

**NEOT**

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# Due Diligence Statement 2023

Norwegian Transparency Act





# ABOUT THIS STATEMENT

This statement, prepared in accordance with the Norwegian Transparency Act covers the operations of NEOT AS, NEOT Oy and NEOT AB. NEOT AS is registered in Norway and is an obliged party under the Norwegian Transparency Act legislation.

Due to the nature of our business model, all NEOT's due diligence practices are similar across the whole Group and the practices are defined and managed on a Group level. Therefore, this report covers NEOT's operations and practices on a Group level. All due diligence practices are implemented identically in all NEOT's subsidiaries, including NEOT AS.

The statement has been approved by the Board of Directors of NEOT AS and reviewed by the Board of NEOT Group.

In this statement, we describe the steps NEOT Group, covering all its subsidiaries, has taken during the financial year 2023 (January 1 – December 31, 2023) to identify, assess, and address the risks of violations of fundamental human rights and decent working conditions in our own operations and supply chains.

This statement is issued in English, in accordance with a dispensation granted to NEOT AS by the Norwegian Tax Administration to prepare annual accounts and report in English.

## WORDS FROM OUR CEO

“Our core values, reflected in our company culture and daily activities are embodied in the NEOT Spirit. One of these guiding principles is Responsibility, which stems from the idea that our actions, as individuals and as a company, have an impact on the world around us. This is the basis of our approach to sustainability.

Due to us being a trader with a global supply chain in an industry that has significant risks associated with it, the impact of our actions reaches far beyond our direct operations. We strive to take responsibility as comprehensively as possible for our impact on the people and nature within our supply chain. This means that we must hold our partners and suppliers to the same high standards we ourselves are committed to.

In the last few years, we have worked to crystallise our vision of the impacts of our own operations and those in our value chain. This allows us to direct our efforts towards addressing the most significant issues. Based on the impact assessment begun in 2022, we defined new focus areas for our sustainability work during 2023. The focus areas form the basis for our sustainability work.

We also welcome recent legislative developments in the field, such as the EU's Corporate Sustainability Reporting Directive, and continue to work on implementing its requirements in our operations.”

**Petri Appel**  
CEO, NEOT Group





# NEOT Strategy

## NEOT SPIRIT

Guides our actions

Agility • Responsibility • Expertise • Good vibes

### Enabling energy transition

Enabling our owners' efforts to accelerate energy transition in an industry critical to combating climate change.

### Keeping the wheels of society turning

both in normal everyday life and in more uncertain conditions.

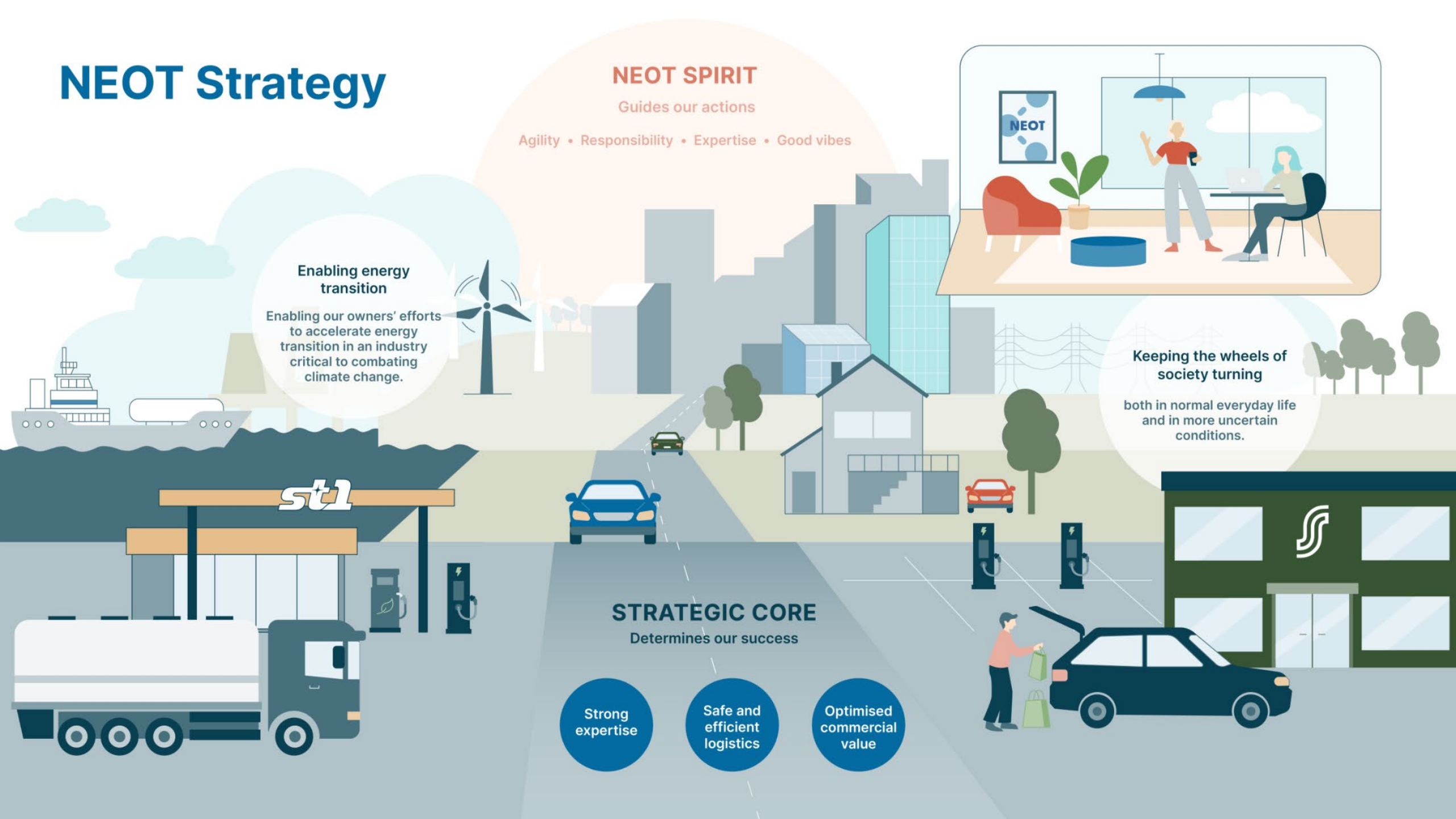
## STRATEGIC CORE

Determines our success

Strong expertise

Safe and efficient logistics

Optimised commercial value



# STRUCTURE, BUSINESS AND SUPPLY CHAINS

NEOT is a compact but highly knowledgeable fuel procurement and logistics company. We supply fuel products to our owners, St1 and S Group, for use in Finland, Sweden and Norway, as efficiently and sustainably as possible.

NEOT specializes in oil and renewable products wholesale in Finland, Sweden and Norway and actively operates on the global trading market. Each year we supply around 6 billion liters of fuel products to our owners SOK and St1. In 2023, NEOT Group employed 58 people and our revenue was 7.4 billion euros.

We have a highly optimized supply chain and logistics processes through which our products finally reach our owner-customers. However, since the nature of our business is trading, we do not own or operate production facilities, and the execution of our logistics operations is also outsourced to reliable external partners.

**Supply**  
St1's Gothenburg refinery is our most important source of supply and acts as our product

blending hub. Most of our oil products come from refineries in Finland, Sweden, Denmark, Norway. Renewable fuels are sourced globally.

**Logistics**  
NEOT's road transport operations focus upon Finland where we cooperate with 10 reliable haulier partners. Majority of our shipping operations are conducted with time-chartered (TC) vessels. The rest is done with Contracts of Affreightment (COA) and SPOT chartered vessels.

NEOT also operates six terminals in Finland (Hamina, Vaasa, Pori, Oulu, Varkaus and Kuopio) and holds rented capacity in one terminal (Inkoo) in Finland. We use railways for transfers between three terminals in Finland.

Share of sea voyages done with time-chartered vessels

72%



Annual sea voyages

~390



Time-chartered (tc) vessels

6



LNG-powered tc vessels

5



Driven kilometers

13.4 million



Retail station deliveries in Finland

~112,000

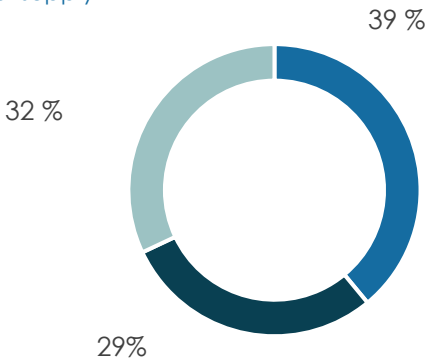


Fuel oil deliveries in Finland

~130,000

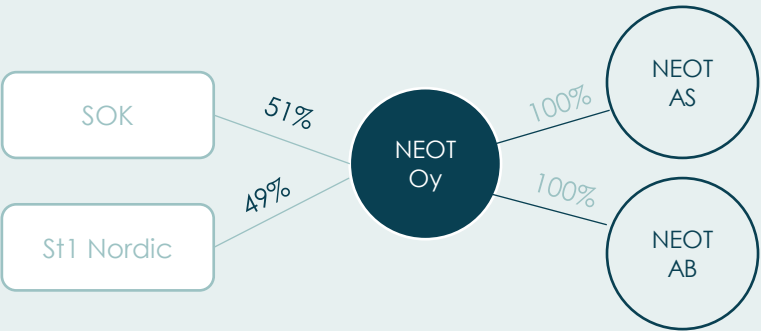


SUPPLY BY COUNTRIES  
in 2023, % of total supply



■ Finland ■ Sweden ■ Norway

## OWNERSHIP STRUCTURE



# PRODUCTS AND FEEDSTOCKS

Traceability and sustainability of supply chain is one of our strategic development areas and we are committed to continuously improving our performance. We operate only with suppliers and partners who can demonstrate sustainable operations.

### Renewable fuels

We source renewable fuels globally and all renewable fuels supplied by NEOT are traceable and fully compatible within the required regulations in the markets we operate in. We source renewable fuels only from suppliers complying with the EU's sustainability criteria. In 2023, 82 % of the renewable fuels we sourced were produced from waste and residue feedstocks.

### Fossil fuels

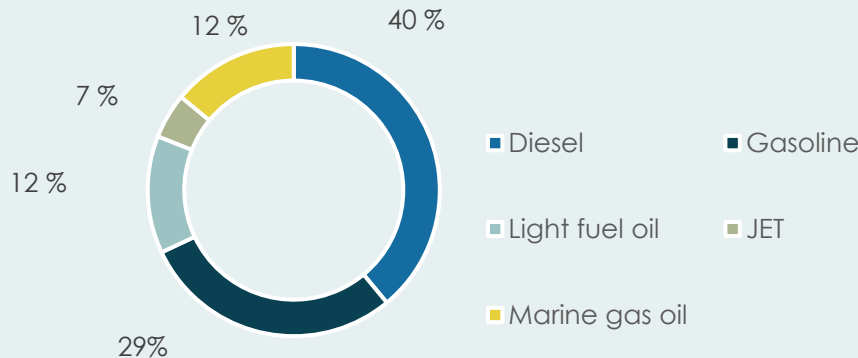
NEOT sources fossil fuels from trusted long-term partners and most of our fossil-based products are sourced from the Baltic Sea region, mainly from refineries in Finland, Sweden, Denmark and Norway.

Unlike renewable fuels, fossil-based oil products do not have obligatory sustainability or traceability requirements. The lack of compulsory requirements creates challenges for the availability of information about the origin of the crude oil.

According to publicly available information and the information received from our suppliers, the majority of the crude oil utilised in NEOT's supply chain originates from Norway or the North sea. Other countries or areas of origin for crude oil in our supply chain include, e.g. US and West Africa. NEOT does not directly source oil products from Russia and has not been dependent on Russian imports, even before Russia's attack in Ukraine.

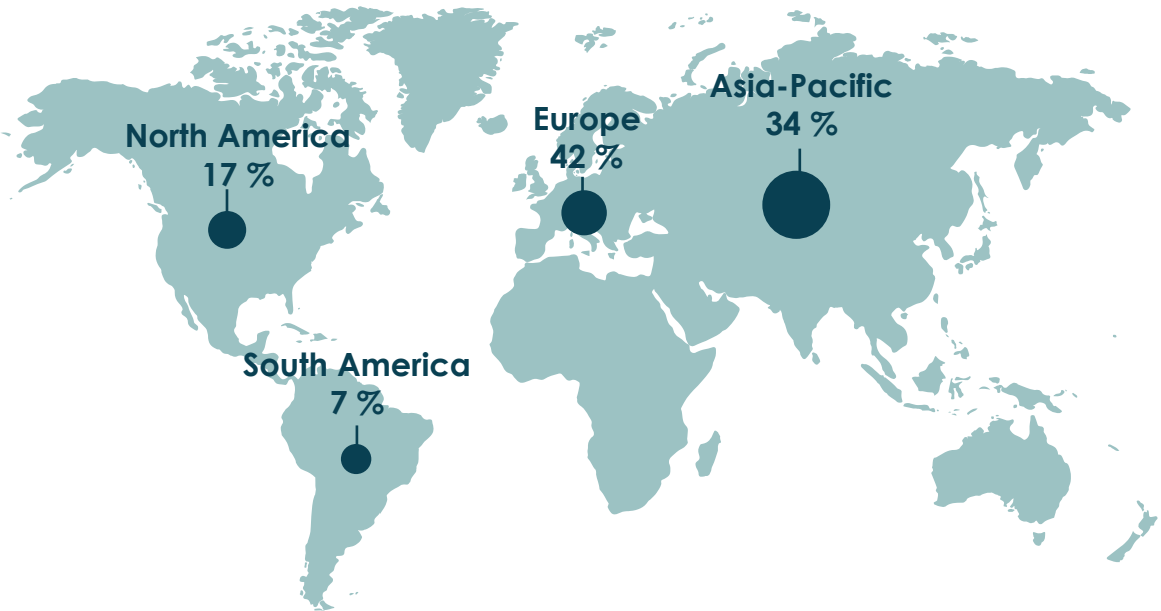
### SUPPLIED FUELS BY PRODUCT CATEGORY

% in 2023, incl. fossil and renewable products



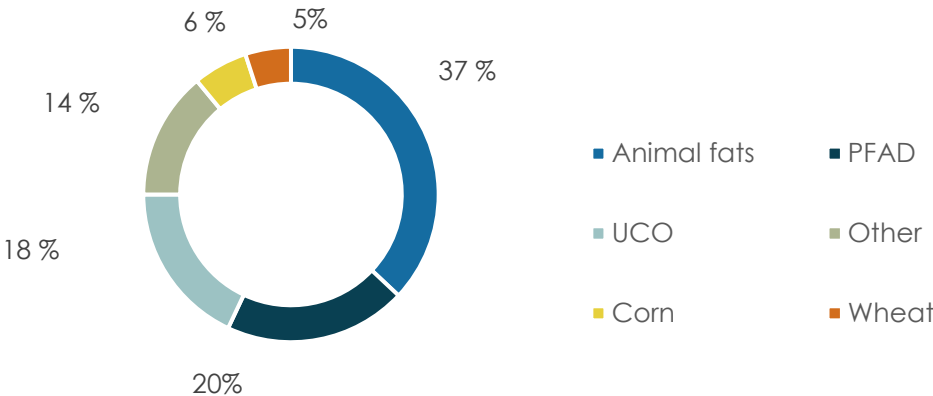
### RENEWABLE FEEDSTOCK ORIGINS

by region in 2023, % of total supply



### FEEDSTOCK BREAKDOWN OF RENEWABLE FUELS

in 2023, % of total supply



# POLICIES AND PRINCIPLES

We acknowledge our operations may directly or indirectly cause adverse impacts to people and human rights.

Our approach to human rights is based on the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights (UNGP). The UNGP outlines the duty of governments to protect human rights and businesses' responsibility to respect them as well as offer appropriate and effective remedies if those rights are breached.

We respect the rights stated in the International Bill of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. Our official Human Rights Commitment was adopted in 2018.

Our everyday work and decision-making is guided by NEOT policies and principles and our respect towards human rights is embodied in these policies:

- **Human Rights Policy** – outlines our commitment to respect fundamental human rights
- **Code of Conduct** – sets the ground rules for NEOT employees
- **Supplier Expectations** – sets the ground rules for our suppliers within our supply chain

In 2024, we are planning to review and, if necessary, revise these policies.

Key components of NEOT's Human Rights Policy:

- Human Rights Commitment
- Fair wages and working hours
- Freedom of association and collective bargaining
- Discrimination
- Health and safety
- Forced labour
- Child labour and young workers
- Communities
- Corruption
- Privacy

For us, it is important that our stakeholders are heard, and that we foster open dialogue in all aspects of our value chain. We take any misconduct or breaches seriously. All our employees and stakeholders are encouraged to react to any unethical behaviour or action contravening NEOT Code of Conduct or current legislation.

Our employees can report their observations of misconduct to their supervisor, NEOT's employee health and safety representative, occupational health care professionals or through SpeakUp®, an anonymous communication channel that is open to all our stakeholders. The notifications received through SpeakUp® service will be processed confidentially in NEOT Compliance Committee.

The full policy documents can be found on our website at [Policies and principles – NEOT](#).

## NEOT'S HUMAN RIGHTS DUE DILIGENCE APPROACH





# RISK ASSESSMENT AND MANAGEMENT

Our first materiality assessment was carried out in 2018 and was updated during 2022 and 2023. Previously, the process has consisted of identifying the actual and potential impact our operations have on the environment and people, directly or indirectly. Due to the requirements set out in the new EU regulation, Corporate Sustainability Reporting Directive, we complemented our materiality assessment with a financial impact assessment in 2023.

**Impact materiality process**

Based on the significance of operations, the impact assessment focused on the supply chains of our main products - renewable and fossil fuels. For renewable fuels, the assessment focused on the most used feedstocks and their geographical origins. We have also previously performed a company-level human rights impact assessment. Both assessments cover negative as well as positive impacts. The severity of the impacts was evaluated based on their scale, scope and remediability.

The impact assessment included desktop research as well as stakeholder engagement and the process was supported by an external expert. The impact assessment was partly made in cooperation with our other owner, St1, as the value chains of these two companies are strongly intertwined.

**Financial materiality process**

The financial impact assessment is aimed at identifying and prioritising the financial impact of sustainability-related risks and opportunities. Results from NEOT's corporate risk assessment work and impact materiality assessment served as the basis for the financial materiality assessment. In addition, industry-related risk reports and peer

review were used as data sources. The process was led by NEOT's sustainability team, and the financial impacts evaluated together with internal experts responsible for the key operations at NEOT.

Risks and opportunities were prioritised based on their magnitude and likelihood. The most important risks identified through this assessment will be integrated into NEOT's corporate risk management process.

**Addressing the material topics**

Based on the impact and financial materiality assessment, we found salient adverse human rights impacts affecting the whole value chain, including our own personnel, logistics partners and upstream supply chain. The next step is conducting a gap analysis of needed mitigation efforts. Several existing initiatives already address the issues we identified.

Our own employees' health is supported by strong employee healthcare, access to an external mental health coaching service and a lifestyle health and well-being project conducted in 2023. We offer safety training to the drivers employed by our logistics partners, online and in person, and report and review all accidents and near-misses.

Our own employees and road transport partners are based in Finland and all employment contracts are in accordance with Finnish legislation. The risk of forced labour and modern slavery is more salient upstream in our supply chain. Supplier management is the most important tool for preventing or mitigating negative impacts resulting from our upstream value chain. Our supplier management measures are described on the two next pages.



**NEOT'S SALIENT HUMAN RIGHTS ISSUES**



**HEALTH AND SAFETY**

Health and safety of employees, sub-contractors, and all workers throughout our value chain

Road safety of local communities around facilities



**FORCED LABOUR AND MODERN SLAVERY**

Trafficking

Migrant workers

# SUPPLIER DUE DILIGENCE

Some of our salient adverse human rights impacts are found in the upstream operations of our value chain, where we have only limited visibility or influence. Therefore, supplier management practices are among the most important tools for preventing or mitigating the most severe negative impacts present in our value chains.

As a buyer of final products, we have limited visibility to the upstream parts of our supply chains. Therefore, we are continuously developing our supplier management practices to gain better visibility, as well as influence, on the impacts occurring in our supply chains.

The two key measures of our supplier due diligence work are including sustainability requirements in contracts with our suppliers and conducting a risk-based sustainability review when onboarding new suppliers. In 2023, NEOT's Code of Conduct and Supplier Expectations or suppliers' own corresponding requirements were incorporated into fuel term contracts accounting for 92 % of the total term contract volumes. The requirements, of NEOT or the supplier, are acknowledged and committed to, but not formally signed. Our Human Rights Policy and international human rights agreements are referred to in the Code of Conduct and Supplier Expectations.

**Supplier sustainability review**

All counterparties supplying fuel components to NEOT are subject to our supplier sustainability review process. In the review process, all suppliers receive a risk classification, which determines the appropriate follow-up actions. The risk classification draws on factors like the supplier's response to a self-assessment questionnaire, general risks related to the countries the supplier operates in and sources products from, results of an adverse media screening, and the supplier's existing sustainability and risk mitigation practices and policies.

To evaluate the base risk level of the suppliers' operating and sourcing countries, we utilize a country risk assessment model using risk indicators across 15 different topics. These include fundamental human and labour rights, environmental and climate risks, business ethics, among other factors. The questionnaire includes a request of commitment to the principles of our Supplier Expectations.

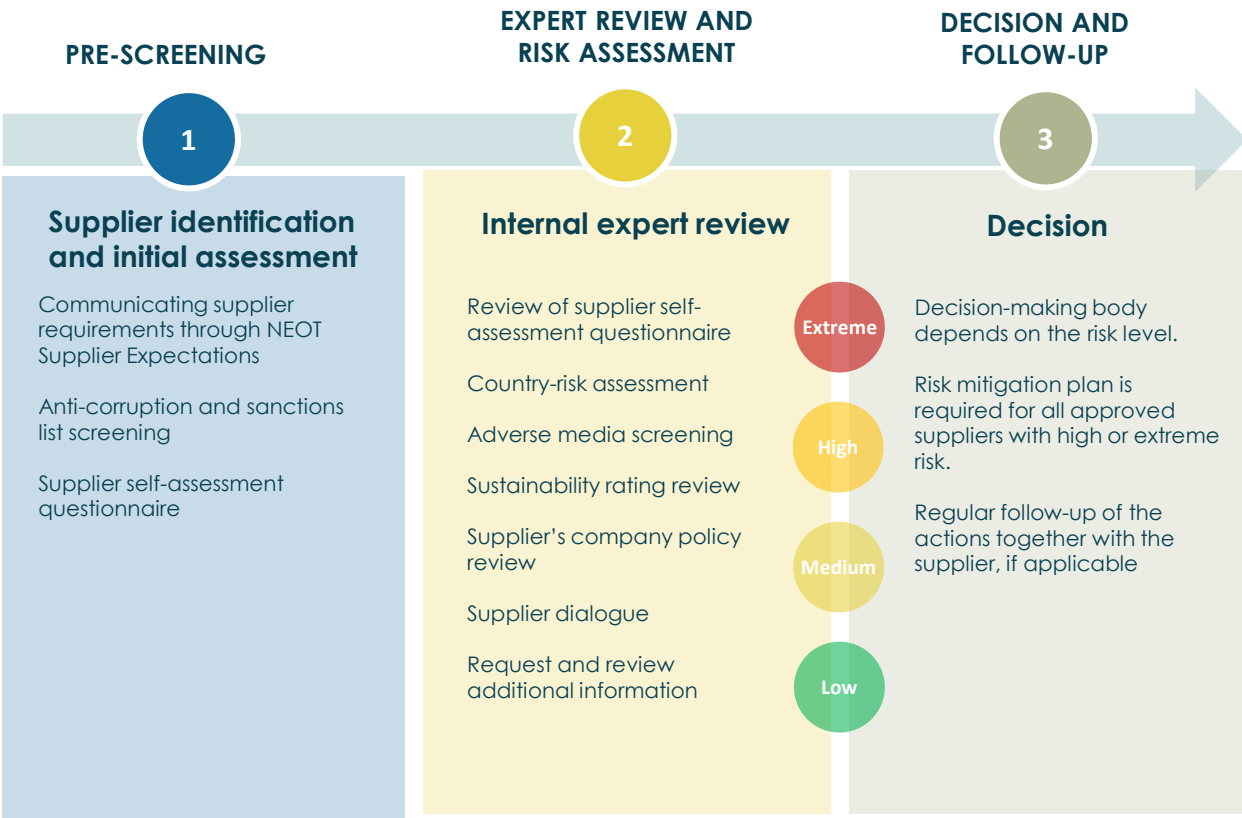
**Responsibilities**

The sustainability review is conducted by the NEOT Sustainability team, who send in the questionnaire, communicate with the supplier on any follow-up questions, conduct the review of the questionnaire response, adverse media, country-risks and company policies, and finally assign a risk level to the supplier.

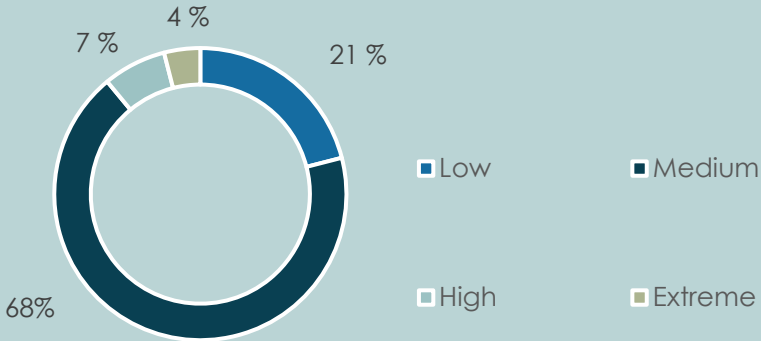
If the risk level is low or medium, the Sustainability team members can approve the supplier directly. In cases where the supplier is assigned a high risk level, approval and appropriate follow-up actions are decided by the Sustainability Director, the Sustainability team lead. In exceptional cases of extreme risk level suppliers, the decision-making body consists of NEOT's CEO, Commercial Director and Sustainability Director.

The anti-corruption and sanctions list screening is conducted by the Treasury & Group Risk Management team. The Contract department is responsible for incorporating NEOT's sustainability requirements in contracts.

## SUPPLIER DUE DILIGENCE PROCESS



**SUPPLIERS IN EACH RISK CATEGORY**  
of reviewed fuel suppliers, in %





### **Current progress**

Currently, our development efforts are focused on strengthening the continuous assessment process for our existing suppliers. We review our existing fuel suppliers by gathering information via the same self-assessment questionnaire used in the onboarding process for new suppliers.

During the year, on a Group level, we assessed 68 % of our existing suppliers and all new suppliers and categorized them into four risk levels. For NEOT AS, in 2023 over 60 % of the supply came from one supplier who committed to our Supplier Expectations and was cleared through our due diligence process. For high and extreme risk suppliers, we are developing follow-up actions and closely monitoring the situation. The appropriate actions depend on the reason for the increased risk classification and the risks identified but generally include requesting suppliers to adhere to our policies and principles and conducting the review again to monitor progress, or contractually ensuring the right to audit the supplier on compliance, by NEOT or an independent verifier. Procedures for suppliers that refuse to cooperate will be decided on a case-by-case basis if such a situation should occur.

Additionally, all existing suppliers were re-run through our anti-corruption and sanctions list screening process in 2023. In 2024, we will continue reviewing our current supplier base and focus on developing continuous assessment processes and follow-up measures, while continuing to review all new suppliers.

### **Results**

The assigned risk level is based on various factors considered in the sustainability review. We use a tool drawing on various public sources to determine the risk level of the

countries where the supplier operates and sources products and raw materials from. This, supported by the adverse media screening forms the baseline risk level of the supplier and can highlight key risk areas. The supplier's documented policies and requirements to their supply chain can lower the risk level if they appropriately address the risks.

As forced labour and modern slavery were identified as key risks in the supply chain, we pay special attention to our supplier's labour rights policies, both internal and those communicated upstream in their supply chain. In our supplier sustainability review, we look for suppliers' commitments to a zero-tolerance on child labour and forced labour, the right to collective bargaining, fair remuneration and working hours compliant with relevant legislation. These principles are also found in NEOT's Supplier Expectations, which we ask our suppliers to commit to and forward the requirements in their supply chain.

According to the results of our materiality assessment forced labour may occur for instance in agricultural biofuel feedstock plantations, production facilities particularly in China, or fossil fuel upstream operations. Especially migrant workers and ethnic minorities are at risk. Of the biofuels we sourced in 2023, the share of agricultural crop-based feedstocks was 18 %, while 34 % originated in the Asia-Pacific region (see p. 5).

Through our materiality assessment and supplier due diligence work, we have identified potential adverse impacts. The only actual material adverse human rights related impacts identified in the materiality assessment are related to occupational health and safety of our logistics partners' drivers.

# NEXT UP

We strive to continuously deepen our understanding about human rights and the impacts our operations have on people throughout our value chain. We are continuously working to improve our due diligence processes and align them with the OECD Due Diligence Guidelines and the United Nations Guiding Principles on Business and Human Rights.

In 2024, we aim to improve our performance on human rights due diligence, for example, with the following actions:

- Further developing our fuel supplier due diligence and clearance process, in collaboration with our owners
- Finalising sustainability clearances of all our existing fuel suppliers, and developing follow-up processes
- Reviewing our Code of Conduct, Human Rights Policy and Supplier Expectations

- policies, and offering training on the topics to our employees and partners
- Incorporating NEOT sustainability requirements or equivalent into all fuel term and spot supply contracts





## Signatures to the Norwegian Transparency Act Statement for the year 2023

Board of Directors of NEOT AS



Henrikki Talvitie  
Chair



Petri Appel  
Board Member



**NEOT**