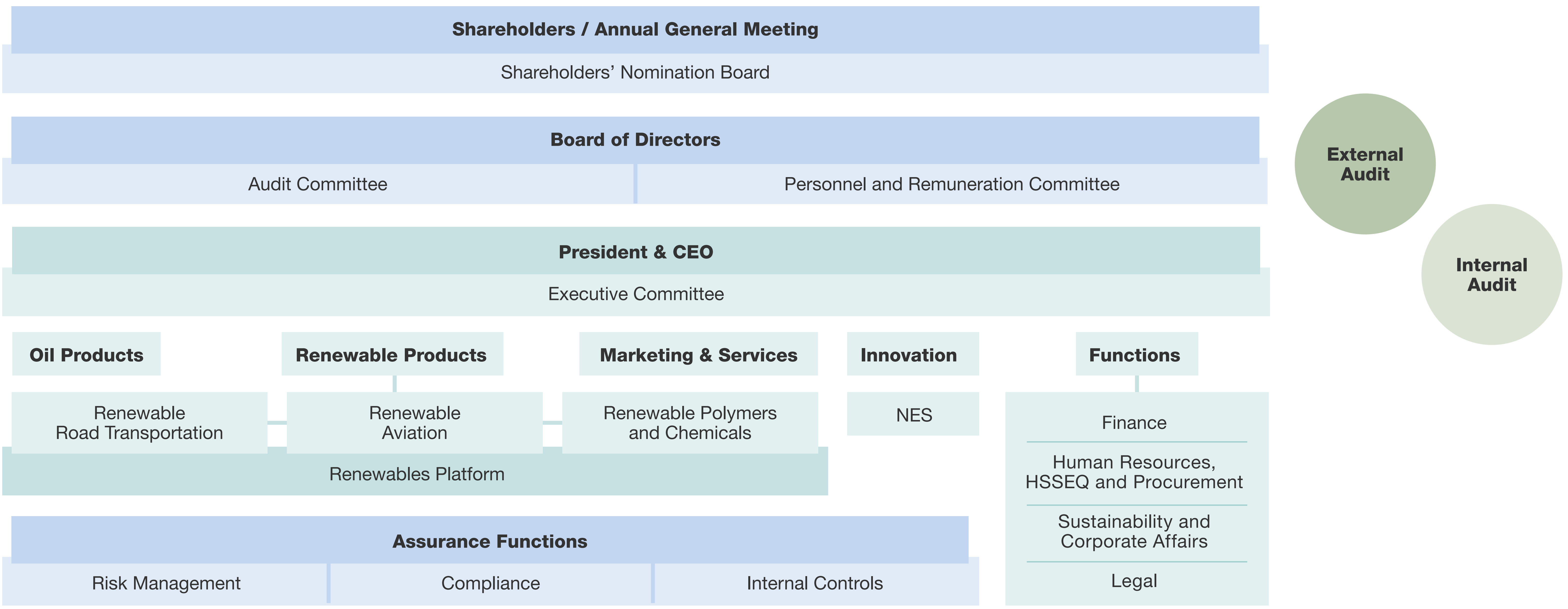
Neste issues Consolidated Financial Statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Market Act, as well as the appropriate Financial Supervisory Authority standards, and Nasdaq Helsinki Ltd's rules. The Review 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.

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.

Neste's Governance Bodies



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

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, 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 shall publish details on the date and location of the meeting, together with the address of the Company's website, in one or more newspapers within the same period of time.

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

2020

The 2020 AGM was held on 18 May 2020 at the Company's headquarters in Espoo and it adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2019, and discharged the Board of Directors, and the President and CEO from liability for 2019. The AGM approved the Board of Directors' proposal regarding the distribution of the company's profit for 2019 to the effect that the first dividend installment, EUR 0.46 per share, was 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 was Wednesday, 20 May 2020. The first dividend installment was paid on Thursday, 28 May 2020.

In addition, in accordance with the proposal by the Board of Directors, the AGM authorized the Board to decide, in its discretion, on the payment of a second dividend installment in a maximum amount of EUR 0.56 per share (consisting of an ordinary dividend of EUR 0.46 and an extraordinary dividend of EUR 0.10). Based on such authorization, the Board decided on the payment of a second installment of the dividend in the amount of EUR 0.56 per share on 22 October 2020 to the effect that the second installment was paid to a shareholder who was registered in the Company's shareholder register on the record date for the payment of the second dividend installment, i.e. on 26 October 2020. The payment date of the second installment of the dividend was 2 November 2020.

The AGM also 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.

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 (4) 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 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 Chair of the Board of Directors shall convene the first meeting of the Shareholders' Nomination Board, which will be responsible for electing a Chair from among its members, whereas the Chair so elected shall be responsible for convening subsequent meetings. When the members of the Shareholders' Nomination Board has been appointed, the Company will issue a release to this effect.

The Shareholders' Nomination Board shall serve until further notice, unless a General Meetings 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 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.

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 Solidium Oy. Member of the Board of Municipality Finance Plc. Chair of the Shareholders' Nomination Board of Fortum Oyj.

Holdings in Neste Corporation on 31 December 2020: 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 2020: 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. Member of the Board of the Foundation for the Finnish Cancer Institute.

Holdings in Neste Corporation on 31 December 2020: no holdings/ 0 shares.[1)]
Varma Mutual Pension Insurance Company 10,450,615 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. Member of Board of The Research Institute of the Finnish Economy (EVA/ETLA) until 2020. Chair of the TT fund of the Confederation of Finnish Industries until 2020. Chair of the Supervisory Board of the Ilmarinen Mutual Pension Insurance Company. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2020: 12,310 shares[1)]

Holdings in Neste Corporation on 31 December 2020:
[1)] Own holdings and controlled entities.
[2)] Shareholder's holdings represented by the member of the Shareholders' Nomination Board.

The Shareholders' Nomination Board convened 7 times between its formation on 14 September 2020 and 29 January 2021, and the members of the Shareholders' Nomination Board attended such meetings as follows:

	Attendance
Kimmo Viertola	7/7
Outi Antila	7/7
Reima Rytsölä	7/7
Matti Kähkönen	7/7

Decisions on the proposals for the 2021 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 29 January 2021.

Composition of the Shareholders' Nomination Board prior to the 2020 AGM

On 18 September 2019, 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; President and CEO Jouko Pölönen of Ilmarinen Mutual Pension Insurance Company; Deputy CEO, Investments Reima Rytsölä of Varma Mutual Pension Insurance Company and Matti Kähkönen, the Chair of Neste's Board of Directors. The Shareholders' Nomination Board convened 8 times between the 2019 AGM and 30 January 2020 and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 30 January 2020.

Board of Directors

In accordance with Neste's Articles of Association, the Board of Directors has between five and eight 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 2020 Board of Directors was composed of 8 members, all of whom hold a university-level degree, and one of whom has a doctorate. All of 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 38% of all members of the

Board of Directors. With regard to age, the members of the Board of Directors are divided evenly between 49 and 64 years of age. The duration of the terms of office of the Board members is divided as follows: two members have been on the Board of Directors for more than four years, while six 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 board-approved Charter. 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.

2020

The 2020 AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Ms. Sonat Burman-Olsson, Ms. Martina Flöel, Mr. Matti Kähkönen, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal and Mr. Marco Wirén. Mr. Nick Elmslie and Ms. Johanna Söderström were elected as new members. Mr. Matti Kähkönen was elected as Chair and Mr. Marco Wirén was elected as Vice Chair.

The Board convened 16 times in 2020. The attendance rate at the meetings was 94.5%. The Board focused in 2020 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. The Board also closely monitored the Company's performance during the COVID-19 pandemic, and a decision was made to restructure the Company's refining operations in Finland to secure the competitiveness of the Company's Oil Products business. 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. The Board continuously monitored the Company's safety, financial and operational performance as well as risk management. The Board work has during the year been evaluated by an external consultant.

Board of Directors, 31 December 2020

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings: Board	Attendance at meetings: Committees
Matti Kähkönen	Chair	1956	M.Sc. (Eng.)	Non-Executive Director	•	•	•		16/16	5/5
Sonat Burman-Olsson	Member	1958	M.Sc.(Econ), MBA	Non-Executive Director	•	•		•	15/16	7/8
Nick Elmslie	Member	1957	B.Sc. (Chem.)	Non-Executive Director	•	•		•	8/8	4/4
Martina Flöel	Member	1960	PhD (Chem.)	Non-Executive Director	•	•	• (since 18.5.2020)	• (until 18.5.2020)	15/16	7/7
Jean-Baptiste Renard	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•	•		15/16	4/5
Jari Rosendal	Member	1965	M.Sc. (Eng.)	President and CEO of Kemira	•	•	• (until 18.5.2020)	• (since 18.5.2020)	16/16	6/6
Johanna Söderström	Member	1971	M.Sc. (Econ.)	EVP, Chief Human Resources Officer at Tyson Foods Inc.	•	•	•		7/8	3/3
Marco Wirén	Member	1966	M.Sc. (Econ.)	Chief Financial Officer at Nokia Corporation	•	•		•	15/16	8/8

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. Member of Board of The Research Institute of the Finnish Economy (EVA/ETLA) until 2020. Chair of the TT fund of the Confederation of Finnish Industries until 2020. Chair of the Supervisory Board of the Ilmarinen Mutual Pension Insurance Company. Chair of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2020:
12,310 shares.[1)]

Sonat Burman-Olsson
(born in 1958)
M.Sc. (Economics), Executive MBA, Strategic Management Studies
Member of the Board since 2019
Independent member

President & CEO COOP Sweden 2014–2017. Deputy CEO, ICA Gruppen 2007–2014. Vice President Electrolux Group, Global Marketing Strategies 1995–2006. Senior Vice President Electrolux Europe Operational Development. Vice President Electrolux New Markets. Prior to 1995 Directorial positions within Siemens and BP. Member of the Board of ICC – International Chamber of Commerce, 2016–2018 and Swedish Trade Federation, 2014–2017. Chairman of the Swedish Food Retailers Association, 2014–2017. Member of the Board of Swedish National Pension fund, 2008–2016 and ICA Bank & RIMI Baltic, 2007–2014, iZettle 2018. Member of the Board of Directors of Lindab 2011–. Member of the Board of Directors of Postnord 2018– and Member of the Board of Directors of Lantmannen 2018–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2020:
No holdings.[1)]

Nick Elmslie
(born in 1957)
B.Sc. (Chemistry)
Member of the Board since May 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–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2020:
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 the Board of Directors of Carl Bechem GmbH 2019–2020. Member of Neste's Personnel and Remuneration Committee.

Holdings in Neste Corporation on 31 Dec 2020:
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 CLH (Spain); Pro bono consulting for social entrepreneurs. Member of the Supervisory Board of Vendredi until the end of 2020. Member of the Supervisory Board 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 2020:
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, 2011–2020 and Chairman of the Board of Directors, Finnish Association of Mining and Metallurgical Engineers, 2017–2020. 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–. Member of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2020:
No holdings.[1)]

Johanna Söderström
(born in 1971)
M.Sc. (Econ.)
Member of the Board since May 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 Handelsund 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 2020:
No holdings.[1)]

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. Member of the Board of Directors of Wärtsilä Finland Oy 2013–2020. Chair of Neste's Audit Committee.

Holdings in Neste Corporation on 31 Dec 2020:
3,000 shares.[1)]

Elizabeth (Elly) Burghout
– Member of the Board until AGM 18 May 2020

(born in 1954)
B.Sc. (Chemical Engineering)
Member of the Board since 2018
Independent member

Willem Schoeber
– Member of the Board until AGM 18 May 2020

(born in 1948)
Dr. (Chem. Eng.)
Member of the Board since 2013
Independent member

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

Board Committees

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

2020

Starting from 18 May 2020, the Audit Committee comprises Marco Wirén (Chair), Sonat Burman-Olsson, Nick Elmslie and Jari Rosendal. In 2020, the Audit Committee convened 8 times, and the attendance rate was 96.9%. 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 and other reporting. The Audit Committee also focused on risk and compliance management, including in relation to financial, market and geopolitical risks but also certain other risk areas, such as IT systems, segregation of duties and cyber security. In such context, the Company's program for reforming its ERP system continued to be a specific focus area of the Audit Committee. Moreover, the Audit Committee also monitored e.g. legal, compliance and privacy 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.

2020

Starting from 18 May 2020, the Personnel and Remuneration Committee comprises Matti Kähkönen (Chair), Martina Flöel, Jean-Baptiste Renard and Johanna Söderström. The Personnel and Remuneration Committee convened 5 times in 2020, and the attendance rate was 90.0%. During 2020, the Personnel and Remuneration Committee continued to focus on reviewing and developing Neste's remuneration and talent management and development to support the Company's operational and strategic targets. The EU Shareholder Rights Directive II compliant Remuneration Policy was published in March and was set for shareholder vote in the 2020 AGM in May. In line with duties coming from its Charter, the Personnel and Remuneration Committee also followed up the ongoing performance period and outcomes of the rewarding based on 2019 results. To further drive our strategy and leadership in sustainability, a new performance measure of Combined Greenhouse Gas (GHG) impact was set into the Performance Share Plan 2021–2023. 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 Future OP program 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 2020 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 in the 2020 Remuneration report.

2020

During 2020 the ExCo comprised 12 members. 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 2020 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. Development of the Company's innovation activities through the business platforms and the chemical recycling of waste plastic platform as well as formulation of the Company's climate roadmap were also closely followed by the ExCo. During 2020 the ExCo also focused on securing the competitiveness of the Company's Oil Products business in light of the effects of the COVID-19 pandemic, including by means of the restructuring of the Company's refining operations in Finland. In addition, a number of other matters were given special attention during the year, including people and talent development, development of M&A capabilities, 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 closely 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

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 2020:
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 2020:
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. Member of the Board of East Office 2016–.

Holdings in Neste Corporation on 31 Dec 2020:
10,008 shares.[1)]

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

Joined the company in January 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 2020:
0 shares[1)]

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

Members of the Executive Committee

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. Vice Chairman of the Board of the Chemical Industry Federation of Finland. Member of the Board of the Confederation of Finnish Industries (EK) until the end of 2020.

Holdings in Neste Corporation on 31 Dec 2020:
26,169 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 SPBI (Swedish Petroleum and Biofuels Institute) 2018–2019.

Holdings in Neste Corporation on 31 Dec 2020:
4,190 shares.[1)]

Marko Pekkola
(born 1969)
Executive Vice President,
Oil Products
M.Sc. (Energy Technology)
Member of the Executive Committee since 2019

Joined the company in 2018. Responsible for the Oil Products business unit. Previously served as Vice President, Production 2018–2019. Before joining Neste, held many leading positions in Stora Enso Oyj and M-real Oyj.

Holdings in Neste Corporation on 31 Dec 2020:
4,075 shares.[1)]

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

Joined the company in April 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 and National Defense Course Association.

Holdings in Neste Corporation on 31 Dec 2020:
855 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 Ahlstrom-Munksjö. Member of the Board of Directors of LUKE (Natural Resources Institute Finland) until the end of 2020.

Holdings in Neste Corporation on 31 Dec 2020:
30,284 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, Member of the Executive Committee of the Perstorp Group 2001–2007, as Executive Vice President, Renewal and Development 2001–2004 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 and Tikkurila Oyj.

Holdings in Neste Corporation on 31 Dec 2020:
22,341 shares.[1)]

Jyrki Mäki-Kala
(born 1961)
Chief Financial Officer,
Strategy and IT
M.Sc. (Econ.)
Member of the Executive Committee since 2013

Joined the company in 2013. Chief Financial Officer and responsible for the Group's strategy, financial management, investor relations, and risk management. Served in various business and corporate financial positions at Kemira 2005–2013. Previously worked for Finnish Chemicals. Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors and Audit Committee of Altia Corporation.

Holdings in Neste Corporation on 31 Dec 2020:
26,500 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 2020:
1,948 shares.[1)]

Simo Honkanen
– retired in December 2020.

(born 1958)
M.Sc. (Econ.)
Senior Vice President,
Sustainability, Public Affairs and Communications until April 2020.
Member of the Executive Committee from 2009 until 31.3.2020.

[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.

2020

Audit Firm PricewaterhouseCoopers Oy served as Neste's Auditor until 18 May 2020, with Authorized Public Accountant Mr. Markku Katajisto as the principally responsible auditor. The AGM re-elected PricewaterhouseCoopers Oy as the Audit Firm on 18 May 2020, with Authorized Public Accountant Mr. Markku Katajisto continuing to serve as the principally responsible auditor, until the end of the next AGM.

Fees charged by the statutory auditor

EUR 1,000	2020	2019
Statutory audit	1,534	1,388
Tax advisory	9	23
Other advisory services	150	275
	1,693	1,686

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 organisations 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 Controls 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 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 Chairman. The Vice President of Internal Audit is responsible for the internal audit activities specified in the Internal Audit Charter.

2020

Internal Audit performed internal audits set out in the Internal Audit Plan 2020 and special assignments assigned by the senior management and the Board Audit Committee. 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, locations, projects and risk areas were in focus during the year 2020, including for example major investments (e.g. the Singapore expansion project), subsidiary governance, risk management and master data management.

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 sets the framework for Neste's global business operations, and establishes core principles to guide Neste employees in their day-to-day business activities and decisions in the areas of ethical business practices, sustainable operations and protecting people's health and safety. Neste requires commitment to these principles from its suppliers and business partners, as expressed in the Neste Supplier Code of Conduct.

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 business unit and function 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 Controls 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 Neste's Investigation Group.

Neste has an externally operated misconduct reporting system, Ethics Online, available to all Neste's internal and external stakeholders, including various actors in its supply chains. Ethics Online serves as a grievance mechanism and enables Neste's stakeholders to raise concerns related to alleged misconduct in Neste's practices. Neste's Investigation Group is responsible for evaluating 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 issued in 2020. 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 on 9 June 2016.

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 common function or business area 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 reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations and internal requirements of control activities.

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 Principles and Control Requirements over Financial Reporting (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 business units and common functions. 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 hence 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. Internal Control acts on the recommendations of the Audit Committee and expectations of the Executive Committee for improving the quality of the controls. Internal Control follows up and verifies that actions for remediation are taken by the respective operational management.

Neste has prepared and established its own Internal Control Principles in accordance with the COSO framework. Internal Control Principles emphasize 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 Principles, Access Risk Management Principles, SAP GRC AC, the Control 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.

Communications

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 receives 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 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.

2020

In 2020, the Internal Control team in close cooperation with business process owners has worked to further increase the organization's understanding of the importance of internal controls. Key controls and underlying risks have been revisited and new controls have been defined to mitigate risks in financial and commercial operations. Concrete initiatives have been taken to implement automatic controls and procedures that help accelerate commercial process execution.

The tone at the top by 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, PwC, have been performed and analysis results are being followed up by the Audit Committee.

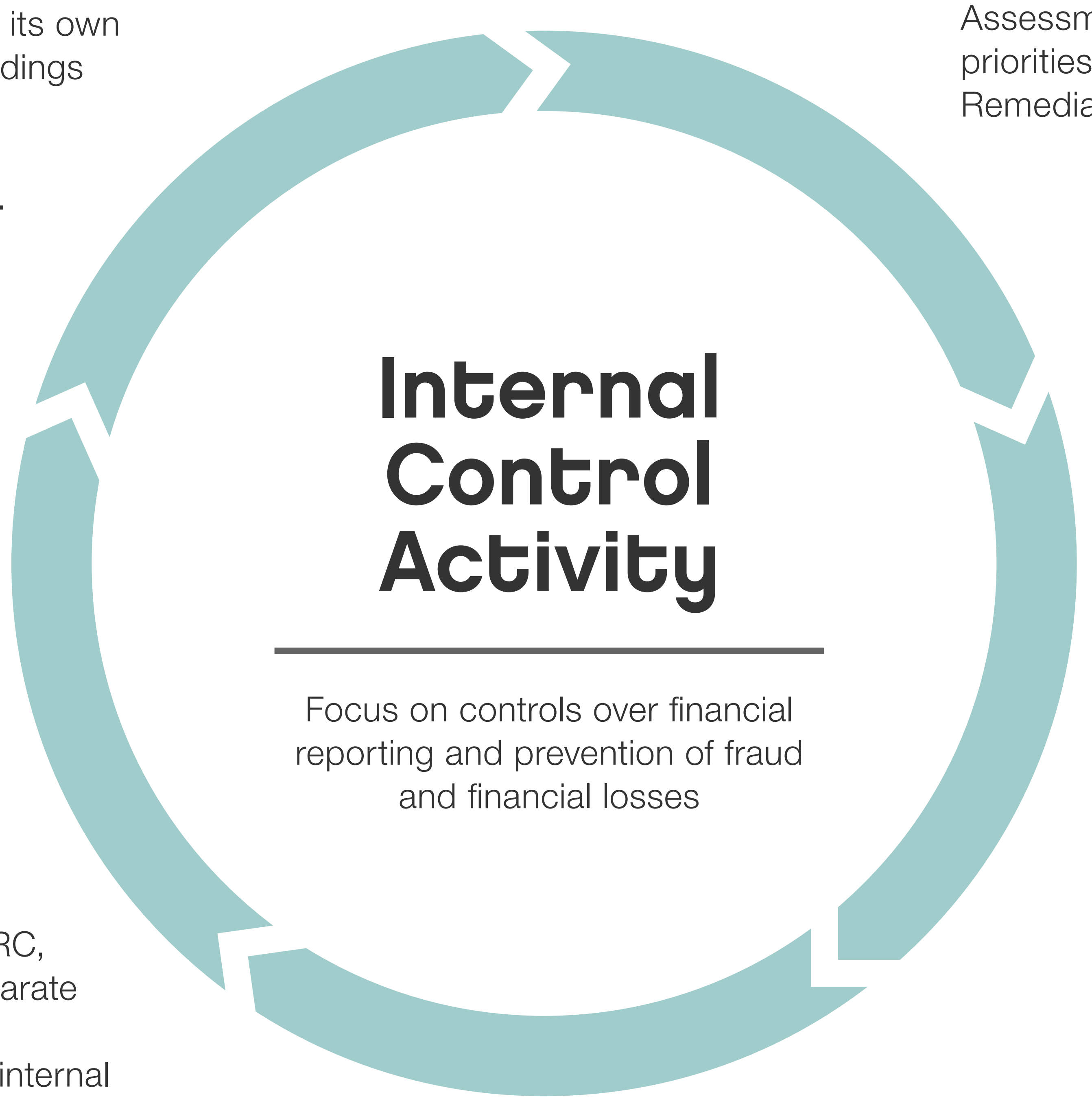
A phased roadmap for strengthening the Segregation of Duties controls in SAP has been identified. The first phases, including clarification of concepts, principles and processes, have already been implemented. The next phase, planned for 2021, will aim at role revision and simplification.

Neste will make an important investment in 2021 to implement modern internal control management and monitoring solutions that enable better visibility and faster corrective actions. The solution will aim primarily at continuous control monitoring and reporting capabilities. The preparations have already started in 2020 with the creation of a central repository of the controls and proof of concept.

Building Effective Internal Controls 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 and SAP GRC, and it conducts separate tests, to assess the performance of the internal controls and to 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.

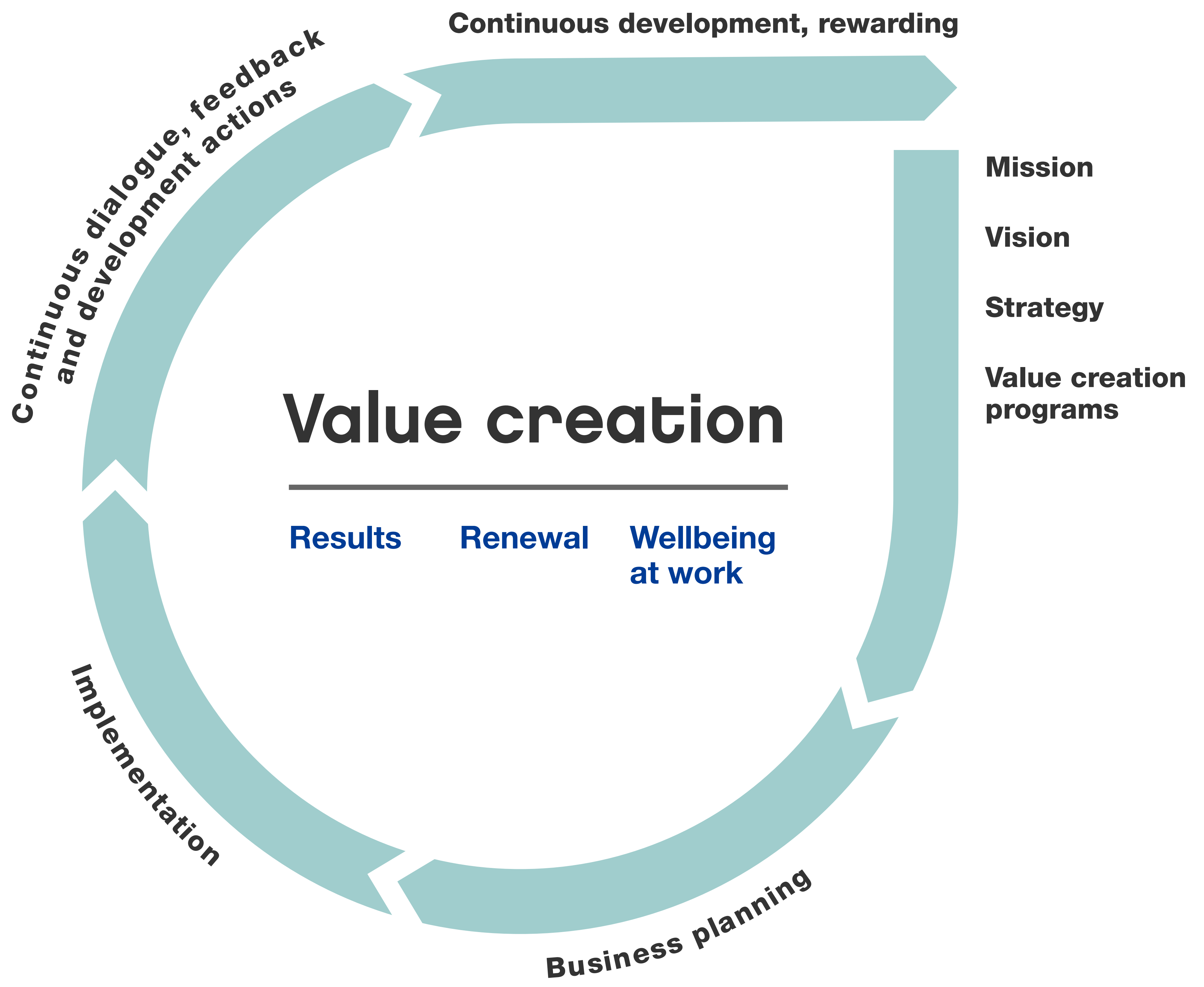
The key elements in the Neste daily performance leadership approach are:

- 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 quarterly Common Functions Review.

Financials- and KPIs related , information in management reporting and reviews are compared to strategic goals and business plans, and to analyses and planned corrective actions throughout the year.

Performance Management Process



Leading performance in daily work

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.

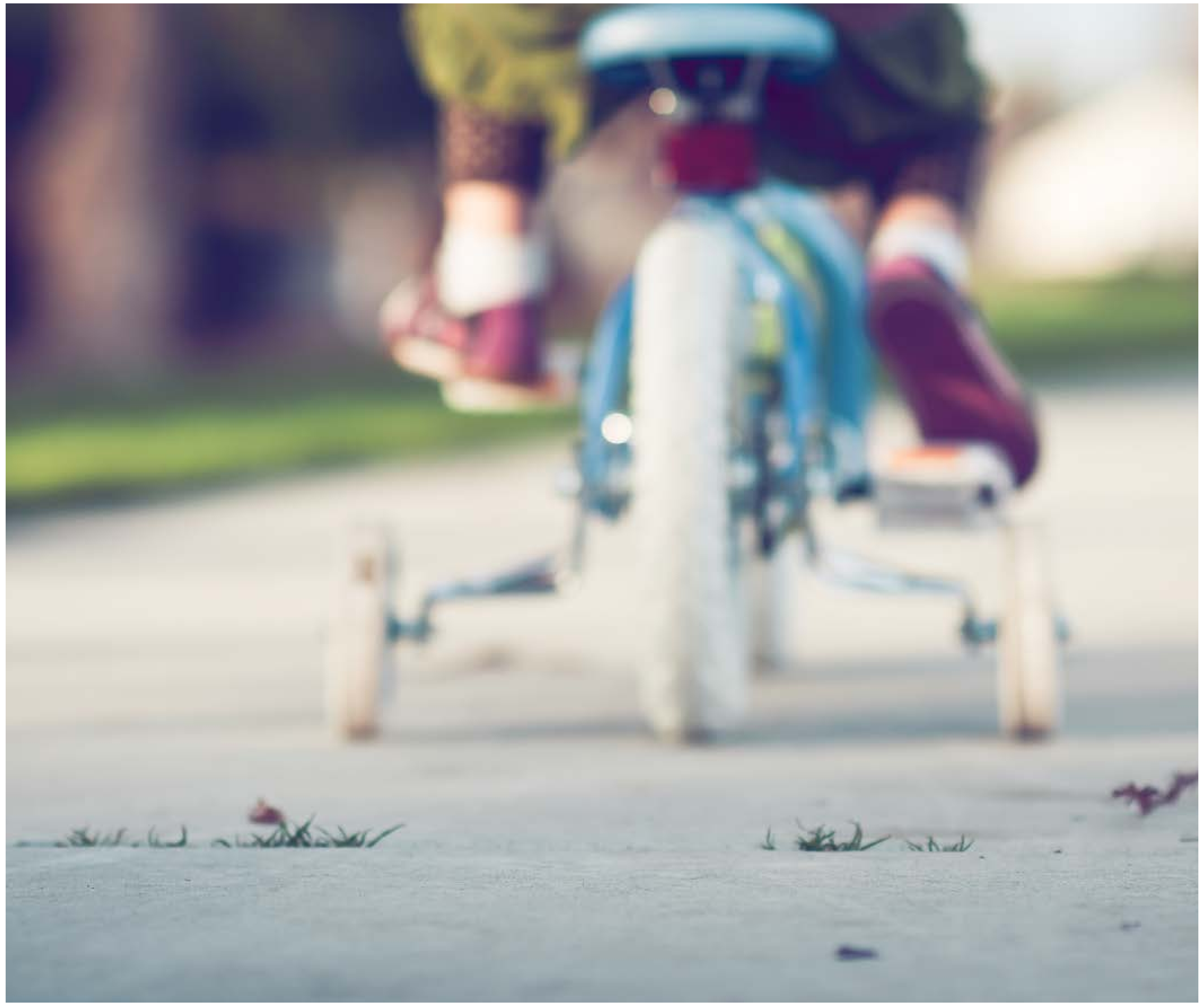
Risk management framework and principles

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

The Neste Board of Directors has the ultimate accountability for risk oversight. Among other duties the Board is in this role responsible for setting the Group's risk appetite and for approving the Risk Management Policy.

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

1st Line of Defense

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

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

2nd Line of Defense

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

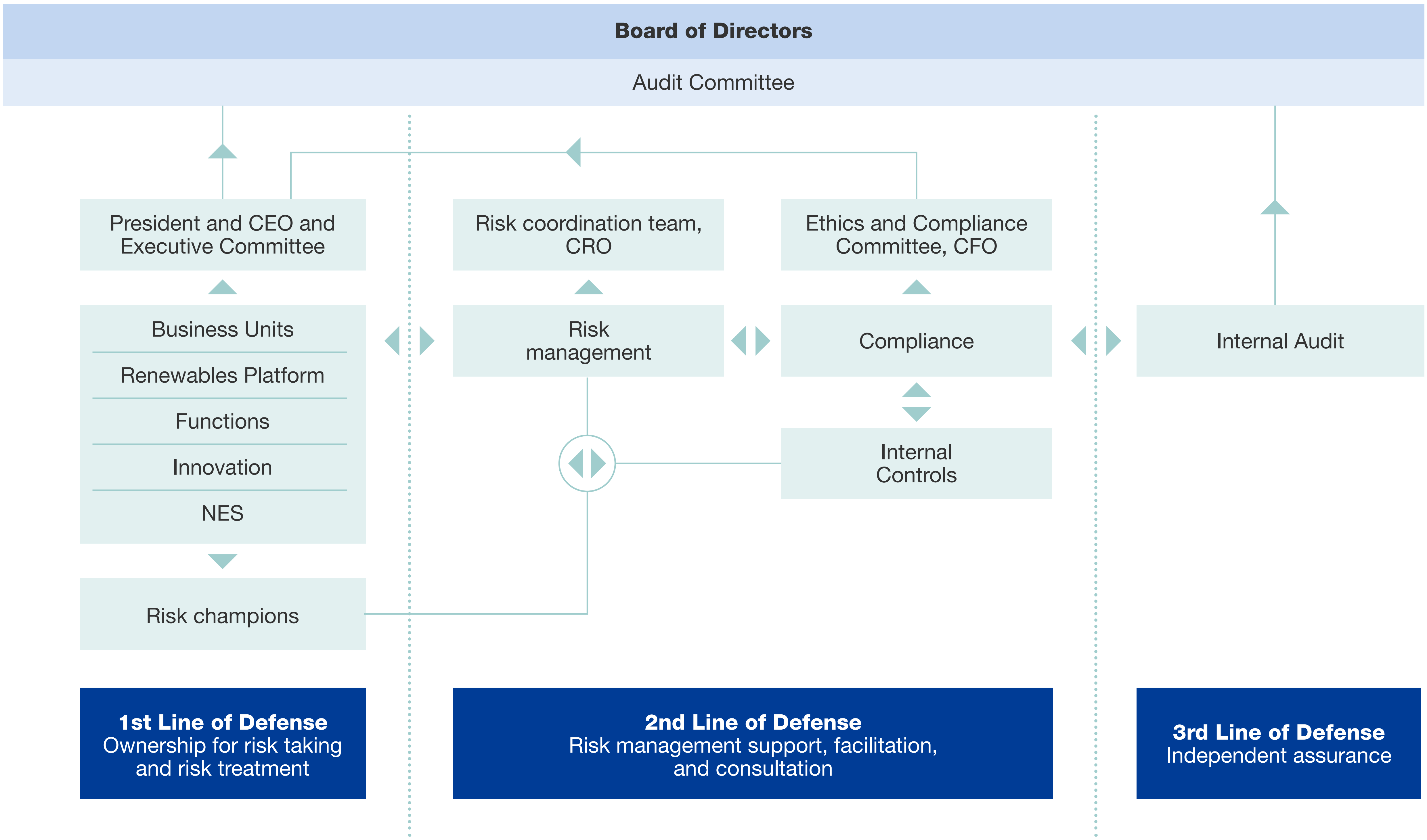
At Neste, the second line of defense includes Functions in their second-line roles and specialist teams (corporate risk management, compliance and internal controls). In addition, Neste has established a separate Ethics and Compliance Committee that aims at increasing management oversight of compliance-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

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

3rd Line of Defense

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

Risk governance



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 2020, uncertainty in the global economic and financial markets was amplified 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"). This, in combination with ample global refining capacity could continue to pressure refining margins globally.

Continued sanctions on oil exports from Venezuela and Iran, as well as continued OPEC+ crude supply cuts, could continue supporting Urals crude prices relative to Brent crude, thus negatively impacting Neste's business.

Renewable fuels policies in the EU remained firmly in place in 2020, and planning for transposition of the Renewable Energy Directive II into national legislation next year kicked off in most 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, with some risks to market sentiment linked to pending EPA decisions on how to handle small refinery exemptions going forward.

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 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 wholly owned fossil fuel refineries in Finland (Porvoo and Naantali) and its renewable diesel refineries in Singapore and the Netherlands (Rotterdam). Neste's conventional oil refineries are scheduled to have a major maintenance turnaround every five years. In addition to these, for example disruptions in the supply of utilities or breakdown of critical machinery may cause unexpected shutdowns that affect Neste's ability to fulfil 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. During 2020 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, 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 2020
In 2020, special risk management initiatives focused on business continuity management practices, major investments and business model changes.

Neste Remuneration Report 2020

Dear Shareholder,
On behalf of the Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2020 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 2020. 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 2021 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, job rotation, proactive succession planning and appropriate market competitive rewarding are key to our success also in the future.

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 company performance and reward. The Board of Directors set the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational and strategic measures. To further support and align shareholder interest with management interest we are requiring all members of the Executive Committee to build and maintain a minimum level of share ownership in the company.

To further drive our strategy and leadership in sustainability, in 2020 we set a new performance measure of Combined Greenhouse Gas (GHG) impact into our long-term incentive plan in addition to relative Total Shareholder Return. The Combined GHG Impact includes GHG emission reductions achieved with Neste renewable products by customers (GHG Handprint of Renewable Products) and GHG emissions from Neste production (Production GHG Footprint).

Neste performance in 2020

In 2020, our renewables growth strategy implementation continued building on the success of 2019. Despite of the market turbulence during the year, we posted a solid comparable operating profit of EUR 1,416 million.

The performance measures for Performance Share Plan (PSP) 2018–2020 have been comparable free cash flow and relative Total Shareholder Return (TSR) of Neste share compared to the STOXX Europe 600 index between 2018 and 2020. The company outperformed both of the set measures and as the outcome the Performance Share Plan 2018–2020 vested at maximum level.

Application of the Remuneration Policy in 2020

The remuneration for the Board of Directors and the CEO during the financial year 2020 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 2020.

Looking ahead to 2021

In 2021 we will strengthen our pay for performance approach on remuneration and we will design a new long-term incentive program as the current one comes to the end of its implementation period. We aim to continue utilizing the company's short- and long-term incentive programs to drive company performance and continued long-term financial success.

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 2020:

- **Elizabeth (Elly) Burghout** until 18 May 2020
- **Martina Flöel** from 18 May 2020
- **Jean-Baptiste Renard**
- **Jari Rosendal** until 18 May 2020
- **Johanna Söderström** from 18 May 2020

Remuneration of the Board of Directors for the previous financial year

Remuneration paid to the members of the Board in 2020

	Board fees (EUR)	Meeting attendance fees (EUR)	Total (EUR)
Matti Kähkönen	67,182	11,400	78,582
Marco Wirén	49,449	18,600	68,049
Sonat Burman-Olsson	35,587	12,000	47,587
Elizabeth (Elly) Burghout*	13,508	5,400	18,908
Nick Elmslie**	22,234	7,200	29,434
Martina Flöel	35,587	15,000	50,587
Jari Rosendal	35,587	12,600	48,187
Jean-Baptiste Renard	35,587	13,800	49,387
Willem Schoeber*	13,508	12,000	25,508
Johanna Söderström**	22,234	5,400	27,634

* Member of Board until 18 May, 2020.
** Member of the Board since 18 May, 2020.

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 May 18th 2020, the 2020 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 hold in the member's home country and EUR 1,200 for each meeting hold 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 2020

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 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%
Paid during 2019 (based on financial year 2018 performance)	967,446.52	-	407,611.79	756,924.70	2,131,983.01	45% / 55%

* Benefits and vacation pay included in fixed remuneration.

** STI to be paid for 2020 in 2021 is 215,931.59 EUR

*** The Board of Directors of the Company evaluates how it, taking into account the best interest of the Company, observes the relevant shareholder views on remuneration applicable at any given time. In 2020, as well as in 2019, 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 (cap). In 2020, the share price for the cap calculation was 36.23 EUR (the prevailing share price in January–February) and the taxation value at the time of the share delivery (16.3.2020) was 25.01 EUR. For this reason, reported total value of incentives may deviate from 1.2 times fixed annual base salary. The table above includes the taxable value of the paid remuneration in each year.

Variable, performance based pay, meaning short- and long-term incentives, forms a substantial part of the President and CEO's total remuneration. In 2020, the paid short- and long-term incentives formed 49 percent of total compensation and the fixed annual salary 51 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 2020.

Short-term incentives

The maximum short-term incentive for the President and CEO was 40 percent of annual base salary both in 2019 and in 2020. The short-term incentive was based on EBIT comparable with 60% weight, Comparable Free Cash Flow with 20% weight and safety measure of TRIF and PSER with 10% weight each both in 2019 and in 2020.

The President and CEO's achievement ratio for the short-term incentives for the year 2019 paid in March 2020 was 32.9 percent.

Details of the short-term incentive plan award for the President and CEO for 2019 paid in March 2020:

President and CEO 2019 STI		**2019 results**
Weighting	Measures	Level of achievement
60%	Group comparable EBIT	Between target and maximum
20%	Comparable Free Cash Flow	At maximum
10%	Group Safety (TRIF)	Between threshold and target
10%	Group Process Safety (PSER)	Between target and maximum
	Total	Between target and maximum

The achievement ratio for the year 2020 to be paid in 2021 is 22.4 percent and the incentive payment of EUR 215,931.59 will be paid in March 2021.

Details of the short-term incentive plan award for the President and CEO for 2020 to be 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

Long-term incentives

The share-based incentive payment for the President and CEO during the year 2020 was based on the Performance Share Plan 2017–2019. The maximum long-term incentive reward for the President and CEO at grant was 24,534 shares. Performance measures for the plan were cumulative comparable free cash flow (75% weight) and the relative total shareholder return of Neste shares relative to the STOXX Europe 600 index (25% weight).

Performance Share Plan 2017–2019

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 level 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.	Maximum level was achieved

The achievement ration for the PSP 2017–2019 was 100 percent and 15,083 net shares were delivered to the President and CEO. The total value of short- and long-term incentives was limited to 1.2 times fixed annual base salary and the gross amount of shares was limited. The share price on the share delivery date of March 16, 2020 was 25.01 EUR.

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 level 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.	Maximum level was achieved

The achievement ratio for the PSP 2018–2020 was 100 percent and the share reward will be delivered in March 2021.

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
PSP 2016–2018	1.9.2018	48,000 shares	23.9.2019	39,123 shares	23.9.2022
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	xx	30.4.2022
PSP 2019–2021	24.4.2019	40,300 shares	31.3.2022	xx	31.3.2022
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		2016	2017	2018	2019	2020
Chair of the Board	Annual Board fee	66,000	66,000	66,000	66,000	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	49,200	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	35,400	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)	2,715,152	2,540,360	2,497,774		
	Peter Vanacker (from 11/2018)			150,040	2,131,983	1,804,816
Average Neste employee*		53,044	54,822	57,830	58,378	71,216**
Company performance Comparable operating profit (MEUR)		983	1,101	1,422	1,962	1,416

* 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 average compensation between 2019 and 2020 has increased partly due to the divestment of Neste operations in Russia in 2019 covering 1,133 employees. In addition, strategic headcount increase in 2019–2020 focused on white collar positions in higher employee cost markets.

Review of the Board of Directors

Review by the Board of Directors 2020

Despite the challenges and disruptions caused by the COVID-19 pandemic, 2020 was a success for Neste in many ways. The company posted a solid comparable operating profit of EUR 1,416 million, compared to EUR 1,962 million in the previous year. The result of the year 2019 included a contribution of EUR 372 million from the retroactive US Blender's Tax Credit (BTC) decision for the years 2018 and 2019. The BTC contribution was EUR 231 million (230 million) in 2020. The Group's operating profit was EUR 828 million (2,229 million). In 2020 Renewable Products proved to be very resilient with increased sales volumes and strong sales margin. Oil Products suffered from a historically weak refining market 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, were decided upon. Although Marketing & Services' demand was also impacted by the pandemic, it performed very well. The return on average capital employed (ROACE) reached 17.3%. Neste generated a strong cash flow before financing activities at EUR 1,019 million in 2020, and its financial position was strong.

Despite the market turbulence, implementation of the renewables growth strategy continued successfully. In Singapore, the completion schedule of the renewables capacity expansion project was updated to the first quarter of 2023 due to the local government-imposed COVID-19 restrictions. The project is proceeding according to the updated schedule. The feasibility study phase of the next renewables capacity expansion project is progressing. We have taken steps forward on multiple fronts and markets, and have announced many new agreements and partnerships especially in our growth areas, Renewable Aviation and Renewable Polymers and Chemicals. Among them were the completed acquisition of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and the pending acquisition of Bunge's refinery plant in Rotterdam to increase raw material pretreatment capacity for the production of renewable products. Uncertainty on the further development of the COVID-19 pandemic and its impact on the global economy continues. However, Neste will continue on its journey to become a global leader in renewable and circular solutions. The Board of Directors will propose a dividend of EUR 0.80 per share (1.02) for 2020, totaling EUR 614 million (783 million).

Figures in parentheses refer to the financial statements for 2019, unless otherwise noted.

The Group's results for 2020

Neste's revenue in 2020 totaled EUR 11,751 million (15,840 million). The revenue decline resulted from the lower crude oil price, which had a negative impact of approx. EUR 3.0 billion, and lower sales volumes of conventional oil products, which had a negative impact of approx. EUR 900 million on the revenue. Additionally, the weaker US dollar had a negative impact of approx. EUR 200 million on the revenue year-on-year. The Group's comparable operating profit was EUR 1,416 million (1,962 million). Renewable Products' comparable operating profit was EUR 1,334 million (1,599 million) supported by high sales volumes and margins. The segment's 2019 figures included the positive impact of EUR 372 million of the retroactive US BTC for 2018 and 2019, while the BTC contribution in 2020 was EUR 231 million. Oil Products' comparable operating profit was EUR 50 million (386 million), due to the exceptionally weak refining market. Marketing & Services' comparable operating profit was EUR 68 million (77 million), and considering the divestment of the Russian business in late 2019, the segment actually improved its performance. The Others segment's comparable operating profit of EUR -37 million (-98 million) was significantly better than in the year 2019, mainly as a result of the minority shareholding in Nynas having been written-off in 2019.

The Group's operating profit was EUR 828 million (2,229 million), which was impacted by inventory valuation losses of EUR 119 million (gains of 180 million), and changes in the fair value of open commodity and currency derivatives totaling EUR -112 million (69 million), mainly related to margin hedging. The divestment of Nynas resulted in a capital loss of EUR 42 million in the third quarter. Other adjustments totaling 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. Profit before income taxes was EUR 786 million (2,067 million), and net profit EUR 714 million (1,789 million). Comparable earnings per share were EUR 1.60 (2.04), and earnings per share EUR 0.93 (2.33).

Group key figures, MEUR

	2020	2019
Comparable operating profit	1,416	1,962
- inventory valuation gains/losses	-119	180
- changes in the fair value of open commodity and currency derivatives	-112	69
- capital gains/losses	-42	37
- impairments	0	-11
- other adjustments	-314	-7
Operating profit	828	2,229

Revenue	2020	2019
Renewable Products	4,270	4,033
Oil Products	6,063	10,416
Marketing & Services	3,055	4,193
Others	177	246
Eliminations	-1,813	-3,049
Total	11,751	15,840

Comparable operating profit	**2020**	**2019**
Renewable Products	1,334	1,599
Oil Products	50	386
Marketing & Services	68	77
Others	-37	-98
Eliminations	1	-2
Total	1,416	1,962

Operating profit	**2020**	**2019**
Renewable Products	1,239	1,847
Oil Products	-396	406
Marketing & Services	68	102
Others	-84	-123
Eliminations	1	-2
Total	828	2,229

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 2020, ROACE calculated over the last 12 months was 17.3%, and leverage ratio remained well below the 40% target.

	31 Dec 2020	**31 Dec 2019**
Return on average capital employed after tax (ROACE)*, %	17.3	26.6
Leverage ratio (net debt to capital), %	-4.7	-3.3

* Last 12 months

Cash flow, investments, and financing

The Group's net cash generated from operating activities totaled EUR 2,057 million (1,456 million) in 2020. The increase of cash mainly resulted from a lower net working capital compared to the previous year. Cash flow before financing activities was EUR 1,019 million (1,154 million), mainly due to the higher capital expenditure than in 2019. The Group's net working capital in days outstanding was 35.0 days (36.7 days) on a rolling 12-month basis at the end of 2020.

	2020	**2019**
EBITDA	1,508	2,731
Capital gains/losses	-1	-37
Other adjustments	277	-77
Change in net working capital	460	-780
Finance cost, net	-54	-48
Income taxes paid	-133	-333
Net cash generated from operating activities	2,057	1,456
Capital expenditure	-972	-568
Other investing activities	-67	265
Free cash flow (Cash flow before financing activities)	1,019	1,154

Cash-out investments excluding M&A were EUR 762 million, and totaled EUR 995 million (568 million) in 2020. Maintenance investments accounted for EUR 190 million (260 million) and productivity and strategic investments for EUR 805 million (307 million). Renewable Products' investments were EUR 670 million (230 million), mainly related to the Singapore refinery capacity expansion project, and the acquisitions made in the segment. Oil Products' investments amounted to EUR 250 million (264 million), with the largest projects being the Porvoo refinery turnaround related investments. Marketing & Services' investments totaled EUR 17 million (23 million) and were focused on the retail station network. Investments in the Others segment were EUR 59 million (50 million), concentrating on IT and business infrastructure upgrade and innovation activities.

Interest-bearing net debt was EUR -265 million at the end of December 2020, compared to EUR -191 million at the end of 2019. Net financial expenses for the year were EUR 41 million (163 million). The average interest rate of borrowing at the end of December was 1.9% (1.9%) and the average maturity 2.1 (3.2) years. At the end of the year the Net debt to EBITDA ratio was -0.2 (-0.1).

The leverage ratio was -4.7% at the end of December 2020 (31 Dec 2019: -3.3%). 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 2,922 million at the end of December 2020 (31 Dec 2019: 2,863 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 2020 the Group's foreign currency hedging ratio was approximately 80% of the sales margin for the next 12 months.

US dollar exchange rate	2020	2019
EUR/USD, market rate	1.14	1.12
EUR/USD, effective rate *	1.14	1.15

* 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	2020	2019
Revenue, MEUR	4,270	4,033
EBITDA, MEUR	1,423	2,013
Comparable operating profit, MEUR	1,334	1,599
Operating profit, MEUR	1,239	1,847
Net assets, MEUR	3,470	3,137
Return on net assets*, %	36.3	77.4
Comparable return on net assets*, %	39.1	67.0

* Last 12 months

Key drivers	2020	2019
Comparable sales margin, including BTC, USD/ton	703	733
Biomass-based diesel (D4) RIN, USD/gal	0.63	0.48
California LCFS Credit, USD/ton	200	197
Palm oil price*, USD/ton	645	522
Waste and residues' share of total feedstock, %	83	80

* CPO BMD 3rd, Crude Palm Oil Bursa Malaysia Derivatives 3rd month futures price

Waste and residue prices were strong in early 2020 before falling in the second quarter due to COVID-19 related demand drop. During the first wave of the pandemic used cooking oil (UCO) and animal fat (AF) prices initially fell significantly before recovering during the summer and autumn. Towards the end of the year especially UCO prices increased driven by the strong vegetable oil complex and renewed stricter COVID-19 lockdowns, whereas AF price increase was more moderate. As the vegetable oils market was weak in first half of 2020 due to the demand collapse in the food and energy sectors, the price premium of waste and residues over palm oil increased. During the second half of the year palm oil market strengthened significantly due to strong demand and the La Ninã weather pattern's impact on supply, which also led to a decreasing price premium of waste and residues over palm oil. For much of 2020, palm oil price increases have outpaced those of gasoil, widening the palm oil gasoil price spread (POGO) to historically high levels.

The US Renewable Identification Number (RIN) D4 price showed a steady increase in 2020, ending the year on a strong note at over USD 1/gallon level. Most of the increase materialized in the second half of the year when soybean oil premium over heating oil surged. The California Low Carbon Fuel Standard (LCFS) credit price has been hovering around USD 200/ton with the highest volatility in the first half of the year, when it reached a record-high of USD 215/ton before falling to around USD 170/ton in the middle of the first wave of COVID-19 pandemic. During the second half of 2020 LCFS price recovered and was typically approx. USD 200/ton.

Renewable Products' full-year comparable operating profit was EUR 1,334 million (1,599 million). The figure for 2019 also included a positive impact of EUR 372 million on the retroactive US BTC decided for the years 2018 and 2019. The BTC contribution was EUR 231 million (230 million) in 2020. Sales volumes were 2.97 million tons in 2020, about 4% higher than in the previous year, and enabled by a new annual production record. Higher sales volume had a positive impact of EUR 74 million on the comparable operating profit year-on-year. The comparable sales margin was strong at USD 703/ton, but slightly lower than in 2019, which had a negative impact of EUR 85 million on the comparable operating profit year-on-year. During 2020 approximately 71% (67%) of sales volume went to Europe and 29% (33%) to North America. We benefited from the optionality created by developing new markets mainly within Europe. The share of 100% renewable diesel delivered to end-users was 30% (26%) of total volumes in full-year 2020. Renewable diesel nameplate production capacity was successfully increased to 3.2 million ton/a in the second quarter, and had an average capacity utilization rate of 94% (99%) in 2020. Feedstock mix optimization continued, and the average proportion of waste and residue inputs increased to 83% (80%). A weaker USD had a negative impact of EUR 33 million on the segment's comparable operating profit compared to 2019. During 2020 the segment's fixed costs were EUR 62 million higher than in the previous year, mainly related to strategic growth projects and strengthening of resources.

Production	2020	2019
Neste Renewable Diesel, 1,000 ton	2,993	2,872
Other products, 1,000 ton	239	219
Utilization rate, %	94	99

Sales	2020	2019
Neste Renewable Diesel, 1,000 ton	2,966	2,846
Share of sales volumes to Europe, %	71	67
Share of sales volumes to North America, %	29	33

Oil Products

Key financials	2020	2019
Revenue, MEUR	6,063	10,416
EBITDA, MEUR	29	637
Comparable operating profit, MEUR	50	386
Operating profit, MEUR	-396	406
Net assets, MEUR	1,848	2,313
Return on net assets*, %	-16.8	16.2
Comparable return on net assets*, %	2.1	15.4

* Last 12 months

Key drivers	2020	2019
Reference refining margin, USD/bbl	0.61	5.82
Additional margin, USD/bbl	6.94	4.73
Total refining margin, USD/bbl	7.55	10.56
Urals-Brent price differential, USD/bbl	-0.62	-0.85
Urals' share of total refinery input, %	68	72

Crude oil prices were very volatile during 2020, and Brent traded between USD 15/bbl and 70/bbl. Crude price was under significant pressure during the first half of the year driven by the major demand destruction caused by the COVID-19 pandemic and high oil production. In May the OPEC+ countries reached an agreement to cut oil production significantly, US shale oil production was reduced due low oil prices, and also the COVID-19 related lockdowns started to gradually ease during the summer. These drivers, together with rising equity markets and higher expectations for COVID-19 vaccines, started to give support to oil prices, and Brent crude price recovered to above USD 50/bbl level towards the year end.

The Russian Export Blend (REB) crude averaged USD 0.6/bbl lower than Brent in 2020, and USD 0.1/bbl lower during the fourth quarter. The REB-Brent price differential was volatile during 2020. From January until the end of April REB-differential was trading at clearly negative levels. After that it narrowed significantly as OPEC+ launched major production cuts, which draw heavier crudes from the market, and at the same time strong high sulphur fuel oil margins supported demand for these grades.

Overall the refining margin was at a fairly normal level between January and April, but it weakened significantly thereafter, and was negative from May onwards. COVID-19 pandemic hit oil products demand hard, and product inventories grew globally. Demand was recovering from the spring lows, but the second wave of the pandemic impacted the ongoing recovery in the fourth quarter. The European refining industry reacted to the weak margin environment by cutting refinery runs, but production was still too high compared to the underlying demand. Very weak jet fuel demand impacted middle distillate margins as refineries placed jet molecules to the diesel pool, and gasoline margins were hit by lower mobility. The narrow REB price differential was also negatively impacting Neste's refining margin. Neste reference margin only averaged USD 0.6/bbl in 2020 and USD -0.7/bbl in the fourth quarter.

Oil Products' full-year comparable operating profit was EUR 50 million (386 million). As a result of the COVID-19 pandemic's negative impact on oil product demand especially in the aviation sector and a continuing oversupply situation, the reference margin averaged USD 0.6/bbl in 2020. The reference margin was approx. USD 5.2/bbl lower than in 2019, which had a significant negative impact, EUR 490 million, on the comparable operating profit year-on-year. The additional margin was supported particularly by contango inventory profits and currency hedging and averaged USD 6.9/bbl. The higher additional margin had a positive impact of EUR 139 million compared to the previous year. A weaker USD exchange rate had a negative impact of EUR 22 million on the comparable operating profit compared to 2019. During the year 2020 the segment's fixed costs were EUR 39 million lower than in the previous year, mainly as a result of active cost savings measures.

Production	2020	2019
Refinery		
Production, 1,000 ton	12,791	13,888
Utilization rate, %	84	93
Refinery production costs, USD/bbl	4.7	4.8
Bahrain base oil plant production (Neste's share), 1,000 ton	178	170

Sales from in-house production, by product category (1,000 t)	2020	%	2019	%
Middle distillates*	6,282	47	6,985	48
Light distillates**	4,510	34	4,713	33
Heavy fuel oil	1,309	10	1,219	9
Base oils	441	3	436	3
Other products	813	6	1,066	7
Total	13,354	100	14,418	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)	2020	%	2019	%
Baltic Sea area*	7,830	59	8,512	59
Other Europe	4,395	33	4,163	29
North America	784	6	1,169	8
Other areas	345	2	574	4

* Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark

Marketing & Services

Key financials	2020	2019
Revenue, MEUR	3,055	4,193
EBITDA, MEUR	96	134
Comparable operating profit, MEUR	68	77
Operating profit, MEUR	68	102
Net assets, MEUR	192	235
Return on net assets*, %	31.0	35.3
Comparable return on net assets*, %	31.0	26.7

* Last 12 months

Marketing & Services segment's full-year comparable operating profit was EUR 68 million (77 million). The COVID-19 pandemic and the related restrictions had a significant negative impact on fuel demand, particularly in the aviation and marine sectors. Road transportation fuel demand followed a normal seasonality pattern during the year, but the pandemic impacts were most visible in the spring and again towards the end of the year. Our sales volumes were materially lower than in the year 2019, which had a negative impact of EUR 43 million on the comparable operating profit. The divestment of the Russian business, successfully completed in October 2019, accounted for EUR 29 million of that figure. Average unit margins improved, which had a positive impact of EUR 8 million year-on-year. The segment's fixed costs were EUR 37 million lower compared to the year 2019. The savings from discontinued Russian business accounted for EUR 21 million of that figure, but also other active cost reduction measures were taken. Overall the segment improved its performance on a comparable basis.

Sales volumes by main product categories, million liters	2020	2019
Gasoline, station sales	603	974
Diesel, station sales	1,559	1,738
Heating oil	666	665

Net sales by market area, MEUR	2020	2019
Finland	2,352	3,064
Northwest Russia	0	245
Baltic countries	703	884

Others

	2020	2019
Comparable operating profit, MEUR	-37	-98
Operating profit, MEUR	-84	-123

The Others segment consisted of Neste Engineering Solutions, common corporate costs, and Nynas AB joint venture until 15 September 2020, when the sale of its shares were completed. The divestment of Nynas resulted in a capital loss of EUR 42 million in the third quarter. The full-year comparable operating profit of the Others segment totaled EUR -37 million (-98 million). The result improvement was mainly due to the minority shareholding in Nynas being written-off in 2019. In the year 2019 Nynas accounted for EUR -52 million of this figure.

Shares, share trading, and ownership

Neste's shares are mainly traded on NASDAQ Helsinki Ltd. The share price closed the year at EUR 59.16, up by 90.7% compared to the end of 2019. The total shareholder return (TSR) was 94.0% (41.5%) in 2020. At its highest during 2020, the share price reached EUR 60.14, while the lowest price was EUR 20.37. Market capitalization was EUR 45.5 billion as of 31 December 2020. An average of 1.35 million shares were traded daily, representing 0.2% of the company's shares.

At the end of December 2020, Neste held 1,374,418 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 2020, the State of Finland owned directly 35.9% (36.0% at the end of 2019) of outstanding shares, foreign institutions 40.2% (38.1%), Finnish institutions 16.4% (18.2%), and households 7.5% (7.8%).

Largest shareholders as of 31 December 2020

Shareholder	Shares	% of shares
State of Finland / Prime Minister's Office	276,213,495	35.91%
The Finnish Climate Fund (earlier Vake Oy)	63,894,123	8.31%
Varma Mutual Pension Insurance Company	10,450,615	1.36%
The Finnish Social Insurance Institution	7,945,272	1.03%
Ilmarinen Mutual Pension Insurance Company	5,565,500	0.72%
City of Kurikka	4,652,625	0.60%
The State Pension Fund	2,900,000	0.38%
Elo Mutual Pension Insurance Company	2,711,799	0.35%
Schweizerische Nationalbank	2,086,922	0.27%
OP-Finland	1,513,758	0.20%
Neste Corporation	1,374,418	0.18%
Danske Invest Finnish Equity Fund	1,140,000	0.15%
Nordea Pro Finland Fund	787,488	0.10%
Alhopuro Eero Sakari	675,150	0.09%
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	664,749	0.09%
Stiftelsen för Åbo Akademi	635,514	0.08%
Jenny and Antti Wihuri Foundation	630,000	0.08%
Nordea Nordic Fund	579,867	0.08%
Sakari Alhopuro Foundation	572,315	0.07%
Finnish Cultural Foundation	571,812	0.07%
20 largest shareholders total	385,565,422	50.12%
Nominee registered	306,729,871	39.88%
Others	76,915,765	10.00%
Number of shares, total	769,211,058	100.00%

Breakdown of share ownership as of 31 December 2020

By the number of shares owned

No. of shares	No. of shareholders	% of shareholders	Total no. of shares	% of shares
1–100	40,870	43.2%	1,536,312	0.2%
101–500	29,965	31.6%	7,919,953	1.0%
501–1,000	10,393	11.0%	7,566,836	1.0%
1,001–5,000	11,353	12.0%	23,743,421	3.1%
5,001–10,000	1,326	1.4%	9,097,549	1.2%
10,001–50,000	686	0.7%	12,654,195	1.6%
50,001–100,000	62	0.1%	4,248,316	0.6%
100,001–500,000	45	0.0%	10,193,777	1.3%
500,001–	26	0.0%	692,250,699	90.0%
Total	94,726	100.0%	769,211,058	100.0%
of which nominee registered	12		306,729,871	39.9%

By the owner sector	% of shares
Central government*	44.2%
Non-Finnish shareholders	40.2%
Households	7.5%
General government	4.6%
Financial and insurance companies	1.4%
Corporations	0.9%
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 at the Company’s headquarters in Espoo on 18 May 2020. The AGM adopted the company's Financial Statements and Consolidated Financial Statements for 2019 and discharged the Board of Directors and the President and CEO from liability for 2019.

The AGM approved the Board of Directors' proposal regarding the distribution of the company's profit for 2019 to the effect that the first dividend installment, EUR 0.46 per share, was to 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 was 20 May 2020. The first dividend installment was paid on 28 May.

In addition, in accordance with the proposal by the Board of Directors, the AGM authorized the Board to decide, in its discretion, on the payment of a second dividend installment in a maximum amount of EUR 0.56 per share, consisting of an ordinary dividend of EUR 0.46 and an extraordinary dividend of EUR 0.10. The authorization is valid until 30 October 2020.

After having considered the impact of the COVID-19 pandemic on the markets and Neste’s financials, the Board of Directors on 22 October 2020 decided upon the payment of a second installment of the dividend, EUR 0.56 per share. The second dividend installment was paid to shareholders registered in the Company’s shareholder register maintained by Euroclear Finland Oy on the record date for the payment of second dividend installment, which was 26 October 2020. The second dividend installment was paid on 2 November 2020.

In accordance with the proposal made by the Shareholders' Nomination Board, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Mr. Matti Kähkönen, Ms. Sonat Burman-Olsson, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, and Mr. Marco Wirén. Mr. Nick Elmslie and Ms. Johanna Söderström were elected as new members.

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 Annual General Meeting, 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 Sonat Burman-Olsson, Nick Elmslie and Jari Rosendal as members of the Audit Committee.

In accordance with a proposal by the Board of Directors, PricewaterhouseCoopers Oy, were appointed as the company's Auditor, with Authorized Public Accountant Mr. Markku Katajisto 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.

The AGM approved the Board’s proposal to the AGM to authorize the Board to purchase Company shares ('Buyback authorization') under the following terms:

Under this buyback authorization, the Board shall be 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.

The AGM approved the Board’s proposal to the AGM to authorize the Board to decide on share issue under the following terms:

Under the authorization, the Board shall be authorized to take one or more decisions on the issuance of new shares and/or the conveyance of treasury shares held by the Company, provided that the number of shares thereby issued and/or conveyed totals a maximum of 23,000,000 shares, equivalent to approximately 2.99% of all the Company's shares.

The new shares may be issued and/or the treasury shares held by the Company may be conveyed to the Company's shareholders in proportion to the shares they already own or through a directed share issue that bypasses shareholders' preemptive rights if the Company has a weighty financial reason for doing so, such as using the shares in question as consideration in possible acquisitions or in other arrangements that are part of the Company's business, to finance investments, or as part of the Company's incentive program.

The new shares may be issued and/or the treasury shares held by the Company may be conveyed against payment or free of charge. A directed share issue may only be made free of charge if there is a particularly weighty financial reason, in respect of the Company's interests and those of all its shareholders, for doing so. The new shares may also be issued free of charge to the Company itself.

The Board shall decide on other terms and conditions of share issue. The authorization shall remain in force until 30 June 2023. The authorization shall revoke the authorization granted by the AGM on 2 April 2019 to the Board to decide on the conveyance of treasury shares.

Neste’s Corporate Governance Statement is issued as a separate document.

Innovation

Neste’s innovation expenditure totaled EUR 61 million (54 million) in 2020. 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 pandemic situation.

The new Innovation business platforms, focusing on new feedstock pools such as lignocellulose, algae, municipal waste, carbon dioxide and renewable electricity utilization, gained momentum during 2020, developing co-operations and preparing for technology demonstrations. An example is the equity investment and cooperation with the company Sunfire on high temperature electrolysis to demonstrate the technology of renewable hydrogen production at Neste Rotterdam site, a project that receives funding from the EU.

In 2020 work continued to expand the use of waste and residue feedstock, and over 2.9 million tons of waste and residue feedstock was used during the year. Significant technical advances were identified and realized to further increase the feedstock pretreatment capacity. Novel technical concepts to increase the use of advanced feedstock were also developed actively and the work will continue in the coming years.

Chemical recycling was advanced by exploring and developing waste plastic liquefaction and upgrading technologies together with partners. Examples are the collaboration and equity investments into Recycling Technologies and Alterra

Energy, which are both plastic liquefaction technology providers. Neste's target is to utilize more than 1 million tons of waste plastic feedstock by 2030. The first commercial scale test run was successfully conducted in 2020 by upgrading 400 tons of liquefied packaging and mixed waste plastic into high quality recycled feedstock for petrochemical industry uses, e.g. for the production of new plastics.

Technical expertise was systematically developed and used to support production and sales of new products such as sustainable aviation fuel, Neste RE renewable and recycled polymers and chemicals, as well as low sulphur marine fuels.

In 2020 Neste received a conditional EUR 20 million funding from Business Finland for the next 5 years to develop sustainable and globally scalable raw materials and technology solutions for transportation fuels and the production of chemicals and polymers together with partners. Strategic cooperation with Aalto University, Åbo Akademi and VTT - The Technical Research Centre Finland continued in 2020, as well as with international partners mainly in Europe and the USA. Several new collaboration partners were identified and are expected to lead to further cooperation in 2021.

Main events published during 2020

On 31 January, Neste announced that the Shareholders' Nomination Board proposes to the AGM to be held on 7 April 2020 that the company's Board of Directors shall comprise the following members: The Nomination Board proposes 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, Ms. Martina Flöel, Mr. Jean-Baptiste Renard, Mr. Jari Rosendal, and Mr. Marco Wirén are proposed to be re-elected for a further term of office. The Nomination Board proposes that Mr. Wirén shall be elected as the Vice Chair of the Board. The Nomination Board further proposes that the Board of Directors shall have eight members and that Mr. Nick Elmslie and Ms. Johanna Söderström shall be elected as new members.

On 5 March, Neste announced that it had signed a new agreement with Finnair which will gradually and considerably increase Finnair's use of sustainable aviation fuel in its operations. The new partnership will be a key contributing factor in Finnair's long-term target of carbon neutrality. Sustainable aviation fuels are a key part of the long-term solution for reducing the CO_2 footprint of aviation, as they reduce the CO_2 emissions by up to 80% compared to fossil fuels.

On 6 March, Neste announced that it had acquired a minority stake in the German cleantech company Sunfire GmbH. Sunfire is a leading developer of high-temperature electrolysis technology. The company's patented technology allows the production of renewable hydrogen as well as the direct conversion of water and CO_2 into raw material for petrochemical products.

On 9 March, Neste and Mirova, a pioneer impact investor in the natural capital space and an affiliate of Natixis Investment Managers, announced a combined EUR 10 million investment into Recycling Technologies Ltd, a specialist plastic recycling technology provider. The aim is to accelerate the development of chemical recycling and foster the transition to a circular economy for plastic.

On 10 March, Neste announced that Borealis has started to produce polypropylene (PP) based on Neste-produced renewable feedstock in its production facilities in Kallo and Beringen, Belgium. This marks the first time that Borealis has replaced fossil fuel-based feedstock in its large-scale commercial production of PP.

On 10 March, Neste announced that it has agreed to acquire 100% of Mahoney Environmental, a collector and recycler of used cooking oil in the United States, and its affiliated entities. The transaction supports Neste in its effort to build a global waste and residue raw material platform that can keep pace with the world's growing demand for renewable products. It will also enhance Neste's competitiveness in the global waste and residue raw material market.

On 12 March, Neste announced that it was holding a Capital Markets Day 2020 as a webcast. It featured presentations by President and CEO Peter Vanacker as well as senior management on subjects such as the company's strategy, market outlook and the next steps for creating profitable growth through renewable and circular solutions. Neste's ambition to become a global leader in renewable and circular solutions is unchanged. The vision statement has been renewed as Leading the way towards a sustainable future together". The company continues to focus on its strategy implementation in the current volatile market environment. In Renewable Road Transportation, Neste has maintained a strong presence in its key markets and successfully opened new markets. The global climate targets set a high ambition for sustainable solutions in transportation, and the global renewable diesel demand is expected to exceed 20 million ton/a by 2030. In Renewable Aviation, passengers are looking for tangible solutions to make flying more sustainable. Neste started the commercial sales of Sustainable Aviation Fuel (SAF) in 2019. In Renewable Polymers and Chemicals, Neste has started to create a new business through transforming plastics and chemicals value chains. The Singapore renewables capacity expansion project is on track, and it is scheduled to be up and running in mid-2022. The company is targeting investment decision capability on the next worldscale production capacity by the end of 2021 and production start-up in 2025. Neste expects the global waste and residue availability to grow to over 35 million tons by 2030. Its feedstock strategy is focused on waste and residues growth and development of new feedstock sources. Neste is targeting 100% waste and residues share of its total renewables inputs by 2025. The role of the Innovation unit at Neste is to ensure the growth of the current businesses and to create new business platforms for further growth in renewable and circular solutions. The unit's focus is on scalable and sustainable sources of renewable carbon and their required technologies. According to its role, Oil Products focuses on cash generation and capturing transformation opportunities. The company is currently investigating opportunities in co-processing, HVO expansion and retrofitting of the refinery to improve the profitability and reduce handprint emissions. Based upon a detailed potential analysis, Neste is committed to reaching carbon neutral production by 2035. The comparable EBIT improvement targets for Neste Excellence program have been upgraded from EUR 100 million to EUR 225 million by the end of 2022, and from EUR 200 million to EUR 300 million by 2030.

On 18 March, Neste announced that based on the rapid development of the COVID-19 pandemic, the Finnish Government has on 16 March 2020 announced a general limit of ten persons to all public gatherings. Neste takes the risk relating to COVID-19 very seriously. Due to these reasons, the company has decided to postpone its Annual General Meeting which was originally scheduled to be held on 7 April 2020, to a later date which will be announced separately.

On 23 March, Neste announced that its Porvoo refinery major turnaround 2020 has to be delayed due to the coronavirus situation. The Government of Finland has declared a state of emergency in Finland due to the COVID-19 outbreak. In this exceptional situation, the company's primary objective is to ensure the health and safety of its employees, customers, contractors and other external partners as well as to ensure the continuity of its refinery operations and secure supply of products to its customers. For the above-mentioned reasons that are beyond Neste's control, the turnaround will need to be executed in phases. Based on the current estimate, only the most business critical maintenance works and regulatory inspections can be executed in April - June 2020, instead of the planned major turnaround. Regarding the rest of the maintenance works and investments, the planning of the turnaround will be restarted. The new execution schedule will be defined by the end of the third quarter of 2020. Previously, the company estimated the negative impact of the original scope of the major turnaround to be EUR 220 million on the company's comparable operating profit for 2020. The estimated negative impact of the first phase of the turnaround is approximately EUR 85 million on the company's comparable operating profit mainly in the second quarter 2020 bearing in mind, however, that the current business environment is exceptional and creates uncertainty. The rest of the turnaround works are expected to be finalized in 2021.

On 24 April, Neste announced that its Board of Directors had decided to change its dividend proposal and convene the Annual General Meeting (AGM) to be held on 18 May 2020. Due to the unprecedented uncertainty related to the COVID-19 pandemic and its future impacts on Neste's business, the Board has decided to change its dividend proposal to the AGM. The Board proposes to the AGM that the originally proposed first dividend installment, EUR 0.46 per share, would be paid on 28 May 2020. In addition, the Board proposes that the AGM would authorize the Board to decide, in its discretion, on the payment of a second dividend installment in a maximum amount of EUR 0.56 per share, consisting of ordinary dividend of EUR 0.46 per share and extraordinary dividend of EUR 0.10 per share.

On 7 May, Neste announced that it has 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 transaction was signed and closed on 7

May 2020. This is another important step for Neste in the execution of our growth strategy. This acquisition supports Neste'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.

On 19 May, Neste announced that it brings Neste MY Renewable Diesel™ to a significant number of new stations during April and May 2020 in Finland. With the expansion, Neste MY Renewable Diesel will be available at around 120 stations in growth centers as well as smaller towns.

On 27 May, Neste announced that Neste and Covestro are starting a strategic cooperation in Europe to promote the use of sustainable raw materials in plastics production. Covestro will be supplied with material from renewable sources to replace a significant portion of the fossil raw materials used to date in the manufacture of polycarbonates. This type of a high-performance plastic is used, for example, in car headlamps, LED lights, electronic and medical devices and automotive glazing. Over the short term, the collaboration aims to replace several thousand tons of fossil raw materials in the production of polycarbonates with raw materials produced with Neste's renewable hydrocarbons.

On 24 June, Neste announced that it has joined forces with McDonald's Netherlands and HAVI to create a circular economy partnership. The collaboration will see McDonald's restaurants in the Netherlands recycling the used cooking oil from French fries into Neste MY Renewable Diesel™. The fuel will be used in HAVI trucks that deliver goods to McDonald's. In the circular economy partnership, McDonald's' supply chain partner HAVI plays a central role as the collector of the used cooking oil from all 252 Dutch McDonald's restaurants. Neste then converts this used cooking oil at its Rotterdam refinery into the renewable diesel that fuels HAVI's trucks.

On 6 July, Neste announced that it will increase the use of wind power at its Finnish production sites to nearly 30%. Neste is committed to reaching carbon neutral production by 2035. As part of this effort, the company is increasing the use of renewable electricity at its production sites in Finland and has signed a wind power agreement with Ilmatar, a wind power company.

On 7 July, Neste announced that it has delivered the first batch of sustainable aviation fuel (SAF) to San Francisco International Airport (SFO) via pipeline, where it will be used by major airlines committed to reducing carbon emissions. Neste is the first company to deliver sustainable aviation fuel, under its brand name Neste MY Renewable Jet Fuel™, to SFO using existing multi-product pipeline infrastructure.

On 13 August, Neste announced that it is supplying Alaska Airlines, American Airlines and JetBlue Airways with sustainable aviation fuel for flights from San Francisco International Airport (SFO). The low-carbon and high-quality fuel will contribute to each airline's efforts to reach their climate goals.

On 19 August, Neste announced that Neste and Air bp have signed an agreement to offer an increased volume of sustainable aviation fuel to airport customers in 2020 and 2021. The volume is five times larger than that supplied by the businesses in 2019. Air bp will make the Neste-produced SAF available at selected airports in Europe, with deliveries to airports including Stockholm (ARN) and Oslo (OSL) expected to begin in the coming weeks.

On 14 September, Neste announced that the following members have 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. The Nomination Board will forward its proposals for the AGM to the Board of Directors by 31 January 2021.

On 14 September, Neste announced that it plans to restructure its refinery operations in Finland and starts co-operation negotiations. In order to ensure the competitiveness of the Oil Products business, Neste is planning to restructure its refinery operations in Porvoo and Naantali, Finland. The company is exploring the shutdown of its refinery operations in Naantali and focusing the Naantali site on the terminal and harbor operations, as well as transforming the Porvoo refinery operations to co-processing renewable and circular raw materials. To initiate the transformation, the company will start cooperation negotiations in the Oil Products business unit and its supporting functions in Finland. If implemented, the plans would mean up to 470 redundancies, including possible outsourcing. The decisions on the measures and impacts on the various functions, personnel groups and locations will be made after the negotiations have been concluded. The planned changes are expected to result in annual fixed cost savings of approximately EUR 50 million.

On 16 September, Neste announced that Neste AB had sold its 49.99% shareholding in Nynas AB to Bitumina Industries Ltd on 15 September. Nynas is a Swedish manufacturer and marketer of naphthenic specialty oils and bitumen products. The Bitumina Group is a vertically integrated specialty Bitumen company which has expanded its business on a global scale.

On 23 September, Neste announced that it has signed an agreement with Shell to increase the supply of sustainable aviation fuel. In a move which anticipates increasing desire from airlines to reduce emissions, Neste and Shell Aviation have entered into a sustainable aviation fuel (SAF) supply agreement. This agreement significantly increases the supply and availability of SAF for the aviation industry with effect from October 2020. It brings together Neste's expertise in the production and supply of renewable diesel and SAF with Shell Aviation's world-class credentials in supplying and managing fuel around the world.

On 22 October, Neste announced that after having considered the impact of the COVID-19 pandemic on the markets and Neste's financials, its Board of Directors had decided upon the payment of a second installment of the dividend, EUR 0.56 per share, consisting of ordinary dividend of EUR 0.46 and extraordinary dividend of EUR 0.10 per share.

On 26 October, Neste announced that it is entering a sustainable aviation fuel (SAF) supply agreement with All Nippon Airways (ANA), Japan's largest airline. This groundbreaking partnership will see ANA become the first airline to use SAF on flights departing from Japan and also represents Neste's first SAF supply to an Asian airline. Initial operations will begin from October 2020 as ANA plans SAF-fueled flights from both Haneda International airport and Narita International Airport. The delivery of the SAF was made possible through collaboration and close coordination on logistics between Neste and the Japanese trading house Itochu Corporation.

On 27 November, Neste announced a strategic partnership with Royal DSM to create high performance materials made from sustainable feedstock. In the new strategic collaboration, DSM Engineering Materials will start replacing a significant portion of the fossil feedstock used in the manufacture of its high performance polymers portfolio with feedstock produced from recycled waste plastics and/or 100% bio-based hydrocarbons. These polymers are used, for example, in the automotive, electronics and packaging industries.

On 30 November, Neste announced that the co-operation negotiations to restructure its refinery operations in Finland have been concluded. As a consequence, the company has decided to shut down its refinery operations in Naantali by the end of March 2021. The company will focus the Naantali site on the terminal and harbor operations, as well as renew its Oil Products operating model. In the second phase of the transformation, the Porvoo refinery will be developed towards co-processing renewable and circular raw materials. The shutdown of the Naantali refining operations and the renewal of the Oil Products operating model will lead to approximately 370 redundancies. These measures are expected to result in annual fixed cost savings of approximately EUR 50 million.

On 1 December, Neste announced that it has acquired a minority stake in Aircraft Fuel Supply B.V. (AFS). AFS is the owner and operator of the Amsterdam Airport Schiphol fuel storage company. Through its share in AFS, Neste is able to offer to airlines operating at the Schiphol Airport in the Netherlands ongoing supply of Neste MY Sustainable Aviation Fuel™ with immediate effect.

On 11 December, Neste announced that its Board of Directors has approved the commencement of a new plan period within the share-based long-term incentive scheme for Neste's key employees. The scheme comprises a Performance Share Plan (also "PSP") targeted to Neste's management and selected key employees and a Restricted Share Plan (also "RSP") which serves as a complementary structure for specific situations. Similarly to earlier plan periods, relative total shareholder return (TSR) of the Company's share is set as a performance measure in the PSP 2021-2023. In addition to drive Neste strategy and leadership in sustainability, the Board of Directors has set the Company's Combined Greenhouse Gas (GHG) Impact as a new performance measure. The Combined GHG Impact includes GHG emission reductions achieved with Neste renewable products by customers (GHG Handprint of Renewable Products) and GHG emissions from Neste production (Production GHG Footprint).

On 21 December, Neste announced that it has successfully completed its first industrial-scale processing run with liquefied waste plastic in Finland. The processing run marks a very important milestone with regards to Neste's strategic aims of driving circular economy and replacing crude oil use at its own refineries. Neste's target is to process over 1 million tons of waste plastic annually from 2030 onwards.

Events published after the reporting period

On 4 January 2021, Neste announced that it had acquired (on 29 December 2020) a minority stake in Alterra Energy, an innovative chemical recycling technology company. Neste's equity investment supports Alterra Energy's expansion. The collaboration between the companies will include joint technology development and global technology licensing, enabling the partners to collaborate in commercializing Alterra Energy's proprietary thermochemical liquefaction technology in Europe.

On 29 January 2021, Neste announced that the Shareholders' Nomination Board proposes 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 are proposed to be re-elected for a further term of office. The Nomination Board proposes 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 proposes that the Board of Directors shall have nine members and that Mr. John Abbott shall be elected as a new member. The Nomination Board has simultaneously requested the Board of Directors to propose to the AGM that the Articles of Association are amended as set out above.

Risk Management

Neste considers risk management as 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 reaching the set strategic targets and business objectives and is able to maintain continuous operations in the changing business environment. Neste's risk management framework and processes are aligned with the internationally recognized best practices: COSO Enterprise Risk Management framework and the International Standard for risk management ISO 31000:2009. Framework and principles for risk management have been defined in Neste Corporate risk management policy that 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 business management and function management teams, Neste Executive Committee, Audit Committee, and the Board of Directors.

Risks relating to Neste's business

The global COVID-19 pandemic continues to cause major risks and uncertainties for Neste's business. Key risks affecting Neste's financial results for the next 12 months include macroeconomical, regulatory and geopolitical risks, such as a prolonged economic recession, possible trade tensions, impacts of the COVID-19 pandemic on Neste's product demand, operations, or delivery of projects, changes in biofuel regulation, market prices, and competitive situation, and any scheduled or unexpected shutdowns at Neste's refineries or potential strikes. Outcome of legal proceedings may have an impact on Neste's financial results. For more detailed information on Neste's risks and risk management, please refer to the Annual Report and the Notes to the Financial Statements. For more information on Neste's sustainability related risks please see Sustainability risks under the Non-Financial Information reporting below.

Non-Financial Information Statement

Neste fulfills the requirements in the EU Directive on disclosure of non-financial and diversity information, and the changes made in the Finnish Accounting Act. In addition, Neste reports according to the GRI (Global Reporting Initiative) Standards where applicable. Neste is committed to apply the TCFD reporting principles in order to disclose climate-related financial risks and opportunities in the reporting. A substantial part of our TCFD reporting this year will take place within this Non-Financial Information (NFI) Statement, with the intention to expand the reporting also elsewhere in our annual report in the following years. For more on Neste's sustainability, see Neste's Annual Report and Neste's website.

Business model

Neste employed an average of 4,833 (5,474) employees in 2020, of which 1,035 (1,680) were based outside Finland. At the end of December, the company had 4,825 (4,413) employees, of which 1,228 (749) were located outside Finland. Neste is the world's largest producer of renewable diesel and produces a wide variety of traditional oil products. Our target is to become the preferred partner as a provider of sustainable chemicals and plastics solutions for forerunner brands, and we are exploring ways to utilize liquefied plastic waste to replace crude oil in the production of fuels, chemicals, and new plastics.

Neste's business areas are Renewable Products, Oil Products, and Marketing & Services. Neste has integrated sustainability into its business strategy in order to secure long-term success of its business. Neste's purpose is to create a healthier planet for our children, and its vision is to lead the way towards a sustainable future together.

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) on Climate Action (SDG 13) and Partnerships for the Goals (SDG 17) as well as Decent Work and Economic Growth (SDG 8), Industry Innovation and Infrastructure (SDG 9), Sustainable Cities and Communities (SDG 11), and Responsible Consumption and Production (SDG 12).

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 flexible use of various renewable raw materials including low-quality waste and residue oils and fats. We believe that a strong focus on circular economy, particularly our smart utilization of waste and residue raw materials continue to provide us a steady basis for business growth also in the future. Securing the supply of renewable raw materials is considered essential for the success of Neste's growth strategy. Neste is also focused 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 fossil and renewable products, as well as continuous innovation and development of products and solutions. Non-financial assets, e.g. production, sales and sourcing expertise, are an essential part of Neste's value creation. Substantial effort is put into maintaining and developing the skills base within the company. We are investing in developing our corporate culture to deeply ingrain customer satisfaction, safety and operational efficiency into our day-to-day operations. Please see Neste's value creation map in our Sustainability report.

See also: Outlook

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 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 taken into account when considering each of the nine topic's impacts. Similar underlying themes are economic responsibility and corporate governance. These three themes are the cornerstones of our sustainability agenda over the time. Our materiality matrix describes the significance of sustainability topics from the point of view 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

Climate related matters including Neste Climate Strategy will be dealt with twice a year at Neste Executive Committee and once a year at the Board of Directors. The decision to strengthen the governance with regular reviews was made by the Neste Executive Committee in 2019, and the first Board review occurred in 2020. Key risks relating to climate change are presented to the Audit Committee in connection to the risk reviews. The responsibility for the climate matters' management belongs to SVP Sustainability and Corporate Affairs, who is responsible for managing the climate related risks and opportunities, and presenting them to the Board meetings, together with the sustainability organization.

As part of Neste's strategy, the company committed to new ambitious climate targets: To help our customers reduce their greenhouse gas (GHG) emissions with our renewable and circular solutions by at least 20 million tons of CO_2 eq annually by 2030; and to reach carbon neutral production by 2035. Neste follows an established climate roadmap to achieve these targets.

Climate related metrics for emissions including Scope 1 and 2, as well as Scope 3 emissions are reported in the 2020 Sustainability report.

Environmental matters

All of 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. All of 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 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. Our renewable raw material suppliers are additionally required to meet the requirements of our Responsible Sourcing Principle, and industry and market specific legal requirements. The Supplier Code of Conduct was updated in the end of 2019 to ensure its correspondence with existing norms and regulations, and in 2020 the updated code was implemented. 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.

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 (RP) Supplier Sustainability Approval. The principle applies worldwide to any Neste company which is 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 crude oil suppliers undergo a two-phase assessment that includes a financial review and a compliance assessment. All our suppliers, of renewable raw materials or crude oil, are required to fulfill the requirements of our Supplier Code of Conduct.

Neste's key policies and principles concerning environmental matters related to sourcing of renewable raw materials are Supplier Code of Conduct, Sustainability Principles for Biofuels and Neste Responsible Sourcing Principle. All of Neste's palm oil suppliers are committed to no deforestation policies, and extended those to cover also their third party suppliers, since 2015. 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 Human Capital Policy. All the human resources related 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 into one transparent structure. Neste has now globally one HR policy in use, 11 HR principles and 15 HR standards.

The key principles included in the Human Capital Policy are: emphasizing the importance of 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 to 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; as well as 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 follow clear ethical standards and good practices.

As a part of the transformation program "Future Oil Products" Neste has had a statutory negotiation process during autumn 2020 with the employee union representatives in Finland. In order to support the personnel in the change Neste has launched a change support program to enable the smooth transition to new job roles and locations. The program also includes financial support and outplacement services to employees leaving Neste.

Safety is integral to our value. Improving safety and operational excellence enables us to achieve our strategic targets. For us, safety means excellence in risk management. It is about the existence and effectiveness of all safety barriers that help to manage risks, prevent incidents and to 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 working for and with us is truly committed to manage and improve safety, we understand all hazards related to our operations and have excellent ways to evaluate and manage risks. Moreover, we strive to learn from experience and continuously improve our capabilities to understand and manage hazards.

Operations Excellence policy was defined for the Board of Directors' approval in early 2021. Neste Operations Excellence Management System (OEMS) principles were reviewed and updated. The updated requirements will be implemented according to the established practice consisting of gap assessments, improvement actions and verifications by audits. Implementation of the updated requirements will continue in 2021.

See also: Diversity of the Board of Directors

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 Commitment and Principles are 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 UN Declaration on the Rights of Indigenous Peoples. They are also informed by the UN Global Compact, to which we are a signatory.

Our Human Rights Commitment and Principles set the path and standards for a rights-based approach in all of Neste's business decisions. Our seven human rights principles are: fair employment, health & safety, equality, rights of children & young workers, forced labor, fair treatment, and social & economic development, including rights of minorities and free, prior and informed consent of Indigenous Peoples. We expect all of our business partners to share 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 workers and mitigate modern slavery risks in our operations and supply chains. Our Modern Slavery Statement, details the actions we are taking to prevent modern slavery and human trafficking in our businesses.

Anti-corruption and bribery matters

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 bribery are Code of Conduct, Anti-Corruption Principle, and Supplier Code of Conduct.

Sustainability risks

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 apply also to sustainability risks which are managed as one risk category in the quarterly risks reviews. Assessment takes into account short, medium and long perspectives for climate risks.

Communication regarding the most important risk issues takes place along the strategic planning and performance management cycle. Formal risk reporting is directed to 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

Neste's strategy resilience has been assessed in the light of 1.5 Celsius and 2 Celsius scenarios through deep dives in specific areas of interest, like transition in the transportation sector or impact of accelerated deployment of low carbon vehicles. Both transition risks and physical risks have been assessed for the selected scenarios within the time horizon until 2030 and beyond 2030.

Neste's Base Case, that is within the "most likely" scenario range of various external consultants, reflects a trajectory of ~3.5 Celsius global warming by the end of the century. Identification of physical risks, like extreme weather events, takes into account also this scenario. Climate scenario work will be developed further in the coming years, with a more systematic approach in the 2021 Business Environment Outlook of the spring strategy update.

Neste's strategic vision is to be a forerunner in combating climate change. Relatively modern production assets provide a good basis for emission control in Scope 1, 2 and 3 emissions. Neste also sees processing of recycled feeds as an opportunity. Disadvantageous changes might take place as a result of unexpected policy and legal changes, new requirements for lower emissions in production, stakeholder and customer attitudes moving to a less favorable direction, and increased cost of raw materials or utilities or scarcity of renewable raw materials. Also physical risks like increased severity of extreme weather events, changes in precipitation patterns and extreme variability in weather patterns might affect Neste's ability to use different feedstock sources.

Risk of adverse environmental impact from emissions to air and water

Neste is subject to a wide array of laws and regulations aiming at safe operations and reduced environmental footprint. In addition, transitioning to a lower-carbon economy entails additional requirements that affect Neste's way to manage refining assets and puts more emphasis on efficient use of different utilities, such as water and energy. In order to ensure continuous compliance with the applicable laws and regulations, Neste has implemented certified management systems that reflect the international standards issued by ISO. During 2020 a comprehensive set of leading environmental performance indicators was in use in all business units to reduce 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 into soil, groundwater or seawater contamination.

Maritime accidents would at worst 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 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 process safety of Nestes' assets.

Risk of adverse environmental impact from procurement of raw materials for refining

Main raw materials used in Neste's refineries include various vegetable oils, waste and residue fats and diverse crude oils. During the past years, use of palm oil has created a reputational risk as sustainability of palm oil sourcing has caused public discussion and concerns both from NGOs' and customers' side. 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.

Potential adverse human rights impacts

Neste has undertaken several initiatives to ensure the proper management of human rights related risks, both within its own operations and supply chain. Our human rights assessments have identified health and safety issues as a salient human rights risk in Neste's own operations. For Neste's supply chain, forced labor, child labor, discrimination, conditions of employment, and land and property issues were additionally identified as being high risk areas for adverse human rights impacts.

As part of our ongoing efforts to prevent adverse human rights impacts and implement the Neste Human Rights Commitment & Principles, in 2018-2019 we worked with external experts to conduct a human rights due diligence gap assessment based on the UN Guiding Principles on Business and Human Rights. Following the recommendations resulting from the gap assessment for our Indirect Procurement function, in 2020 we worked to strengthen the integration of human rights requirements and criteria in procurement category assessments and the tendering process.

Building on the 2019 human rights due diligence gap assessment and recognizing a need to advance our understanding of modern slavery risks across our operations and supply chains as our organization continues to change and grow, in 2020 we conducted a corporate-wide exercise to map and understand internal processes and gaps in addressing modern slavery risks across our common functions and operating segments. We also continued to advance our understanding of the modern slavery risks in our palm supply chains by surveying our Malaysian palm suppliers on their specific recruitment and employment practices for migrant workers.

In our supply chain, raw material suppliers are subject to rigorous human rights due diligence procedures and are required to comply with the Neste Supplier Code of Conduct, The supplier due diligence criteria in the self-assessment questionnaire for new raw material suppliers, as well as audit checklist for site visits to review supplier practices, has a strong human rights focus and covers topics such as fair wages and favorable work conditions, health & safety, freedom of association, diversity, labor standards, impacts on neighboring communities, and rights of vulnerable groups such as children, migrant workers and women.

Risk of corruption and bribery

Risks of corruption and bribery are typically treated as inherent risks of 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 stated a zero tolerance to 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 as well as Ethics Online for reporting of suspected misconduct. Neste's counterparties are required to comply with Supplier Code of Conduct and/or their own equivalent principles and compliance clearance. The Compliance clearance and counterparty risk assessment covers the following: 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 2020, Neste was included in the Dow Jones Sustainability World Index for the 14th consecutive time. Neste was included both in the DJSI World and DJSI Europe. The industry's best scores in materiality, environmental and social reporting, human capital development, and water-related risks contributed to the company's inclusion among the top performers. In January 2020, Neste was ranked the third most sustainable company in the world on the Global 100 list. On the CDP Climate Change 2020 assessment Neste achieved the Leadership level with A- rating.

Climate and Environmental matters

Neste's 2020 performance relating to the climate commitment of helping reduce customers' greenhouse gas emissions by at least 20 million tons CO2eq annually by 2030, is reported in the table below as GHG emissions reduction achieved. In 2020, Neste announced a climate commitment to reach carbon neutral production by 2035. As a part of this effort, Neste has already signed agreements to increase the use of wind power to 30% by 2022 at its Finnish production sites, and targets 100% renewable electricity by 2023 globally. In addition, Neste updated its investment criteria during 2020. The criteria makes GHG impact of all investments visible and sets an internal price for GHG emissions.

Neste is also targeting maximizing the share of W&R raw materials in the raw material mix providing the highest possible reduction in greenhouse gas emissions when compared to products derived from crude oil.

Other climate related metrics for GHG emissions (Scope 1 and 2, as well as Scope 3 emissions) are reported in the 2020 Sustainability report, and risks related to them are discussed in the climate related risks above.

In 2020, we updated our Neste Traceability Dashboard to provide, the first of its kind, coordinates to the plantations in Neste's palm supply chain. We also introduced the latest data on our palm fatty acid distillate (PFAD) supply chain. By the end of 2020, we had mapped nearly a 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 2020, 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 that supply palm oil to refineries and engage 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 during 2020. A total of 2 minor non-compliance cases occurred in Neste's operations with very limited local environmental impact. No serious environmental incidents resulting in liability occurred at Neste's refineries or other production sites. Efforts to improve environmental management during 2020 contributed to the performance improvement.

Key figures

	2020		2019	
Emission limits and overruns: All deviations from environmental permits Long-term target for OP and Renewable Products (RP): zero permit violations.	Permit violations: 2, of which in OP 1 and in RP Platform 1		Permit violations: 3, of which in OP 2 and in RP 1	
Energy efficiency, energy saving measures GWh Target: Reduce Neste's energy consumption by 500 GWh during 2017–2025	33		16	
GHG emissions reduction achieved with Neste's renewable fuels compared to crude oil based diesel, million tons.[1] Target to reach 14 Mt GHG emissions reduction by 2023 and 20 Mt GHG emissions reduction by 2030.	10.0		9.6	
The number of renewable raw material supplier's sustainability assessment and their outcome [2]	Total:	219	Total:	91
	New approved suppliers:	120	New approved suppliers:	52
	All approved:	133	All approved:	55
	Pending:	65	Pending:	36
	Rejected:	21	Rejected:	0

[1] Cumulative greenhouse gas (GHG) emissions reduction achieved with Neste's renewable fuels compared to crude oil based diesel. Calculation method complies with the EU Renewable Energy Directive (RES 2009/28/EC). Neste updates regularly its GHG emission factors according to the updates in legislation and in the certification schemes.
[2] All figures except "New approved suppliers" include existing suppliers, which undergo a sustainability assessment process every 3-5 years. Supplier data includes only main contractual parties, excluding sub-suppliers. Demeter data excluded due to ongoing integration.

Social and employee matters

Neste's pursuits to build inclusive culture and enhance diversity, the company went through all its Human Resources related Neste management System documentation during previous reporting year. After the renewal process most of the HR instructions are now globally applicable – local additions and employee handbooks have been created as needed.

The equality and non-discrimination principle embraces all aspects of diversity alongside of gender equality. Diversity is one of the regularly followed key items on the Executive Committee monthly meetings. The Executive Committee's focus areas are diversity of the Neste teams as well as ratio of female leaders.

According to the engagement survey conducted early 2020 our personnel engagement score is 70, which is in line with the global benchmark result. Majority of our employees think favorably of working at Neste and would recommend Neste as a workplace. Our special strengths are the meaningfulness of our own work and the 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) improved compared to 2019. The annual TRIF result 1.3 (1.7 in 2019) was better than the target for 2020 (1.7). The number of occupational accidents, 16, was clearly lower than in 2019 (27). Process safety performance (PSER, or rate of process safety events per million hours worked) was slightly worse than 2019 level. The annual PSER result, 1.6 was at the 2020 target level (1.7). The number of PSE-incidents remained at 2019 level of 10. Due to lower working hours the PSER was higher than in 2019. 2020 target was reached. Making substantial improvements in process safety remains a top priority for Neste.

Our long-term safety development activities continue focusing on behavior, leadership, operational discipline, process safety, and contractor safety. The key items in process safety are investments in asset integrity, ensuring comprehensive and effective process hazard analysis and actions in all operations, continuous development of safety-critical operations and further improvement of process safety competence.

Key figures

	2020	2019
TRIF [1]	1.3	1.7
Process safety event rate PSER [2]	1.6	1.4
New employee hires and employee turnover	Leaving rate of permanent employees 6.9%. Hiring rate of permanent employees 9.2%	Leaving rate of permanent employees 7.4%. Hiring rate of permanent employees 14.0%
Employee engagement Target: Maintain a good level of employee engagement.	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.	According to the engagement survey conducted early 2019 the employee engagement score was 71, 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. 72% felt happy working at Neste, 68% understood how Neste plans to achieve its strategic goals, 82% thought Neste acts in a responsible way, 85% 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.

Mitigating potential adverse human rights impacts

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 Commitment and Principles set the path and standards for a rights-based approach in all of Neste's business decisions. We expect all of our business partners to share our commitment to respect and remediate, and our ambition to promote positive human rights impacts.

In 2020, 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. Following the recommendations resulting from a human rights due diligence gap assessment completed in 2019, in 2020 we worked to strengthen the integration of human rights requirements and criteria in procurement category assessments and the tendering process.

In 2020 we also completed two major human rights assessments focused on modern slavery, with Forced Labor and Vulnerable Groups selected as a material topic in Neste's 2020 Materiality Assessment. Firstly, we completed a corporate-wide exercise to map and understand internal processes and gaps in addressing modern slavery risks across our common functions and operating segments. Neste personnel were interviewed in all three of Neste's operating segments.

Secondly in 2020, we continued to advance our understanding of the modern slavery risks in our palm supply chains by surveying our Malaysian palm suppliers on their recruitment and employment practices for migrant workers, a vulnerable group identified in our 2019 desk-based review of best practices for addressing forced labor risks in Malaysia.

In April 2020, Neste organized its fifth annual workshop with palm oil suppliers, this year in the form of webinars, attended by both our direct and third party palm suppliers. Forced labor and ethical recruitment was selected as a topic for one of the webinars, which covered Neste's expectations and best practices for tackling common indicators of forced labor in the palm sector such as recruitment fees, document retention, employment contracts, forced overtime, and calculation of wages. The webinar and training was conducted with our partner, Consortium of Resource Experts (CORE).

Key figures

	2020	2019
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.	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	Human Rights Due Diligence gap assessment identified areas of Neste's business in which our Human Rights Commitment and Principles are not yet fully implemented. The gap assessment focused on two of Neste's common functions, Human Resources and Indirect Procurement (including NES), as well as the business area Marketing & Services.

Anti-corruption and bribery matters

Neste has an Anti-Corruption Principle, setting 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 and trained to the organization, including an Anti-Corruption e-learning issued in 2019. The e-learning 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, Compliance or Internal Audit functions. Employees may report their concerns also anonymously via Neste's externally operated misconduct reporting system, Ethics Online, which can be used via phone or website. Ethics Online is available both for employees' and external stakeholders. More information on Neste's grievance process and the new Misconduct Investigation Standard issued in 2020 is available in the Corporate Governance Statement.

In 2020, Neste issued an Anti-Money Laundering and Counter-Terrorist Financing (CTF) Standard detailing Neste's guidance and process related to preventing money laundering risks. A related Anti-Money Laundering e-learning was issued in 2020 to targeted employees (approx. 1400 employees).

A total of sixteen suspected misconducts were reported during 2020, and a majority of these reports came via the Ethics Online system. Proven misconduct leading to further actions and process improvements was identified in two of the completed investigations, while no misconduct was found in fourteen completed investigations. Neste's Investigations Group investigated the received reports and reported the number of cases per category to the Board of Directors' Audit Committee and to the Ethics and Compliance Committee consisting of Neste Executive Committee members, Chief Compliance Officer, and Head of Internal Audit. In seven investigations Neste Investigation Group retained in 2020 independent external forensic expertise to carry out the investigation.

During 2020, all new employees were required to complete Code of Conduct online training.

Trainings on anti-corruption, anti-money laundering, competition law compliance and trade sanction compliance were conducted with defined target groups, such as sales, supply and procurement teams.

Recognizing the need for sustainable raw materials in the supply chain, Neste has further enhanced its Ethics Online to include grievances raised by stakeholders throughout the supply chain, to log and monitor cases relevant to deforestation, fire, human rights violations and so on, beyond Neste's operations. In 2020, Neste developed the system to enable processing of external grievances collaborating across inter-departments related to supply chain for all its raw materials, putting in place a transparent mechanism, process flow and proper channel to relevant key stakeholders. Sustainability is the utmost priority for Neste and the company intends to ensure continuous improvement and good practices with customers, suppliers and business partners alike.

Key figures

	2020	2019
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 Ethics Online to the Investigations Group was in total 16 of which HR 6 reports, discrimination and harassment 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 behavior 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.	Number of suspected misconducts reported in person or via the whistleblowing system to the Investigations Group total was 13 from which HR 2 reports, conflict of Interests 1, bribery and corruption 1, fraud 2, discrimination and harassment 2, and 5 reports belong to category "other". One misconduct led to further actions and process improvements and one case is still under investigation.

Read more about the topics on Neste's website.

Outlook

Visibility of 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. Based on our current estimates and a hedging rate of 80%, Neste's effective EUR/US dollar rate is expected to be within a range 1.15-1.18 in the first quarter of 2021.

Sales volumes of renewable diesel in the first quarter are expected to be on the same level as in the previous quarter. Waste and residue markets are anticipated to remain tight as their demand continues to be robust. Following the sales contract renegotiation, the share of term sales is expected to be approx. 75% of sales volumes in 2021. Our first-quarter sales margin is expected to be lower than the very high level in the fourth quarter of 2020, but to stay healthy. We forecast that the sales margin will not be supported by similar margin hedging gains as in 2020. The hedging rate is expected to be lower than normal in the first quarter. Utilization rates of our renewables production facilities are forecasted to remain high. We have currently scheduled an approximately twelve-week major turnaround at the Porvoo refinery in the second quarter of 2021. The Porvoo turnaround is currently estimated to have a negative impact of approximately EUR 30 million on the Renewable Products segment’s comparable operating profit, mainly in the second quarter. We have also scheduled a seven-week turnaround at the Singapore refinery in the third quarter, and a four-week catalyst change at the Rotterdam refinery in the fourth quarter of 2021. The Singapore turnaround is currently estimated to have a negative impact of approximately EUR 80 million, and the Rotterdam catalyst change a negative impact of approximately EUR 50 million on the segment’s comparable operating profit.

Oil Products’ first-quarter market demand will continue to be depressed and volatile due to several lockdowns as a result of the COVID-19 pandemic. The reference margin is also expected to remain very low and volatile. The refining operations at the Naantali refinery are planned to be closed by the end of March. We have currently scheduled an approx. twelve-week major turnaround at the Porvoo refinery in the second quarter. The Porvoo turnaround is currently estimated to have a negative impact of approx. EUR 110 million on the Oil Products segment’s comparable operating profit, mainly in the second quarter.

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.

Neste estimates the Group’s full-year 2021 cash-out capital expenditure to be approximately EUR 1.2 billion, excluding M&A.

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 2020 amounted to EUR 2,657 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 0.80 per share (1.02), totaling EUR 614 million (783 million), shall be paid on the basis of the approved balance sheet for 2020. The dividend shall be paid in two installments.

The first installment of dividend, EUR 0.40 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 2021. The Board proposes to the AGM that the first dividend installment would be paid on 12 April 2021. The second installment of dividend, EUR 0.40 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 5 October 2021. The Board proposes to the AGM that the second dividend installment would be paid on 12 October 2021. 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 1.4% (at year-end 2020 share price of EUR 59.16) and 50% of the comparable net profit in 2020.

Key figures

		2020	2019	2018
Income statement				
Revenue	EUR million	11,751	15,840	14,918
Operating profit	EUR million	828	2,229	1,022
- of revenue	%	7.0	14.1	6.8
Comparable operating profit	EUR million	1,416	1,962	1,422
Profit before income taxes	EUR million	786	2,067	947
- of revenue	%	6.7	13.0	6.3
EBITDA	EUR million	1,508	2,731	1,636
Comparable net profit	EUR million	1,229	1,564	1,150
Profitability				
Return on equity (ROE)	%	11.8	35.8	17.3
Return on average capital employed, after tax (ROACE)	%	17.3	26.6	21.1
Financing and financial position				
Interest-bearing net debt	EUR million	-265	-191	-70
Leverage ratio	%	-4.7	-3.3	-1.5
Equity-to-assets ratio	%	61.1	60.8	56.4
Other indicators				
Capital employed	EUR million	7,236	7,243	5,756
Capital expenditure and investments in shares	EUR million	1,197	890	438
- of revenue	%	10.2	5.6	2.9
Research and development expenditure	EUR million	61	54	48
- of revenue	%	0.5	0.3	0.3
Average number of personnel		4,833	5,474	5,468

		2020	2019	2018
Share-related indicators				
Earnings per share (EPS)	EUR	0.93	2.33	1.01
Comparable earnings per share	EUR	1.60	2.04	1.50
Equity per share	EUR	7.72	7.71	6.01
Cash flow per share	EUR	2.68	1.90	1.89
Price/earnings ratio (P/E)		63.75	13.32	22.24
Dividend per share	EUR	0.80 [1]	1.02	0.76
Dividend payout ratio	%	86.2 [1]	43.8	75.3
Dividend yield	%	1.4 [1]	3.3	3.4
Share prices				
Closing price	EUR	59.16	31.02	22.45
Average price	EUR	37.49	29.85	21.72
Lowest price	EUR	20.37	22.19	17.37
Highest price	EUR	60.14	33.33	25.51
Market capitalization	EUR million	45,507	23,861	17,271
Trading volumes				
Number of shares traded	1,000	340,904	307,770	381,483
- of weighted average number of shares	%	44	40	50
Weighted average number of shares outstanding		767,370,423	767,151,336	766,815,657
Number of shares outstanding at the end of the period		767,836,640	767,683,600	767,490,072

[1] Board of Directors' proposal to the Annual General Meeting. 2019 key figures include extraordinary dividend.

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 net profit

EUR million	2020	2019	2018
Comparable operating profit	1,416	1,962	1,422
IS Total financial income and expenses	-41	-163	-75
IS Income tax expense	-72	-278	-172
IS Non-controlling interests	-2	-1	0
Tax on items affecting comparability	-71	43	-26
Comparable net profit	1,229	1,564	1,150

Reconciliation of return on average capital employed after tax (ROACE), %

EUR million	2020	2019	2018
Comparable operating profit last 12 months	1,416	1,962	1,422
IS Financial income	4	10	7
IS Exchange rate and fair value gains and losses	0	-64	-34
IS Income tax expense	-72	-278	-172
Tax on other items affecting ROACE	-77	35	-33
Comparable net profit, net of tax	1,271	1,666	1,191
Capital employed average	7,326	6,275	5,646
Return on average capital employed after tax (ROACE), %	17.3	26.6	21.1

Reconciliation of equity-to-assets ratio, %

EUR million	2020	2019	2018
BS Total equity	5,929	5,922	4,616
BS Total assets	9,815	9,793	8,210
Advances received	-104	-46	-28
Equity-to-assets ratio, %	61.1	60.8	56.4

Reconciliation of net working capital in days outstanding

EUR million	2020	2019	2018
Operative receivables	1,179	1,918	1,140
BS Inventories	1,829	1,678	1,467
Operative liabilities	-1,883	-2,001	-1,750
Net working capital	1,125	1,595	858
IS Revenue	11,751	15,840	14,918
Net working capital in days outstanding	35.0	36.7	21.0

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 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 / Total sales volume	Renewable Products comparable sales margin measures the segment's 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

EUR million	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	4,5	11,751	15,840
Other income	6	17	50
Share of profit (loss) of joint ventures	15	-38	-52
Materials and services	7	-9,253	-12,238
Employee benefit costs	8	-431	-395
Depreciation, amortization and impairments	4	-680	-502
Other expenses	9	-538	-474
Operating profit		828	2,229
Financial income and expenses	10		
Financial income		4	10
Financial expenses		-45	-109
Exchange rate and fair value gains and losses		0	-64
Total financial income and expenses		-41	-163
Profit before income taxes		786	2,067
Income tax expense	11	-72	-278
Profit for the period		714	1,789
Profit attributable to			
Owners of the parent		712	1,788
Non-controlling interests		2	1
		714	1,789
Earnings per share from profit attributable to owners of the parent (in euro per share)	12		
Basic earnings per share		0.93	2.33
Diluted earnings per share		0.93	2.32

Consolidated Statement of Comprehensive Income

EUR million	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Profit for the period	714	1,789
Other comprehensive income net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements on defined benefit plans	-6	8
Net change of other investments at fair value	5	0
Items that may be reclassified subsequently to profit or loss		
Translation differences	4	45
Cash flow hedges		
recorded in equity	73	-26
transferred to income statement	-12	66
Share of other comprehensive income of investments accounted for using the equity method	12	8
Total	77	93
Other comprehensive income for the period, net of tax	76	101
Total comprehensive income for the period	790	1,890
Total comprehensive income attributable to:		
Owners of the parent	788	1,890
Non-controlling interests	2	1
	790	1,890

The notes are an integral part of these consolidated financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	13	264	135
Property, plant and equipment	14	4,477	4,187
Investments in associates and joint ventures	15	56	22
Non-current receivables	17	61	56
Deferred tax assets	11	35	40
Derivative financial instruments	16,19	3	7
Other financial assets	17	32	5
Total non-current assets		4,928	4,452
Current assets			
Inventories	18	1,829	1,678
Trade and other receivables	17	1,208	1,915
Derivative financial instruments	16,19	260	236
Current investments	17	20	19
Cash and cash equivalents	17	1,552	1,493
Total current assets		4,869	5,341
Assets classified as held for sale	28	17	0
Total assets		9,815	9,793

EUR million	Note	31 Dec 2020	31 Dec 2019
EQUITY			
Capital and reserves attributable to the owners of the parent	20		
Share capital		40	40
Other equity		5,885	5,879
Total		5,925	5,919
Non-controlling interests		4	2
Total equity		5,929	5,922
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	21	1,050	1,080
Deferred tax liabilities	11	222	255
Provisions	22	232	93
Pension liabilities	23	111	111
Derivative financial instruments	16,19	1	1
Other non-current liabilities	21	21	21
Total non-current liabilities		1,638	1,561
Current liabilities			
Interest-bearing liabilities	21	257	242
Current tax liabilities		7	16
Derivative financial instruments	16,19	111	63
Trade and other payables	21	1,872	1,990
Total current liabilities		2,247	2,311
Liabilities related to assets held for sale	28	0	0
Total liabilities		3,886	3,872
Total equity and liabilities		9,815	9,793

The notes are an integral part of these consolidated financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Consolidated Cash Flow Statement

EUR million	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from operating activities			
Profit before income taxes		786	2,067
Adjustments for			
Share of profit (loss) of joint ventures	4,15	38	52
Depreciation, amortization and impairments	4	680	502
Other non-cash income and expenses		239	-129
Financial expenses - net	10	41	163
Profit / loss from disposal of fixed assets and shares	6	-1	-37
Cash flow before change in net working capital		1,784	2,617
Change in net working capital			
Decrease (+) / increase (-) in trade and other receivables		735	-787
Decrease (+) / increase (-) in inventories		-176	-197
Decrease (-) / increase (+) in trade and other payables		-99	204
Change in net working capital		460	-780
Cash generated from operations		2,244	1,837
Interest and other finance cost paid		-46	-55
Interest income received		4	8
Realized foreign exchange gains and losses		-11	-1
Income taxes paid		-133	-333
Finance cost and income taxes paid		-187	-381
Net cash generated from operating activities		2,057	1,456

EUR million	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from investing activities			
Purchases of property, plant and equipment		-727	-522
Purchases of intangible assets	13	-35	-45
Acquisitions of subsidiaries, net of cash acquired		-175	-1
Acquisitions of associates and joint ventures	15	-35	0
Proceeds from sales of subsidiaries and business operations, net of cash disposed	27	-2	145
Proceeds from sales of property, plant and equipment		1	0
Changes in long-term receivables and other investments		-66	120
Cash flows from investing activities		-1,039	-302
Cash flow before financing activities		1,019	1,154
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		-35	9
Proceeds from non-current interest-bearing liabilities		0	12
Repayments of non-current interest-bearing liabilities		-142	-234
Dividends paid to the owners of the parent		-783	-583
Dividends paid to non-controlling interests		-1	-1
Cash flows from financing activities		-961	-797
Net decrease (-) / increase (+) in cash and cash equivalents		57	357
Cash and cash equivalents at beginning of the period		1,493	1,136
Exchange gains (+) / losses (-) on cash and cash equivalents		2	0
Cash and cash equivalents at end of the period	17	1,552	1,493

The notes are an integral part of these consolidated financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

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 2019		40	19	10	-9	-55	-69	-84	4,760	**4,614**	2	**4,616**
Profit for the period									1,788	**1,788**	1	**1,789**
Other comprehensive income for the period, net of tax						48	9	45		**101**	0	**101**
Total comprehensive income for the period		0	0	0	0	48	9	45	1,788	**1,890**	1	**1,890**
Transactions with the owners in their capacity as owners												
Dividend decision									-583	**-583**	-1	**-584**
Share-based compensation				6	1				-8	**–1**		**-1**
Transfer from retained earnings			0					0		**0**		**0**
Total equity at 31 December 2019	20	40	19	16	-7	-6	-60	-39	5,957	**5,919**	2	**5,922**

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**	0	**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**

The notes are an integral part of these consolidated financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Notes to the Consolidated Financial Statements

1 General information

Neste Corporation (the Company) is a Finnish public limited liability company domiciled in Espoo, Finland. The company 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 the Group) 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 residues, 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. The Group's refineries are located in Finland, the Netherlands and Singapore and Neste is also a co-owner of a base oil plant in Bahrain. The Company 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 4 February 2021.

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 accounting policies.

The consolidated 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 discloses the 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 the Group

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. These amendments had no impact on the consolidated financial statements of the Group. The Group 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 2020 (unless otherwise stated):

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Revised Conceptual Framework for Financial Reporting
- Temporary amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IFRS 16: Covid-19-related Rent Concessions (effective as of 1 June 2020)

New standards, amendments and interpretations not yet adopted

Certain new interpretations, amendments to existing standards or new standards have been published. The Group 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 the Group.

Estimates and judgements requiring management estimation

The preparation of Consolidated Financial Statements in conformity with the International Accounting Standard requires the Group'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.

The Group 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 Group are presented in connection to the items considered to be affected.

Despite the challenges and disruptions caused by the COVID-19 pandemic, year 2020 was a success for Neste in many ways. In 2020 Renewable Products proved to be very resilient with increased sales volumes and strong sales margin.
Oil Products suffered from a very weak refining market 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.

The Group has assessed the impacts of COVID-19 pandemic by reviewing the carrying values of the balance sheet items. After write-downs related to Naantali refinery closure, the review did not indicate need for asset impairments. Other impacts are presented in connection with the items considered to be affected. Further information is presented in the following notes: Note 3 Financial risk management, Note 5 Revenue, Note 13 Intangible assets.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company, Neste Corporation, and all those companies in which the Group has control. The Group controls an entity when the Group 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 the Group, 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 asset acquired and liabilities assumed in the acquired company are measured at the fair value at acquisition date. 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 at the 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 the Group, 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 the Group 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 the Group 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. The Group 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 the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group'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 the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint arrangements are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates

Associated companies are entities over which the Group 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

The Group 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 the Group and the structured entities indicate that the structured entities are controlled by the Group. The extent of the Group's interests to unconsolidated structured entities will vary depending on the type of structured entities. Entities are not consolidated because the Group 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.

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Foreign currency translation

(a) Presentation currency
Items included in the financial statements of each of the Group'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 the Group 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 as a separate component of equity.

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
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 markets risk 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 manage the risk exposures. The positions are monitored and managed on a daily basis.

Uncertainty on the further development of the COVID-19 pandemic and its impact on the global economy continues.

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 preventing 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 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 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

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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 our 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 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 in 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 refineries.

With the aim of securing its margin and cash flow, Neste has defined margin hedging principles for its main refining businesses. In Renewable Products segment the targeted hedge ratios are typically higher and can be expected to fluctuate over time. In 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. As in transaction hedging, also when hedging the refining margin, the business will remain exposed to 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 the Group is exposed to are the Swedish Crown (SEK), Norwegian Crown (NOK), Singapore Dollar (SGD) and Malaysian Ringgit (MYR). The Group'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 the Group 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 Group'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 2020, the daily balance sheet exposure fluctuated between approximately EUR 208 million and 1,258 million (2019: EUR 453 million and 1,184 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. In the end of 2020 the most important translation exposures were U.S. dollar EUR 227 million and Swedish Crown EUR 65 million (2019: U.S dollar EUR 48 million, Swedish Crown EUR 41 million). The Group has not hedged the exposures in 2020 or 2019.

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 2020, the duration was 26 months (2019: 35 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. The Group's interest rate risk management is handled by Group Treasury & Risk Management. The exposure to open positions of interest rate derivative contracts is summarized in Note 19. The Group has not used interest rate derivatives in 2020 or 2019.

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

The re-pricing period of interest-bearing debt occurs 2019	Within 1 year	1 year–5 years	> 5 years	Total
Financial instruments with floating interest rate				
Loans from financial institutions	110	0	0	110
Other loans	44	0	0	44
Financial instruments with fixed interest rate				
Bonds	0	719	0	719
Lease liabilities	102	125	192	418
Other loans	0	30	0	30
	256	874	192	1,322

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, the Group's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Group's key price and currency exposures would have on its operating profit for 2021 (2020), 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. ceteris paribus principle
- The sensitivity in EUR/USD exchange rate is based on exposure forecast
- The sensitivity in Oil Products total refining margin is based on forecast volumes, representing an impact from change of 1 USD/barrel
- The sensitivity in Oil Products crude oil price is based on impacts through inventory valuation gains / losses and changes in utility and freight costs
- The sensitivity in Renewable Products raw material price is based on impacts through inventory valuation gains / losses
- The sensitivity in Renewable Products refining margin is based on name plate capacity at end of 2020, representing an impact from change of 50 USD/ton

Approximate impact on operating profit, excluding hedges		2021	2020
+/- 10% in the EUR/USD exchange rate	EUR million	-224/+274	-282/+344
+/- USD 1.00/barrel in Oil Products total refining margin	USD million	+/-85	+/-100
+/- USD 10/barrel in crude oil price for Oil Products [1]	USD million	+/-95	+/-100
+/- USD 100/t in Renewable Products raw material price [1]	USD million	+/-145	+/-140
+/- USD 50/t in Renewable Products refining margin [2]	USD million	+/-160	+/-145

[1] Inventory gains/losses excluded from comparable operating profit

[2] Based on name-plate capacity

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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 the Group'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 2020 (2019). 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 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 is 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 Group'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 the Group 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		2020 Income statement	2020 Equity	2019 Income statement	2019 Equity
+/- 20% change in oil price [1]	EUR million	+/- 7	+/- 0	+/- 27	+/- 0
+/- 10% change in EUR/USD exchange rate	EUR million	+83 /-101	+152 /-151	+45/-55	+98/-116
+/- 1% parallel shift in interest rates	EUR million	-/+1	+/-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. COVID-19 pandemic did not have an effect on the Group's liquid funds and committed unutilized credit facilities.

Neste's principal source of liquidity is expected to be cash generated from operations. In addition, the Group 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. 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 in 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 2020 was 2.1 years (2019: 3.2 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 2020	31 Dec 2019
Liquid funds	1,572	1,513
Overdraft facilities, expiring within one year	150	150
Revolving credit facility, expiring beyond one year [1]	1,200	1,200
Total	2,922	2,863
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 5 years with two 1-year extension options. The margin under the facility will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target.

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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	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

Maturity profile of financial liabilities based on contractual payments 31 Dec 2019	2020	2021	2022	2023	2024	2025-	Total
Trade payables and other liabilities	1,990	1	1	1	1	17	2,011
Interest-bearing liabilities							
Bonds	0	0	321	0	400	0	721
Loans from financial institutions	110	0	0	0	0	0	110
Lease liabilities	102	54	30	21	20	192	418
Other loans	30	2	12	0	30	0	74
Interest of lease liabilities	24	21	20	18	17	234	334
Interest of other liabilities	15	15	14	8	8	0	60
Total	2,271	93	398	48	476	443	3,729
Commodities	45	1	0	0	0	0	46
Gross settled forward foreign exchange contracts							
- inflow (-)	-3,313	-200	-7	0	0	0	-3,520
- outflow	3,293	193	7	0	0	0	3,493
Derivatives total	25	-6	0	0	0	0	19

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 have been in place in 2020 or 2019.

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 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 2020 Neste had received EUR 12 million cash collateral (2019: EUR 27 million) and EUR 5 million letter of credit (2019: EUR 0 million) due to CSA agreements. Neste had issued EUR 0 million cash collateral (2019: EUR 0 million) and EUR 0 million letter of credit (2019: EUR 0 million) due to CSA agreements.

	31 Dec 2020				31 Dec 2019			
	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	263	17	113	1	243	14	64	2
Related liabilities or assets subject to master netting agreements	89	0	89	0	54	1	54	1
CSA agreements	12	0	0	0	27	0	0	0
Net exposure	163	17	24	0	162	13	10	1

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 the Group's cash balance and risks associated with it.

As to counterparty risk management, minimum credit rating requirement for companies providing insurance for Neste Group is defined in treasury principles.

The Group has a large number of different counterparties on the international markets. As to the range of counterparties, the most significant types are mainly large international oil companies and financial institutions. However, the Group'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 2020, 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 at 31 December 2020 with banks, of which all have investment grade rating at a minimum. Commodity derivative transactions are also done through exchange, which reduces credit risk.

The group 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 outlooks 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 pandemic 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 (2019: EUR 12 million). Recognized credit loss of trade receivables amounts to EUR 4 million (2019: EUR 1 million).

Analysis of trade receivables by age	31 Dec 2020	Probability of Credit Loss, %	31 Dec 2019	Probability of Credit Loss, %
not past due	810	0–0.04%	1,507	0–0.04%
1-30 days overdue	23	0.01–4%	134	0.01–4%
31-60 days overdue	4	5–43%	29	5–43%
61-90 days overdue [1)]	49	10–55%	10	10–55%
91-180 days overdue [1)]	48	25–100%	1	25–100%
more than 180 days overdue	27	100%	21	100%
Trade receivables total	961		1,702	
Impairment loss	-9		-12	
Trade receivables – Net	952		1,690	

[1)] Blender's Tax Credit receivables from the US tax authorities on 31 Dec 2020 were total EUR 200 million, of which EUR 48 million 61-90 days overdue and EUR 45 million 91-180 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 possibility 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 recognized in profit or loss.

Of the trade receivables portfolio exposure, 61% (2019: 60%) is from counterparties or their parent companies having an investment grade credit rating; 39% (2019: 40%) consists of trade receivables from counterparties not having an investment grade credit rating, most of it comprising from a large number of corporate and private customers.

Capital risk management

The Group'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 the Group 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 the Group is reviewed by the Board of Directors on a regular basis.

The Group 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, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio below 40%.

The leverage ratio	31 Dec 2020	31 Dec 2019
Total interest-bearing liabilities	1,307	1,322
Liquid funds	1,572	1,513
Interest-bearing net debt	-265	-191
Total equity	5,929	5,922
Interest-bearing net debt and total equity	5,664	5,731
Leverage ratio	-4.7%	-3.3%

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	-70	0	-115	-18	-203
New lease liabilities	0	0	136	0	136
Foreign exchange differences	11	0	-15	-3	-6
Other non-cash movements	1	0	-22	21	0
Net debt as at 31 December 2020	-1,552	-20	403	904	-265

Reconciliation of interest-bearing net debt	Cash and cash equivalents	Liquid investments	Lease liabilities	Borrowings	Total
Net debt as at 1 January 2019	-1,136	-74	101	1,039	-70
Cash flows	-358	54	-69	-141	-513
New lease liabilities	0	0	399	0	399
Foreign exchange differences	1	0	6	36	43
Other non-cash movements	0	0	-19	-31	-50
Net debt as at 31 December 2019	-1,493	-19	418	903	-191

4 Segment information

Accounting policy

The Group'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 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 Group consolidated financial statements. All inter-segment transactions are on arm's length basis and are eliminated in consolidation. Segment operating profit include 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 consists 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 consists 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

The Group'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 and Strategy, IT and Business Processes, HR, HSSEQ and Procurement, Sustainability, Public Affairs, Communications and Brand Marketing, 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:

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 with total capacity of 3.2 million tons per year.

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 in Neste Finland Refineries in Porvoo and Naantali. Base oils are also produced by joint arrangement production plant in Bahrain. Crude oil refining capacity is 14 million tons per year. Neste Shipping's chartering operations are included in the Oil Products segment.

Marketing & Services segment markets and sells petroleum 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 Group's own service station network and direct sales.

Others segment consists of the engineering and technology solutions company Neste Engineering Solutions, common corporate costs and Nynas, a joint-venture owned by Neste (49.99% share) and Petróleos de Venezuela until 15 September 2020 when its sale of shares was completed.

The operating segments presented above do not include any segments which are formed by aggregating two or more smaller segments.

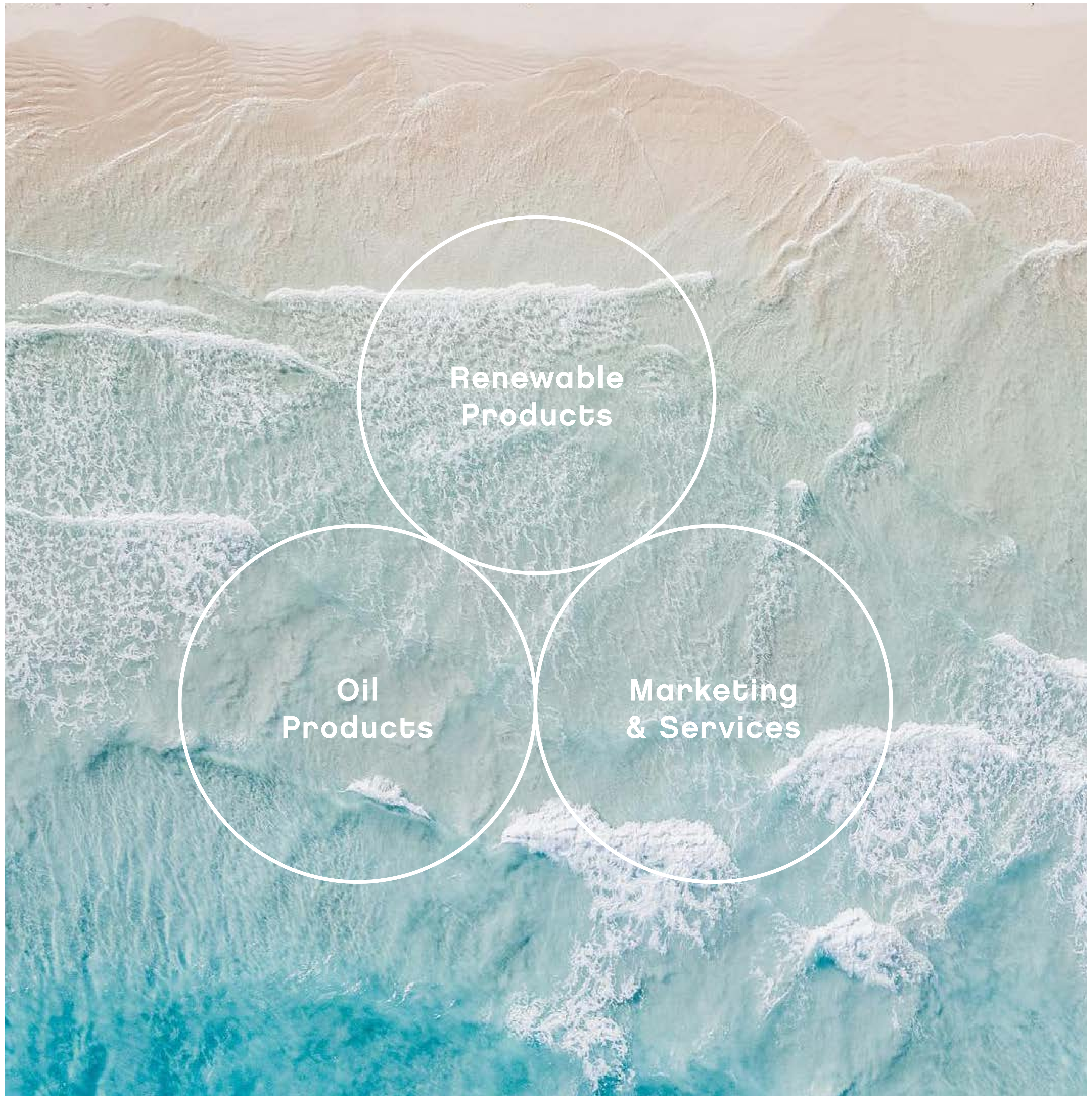
The 'other expenses' included in the consolidated statement of income for each business segment includes the following major items:

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.

Group's customer structure in 2020 and 2019 did not result in any major concentration in any given geographical area or operating segment.



Information about the Group's operating segments as of and for the years ended 31 December 2020 and 2019 is presented in the following tables:

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 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
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			

2019	Renewable Products[1)]	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
IS External revenue	3,654	7,984	4,157	44	0	15,840	
Internal revenue	379	2,433	36	202	-3,049	0	
IS Total revenue	4,033	10,416	4,193	246	-3,049	15,840	5
IS Other income	-1	7	32	27	-15	50	6
IS, **CF** Share of profit (loss) of joint ventures	0	0	0	-52	0	-52	15
IS Materials and services	-1,773	-9,350	-3,966	-77	2,929	-12,238	7
IS Employee benefit costs	-63	-136	-37	-162	4	-395	8
IS, **CF** Depreciation, amortization and impairments	-166	-232	-33	-71	0	-502	
IS Other expenses	-182	-300	-88	-33	130	-474	9
IS Operating profit [1)]	1,847	406	102	-123	-2	2,229	
IS Financial income and expense						-163	10
IS Profit before income taxes						2,067	
IS Income tax expense						-278	11
IS Profit for the period						1,789	
Comparable operating profit	1,599	386	77	-98	-2	1,962	
inventory valuation gains/losses	137	43	0	0	0	180	
changes in the fair value of open commodity and currency derivatives	101	-32	0	0	0	69	
capital gains and losses	0	0	27	9	0	37	
impairments	0	23	0	-34	0	-11	
other adjustments	10	-15	-3	0	0	-7	
IS Operating profit	1,847	406	102	-123	-2	2,229	

[1)] The retroactive US Blender's Tax Credit (BTC) decision for 2018 and 2019 had a positive impact of EUR 372 million on the Renewable Products' operating profit in 2019.

2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Group	Note
Capital expenditure and investments in shares	424	373	37	56	0	890	
Segment operating assets	3,606	3,905	577	352	-322	8,119	
BS Investments in associates and joint ventures	0	22	0	0	0	22	15
BS Deferred tax assets						40	11
Unallocated assets						1,612	
BS Total assets	3,606	3,927	577	352	-322	9,793	
Segment operating liabilities	757	1,674	406	145	-313	2,670	
BS Deferred tax liabilities						255	11
Unallocated liabilities						947	
BS Total liabilities	757	1,674	406	145	-313	3,872	
Segment net assets	3,137	2,313	235	214	-9	5,890	
Return on net assets, %	77.4	16.2	35.3	-208.0			
Comparable return on net assets, %	67.0	15.4	26.7	-165.6			

Geographical information

The Group operates production facilities in Finland, Singapore, the Netherlands and Bahrain and retail selling network in Finland, Estonia, Latvia and Lithuania. The following table provides information of the Group'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 consists of intangible assets, property, plant and equipment and investments in associates and joint ventures. 'Other Nordic countries' include Sweden, Norway, Denmark and Iceland. 'Baltic rim' includes Estonia, Latvia, Lithuania, Russia and Poland. The Group's activities in this geographical area consists mainly of retail activities in the mentioned countries.

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

2019	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Group
IS Revenue by destination	5,058	2,602	1,210	4,965	1,729	275	15,840
Non-current assets	2,675	2	82	701	43	841	4,344
Capital expenditure	335	4	44	96	61	350	890

5 Revenue

Accounting policy

Revenue from contracts with customers is recognized when or as the group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The group 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, the group 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 the group 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 standalone selling prices of the goods or services promised.

Revenue recognised 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. 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.

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 will make decision 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 and the Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in materials and services.

	2020	2019
Sale of goods	11,664	15,726
Revenue from services	78	101
Royalty income	2	4
Other	7	8
IS Revenue	11,751	15,840

Sale of goods includes product sales from the Group'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 1,394 million (2019: EUR 1,478 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 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 9 million (2019: EUR -85 million).

Revenue from services mainly comprises revenue from the chartering services and Neste Engineering Solutions, which is included in the Others segment.

Neste's revenue in 2020 totaled EUR 11,751 million (EUR 15,840 million). The revenue decline resulted from the lower crude oil price, which had a negative impact of approximately EUR 3.0 billion, and lower sales volumes of conventional oil products, which had a negative impact of approximately EUR 900 million on the revenue. Additionally, the weaker US dollar had a negative impact of approximately. USD 200 million on the revenue year-on-year. Oil Products suffered from a very weak refining market caused by the global COVID-19 pandemic related demand destruction and oversupply.

Revenue by category	2020					2019				
External revenue	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Fuels [1]	4,114	3,933	2,927	0	10,975	3,648	7,138	4,028	0	14,814
Light distillates	97	1,820	720	0	2,636	92	3,231	1,012	0	4,336
Middle distillates	4,017	1,813	2,204	0	8,034	3,555	3,472	3,011	0	10,039
Heavy fuel oil	0	300	4	0	304	0	434	5	0	439
Other products	0	604	94	0	698	7	800	118	0	925
Other services	0	41	9	28	78	0	46	11	44	101
IS Total	4,114	4,578	3,031	28	11,751	3,654	7,984	4,157	44	15,840

[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 Renewable Products segment.

Timing of revenue recognition	2020					2019				
	Renewable Products	Oil Products	Marketing & Services	Others	Total	Renewable Products	Oil Products	Marketing & Services	Others	Total
Goods transferred at point in time	4,114	4,537	3,021	0	11,673	3,654	7,937	4,147	0	15,739
Services transferred at point in time	0	41	9	1	52	0	46	11	2	59
Services transferred over time	0	0	0	26	26	0	0	0	42	42
IS Total	4,114	4,578	3,031	28	11,751	3,654	7,984	4,157	44	15,840

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 segment 2019	Renewable Products	Oil Products	Marketing & Services	Others	Eliminations	Total
External revenue	3,654	7,984	4,157	44	0	15,840
Internal revenue	379	2,433	36	202	-3,049	0
IS Total revenue	4,033	10,416	4,193	246	-3,049	15,840

Revenue by operating destination

External revenue	2020 Renewable Products	2020 Oil Products	2020 Marketing & Services	2020 Others	2020 Total	2019 Renewable Products	2019 Oil Products	2019 Marketing & Services	2019 Others	2019 Total
Finland	169	1,260	2,313	21	3,763	33	2,009	2,991	25	5,058
Other Nordic countries	1,287	691	4	0	1,982	1,386	1,188	27	2	2,602
Baltic Rim	36	181	712	0	930	6	67	1,137	0	1,210
Other European countries	1,509	1,809	2	4	3,323	1,000	3,952	2	12	4,965
North and South America	1,089	512	0	2	1,603	1,197	530	0	2	1,729
Other countries	24	125	0	0	150	32	239	0	4	275
IS Total	4,114	4,578	3,031	28	11,751	3,654	7,984	4,157	44	15,840

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.

	2020	2019
Gain on sale of subsidiaries	0	37
Capital gains on disposal of other non-current assets	1	0
Rental income	3	3
Government grants	5	5
Insurance compensations	1	0
Other	6	5
IS Other income	17	50

Government grants relate mainly to the shipping operations, which are entitled to apply for certain grants based on Finnish legislation. More information on sales of subsidiaries 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 will make decision 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 and the Blender's Tax Credit received directly from the US tax authorities are recognized as deduction of costs in materials and services.

	2020	2019
Materials and supplies	9,333	12,359
Change in inventories	-152	-204
External services	72	82
IS Materials and services	9,253	12,238

Materials and supplies include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,394 million (2019: EUR 1,478 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 337 million (2019: EUR 42 million). Net gains/losses on derivative instruments related to purchases designated as cash flow hedges amounted to EUR 0 million (2019: EUR 0 million). Both above-mentioned items are included in Materials and supplies.

Materials and supplies also include EUR 21 million (2019: EUR 45 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

	2020	2019
Wages and salaries [1]	359	316
Social security costs	17	19
Share-based payments	7	4
Pension costs - defined contribution plans	40	42
Pension costs - defined benefit plans	4	6
Other costs	3	8
IS Employee benefit costs	431	395

[1] Includes cost provision for personnel arrangements relating to the Naantali refinery closure totaling EUR 22 million in 2020.

Wages, salaries and other compensations 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)	2020	2019
Renewable Products	1,014	539
Oil Products	1,604	1,676
Marketing & Services	387	1,338
Others	1,828	1,922
	4,833	5,474

9 Other expenses

	2020	2019
Repairs and maintenance	132	152
Services	169	171
Rents and other property costs	31	35
Insurances	26	20
Other	180	96
IS Other expenses	538	474

Other expenses include cost provisions related to the Naantali refinery closure totaling EUR 124 million in 2020.

Services include planning and consulting services, IT services, research and lab services and other services.

Rents and other property costs include EUR 9 million (2019: EUR 34 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.

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, PricewaterhouseCoopers

EUR thousands	2020	2019
Statutory audit	1,534	1,388
Tax advisory	9	23
Other advisory services	150	275
	1,693	1,686

PricewaterhouseCoopers Oy has provided non-audit services to entities of Neste Group in total of 159 thousand euros (2019: 239 thousand euros) during the financial year 2020. These services included 9 thousand euros (2019: 3 thousand euros) of tax advisory and 150 thousand euros (2019: 236 thousand euros) of other advisory services.

IS 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

10 Financial income and expenses

	2020	2019
Financial income		
Interest income from financial assets at amortized cost	4	10
	4	10
Financial expenses		
Interest expenses for financial liabilities/receivables at amortized cost		
Lease liabilities	-22	-23
Other liabilities	-20	-23
Write-downs of loan receivables [1)]	0	-59
Other financial expenses	-3	-4
	-45	-109
Exchange rate and fair value gains and losses		
Financial instruments at amortized cost	-2	-44
Financial instruments at fair value through profit or loss	3	-20
	0	-64
IS Total financial income and expenses	-41	-163

[1)] Write-down of loan receivable from Nynas in 2019

Net gains/losses on financial instruments included in operating profit and fixed assets	2020	2019
Foreign exchange derivatives, hedge accounted [1)]		
Included in revenue	9	-85
Included in materials and services	0	0
Included in fixed assets	2	3
Foreign exchange derivatives and commodity derivatives, non-hedge accounted		
Included in materials and services	337	42
	348	-40

[1)] The recognized ineffectiveness was EUR 1.7 million due to Singapore expansion (2019: EUR 1.6 million).

11 Income taxes

Accounting policy

The Group'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 the Group 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 at 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

Determination of income taxes, uncertain tax positions and deferred tax assets and liabilities and the amount of deferred tax asset to be recognized require management judgement.

The Group has deferred tax assets and liabilities which are expected to be realized through the income statement over extended periods of time in the future. In calculating the deferred tax items, the Group is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets, and liabilities as recorded in the consolidated statement of income and their tax basis.

The major components of income tax expense	2020	2019
Current tax	116	255
Adjustments recognized for current tax for prior periods	1	38
Change in deferred taxes	-45	-16
IS Income tax expense	72	278

The reconciliation of income taxes	2020	2019
IS Profit before income taxes	786	2,067
Hypothetical income tax calculated at Finnish tax rate 20%	-157	-413
Differences in tax rates in other countries	99	198
Non-deductible expenses	-2	-2
Impairment of assets of Neste Oil Bahrain W.L.L.[1)]	0	-31
Impairment of assets of Nynas AB	0	-19
Tax exempt income	1	6
Tax on undistributed earnings	0	-1
Taxes for prior periods	-2	-1
Net results of joint ventures	-8	-10
Realisability of deferred tax assets	-2	-4
Other	0	-1
IS Income tax expense	-72	-278
Effective tax rate, %	9	13

1) In 2019 includes impacts of settlements of an arbitration and tax dispute of the years 2012-2017 in Bahrain and partial reversal of write-off of Bahrain assets related thereto.

The Group'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.

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 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		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

Changes in deferred tax assets and liabilities 2019	On 1 Jan 2019	Charged to Income Statement	Charged in Other comprehensive income	Acquisitions / Disposals	Exchange rate differences and other changes	On 31 Dec 2019
Tax loss carried forward	1	2	0	0	0	3
Provisions	4	7	0	0	0	11
Pensions	25	0	-2	0	0	22
Fixed assets	27	-21	0	0	0	6
Derivative financial instruments	5	0	-5	0	0	1
Other temporary differences	8	2	0	0	0	10
Total deferred tax assets	70	-9	-7	-1	0	53
Netting against liabilities	-35	22	0	0	0	-13
BS Deferred tax assets	35	12	-7	-1	0	40
Tax on undistributed earnings	11	0	0	0	0	11
Fixed assets	282	-26	0	-1	0	255
Derivative financial instruments	1	-1	0	0	0	0
Other temporary differences	1	0	0	0	0	1
Total deferred tax liabilities	295	-26	0	-1	0	267
Netting against assets	-35	22	0	0	0	-13
BS Deferred tax liabilities	260	-5	0	-1	0	255

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There are altogether EUR 126 million (2019: EUR 89 million) tax loss carry forwards and other unused tax credits for which no deferred tax asset is recognized, majority of them relating to Neste Oil Bahrain W.L.L.. Expiry dates are between 2020 and 2027 for EUR 4 million (2019: EUR 4 million) and no expiry for EUR 121 million (2019: EUR 85 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:

	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

	2019		
	Before tax	Tax (charge) / credit	After tax
OCI Remeasurements of defined benefit plans	11	-2	8
OCI Net change of other investments at fair value	0	0	0
OCI Translation differences	45	0	45
Cash flow hedges			
OCI recorded in equity	-36	10	-26
OCI transferred to income statement	81	-15	66
OCI Share of other comprehensive income of investments accounted for using the equity method	8	0	8
OCI Other comprehensive income	108	-7	101

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. Diluted earnings per share is calculated by adjusting the weighted average number of shares so that share-based incentive plans are taken into account.

	2020	2019
IS Profit for the period attributable to owners of the parent, EUR million	712	1,788
Weighted average number of shares outstanding during the year (thousands)	767,370	767,151
IS Basic earnings per share (euro per share)	0.93	2.33
Effect of share-based incentive plans (thousands)	1,132	1,267
Diluted weighted average number of shares during the year (thousands)	768,503	768,418
IS Diluted earnings per share (euro per share)	0.93	2.32

Dividend per share

The dividends paid in 2020 were EUR 1.02 per share, totalling EUR 783 million (2019: EUR 0.76 per share, totalling EUR 583 million). A dividend of EUR 0.80 per share, totalling EUR 614 million will be proposed at the Annual General Meeting on 30 March 2021. 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 depends also 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 the Group's share of the net identifiable assets of the acquired 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. The 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 in the table below. WACC% and growth rate are used purely for the impairment testing.

The key assumptions used for the plans in Renewable Products are margin level and sales volumes and in Oil Products the demand and the margin level for oil products.

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 and 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 the Group'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 estimated future operating cash flows and discount rates. The impacts of COVID-19 pandemic to lower demand of oil products and lower margin have been taken into account in estimating future cash flows.

2020	Goodwill	Software and other intangible assets	Total
Gross carrying amount at 1 January 2020	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 at 31 December 2020	120	363	483
Accumulated amortization and impairment losses at 1 January 2020	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 at 31 December 2020	0	219	219
BS Carrying amount at 1 January 2020	16	120	135
BS Carrying amount at 31 December 2020	120	144	264

2019	Goodwill	Software and other intangible assets	Total
Gross carrying amount at 1 January 2019	24	264	289
Exchange rate differences	0	0	0
Acquisitions	0	0	0
CF Additions	0	45	45
Disposals	-9	-2	-11
Reclassifications	0	0	0
Gross carrying amount at 31 December 2019	16	308	323
Accumulated amortization and impairment losses at 1 January 2019	0	165	165
Exchange rate differences	0	0	0
Disposals	0	0	0
Reclassifications	0	-4	-4
Amortization for the period	0	27	27
Accumulated amortization and impairment losses at 31 December 2019	0	188	188
BS Carrying amount at 1 January 2019	24	99	124
BS Carrying amount at 31 December 2019	16	120	135

Impairment test of goodwill

Goodwill is allocated to Group's cash-generating units (CGU's). From identified CGU's goodwill is allocated to the following: Renewable Products segment and Traffic Fuels within Oil Products segment.

A segment-level summary of the goodwill allocation is presented below:

	WACC%	2020	2019
Renewable Products	6.0	118	13
Oil Products	5.8	2	2
		120	16

A decrease of 10% in refining margin or 1.5%-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.

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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. The Group 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 the Group 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
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 technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Leases

The Group 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, the Group 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.

2020	Land	Buildings and constructions [1]	Machinery and equipment [1]	Other tangible assets [1]	Assets under construction [1]	Total
Gross carrying amount at 1 January 2020	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 at 31 December 2020	280	2,529	4,971	453	1,166	9,399
Accumulated depreciation and impairment losses at 1 January 2020	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 at 31 December 2020	28	1,205	3,523	162	4	4,922
BS Carrying amount at 1 January 2020	231	1,359	1,733	268	597	4,187
BS Carrying amount at 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] ncludes 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 the Group is a lessee as specified in Note 30 Leases.

2019	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2019	75	2,442	4,787	286	154	7,745
Change in accounting policy, IFRS 16	153	7	6	49	0	215
Restated opening balance	228	2,450	4,793	335	154	7,960
Exchange rate differences	1	7	3	0	0	11
Additions	45	64	138	107	489	844
Acquisitions	1	0	0	0	0	1
Disposals	-31	-72	-83	-57	-2	-246
Reclassifications	1	19	20	3	-43	0
Gross carrying amount at 31 December 2019	245	2,467	4,871	388	599	8,570
Accumulated depreciation and impairment losses at 1 January 2019	0	1,069	2,858	78	1	4,007
Exchange rate differences	0	5	3	0	0	7
Disposals	0	-46	-56	-4	0	-105
Reclassifications	3	-1	-1	0	1	2
Depreciation for the period	12	81	334	46	1	473
Accumulated depreciation and impairment losses at 31 December 2019	14	1,108	3,138	121	3	4,384
BS Carrying amount at 1 January 2019	75	1,373	1,929	207	153	3,737
Restated carrying amount at 1 January 2019	228	1,380	1,935	257	153	3,953
BS Carrying amount at 31 December 2019 [1)]	231	1,359	1,733	268	597	4,187

[1)] The write-down concerning property, plant & equipment in Neste Oil Bahrain W.L.L in 2018 still exists. Settlement has been reached in the arbitration concerning a contractual dispute and also related to disadvantageous tax judgement so the additional EUR 30 million write-down to other assets has been reversed in the income statement in 2019.

Property, plant and equipment include right-of-use (ROU) assets where the Group is a lessee as specified in Note 30 Leases.

Capitalized borrowing costs

During 2020 borrowing costs amounting to EUR 2.0 million (2019: EUR 3.0 million) were capitalized related to Oil Products investments and Singapore expansion. They are included in 'Property, Plant and Equipment'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 2.0% (2019: 2.1%).

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15 Investments in associates and joint ventures

Carrying amount	2020	2019
On 1 January	22	106
IS, CF Share of profit (loss) of joint ventures	-38	-52
OCI Share of other comprehensive income of investments accounted for using the equity method	12	8
CF Investments	35	0
Impairments	0	-36
Translation differences	26	-5
Other changes	0	1
BS On 31 December	56	22

The Group'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	2020 % interest held	2019 % interest held
Alterra Energy LLC	USA	Note 1	40.00	0.00
Glacia Limited	Bermuda	Note 2	50.00	50.00
Nynas AB (publ)	Sweden	Note 3	0.00	49.99
Kilpilahti Power Plant Ltd	Finland	Note 4	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 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: Nynas AB (publ) is a Swedish company that specializes in marketing and producing bitumen in Europe and naphthenics globally.

Neste AB has sold its 49.99% shares in Nynas AB to Bitumina Industries Ltd on September 2020. 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.

Note 4: 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 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 meant to serve also 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 the Group's associates and joint ventures are set out in the following table:

	Alterra Energy LLC	Kilpilahti Power Plant Ltd		Glacia Limited		Nynas AB (publ)
	2020	2020	2019	2020	2019	2019
Non-current assets	30	420	398	17	22	563
Current assets						
Cash and cash equivalents	9	20	15	25	25	244
Other current assets (excl. cash and cash equivalents)	0	97	78	1	0	719
Total current assets	10	117	93	25	25	963
Non-current liabilities						
Non-current financial liabilities (excl. trade payables and provisions)	0	424	380	0	0	672
Other non-current liabilities	0	13	0	0	0	127
Total non-current liabilities	0	438	380	0	0	799
Current liabilities						
Current financial liabilities (excl. trade payables and provisions)	0	23	21	0	0	29
Other current liabilities	0	57	66	1	2	501
Total current liabilities	0	81	87	1	2	530
Net assets	39	19	24	41	46	198
Revenue	0	150	173	6	6	1,629
Depreciation, amortization and impairments	2	8	4	4	4	65
Interest income	0	0	0	0	1	1
Interest expense	2	5	4	0	0	40
Income tax expense	0	0	0	0	0	29
Profit/loss	-8	-6	0	-1	-1	-131

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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	Kilpilahti Power Plant Ltd		Glacia Limited		Nynas AB (publ)
	2020	2020	2019	2020	2019	2019
Opening net assets 1 January	0	0	2	44	44	166
Investment in associate/joint venture	87	0	5	0	0	0
Profit for the period	0	11	0	0	-1	-104
Other comprehensive income	0	-9	-6	-3	1	9
Other changes	0	-1	0	0	0	0
Closing net assets 31 December	87	0	0	41	44	71
Impairments	0	0	0	0	0	-71
Interest in joint venture	35	0	0	21	22	0
Carrying value	35	0	0	21	22	0

The share of profits of joint ventures for 2020 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 is not consolidated in the Group'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 Group's interest in the associates and joint arrangements are disclosed in Note 29.

16 Financial assets and liabilities by measurement categories

The Group 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 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	
BS Other non-current liabilities			21	21	21			
Current financial liabilities								
BS Interest-bearing liabilities			257	257	257		257	
BS Derivative financial instruments	14	97		111	111	23	88	
BS Trade and other payables			1,872	1,872	1,872			
Financial liabilities	15	98	3,199	3,312	3,334			

[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 shares of EUR 5 million. Other financial assets in fair value through other comprehensive income category include unlisted shares of EUR 27 million. Fair values are determined in accordance of IFRS 13.

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.

31 Dec 2019 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		4	52	56	56			
BS Derivative financial instruments	7	0		7	7		7	
BS Other financial assets		5		5	5			5
Current financial assets								
Trade and other receivables [1)]			1,911	1,911	1,911			
BS Derivative financial instruments	21	214		236	236	0	236	
BS Current investments			19	19	19			
BS Cash and cash equivalents			1,493	1,493	1,493			
Financial assets	28	223	3,476	3,727	3,727			
Non-current financial liabilities								
BS Interest-bearing liabilities			1,080	1,080	1,110	749	361	
BS Derivative financial instruments	0	1		1	1		1	
BS Other non-current liabilities			21	21	21			
Current financial liabilities								
BS Interest-bearing liabilities			242	242	242		242	
BS Derivative financial instruments	14	49		63	63	6	57	
BS Trade and other payables			1,990	1,990	1,990			
Financial liabilities	14	50	3,333	3,397	3,427			

[1)] excluding non-financial items

During the year 2019 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. During the financial period there were not any other financial assets than hedge accounted derivatives measured at fair value through other comprehensive income.

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 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 the group 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	2020	2019
BS Current investments	20	19
BS, CF Cash and cash equivalents	1,552	1,493
Classified as assets held for sale	-1	0
Liquid Funds	1,572	1,513

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	2020	2019
Trade receivables	952	1,690
Other receivables	216	199
Advances paid	2	1
Accrued income and prepaid expenses	39	25
BS Trade and other receivables	1,208	1,915
Trade and other receivables excluding non-financial items	1,197	1,911

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	2020	2019
Non-current interest-bearing receivables	35	35
Other non-current receivables	26	21
BS Non-current receivables	61	56
BS Other financial assets	32	5

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.

BS CF 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

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. RINs (Renewable Identification Number) and LCFS (Low Carbon Fuels Standard) credits are treated as inventory items in Renewable Products segment and 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.

	2020	2019
Materials and supplies	692	519
Finished products and goods	1,138	1,156
Other inventories	2	3
Classified as assets held for sale	-3	0
BS Inventories	1,829	1,678

Cumulative inventory valuation losses due to oil price changes amounted EUR 119 million (2019: gains EUR 180 million) of which EUR 52 million (2019: EUR 99 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. The Group 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.

The Group 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. Company 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.

BS 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

	31 Dec 2020					31 Dec 2019				
	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	2,577	70	103	15	88	1,691	200	27	13	14
Foreign exchange options										
Purchased	205	0	6	0	6	259	0	1	0	1
Written	205	0	0	0	0	259	0	0	1	-1
Derivatives designated as cash flow hedges	2,987	70	108	15	93	2,209	200	28	14	14
Foreign exchange derivatives, forwards	1,184	28	33	1	32	1,602	0	18	4	14
Non-hedge accounting derivatives	1,184	28	33	1	32	1,602	0	18	4	14
Commodity derivatives										
Oil and vegetable oil derivatives										
Sold forwards, million bbl	22	0	6	85	-79	18	0	15	34	-19
Purchased forwards, million bbl	18	0	108	11	97	18	0	181	3	179
Electricity and gas derivatives										
Purchased forwards, GWh	2,164	1,094	7	0	7	2,122	898	0	9	-9
Non-hedge accounting derivatives			122	96	26			197	46	151
Derivatives Total			263	113	151			243	64	179
of which										
BS Non-current derivative financial instruments			3	1	2			7	1	6
BS Current derivative financial instruments			260	111	149			236	63	173

The Group 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. Group uses forwards as hedging instruments for commodities.

The Group 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 2020 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 2020 totalled EUR 40,000,000, divided into 769,211,058 shares of equal value. The nominal value of one share is not determined. The share capital is fully paid. There have been no changes in share capital in 2020 or 2019.

	Number of shares, 1,000	Treasury shares, 1,000	Outstanding shares, 1,000
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
1 January 2019	256,404	-574	255,830
Share issue	512,807	-1,147	511,660
Transfer of treasury shares	0	194	194
31 December 2019	769,211	-1,527	767,684

Share issue

A total of 512,807,372 new shares issued in the share issue without payment (so called split) decided upon in Neste Corporation's Annual General Meeting on 2 April 2019 have been entered in the trade register. The objective of the share issue without payment was to enhance the liquidity of the Company's share. In the share issue without payment, new shares were issued to the shareholders without payment in proportion to their holdings so that 2 new shares are issued for each share. In addition, in the share issue without payment, new shares were similarly issued without payment to the Company on the basis of treasury shares held by the Company. The total number of Neste Corporation's shares after the share issue without payment is 769,211,058 shares.

Treasury 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.

On 23 September 2019 a total of 25,429 treasury shares of Neste Corporation has been conveyed as a share reward without consideration to the President and CEO, Peter Vanacker, based on the terms and conditions of the Share Ownership Plan 2016. The conveyance of own shares was based on a decision of the Board of Directors of Neste Corporation which was made based on an authorization for the conveyance of own shares granted by the Annual General Meeting of Shareholders on 5 April 2018. After the conveyance of own shares, the number of treasury shares held by the company is 1,527,458 shares.

On 15 March 2019 a total of 168,099 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 of the Annual General Meeting on 5 April 2018. The number of treasury shares after the directed share issue was 1,552,887 shares. Numbers have been presented based on the new total number of shares after the share issue without payment (share split) as resolved by Neste's Annual General Meeting on 2 April, 2019.

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	2020	2019
Bonds	720	719
Loans from financial institutions	0	0
Lease liabilities [1)]	289	317
Other loans	41	44
Other non-current liabilities	20	19
Accruals and deferred income	1	2
Total	1,071	1,101
BS of which interest-bearing	1,050	1,080

Current financial liabilities	2020	2019
Bonds	0	0
Loans from financial institutions	128	110
Lease liabilities [1)]	114	102
Other loans	14	30
Advances received	85	27
Trade payables	1,228	1,403
Other current liabilities	457	457
Accruals and deferred expenses	103	103
Total	2,129	2,232
BS of which interest-bearing	257	242

[1)] 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
2015/2022	Fixed	2.1250	2.2080	EUR	321	321
2017/2024	Fixed	1.5000	1.5080	EUR	400	399
Total					721	720

22 Provisions

Accounting policy

The nature of certain Group's businesses exposes the Group 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 arise also through the acquisition, ownership or operation of properties or businesses.

A provision is recognized in the consolidated statement of financial position when the Group 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. The Group 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 the Group has prepared a detailed restructuring plan and published it.

	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

[1] Includes cost provisions for site demolition, clean-up and personnel arrangements relating to the Naantali refinery closure totaling EUR 139 million.

	Environmental provisions	Provision to return emission allowances	Other provisions	Total
BS **On 1 January 2019**	58	2	40	100
Additions	29	4	3	36
Amounts used during the period	0	-2	-40	-42
Reversed unused provisions	0	0	0	0
BS **On 31 December 2019**	86	4	3	93

Environmental provisions consists mostly of the Group's asset retirement obligations (ARO) that are related to retail stations and refineries which are expected to be realised in 1 - 50 years. The Group recognizes a provision for the decommissioning costs of an oil installation to the extent that Group 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 the Group'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 20.4 million tons emission allowances for the period 2013-2020. 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 2020 there was no obligation to purchase emission allowances in the balance sheet of Neste (31.12.2019 EUR 4.3 million). The actual amount of CO_2 emissions in 2020 were 3.1 million tons (2019: 3.5 million tons). The Group has traded emission allowances for net amount of 0.6 million tons during the financial period ended 31 December 2020 (2019: 0.9 million tons).

BS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

23 Employee benefit obligations

Accounting policy

The Group 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, the Group 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 the Group 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 the Group's defined benefit pension plans are performed annually.

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

Accounting for defined benefit pensions and other long-term employee benefits involves making significant estimates when measuring the group'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 the group's pension liability and future pension expenses.

The Group has defined benefit pension plans in Finland, Belgium, Switzerland and the Netherlands. The largest plans are in Finland, which account for 96% (2019: 97%) of the Group's total defined benefit pension obligation and 97% (2019: 97%) of the Group'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 with IAS 19.

Characteristics of the post-employment defined benefit plans in Finland

In Finland the Group 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 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.

The Group 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 the Group 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	2020	2019
Service cost	4	6
Net interest (+expense/-income)	1	2
Remeasurements related to other long-term remunerations	0	0
Defined benefit cost recognized in the consolidated statement of income	5	8

Remeasurements of defined benefit plans	2020	2019
Actuarial gains/losses:		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-24	-41
Return on plan assets, excluding amounts included in net interest expense	8	41
Experience adjustments	9	10
Total remeasurements recognized in other comprehensive income	-7	10

Amounts recognized in the consolidated statement of financial position	2020	2019
Present value of funded defined benefit obligations	492	487
Present value of unfunded defined benefit obligations	7	8
Fair value of plan assets	-388	-385
BS Net defined benefit liability	111	111

Changes in fair value of plan assets	2020	2019
January 1	385	349
Interest income	2	5
Return on plan assets (excluding amounts included in net interest expense)	8	41
Employer contributions	12	11
Benefits paid	-19	-21
December 31	388	385

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.

BS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Changes in the present value of the defined benefit obligation	2020 Funded	2020 Unfunded	2019 Funded	2019 Unfunded
January 1	487	8	464	8
Current service cost	4	0	6	1
Interest cost	3	0	7	0
Actuarial gains (-)/ losses (+)	15	0	30	0
Settlements	0	0	0	0
Benefits paid	-18	-1	-20	-1
December 31	492	7	487	8

The expected contributions to be paid to the defined benefit plans in 2021 are EUR 12 million.

Significant actuarial assumptions (presented as weighted average)	2020	2019
Discount rate, %		
Finland	0.30%	0.55%
Other countries	0.28%	0.82%
Future salary increase, %		
Finland	2.7%	2.6%
Other countries	1.6%	2.0%
Future benefit increase, %		
Finland	1.5%	1.4%
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 2020	Impact on the defined benefit pension obligation 2019
Discount rate				
	0.50% increase	EUR million	-34	-35
	0.50% decrease	EUR million	38	35
Future salary increase				
	0.50% increase	EUR million	4	4
	0.50% decrease	EUR million	-4	-3
Future benefit increase				
	0.50% increase	EUR million	31	30
	0.50% decrease	EUR million	-28	-27

- 0.50% increase/decrease in the discount rate would lead to a decrease/increase of 6.8%/7.6% in the defined benefit obligation.
- 0.50% increase/decrease in the rate of salary increase would lead to a increase/decrease of 0.8%/0.8% in the defined benefit obligation.
- 0.50% increase/decrease in the rate of pension index would lead to a increase/decrease of 6.2%/5.6% 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	2020
Within the next 12 months	20
Between 1 and 5 years	92
Between 5 and 10 years	101
Beyond 10 years	320
Total	533

The average duration of the defined benefit pension obligation at the end of the reporting period is 14 years.

24 Share-based payments

Accounting policy

The Group'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 at grant date of 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 the Company'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 Group'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 the Company'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), 100% of the awards are based on the relative total shareholder return of the Company's shares compared to STOXX Europe 600 Index.

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 the Company 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 Company 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 the company until the value of his/her share ownership in the Company corresponds to at least his/her annual gross base salary.

Share-based incentive plan as of 1 January 2016

The Board of Directors decided on 14 December 2015 to establish a new long-term share-based incentive plan for the Group's senior management and nominated key personnel. The plan includes three individual share plans, each with a three-year earning period. The plans have started in 2016, 2017 and 2018.

The earning criteria for the earning periods 2016-2018, 2017-2019 and 2018-2020 are the Group's cumulative comparable free cash flow (75%) and total return by the Group'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 group 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 company'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 group 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 company's Executive Committee received a gross reward equaling to 37,361 shares.

Share-based incentive plan as of 1 January 2013

The Board of Directors decided on 13 December 2012 to establish a new long-term share-based incentive plan for the Group'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 periods 2014-2016 and 2015-2017 have been the Group's cumulative comparable free cash flow (75%) and total return by the Group'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 2020–2022**	**PSP 2019–2021**	**RSP 2019–2021**	**PSP 2018–2020**	**PSP 2017–2019**	**PSP 2016–2018**	**PSP 2015–2017**	**PSP 2014–2016**
Grant dates	20 Feb 2020	6 May 2019	26 Jun 2019	11 Jan 2018	19 Jan 2017	1 Feb 2016	11 Feb 2015	1 Feb 2014
Grant prices, euros	35.72	26.70	27.98	16.87	10.06	8.70	-	-
Share price as at grant date, euros	38.91	28.94	30.08	18.82	11.41	9.58	-	-
Beginning of earnings period	1 Jan 2020	1 Jan 2019	1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016	1 Jan 2015	1 Jan 2014
End of earnings period	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
End of restriction period	31 Mar 2023	31 Mar 2022	31 Mar 2022	31 Mar 2022	31 Mar 2021	30 Apr 2022	31 Mar 2019/ 31 Mar 2021	31 Mar 2018/ 31 Mar 2020
Changes during the period, share allocation [1]	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**	**Shares**		
Outstanding at the beginning of the reporting period, pcs	0	345,550	5,000	478,425	499,227	340,413		
Granted during the period	298,338	10,002	5,100	2,417	0	0		
Forfeited during the period	0	3,800	0	5,013	191,087	3,480		
Excercised during the period	0	0	0	0	52,131	14,150		
Outstanding at the end of the period, pcs	298,338	351,752	10,100	475,829	256,009	322,783		
Number of persons at the end of the reporting year	116	93	4	106	69	71	7	0
Share price at the end of the reporting period, euros	59.16	59.16	59.16	59.16	25.01	31.61	17.78	11.32
Estimated rate of realization of the earnings criteria, %	61%	57%	100%	94%	100%	100%	100%	100%
Estimated termination rate before the end of the restriction period, %	10%	10%	3%	5%	0%	0%	0%	0%

[1] Changes during the period, money allocation: 29,030 shares excercised from plan 2014-2016 and 48,930 shares excercised from plan 2015-2017.

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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 at 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:

	2020	2019
Expense arising from equity-settled share-based payment transactions	7	4
Total expense arising from share-based payment transactions	7	4

At the end of the period the estimated future cash payments to be paid to the tax authorities from share-based payments are EUR 25 million (2019: EUR 17 million).

25 Related party transactions

The Group 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.

The Group 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 party also includes 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.

Pension funds are described in more detail in accounting policies and pension calculations are disclosed in Note 23 Employee benefit obligations.

Parent company of the Group is Neste Corporation. The transactions between the company 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 the Group 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

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

2019	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense [1]	Liabilities
Joint ventures	170	179	94	-54	13
Other related parties	46	79	9	0	7
	216	258	102	-54	19

[1] Including EUR 59 million write-down of loan receivable from Nynas AB.

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 is with Nynas AB and Kilpilahti Power Plant Ltd. Transactions with Nynas AB comprised of sales of bitumen production from Neste Finland refinery in Naantali based on a long-term agreement and sales of process oils from Neste Finland refinery in Porvoo until 15 September 2020 when its sale of shares was completed. Neste's transactions with Kilpilahti Power Plant Ltd consisted mainly of steam purchases and sales of heavy fuel oil, water and asphaltene.

Board of Directors and key management compensation

EUR thousand	2020	2019
Salaries and other short-term employee benefits	5,150	4,160
Statutory pensions	749	660
Supplementary pensions	424	401
Share-based payments	1,712	2,720
Total (Including statutory pensions)	8,034	7,942

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 2020 or 31 December 2019.

Compensation to President and CEO and members of the Neste Executive Committee

	President and CEO		Members of the Neste Executive Committee	
EUR thousand	2020	2019	2020	2019
Annual remuneration				
Base salary	925	935	2,614	2,079
Taxable benefits	0	33	201	120
Annual incentive (STI plan)	311	0	654	539
Total annual remuneration	1,237	967	3,469	2,737
Vested long term remuneration				
Supplementary pension (insurance contributions)	0	0	424	401
Share-based incentive plan	568	1,165	1,144	1,556
Total remuneration	1,805	2,132	5,036	4,694

Compensation to the Board of Directors

EUR thousand	2020	2019
Board of Directors at 31 December 2020		
Matti Kähkönen	79	78
Sonat Burman-Olsson	48	38
Nick Elmslie, as of 18 May 2020	29	0
Martina Flöel	51	55
Jean-Baptiste Renard	49	53
Jari Rosendal	48	46
Johanna Söderström, as of 18 May 2020	28	0
Marco Wirén	68	64
Former Board members		
Laura Raitio, until 2 April 2019	0	14
Elizabeth Burghout, until 18 May 2020	19	53
Willem Schoeber, until 18 May 2020	26	56
Board of Directors, all members total	444	455

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 month 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 2020 were EUR 1,197 thousand (2019: EUR 1,186 thousand).

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26 Group companies

Subsidiaries	Group holding %	Country of incorporation
Fryer Oil Equipment LLC (new)	100.00%	USA
Kiinteistö Oy Espoon Keilaranta 21	100.00%	Finland
Mahoney Environmental LLC (new)	100.00%	USA
Mahoney Environmental Solutions, LLC (new)	100.00%	USA
Mahoney Transportation Services LLC (new)	100.00%	USA
Mendota Agri-Products, LLC (new)	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 (new)	100.00%	Singapore
Neste Australia Pty Ltd	100.00%	Australia
Neste Base Oils Finland Oy	100.00%	Finland
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 Real Estate B.V. (new)	100.00%	The Netherlands
Neste Real Estate II B.V. (new)	100.00%	The Netherlands
Neste Renewable Solutions US, Inc.	100.00%	USA
Neste RPC Solutions US, Inc. (new)	100.00%	USA
Neste Shipping Oy	100.00%	Finland

Subsidiaries	Group holding %	Country of incorporation
Neste Singapore Pte. Ltd.	100.00%	Singapore
Neste Terminal Rotterdam B.V. (new)	100.00%	The Netherlands
Neste Terminals Facilities B.V. (new)	100.00%	The Netherlands
Neste Terminals Group B.V. (new)	100.00%	The Netherlands
Neste Terminals Support B.V. (new)	100.00%	The Netherlands
Neste US, Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA
SIA Neste Latvija	100.00%	Latvia
UAB Neste Lietuva	100.00%	Lithuania

Associates	Group holding %	Country of incorporation
Alterra Energy LLC (new)	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
Oy Innogas Ab	50.00%	Joint Operation	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	
	2020	2019	2020	2019
Proportion of shares held by non-controlling interests	49.00%	49.00%	50.00%	50.00%
Current assets	82	76	0	0
Non-current assets	0	0	0	0
Current liabilities	75	51	0	0
Non-current liabilities	0	21	0	0
Revenue	555	382	1	1
Profit for the period	5	2	0	0
Dividends paid to non-controlling interests	-1	-1	0	0
Cash flows from operating activities	24	-7	0	0
Cash flows from investing activities	-1	-10	0	0
Cash flows from financing activities	-23	20	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.

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27 Acquisitions and disposals

Acquisitions

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 net assets total	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

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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.

2019

No major acquisitions took place in financial period 2019.

Disposals

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

2019

Regional Business Unit of Neste Engineering Solutions

In June 2019 Neste Engineering Solutions agreed to create a strategic partnership with engineering consultancy services company Rejlers. The partnership strengthens delivery capability and improves the focus of Neste Engineering Solutions. As part of the partnership agreement, Rejlers acquired the Regional Business Unit of Neste Engineering Solutions and the parties made a long-term cooperation agreement. The Regional Business Unit of Neste Engineering Solutions consists of personnel and operations in Turku, Kotka, Oulu, Sweden and UAE, except for NAPCON Business Unit. The entire personnel of the Regional Business Unit transferred to Rejlers with current terms and conditions of employment valid at the time of the transfer. They continue to work with their current projects of Neste Engineering Solutions and other customers. The operations were part of the Others segment. The disposal was closed on 30 September 2019 after the approval of the competition authority.

Assets and liabilities of the Regional Business Unit of Neste Engineering Solutions	Recognized values
Intangible assets	9
Non-current receivables	1
Deferred tax assets	1
Trade and other receivables	3
Cash and cash equivalents	2
Total assets	15
Trade and other payables	6
Total liabilities	6
Sold net assets	9
Total consideration [1)]	19
Sold net assets	-9
Translation differences related to disposal (reclassified from equity)	-1
Gain on sale	9
Cash consideration received during 2019	22
Cash and cash equivalents disposed of	-2
Net cash flow 1-12/2019	20
Cash consideration to be returned during the first quarter 2020	-2
Total net cash flow	18

[1)] Total consideration includes transaction costs and adjustments

LLC Neste Saint-Petersburg

In July 2019 Neste Corporation announced that it had signed an agreement to sell its fuel retail business consisting of 75 fuel stations and a terminal in North-Western Russia to PJSC Tatneft, one of the leading integrated oil and gas companies in Russia. The divestment of Russian fuel retail business enables to focus on the strategic priorities. The divestment had no impact on Neste's Marketing & Services' operations in Finland and the Baltic countries. The operations were part of the Marketing & Services segment. The transaction received the approval of the Russian competition authorities on 4 October and was closed on 31 October.

Assets and liabilities of LLC Neste Saint-Petersburg	Recognized values
Property, plant and equipment	55
Inventories	13
Trade and other receivables	9
Cash and cash equivalents	24
Total assets	100
Interest-bearing liabilities	6
Deferred tax liabilities	1
Trade and other payables	13
Total liabilities	21
Sold net assets	79
Total consideration [1)]	149
Sold net assets	-79
Translation differences related to disposal (reclassified from equity)	-42
Gain on sale	27
Cash consideration received	149
Cash and cash equivalents disposed of	-24
Net cash flow	125

[1)] Total consideration includes transaction costs

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.

The assets are not depreciated after being classified as held for sale.

Neste and Futura vessels

The assets classified as held for sale as of 31 December 2020 relate to replacing the vessels Neste and Futura with new product tankers. Neste and Futura vessels are planned to be divested within the next 12 months. The vessels are consolidated into 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 relate 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) acquires 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 are 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

There were no assets classified as held for sale on 31 December 2019.

29 Contingencies and commitments

Contingent liabilities	Value of collateral 2020	Value of collateral 2019
On own behalf for commitments		
Real estate mortgages	26	26
Other contingent liabilities	62	29
Total	88	55
On behalf of joint arrangements		
Pledged assets	40	31
Total	40	31
On behalf of others		
Guarantees	1	1
Total	1	1
	128	87

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	2020	2019
Commitments for purchase of property, plant and equipment and intangible assets	616	754
Other commitments	10	0
Total	626	754

Take-or-pay contracts

The Group'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 2020 are presented in the table below.

Fixed fees payable under take-or-pay contracts	2020	2019
Payable	15	24
Payable after the financial period	87	141
Total payable	102	164

30 Leases

Accounting policy

The Group 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.

Group as a lessee

The Group 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.

The Group 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

The Group recognises right-of-use assets at 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 the Group 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.

The Group'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, the Group 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 reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group 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, the Group uses interest rate implicit in the lease if readily determinable and if not, the Group 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.

The Group's lease liabilities are included in Interest-bearing liabilities (see Note 21).

iii) Short-term leases and leases of low-value assets

The Group 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.

Group as a lessor

At inception of a lease contract, the Group makes an assessment whether the lease is a finance lease or an operating lease. If the lease transfers substantially 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. The Group 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

The Group 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.

The Group has several lease contracts that include extension and termination options. The Group'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, the Group'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.

The Group'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	2020	2019
Land		161	166
Buildings and constructions		20	14
Machinery and equipment		106	123
Other tangible assets		95	89
Total assets included in property, plant and equipment	14	382	392
Lease liabilities			
Current interest-bearing liabilities		114	102
Non-current interest-bearing liabilities		289	317
Total liabilities included in interest-bearing liabilities	21	403	418

Additions to the right-of-use assets during the 2020 financial year were EUR 136 million (2019: EUR 188 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	2020	2019
Land		14	12
Buildings and constructions		9	4
Machinery and equipment		41	19
Other tangible assets		61	39
	14	125	75
Interest expense (included in finance cost)	10	22	23
Expense relating to short-term leases (included in materials and services)	7	6	24
Expense relating to short-term leases (included in other expenses)	9	4	24
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	15	21
Variable lease payments not included in lease liabilities (included in other expenses)	9	5	10

The total cash outflow for leases in 2020 was EUR 115 million (2019: EUR 68 million).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

31 Disputes and potential litigations

Some Group companies are involved in legal proceedings or disputes incidental to their business. In management's opinion, the outcome of these cases is difficult to predict but not likely to have material effect on the Group's financial position.

32 Events after the balance sheet date

No significant events took place in the Group after the balance sheet date.

Parent company income statement

EUR million	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	2	7,909	9,893
Change in product inventories		-48	126
Other operating income	3	16	101
Materials and services	4	-6,696	-8,731
Personnel expenses	5	-253	-219
Depreciation, amortization and write-downs	6	-391	-221
Other operating expenses	7	-505	-332
Operating profit/loss		32	617
Financial income and expenses		11	-18
Gain on merger		0	1,006
Financial income and expenses total	8	11	987
Profit/loss before appropriations and taxes		43	1,604
Appropriations	9	276	61
Income tax expenses	10	-62	-104
Profit for the year		256	1,561

Parent company balance sheet

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets and other long-term investments	11,12		
Intangible assets		118	112
Tangible assets		1,952	2,116
Other long-term investments		1,837	1,548
		3,907	3,777
Current assets			
Inventories	13	921	918
Long-term receivables	14	38	31
Short-term receivables	15	1,564	1,893
Cash and cash equivalents		1,443	1,410
		3,966	4,253
Total assets		7,873	8,030
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		40	40
Other reverses		83	16
Retained earnings		2,385	1,607
Profit for the year		256	1,561
		2,764	3,224
Accumulated appropriations	17	909	1,109
Provisions for liabilities and charges	18	141	5
Liabilities	19		
Long-term liabilities		1,177	754
Short-term liabilities		2,881	2,937
		4,059	3,691
Total equity and liabilities		7,873	8,030

Parent company cash flow statement

EUR million	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from operating activities		
Profit/loss before approriations and taxes	43	1,604
Depreciation, amortization and write-downs	391	221
Other non-cash income and expenses	177	-162
Financial income and expenses	-11	18
Divesting activities, mergers	0	-1,006
Divesting activities, net	0	-90
Operating cash flow before change in working capital	600	585
Change in working capital		
Decrease (+)/increase (-) in interest-free receivables	388	-207
Decrease (+)/increase (-) in inventories	-3	-5
Decrease (-)/increase (+) in interest-free liabilities	333	-949
Change in working capital	718	-1,161
Cash generated from operations	1,318	-576
Interest and other financial expenses paid, net	-7	-15
Dividends received	29	102
Income taxes paid	-93	-248
Realized foreign exchange gains and losses	-7	-2
Net cash from operating activities	1,240	-739

EUR million	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from investing activities		
Capital expenditure	-255	-276
Proceeds from sale of fixed assets	0	0
Investments in shares in subsidiaries	-234	-50
Investments in shares in other shares	-15	0
Proceeds from shares in subsidiaries	0	219
Change in other investments, increase (-)/decrease (+)	-58	86
Net cash used in investing activities	-562	-21
Cash flow before financing activities	678	-760
Cash flows from financing activities		
Proceeds from long-term liabilities	432	0
Payments of long-term liabilities	-1	-498
Change in short-term liabilities	-363	383
Dividends paid	-783	-583
Group contributions, net	69	589
Cash flow from financing activities	-645	-109
Net increase (+)/decrease (-) in cash and cash equivalents	33	-869
Cash and cash equivalents at the beginning of the period	1,410	1,039
Cash and cash equivalent increases from merger	0	1,240
Cash and cash equivalents at the end of the period	1,443	1,410
Net increase (+)/decrease (-) in cash and cash equivalents	33	-869

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 Oyj's Oil Products suffered from a very weak refining market 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.

It should be noted that prior year financial income included a gain that resulted from the merger with Neste Renewable Fuels Oy on 1st of October 2019 when comparing the current period end to the comparative figures. The gain on merger is presented in the financial items when the gain can be compared to financial income (KILA 1984/2018).

Revenue

Revenue include 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	3–10 years

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	2020	2019
Renewable Products	2,890	896
Oil Products	4,930	8,913
Marketing & Services	6	-6
Other	83	89
	7,909	9,893

Revenue by market area	2020	2019
Finland	2,343	3,742
Other Nordic countries	1,527	1,579
Batlic Rim	434	575
Other European countries	3,183	3,390
North and South America	134	462
Other countries	288	145
	7,909	9,893

3 Other operating income

	2020	2019
Rental income	6	7
Gain on sale of intangible and tangible assets	0	0
Gain on sale of shares	0	90
Insurance compensations	3	1
Government grants	2	1
Other	6	2
Other operating income total	16	101

4 Materials and services

	2020	2019
Materials and supplies		
Purchases during the period	6,488	8,533
Change in inventories	-51	128
	6,437	8,661
External services	259	70
Materials and services total	6,696	8,731

5 Personnel expenses

	2020	2019
Wages, salaries and remunerations	190	179
Restructuring provisions related to Naantali refining operations closure	22	0
Indirect employee costs		
Pension costs	35	35
Other indirect employee costs	8	7
Wages and salaries capitalized in fixed assets	-1	-1
Personnel expenses total	253	219

Salaries and remuneration

Key management compensations are presented in Note 25 in the Neste Group consolidated financial statements.

Average number of employees	2020	2019
White-collar	1,731	1,667
Blue-collar	907	982
	2,638	2,649

6 Depreciation, amortization and write-downs

	2020	2019
Depreciation according to plan	234	218
Write-offs	2	2
Write-downs of Naantali refining operations closure	154	0
Depreciations, amortization and write-downs total	391	221

7 Other operating expenses

	2020	2019
Operating leases and other property costs	20	21
Repairs and maintenance	108	112
Other	253	198
Cost provisions related to Naantali refining operations closure	124	0
Other operating expenses total	505	332

Fees charged by the statutory auditor, PricewaterhouseCoopers

EUR thousands	2020	2019
Audit fees	772	742
Tax advisory	9	3
Other advisory services	149	214
	930	959

8 Financial income and expenses

	2020	2019
Dividend income		
From Group companies	29	102
From associated companies	0	0
Dividend income total	29	102
Interest income from long-term loans and receivables		
From Group companies	8	3
From others	2	2
Interest income from long-term loans and receivables total	10	5
Other interest and financial income		
From Group companies	0	0
Other	1	5
Gain on merger	0	1,006
Other interest and financial income total	1	1,011
Write-downs on long-term investments	0	-85
Interest expenses and other financial expenses		
To Group companies	-1	-2
Other	-18	-22
Interest expenses and other financial expenses total	-19	-23
Exchange rate differences	-11	-22
Financial income and expenses total	11	987

Total interest income and expenses	**2020**	**2019**
Interest income	12	10
Interest expenses	-16	-19
Net interest expenses	-5	-9

9 Appropriations

	2020	2019
Change in depreciation difference		
Difference between depreciation according to plan and depreciation in taxation	200	-8
Group contributions		
Group contributions received	76	79
Group contributions given	0	-10
Appropriations total	276	61

10 Income tax expense

	2020	2019
Income taxes on regular business operations	80	104
Taxes for prior periods	4	0
Change in deferred tax assets	-22	0
Income tax expense total	62	104

11 Fixed assets and long-term investments

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 2019

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2019	1	210	211
Increases	0	43	43
Decreases	0	-1	-1
Transfers between items	0	0	0
Increases from merger	0	3	3
Acquisition cost as of 31 December 2019	1	255	256
Accumulated amortization and write-downs as of 1 January 2019	1	119	119
Amortization for the period	0	22	22
Amortization for the period from merger	0	2	2
Accumulated amortization and write-downs as of 31 December 2019	1	142	143
Balance sheet value as of 31 December 2019	0	112	112

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

Change in acquisition cost 2019

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 2019	26	1,271	2,920	96	109	4,421
Increases	0	22	45	1	212	280
Decreases	0	0	-7	0	0	-7
Transfers between items	0	16	15	2	-34	0
Increases from merger	0	100	202	2	4	309
Acquisition cost as of 31 December 2019	26	1,409	3,176	101	292	5,003
Accumulated depreciation and write-downs as of 1 January 2019	0	660	1,842	41	0	2,544
Accumulated depreciation and write-downs of decreases and transfers	0	0	-7	0	0	-7
Depreciation and write-downs for the period	0	35	161	2	0	198
Depreciation and write-downs for the period from merger	0	41	138	1	0	180
Accumulated depreciation and write-downs as of 31 December 2019	0	736	2,134	44	0	2,915
Revaluations	6	21	0	0	0	27
Balance sheet value as of 31 December 2019	31	694	1,042	58	292	2,116
Balance sheet value of machinery and equipments used in production						1,042

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

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 2019	2,000	54	5	30	3	0	2,092
Increases	34	35	2	2	0	4	76
Decreases	-1,735	-56	0	0	0	0	-1,791
Increases from the merger	1,170	0	0	0	0	0	1,170
Acquisition cost as of 31 December 2019	1,470	33	7	31	3	4	1,548
Accumulated depreciation and write-downs as of 1 January 2019	0	0	0	0	0	0	0
Accumulated depreciation and write-downs as of 31 December 2019	0	0	0	0	0	0	0
Balance sheet value as of 31 December 2019	1,470	33	7	31	3	4	1,548

Interest-bearing and interest-free receivables	2020	2019
Interest-bearing receivables	93	68
Interest-free receivables	0	0
	93	69

12 Revaluations

	Revaluations as of Jan 1 2020	Increases	Decreases	Revaluations as of Dec 31 2020
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

	2020	2019
Raw materials and supplies	455	402
Products/finished goods	466	513
Advance payments on inventories	1	2
Inventories total	921	918
Replacement value of inventories	1,007	1,026
Book value of inventories	921	918
Difference	86	108

14 Long-term receivables

	2020	2019
Long-term receivables from others		
Long-term advance payments	25	20
Other receivables	4	9
Deferred tax assets	8	3
Long-term receivables total	38	31

15 Short-term receivables

	2020	Restated [1] 2019
Receivables from Group companies		
Trade receivables	458	680
Loan receivables	5	0
Other receivables	217	181
Accrued income and prepaid expenses	39	30
Total	719	891
Receivables from associated companies		
Trade receivables	21	32
Total	21	32
Receivables from others		
Trade receivables	377	572
Loan receivables	4	0
Other receivables	104	87
Accrued income and prepaid expenses	341	311
Total	824	970
Short-term receivables total	1,564	1,893

[1] The previous year's classification of other receivables and accrued income and prepaid expenses from other companies has been restated to correspond reporting year's classification related to derivatives. 28 EUR million has been restated from other receivables to accrued income and prepaid expenses.

Short-term accrued income and prepaid expenses	2020	2019
Accrued interest	3	2
Derivative financial instruments	285	277
Current investments	20	19
Other	26	15
Total	334	314

16 Changes in shareholders' equity

	2020	2019
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Fair value reserve at 1 January	-3	-14
Increases	1,277	759
Decreases	-1,211	-748
Fair value reserve at 31 December	64	-3
Invested non-restricted equity fund at 1 January	19	13
Transfer of treasury shares	0	6
Invested non-restricted equity fund at 31 December	19	19
Retained earnings at 1 January	3,168	2,191
Dividends paid	-783	-583
Profit for the year	256	1,561
Retained earnings at 31 December	2,641	3,168
Capitalized development expenditure	3	4
Distributable equity	2,657	3,180

17 Accumulated appropriations

	2020	2019
Depreciation difference	909	1 109

18 Provisions for liabilities and charges

	2020				2019			
	at 1 Jan	Increase	Decrease	at 31 Dec	at 1 Jan	Increase	Decrease	at 31 Dec
Restructuring provisions	0	23	0	23	0	0	0	0
Provision for environment	1	0	0	1	1	0	0	1
Provision for environment for Naantali refining operations closure	0	117	0	117	0	0	0	0
Liability to return emission rights	4	0	4	0	2	4	2	4
Other provisions	0	0	0	0	35	0	35	0
Total	5	139	4	141	38	4	37	5

19 Liabilities

Long-term liabilities	2020	2019
Bonds	720	719
Advanced payments	20	19
Liabilities to Group companies		
Other long-term liabilities	436	7
Other long-term liabilities	1	1
Accruals and deferred income	1	7
Long-term liabilities total	1,177	754

Short-term liabilities	2020	2019
Advances received	46	3
Trade payables	821	990
Liabilities to Group companies		
Advances received	0	0
Trade payables	351	295
Other short-term liabilities	977	914
Accruals and deferred income	95	142
Total	1,423	1,351
Liabilities to associated companies		
Trade payables	0	12
Total	0	12
Other short-term liabilities	387	404
Accruals and deferred income	205	176
Short-term liabilities total	2,881	2,937

Short-term accruals and deferred income	2020	2019
Salaries and indirect employee costs	49	56
Accrued interests	9	9
Derivative financial instruments	240	250
Other short-term accruals and deferred income	2	3
	300	318

Interest-bearing and interest-free liabilities	2020	Restated [1] 2019
Long-term liabilities		
Interest-bearing liabilities	1,155	721
Interest-free liabilities	22	34
	1,177	754
Short-term liabilities		
Interest-bearing liabilities	986	929
Interest-free liabilities	1,896	2,008
	2,881	2,937

[1] The amount of short-term interest-free liabilities presented in 2019 financial statement note has been restated to short-term interest-bearing liabilities. The restatement applies to transactions which are related to commodity derivatives and margin calls between Neste and OTC counterparties.

Listed bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal, million	Carrying amount, EUR million
2015/2022	Fixed	2.1250	2.2080	EUR	321	321
2017/2024	Fixed	1.5000	1.5080	EUR	400	399
Total outstanding carrying amount 31 December 2020						720

20 Contingencies and commitments

Contingent liabilities	2020	Restated [1] 2019
Contingent liabilities given on own behalf		
Real estate mortgages	26	26
Pledged assets	0	0
Other contingent liabilities	58	25
Total	84	50
Contingent liabilities given on behalf of Group companies		
Guarantees	74	58
Total	74	58
Contingent liabilities given on behalf of associated companies		
Pledged assets	40	31
Total	40	31
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	2020	Restated [1] 2019
Due within a year	15	12
Due after a year	8	14
Total	22	25

[1] The amount of operating lease liabilities presented in 2019 financial statement note has been restated due to missing leasing contracts.

Capital commitments	2020	2019
Commitments for purchase of property, plant and equipment and intangible assets	148	199
Other commitments	10	0
Total	158	199

21 Derivative financial instruments

	31 Dec 2020					31 Dec 2019				
	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	1,657	0	80	4	76	1,094	0	6	10	-4
Foreign exchange options										
Purchased	136	0	4	0	4	215	0	1	0	1
Written	136	0	0	0	0	215	0	0	1	0
Derivatives designated as cash flow hedges	1,929	0	84	4	80	1,523	0	8	12	-4
Foreign exchange derivatives, forwards	2,104	99	55	12	44	2,199	200	38	6	31
Intra-group forward foreign exchange contracts	1,122	70	12	27	-15	752	200	4	21	-17
Currency options										
Purchased	68	0	1	0	1	45	0	0	0	0
Written	68	0	0	0	0	45	0	0	0	0
Intra-group currency options										
Purchased	68	0	0	1	-1	45	0	0	0	0
Written	68	0	0	0	0	45	0	0	0	0
Non-hedge accounting	3,500	169	69	40	29	3,130	400	42	27	14

	31 Dec 2020					31 Dec 2019				
	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	22	0	6	85	-79	18	0	15	34	-19
Purchased forwards, million bbl	18	0	108	11	97	18	0	181	3	178
Intra-group oil and vegetable oil derivatives										
Sold forwards, million bbl	12	0	8	93	-85	13	0	2	138	-136
Purchased forwards, million bbl	12	0	52	5	46	9	0	27	7	20
Electricity and gas derivatives										
Sold forwards, GWh	0	0	0	0	0	0	0	0	0	0
Purchased forwards, GWh	2,164	1,094	7	0	7	2,121	898	0	9	-9
Intra-group electricity and gas derivatives										
Sold forwards, GWh	1,248	568	0	3	-3	1,213	569	9	0	9
Non-hedge accounting	3,475	1,662	182	197	-15	3,392	1,467	235	191	44
Derivatives Total			335	242	93			285	230	55
of which										
Current derivative financial instruments			331	240	91			277	222	55
Non-current derivative financial instruments			4	2	2			8	8	0

[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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

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	2020				2019			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current derivative financial instruments								
Currency derivatives	0	1	0	1	0	7	0	7
Commodity derivatives	0	0	0	0	0	1	0	1
Other financial assets	0	0	3	3	0	0	3	3
Current derivative financial instruments								
Currency derivatives	0	152	0	152	0	43	0	43
Commodity derivatives	17	165	0	182	6	228	0	234
Financial liabilities								
Non-current derivative financial instruments								
Currency derivatives	0	1	0	1	0	7	0	7
Commodity derivatives	0	0	0	0	0	1	0	1
Current derivative financial instruments								
Currency derivatives	0	43	0	43	0	32	0	32
Commodity derivatives	33	164	0	197	48	142	0	190

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 Components B.V.	Netherlands	40	100.00
Neste Eesti AS	Estonia	10,000	100.00
Neste Engineering Solutions Oy	Finland	2,100	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 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 Oyj is involved in legal proceedings or 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 company's financial position.

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

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 2020 stood at EUR 2,657 million. The Board of Directors proposes Neste Corporation to pay a dividend of EUR 0.80 per share for 2020, totalling EUR 614 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 4 February 2021

Matti Kähkönen

Sonat Burman-Olsson

Martina Flöel

Jari Rosendal

Marco Wirén

Nick Elmslie

Johanna Söderström

Jean-Baptiste Renard

Peter Vanacker
President and CEO

Helsinki, 4 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorized Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Neste Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and 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 the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Neste Oyj (business identity code 1852302-9) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

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

Independence

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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 9 to the Financial Statements.

Our Audit Approach

Overview

Materiality

- Overall group materiality: € 50 million (2019: € 80 million).

Audit scope

- The scope of our group audit has encompassed all significant refineries, as well as selected sales companies.

Key audit matters

- Timing of revenue recognition
- Biofuel credits in the USA
- Disputes and potential litigations
- System environment and internal controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 50 million (previous year € 80 million)
How we determined it	Approximately 4% of the group's average profit before tax from the past 3 years (previous year approximately 4% of profit before tax)
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users and is a generally accepted benchmark. We chose 4 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The scope included the refineries and operations in Finland, Switzerland, Singapore, the Netherlands, Sweden, and the USA, covering the most significant companies in the Renewable products, Oil products and Marketing & Services segments. We obtained, through our audit procedures at the aforementioned reporting units, combined with additional procedures at the Group level, sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated 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.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Timing of revenue recognition *Refer to note 5 in the financial statements* The group has several different revenue streams, under the Renewable Products, Oil Products, and Marketing & Services segments. The revenue streams are different in nature and the extent to which the ongoing COVID-19 pandemic affects the underlying risks differs by revenue stream. We have taken this into account in our risk assessment. In both the Renewable Products and Oil Products segments, the company has deliveries, which can be considered individually significant. We consider there to be 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 (cut-off). The Marketing & Services segment's revenues consist of several small transactions, with short payment terms, low complexity and significant automation, therefore resulting in a lower risk related to cut-off. Accordingly, we focused our work on cut-off in the Renewable Products and Oil Products segments.	In order to address the risk of misstatement related to cut-off in revenue recognition, we tested balances recognized in the company's balance sheet and, tested individual transactions occurring either immediately before or after the year end. We performed tests of details on the accrued revenue and accounts receivable balances recognized in the balance sheet at the year end. Our tests of detail focused on transactions occurring within proximity of the year end in the Renewable Products and Oil Products segments, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents or system generated reports.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Biofuel credits in the USA *Refer to notes 5 and 18 in the financial statements* Neste has sales operations in the USA, which are mainly focused in California. Neste earns biofuel credits related to the import and sale of renewable fuels in the US and California in the form of RINs (Renewable Identification Number), LCFSs (California Low Carbon Credit) and BTC (Blenders Tax Credit). RINs and LCFSs 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. Risk arises from the level of judgment included in the valuation of biofuel credits related to the renewable fuels business in the USA.	Our testing of the biofuel credits included verification of the balances against the systems administered by the EPA (Environmental Protection Agency) and verification of balances against purchase and sales contracts. Our testing of the valuation of these included: • 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 the value of the BTC to that confirmed by the authorities in the USA In addition, we agreed the calculated balances to the accounting records, verifying that these had been accounted for in line with Neste's accounting policy.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Disputes and potential litigations *Refer to notes 31 in the financial statements* As reported in note 31, the group is involved in a few legal proceedings. The accounting treatment of and amounts to be recorded for claims depend on the merits of the claim as well as if a court judgement exists. In the case or arbitrations, management assesses whether the group will be liable to compensate the opponent. Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.	We obtained external confirmations directly from Neste's legal advisors in order to evaluate the disclosures and provisions recorded. We discussed the cases with management. We read the minutes of the board meetings, and inspected the company's legal expenses, in order to ensure that all cases have been identified. We reviewed the disclosures for completeness based on our procedures detailed above.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
System environment and internal controls	
The group has a complex system environment, reflecting the different nature of the different operating segments. The group is in the process of renewing its system landscape for financial reporting, with system rollouts occurring during 2020 and forward. The implementation of new systems, together with the complex financial reporting system environment introduce risks related to system access, change management and data transfer between the different systems, and we have accordingly designated this as a focus area in the audit. Management has mitigated this risk by means of manual controls.	Our response to testing the system implementations included both the testing of the controls surrounding implementation. Our response to the risks related to the complex financial reporting system environment includes both the test of IT and business process controls. We also performed sufficient tests of details as part of our audit. We tested the company's controls around access and change management related to key systems. We also tested the company's controls around system interfaces, and the transfer of data from one system to another. We noted certain weaknesses related to access controls to certain key financial reporting related systems. We have reported these control weaknesses to management and included sufficient tests of detail in our audit response in order to sufficiently mitigate the related risks in our audit.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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 to 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 these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism 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 to 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

Appointment

We were first appointed as auditors by the annual general meeting on 3 April 2014. Our appointment represents a total period of uninterrupted engagement of 7 years.

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
- 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 4 February 2021
PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant (KHT)

NESTE