



1. Changes

Minor technical updates done by admin at H1/2021.

2. Purpose and scope

Sustainability is the enabler of Neste's business strategy, and sustainability goals are an integral part of the objectives of the Business Units. Neste's Business Units are supported by Neste's Sustainability organization, as well as Human Resources (HR) and Health, Safety and Environment (HSE) organizations. These organizations together with Supply Chain Compliance ("SCC") share the responsibility of managing Neste's sustainability efforts.

This Sustainability Principle ("Principle") covers the areas of sustainability which are managed by the Sustainability Function. However, certain sustainability commitments to the environment, which are closely linked to the work managed by the Sustainability organization, are also covered.

The purpose of this Principle is to set out our core sustainability commitments and define what living up these commitments means. This Principle also describes how sustainability and its risks are managed at Neste.

This Principle 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.

3. Responsibilities

The responsible persons for updating, reviewing and approving this Principle are shown in the table below:

Principle Governance Task	Responsible Person
Document Owner	VP Sustainability
Document Author	Head of Sustainability Development
Document Reviewer	VP Sustainability
Document Approver	SVP Sustainability and Corporate Affairs
Execution of Principle	Management Teams in all Business Units and Common Functions

4. Feedstock Supply

Neste policies and principles. We are committed to sourcing our raw materials only from suppliers who abide by the minimum level of sustainability provided by the following policies and principles on sustainable sourcing ("Neste Policies and Principles"):

- [Supplier Code of Conduct](#)
- [Responsible Sourcing Principle](#)
- [Human Rights Principle](#)
- Neste Supplier Sustainability Approval (Principle)
- Neste Genetically Modified Organisms (Principle)

In addition, all our palm oil and palm fatty acid distillate suppliers shall be members of the [Roundtable of Sustainable Palm Oil \(RSPO\)](#) organization.

Supplier selection and approval. We are committed to sourcing sustainably produced raw materials only from suppliers who meet our criteria for sustainability set by Neste Policies and Principles above. To ensure this, we source renewable feedstock only from suppliers who have passed our six-step sustainability due diligence process as follows:

1. Review of the raw material approval made through a feedstock evaluation process;
2. Sustainability risk assessment;
3. Supply chain identification;
4. Review of certain requirements for market compliance and Neste Compliance;
5. ESG evaluation; and
6. Onboarding audit (desktop and/or on-site verification).

We make the supplier sustainability onboarding due diligence through a Supplier Sustainability Portal (SSP) which is our digital platform for supplier sustainability management online at <https://ssp.neste.com>.

Supplier Sustainability Audits. During the term of the supply agreement, we conduct on-site sustainability audits on our suppliers to verify compliance with Neste Supplier Code of Conduct as well as to verify the data on the supply chains and the traceability. Furthermore, we identify any adverse ESG impacts we may observe in the operations through our site tours, interviews and document checks and set action plans for remediation and/or improvement.

Supplier engagement. We cooperate with our suppliers both at the policy level with upper management and in the fields of training and communication with the aim of supporting the development of sustainability awareness and expertise among our suppliers. We arrange workshops for our suppliers to foster dialogue: to understand their concerns and provide us with an opportunity to clarify our requirements and expectations. We actively engage with our suppliers to seek collaboration for jointly developing innovative solutions for continuous improvement of sustainability and to resolve any grievances where they arise.

Regulatory requirements for raw materials. We use only raw materials that meet the sustainability criteria defined in the applicable regulations for the relevant end-product market, such as

For the European end-product market:

- [EU Renewable Energy Directive](#): EU [RED I](#) or EU [RED II](#) (whichever is in force)
- [EU Fuel Quality Directive](#) (will expire on 31 December 2020);
- [EU Directive to Reduce Indirect Land Use Change for Biofuels and Bioliquids](#) and
- [European Grasslands Regulation](#).

For the USA end-product market (federal and/or state level)

- [Renewable Fuel Standard](#) (federal level); and
- [California Low-Carbon Fuel Standard](#) (LCFS), [California Cap-and-Trade Program](#) and/or any other state level program.

The raw material mixes used for end-products in specific markets shall additionally meet the local market-specific and/or industry-specific regulatory requirements.

Traceability of renewable raw materials. We accept only renewable raw materials, whether certified or not, which are traceable to the point of origin as follows: [Feedstock Status and Traceability Master List](#)

Our requirements for the traceability are end-product market and feedstock specific. In case of doubts, these requirements are determined jointly by the management level representatives of Sustainability, Supply Chain Compliance and Renewable Product Supply who also update them from time to time.

We use a traceability system for the raw material that meets the regulatory requirements for the end product market (e.g. a mass balance for the European end-product markets and physical segregation of the EPA-compliant feedstock for the USA end-product markets). We do not purchase mere certificates from the world market which are separated from their underlying feedstock (Book and Claim traceability system).

Minimum 50% GHG reduction requirement. We use only such renewable raw materials for our renewable fuel production that provide at least 50% lower GHG emissions over the fuels' life cycle compared to similar emissions from fossil alternatives.

No deforestation. We are committed to combating deforestation in our supply chain as defined in the [Neste Responsible Sourcing \(Principle\)](#) and require the same from our raw material suppliers. We do not purchase raw material that has caused deforestation.

Protection of biodiversity. We are committed to avoid conversion of habitats with valuable biodiversity for biomass production. We encourage the strengthening of protection of biodiversity and high conservation value areas in our supply chain and promote and support the resiliency of their natural values.

Certification or verification for the European market. We use only such renewable raw materials for our renewable fuel production for the European end-product market that is either certified by a third party under EU RED or is in compliance with Neste's own Policies and Principles for sustainability verified by a third party under the Finnish legislation and/or the legislation of the country to which the end-product will be supplied. However, all crude palm oil, RBD palm oil, RBD Stearin and RBD Olein shall always be certified.

Renewable biomass for the USA market. We use only such renewable raw materials for our renewable fuel production for the USA end-product market which meet the definitions required to get the bio incentives in the market and which are accepted to that effect by the federal and/or state authorities (such as EPA and/or CARB) under the required pathways or otherwise. For example, under the RFS, such definition of raw material is "[renewable biomass](#)" pursuant to U.S. CFR, Title 40, Part 80, Section 1401: Definitions of Renewable Fuel Standard.

5. Climate Impact

We are committed to reaching carbon neutral production by 2035 by reducing the direct climate impact of our own activities. This commitment complements our other strategic climate commitment of [reducing our customers' greenhouse gas emissions](#) by at least 20 million tons annually by 2030.

We analyze all aspects of GHG emissions in our production in order to find measures and actions to decrease them in our production in Scopes 1 and 2 as defined by the GHG Protocol. Such measures may include, among others, increasing energy efficiency and the use of renewable energy at our production sites as well as reducing GHG emissions from our production sites by carbon capture & storage or otherwise.

We compensate for the emissions from our employees' business flights through use of our own sustainable aviation fuel.

We continuously identify, analyze, and measure the financial implications of climate change for our business. We are committed to applying the TCFD reporting principles to disclose climate-related financial risks in reporting with the aim to meet full adoption in 2022.

6. Environment

We are committed to protecting the natural environment where we operate and the surrounding communities. We are not engaged in any oil exploration or drilling activities, which significantly reduces our exposure to direct environmental risks.

We monitor environmental quality at our sites and their surrounding environments including air quality, marine and groundwater monitoring. We continuously make impact assessments of the operations of our refineries and we rectify any damage to the environment we have caused without delay. We protect any preserved areas in the vicinity of our refineries and take such areas into account in our operations.

We aim to utilize the best available technologies in our refineries to minimize our emissions or any other adverse impact on the environment.

We use energy as well as other utilities as effectively as possible and we use efficient production methods that comply with [ISO 14001 Environmental Standard](#). We are committed to the efficiency program for Finland's energy-intensive industries with the aim to save 500 GWh from the 2014 level during 2017-2025.

We use feedstock and other materials as efficiently as possible and we continuously seek ways to increase the material efficiency of our operations. We provide solutions for our customers using waste and residue materials and contributing to a circular economy. We leverage synergies with the neighboring plants of our refineries and circulate materials in industrial symbioses.

We actively study, screen and develop novel feedstock to produce high-quality products that reduce harmful emissions to the environment and/or adverse impacts on climate and that can be used in existing applications.

7. Human Rights

We respect the human rights of our employees, the workers in our value chains and those affected by our operations. We make this in compliance with [Neste Human Rights \(Principle\)](#).

We respect the rights and values laid down in the [Universal Declaration of Human Rights](#) and the fundamental rights in the [eight core conventions of the International Labor Organization \(ILO\)](#).

We are a signatory member of [the United Nations Global Compact](#) and abide by its ten principles.

Our minimum standard is compliance with all applicable laws and respect of internationally recognized human rights. Where national law and international human rights standards differ, we follow the higher standard and seek solutions to respect that standard with relevant stakeholders.

We are committed to promoting diversity, inclusion, equality and non-discriminative culture at Neste in compliance with Neste Equality and Non-Discrimination (Principle).

We carry out human rights due diligence workshops and gap assessments both in our own operations and in our value chains (including site visits where appropriate), and based on the gap assessments and analysis, we create action plans with focus areas for improvements.

8. Good Corporate Citizenship and Ethics

Neste Code of Conduct. Our way of conducting business is set out in the [Neste Code of Conduct \(Policy\)](#). We are committed to operating ethically and in compliance with law, always and everywhere. We operate with integrity with our customers, suppliers and other business partners. Bribery and corruption in any form are unacceptable in our business. We encourage our employees and other stakeholders to report, anonymously and confidentially, any observed or suspected non-compliance with the Neste Code of Conduct by using Neste Ethics Online (*employees only*). As a supplier to our customer, we are committed to the same level of sustainability than what we as a customer require, under this Principle, from all of our suppliers.

Financial responsibility. We live up to our financial responsibility by paying, collecting, remitting and reporting on taxes and fees in compliance with the applicable local legislation. We are committed to following the [OECD Transfer Pricing Guidelines](#), and we pay and collect taxes in countries where our value-added activities are born as a result of our investments and personnel. We promote cooperation with tax and customs authorities. We do not use tax havens, low tax jurisdictions or other such arrangements in order to avoid taxes. We publish our [tax footprint](#) annually.

Support for the public good. We engage with a number of communities and support work for the public good. We support projects, communities and individuals who are able to move themselves, their industry and the world forward with the work and activities they engage in. With our charity work, we support development in the areas where society's resources are not sufficient to guarantee well-being.

9. Stakeholder Engagement and Communication

We recognize the crucial role of the views and expectations of our stakeholders in the success of our company and the acceptability of our operations. Stakeholder engagement is made by Neste's Sustainability and Public Affairs, Communications and Brand Marketing as well as Investor Relations. Within these areas, the work is primarily managed by the Vice Presidents responsible for each area. In addition, the company's Business Units are responsible for continuous engagement with customers and business partners.

We participate in the development of the industry, relevant associations and NGO's with the aim to actively engage in open dialogue with all our stakeholders. We communicate our sustainability proactively and openly. We support the work of legislators and other decision makers by offering expertise and information from Neste's field to support decision making. We cooperate with international universities and research institutions.

We also participate in external ratings for evaluating our sustainability performance annually.

Once every two years we conduct a materiality assessment by engaging our [key stakeholders](#) to identify what topics we should particularly focus on in our sustainability efforts. Such topics are presented in a matrix that describes the key sustainability topics from the point of view of our stakeholders on one side and our business operations and/or the society on the other side.

For maintaining and promoting a dialogue with our stakeholders, we have established an external and independent Advisory Council on Sustainability and New Markets which consists of a group of selected experts, able to provide strategic insight, guidance and assistance to us.

10. Sustainability Risks

We identify and assess the most significant sustainability risks, including also climate-related risks, as a part of the annual risk management cycle facilitated by Neste's Risk Management Team who monitors

the level of risks and ensures that the risks are mitigated appropriately by Neste’s Business Units, Functions, and country units.

In addition, the sustainability risks, including also climate-related risks, are addressed in connection with the risk reviews made at the Audit Committee and the Board of Directors.

We report on our most significant sustainability-related risks annually in our Annual Report and its Review by the Board of Director. For reporting our climate-related risks, we apply the TCFD reporting principles to identify, measure and report on financial implications of climate change for our business.

11. Commitments to International Conventions, Goals and Task Forces

We are committed to the following international conventions, goals and task forces:

- [The United Nations Global Compact](#)
- [Responsible Care initiative](#)
- [Universal Declaration of Human Rights](#) and the [eight core conventions of the International Labor Organization \(ILO\)](#)
- [Task Force on Climate-related Financial Disclosure \(TCFD\) reporting](#)
- [The United Nations Sustainability Development Goals \(SDG\)](#). The company analyzes and selects the SDGs where it sees as having the greatest impact
- [OECD Guidelines for Multinational Enterprises](#)
- [OECD Guidelines for Good Corporate Governance](#)
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12. Performance measuring, evaluation / verification and reporting

Sustainability is an integral part of our strategy approved by the Board of Directors. It is also integrated into our values that guide everything we do.

The Board of Directors approves policies on sustainability and monitors how Neste performs in terms of sustainability. Neste Executive Committee is responsible for outlining the company’s strategic approach to sustainability and monitoring how sustainability is reflected in the Business Units and Functions. Neste’s Sustainability, HR and HSE organizations share the responsibility of managing Neste’s sustainability efforts and support Neste’s Business Units therein.

Climate-related matters, including Neste Climate Strategy and implementation of TCFD, are addressed twice a year at Neste Executive Committee and once a year at the Board of Directors. At the Audit Committee, the climate-related matters are addressed in connection with the risk reviews. The management of the climate-related matters on Neste Executive Committee level belong to SVP, Sustainability, Public Affairs, Communications and Brand Marketing.

Sustainability is measured with the performance measurements listed below.

Performance measurement	Unit of measure	Frequency
Auditing	N/A	N/A

13. Continual Improvement

Processes under this Principle shall be updated from time to time as needed by Sustainability-function.

14. Definitions

“**California Low-Carbon Fuel Standard**” (**LCFS**) is a technology neutral market tool for the Californian transportation sector to reduce greenhouse gas (GHG) emissions.

“**CARB**” stands for California Air Resources Board and is a part of the California Environmental Protection Agency who works with air districts, community groups and members, environmental organizations, and regulated industries to reduce exposure in communities most impacted by air pollution.

“**certification**” means a voluntary verification approved by the European Union to demonstrate that the sustainability criteria set by the EU Renewable Energy Directive are complied with;

“**end-product**” means the renewable fuel produced by Neste from renewable feedstock and “**end product markets**” mean the markets for that end-product;

“**EPA**” stands for “the United States Environmental Protection Agency” and “**EPA Rulings**” mean any rulings given by EPA. “**EPA Compliant**” means adjective of any material (feedstock or end-product) that complies with the EPA Rulings;

“**ESG**” stands for “Environmental, Social and Governance” and “**ESG evaluation**” means an evaluation describing ESG factors;

“**EU Renewable Energy Directive**” or “**EU RED**” means EU Directive 2009/28/EC or the EU Directive 2018/2001/EC, (as amended), whichever is in force;

“**EU Fuel Quality Directive**” means EU Directive 2009/30/EC that will expire on 31 December 2020;

“**EU Directive to Reduce Indirect Land Use Change for Biofuels and Bioliqids**” means EU Directive 2015/1513;

“**European Grasslands Regulation**” means EU Commission Regulation (EU) No. 1307/2014;

“**GHG**” stands for “greenhouse gas” and “**GHG emissions**” means the emissions of the greenhouse gas;

“**GHG Protocol**” means GHG Protocol Corporate Accounting and Reporting Standard; “**NGO(s)**” stands for non-governmental organization(s) who are independent of any government;

“**RFS**” stands for “Renewable Fuel Standard” and means the renewable fuel program, regulations and policies established pursuant to section 211(o) of the Clean Air Act 42 U.S.C. § 7545(o) as implemented by the EPA under Section 1401 of Part 80 of Title 40 of the Code of Federal Regulations, as may be amended from time to time;

“**Responsible Care**” is a voluntary initiative by the global chemical industry aimed at supporting sustainable development in the industry;

“**TCFD**” stands for “Task Force on Climate-related Financial Disclosures” and is a voluntary framework released in 2017 for businesses to better identify, measure and report on the financial implications of climate change for their businesses.

15. Related Documents

None (other than those mentioned in the text).