

Corporate governance statement 2010

This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Corporate Governance Code 2010 and Chapter 2, Section 6 of the Securities Markets Act. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and can be consulted online at [www.nesteoil.com/Investors/Corporate Governance](http://www.nesteoil.com/Investors/Corporate%20Governance).

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The Company's Articles of Association can be found at [www.nesteoil.com/Investors/Corporate governance](http://www.nesteoil.com/Investors/Corporate%20governance)

The AGM invitation, agenda, and other meeting material shall also be made available online at www.nesteoil.com/Investors/AGM

The decisions taken by the AGM can be consulted in full online at www.nesteoil.com/Investors/AGM

Regulatory framework

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

Neste Oil's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, Ernst & Young 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 re-

porting process included in the statement matches the Financial Statements.

Neste Oil 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 OMX 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 the Company is divided between the Annual General Meeting of Shareholders (AGM), the Supervisory Board, the Board of Directors and its two Committees, and the President & Chief Executive Officer. The Neste Executive Board (NEB) assists the President & CEO in the management and coordination of the implementation of the Company's strategic and operational goals. Each of the Company's operational business areas has its own management team.

Matters material to the Company as a whole are submitted to the President & CEO or the Board of Directors. Neste Oil has one official auditor, chosen by shareholders at the AGM.

Neste Oil'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 adoption of the Financial Statements
- the distribution of profit for the year detailed in the Balance Sheet
- discharging the members of the Supervisory Board, the Board of Directors, and the President & CEO from liability, and
- the election and remuneration of the members of the Supervisory Board, 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 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. The invitation must be announced in at least two newspapers that are published regularly as decided by the Board of Directors, or in another verifiable manner. The invitation, agenda, and other meeting material shall also be made available online at www.nesteoil.com/Investors/AGM at least three weeks prior to the meeting.

Neste Oil is not aware of any shareholders' agreement regarding the Company's shares.

2010

The 2010 AGM was held in Helsinki on 15 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2009 and discharged the Supervisory Board, the Board of Directors, and management from liability for 2009. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2009, sanctioning payment of a dividend of EUR 0.25 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 20 April 2010. The AGM also decided the composition of the Board of Directors and the Supervisory Board and the remuneration to be paid to the members of both bodies, and appointed the Company Auditor.

Nomination Committee

A position paper issued by the Finnish Cabinet Committee on Economic Policy in February 2004 stressed that general meetings of shareholders of publicly listed State-owned companies and companies partly owned by the State should appoint a committee to prepare a proposal covering the composition of the board of directors for the following general meeting of shareholders to vote on. The paper indicated that these AGM nomination committees should generally select representatives from a company's largest shareholders and propose an expert member as chairman.

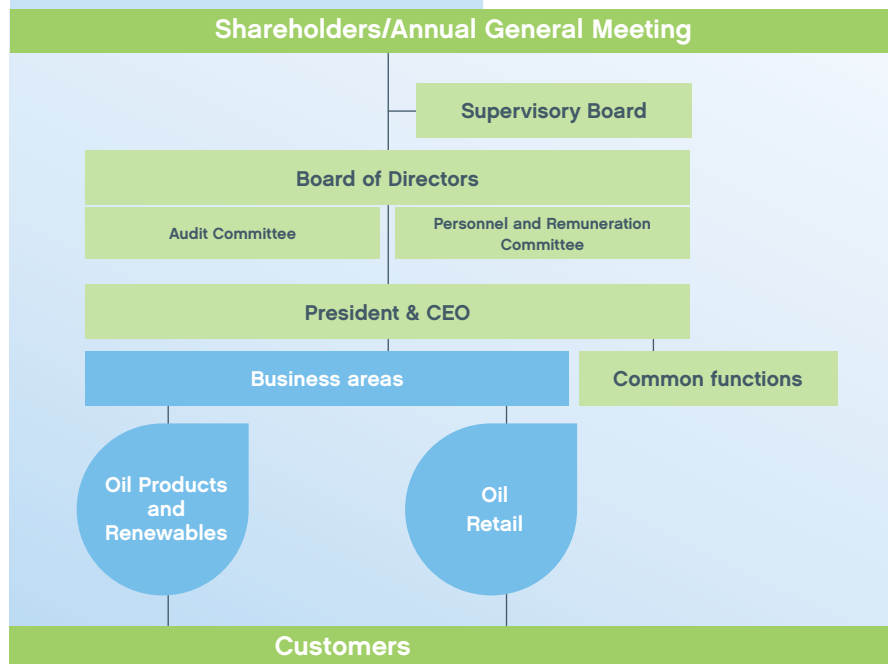
The position paper is based on the belief that a company's board of directors should enjoy the trust of its owners and that it should act in the interests of shareholders, and that the preparations for its election should lie in the hands of its owners. This, the paper indicates, will strengthen the potential of owners to make their voice heard as effectively and as openly as possible.

The paper suggests that a nomination committee appointed by a board of directors itself, in line with the Governance Code covering listed companies in Finland, is best suited to companies with a diverse ownership base. In the case of companies owned in full or in part by the State, with large owners that are both well-known to the public and active, the approach recommended under the Governance Code is not to be recommended because of the nature of the ownership involved and the responsibility associated with this type of major holding.

As a listed State-owned company, Neste Oil observes the recommendation contained in the above position paper in respect of its Nomination Committee.

Annual General Meetings are responsible for establishing a Nomination Committee,

Neste Oil's Governance Bodies



selecting its members, and deciding its duties. Representatives of the Company's three largest shareholders are normally elected as members, together with the Chairman of the Board of Directors as an expert member. The right to appoint the shareholder representatives on this Committee lies with the three shareholders holding the largest number of votes associated with all the Company's shares on 1 November preceding the AGM. In the event that a shareholder does not wish

→ Neste Oil respects the principles of sustainability and aims to implement best practices in all its operations, and is committed to living up to its values of responsibility, cooperation, innovation, and excellence.

to exercise his right to appoint a representative, this right shall pass to the next-largest shareholder. The Company's largest shareholders shall be determined on the basis of the information on holdings registered in the book-entry system, with the proviso that the holdings of a shareholder required under securities legislation to flag certain changes in his holdings, and with shares spread across a number of funds, for example, shall be combined if the shareholder informs the Company of his wishes to this effect in writing.

The Chairman of the Board generally convenes the Nomination Committee, while the

Committee elects its Chairman from among its members. The Committee is required to present its proposal to the Board by 1 February prior to the AGM at the latest.

Activities

The Nomination Committee drafts proposals for the following AGM on the following:

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

Composition of the Nomination Committee prior to the 2010 AGM

The AGM Nomination Committee responsible for preparing the 2010 AGM comprised Pekka Timonen of the Prime Minister's Office, Timo Ritakallio of the Ilmarinen Mutual Pension Insurance Company, and Risto Murto of the Varma Mutual Pension Insurance Company. Timo Peltola, Chairman of Neste Oil's Board of Directors, and Mikael von Frenckell, Vice Chairman of the Neste Oil Board, acted as the Committee's expert members. The Committee convened twice and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 1 February 2010.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided on 15 April 2010 to establish a Nominations Committee to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM.

Supervisory Board members' attendance at meetings in 2010

	Member-ship in the Supervisory Board	Attendance at meetings
Heidi Hautala	1.1.–31.12.	6/6
Kimmo Tiilikainen	1.1.–31.12.	5/6
Esko Ahonen	1.1.–31.12.	3/6
Timo Heinonen	1.1.–31.12	3/6
Miapetra Kumpula-Natri*	15.4.–31.12	4/5
Markus Mustajärvi	1.1.–31.12	5/6
Anne-Mari Virolainen	1.1.–31.12	3/6

* Supervisory Board member since 15 April 2010, when Mikael Forss and Jutta Urpilainen left Neste Oil's Supervisory Board.

Composition of the Nomination Committee prior to the 2011 AGM

The AGM Nomination Committee responsible for preparing the 2011 AGM comprised Pekka Timonen of the Prime Minister's Office, Timo Ritakallio of the Ilmarinen Mutual Pension Insurance Company, and Mika Kivimäki of the OP-Pohjola Group. Timo Peltola, Chairman of Neste Oil's Board of Directors, acted as the Committee's expert member.

The Committee convened two times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 1 February 2011.

Supervisory Board

The Supervisory Board is required to have between six and 12 members, each appointed by the Annual General Meeting for a one-year term ending with the next AGM. It is also expected that labor unions representing Neste Oil's employees will appoint a maximum of three employee representatives, who shall be entitled to attend Supervisory Board meetings but are not its members.

Members

The members of the Supervisory Board with a term of office starting on 15 April 2010 and ending at the next AGM to be held in the first half of 2011 are:

- Heidi Hautala, (Chairman), born 1955, M.Sc., Member of the European Parliament
- Kimmo Tiilikainen, (Vice Chairman), born 1966, M.Sc., Member of the Finnish Parliament
- Esko Ahonen, born 1955, Construction Engineer, Member of the Finnish Parliament
- Timo Heinonen, born 1975, M.Sc., Member of the Finnish Parliament
- Markus Mustajärvi, born 1963, M.Sc., Forest Engineer, Member of the Finnish Parliament
- Anne-Mari Virolainen, born 1965, M.Sc., Member of the Finnish Parliament, and
- Miapetra Kumpula-Natri, born 1972, B.Sc., Member of the Finnish Parliament.

Shareholdings of members

Anne-Mari Virolainen owned 125 and Kimmo Tiilikainen 200 Neste Oil shares as of 31 December 2010. No other members of the Supervisory Board owned Neste Oil shares as of the end of the year. The members of the Supervisory Board are not included in Neste Oil's incentive or pension schemes.

Activities

The Supervisory Board meets as frequently as necessary, and is convened by the Chairman or by the Vice Chairman in his absence. The Supervisory Board plans a schedule for its regular meetings. Meetings shall be held at the Company's Head Office or at another specified location. With the Chairman's consent, meetings may also be held as teleconferences. A secretary appointed by the Supervisory Board takes the minutes of meetings.

Duties

The Supervisory Board is responsible for:

- overseeing the administration of the Company by the Board of Directors and the President & CEO, and
- submitting a statement on the Financial Statements, the Review by the Board of Directors, and the Auditor's Report to the AGM.

2010

The Supervisory Board met six times in 2010 and discussed issues including the Company's interim reports and financial statements and business plans. In addition, it also reviewed the renewable fuels business and sustainability issues related to the procurement of renewable raw materials.

The remuneration paid to the Supervisory Board in 2010 was as follows:

- Chairman: EUR 1,000 per month
- Vice Chairman: EUR 600 per month
- Other members: EUR 500 per month.

In addition, EUR 200 was paid to each member for attending meetings. As the members of the Supervisory Board are not included in Neste Oil's incentive or pension schemes, they are not entitled to any performance-related or share-based remuneration. The remuneration paid to members is presented in a table on page 79 of the Annual Report.

Board of Directors

In accordance with Neste Oil'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. Anyone over 68 years of age cannot be elected to the Board.

Activities

The Board shall meet as frequently as necessary, with approximately six to eight 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 Chairman, or, if the Chairman is prevented from attending, by the Vice Chairman, or if deemed necessary by the Chairman. 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 Oil Group in compliance with the relevant legislation and regulations, the Company's Articles of Association, and instructions provided by the Annual General Meeting
- being responsible for the strategic development of Neste Oil and for supervising and steering its business
- deciding on Neste Oil's key operating principles
- confirming the annual business plan
- approving the annual financial statements and interim reports
- deciding on major investments and divestments
- confirming Neste Oil'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 Oil's organizational and operational structure at senior management level, and
- determining the Company's dividend policy to be followed when making proposal regarding dividends to the AGM.

A member of the Board of Directors may not take part in matters regarding (i) agreements between such member and any entity within the Neste Oil Group, (ii) agreements between any entity within the Neste Oil Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste Oil or any other entity within the Neste Oil Group, and (iii) agreements be-

Board of Directors, 31 December 2010

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Attendance at meetings	
								Audit Committee	Board
Timo Peltola	Chairman	1946	M.Sc. (Econ.)	Prof. board member	●	●	●	100%	100%
	Vice Chairman								
Mikael von Frenckell	Chairman	1947	M.Sc. (Soc.)	Partner	●	●	●	100%	100%
Michiel Boersma	Member	1947	Ph.D (Chem. Tech.)	Prof. board member	●	●	●	100%	100%
Maija-Liisa Friman*	Member	1952	M.Sc. in Chem. Eng.	Prof. board member	●	●	●	100%	100%
Ainomaija Haarla	Member	1953	Ph.D (Tech.), MBA	President and CEO	●	●	●	88.8%	100%
Nina Linander	Member	1959	M.Sc. (Econ.), MBA	Partner	●	●	●	100%	100%
Hannu Ryöppönen	Member	1952	B.A. (Business Adm.)	Prof. board member	●	●	●	100%	100%
Markku Tapio	Member	1948	M.Sc. (Econ.)	Senior Financial Counselor	●			100%	100%

* Board member since 15 April 2010, when Maarit Toivanen-Koivisto left Neste Oil's Board of Directors.

tween any entity within the Neste Oil 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 Oil is a company within the Neste Oil Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2010

The Board met nine times in 2010 and the attendance percentage on average was 98.6%. The Board focused in particular on reviewing the Company's strategic position and success factors, monitoring the growth projects associated with its renewable fuels strategy, and tracking market developments. In addition, it also monitored the implementation of the efficiency enhancement program that has improved cash flow through more effective management of fixed costs, investments, and working capital.

The 2010 AGM elected eight members to the Board that will sit until the end of the next AGM. Timo Peltola was elected Chairman and Mikael von Frenckell as Vice Chairman; and Maija-Liisa Friman as a new member. Michiel Boersma, Ainomaija Haarla, Nina Linander, Hannu Ryöppönen, and Markku Tapio were re-elected as members of the new Board. Details on the independent status of members, their role in committee work, and their attendance at meetings can be found in the table on page 4. The shareholdings of members and the remuneration paid to them are detailed in a table on page 79 of the Annual Report.

Board committees

The Board has established an Audit Committee and a Personnel and Remuneration Committee, both of which have four 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 is 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 and not affiliated with the Company or any of its subsidiaries, and have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications 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
- 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 or 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 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 position.

2010

The Audit Committee comprised Nina Linander (Chairman), Hannu Ryöppönen, Markku Tapio, and Maija-Liisa Friman. The Committee convened seven times, and the attendance rate was 100%. In addition to its normal duties, the Committee focused on monitoring and reviewing the development of risk management and financial reporting as well as monitored and reviewed the market risk management related to the growth in Renewable Fuels business.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee consists of the Chairman 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:

- preparing the appointments of key executive personnel and making proposals to the Board on compensation and incentive systems for key personnel
- 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.

Fees charged by the statutory auditor, EUR 1,000

	2010	2009
Audit fees	995	916
Others	338	470
Total	1,333	1,386

2010

The Personnel and Remuneration Committee comprised Timo Peltola (Chairman), Michiel Boersma, Mikael von Frenckell, and Ainomaija Haarla. The Committee convened five times, and the attendance rate was 100%. Key activities during 2010 included appointing the members of the Neste Executive Board, monitoring the implementation of the Company's reorganization and change management, and developing a new long-term share incentive system and remuneration arrangements for the Company's key personnel.

President & CEO

Neste Oil's President & CEO, Matti Lievonen (b. 1958, eMBA), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO shall see to the executive management of the company in accordance with the instructions and orders given by the Board of Directors and he 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.

In addition to a monthly salary and fringe benefits, the President & CEO is eligible for an annual performance-based bonus. In the event that the Company decides to give notice of termination, the President & CEO is entitled to his or her salary during his or her period of notice (6 months) and a severance payment equaling 18 months' salary.

The criteria for any short-term incentive bonuses shall be based on an individual's success in reaching their personal goals, and on the Company's financial performance and success in reaching its goals. The bonus paid to the President & CEO may not exceed 40% of his annual salary. Further information on the remuneration and shareholdings of the President & CEO can be found on page 79 of the Annual Report.

The retirement age of the President & CEO is 60 years and he has a defined benefit plan. The pension paid is 60% of retirement salary

and is insured by an insurance company. The insurance contributions for 2010 totaled EUR 333,917.

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. Further information on the remuneration and shareholdings of the members of the NEB can be found on page 79 of the Annual Report.

2010

The Neste Executive Board comprised 10 members until 1 December 2010 when Neste Oil announced the merger of the Oil Products and Renewable Fuels business areas. Parallel to the reorganization, Neste Oil's Deputy CEO and Executive Vice President, Renewable Fuels, Jarmo Honkamaa, left the company.

As of the end of 2010, the NEB consisted of the President & CEO, two business area Executive Vice Presidents, and the heads of Production and Logistics, Communications, Marketing and Public Affairs, Technology and Strategy, Sustainability and HSSE, and Human Resources, and the CFO. Details on members can be found on pages 76–77 of the Annual Report.

The NEB met 11 times in 2010 and focused in particular on the implementation of the Company's new operating model, the management and monitoring of its strategic growth investments, the major maintenance turnaround at the Porvoo refinery, and enhancing cash flow management through more effective monitoring of fixed costs, investments, and working capital.

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.

2010

The Neste Executive Management Board comprised the President and CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Production and Logistics, and met 11 times in 2010.

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 the election.

The Auditor is responsible for auditing the Company's accounts, its financial statements, the Review of the Board of Directors, and Neste Oil'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 on page 155 of the Annual Report.

2010

Ernst & Young Oy was elected as Neste Oil's Auditor, with Anna-Majja Simola, Certified Public Accountant, as main responsible auditor. Ernst & Young have acted as the Company's Auditor since 2007, when the function was last put out to tender.

The fees paid to the Auditor are shown in the table on page 5.

Internal Audit

The Internal Audit Unit is an independent corporate function and its operations are based on international professional standards covering internal audits and rules of ethics.

The duties of the Internal Audit Unit are to:

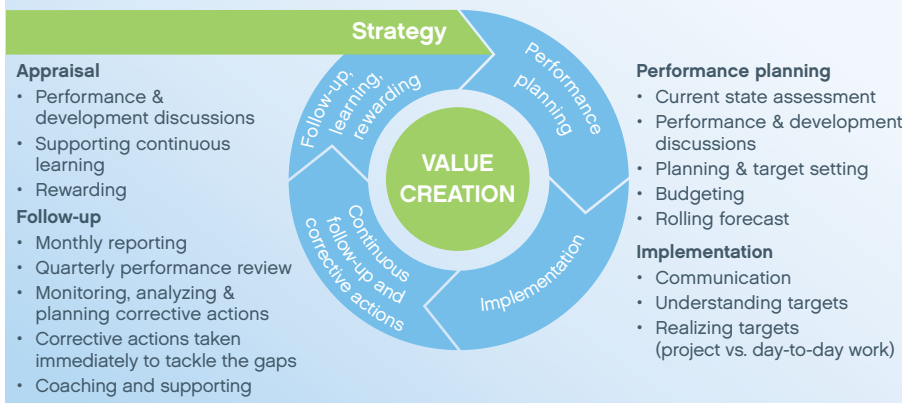
- provide objective assurance and consultation services designed to add value and improve the Company's operations
- assist the organization in evaluating and improving the effectiveness of risk management, financial control, and governance processes
- audit the operations of Neste Oil's refineries, subsidiaries, and other units on a regular basis, and
- carry out assignments requested by management or the Board of Directors' Audit Committee.

The roles, responsibilities, and authorities of Internal Audit are covered in the Internal Audit Charter. Together with an annual operating plan, this is approved by the Board of Directors' Audit Committee. Internal Audit reports to the Board's Audit Committee and administratively to the President & CEO. Internal Audit is a staff function without any direct authority over the activities it reviews.

Misconduct

Preventing misconduct in the Company's operations represents one of Neste Oil's primary goals. Continuous efforts are made to identify and evaluate the risks associated with possible misconduct.

Performance management



Neste Oil observes a number of principles and guidelines to prevent and deal with misconduct. These cover misuse of assets, systems, or a person's position within the Company aimed at benefiting one or more people either directly or indirectly. Regulations cover areas including:

- fraudulent financial reporting
- unauthorized use of Company assets
- income or assets acquired fraudulently or illegally
- evading costs or responsibilities using fraudulent or illegal means, and
- generating unnecessary costs in a fraudulent or illegal way.

Regulations also include principles covering how supply, purchase, and service contracts should be negotiated. The Neste Oil Code of Conduct defines the general approach that every Company employee is expected to follow.

Should employees notice or suspect misconduct, they can inform their manager or supervisor, the head of Internal Audit, the head of the Group's Corporate Security Unit, HR personnel or via an online tool. Internal Audit is responsible for evaluating cases that are reported and investigating them thoroughly if appropriate. Legal Affairs is responsible for any legal action taken in response to cases of misconduct. Misconduct and suspected misconduct is reported to the Board of Directors' Audit Committee.

2010

No cases of misconduct appeared in 2010 that would have had a material impact on Neste Oil's Financial Statement.

During 2010, Neste Oil focused on efforts designed to prevent misconduct occurring, following the start of a program of communicating information on the Code of Conduct approved by the Board in 2009. Neste Oil also introduced an online tool to enable personnel to report cases of unethical behavior anonymously.



The Neste Executive Board focused in particular on the implementation of the Company's new operating model, the management and monitoring of its strategic growth investments, the major maintenance turnaround at the Porvoo refinery, and enhancing cash flow.

Insider guidelines

Neste Oil complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd. that came into force as from 9 October 2009. The Company has also approved its own Guidelines for Insiders, which are stricter in some areas. The Company's closed window, for example, exceeds minimum NASDAQ OMX Helsinki requirements.

The Company's Guidelines for Insiders are updated regularly 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 Supervisory Board, 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 Oy (www.ncsdeu).

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 inside information on a regular basis due to their position or duties, 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 www.nesteoil.com.

Individuals who participate in the development and preparation of projects that involve inside 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.

Performance Management Process

The Neste Oil Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset.

Excellent operational performance is based on setting challenging targets, executing action plans, reviewing progress, giving feedback, and measuring results and performance.

From a financial reporting point of view, Neste Oil's Performance Management Process consists of the monthly Management Reporting Process and the 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.

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

Objectives

The objective of internal control in Neste Oil is to ensure efficient implementation of the Company's strategy and effective operations, assure compliance with both internal instructions and laws and regulations, achieve appropriate financial reporting, and prevent fraud and other misconduct.

The main responsibility for internal control lies with the line organizations of business areas and common functions. Identifying the main risks of processes and defining adequate control points are essential to ensuring an appropriate level of control. In addition to daily monitoring, line organizations evaluate their level of internal control by reviewing, assessing, and auditing their processes, and develop their system by taking corrective actions as needed.

Line management also has primary responsibility for organizing sufficient control to ensure compliance with the Company's overall management principles, policies, principles, and instructions.

Neste Oil's internal control framework is based on the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework.

Roles and responsibilities

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 affairs have been arranged in a reliable manner.

The heads of business areas and common functions are responsible for establishing and maintaining adequate and effective controls in their operations. Responsibility for the practical implementation of this is delegated to each organizational level. Managers at each of these levels are responsible for implementing corporate principles and instructions in their organization, and for assessing the effectiveness of controls as often as needed.

To ensure sufficient control and support the line organization, Neste Oil's controllers and their teams have an independent role in controlling their business line. In certain areas, such as credit and counterparty risks, Risk Management has risk control responsibility. In respect of financial reporting, Finance has a key role in control activities. Other corporate functions also play a role in assisting, assuring, and monitoring the operation of internal control procedures, such as HSSE audits.


Internal Audit has overall responsibility for evaluating that internal control processes and procedures operate adequately and effectively.

The Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing.

Control environment

Neste Oil's values and management systems are the foundation of the control environment and provide the background for shaping people's awareness and understanding of control issues. With respect to financial reporting:

- the President & CEO and corporate management are responsible for underlining the importance of ethical principles and correct financial reporting
- the Audit Committee, appointed by the Board of Directors, is responsible for overseeing the financial reporting process and related controls
- clearly defined financial reporting roles, responsibilities, and authorities provide a clear framework for everyone, and
- the structure of the organization and the resources allocated within it (segregation of duties, adequate financial reporting competencies recruited and retained) are designed to provide effective control over financial reporting.

 **Risk awareness across the organization is based on proactive thinking and behavior among individual employees.**

Risk assessment

The Group's risk management governance is based on the three lines of defense model, which distinguishes between:

1. Business areas and common functions owning and managing risk.
2. Risk management specialists responsible for controlling, consulting, and developing systems.
3. The Audit Committee, which provides independent assurance of the overall efficacy of the company's risk management.

There are three risk assessment elements at Neste Oil. An Enterprise Risk Management (ERM) process that provides a systematic approach to identifying threats and opportunities related to strategic targets and business plans. Risk manuals consist of risk principles, guidelines and instructions. Risk awareness across the organization is based on proactive thinking and behavior among individual employees.

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.

Based on risk assessment, the requirement for internal control has been included in the Principle and Instruction for Control over Financial Reporting.

Control activities

Control activities are instructions, guidelines, and procedures established and executed to help ensure that the actions identified by management as necessary to address

the relevant risks are effectively carried out. Policies and other principles to be followed are documented in Neste Oil's management systems. The most important areas from the standpoint of financial reporting are included in the Controller's Manual.

Neste Oil'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. These establish the minimum controls to be used and include controls related to transactions in specific processes, as well as controls carried out as part of the monthly reporting process. Typical control activities include authorizations, automatic or manual reconciliations, third-party confirmations, control reports, access controls to IT systems, and analytical reviews.

Group guidelines related to monitoring financial reporting were implemented in business areas and units on a phased basis during 2009 and 2010. Neste Oil's new units will adopt the new Group guidelines during 2011.

Internal communications

Information and communication systems enable Neste Oil's personnel to capture and exchange the information needed to conduct, manage, and control operations. With respect to financial reporting, this means that personnel have access to adequate information and communication regarding accounting and reporting principles.

The main means of communicating the matters relevant for appropriate financial reporting are the Controller's Manuals used at common function and business area levels, which include instructions covering accounting principles, planning, estimating, and reporting, as well as periodic controllers' meetings.

Monitoring

Monitoring is a key component of the internal control system and enables management and the Board of Directors and the Audit Committee to determine whether the other components of the system are functioning as they should and to ensure that internal control deficiencies are identified and communicated in a timely manner to those responsible for taking corrective action and to management and the Board as appropriate.

Effective monitoring is based on an initial evaluation of controls and whether they are effective in mitigating the risks identified. The ongoing operation of controls is regularly monitored as part of regular management activities, as the efficacy of controls can diminish over time due to changes in the operating environment that affect the risks that controls are designed to mitigate, or due to changes in the controls themselves caused by changes in processes, IT, or personnel.