

NESTE



Green Finance Framework

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1 Introduction

1.1 About Neste

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. We are the world's leading producer of renewable diesel and sustainable aviation fuel, developing chemical recycling to combat the plastic waste challenge.

We aim at helping customers to reduce greenhouse gas emissions with our renewable and circular solutions by at least 20 million tons annually by 2030. 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 refinery raw materials.

Our refineries producing renewable products are located in Singapore, Rotterdam and in Porvoo, Finland. 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.

1.2 Change runs in renewables

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. 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 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.

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. 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.

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.

1.2.1 Neste and Climate

Neste's transformation journey has taken the company from a local oil refining company to becoming a global leader in renewable and circular solutions. Our renewed long-term strategy is rapidly moving us to more boldly realize our sustainability aspirations while growing profitably.

We have made two climate commitments:

- **Handprint** – To reduce customers' greenhouse gas emissions with our renewable and circular solutions by at least 20 million tons CO₂eq annually by 2030
- **Footprint** – To reach carbon neutral production (scope 1 and 2) by 2035

One example of our commitment to these targets is EUR 1.2 billion multi-currency revolving credit facility ("RCF") signed in December 2019 with a syndicate of 13 core relationship banks. The margin under the RCF will be adjusted based on Neste's progress to meet its climate targets.

Neste has also updated its investment criteria to make the greenhouse gas (GHG) impact of all investments more transparent. The company has also set an internal price for GHG emissions in order to increase the weight of GHG emissions in investment calculations and business case evaluations. These actions are targeted to support Neste's [climate commitment to reach carbon neutral production by 2035](#).

1.2.2 Renewable and circular solutions

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 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.

We also mitigate climate change with our circular economy solutions. By recirculating materials, we can contribute to the global reduction of greenhouse gas emissions and combating the global plastic waste challenge. Circular economy business models are central to us. Waste and residue raw materials accounted for 80% of our global renewable raw material inputs in 2019. We also have the capability of producing renewable diesel from 100% waste and residue raw materials. Our goal is to use entirely waste and residue materials for renewable products by 2025.

We continuously investigate opportunities to utilize even lower-quality waste and residues. We are committed to becoming a solution provider for chemical recycling. Chemical recycling enables recycling of a wider range of waste plastics than traditional, mechanical recycling. Through chemical recycling, also colored, multilayer and mixed-material plastic waste can be liquefied in a thermochemical liquefaction process, which turns them into a material similar to crude oil.

At Neste we create value for society by developing renewable, low-emission and circular solutions for transportation, aviation, and marine uses, as well as for the chemical and plastics industries. This helps our customers reduce climate emissions and crude oil dependency, as well as accelerate circular economy.

1.2.3 Supplier engagement

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 cooperate with our long-term partners in the fields of training and communication, among others.

Knowing the origin of our renewable products is a basic requirement on which we will not compromise. Independent experts verify annually that various strict sustainability requirements for renewable products are followed.

1.2.4 Environmental management

In line with our Sustainability Policy, we aim to ensure that all our operations are safe for our employees, partners, neighbours, customers, and the environment. 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.

As part of our strategy, we aim at carbon neutral production by 2035. 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 to increase the share of renewable electricity towards 100%.

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.

1.3 Transformation and growth through 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.

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. 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 modelling, automation, and process engineering know-how.

1.3.1 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 sustainable aviation fuels including algae and municipal waste;
- renewable hydrogen and Power-to-X, utilizing renewable electricity to convert CO₂ to fuels and chemicals.

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

1.3.2 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.

1.4 Sustainable Development Goals

Neste is in the business of helping transport and cities, aviation, polymers and chemicals customers make their business more sustainable and will continue to lead the way for renewable products. In 2019, we analysed the SDGs further and concluded with the six SDGs we see as having the greatest impact from our perspective: 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.

On these specific prioritized SDGs we see that we can contribute most. The prioritization process for the chosen SDGs has been based on the materiality analysis, impact evaluation study, an external review as well as internal expert analysis. We are working on with the company-specific targets in order to respond to the global challenges addressed by the SDGs.

<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> • Neste Human Rights Commitment & Principles protect basic labour rights of employees in our own operations and in our supply chain. • 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. • 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.
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> • We are advancing resource efficiency and a circular economy.
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> • We are helping cities to be more sustainable around the world. Some examples include: <ul style="list-style-type: none"> ◦ 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.
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • Ensuring sustainability in the supply chain. • Using wastes and 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).
<p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> • 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.
<p>17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> • Partnerships are at the core of sustainable business and we see them as the key to truly sustainable business. Recent examples of partnerships include: <ul style="list-style-type: none"> ◦ 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.

1.5 Sustainability recognitions

- In 2021, Neste placed 4th on the Global 100 list of the most sustainable companies in the world.
- 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.
- Neste reached the leading performers' A List based on the CDP Climate Change assessment.



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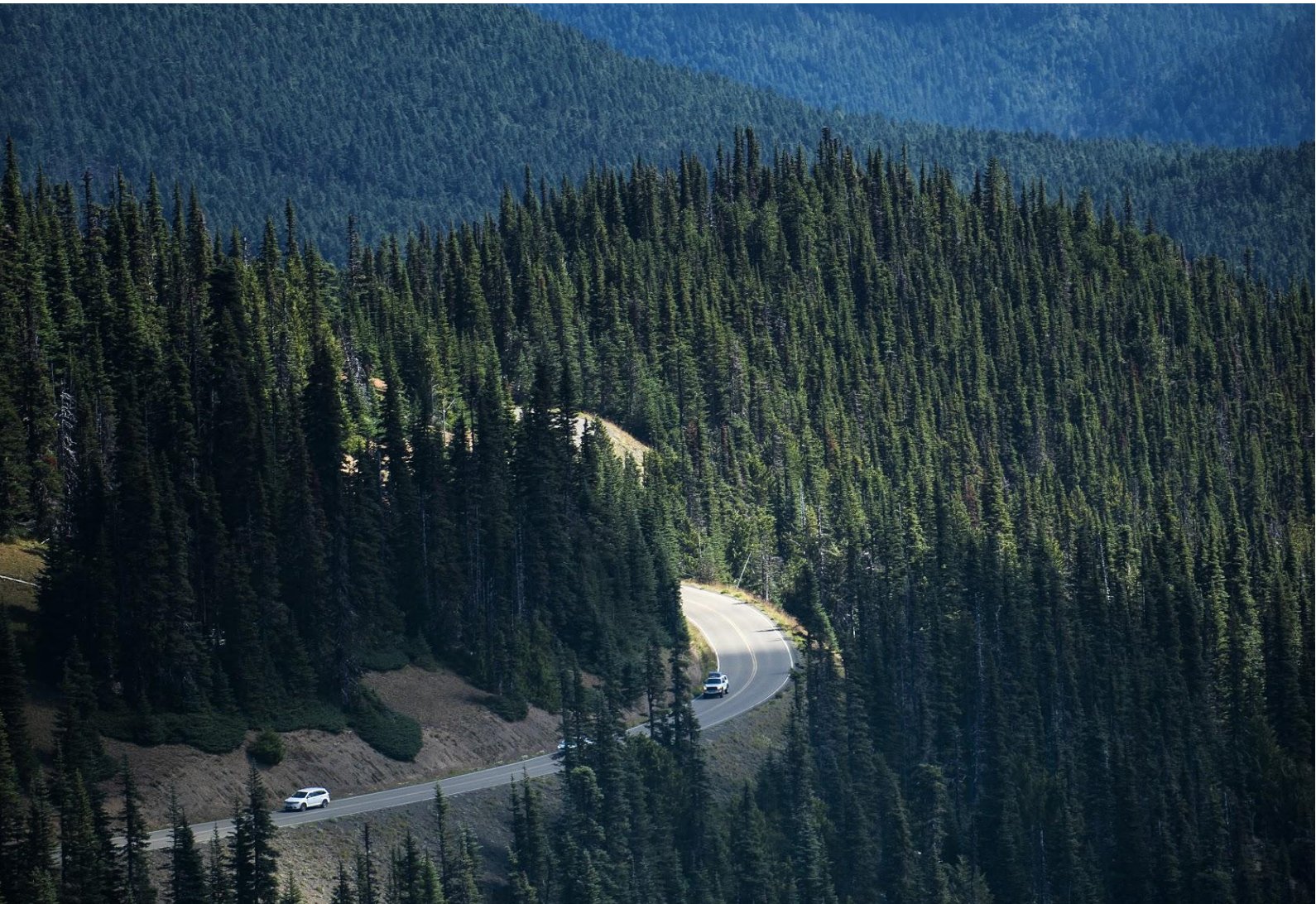
2 Green Finance Framework

2.1 Introduction

This Green Finance Framework is based on the 2018 version of Green Bond Principles published by the International Capital Markets Association (“ICMA”) and the 2020 version of the Green Loan Principles, published by the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”) respectively.

Furthermore, Neste aims to align any Sustainability Linked Instrument with the latest version of the Sustainability Linked Loan Principles (“SLLP”), published by the LMA, APLMA and LSTA. This Green Finance Framework provides the background for positioning the rationale for Sustainability Linked Instruments within Neste’s overarching sustainability strategy. For each Sustainability Linked Instrument, Neste will set out specific Sustainability Performance Targets (“SPTs”) that are aligned with its overall sustainability objectives and strategy.

For the avoidance of doubt, Sustainability Linked Instruments and Green Debt are not synonyms nor mutually exclusive transaction types, and there may be times when an instrument can be both Sustainability Linked and Green Debt. However, Green Debt are always defined by the Eligible Assets and Projects criteria described in this Green Finance Framework. Neste aims at providing information regarding the type of the instrument in connection to any Sustainability Linked Instrument or Green Debt issued.



2.2 Use of proceeds

Neste will stand clear with its aspiration, leading the way towards a sustainable future together. We continue focusing on our customers' needs for reliable and high-quality technology solutions to achieve their sustainability aspirations. To achieve our high ambitions, this Green Finance Framework is focused on our development and investments in renewable and circular solutions with the purpose of reducing greenhouse gas emissions globally.



The amount equal to the net proceeds of the Green Debt issued by Neste will be used to finance or refinance Eligible Assets and Projects that have been evaluated and selected by Neste in accordance with this Green Finance Framework. Refinancing of Eligible Assets and Projects will have a look-back period of no longer than 3 years from the time of issuance, to the extent relevant.

Green Debt will not be used to (re-)finance investments that utilise fossil-based raw materials or that are associated with environmentally negative resource extraction.



2.2.1 Eligible Assets and Projects

Eligible Assets and Projects include assets and expenditures with the objective to mitigate climate change globally by reducing greenhouse gas emissions through our renewable and circular solutions.

<p>Eco-efficient and circular economy adapted products, production technologies and processes</p>	 
<p>Renewable and circular solutions Neste aims to reduce customers' greenhouse gas emissions with its renewable and circular solutions by at least 20 million tons CO₂e annually by 2030. Proceeds will be used to finance the development, operations, maintenance and expansion of renewable and circular solutions to reduce greenhouse gas emissions. The environmental objectives targeted with proceeds allocated relate to the reduction of the carbon emissions by the expansion and development of Neste's renewable products production capacity which provides a sustainable and a direct drop-in alternative to fossil fuels and products.</p> <p><u>Investments in Renewable and Circular solutions</u> Investments in renewable product refineries for production of renewable diesel, sustainable aviation fuel and raw materials for various polymers and chemical materials. All of Neste's renewable production refineries are International Sustainability & Carbon Certification (ISCC) certified or approved by the U.S. Environmental Protection Agency (EPA).</p> <p>Examples of projects in this category: Expansion of renewable products refinery in Singapore, ramp-up of sustainable aviation fuel, expansion of Neste My Renewable Diesel, Rotterdam sustainable aviation fuel feasibility study, acquisition and/or expansion in renewable pre-treatment capacity, facilities and terminal infrastructure.</p> <p><u>R&D investments related to Renewable and Circular solutions</u> R&D and investments to further develop our solutions portfolio for more sustainable transport, aviation, and chemical sectors. Focus is on scalable and sustainable waste carbon and required technologies.</p> <p>Examples of projects in this category: Renewable fuels project in La Tuque, Quebec, pilot projects for scalable feedstocks for aviation fuels</p>	

2.2.2 'Do No Significant Harm'-principle in Eligibility Criteria

In line with Neste's materiality assessment, sustainability of raw materials, low-carbon solutions, safety & incident-free operations, good corporate citizenship & ethics, resource efficiency, economic responsibility, human rights, protection of biodiversity & preventing deforestation as well as fair & equal employment are all important focus areas for us. We are committed to ensuring that we do not promote one sustainable solution at the expense of another one.

As an example, 100% of our approved renewable raw material suppliers are screened using social criteria to ensure we apply social safeguards with regard to supplier working conditions, human and labour rights as well as fair employment. Neste's procedures and principles will also be implemented and integrated to the extent possible in joint ventures and acquisitions.

Neste has 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. Disclosing the forest footprint continues being rare in the energy sector. Neste continues to be the only energy sector company that transparently discloses its forest footprint as part of the CDP Forests program. In January 2019, Neste's deforestation risk management performance was evaluated within the CDP Forests program as belonging, again, to the leading performers' Leadership class, reaching 'A-' (Forests, palm oil) and 'B' (Forests, cattle products) lists.

2.3 Selection and evaluation of Eligible Assets and Projects

Neste has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Assets and Projects for its Green Debt issuance. To oversee this, a Green Finance Committee ("GFC") has been established with members from management, treasury and sustainability. The finance representative is the chair of the committee and the sustainability representative holds a veto.

The Green Finance Committee follows the below process when selecting and evaluating projects for the Eligible Assets and Projects.

1. Neste Investment Committee, chaired by the CEO, will inform the Green Finance Committee of potential projects to be included in the Green Debt Register.
2. Neste Green Finance Committee evaluates eligibility of the potential assets and projects according to eligibility criteria in above table and removes assets and projects that do not meet the criteria.
3. Neste Green Finance Committee verifies the eligibility of the potential Green assets and projects, and makes the final approval after the potential assets and projects have been approved by the Neste Investment Committee and/or Neste Board of Directors.

2.4 Management of proceeds

Neste will establish a Green Debt Register in relation to Green Debt issued by Neste for the purpose of monitoring the Eligible Assets and Projects and the allocation of the net proceeds from Green Debt to Eligible Assets and Projects.

Neste will over the duration of the outstanding Green Debt build up and maintain an aggregate amount of Asset and Projects in the Green Debt Register that is at least equal to the aggregate net proceeds of all outstanding Neste Green Debt.

There may be periods when the total outstanding net proceeds of Green Debt exceed the value of the Eligible Assets and Projects in the Green Debt Register. Any such portion will be held in accordance with Neste's normal liquidity management policy.

The Green Debt Register will form the basis for the impact and allocation reporting.

2.5 Reporting

Neste will annually publish a report on the allocation and impact of Green Bonds issued under this Green Finance Framework. Where relevant, Neste will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section methodology, baselines and assumptions used in impact calculations.

2.5.1 Allocation Report

The allocation report will, to the extent feasible, include the following components:

- A list of all Eligible Assets and Projects funded including amounts allocated
- Descriptions and case studies of selected Eligible Assets and Projects financed
- Amounts invested in each category as defined in the Use of Proceeds section and the relative share of new financing versus refinancing

2.5.2 Impact Report

Neste will strive to report on the actual environmental impact of the investments financed by their Green Bonds. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

The impact indicators may vary with investment categories, as defined in this Green Finance Framework. The impact metrics selected may include the following:

- Eco-efficient and circular economy adapted products, production technologies and processes
 - Annual CO₂ emissions avoided through the use of products
 - Amount of fossil-based raw materials avoided/replaced

Neste may choose to report the impact and allocation of other Green Debt Instruments directly, and non-publicly, to the lenders or counterparts. For the avoidance of doubt Neste will clarify, and specifically outline, if an Eligible Asset or Project has been financed by several Green Debt Instruments.

2.6 External review

Neste has engaged CICERO Shades of Green to act as an external verifier of this Green Finance Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on Neste website. A Third Party Audit will also be made available on the website.