

NESTE

Neste

# Remuneration Policy

# Neste Remuneration Policy regarding the Board of Directors and the President and CEO

## Introduction

In accordance with the requirements of the EU's Shareholder Rights Directive (SRD) in Finland, Neste Remuneration Policy regarding the remuneration of its governing bodies i.e. the Board of Directors and the President and CEO ("Remuneration Policy") will be put forward at the Annual General Meeting (AGM) on 27 March 2024. The previous policy was presented to the Annual General Meeting on 7 April 2020. The AGM resolution is advisory, but all remuneration shall be in line with the Remuneration Policy presented to the AGM. This Remuneration Policy applies to the Board of Directors and to the President and CEO (and to any Deputy CEO should such Deputy CEO be appointed) and is intended to remain in place for four years until AGM 2028.

This Policy has been prepared based on the guidance set out in the amended EU's Shareholder Rights Directive, which has been implemented in Finland mainly into the Limited Liability Companies Act, Securities Markets Act, Decree of the Ministry of Finance and the 2020 Finnish Corporate Governance Code.

## Neste's approach to remuneration

This Remuneration Policy provides a structure that aligns remuneration with the successful delivery of our long-term strategic and sustainability goals to become world's leading producer of sustainable aviation fuel and renewable diesel and a forerunner as a producer of more sustainable raw material solutions for the polymers and chemicals industry, and is based on our four guiding remuneration principles:

- **Ensure the execution of Neste's strategy:** Neste aims to chart a clear path forward by executing its strategy, driving long-term financial performance and sharing its business and sustainability objectives.

- **Drive performance and value based behavior:** Neste aims to drive results by rewarding excellence, development and value based behavior.
- **Encourage individual and team accountability:** Neste promotes clear targets and a focus on continuous performance improvement. Neste enables this by maintaining an ongoing dialogue with employees and by encouraging employee feedback.
- **Be fair and transparent:** Neste runs performance and total rewards processes ethically and with integrity, and supports this with clear communication.

Neste's variable pay programs and performance measures for these programs are developed with these principles in mind. These same principles that are applied to the President and CEO are also applied to other employees, and the Personnel and Remuneration Committee reviews and considers employee pay, conditions and engagement across the broader employee population and reward-related feedback collated on the total employee experience.

The remuneration principles and practices applied to the Board of Directors are described in the Board of Directors' Remuneration Policy section.

All Neste's shareholders are encouraged to attend the AGM to express their views on Neste remuneration principles, Policy and Remuneration Report, and Neste welcomes all shareholders' feedback and maintaining continuous annual dialogue.

## Remuneration governance

Remuneration-related discussion and decision-making at Neste involves the Shareholders' Nomination Board, the Annual General Meeting of Shareholders, the Board

of Directors, and the Board's Personnel and Remuneration Committee. The Shareholders' Nomination Board submits a proposal concerning the remuneration payable to the Board of Directors to the AGM. Upon the recommendation of the Personnel and Remuneration Committee, the Board of Directors submits the Remuneration Policy (at least within every 4 years) and Remuneration Report annually to the AGM.

## Conflicts of interest

In order to avoid any conflicts of interest, the Personnel and Remuneration Committee shall consist of non-executive Board members only. The Committee also has the power in its sole discretion to retain external advisors to assist the Committee in evaluating executive compensation.

As regards the remuneration of the Board of Directors, the Chair of the Board of Directors, who acts as a member of the Shareholders' Nomination Board, does not take part in the preparation or decision-making or otherwise participate in the handling of such matters in the Shareholders' Nomination Board that relate to remuneration to be paid to the Board of Directors.

These decision-making processes ensure that decisions are fair and unbiased.

## Board of Directors' Remuneration Policy

Under the regulations applicable to Neste, the shareholders resolve annually in the Annual General Meeting on Board of Directors remuneration based on a proposal made by the Shareholders' Nomination Board.

Prior to making its proposal, the Shareholders' Nomination Board annually analyses and reviews the

remuneration for the Chair and for the members of the Board of Directors against companies of similar size and complexity to Neste to ensure that the Board remuneration is at international and competitive market level and Neste can attract and retain Board members with relevant skills, industry knowledge and international experience to oversee the company strategy and its execution.

Given the nature of the duties and responsibilities of the Board of Directors, the members of the Board of Directors are not within the scope of Neste's variable pay programs (STI and LTI plans), therefore based on their Board membership receive fixed remuneration and meeting fees only which can be paid in cash or shares, or a combination of cash and shares.

Details of the Board of Directors' actual annual remuneration, as resolved by the Annual General Meeting, are reported each year in the Remuneration Report.

## Remuneration of the President and CEO

The Board of Directors decides on the remuneration and remuneration elements of the President and CEO within the confines of this Remuneration Policy. The remuneration may consist of fixed salary (base salary and fringe benefits), pension, and other benefits or programs, and of variable elements such as short-term incentives (STI) and long-term incentives (LTI).

Actual STI and LTI pay-outs as a percentage of fixed compensation with any variable pay cap applied are disclosed in the annual Remuneration Report.

Remuneration Element	Purpose and link to strategy and long-term financial success	Description and operation
<b>Fixed salary</b>	The base salary should be sufficient to attract, retain and motivate high-caliber individuals.	<p>Fixed salary is typically reviewed annually.</p> <p>The Personnel and Remuneration Committee reviews market benchmark data from Finnish and international industrial companies of a similar size and complexity to Neste when setting total remuneration package for the President and CEO. This is used more as a guide than a direct determinant of pay levels. Other factors considered include the level of salary increases for Neste’s employees globally, business and individual performance, and role scope.</p>
<b>Pension</b>	To provide a competitive retirement in line with market practice.	<p>Pension arrangements reflect the relevant market practice and may evolve year on year.</p> <p>Details of the actual pension arrangement will be shown in the annual Remuneration Report.</p>
<b>Short-term incentive (STI)</b>	To reward and incentivize improvements in short-term financial and operational performance and support the delivery of the business strategy.	<p>The maximum STI earning opportunity will be determined annually by the Board of Directors based on market practice. Currently the short-term incentive for the President and CEO is 80% of the annual fixed compensation at maximum level. The maximum STI earning opportunity applied for a given year will be disclosed in the annual Remuneration Report.</p> <p>Performance measures, weightings and targets for the selected measures are set annually by the Board of Directors to ensure they continue to support Neste short-term business strategy. These can vary from year to year to reflect business priorities and typically include a balance of Group’s financial performance measures (for example profitability, cash flow or revenue measures) and non-financial measures such as for example safety or other environmental, social or governance measures provided that in any given year majority of weighting will be on financial performance measures.</p> <p>Details of actual performance measures applied for each year and how they support the business strategy will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the year the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>The Board of Directors has discretion to adjust the formulaic STI outcome in changed circumstances to improve the alignment of pay with value creation for shareholders, and to ensure the outcome is a fair reflection of the company performance.</p> <p>The CEO may be granted one-off project bonuses for the successful implementation of individual strategic or key projects.</p>

Remuneration Element	Purpose and link to strategy and long-term financial success	Description and operation
<b>Long-term incentive (LTI)</b>	To drive long-term sustainable growth and align the interests of the President and CEO with shareholders.	<p>The LTI allocation for the President and CEO will be determined annually by the Board of Directors based on market practice. Currently the long-term incentive for the President and CEO is 120% of annual fixed compensation at the maximum level at the start of the plan. The annual LTI allocation grant value is disclosed in the annual Remuneration Report. In addition, the actual pay-out under LTI may be subject to a maximum limit set by the Board of Directors.</p> <p>Significant shareholders of the Company may release ownership policies or express their view on remuneration principles. 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 and the implications for the LTI plan.</p> <p>Long-term incentive reward is typically paid in the form of performance shares with a three-year performance period but may include other structures as determined by the Board. The LTI plans may be based on a rolling structure with annually commencing individual plans.</p> <p>Performance measures, weightings and targets for these selected measures are set by the Board of Directors for each commencing LTI plan, normally commencing annually, to ensure they continue to support Neste's long-term strategy. Performance measures may include, but are not limited to, financial, share-price related, non-financial and ESG measures. Details of performance measures for each year and how they support the long-term strategy will be disclosed in the annual Remuneration Report.</p> <p>Following the end of the performance period (which may be, for example, 3 years) the Board of Directors reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>The Board of Directors has discretion to adjust the formulaic LTI outcome in changed circumstances to improve the alignment of pay with value creation for shareholders, and to ensure the outcome is a fair reflection of the company performance.</p>
<b>Other benefits and programs</b>	Provides benefits and insurances in a cost-efficient way to attract and retain high-caliber individuals.	<p>Benefits will be provided in line with appropriate levels indicated by market practice and may evolve year on year.</p> <p>Other benefits may include company car, health insurance, private accident, life and disability insurance, business travel, directors' and officers' liability insurances, and participation in the sickness fund (in Finland).</p> <p>Additional benefits and allowances may be offered in certain circumstances such as relocation or international assignment in line with Neste's global mobility guidelines.</p> <p>President and CEO is eligible to participate in programs which may be offered to Neste's other employees at any given point such as for example service years awards, birthday remembrance or recognition awards payable in cash or shares, etc.</p>
<b>Clawback and malus provision</b>	To ensure pay for performance	Variable pay awards (STI and LTI awards) are subject to malus (adjustment before pay-out) and clawback (reclaimed after pay-out) provisions, which can be applied in case of material misstatement, misconduct or a significant environmental or health and safety issue or any other circumstance as determined by the Board of Directors at its discretion.
<b>Shareholding requirement</b>	To encourage to build a meaningful shareholding in Neste	The President and CEO is required to accumulate and maintain a shareholding which is equivalent to the annual fixed salary.

### **Managing director service contract and severance pay**

The managing director contract of the President and CEO is typically in force for an indefinite period, but it may be in force for a certain fixed period as well (the current President and CEO has a contract with indefinite period). The notice period of the managing director contract is determined so that it is in line with the market practices existing at the time of entering into the contract (for example, as for the current President and CEO, the notice period for both parties is six months). Also the possible fixed salary during the notice period, and potential severance pay, are determined so that they are in line with the market practices existing at the time of entering into the managing director contract (for example, as for the current President and CEO, if the company terminates the contract, the President and CEO is entitled to the fixed salary for the notice period and a separate severance pay equivalent to six months' fixed salary).

The treatment of incentive awards will depend on the circumstances of departure. For resignation and involuntary termination, unvested award will be forfeited. For other reasons, awards typically will continue to vest on their normal vesting date, subject to the achievement of performance measures. These awards will be pro-rated based on the length of time served between the start of the performance period and the date of cessation.

### **Deviations**

The Board of Directors upon recommendation of the Personnel and Remuneration Committee may temporarily deviate from any sections of this Policy based on its full discretion in the circumstances described below:

- Upon change of the President and CEO and the Deputy CEO (if applicable) in accordance with the new hire policy,
- Upon appointment of interim CEO,
- Upon material changes in Company structure, organization, ownership and business (for example merger, takeover, demerger, acquisition, etc.), which may require adjustments to STI and LTI plans or other remuneration elements to ensure continuity of management,
- Upon change of the relevant legislation or legal praxis (including changes in taxation), and
- In any other circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company or to assure its viability.

Neste's approach to recruitment is to offer a compensation package which is sufficient to attract, retain and motivate the individual with the right skills for the required role. When determining remuneration for a new President and CEO, the Board of Directors upon recommendation of the Personnel and Remuneration Committee will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent.

Where an individual is recruited externally for the President and CEO or Deputy CEO, Neste will consider the remuneration package of that individual in their prior role. Generally, the Board of Directors will seek to minimize any new hire arrangements and align the new President and CEO's remuneration package to Neste's Remuneration Policy. On occasion if deemed necessary and on a case-by-case basis, Neste may offer upon hire one-time supplementary arrangement payable in cash or shares in comparable value to the arrangements forfeited by the candidate by joining Neste, or as an incentive to join Neste. The rationale and detail of any such arrangement will be disclosed in the Remuneration Report.

Where an individual is appointed to the President and CEO as a result of internal promotion or following a corporate transaction (e.g. following an acquisition), the Board of Directors retains the ability to honour any legally binding legacy arrangements agreed prior to the individual's appointment.

In addition, where necessary, additional benefits may also be provided such as, but not limited to, relocation support, expatriate allowance, tax equalisation and other benefits which reflect local market practice and relevant legislation.

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