

Opening speech by Jorma Eloranta, Chairman of the Board of Directors  
Neste Oil's Annual General Meeting, April 1, 2015 at 11:00 a.m., Messukeskus, Helsinki

**Ms. Minister of Government Ownership Steering, dear Neste Oil shareholders, ladies and gentlemen!**

My name is Jorma Eloranta, and I am the chairman of the company's Board of Directors. I would like to wish you a warm welcome to Neste Oil's Annual General Meeting 2015.

I will open the Annual General Meeting by introducing the members of the Board of Directors, after which I will say a few words about the Board's work since the last Annual General Meeting and during the last year, and comment on some of the matters on today's agenda.

The actual business review will be given Matti Lievonen, the company's CEO.

First I will introduce the members of the Board of Directors. As in last year's meeting, we have invited them here to the front so that the visual contact between the Board and the shareholders would be as good as possible.

- Maija-Liisa Friman has a master's degree in chemistry.
- Per-Arne Blomqvist has a bachelor's degree in economics and is a Swedish citizen. Per-Arne has announced that he is no longer able to commit himself to serve as a Board member because of the great amount of time it requires. Per-Arne has made an important contribution to the company as a Board member and in particular as the chair of its Audit Committee and we are deeply grateful to him.
- Laura Raitio has a licentiate degree in chemistry.
- Jean-Baptiste, ("J.B."), Renard, is a French citizen with a master's degree in engineering from École Polytechnique and an engineering diploma in petroleum economics from the French Petroleum Institute.
- Willem Schoeber is a Dutch-German doctor of chemical engineering.  
Kirsi Sormunen has a master's degree in economics.

There is more information about Board members' background and professional experience in Neste Oil's annual report on pages 139 and 140 on Company's website.

All Board members, as well as the principal auditor Markku Katajisto APA from PricewaterhouseCoopers Oy, Authorized Public Accountants, who is also here today, are independent of Neste Oil and its shareholders.

**The year 2014 from the perspective of the Board of Directors**

The company's business environment was not an easy one last year. The rollercoaster of crude oil and other raw material prices, turbulence in the product market in both renewable and conventional petroleum products, foreign exchange rates, and many other risks described in the company's annual review have required the company's management and Board to be exceptionally active. We were not able to predict the trends in crude oil prices, but we were prepared for the steep decline in prices that took place.

Our strong balance sheet, a gearing ratio consistent with our objectives, and solid liquidity and financial position were, and still are, the key means for preparing for a price turmoil. The fall in crude oil price lowers our book net sales but will not necessarily impact the refining margins, which are essential to Neste Oil's earnings logic.

Last year, we completed the planned divestment of ships and agreed on selling the electric power distribution network and implementing the power plant investment in Porvoo using a third party. These measures allow us to make significant investments of our own while keeping the balance sheet healthy and allowing the company to distribute dividends. With regard to the Finnish refineries, our investments totaling an estimated 260 million euros will address the changed market situation and significantly improve our competitiveness.

Neste Oil's business operations continued to grow and 2014 was a good year as a whole, especially when considering the market situation. In conventional oil refining, the market was challenging due to overcapacity and sluggish demand in Europe. Renewable Products achieved good financial results for the second year in a row. In this business too, the market situation changed from the previous year but our more agile operating model made success possible. Investing in the transformation of our business has been a courageous move by the Board of Directors that has required patience from shareholders and confidence in the company's ability to develop a new business. Retail's profits continued to be strong, even though they decreased slightly from the previous year's record-high levels, mainly due to changes in foreign exchange rates.

As in 2013, the stock market also viewed our company favorably. Total shareholder return was 51% in 2013 and 44.1% last year. Both figures are significantly higher than the performance of the general index of the Helsinki Stock Exchange or the performance of our international benchmark companies. As the State of Finland holds slightly over 50% of the shares in the company, every Finn had a holding worth approximately 170 euros a few years ago. Based on yesterday's share value, this holding is now worth 570 euros.

### **Activities of the Board of Directors**

The most important task of the Board of Directors is to steer the company's strategy in a manner that will ensure the meeting of the economic targets set out for the Group in the long term and generate value for the shareholders so that the expectations of the stakeholders can also be met. The Board of Directors concentrated on monitoring the company's financial performance and position, supervised the implementation of the strategy, and made decisions related to matters such as the production structure of refineries and securing competitiveness, monitored the implementation of the special efficiency program targeting variable and fixed costs, and monitored measures to improve the availability of production plants. In addition, the Board also focused on developing risk management and making of investment plans, as well as assessing investments already made. The Board of Directors also monitored the increasing of the flexibility of the feedstock base for renewable products and raising of the capacity of renewable diesel production plants. It also paid attention to strengthening the safety culture of the company and safety management.

We also ratified the Group's tax strategy, which is freely available on our website. Last year the taxes paid and collected by the Group totaled about 3.4 billion euros of which Finland accounted for about 2.9 billion.

Moreover, we continued to outline the changes in the business environment in the longer term and to evaluate the related threats and opportunities in detail. We were engaged in these activities last year, and we will continue the work this year so that we can find new paths of profitable growth for Neste Oil.

Neste Oil has a long-term perspective, but we need to turn a profit every day, both today and in the decades to come. Therefore, our focus will remain on productivity and customer orientation.

### **The Board's self-evaluation**

Neste Oil's Board of Directors performs a self-evaluation each year. Each Board member responds anonymously to a questionnaire that assesses the content of the Board's work, its operating methods and

internal dynamics, the activities of the Board members and its chair, and the performance of the CEO. A corresponding self-evaluation is also performed by both Board Committees.

I also interviewed each Board member in person. Alongside these evaluations, at the end of each Board meeting, the Board assesses the preparations for each meeting, the materials used, presentations of the management and in general the way in which we were able to contribute to Neste Oil's success in the meeting in question.

The Board of Directors was summoned at my request with the Vice Chair heading the meeting to evaluate the Chair's activities. The Board of Directors provided me with a report on this session and it was a delight for me to read it. Naturally it also included suggestions for developing my activities as the Chair.

The overall assessment of the Board of Directors of its own work remains highly positive.

The results of the self-evaluation have been used to improve the work of the Board. The results of the Board's self-evaluation and the Chair's interviews were also relayed to the Shareholders' Nomination Board elected by the Annual General Meeting.

#### **Statistics for 2014**

The Board of Directors met 14 times in 2014. The attendance rate was 100%. Not a single member was absent from a single meeting.

There were two Board Committees in operation last year.

The Audit Committee met seven times during 2014, and all of its members attended all meetings. In addition to its ordinary duties, the Audit Committee focused on financial reporting, supervision of financing, development of comprehensive risk management and supervision and development carried out as part of the investment process, as well as monitoring the management of market risks related to the expansion of the Renewable Products business. Another focus area of the Committee's work was the development of ITC systems and choosing the provider of the ERP system platform. The overall aim of the Committee has been to develop financial reporting and systematic internal audit and increase awareness of such financial and operative risks that may have a significant negative effect on the company's performance and operations.

The Personnel and Remuneration Committee met nine times in 2014, and the members' attendance rate was 100% in this Committee as well. In addition to the duties specified in the charter, the Personnel and Remuneration Committee's focal areas included evaluation and development of the company's remuneration principles. The Committee also supervised the implementation of the short- and long-term incentive schemes and evaluated their effectiveness. This ensured that they supported the achievement of the objectives and helped the company to improve its performance. The Committee also supervised Company's organizational restructuring and the statutory employer-employee negotiations that took place in fall 2014, as well as assessed the development and successor plans for key personnel resources, and other cornerstones of the performance management process.

In particular, there is reason to warmly thank the working group appointed by the Board of Directors, in which Mr. Renard and Mr. Schoeber, or J.B. and Willem as we call them, thoroughly familiarized themselves with the restructuring of production at the Naantali and Porvoo refineries at different stages of the planning process, having discussions on the different alternatives with the company management responsible for it. The Board also reviewed the matter on several occasions as the planning proceeded.

Working as the Chair of this Board is a pleasant task, as each Board member has a responsible and ambitious attitude towards the duties assigned to them by you, esteemed shareholders, and because the Board makes up an excellent team. Therefore, I would like to extend my thanks to the members of our Board of Directors for providing their expertise for the benefit of Neste Oil and its shareholders.

### **Shareholding**

The State of Finland has a 50.1% holding in Neste Oil. Many people have asked me about the effects of state ownership on the company's operations. Therefore, I will discuss this issue here.

The state has announced that its strategic interest with regard to Neste Oil is to ensure the national fuel supply, especially under special circumstances, taking emergency supply into account. For the sake of clarity, I would like to add that should these interests result in a financial burden for the company, the state should compensate the company for it in full. This is necessary, as it is obvious that, as the majority shareholder, the state is not willing or able to violate other shareholders' rights contrary to the Act on Limited Liability Companies.

The State of Finland is the biggest shareholder in the companies listed on the Helsinki Stock Exchange. The value of its listed shares, including Solidium's share-owning, totals about 20 billion euros, whereas even the combined stock portfolio of the pension insurance companies Varma and Ilmarinen, for example, does not even come close. The State of Finland's activity as a shareholder therefore has a significant effect on Finland's reputation as an investment target. The matter is also of national significance, as the value of foreign investors' holdings on the Helsinki Stock Exchange is in the region of 100 billion euros or more than half of the value of the shares on the Helsinki stock exchange.

When I visited London as the new CEO of Metso in 2004 to meet investors, many of them wanted me to account for the State as a shareholder, even though its holding was only slightly over 10% of Metso's total shares. I ensured them that the State of Finland is a competent and pragmatic shareholder that acts in the same way as any institutional shareholder for the benefit of the company, and that the State does not aim to give orders to the company's Board or CEO on political grounds. I sincerely hope that the same can also be said in the future. The market value of listed companies, in which the State of Finland owns shares, such as Neste Oil, depends on how investors, especially foreign investors, view the state's ownership policy.

In my view, it is a matter of whether Neste Oil, for example, is primarily a listed company or a company whose main purpose is to serve the interests of the political parties in power. The Limited Liability Companies Act does not give a listed company's Board of Directors any room for interpretation in this respect. Under Chapter 1, section 5 of the act, the purpose of the company, in other words Neste Oil, is to generate profits for the shareholders. Therefore the Board of Directors must work to ensure the economic success of the company and, consequently, the benefit of all shareholders. Naturally, each shareholder can present their views on whatever matters they want. The Board of Neste Oil, which is economically and also otherwise independent of the major shareholders and the company itself has listened to the views of the shareholders and other parties. In accordance with the Limited Liability Companies Act, we have considered the views that are in line with the success of a responsible company and in line with the success of the company and all its shareholders.

### **Rewarding**

Rewarding the company's staff is one of the most important tasks of the company's Board of Directors, especially deciding on the remuneration of the company management. The Board of Directors must act in the best interests of the company and thereby all of its shareholders – and this also holds true for remuneration. Neste Oil considers it appropriate to follow the currently valid State guidelines on the remuneration principles

for its partially owned companies. This has been the case, and it was also the case last year. Unfortunately, the resulting system is complicated and because of this, Neste Oil has a Doctor of Science in Technology as a remuneration expert.

At Neste Oil, we disclose the principles of remuneration – and the actual remuneration – in detail publicly.

The Board's aim is to ensure that Neste's executives receive a competitive compensation for their input and the results they achieve, bearing in mind that remuneration must contribute to the company's success. "Competitive" means, among other things, that we are not willing to overpay, underpay or pay on the wrong basis.

Neste Oil has performed well during the past few years. This is exactly what we have been aiming for through remuneration, and therefore bonuses were paid to senior management and other employees this spring.

As the Chair of the Board and a shareholder, I would like to warmly thank Neste Oil's management and personnel for their good work and achievements last year.

#### **Dear shareholders,**

one of the most important resolutions of the Annual General Meeting is to elect the Board of Directors, deciding who they trust to manage their company and investments. In accordance with the resolution of our Annual General Meeting, the election of the Board's Chair, Vice Chair and other members and their remuneration for this task is prepared by the Nomination Board, which is comprised of representatives of the three largest shareholders and the Chair of the Board of Directors. Under the resolution of the Annual General Meeting, the Nomination Board can only make a unanimous proposal to the Annual General Meeting.

For the sake of clarity, I would like to add that I have disqualified myself in the Nomination Board's work concerning the Chair of the Board of Directors and the Chair's remuneration.

As indicated in the notice of the meeting, the State of Finland has, in accordance with the decision of the ministry responsible for ownership steering, made a proposal for remuneration deviating from the unanimous proposal of the Nomination Board.

I believe that it would be appropriate if both the Nomination Board and the State of Finland would justify their proposals to the Annual General Meeting. We all understand that the proposal of the State of Finland, which owns 50.1% of the shares and votes, will also be adopted by the meeting.

I would like to add, however, that such decision-making by the State of Finland as a shareholder is poor management. If the State of Finland is of the view that increasing the remunerations is not in the interest of the company then so be it. This has been the case in Neste Oil every year since 2008.

The debate on the remunerations, during which the State of Finland changed its opinions without consulting the parties concerned, has reflected badly on the company and its Board members even though they do not have anything to do with the remuneration proposals. Fortunately, the company is in a sufficiently strong condition that its finances can even withstand a majority shareholder that stumbles in its decision-making.

#### **Opening the meeting**

Dear shareholders, ladies and gentlemen,

thank you for showing your faith in Neste Oil by investing in its shares. I would like to thank you for coming to this Annual General Meeting of Neste Oil to hear how the company's Board of Directors and management have taken care of the duties entrusted to us and the company's plans for the future, and to make the important resolutions that the Annual General Meeting is supposed to make.

I declare the meeting open and propose that Jukka Laitasalo be elected as Chair of the meeting, as in previous years.