

NESTE

Neste Remuneration Report

2021



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Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2021 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year of 2021 and describing how the Remuneration Policy approved by the 2020 Annual General Meeting of Shareholders (AGM) has been implemented in practice. This Remuneration Report has been prepared in accordance with the Finnish Corporate Governance Code 2020, and the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act, and the Decree of the Ministry of Finance. The report will be presented at the 2022 AGM of Neste for an advisory shareholder vote.

Our approach to remuneration and link to sustainability

Our purpose as a Personnel and Remuneration Committee is to ensure that remuneration programs at Neste reflect our longstanding remuneration principles of supporting the business strategy, paying for performance, encouraging value-based behavior and individual accountability, and paying competitively and fairly.

Based on our remuneration principles we have designed our remuneration policies, practices and processes to ensure that we are able to compete and retain the best workforce, talents and senior management in the diverse markets in which we operate. We believe that our performance-based remuneration programs together with selecting the right individuals for key positions, versatile career progression, proactive succession planning and appropriate market

competitive rewarding are key to our success also in the future.

Neste's safety culture has been developed systematically for several years and the measures related to the improvement in both process and personnel safety constitute 20% of the short-term incentives' measures. Similarly, Neste's commitment to our strategic sustainability targets is also reflected in our long-term incentives plan where 20% of measures are based on our combined Greenhouse Gas impact.

Our remuneration structure aims to reinforce and support our key strategic target to become a global leader in renewable and circular solutions, which will support sustainable, long-term value creation for all stakeholders. For our President and CEO a significant proportion of remuneration is derived from variable pay to ensure that there is strong alignment between sustainable value creation for shareholders, company performance and reward. The Board of Directors sets the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational, ESG and strategic measures.

Neste performance in 2021

In a pandemic which continued to significantly disrupt our lives in 2021, Neste was able to deliver a comparable operating profit of EUR 1,342 million and make clear advances in its drive to become a global leader in renewable and circular solutions.

The performance measure for Performance Share Plan (PSP) 2019–2021 has been relative Total Shareholder Return (relative TSR) of Neste share compared to the STOXX Europe 600 index between 2019 and 2021. Neste Total Shareholder Return was at the 72nd percentile compared to the index.

Application of the Remuneration Policy in 2021

The remuneration for the Board of Directors and the CEO during the financial year 2021 was executed in accordance with the 2020 Remuneration Policy. No deviations from the Remuneration Policy have been made and no remuneration of the Board of Directors or the CEO has been reclaimed or restated during the financial year 2021.

Advisory Shareholder vote regarding the Remuneration Report 2020 and shareholder engagement

At the Annual General meeting in 2021, 95% of the Neste Shareholders supported the Neste Remuneration Report 2020.

Looking ahead to 2022

During 2021 the Personnel and Remuneration Committee of Neste conducted a thorough total remuneration benchmarking review regarding Neste remuneration plans to strengthen our pay for performance approach on remuneration and to ensure the competitiveness and attractiveness as an employer in the international markets where Neste operates.

Neste President and CEO Peter Vanacker will be stepping down during 2022 and I would like to thank him for his excellent service to Neste. The Committee has taken the opportunity to update the future CEO profile and has started the search for the best candidate to continue the execution of our strategy.

Matti Kähkönen

Chair of the Personnel and Remuneration Committee

Neste Personnel and Remuneration Committee



Matti Kähkönen

Chair of the Personnel and Remuneration Committee

Committee members during 2021:

- **Martina Flöel**
- **Jean-Baptiste Renard**
- **Johanna Söderström**

Remuneration of the Board of Directors For the previous financial year

Remuneration paid to the members of the Board in 2021

	Board fees (EUR)	Meeting attendance fees (EUR)	Total (EUR)
Matti Kähkönen, Chair	67,900	12,600	80,500
Marco Wirén, Vice Chair	49,600	13,800	63,400
John Abbott*	27,034	12,600	39,634
Sonat Burman-Olsson**	19,878	7,200	27,078
Nick Elmslie	35,700	15,600	51,300
Martina Flöel	35,700	17,400	53,100
Jari Rosendal	35,700	11,400	47,100
Jean-Baptiste Renard	35,700	16,200	51,900
Johanna Söderström	35,700	12,600	48,300

* Member of Board since 30 March, 2021

** Member of the Board until 21 July, 2021

Remuneration has been paid from the parent company.

The meeting attendance fees include meeting fees paid due to special tasks set by the Board of Directors, but not travel expenses.

Details of the shareholdings of the Board of Directors are shown in the web pages. These shares are personally acquired. On March 30th 2021, the 2021 AGM confirmed the following annual fees for the members of the Board of Directors.

Chair	67,900 EUR per annum
Vice Chair	49,600 EUR per annum
Member	35,700 EUR per annum

In addition to the annual fees, members of the Board of Directors received a meeting fee of EUR 600 for each meeting held in the member's home country

and EUR 1,200 for each meeting held in another country, plus compensation for expenses in accordance with the Company's travel guidelines. The meeting fee for telephone meetings was paid according to the fee payable for meetings held in each member's home country.

Remuneration of the President and CEO in 2021

The remuneration of the CEO consists of fixed annual remuneration, such as base salary and fringe benefits and variable remuneration, such as short- and long-term incentives plans. The table below includes the taxable value of the remuneration in each year.

Peter Vanacker	Fixed Annual Remuneration	Variable Remuneration			Total Remuneration	Proportion of fixed and variable remuneration
	Fixed Annual Salary*	Short-term incentive plan	Long-term incentive plans		Total Annual Compensation	
			Cash	Shares		
Paid during 2021 (based on financial year 2020 performance)	972,150.00	215,931.59	288,385.18	569,890.49	2,046,357.26**	48% / 52%
Paid during 2020 (based on financial year 2019 performance)	925,440.00	311,271.48	190,907.70	377,197.17	1,804,816.35**	51% / 49%

* Benefits and vacation pay included in fixed remuneration.

** In 2021, as well as in 2020, the long-term share incentive rewards paid out to the President and CEO was limited to ensure that the total value of incentives (short-term and long-term incentives combined) does not exceed 1.2 times fixed annual base salary. The table above includes the taxable value of the paid remuneration and therefore the total value of incentives may deviate from 1.2 times fixed annual base salary.

Remuneration has been paid from the parent company.

Variable, performance-based pay, meaning short- and long-term incentives, forms a substantial part of the President and CEO's total remuneration. In 2021, the paid short- and long-term incentives formed 52 percent of total compensation and the fixed annual salary 48 percent.

The retirement age of the President and CEO is set according to the Finnish Employee's Pension Act (TyEL); he does not have an additional pension scheme. No other financial benefits were paid to the President and CEO in 2021.

Short-term incentives

The maximum short-term incentive for the President and CEO was 40 percent of annual base salary both in 2020 and in 2021. In 2020 the short-term incentive was based on Comparable EBIT with 60% weight, Comparable Free Cash Flow with 20% weight and safety measures of TRIF and PSER with 10% weight. In 2021 the Comparable Free Cash Flow was replaced with Free Cash Flow. The President and CEO's achievement ratio for the short-term incentives for the year 2020 paid in March 2021 was 22.4 percent.

Details of the short-term incentive plan award for the President and CEO for 2020 paid in March 2021:

President and CEO 2020 STI		2020 results
Weighting	Measures	Level of achievement
60%	Group comparable EBIT	Between threshold and target
20%	Comparable Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	Between target and maximum
	Total	Between target and maximum

The achievement ratio for the year 2021 to be paid in 2022 is 26.6 percent and the incentive payment of EUR 261,179 will be paid in March 2022.

Details of the short-term incentive plan award for the President and CEO for 2021:

President and CEO 2021 STI		2021 results
Weighting	Measures	Level of achievement
60%	Group comparable EBIT	Between threshold and target
20%	Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	At maximum
	Total	Between target and maximum

Details of the short-term incentive plan award for the President and CEO for 2022, potential reward payment in March 2023:

President and CEO 2022 STI	
Weighting	Measures
50%	Group comparable EBITDA
20%	Free Cash Flow
10%	Adjusted ROACE
10%	Group Safety (TRIF)
10%	Group Process Safety (PSER)

Adjusted ROACE was introduced to measure how efficiently Neste uses its capital to generate profits from its current active operations.

Long-term incentives

The share-based incentive payment for the President and CEO during the year 2021 was based on the Performance Share Plan 2018–2020. The maximum long-term incentive reward for the President and CEO at grant was 33,600 shares. Performance measures for the plan were cumulative comparable free cash flow (75% weight) and the relative total shareholder return of Neste shares compared to the STOXX Europe 600 index (25% weight).

Performance Share Plan 2018–2020

Weighting	Measure	How the targets were set	Level of achievement
75%	Cumulative Group Comparable Free Cash Flow	The Board of Directors set the performance requirements for threshold, target and maximum levels.	Maximum was achieved
25%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors set the performance requirements for threshold and maximum levels.	Above upper quartile

The achievement ratio for the PSP 2018–2020 was 100 percent and 10,598 net shares were delivered to the President and CEO. The total value of short- and long-term incentives was capped to 1.2 times fixed annual base salary and the gross number of payable shares was cut in order for the total amount of variable pay not to exceed this limit. The share price on the share delivery date of March 15, 2021 was 53.77 EUR.

Performance Share Plan 2019–2021

Weighting	Measure	How the targets were set	Level of achievement
100%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors set the performance requirements for threshold and maximum levels.	72nd percentile

As President and CEO Peter Vanacker has given notice of his resignation from the company, the share allocation to him has been canceled.

Other ongoing Performance Share Plans

PSP 2020–2022: Number of original shares granted was 31,600, Performance measure is Total Shareholder Return (TSR, weight 100%) versus STOXX Europe 600 index, shares will vest in March 2023, with no post-vesting holding period applicable. The share allocation to the President and CEO has been canceled.

PSP 2021–2023: Number of original shares granted was 18,600, Performance measures are Relative Total Shareholder Return 2021–2023 (TSR, weight 80%) versus the STOXX Europe 600 index and Combined Greenhouse Gas Impact 2021–2023 (GHG, weight 20%) measured cumulatively in CO₂ equivalent, shares will vest in March 2024, with no post-vesting holding period applicable. The share allocation to the President and CEO has been canceled.

Performance Share Plan 2022–2024

Weighting	Measure	How the targets were set
80%	Relative Total Shareholder Return compared to the STOXX Europe 600 Index	The Board of Directors has set the performance requirements for threshold and maximum levels.
20%	Combined Greenhouse Gas Impact 2022–2024	The Board of Directors has set the performance requirements for threshold, target and maximum levels.

Performance Share Plans President and CEO Peter Vanacker

Performance Share Plan	Grant date	Number of shares originally granted	Vesting date	Number of gross shares vested*	End of the holding period	Notes
PSP 2016–2018	1.9.2018	48,000 shares	23.9.2019	39,123 shares	16.3.2022	
PSP 2017–2019	1.9.2018	24,534 shares	16.3.2020	22,717 shares	16.3.2021	
PSP 2018–2020	1.9.2018	33,600 shares	30.4.2021	15,961 shares	16.3.2022	
PSP 2019–2021	24.4.2019	40,300 shares	31.3.2022	xx	31.3.2022	As President and CEO Peter Vanacker has given notice of his resignation from the company, the share allocation for him has been canceled
PSP 2020–2022	6.2.2020	31,600 shares	31.3.2023	xx	31.3.2023	
PSP 2021–2023	11.12.2020	18,600 shares	31.3.2024	xx	31.3.2024	

* This number of shares represents a gross earning, from which the applicable payroll tax is withheld and the remaining net value is paid to the recipients in shares.

Remuneration and company performance over the last five financial years

Average compensation EUR		2017	2018	2019	2020	2021
Chair of the Board	Annual Board fee	66,000	66,000	66,000	67,900	67,900
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
Vice Chair of the Board	Annual Board fee	49,200	49,200	49,200	49,600	49,600
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
Other members of the Board	Annual Board fee	35,400	35,400	35,400	35,700	35,700
	Meeting fee home/abroad	600/1,200	600/1,200	600/1,200	600/1,200	600/1,200
President and CEO (taxable value of the remuneration in each year)	Matti Lievonen (until 10/2018)	2,540,360	2,497,774			
	Peter Vanacker (from 11/2018)		150,040	2,131,983	1,804,816	2,046,357
Average Neste employee*		54,822	57,830	58,378	71,216**	78,044***
Company performance Comparable operating profit (MEUR)		1,101	1,422	1,962	1,416	1,342

* Average Neste employee includes all wages and salaries incl. incentive payments (LTI based on accounting value) without indirect employee costs (social security costs, pension costs, other costs) divided by the average number of personnel during the year.

** Cost provision for personnel arrangements relating to the Naantali refinery closure of 22 MEUR has been eliminated from wages and salaries before calculating the average.

*** The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of 11 MEUR has been eliminated from wages & salaries before calculating the average. The average compensation between 2019 and 2020 has increased partly due to the divestment of Neste operations in Russia in 2019 covering 1,133 employees, and between 2020 and 2021 due to personnel decreases related to the closure of Naantali refinery. Simultaneously, strategic headcount increase has focused on white collar and higher employee cost markets.

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