



Green Finance Framework Q&A

February 2024

NESTE

General questions on the Green Finance Framework

Q. What is a Green Finance Framework?

- A. A Green Finance Framework supports Neste to raise Green Debt and/or issue Green Bonds.

The structure of the Framework is developed in alignment with both the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), as well as the AsiaPacific Loan Market Association (APLMA), Loan Market Association (LMA) and Loan Syndications and Trading Association (LSTA) Green Loan Principles (GLP) 2023. For added transparency and to raise awareness of Neste's climate transition-related purposes and strategy, Neste is also guided by the recommendations outlined in the ICMA Climate Transition Finance Handbook (CTFH) 2023.

Q. Why has Neste established a Green Finance Framework?

- A. Neste's key strategic target is to become a global leader in renewable and circular solutions, which is why sustainability is incorporated in everything we do, not only in our operational activities but also in our financing. We launched our first Green Finance Framework in 2021. The proceeds from green finance have been allocated to the renewable and circular solution projects. With this updated version of the framework, we deliver on our promise to update and amend our framework in line with recent developments within sustainable finance.

Q. Has an independent review on Neste's Green Finance Framework been done by a second party opinion provider?

- A. Neste engaged S&P Global Ratings as an external reviewer to provide, in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on Neste's Green Finance Framework. The Second Party Opinion will be made publicly available on the company website.

Q. Do you have other sustainable financing in place?

- A. Yes, Neste is a company with strong sustainability focus and has embedded sustainability in all parts of the business.
- In December 2019, Neste signed an [EUR 1.2 billion multi-currency revolving credit facility](#) ("RCF") with a syndicate of 13 core relationship banks. The margin under the RCF will be adjusted based on Neste's progress to meet its greenhouse gas emission reduction target.
 - In June 2022 a EUR 500m Green Term Loan was signed with a maturity in 2026 (One 1-year extension option remains)
 - Four Green bonds outstanding including:
 - EUR €500m, maturing March 2028
 - EUR €500m, maturing March 2029

- EUR €600m, maturing May 2031
- EUR €500m, maturing March 2033

Q. What assets have you financed with Green funding?

- A. The Green funding has been used for Capex investments, mainly toward the Singapore and Rotterdam expansion projects. Further information can be found in the [Green Finance Report 2022](#)

Q. How is sustainability linked to Neste's operations?

- A. 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.

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.

Q. Does Neste have sustainability targets?

- A. Neste has set itself ambitious targets in several areas of sustainability. The most notable in this context are the ones related to combating climate change:
- We help our customers reduce greenhouse gas emissions by at least 20 million tons annually by 2030 with our renewable and circular solutions.
 - We reduce emissions in our own production (scope1 & 2) by 50% by 2030 compared to 2019 levels and reach carbon neutral production by 2035.
 - We reduce the use phase emission intensity¹ of sold products by 50% by 2040 compared to 2020 levels.
 - We work with our suppliers and partners to reduce emissions across the entire value chain (scope 3).

The most recent sustainability targets can be found in the [material sustainability KPI document](#).

¹ Use phase emission intensity is calculated by dividing the emissions from the use of fuel products sold by Neste (part of scope 3) with the total amount of sold energy (gCO₂e/MJ)

Q. How will Neste reach the sustainability targets?

- A. We have identified over 100 measures to decrease GHG emissions in our own production. Increasing the share of renewable electricity is an important action on Neste's climate roadmap. In 2022, the share of renewable electricity was 93.8% globally. We have already reached 100% renewable electricity in Finland in 2022. In the medium term, the focus will be on continuous energy efficiency improvement and electrification measures.

Longer term actions on our climate roadmap include scaling up new technologies and innovations. The focus is still clear: renewable (green) hydrogen. Currently, the GHG emissions caused by the hydrogen production are the largest source of production emissions in the fuel refining sector. Renewable hydrogen is one of Neste's main innovation areas, and we have been building partnerships to advance the commercialization of the technology. Renewable hydrogen and other new technologies have potential to reduce our production-related emissions by 20% or more by 2030 compared to 2019.

Longer term measures to reduce clients GHG emissions includes ending crude oil refining by the mid-2030s. In 2023, we completed the strategic study on transforming the Porvoo refinery into a leading renewable and circular solutions refining hub in the mid-2030.

Neste's investment criteria also guide us even more strongly to prefer low-emission choices. The Investment Committee seeks to align Neste's strategy, policies, and long term targets with social and environmental sustainability. Neste's investment principle includes assessment of various sustainability topics (incl. GHG emissions). Evaluation of scope 1 and 2 GHG emission impacts is a mandatory requirement for all investments. The principles are also front-end-loading sustainability topics such as climate, biodiversity, human and labor rights. Sustainability requirements are thereby embedded into the decision-making process at initiative shaping, pre-study and feasibility stages, prior to all execution.

The progress in these actions is reported to the Executive Committee and the Board of Directors regularly, and updated in the annual sustainability report. 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).

Q. Describe your renewable and circular solutions?

- A. Our renewable products serve our different customer groups in aviation, polymers and chemicals business as well as road transportation, construction and mining:
- **Neste MY Sustainable Aviation Fuel™** is commercially available and in use worldwide. Sustainable aviation fuel (SAF) is a lower-emission alternative and direct replacement for fossil jet fuel. Its use as such, unblended, helps reduce greenhouse gas (GHG) emissions by up to 80% over the life cycle of the fuel compared to fossil jet fuel (calculated with established life cycle assessment, LCA, methodologies, such as

CORSIA methodology). The fuel is made from sustainably-sourced, 100% renewable waste and residue raw materials, such as used cooking oil and animal fat waste.

- **Neste MY Renewable Diesel™** enables our customers to reduce their GHG emissions by as much as 75% or 95% compared to fossil diesel over the fuel's life cycle. The GHG emission reduction varies depending on the region-specific legislation that provides the methodology for the calculations (e.g. EU RED II 2018/2001/EU for Europe and US California LCFS for the US), and the raw material mix used to manufacture the product for each market. The fuel is produced from 100% renewable raw materials. Neste MY Renewable Diesel is a drop-in solution, which means that it can be used without any modifications to the diesel engines or the fuel distribution infrastructure.
- **Neste RE™** is a raw material for plastics production that is made out of renewable and recycled raw materials. It is a drop-in solution that can be used on its own or in a blend to create products of identical quality to those made out of conventional raw materials based on virgin fossil oil. Neste RE produced from 100% renewable raw materials has a more than 85% smaller carbon footprint over its life cycle compared with conventional fossil raw materials (Life cycle assessment of environmental impacts of Neste RE, June 2021).

Q. How is sustainability measured and reported on? Where can we follow the progress?

- A. Neste strives to be as transparent as possible in its reporting and provides information on key sustainability indicators, such as safety and climate in its quarterly interim reports. Annual sustainability reports cover all the sustainability indicators, their definitions and progress. Furthermore, Neste will publish an annual Green Finance report on the allocation and impact of all Green Debt Instruments issued under this Green Finance Framework. In addition, Neste webpages serve the readers on the performance follow-up.

The most recent sustainability targets can be found in the [material sustainability KPI document](#).

Q. Has Neste's sustainability performance been rated?

- A. Neste has successfully reported its performance in climate, water and anti-deforestation issues e.g. in the CDP and Dow Jones Sustainability Indices. Additionally, several external bodies, such as the Global 100 rank the performance annually. Some selected rankings:
- [CDP](#): For the eight consecutive year, Neste has been included in the Leadership level (A or A-) in the Climate Change assessment. Neste achieved an A- rating from palm oil and an A- rating from cattle products in the Forests category.
 - Neste was included in the Dow Jones Sustainability World Index for the 17th consecutive time in 2023.
 - Global 100: Neste has been included in the Corporate Knights Global 100 Index of the most sustainable companies in the world for the 18th consecutive time. Among all companies included in the Global 100 list, Neste was placed 19th in the index. Neste was assessed under the Energy sector and was ranked also as the best in the sector.

- MSCI ESG Rating Index, AAA (since 2016 onwards)

Green Finance Framework

Q. How is Use of proceeds (Eligible activities) defined?

- A. The proceeds from issuances of Green Debt Instruments will exclusively be used to finance Eligible Assets and Projects within Neste, its subsidiaries, Joint Ventures, or any acquired entities. Proceeds will finance Eligible Assets and Projects according to the framework in part or in full that identifies and manages environmental and societal risks as determined by Neste within the sustainability policy. The proceeds raised based on this Green Finance Framework can be applied towards R&D, pre-treatment, production, construction, expansion, facilities, tools, processes, and machines according to the eligibility criteria.

Q. How far back in time can Eligible Projects be refinanced?

- A. Refinancing is defined as allocating proceeds to Eligible Assets and Projects with a look back period between 12–36 months prior to any green debt issuance. Eligible Assets and Projects are reviewed annually and will qualify for financing/refinancing subject to meeting the eligibility criteria at the time of allocation of proceeds.

Q. Is operating expenditures and capital expenditures captured by the framework?

- A. Yes, operating expenditures can be financed but the main allocation is expected to be capital expenditures such as pre-treatment, production, construction, expansion, facilities, tools, processes, and machines according to the eligibility criteria.

Q. How will the proceeds be allocated over the Eligible projects and assets included in the Framework?

- A. Neste will maintain a Green Debt Register in relation to Green Debt Instrument issued by Neste for the purpose of monitoring the Eligible Assets and Projects and the allocation of the proceeds from Green Debt Instrument to Eligible Assets and Projects. The GFC verifies the eligibility of the potential 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.

Q. How does the eligible projects and assets contribute to the Sustainable Development Goals?

With the offering of renewable and circular solutions we contribute to climate change mitigation accelerating the shift to a circular economy by reducing greenhouse gas (GHG) emissions through refining of waste, residues, and innovative raw materials into renewable fuels and renewable and recyclable feedstocks for polymers and chemicals to replace fossil raw materials. We contribute to the implementation of the Paris Agreement, and the

United Nations' Sustainable Development Goals (SDG). We recognize the strategic importance of the UN Sustainable Development Goals (SDGs) to our business and the world and are committed to helping achieve them. We have identified nine priority SDGs as the goals we most significantly contribute to and have used the SDG Compass to determine them. These prioritized SDGs form a strong basis for our sustainability work. By identifying material sustainability topics and the relevant SDGs, we position Neste as part of society as well as part of the global sustainability framework. Neste's contribution to the prioritised SDGs are described in each Annual Report.

Q. How are Eligible Projects and Assets selected and how is the Green Finance Committee formed and governed?

- A. The Green Finance Committee follows the below process when selecting and evaluating projects for the Eligible Assets and Projects.
1. Following Neste Investment Committee approval, chaired by the CEO, the GFC will be informed of potential projects to be included in the Green Debt Register.
 2. The GFC verifies the eligibility of the potential 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.
 3. Furthermore, the GFC monitors the Eligible Assets and Projects to make sure they remain aligned with the eligibility criteria in this Framework. In the case where an asset from the Green Debt Register no longer meets the eligibility criteria outlined in this Framework (e.g. following divestment, liquidation, other concerns regarding alignment with eligibility criteria), the GFC will adjust the Eligible Green Asset Portfolio accordingly.

The Green Finance Committee 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.

Q. What happens if a previously approved eligible project or asset fails to meet the requirements?

- A. In the case where an asset from the Green Debt Register no longer meets the eligibility criteria outlined in the Framework (e.g. following divestment, liquidation, other concerns regarding alignment with eligibility criteria), the GFC will adjust the Eligible Green Asset Portfolio accordingly.

Q. How will proceeds be managed?

- A. Neste intends to allocate the proceeds of the Green Debt Instrument at the earliest convenience and commits on a best effort basis to reach full allocation within two years after the issuance. There may be periods when the total outstanding proceeds of Green Debt Instruments 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 and held in cash or placed in liquid instruments such as interest-bearing securities.

Q. What does a Third Party Audit mean?

- A. The purpose of Third Party Audit is to have an independent verification pertaining to the criteria and processes described in the Green Finance Framework. Neste will engage an independent external auditor to provide a limited assurance on the processes and systems for the selection and evaluation of Eligible Green Assets and Projects, as well as on the allocation of proceeds from Green Debt Instruments to Eligible Green Assets and Projects. Please find Neste's latest Green Finance Report and independent assurance [here](#).

Q. Will Neste provide regular reporting to investors and the general public?

- A. Over the duration of outstanding Green Debt Instruments, Neste will publish a Green Finance Report on the allocation and impact of the Green Debt Instruments issued under the Green Finance Framework. Where relevant, Neste will seek to align the reporting with the latest standards and practices as identified by ICMA. The impact report will, to the extent feasible, also include a section methodology, baselines, and relevant impact metrics. The information will be made publicly available via Neste's website. If competitive considerations, or a large number of underlying Assets and Projects limit the amount of detail that can be made available Neste may present information in generic terms or on an aggregated basis.

Contact

Päivi Makkonen

Vice President,
Sustainability
Tel. +358 50 598 9591
paivi.makkonen(at)neste.com

Katariina Perkkiö

Group Treasurer and Chief Risk
Officer, Group Treasury
Tel. +358 50 458 1492
katariina.perkkio(at)neste.com