



Neste in 2015

# Corporate Governance Statement

**NESTE**

# Corporate Governance Statement 2015

This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Corporate Governance Code 2010 and Chapter 7, Section 7 of the Securities Markets Act, and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and can be consulted online at [www.neste.com/Investors](http://www.neste.com/Investors).

## Regulatory framework

Neste observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the Company's own Articles of Association, and the Finnish 2010 Corporate Governance Code. The Corporate Governance Code can be found at [www.cgfinland.fi](http://www.cgfinland.fi).

Neste also complies with the rules of NASDAQ Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority.

Neste's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, PricewaterhouseCoopers Oy, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

Neste issues consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Markets Act, as well as the appropriate Financial Supervisory Authority standards, and NASDAQ Helsinki Ltd.'s rules. The Review by the Board of Directors and the Parent Company's Financial Statements are prepared in accordance

with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

## Governance bodies

The control and management of Neste is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President & Chief Executive Officer. Ultimate decision-making authority lies with shareholders at the AGM. The latter appoints the members of the Board of Directors and the Company Auditor. The

### Neste's Governance Bodies



Board of Directors is responsible for Neste's strategy and overseeing and monitoring the Company's business. The Board of Directors appoints the President & CEO. The President & CEO, assisted by the Neste Executive Board (NEB), is responsible for managing the Company's business and implementing its strategic and operational targets.

Neste's headquarters are located in Espoo, Finland.

### Annual General Meeting

Under the Finnish Companies Act, shareholders exercise their decision-making power at General meetings of Shareholders, and attend meetings in person or through an authorized representative.

Each share entitles the holder to one vote.

Shareholders at the Annual General Meeting take decisions on matters including:

- the approval of the Financial Statements
- the distribution of profit for the year detailed in the Balance Sheet
- discharging the members of the Board of Directors and the President & CEO from liability, and
- the election and remuneration of the Chair, the Vice Chair and the members of the Board of Directors and the Auditor.

The Annual General Meeting is held annually before the end of June. An Extraordinary General Meeting addressing specific matters can be held, when considered necessary by the Board of Directors, or when requested in writing by the Company's Auditor or by shareholders representing at least one-tenth of all Company shares.

Under the Articles of Association, an invitation to the Annual General Meeting shall be delivered to shareholders by publishing it on the Company's website [www.neste.com](http://www.neste.com) no earlier than two months and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company shall publish details on the date and location of the meeting, together with the address of the Company's website, in one or more newspapers within the same period of time. Neste is not aware of any shareholders' agreements regarding the Company's shares.

### 2015

The 2015 AGM was held in Helsinki on Wednesday 1 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2014 and discharged the Board of Directors, and the President and CEO from liability for 2014. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2014, sanctioning payment of a dividend of EUR 0.65 per share. This was paid to all shareholders included in the register of shareholders maintained by Euroclear Finland on the record date set for payment of the dividend, which was 7 April 2015. The payment was made on 14 April 2015. The AGM also decided the composition of the Board of Directors and the remuneration to be paid to the members of the Board of Directors, and appointed the Company Auditor.

### Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Shareholders' Nomination Board to be responsible for drafting and presenting proposals covering the remuneration and number of members of the Company's Board of Directors and for presenting candidates as potential Chair, Vice Chair and members at the Board to the AGM and to an Extraordinary General Meeting of Shareholders where needed. The Shareholders' Nomination Board shall also be responsible for identifying successors for existing Board members.

The Shareholders' Nomination Board shall consist of four (4) members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member.

The Company's largest shareholders entitled to elect members to the Shareholders' Nomination Board shall be annually determined on the basis of the registered holdings in the Company's list of shareholders held by Euroclear Finland Ltd. as of the first weekday in September in the year concerned. The Chair of the Company's Board of Directors shall request each of the three largest shareholders established on this basis to nominate one member to the Shareholders' Nomination Board. In the event that a shareholder does not wish to exercise his or her right to appoint a representative, the right shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Chair of the Board of Directors shall convene the first meeting of the Shareholders' Nomination Board, which will be responsible for electing a Chair from among its members; the Shareholders'

Nomination Board's Chair shall be responsible for convening subsequent meetings. When the Shareholders' Nomination Board has been selected, the Company will issue a release to this effect.

The Shareholders' Nomination Board shall serve until further notice, unless the AGM decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

The Shareholders' Nomination Board shall forward its proposals for the AGM to the Company's Board of Directors annually by 31 January, prior to the holding of the AGM. Proposals intended for a possible Extraordinary General Meeting shall be forwarded to the Company's Board of Directors in time for them to be included in the invitation to the meeting sent out to shareholders.

### **Composition of the Shareholders' Nomination Board prior to the 2016 AGM**

On 3 September 2015, the following members were appointed to Neste's Shareholders' Nomination Board: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Mikko Mursula, Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste's Board of Directors.

The above mentioned Shareholders' Nomination Board convened 4 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 25 January 2016.

### **Activities**

The Shareholders' Nomination Board drafts proposals for the following AGM on the following:

- the number of members of the Board of Directors
- the Chair, the Vice Chair and the members of the Board of Directors, and
- the remuneration to be paid to the Chair, the Vice Chair, and the members of the Board of Directors.

### **Shareholders' Nomination Board members:**

#### **Eero Heliövaara**

M.Sc. (Econ.) and M.Sc. (Eng.). Chair of the Shareholders' Nomination Board.

Born 1956.

Director General of the Ownership Steering Department, Prime Minister's Office. Member of the Boards of Paulig Ltd, Foundation for the Finnish Cancer Institute, HLD Healthy Life Devices Oy, and Solidium Oy. Chair of the Shareholders' Nomination Board of Neste, Finnair, and Fortum.

#### **Mikko Mursula**

M.Sc. (Econ.), Helsinki School of Economics, 1992, Member of the Shareholders' Nomination Board.

Born 1966.

Chief Investment Officer of Ilmarinen Mutual Pension Insurance. Member of the Nomination Boards of Neste, Metso, Outotec, Suominen, Munksjö, Oriola KD and Ekokem.

#### **Reima Rytsölä**

M.Sc. (Pol.Sc.), University of Helsinki, CEFA (1998), Svenska handelshögskolan, AMP (2010), Harvard Business School. Member of the Nomination Board.

Born 1969.

Executive Vice-President, Investments in Varma Mutual Pension Insurance, Member of the Board of VVO Group. Member of Nomination Boards of Neste, Uponor, Tikkurila, Suominen, Elisa and Componenta.

### **Composition of the Shareholders' Nomination Board prior to the 2015 AGM**

The Shareholders' Nomination Board responsible for preparing the 2015 AGM comprised Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste's Board of Directors.

The Shareholders' Nomination Board convened 5 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 20 January 2015.

## Board of Directors

In accordance with Neste's Articles of Association, the Board of Directors has between five and eight members, which are elected at the AGM for a period of office that extends to the following AGM.

## Activities

The Board shall meet as frequently as necessary, with approximately 9 to 12 regular meetings annually, all scheduled in advance. In addition, extraordinary meetings, if requested by a Board member or the President & CEO, shall be convened by the Chair, or, if the Chair is prevented from attending, by the Vice Chair, or if deemed necessary by the Chair. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively after the end of each financial year.

## Duties

The Board's responsibilities and duties are defined in detail in the Board's Charter and cover the following main areas:

- being responsible for the administration and appropriate organization of the operations of the Neste Group in compliance with relevant legislation and regulations, the Company's Articles of Association, and instructions provided by the Annual General Meeting
- approving of the strategy of Neste and being responsible for supervising and steering its business
- deciding on Neste's key operating principles
- confirming the annual performance plan
- approving the annual financial statements and interim reports
- deciding on major investments and divestments
- confirming Neste's values and most important policies and overseeing their implementation
- appointing the President & CEO and his or her immediate subordinates and deciding on their remuneration

- confirming the Neste Executive Board's and Neste's organizational and operational structure at senior management level
- determining the Company's dividend policy to be followed when making a proposal regarding dividends to the AGM, and
- being responsible for its other duties in accordance with the Limited Liability Companies Act, Articles of Association and other charters.

A member of the Board of Directors may not take part in decision-making in matters regarding (i) agreements between such member and any entity within the Neste Group, (ii) agreements between any entity within the Neste Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste or any other entity within the Neste Group, and (iii) agreements between any entity within the Neste Group and a legal entity which such member may represent, either individually or together with any other person; provided, however, that this point (iii) does not apply where the party contracting with Neste is a company within the Neste Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

## 2015

The 2015 AGM confirmed the membership of the Board of Directors as being comprised of seven members, and the following were re-elected to serve until the end of the next AGM: Mr Jorma Eloranta, Ms Maija-Liisa Friman, Ms Laura Raitio, Mr Jean-Baptiste Renard, Mr Willem Schoeber, and Ms Kirsi Sormunen. Mr Marco Wirén was elected as a new Board member. Mr Eloranta was re-elected as Chair and Ms Friman as Vice Chair.

Mr Per-Arne Blomquist's membership in the Board of Directors ended at the AGM held on 1 April 2015.

The Board met 13 times in 2015 and attendance percentage was 93%. In its work in 2015, the Board of Directors focused on monitoring the company's financial performance and status, oversaw strategy execution and evaluated the changes in the operational environment and their impact on company strategy. The Board made decisions related to refinery development and securing competitiveness. The decisions concerned, for example, the Porvoo refinery maintenance turnaround and the thermal and electrical power plant built as a joint venture. The Board paid attention to safety improvement and monitored the measures taken to improve production unit availability and to develop operating methods. The Board also monitored the increasing flexibility in the renewable product raw material base. In addition, the Board paid attention to improving risk control and took care of its other tasks pursuant to the charter.

Details on the independent status of members, their role in committee work, and their attendance at meetings can be found in the following table.

## Board of Directors, 31 December 2015

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance in meetings	
									Board	Committees
<b>Jorma Eloranta</b>	Chair	1951	M.Sc. (Tech.) Dr. (Tech.) h.c.	Non-Executive Director	•	•	•		100%	100%
<b>Maija-Liisa Friman</b>	Vice Chair	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•		•	100%	100%
<b>Laura Raitio</b>	Member	1962	Lic.Tech.	CEO of Diacor terveyspalvelut Oy	•	•	•		100%	100%
<b>Jean-Baptiste Renard</b>	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•	•		100%	100%
<b>Willem Schoeber</b>	Member	1948	Dr. (Tech.)	Non-Executive Director	•	•		•	90%	100%
<b>Kirsi Sormunen</b>	Member	1957	M.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%
<b>Marco Wirén</b>	Member	1966	M.Sc. (Econ.)	Executive Vice President, CFO	•	•		•	90%	100%

## Board of Directors, 1 January–1 April 2015\*

<b>Per-Arne Blomquist</b>	Member	1962	B.Sc. (Econ.)	CFO	•	•		•	66%	100%
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\* Per-Arne Blomquist's membership in the Board of Directors ended at the AGM held on 1 April 2015.

The shareholdings of members of the Board of Directors are presented on the company's web site. The remuneration paid to the members of the Board of Directors are detailed in the Remuneration Statement 2015.

## Members of the Board of Directors

Jorma Eloranta



M.Sc. (Tech.)  
Dr. (Tech.) h.c.  
Born in 1951  
Chair of the Board  
Member of the Board since 2011  
Independent member

President and CEO of Metso 2004–2011. President and CEO of Kvaerner Masa-Yards 2001–2003. President and CEO of Patria Industries Group 1997–2000. Deputy Chief Executive of Finvest and Jaakko Pöyry Group 1996. President of Finvest 1985–1995. Chair of the Boards of Suominen and Uponor. Chair of the Board and President of Pienelo. Vice Chair of Finnish Fair Foundation and member of the Board of Cargotec. Member of the Shareholders' Nomination Board of Neste and Suominen. Expert member of the Shareholders' Nomination Board of Uponor. Chair of Neste's Personnel and Remuneration Committee.

Maija-Liisa Friman



M.Sc. (Chem. Eng.)  
Born in 1952  
Vice Chair of the Board  
Member of the Board since 2010  
Independent member

President and CEO of Aspocomp Group Plc 2004–2007. Managing Director of Vattenfall in 2000–2004 and Managing Director of Gyproc 1993–2000. Chair of the Board of Helsinki Deaconess Institute Foundation. Member of the Boards of Finnair, LKAB and Securities Market Association. Chair of the Audit Committee of Finnair. Partner of Boardman. Member of Neste's Audit Committee.

Laura Raitio



M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)  
Born in 1962  
Member of the Board since 2011  
Independent member

CEO of Diacor Medical Services 2014–. Executive Vice President, Building and Energy 2009–2014 and Member of the Executive Management Team 2006–2014, Ahlstrom. Ahlstrom's Senior Vice President, Marketing (sales network, human resources, communications and marketing) 2006–2008. Ahlstrom's Vice President and General Manager for Wallpaper & Poster, Pre-impregnated Decor, Abrasive Base in Osnabrück, Germany 2002–2005. Managing Director of Ahlstrom Kauttua 2001–2002. Several managerial positions within Ahlstrom's specialty paper business since 1990. Member of the Boards of Boardman, Suominen and Terveyspalvelualan Liitto. Member of Neste's Personnel and Remuneration Committee.

Jean-Baptiste Renard



M.Sc. (Eng) an engineering diploma in petroleum economics from the French Petroleum Institute (IFP)  
Born in 1961  
Member of the Board since 2014  
Independent member

Founder and CEO, 2PR Consulting, independent energy expert and consultant. Several positions at BP 1986–2010; Regional Group Vice President for Europe and Southern Africa BP Plc 2006–2010, Group Vice President, Business Marketing and New Markets, and member of Downstream Executive Committee BP Plc 2003–2006. Non-Executive Director of Masana Petroleum Solutions (South-Africa), President of the Alumni Association of IFP School (French Petroleum Institute), Non-Executive Director of IFP Training; pro bono consulting for social entrepreneurs. Supervisory Board Member of Entreprenre&+. Member of Neste's Personnel and Remuneration Committee.

## Willem Schoeber



Dr. (Chem. Eng.)  
Born in 1948  
Member of the Board since 2013  
Independent member

Independent business consultant. Former Chair of the boards of directors of EWE Turkey Holding AŞ, Bursagaz AŞ and Kayserigaz AŞ 2010–2015. Member of the Management Board of EWE AG, responsible for power generation and international business 2010–2013. Chair of the Management Board at swb AG (Bremen), 2007–2011. Several positions at Royal Dutch Shell Group's companies 1977–2007, in particular in oil refining. Member of the supervisory board of Gasunie N.V. Member of Neste's Audit Committee.

## Kirsi Sormunen



M.Sc. (Econ.)  
Born in 1957  
Member of the Board since 2013  
Independent member

Vice President, Corporate Responsibility at Nokia until December 2013. Vice President, Head of Sustainability 2009–2012, Vice President, Head of Environmental Affairs 2004–2009 and Vice President, Strategy Development at Nokia 2003–2004. Also served as Senior Vice President of Finance, Control & Planning for Nokia Americas at Nokia Inc., Irving, Texas 1999–2003, Senior Vice President of Finance & Control at Nokia Telecommunications 1995–1999, and Vice President & Group Treasurer Head of Global Treasury activities at Nokia Group 1993–1995. Several positions within Nokia Group's Treasury functions since 1982. Member of the Board of DNA and member of the Board of Directors of Sitra, The Finnish Innovation Fund. Member of Neste's Audit Committee.

## Marco Wirén



M.Sc. (Econ.)  
Born in 1966  
Member of the Board since 2015  
Independent member

Executive Vice President and Chief Financial Officer Wärtsilä since 2013. SSAB, Executive Vice President and CFO 2008–2013; SSAB, Vice President Business control 2007–2008; Eltel Networks, CFO and VP Business Development 2002–2007; NCC, VP Business Development and Group Controller 1995–2001. Chair of Neste's Audit Committee.



## Board Committees

The Board has established an Audit Committee, which has four members, and a Personnel and Remuneration Committee, which has three members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. Committees meet at least twice a year. Each committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

### Audit Committee

Under its Charter, the Audit Committee shall consist of a minimum of three Board members that are independent of the Company and its subsidiaries and at least one of whom shall be independent of Neste's major shareholders. Members are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

### Duties

The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board and cover the following main areas:

- monitoring the Company's financial statement reporting process, and, as appropriate, interim reports
- supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- monitoring the most material risks of the Company and ensuring the proper management of the risks and risk management processes of the Company
- reviewing ICT structure
- reviewing the Company's Corporate Governance Statement, which includes a description of the main features of the internal control and the risk management systems pertaining to the financial reporting process
- monitoring the statutory audit of the Financial Statements and Consolidated Financial Statements
- evaluating the independence of the Company's Statutory Auditor, particularly the provision of related services to the company to be audited
- preparing the proposal or recommendation for resolution on the election of the Statutory Auditor
- reviewing all the material reports produced by the Statutory Auditor addressed to the Company or its subsidiaries
- evaluating the processes to ensure the Company's compliance with laws and regulations
- approving internal audit policy and reviewing the annual plan for Internal Audit and internal audit reports, and
- monitoring the Company's financial and credit position.

### 2015

The Audit Committee until 1 April 2015 comprised Per-Arne Blomquist (Chair), Jean-Baptiste Renard, Willem Schoeber and Kirsi Sormunen.

Starting from 1 April 2015, the Audit Committee comprised Marco Wirén (Chair), Maija-Liisa Friman, Willem Schoeber and Kirsi Sormunen.

During 2015, the Audit Committee convened 5 times and the attendance rate was 100%. In addition to its tasks pursuant to the Charter, the Audit Committee focused on financial reporting and risk control, and monitored market risk control related to renewable fuel business growth. The Audit Committee also focused on the development of ICT systems and upgrading the ERP.

## Personnel and Remuneration Committee

The Personnel and Remuneration Committee consists of the Chair of the Board and at least two non-executive members of the Board.

### Duties

The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in its Charter approved by the Board and cover the following main areas:

- Developing and monitoring effective remuneration policies that are in line with the value creation for shareholders and with the overall external remuneration market. Making proposals to the Board on compensation and incentive systems for key personnel.
- Evaluating the appropriate performance management, succession planning and talent development processes and programs. Preparing and proposing to the Board the appointments of the President & CEO and the members of the Neste Executive Board, and the terms and conditions of their employment, and
- Monitoring and evaluating the performance of the President & CEO and the members of the Neste Executive Board. Evaluation of the human resources strategy to ensure that appropriately talented and trained people are available to achieve the business strategy.

## 2015

The Personnel and Remuneration Committee until 1 April 2015 comprised Jorma Eloranta (Chair), Maija-Liisa Friman and Laura Raitio.

Starting from 1 April 2015, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Laura Raitio and Jean-Baptiste Renard.

In 2015, the Committee convened 8 times, and the attendance rate was 100%. In addition to the normal duties coming within the scope of its Charter, the Personnel and Remuneration Committee concentrated on discussing, reviewing, and developing the Company's remuneration principles and specially the design of the new LTI program. The Committee also monitored the functioning of short and long-term incentive plans to ensure that they supported the achievement of the objectives and helped improve the Company's performance. The Committee also focused on Neste's management review and succession planning practices and on the talent development and succession planning among key personnel.

## President & CEO

Neste's President & CEO, Matti Lievonen (b.1958, B.Sc. (Eng.), eMBA), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President & CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The President & CEO is appointed by the Board of Directors, which evaluates the performance of the President & CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee.

Information on the remuneration and shareholdings of the President & CEO can be found in the Remuneration Statement 2015.

## **Neste Executive Board**

The Neste Executive Board (NEB) assists the President & CEO in managing the Company and in the deployment of the Company's strategic and operational goals. Members are appointed by the Board of Directors. The NEB meets regularly, on average once a month. Information on the remuneration and shareholdings of the members of the NEB can be found in the Remuneration Statement 2015.

### **2015**

The Neste Executive Board comprised ten members and met 12 times in 2015. NEB focused on cash flow management by monitoring and guiding investments and working capital and by implementing an efficiency program targeting variable and fixed costs. NEB made strategy execution more effective by making decisions related to refinery development and the securing of competitiveness. The decisions concerned, for example, the Porvoo refinery maintenance turnaround and the thermal and electrical power plant built as a joint venture. NEB continued its work in order to improve safety, change operating methods, improve the availability of production units and to promote more customer-oriented operations.

## Members of the Neste Executive Board

Matti Lievonen



**President & CEO, Chair of the Neste Executive Board**

B.Sc. (Eng.), eMBA

Born in 1958

President & CEO since 1 December 2008

Joined the company in 2008. Served as President of the Fine and Speciality Papers Division at UPM-Kymmene Corporation, and in a number of other senior positions at UPM (1986–2008), and prior to that at ABB. Member of UPM-Kymmene's Executive Board 2002–2008. Chair of the Board of Nynas AB. Vice Chair of the Board of the Chemical Industry Federation of Finland. Member of the Board of SSAB AB. Chair of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company and Member of the Advisory Board of National Emergency Supply Agency. Member of the Supervisory Board of The Finnish Fair Corporation.

Matti Lehmus



**Executive Vice President, Oil Products**

M.Sc. (Eng.), eMBA

Born in 1974

Member of the Neste Executive Board since 2009

Joined the company in 1997. Responsible for the Oil Products business area. Previously served as Executive Vice President of the Oil Products and Renewables business area (2011–2014), Executive Vice President of the Oil Products business area (2009–2010), Vice President of the Base Oils business in the Specialty Products Division (2007–2009), Vice President of Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division. Chair of the Board of the Finnish Petroleum & Biofuels Association.

Kaisa Hietala



**Executive Vice President, Renewable Products**

M.Sc. (Physics), Finland and

M.Sc. (Env.Sc.), UK

Born in 1971

Member of the Neste Executive Board since 2014

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste, most recently as Vice President of the Renewable Fuels business (2011–2014), Vice President of Supply in Singapore (2009–2011), Commercial Director in Singapore (2008), and Feedstock Manager in the Renewable Fuels Business operations (2006–2008).

Antti Tiitola



**Executive Vice President, Oil Retail**

Commercial college graduate

Born in 1967

Member of the Neste Executive Board since 2014

Joined the company in 2014. Responsible for Oil Retail Business Area in Finland and the Baltic Rim. Served previously as Senior Vice President in Passenger traffic division of VR-Group Ltd (2012–2014), Managing Director of Lidl Finland (2000–2011), and in several marketing related positions in Örum Oy Ab (1992–2000). Member of the Board of Broman Group Oy, Raisio Oyj, and Verkkokauppa.com Oyj. Member of the Board of Finnish Petroleum & Biofuels Association, and German–Finnish Chamber of Commerce.

## Simo Honkanen



### Senior Vice President, Sustainability and Public Affairs

M.Sc. (Econ.)

Born in 1958

Member of the Neste Executive Board since 2009

Joined the company in 2006. Responsible for the Sustainability and Public Affairs activities. Served previously as Vice President, Marketing, Stakeholder Relations and Raw Material Procurement in the Renewable Fuels division (2008–2009), Vice President, New Ventures in the Components Division (2006–2007) and prior to that as Strategy Director in Shell Finland; Marketing Director, Retail in Shell Benelux and France; and in several other managerial positions in Finland and Sweden (1985–2005).

## Tuomas Hyryläinen



### Senior Vice President, Strategy and New Ventures

M.Sc. (Econ.)

Born in 1977

Member of the Neste Executive Board since 2012

Joined the company in 2012. Responsible for Strategy, New Ventures, Market Intelligence, and M&A operations. Served as Senior Vice President, Strategy (2012–2014). Prior to that served as Vice President for Strategy at F-Secure and served in various strategy and business development related positions at Nokia. Member of the Board of Directors of Nynas AB.

## Hannele Jakosuo-Jansson



### Senior Vice President, Human Resources and Safety

M.Sc. (Eng.)

Born in 1966

Member of the Neste Executive Board since 2006

Joined the company in 1990. Responsible for the Group's Human Resources and Safety corporate functions. Served as Vice President, Human Resources at Oil Refining and Neste Jacobs (2004–2005) and Laboratory and Research Manager at the Technology Center (1998–2004). Member of the Board of Directors of Munksjö, and Neste Jacobs.

## Osmo Kammonen



### Senior Vice President, Communications and Brand Marketing

M.Sc. (Laws)

Born in 1959

Member of the Neste Executive Board since 2004

Joined the company in 2004. Responsible for the Group's Communications and Brand Marketing. Served as Senior Vice President, Corporate Communications and Investor Relations; and Communications Manager in various companies in the electronics, engineering, construction materials, and forest products industries.

## Lars Peter Lindfors



### Senior Vice President, Technology

Ph.D. (Tech.), MBA

Born in 1964

Member of the Neste Executive Board since 2009.

Joined the company in 2007. Responsible for Research & Development, Investment Management, Information Technology, Procurement, and Business Processes. Served previously as Senior Vice President, Technology and Strategy (2009–2012), Vice President for the company's Research and Technology unit (2007–2009), Executive Vice President, Renewal and Development at Perstorp Group (2004–2007), Executive Vice President, R&T&D at Perstorp Group (2001–2004), and prior to that at Neste as R&D Manager and various other positions. Member of the Board of the Fortum Foundation, Finnish Foundation for Technology Promotion and Neste Jacobs.

## Jyrki Mäki-Kala



### Chief Financial Officer

M.Sc. (Econ.)

Born in 1961

Member of the Neste Executive Board since 2013.

Joined the company in 2013. Responsible for the Group's financial management, investor relations, and risk management. Served in various business and corporate financial positions at Kemira (2005–2013). Previously worked for Finnish Chemicals. Chair of the Board of Directors of Neste Jacobs.

## Matti Hautakangas



### General Counsel and Secretary to the Neste Executive Board, the Board of Directors, the Audit Committee, and the Shareholders' Nomination Board.

M.Sc. (Laws)

Born in 1963

Joined the company in 2003. Responsible for the Group's legal affairs. Secretary to the Neste Executive Board, Board of Directors, and the Audit Committee since 2004 and to the Shareholders' Nomination Board since 2013. Served previously as Legal Counsel, Oil Refining (2003–2004) and as an attorney-at-law at Procopé & Hornborg Law Offices Ltd. (1994–2003).

Not a member of the Neste Executive Board.

## Neste Executive Management Board

The Neste Executive Management Board (NEMB) is responsible for leading and setting operational business targets and monitoring progress on achieving them.

### 2015

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Strategy and New Ventures. The NEMB met 12 times in 2015.

### Company Auditor

The Annual General Meeting elects an Auditor annually, which must be an auditing company approved by the Finnish Central Chamber of Commerce. The Auditor's term of office ends at the end of the next AGM following election.

The Auditor is responsible for auditing the Company's accounts, its financial statements, the Review by the Board of Directors, and Neste's administration. The Auditor's Report covers the Review by the Board of Directors, the Consolidated Financial Statements and the Parent Company's Financial Statements, and can be found in the Financial Statements section of the Annual Report.

### 2015

PricewaterhouseCoopers Oy served as Neste's Auditor until 1 April 2015, with Authorized Public Accountant Mr Markku Katajisto as the principally responsible auditor. PricewaterhouseCoopers Oy was re-elected as the company's Auditor on 1 April 2015, until the end of the next AGM.

### Fees charged by the statutory auditors

Fees charged by the statutory auditor, PwC, EUR, 1,000	2015	2014
Audit fees	990	751
Other	1,517	698
Total	2,507	1,449

Fees charged by the former statutory auditor, EY, EUR, 1,000 *	2015	2014
Audit fees	–	250
Other	–	232
Total	–	482

\* Ernst & Young Oy served as Neste's Auditor until 3 April 2014.

### Internal Audit

Neste internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Neste. As a component in the corporate governance process, it supports the organization by systematic risk and assurance based approach to evaluate and improve the effectiveness of risk management and control and governance processes. Internal Audit evaluates the actualization of objectives, financial effectiveness, safeguarding of assets and compliance of laws and regulations. In the scope of each audit project Internal Audit assures also that the organizational structure and governance model enables efficient decision-making and steering system including clear roles and responsibilities and key policies and guidelines. In addition, the adequate monitoring systems and reporting practices are in the scope of audit.

Neste's Internal Audit is responsible of creating and executing the annual audit plan, proposing findings, recommendations and continuous improvement actions that add value for NESTE and mitigate risks in its operations. Neste's strategic and operative objectives and risks of businesses and functions related to them are the key elements of audit execution. To assure effective and efficient and value adding process internal audit co-operates actively with other Neste's assurance service functions and top management and shares best practices from process and governance point of view.

Internal Audit is also responsible for conducting special assignments on behalf of management or the Board of Directors' Audit Committee. As part of audits internal audit assesses that the values and code of conduct determined by Neste top management are complied. Neste has internal ethical online system where personnel can anonymously report misconducts and Internal Audit is responsible for evaluating and investigating cases. The possible irregularities or misconducts are investigated and reported regularly to the Board of Directors' Audit Committee.

Neste's Internal audit follows the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Internal Audit reports directly to Board of Directors' Audit Committee and administratively to the President & CEO. The Board of Directors is responsible for approving Internal Audit Charter and annual audit plan. Internal Audit Charter includes the determination regarding Internal audit position, operational model, process and reporting lines. Internal Audit has at least annually a non-executive meeting with the Audit Committee members and the Audit Committee Chairman. Neste's Head of Internal Audit is responsible for the internal audit operations, and manages in-house internal audit resources and operates as the coordinator towards outsourced service providers.

## 2015

Internal Audit function continued co-operation with other Neste assurance and service functions to enhance creation of risk based, effective and efficient audit, compliance and risk management activities.

Neste internal audit continued operating with co-sourcing model using audit resources and experts effectively in order to achieve audit related objectives. Neste's key business processes, projects and risk areas were analyzed as focus areas during the year 2015 including for example ICT information security, major ICT projects and inventory management.

## Compliance function

Neste conducts its business and operates in compliance with applicable laws, regulations and widely accepted practices for good corporate governance. Neste's Code of Conduct sets the core

requirements for its employees to follow. It is the responsibility of every employee to conduct his/her business activities and operations in compliance with these provisions. Compliance in Neste not only seeks adherence to formal laws and regulations but also promotes the integrity of company, its businesses and employees.

The purpose of Neste's Compliance function, established in 2015, is to strengthen the effectiveness of compliance within the company. It supports Neste's management in maintaining and developing the company's compliance practices. Compliance function works in close collaboration with Neste's Business areas, Common functions and other internal assurance organizations, in particular the Risk Management and the Internal Audit functions. Compliance function is headed by the Chief Compliance Officer (CCO), who reports to Neste's Chief Financial Officer.

## 2015

Compliance function focused on setting the foundation for the new activity. Steps were taken to establish the working procedures for a senior management level Compliance Committee and a company-wide Compliance Liaison Network. The purpose of these bodies is to strengthen Neste's compliance management in general and to increase awareness and information sharing on compliance related matters.

## Insider administration procedures

As part of compliance in Neste, the Company complies with the Insider Guidelines of NASDAQ Helsinki Ltd. that came into force as of 1 December 2015. The Company has also approved its own Guidelines for Insiders, which are more strict in some areas. The Company's closed window, for example, exceeds minimum NASDAQ Helsinki requirements.

The Company's Guidelines for Insiders are regularly updated and are available to all personnel. The Company arranges training on insider guidelines for personnel and expects that its guidelines are followed. The Company supervises compliance with insider guidelines by checking disclosed information with those concerned annually. The Company's General Counsel is responsible for the coordination and supervision of insider matters. The head of each common function or business area is responsible for supervising insider matters within his or her organization.



The members of the Board of Directors and the President & CEO, the Company's main responsible auditor, and the members of the Neste Executive Board and its secretary have all been classified as insiders subject to a declaration requirement. The holdings of Company securities by such insiders are filed in the public Insider Register, which can be consulted at the Company's web site. A public register is maintained in the insider register system of Euroclear Finland Ltd.

The Company has also designated certain other executives, as well as certain individuals responsible for the Company's finances, financial reporting, and communications, who receive insider information on a regular basis due to their position or duties, together with various other people who otherwise work for the Company and receive insider information on a regular basis, as permanent Company-specific insiders.

Permanent insiders may not trade in any Company securities during the period from the closing date of an interim or annual accounting period to the date of publication of the interim report or financial statements bulletin for that period. The minimum period concerned is always 28 days prior to the date of publication of the interim report or the financial statements bulletin ('closed window'). The publication dates of interim reports and financial statements bulletins are shown in the financial calendar at [neste.com/investors](http://neste.com/investors).

Individuals who participate in the development and preparation of projects that involve insider information, such as mergers and acquisitions, are considered project-specific insiders. Such people are included in a separate register of Project-Specific Insiders maintained by the Company's Legal Department.

## Main features of internal control and risk management systems pertaining to the financial reporting process

### Objectives

The objective of internal control over financial reporting at Neste is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement in accordance with applicable laws and regulations and internal requirements of control activities.

The system of internal control related to financial reporting in the Neste Corporation is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### Control environment

Under the Finnish Companies Act, the Board of Directors is responsible for ensuring that there is adequate control over the Company's accounts and finances. Responsibility for arranging this control is delegated to the President & CEO, who is required to ensure that the Company's accounts are in compliance with the law and that its financial management have been arranged in a reliable manner.

The Internal control in Neste is based on the Corporate structure whereby the operations are organized into business areas and services functions. The heads of business areas and finance function are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate internal control over financial reporting. To ensure sufficient control in business areas, the Neste controllers network has a key role in developing internal control system and reporting practices. In some key areas Corporate Finance department has centralized control responsibility.

Neste's values and management system containing formal Code of Conduct are the foundation of the control environment. The President & CEO and corporate management are responsible for emphasizing the importance of ethical principles and correct financial reporting. The structure of the organization and the resources allocated within it are designed to provide effective control over financial reporting and segregation of duties.

## Risk assessment

As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly. The assessment of risk includes risks related to fraud.

Based on risk assessment, the requirement for internal control has been included in the Principle and Instruction for Control over Financial Reporting-documentation which are to be obeyed in Neste Corporation.

## Control activities

Neste control activities include instructions, guidelines and procedures to ensure that the actions identified by management to address the relevant risks are carried out effectively. The Controller's manual is the most important guideline related to financial reporting systems and practices. Neste's entity-level and process-level control activities with respect to reliable financial reporting are described in the Principle and Instruction for Control over Financial Reporting- documentation. These establish the minimum control requirements covering also control activities related to transactions in relevant processes as well as controls carried out as part of the monthly reporting process. The other key risk and process level policies and guidelines are documented in Neste's management system.

## Communication

The Neste Corporate level communication practices support completeness and correctness of financial reporting. Neste personnel have access to adequate information and communication regarding accounting and reporting principles and guidelines. The main means of communicating the relevant matters for appropriate financial reporting are the Controllers' Manual and financial portal for controllers at common function and business areas. These contain instructions covering accounting principles, forecasting and reporting.

Neste Business areas make regular financial and management reports to the management review, including analysis and comments of financial performance. The Neste Executive Board receives financial

reports monthly. Interim Reports are reviewed in Audit Committee meetings, and thereafter by Board of Directors.

## Monitoring

The effectiveness of the controls is regularly monitored as part of management, as a control that was initially effective can become ineffective due to changes in the operating environment. Changes can also take place in the controls due to changed processes, IT systems or personnel.

The Board of Directors and the Audit Committee regularly review the financial performance including reviewing whether there is an adequate level of process to evaluate the risks and effectiveness of controls related to financial reporting process in all level of the organization. The Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing as part of the Company's corporate governance. Internal control deficiencies are communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate.

Corporate Internal Audit assesses annually the operational model and practices of internal control over financial reporting of Neste as part of business and process level audits.

## 2015

In 2015, the focus areas of internal controls development were the global design of a new ERP system (Enterprise Resource Planning system), monitoring, evidences and update of controls related instructions.

As for a global design of a new ERP system, the project was set up to develop processes and controls for Oil Products and Renewable products including finance. This project is significant for Neste since when implemented, it is expected to bring more efficient and controlled reporting process.

Monitoring was further developed related to control indicators related findings as also instructed in Principle and Instruction for Control over Financial Reporting documentation.

The theme for control activities in 2015 was the evidence for controls. It was raised to the agenda for the financial processes to review and further develop this area.

The Principle and Instruction for Control over Financial Reporting documentation which belong to Neste Management System documentation were reviewed and updated during the spring to meet the requirements e.g. set by Renewable Products business area.

## Annual internal control process



COFR = Control over Financial Reporting  
KCI = Key Control Indicator

## Performance Management Process

The Neste Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset. In 2015 Neste has taken a step change in developing our performance leadership towards a more agile model supporting daily operations.

Performance management comprises of daily leadership, through which individuals, teams, units and the Company can reach selected strategic priorities and develop organizational capability. Performance leadership is used to ensure that everyone knows the values and objectives of the Company, and their short- and long-term objectives, and what kind of competence is needed to reach these objectives.

Individual and team objectives are based on Neste strategy and way of working. There is a clear link between well-being at work and good leadership performance.

The key elements in the Neste performance leadership approach are, i.e.

- setting challenging objectives and following them through
- asking for and giving feedback
- evaluating one's own performance and results
- developing ways of working and taking responsibility of own competence development
- actively engaging in one-to-one discussions to support performance and development

From a financial reporting point of view, Neste Performance Management Process consists of a monthly Management Reporting Process and a quarterly Performance Review Process.

At Group level, results and information in management reporting and performance reviews are compared to strategic goals and business plans and to analyses and planned corrective actions throughout the year.

Business areas and common functions follow a similar approach, but emphasize a more detailed analysis and definition of corrective actions, as well as continuous improvement and prioritization of actions and development projects.

**Performance Management Process**



**Leading performance in daily work**

