COVID-19’s Impact on Sourcing Waste and Residue Feedstocks in APAC

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Neste’s renewable raw material portfolio consists of over 10 different waste and residue oils and fats and vegetable oils.

Target to grow the share of waste and residues from the current 80% to 100% of renewable raw material inputs by 2025.

All renewable raw materials Neste uses are sustainably produced* and traceable to the place of origin.

Products have consistent high quality independent of raw material used.

*Meeting or exceeding e.g. EU RED requirements
Extensive portfolio of globally-sourced sustainable raw materials

- Animal fat from food industry waste
- Fish fat from fish processing waste
- Vegetable oil processing waste and residues (e.g. PFAD, PES, SBEO)
- Used cooking oil
- Technical corn oil
- Palm oil
- Rapeseed oil
- Soybean oil
- Camelina oil in projects only
- Jatropha oil in projects only

80% waste and residues to 100% by 2025
Significant increase in waste and residue usage

80% waste and residues to 100% by 2025
Coronavirus Disease 2019 Outbreak

COVID-19
Restrictions in Australia

Stage 3 & 4:

- You can only leave home for one of the following 4 reasons, necessary goods and services, exercise, care and health care, work.
- Stay within 5km from home for shopping and exercise.
- Only one person per household can leave home to get necessary goods and services and only once a day
- Food courts, pubs, bars and clubs will be closed. Restaurants and cafes can continue to open for takeaway and delivery only
- If you can work from home, you must work from home.

Stage 4 only:

- Only Permitted Work Premises may operate with on-site operations during the restricted activity period in the Restricted Area, and only to the extent permitted.
Singapore circuit breaker

Before June

- Closure of entertainment venues, tuition and enrichment centres and places of worship
- **Malls, retail establishments and tourist attractions were required to reduce their crowd density**
- Gather of more than 10 people outside of work and school are prohibited
- **All food establishments were only allowed to offer take-away, drive-thru and delivery of food.**
- All non-essential workplaces closed from Apr.7
- **Restrict entry to certain hotspots like some essential retail franchises.**

Since June

Phase 1: Safe Re-opening
- Business that do not pose high risk re-open (food shops, food manufacturing)
- Leave home only for essential activities
Phase 2: Safe Transition
- More business re-open with safe management measures
- All students fully return to school
Phase 3: Safe Nation
- Gatherings and events resume with sizes limited
Restrictions in China

**Q1**

- Hubei province was quarantined from Jan.23 to Mar.25
- Almost all the CNY celebration activities were cancelled
- Halt business across almost all sectors and stepped up quarantine and transport restriction
- All the restaurants were closed or only offered take away and food delivery
- In many provinces and municipalities, only one or two person per household can leave home simultaneously

**Q2**

- Wuhan lifted its 76-day outbound traffic restrictions; and local work and daily life began to return to normal.
- From Apr. 30, the public health emergency response was lowered to Level 2 in provinces and municipalities.
- May 21-27: The Third Session of the 13th National Committee of the Chinese People’s Political Consultative Conference was held in Beijing. May 22-28: The Third Session of the 13th National People’s Congress was held in Beijing.
News in Q1

● Many overseas port authorities were increasing restrictions on vessels coming from China

● COVID-19 triggered unprecedented drops in economic activity in China. Retail sales fell 21% YoY during the first two months, while industrial production declined 13.5% YoY

● Europe’s largest supplier in Asia, China, faced a disruption in collection during January and February.

● For the first time in decades, the Chinese economy contracted due to the COVID-19 outbreak. GDP shrank 6.8% YoY in the first quarter. While the government is lifting restrictions on movement and business activity, overseas lockdowns are weighing on exports and hindering efforts to bolster production.
UCO shipments to Europe in Q1

European UCO imports from Asia continued falling in February

EU imports from China fell in January and February amid COVID-19 outbreak
News in Q2

- Some buyers see availability of waste and residue feedstocks being impacted significantly in the short-term due to COVID-19 related downturn in activity of restaurants, meat processing and ethanol production observed right now.
- China’s UCO exports on a gradual recovery as COVID-19 restrictions ease. Domestic UCO availability has increased, UCO shipments to Europe are likely to continue recovering in the next few months, but the increase could be capped as Europe has yet to resume its full appetite for cargoes.
- China cooking oil demand recovering as more restaurants reopen. Inventories of China’s most popular cooking oil are falling as the coronavirus shutdown in the country ends.
Supplier Approval Process
Only sourcing from approved, sustainable counterparties

Invitation of New Suppliers

Suppliers & Sub-suppliers

Supply Chain

Delivery Forms
View delivery forms reported by the suppliers, and assign a status for the delivery forms.

Sustainable Deliveries
Sustainability and traceability for every physical delivery

INVITE A NEW SUPPLIER

DIGITAL SUSTAINABILITY PLATFORM FOR NESTE’S RENEWABLE FEEDSTOCK SUPPLIERS
Our journey towards a digital platform for renewable raw materials

Sustainability hackathon
Outside in ideas for Neste’s supply chain sustainability

May 2017

Decision for own platform
- Link to operational activities
  - Data & Ownership
  - Flexibility & Control

Nov 2017

Beta version
Minimum Viable Product for testing and use based improvement

Dec 2018

Agile development
Gradual improvement & constant engagement with the end users

May 2018

Proof of Concept
Further scoping of supplier and internal needs

Nov 2017

Future
Prospect pool, data & analytics, new markets & feedstocks, enhanced sustainability support...

2020 -

SSP 1.0 version
Fully functional with supplier on-boarding and delivery documentation processes

Dec 2019

May 2017

Medium to long-term plans
- Sustainability support
- New markets & feedstocks
- Data & analytics

Dec 2019

SSP 1.0 version
SSP supports gathering information on suppliers’ Sustainability performance
We accept only sustainably-produced renewable raw materials from suppliers who

● meet our strict criteria and

● fully comply with the industry-specific regulatory requirements in our key markets.
Development of Virtual Audit

- Online platform: Team server, Skype, Go To Meeting, Google Hangouts.
- Others requirements: shared folders such as google drive, sharepoint, box for exchanging large documents, or screen sharing if data storing is a concern, IT security to ensure confidentiality, identify physical constraints (signature needed, access to company’s management system), test feasibility and identify obstacles in advance (technology, language, culture, time zone)