

# Neste's tax footprint

We support the functioning of societies and their ability to provide public local services in all countries in which we operate by way of paying taxes and creating jobs. The taxes and tax-like fees paid and remitted by Neste were a significant source of income to public administrations also in 2023, when we supported the societies altogether with 3.9 billion euros.

In compliance with Neste's Human Rights Principles, we encourage social progress and development that is in the public interest, including transparency, accountability and prohibition of tax abuse. We follow and communicate our tax principles stated below and act in accordance with Neste Code of Conduct link: [Neste Code of Conduct](#).

We comply with the applicable local legislation in paying, collecting, remitting, and reporting on taxes and fees. We are committed to following the applicable sustainability frameworks and 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.

The data of our tax payments in 2023 has been compiled taking into account the points of view of materiality and business reasons.

## Tax strategy

The task of the tax organization is to offer feasible and compliant solutions to support the group's business and growth. We aim to ensure that we do not pay taxes twice or multiple times on our business operations. Our tax planning is focused on business changes and implementing the group's business strategy.

Read more about our tax strategy on our website Link: [Neste Tax Strategy](#).

## Tax governance at Neste

Our tax principles and tax strategy are approved by Neste's Board of Directors.

The President and CEO arranges with the Neste Executive Committee the overall decision-making of tax affairs at Neste. Significant tax matters are reviewed in the the Board of Directors.

Our operational tax organization is divided into the tax organization at Neste's head office and local finance organizations operating outside Finland. High-quality tax returns and reports are seen the cornerstone of our tax management. We make effort to complete tax returns carefully in accordance with the applicable local laws and regulations and submit them by the deadline without undue delay. Tax risk management

is embedded into our tax governance. We seek predictability in tax treatments by applying advance rulings and having predictive consultations with relevant tax administrations when feasible. The quality of tax compliance is monitored systematically through Neste wide internal control framework.

## Neste's approach to tax planning

Our business environment is undergoing a rapid change with growth and transformation built on sustainability, which we also acknowledge in our tax and customs management.

Our tax planning is focused on business changes and implementing the group's business strategy as well as avoiding double taxation. We use structures and arrangements that are driven by commercial considerations, are generally acknowledged by the law and court practice and have genuine substance. We do not seek abusive tax benefits.

As we do not conduct aggressive tax planning, we do not use tax havens, low tax jurisdictions nor artificial arrangements, which are ambiguous or against the spirit of the law, for the purpose of avoiding taxes. We have a captive insurance company operating in Guernsey for business-related reasons. Even though Guernsey is a low-tax country, Neste Corporation pays annual Finnish income tax at 20% on the result of the insurance company operating in Guernsey. Furthermore, we follow mandatory disclosure requirements in our operating countries and report transparently to local tax administrations required arrangements when applicable.

## Co-operation with key stakeholders

We promote cooperation with tax and customs authorities by open and honest communication. We seek to get a certainty to tax impacts of business changes in advance when possible. Predictability of tax treatments is very important to us in the fast changing business environment we operate.

We select carefully the tax advisors, which to engage, and use professional and acknowledged advisors who have committed to follow all applicable regulations and good code of conduct. Engagements with tax advisors are guided not to include success fees based on ambiguous tax benefits or specific non-disclosure clauses related to tax benefits.

## Principles regarding business transactions, structures and tax agreements

We are scaling up our sustainable business areas organically and by acquiring new companies in our existing and new geographical regions. We are not acquiring companies or businesses purely for the purpose of benefiting from the tax losses of the

company or for any other tax benefit. If we acquire or are about to acquire a company or a group of companies with losses, the use of tax losses will be conducted based on the normal business practices. Also, structuring a new business acquisition is driven by operational needs, not by tax benefits.

The main target for our group structure is that it is as simple as possible and flexible to enable the growth and development of business. Additionally, the principles regarding our legal structure include that the beneficial owners of the income are transparent and it does not include structures, which do not have a tax residence in any jurisdiction.

We are not converting income into something that is against the true nature of the income for the purpose of gaining a tax benefit. Neither are we conducting artificial circular transactions that would give rise to a tax benefit that is ambiguous or against the spirit of the law and which would lack business reasoning. We do not seek business practices, which utilize hybrid entities or structures, double deductions or double reliefs to gain tax benefit. Neither do we conduct transactions or arrangements, which are evading or abusing the rules of automatic exchange of information (FATCA, CRS/DAC2) regarding financial accounts. We are doing due diligence checks regarding the new counterparties to identify the true beneficial owners of the income.

Many countries offer different types of tax incentives for companies. Incentives are usually tight to actual physical investments done in the country and to qualify for such incentives requires significant capital expenditure or other commitments. Furthermore, some countries provide rulings or advance pricing agreements, which provide predictability to tax treatments. We have concluded agreements in the following countries in accordance with the local legislation and practices:

- Neste Netherlands BV operates a wholly-owned renewable refinery in Rotterdam. The company has concluded an advance pricing agreement with the Dutch tax authorities on the income taxation of the company.
- Neste's refinery investment regarding the refining of its renewable products is considered to qualify as a pioneer activity as prescribed under the applicable Singapore legislation. Such pioneer incentive is an investment incentive for new, substantive economic contributions, which must include commitments to significant incremental capital expenditure, business spending, and creating of skilled jobs in Singapore, as well as anchoring leading-edge technology, skills or activities in Singapore. Income derived from the production of certain Neste's renewable products refined in Singapore are tax exempt until November 2023. From there onwards a new incentive has been settled and it will be in force until 2033. Other income beyond renewable production is taxed at a statutory tax rate of 17%.
- Neste Asia Pacific Pte. Ltd. is sourcing and trading renewable feedstock from Asia Pacific region mainly for Neste's Singapore refinery. The company was granted a Development and Expansion Incentive award in 2022, for our activities relating to the Neste Asia Pacific headquarters. During the incentive period which lasts until 2027, and subject to our compliance with the conditions imposed in the incentive agreement,

qualifying income earned will be taxed at a rate of 5%. Income from non-qualifying activities will be taxed at the prevailing Singapore corporate tax rate 17%.

- Neste (Suisse) S.A. has applied a ruling based on a local cantonal income tax law for years 2023-2029. The ruling provides Neste a lower tax rate.

## Tax figures

	2023	2023	2023	2023	2023
	Finland	Sweden	United States	Other countries	Group in total
Revenue, MEUR	13 246	1 393	6 232	2 055	22 926
Earnings before taxes, MEUR	1 342	19	-137	372	1 596
<b>Taxes borne, MEUR</b>					
Corporate income tax	259	5	-52	25	237
Real estate tax	2	0	5	8	15
Employer's charges	63	1	7	16	86
Environmental taxes	0	0	1	0	1
Customs duty	9	0	1	5	15
<b>Total taxes borne, MEUR</b>	<b>333</b>	<b>5</b>	<b>-39</b>	<b>55</b>	<b>354</b>
<b>Taxes collected, MEUR</b>					
VAT/GST, remitted	1 056	57	109	-67	1 155
Excise taxes	1 746	2	92	261	2 100
Withholding taxes	208	0	15	29	253
Employee's social security	26	0	5	9	40
<b>Total taxes collected, MEUR</b>	<b>3 036</b>	<b>59</b>	<b>221</b>	<b>232</b>	<b>3 547</b>
<b>Total taxes borne and collected, MEUR</b>	<b>3 368</b>	<b>64</b>	<b>182</b>	<b>287</b>	<b>3 901</b>

	2022	2022	2022	2022	2022
	Finland	Sweden	United States	Other countries	Group in total
Revenue, MEUR	15 941	1 993	5 251	2 523	25 707
Earnings before taxes, MEUR	1 547	23	98	610	2 279
<b>Taxes borne, MEUR</b>					
Corporate income tax	320	5	25	54	404
Real estate tax	1	0	1	7	9
Employer's charges	60	1	4	13	77
Customs duty	20	0	0	5	25
<b>Total taxes borne, MEUR</b>	<b>400</b>	<b>6</b>	<b>30</b>	<b>78</b>	<b>514</b>
<b>Taxes collected, MEUR</b>					
VAT/GST, remitted	1 366	93	99	-59	1 498
Excise taxes	1 977	1	98	281	2 357
Withholding taxes	142	0	10	21	173
Employee's social security	23	0	3	7	33
<b>Total taxes collected, MEUR</b>	<b>3 507</b>	<b>94</b>	<b>211</b>	<b>249</b>	<b>4 061</b>
<b>Total taxes borne and collected, MEUR</b>	<b>3 908</b>	<b>100</b>	<b>241</b>	<b>327</b>	<b>4 575</b>

The table presents the essential taxes and tax-like fees which Neste is liable to pay or collect in accordance with the local legislation. From the point of view of materiality, the table presents our global key tax figures, which indicate the significant weight of Finland and the high amount of indirect taxes. The countries selected to the table present more than 90% of Neste's external revenue.

The Group's effective tax rate was 10% (2022: 17%) and cash tax rate 19% (2022: 17%).

We do not report any tax expenses related to its equity accounted investments in the line Income tax expense of the Consolidated Financial Statements. The net income of equity accounted investments is reported in the line Share of profit (loss) of joint ventures. This approach is in alignment with IFRS.

The international definition of public subsidies is vague and very broad; therefore, we have not included public subsidies in our report. For example, the Blender's Tax Credit (BTC) in the United States improved Neste's comparable operating profit in 2023.

Taxes and fees included in the purchase price of a product or service, and for which we do not have a statutory reporting obligation, are not included in the summary data. If our

foreign Group company has paid taxes to Finland, such taxes are presented in the figures for Finland and not in the corresponding figures for other countries.

Several Neste countries, including Finland, has adopted the new Pillar Two minimum tax rules into national law in 2023. The new law will be in force for the financial years starting on 31.12.2023. We continue to assess the impact of the Pillar Two legislation on our effective tax rate and other financials.

This tax footprint report is a part of the sustainability reporting within Neste's Annual Report.

## Definitions of tax concepts

Value-added taxes, remitted – Net value-added tax rendered for to states, i.e. taxation for value-added tax to be paid and deducted for the tax periods of the financial year. Value-added taxes include corresponding sales taxes.

Withholding taxes – Tax collected on salaries, dividends, royalties, and interest on behalf of the actual taxpayer, such as a natural person or a company.

Collected taxes – Taxes collected by Neste as prescribed by law and rendered for to states or other public administration on behalf of the taxpayer, such as tax withheld in advance from employees' salaries.

Real estate tax – All taxes and fees for which liability to pay arises from the ownership, occupation, and/or use of properties or other similar assets during the financial year.

Taxes borne – Taxes and fees that Neste is liable to pay to states or other public administration as prescribed by law with respect to an accounting period. Taxes borne include corporate income taxes (excluding deferred taxes), real estate tax, employer's charges, environmental taxes and custom duties.

Customs duty – Statutory customs duties paid on imports and exports, paid to the EU or states of another customs territory during the financial year.

Excise duties – Taxes rendered for to the state for the tax periods of the financial year which must be collected when certain products are handed over for consumption or taken into use. Excise duties also include stockpile fees.

Taxes – Essential and mandatory taxes, fees, and other obligations levied by the state or other public administration. In addition, statutory pension contributions are included in employer's contributions and employee's social security contributions regardless of whether the payment was made to the state or other public administration.

Corporate income tax – All income taxes recorded on the result for the financial year end income taxes recognized during a calendar year as a result of adjustments to income for previous financial years (does not include deferred taxes).