

NESTE

# Remuneration Report

## 2023 | CHANGE RUNS ON RENEWABLES



# Neste Remuneration Report 2023

## Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the "Committee"), I am pleased to present our 2023 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year 2023 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 2024 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 and thereby supporting Neste's long-term financial success, 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 can 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, combined with selecting the right individuals for key positions, versatile career progression, proactive succession planning and appropriate market competitive rewarding, are also key to our future success.

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 at least 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, in which 20% of measures are based on our combined Greenhouse Gas impact.

Our remuneration structure aims to reinforce and support our key strategic target to deliver outstanding value with 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 a 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 2023

On a global scale the year was marked by a volatile business environment, geopolitical turbulence and a number of regulatory changes. Despite a challenging business environment we were able to deliver a strong financial result. Neste was able to deliver a comparable EBITDA of EUR 3,458 million and take important steps in executing its growth strategy.

The main performance measure for the Performance Share Plan (PSP) 2021–2023 has been relative Total Shareholder Return (relative TSR) of Neste shares compared to the STOXX Europe 600 index between 2021 and 2023 (weight 80%). The Neste Total Shareholder Return was compared to the index at the 7.7th percentile. In addition, another performance measure was combined Greenhouse Gas impact (weight 20%).

## Application of the Remuneration Policy in 2023

The remuneration for the Board of Directors and the CEO during the financial year 2023 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 2023.

## Advisory Shareholder vote regarding the Remuneration Report 2022 and shareholder engagement

At the Annual General meeting in 2023, 94,28% of the Neste Shareholders supported the Neste Remuneration Report 2022.

At Neste, we believe in transparent business practices, and as part of our efforts to further improve remuneration transparency, we have improved our disclosure of achieved STI and LTI payout in the Remuneration Report 2023 by adding actual achievement rates per individual performance measure.

## Looking ahead to 2024

We aim to continue to utilize the company's short- and long-term incentive programs to drive company performance, long-term financial success, and ensure our competitiveness and attractiveness as an employer in the international markets in which Neste operates. During 2024, we will design a new long-term incentive program, as the current one is coming to the end of its implementation period.

## 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 until 28 March 2023:

- John Abbott
- Martina Flöel
- Johanna Söderström

Committee members from 28 March 2023:

- Nick Elmslie
- Heikki Malinen
- Johanna Söderström

## Remuneration of the Board of Directors for the previous financial year

The Annual General Meeting decides on the remuneration for the members of the Board, based on the proposal of the Shareholders' Nomination Board, for one period at a time until the closure of the next AGM. On 28 March 2023, the 2023 AGM confirmed the following annual fees for the members of the Board of Directors. 97.79% of the votes cast were in favor of the proposal of the Shareholders' Nomination Board.

### Annual fee, 40% of the annual fixed fee paid to be paid in the form of Neste shares, and the remainder in cash.

Chair	95,000 EUR per annum
Vice Chair	60,000 EUR per annum
Member	45,000 EUR per annum
Chair of Audit Committee <sup>1)</sup>	60,000 EUR per annum
<b>Committee fees</b>	
Member of the Audit Committee	5,000 EUR per annum
Chair of the Personnel and Remuneration Committee	6,000 EUR per annum
Member of the Personnel and Remuneration Committee	2,500 EUR per annum
Chair of another committee established based on Board decision	6,000 EUR per annum
Members of another committee established based on a Board decision	2,500 EUR per annum
<b>Meeting fees</b>	
Meeting held in the member's home country	1,000 EUR
Meeting held in the same continent as the member's home country	2,000 EUR
Meeting held outside the same continent as the member's home country	3,000 EUR

<sup>1)</sup> If person does not simultaneously act as Chair or Vice Chair of the Board

Meeting fees were paid based on attendance, plus compensation for expenses in accordance with the Company's travel guidelines.

The meeting fee for meetings held over the telephone or through other means of data communication was paid according to the fee payable for meetings held in each member's home country. 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 on the web pages.

### Remuneration paid to the members of the Board in 2023

The AGM 2023 decided that 40% of the fixed annual fee was to be paid in the form of shares, and the remainder in cash. The shares were purchased directly on behalf of the Board members within two weeks of the publication of the interim report for the period January 1 to 31 March 2023 from the market at a price formed in public trading. The Company has paid all costs and transfer tax related to the purchase of Company shares. The total cash part of the annual Board fee and committee fees for the Board membership period 2023–2024 were paid in May 2023. Meeting fees were paid during the year after the meetings.

EUR	Annual fee <sup>1)</sup>	Committee and meeting fees <sup>2)</sup>	Total
Matti Kähkönen, Chair	95,000	24,400	119,400
Eeva Sipilä, Vice Chair	60,000	19,400	79,400
Marco Wirén, Vice Chair <sup>4)</sup>	-	4,000	4,000
John Abbott	45,000	31,200	76,200
Nick Elmslie	45,000	29,500	74,500
Martina Flöel <sup>4)</sup>	-	2,400	2,400
Just Jansz	45,000	28,400	73,400
Heikki Malinen <sup>3)</sup>	45,000	18,500	63,500
Jari Rosendal <sup>5)</sup>	45,000	16,400	61,400
Johanna Söderström	45,000	28,900	73,900
Kimmo Viertola <sup>3)</sup>	45,000	22,000	67,000

<sup>1)</sup> The total annual fee for the Board membership 2023–2024 was paid in May 2023, and 40% of the annual fee was paid in shares and 60% in cash. Neste has paid the transfer tax for share purchase, and it has been handled as taxable income for each member.

<sup>2)</sup> Meeting and committee fees include an annual committee fee for the Board membership period 2023-2024 and fees based on attendance during 2023.

<sup>3)</sup> Member of Board since 28 March, 2023

<sup>4)</sup> Member of the Board until 28 March, 2023

<sup>5)</sup> Member of the Board until 31 July, 2023.

Remuneration has been paid from the parent company.

## Remuneration of the President and CEO in 2023

Neste's Board of Directors decides on the remuneration of the President and CEO based on the proposal by the Board's Personnel and Remuneration Committee. The available remuneration elements are defined in Neste's Remuneration Policy and are aligned with market practices. The remuneration of the CEO consists of a fixed annual remuneration, including a base salary and fringe benefits, and variable remuneration, including short- and long-term incentives plans and a supplementary pension.

The supplementary pension of the President and CEO is a defined contribution plan with an annual contribution of 16% of the fixed annual salary and a retirement age of 62 years. This supplementary pension benefit is originally based on his previous positions as a member of the Neste Executive Committee. Those Executive Committee members who started in their position after 1 January 2009 but before 31 August 2018, are eligible for a defined contribution (DC) pension scheme (based on a retirement age of 62, 63 or as prescribed under Finnish pension legislation). No other financial benefits were paid to the President and CEO in 2023.

The table below includes the taxable value of the remuneration:

CEO's total remuneration	Paid during 2023 (EUR)
Fixed annual salary <sup>1)</sup>	996,702
Short-term incentive plan <sup>2)</sup>	423,551
Long-term incentive plan <sup>3)</sup>	447,752
Supplementary pension	146,260
Total	2,014,265
Proportion of fixed and variable remuneration (supplementary pension excluded)	53% and 47%

<sup>1)</sup> Benefits, vacation pay and service years reward included in the fixed remuneration.

<sup>2)</sup> Based on the previous position 1–4/2022 and the CEO position 5–12/2022.

<sup>3)</sup> LTI vested value paid in 2023 reflects the PSP 2020–2022 grant, which was allocated to his previous position.

Remuneration has been paid from the parent company.

### Short-term incentives

The President and CEO's short-term incentives, including the terms and conditions for these plans, are determined by Neste's Board of Directors. The Board of Directors annually sets and evaluates targets for the President and CEO. The maximum short-term incentive for the President and CEO was 80% of annual base salary in 2022 and 2023. In 2022, Matti Lehmus' award was based on the CEO period May–December 2022. The total incentive payment of 423,551 EUR was paid in March in 2023, and the achievement ratio for CEO period was 61.6% of annual base salary. The achievement ratio for 2023 is 54.4% of the annual salary, and the incentive payment of 501,125 EUR will be paid in March 2024.

Details of the short-term incentive plan awards 2022 and 2023 for the President and CEO:

Performance measure	Weight	2022		2023	
		Performance outcome %	Threshold Target Maximum	Performance outcome %	Threshold Target Maximum
Group comparable EBITDA	50%	200	50% 100% 200%	112	50% 100% 200%
Free Cash Flow	20%	105		200	
Comparable ROACE	10%	200		169	
Group Safety (TRIF)	10%	0		70	
Group Process Safety (PSER)	10%	133		167	
Total weighted outcome <sup>1)</sup>	100%	154		136	

<sup>1)</sup> With performance measure outcomes without roundings.

Details of the short-term incentive plan award for the President and CEO for 2024, potential reward payment in March 2025:

Performance measure	Weight
Renewable products EBITDA comparable	30%
Oil Products EBITDA comparable	20%
Free Cash Flow	20%
Comparable ROACE	10%
Group Safety (TRIF)	10%
Group Process Safety (PSER)	10%

## Long-term incentives

The Board of Directors decides on and implements Neste's long-term incentive plans and the earning opportunity for the President and CEO. The purpose of these plans is to drive Neste's long-term performance and success.

President and CEO Matti Lehmus is entitled to the following long-term incentive plans allocated during his previous position:

Performance Share Plan	Performance measure	Weight	Performance Measure outcome %	Total weighted Performance outcome %	Grant date	Vesting date
PSP 2020–2022	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	100%	100	100	12 Dec. 2019	March 2023
PSP 2021–2023	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	0	9	11 Dec. 2020	March 2024
	Combined Greenhouse Gas Impact 2021–2023	20%	45			

President and CEO Matti Lehmus is entitled to the following ongoing long-term incentive plans:

Performance Share Plan	Performance measure	Weight	Grant date	Number of shares originally granted	Vesting date
PSP 2022–2024	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	9 Feb. 2022	26,400	March 2025
	Combined Greenhouse Gas Impact 2022–2024	20%			
PSP 2023–2025	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	13 Dec. 2022	23,600	March 2026
	Combined Greenhouse Gas Impact 2023–2025	20%			
PSP 2024–2026	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	7 Feb. 2024	33,700	March 2027
	Combined Greenhouse Gas Impact 2024–2026	20%			

## Remuneration and company performance over the last five financial years

<b>Average compensation, EUR</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Average compensation of Members of the Board <sup>1)</sup>		50,272	44,386	51,368	72,512	63,191
President and CEO (taxable value of the remuneration in each year)	Peter Vanacker (from 11/2018 until 4/2022)	2,131,983	1,804,816	2,046,357	704,465	-
	Matti Lehmus (from 5/2022)	-	-	-	731,441	2,014,265
Average compensation of Neste employee <sup>2)</sup>		57,906	70,751 <sup>3)</sup>	77,529 <sup>4)</sup>	86,367 <sup>5)</sup>	88,551
Average compensation of Neste employee in Finland <sup>2)</sup>		65,067	66,225 <sup>3)</sup>	72,478 <sup>4)</sup>	75,742 <sup>5)</sup>	76,965
<b>Company performance</b>						
Comparable EBITDA (MEUR)		2,452	1,929	1,920	3,537	3,458

<sup>1)</sup> Includes all fees paid to the members (annual board fees, meeting fees, committee fees).

<sup>2)</sup> 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.

<sup>3)</sup> Cost provision for personnel arrangements related to the Naantali refinery closure of EUR 22 million has been eliminated from wages and salaries before calculating the average.

<sup>4)</sup> The unused amount of cost provision reversal for personnel arrangements related to the Naantali refinery closure of EUR 11 million has been eliminated from wages and 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 the Naantali refinery. Simultaneously, the strategic headcount increase has focused on white-collar and higher employee cost markets.

<sup>5)</sup> The unused amount of cost provision reversal for personnel arrangements related to the Naantali refinery closure of EUR 500,000 was eliminated from wages and salaries before calculating the average. The average compensation has increased, partly due to a strategic headcount increase in higher employee cost markets. Simultaneously, the short-term incentive provision is higher than in the previous year.