

NESTE



Green Finance Framework

Q&A

November 2023

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.

Neste's 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. This framework does not follow the latest version of GBP and GLP as this framework was drafted and published before the launch of GBP (2021) and GLP (2023).

Q. Why has Neste established a Green Finance Framework?

- A. 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, Neste has established a Green Finance Framework to support investments in renewable and circular solutions with the purpose of reducing greenhouse gas emissions globally.

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

- A. Neste has obtained an independent second opinion on its Green Finance Framework from CICERO Shades of Green. The Second Party Opinion can be found at our website. The SPO from Cicero remain valid until March 2024.

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)
 - Three Green bonds outstanding, all EUR 500m in size, with maturities in March 2028, March 2029 and 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](#)

About Neste – Change run in renewables

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.

In 2020, 94% of our comparable profit came from renewable products.

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: reaching carbon neutral production (scope 1 & 2) by 2035, and helping customers reduce their greenhouse gas emissions by 20 million tons annually by 2030. There are several interim targets, such as aiming for 100% renewable electricity by 2023.

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

Q. How will Neste reach the sustainability targets?

- A. The target setting defines not only the levels of emissions but also starts a lot of actions. A systematic approach calls for short-term and long-term targets of carbon neutral production to be conducted at the same time. Short-term measures to reduce production's GHG emissions include increasing the use of renewable electricity at production sites (Neste has already signed several power purchase agreements for wind power and is aiming for 100% renewable electricity by 2023) and improving energy efficiency – even small streams can together result in a significant impact.

The investment criteria also guide us even more strongly to prefer low-emission choices. When planning investments, their impact on GHG emissions must also be taken into account. For example, energy use is optimized by giving greater weight to emission reductions in investment calculations and decision making, which means that, for example, switching from a steam-powered compressor to a more energy-efficient electric motor is also more profitable when comparing different investments.

The long-term measures in production include the development of new methods for low-emission hydrogen production and the capture and storage of carbon dioxide, especially from the largest emission sources in production.

Longer term measures to reduce clients GHG emissions includes ending crude oil refining by the mid-2030s. In 2022 Neste launched a strategic study on transitioning its Porvoo refinery to a renewable and circular site and ending crude oil refining in the mid-2030s.

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. Neste provides its customers renewable solutions both in fuels (Neste MY) as well as for polymers and chemicals (Neste RE). The Neste MY brand covers renewable diesel for road transportation and sustainable aviation fuel.

Neste RE is a raw material for chemicals and plastics production that is made entirely out of renewable and recycled 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 virgin fossil raw materials.

Other renewable solutions include renewable road diesel, which has up to 90% lower GHG emissions in comparison with conventional diesel and sustainable aviation fuel, made of wastes and residues, which has up to 80% lower GHG emissions than traditional aviation fuels.

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 report on the allocation and impact of all Green Debts 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 sixth consecutive year, Neste has been included in the Leadership level (A or A-) in the Climate Change assessment. Climate A-, Forest A- (Palm oil A- and Cattle Products A-) and Water B-ranking
 - Sustainability Leader for the 14th 16th consecutive year in [Dow Jones Sustainability Indices](#)
 - [Global 100](#): Neste has been included in the Corporate Knights 2022 Global 100 Index of the most sustainable companies in the world for the 17th consecutive time.
 - MSCI ESG Rating Index, AAA (since 2016 onwards)
 - Platinum Medal at EcoVadis rating. This result places Neste among the top 1 percent of companies assessed by EcoVadis

Green Finance Framework

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

- A. Proceeds will be used to finance the development, operations, maintenance and expansion of renewable and circular solutions to reduce greenhouse gas emissions. The amount equal to the net proceeds of the Green Debt/Green Bond 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 the Green Finance Framework, which include the following categories:
- Investments in Renewable and Circular solutions
 - R&D investments related to Renewable and Circular solutions

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.

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

- A. 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.

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

- A. Yes, operating expenditures can be financed with the use of proceeds from a Green Debt issued under this framework. However, mainly capital expenditures will be the subject to Green financing.

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

- A. The Investment Committee will present potential projects and assets for the Green Finance Committee, which will evaluate if the assets and projects are eligible for funding according to criteria set out for eligible projects and assets. Hence, the proceeds will be allocated according to the decisions of the Green Finance Committee.

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

- A. Sustainability work enables our business strategy. With our renewable and circular solutions, we contribute to the implementation of the Paris Agreement, and the United Nations' Sustainable Development Goals (SDG).

From our perspective, the achievement of our climate goals support several of the SDGs with a special focus on the following six:

- SDG 8: Decent work and economic growth,
- SDG 9: Industry, innovation and infrastructure,
- SDG 11: Sustainable Cities and Communities,
- SDG 12: Responsible Production and Consumption,
- SDG 13: Climate Action, and
- SDG 17: Partnerships for the goals.

The greatest impact is estimated to be contributed to the SDG 11 Sustainable Cities and Communities and SDG 13 Climate Action.

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. 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 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.

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. If a project no longer meets the criteria for being an eligible project, the project will be taken out of the scope for the Green Bond and hence, no proceeds will be allocated for the project. In such a case, another project, that meets the criteria, will replace the project.

Q. How will proceeds be managed?

- A. 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 and/or Green Bond 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.

Q. What does a Third Party Audit mean?

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 report, to the extent feasible, the actual environmental impact of the assets and projects financed by the Green Bonds and an independent assurance will be prepared as a part of the Independent Practitioner’s Assurance Report or alternatively an internal tracking method for use of proceeds, allocation of funds, statement of environmental impact and alignment of reporting with the Green Bond Principles will be provided. 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. Neste will annually publish a report on the allocation and impact of Green Bonds issued under the Green Finance Framework. 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. To increase transparency and provide stakeholders with a clear view of the progression of the financed projects, the Green Finance Framework provides some relevant impact metrics which will be reported on.

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