

NESTE 2016

# Corporate Governance Statement

NESTE

# Corporate Governance Statement 2016

This Corporate Governance Statement has been prepared pursuant to the 2015 Corporate Governance Code 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 2015 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

## Neste's Governance Bodies



\* Oil Retail business area will be called Marketing & Services from 7 February 2017 onwards.

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 Audit Firm. The 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 Audit Firm.

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.

### 2016

The 2016 AGM was held in Helsinki on Wednesday, 30 March and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2015, and discharged the Board of Directors, and the President and CEO from liability for 2015. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2015, sanctioning payment of a dividend of EUR 1.00 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 1 April 2016. The payment was made on 8 April 2016. 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 Audit Firm.

### Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Share-

holders' 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 when 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 2017 AGM

On 2 September 2016, 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); Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; Liisa Hyssälä, Director General of the Social Insurance Institution, Kela; and Jorma Eloranta, the Chair of Neste's Board of Directors. Due to the retirement of Liisa Hyssälä, the new Director General of Kela, Elli Aaltonen, replaced her as a member of the Shareholders' Nomination Board as of 1 January 2017.

The 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 27 January 2017.

### Activities

The Shareholders' Nomination Board drafts proposals for the next 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.

The nomination process of the Shareholders' Nomination Board, its composition and activities are detailed in its [Charter](#).

### Shareholders' Nomination Board members:

#### Eero Heliövaara

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

Born in 1956.

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

\* Holdings in Neste Corporation on 31 December 2016: 0 shares.

\*\* State of Finland: 128,458,247 shares.

#### Jorma Eloranta

M.Sc. (Tech.), D.Sc. (Tech.) h.c. Member of the Shareholders' Nomination Board.

Born in 1951.

Non-executive Director. Chair of the Boards of Neste, Suominen and Uponor. Chair of the Board and President of Pienelo Ltd. Vice Chair of the Board of the Finnish Fair Foundation and Stora Enso. Member of the Board of Cargotec. Chair of the Personnel and Remuneration Committees of Neste, Suominen and Uponor. Member of the Remuneration Committee of Stora Enso. Member of

the Nomination and Compensation Committee of Cargotec. Member of the Shareholders' Nomination Boards of Neste, Stora Enso and Suominen. Expert member of the Shareholders' Nomination Board of Uponor.

\* Holdings in Neste Corporation on 31 December 2016: 12,985 shares.

#### Liisa Hyssälä

M.Pol.Sc., Dr. (dentistry). Member of the Shareholders' Nomination Board 1 September – 31 December 2016. Born in 1948.

Director General of the Social Insurance Institution of Finland, Kela. Member of the Nomination Boards of Fortum and Neste. Member of the Boards of Palta ry and the University of Oulu.

\* Holdings in Neste Corporation on 31 December 2016: 0 shares.

\*\* The Social Insurance Institution of Finland, Kela: 2,648,424 shares.

#### Elli Aaltonen

M.A., D.S.Sc. Member of the Shareholders' Nomination Board as of 1 January 2017.

Born in 1953.

Director General of the Social Insurance Institution of Finland, Kela. Member of the Nomination Board of Neste. Member of the Board and the Advisory Board of the University of Eastern Finland. Member of the Advisory Board of HAUS, Finnish Institute of Public Management. Chair of International Council on Social Welfare ICSW in Finland.

\* Holdings in Neste Corporation on 31 December 2016: 0 shares.

\*\* The Social Insurance Institution of Finland, Kela: 2,648,424 shares.

**Timo Ritakallio**

Ph.D. (Tech). M.Sc. (Laws), MBA. Member of the Shareholders' Nomination Board.

Born in 1962.

President and CEO of Ilmarinen Mutual Pension Insurance Company. Member of the Nomination Boards of Elisa, Fortum, Kemira, Neste, Orion, Outokumpu, Technopolis, Tikkurila and Tieto.

\* Holdings in Neste Corporation on 31 December 2016: 0 shares.

\*\* Ilmarinen Mutual Pension Insurance Company: 4,820,849 shares.

Holdings in Neste Corporation on 31 December 2016:

\* Own holdings and controlled entities.

\*\* Shareholder's holdings represented by the member of the Shareholders' Nomination Board.

### Members of the Shareholders' Nomination Board, attendance at meetings in 2016

	Attendance
<b>Eero Heliövaara</b>	4/4
<b>Jorma Eloranta</b>	4/4
<b>Liisa Hyssälä</b>	1/3
<b>Mikko Mursula</b>	1/1
<b>Timo Ritakallio</b>	3/3
<b>Reima Rytsölä</b>	1/1

In addition, the meeting on 27 January 2017 which accepted the proposals for the 2017 AGM was attended by all members of the Shareholders' Nomination Board: Eero Heliövaara, Elli Aaltonen, Jorma Eloranta, and Timo Ritakallio.

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

The Shareholders' Nomination Board responsible for preparing the 2016 AGM comprised 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 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.

### 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.

### Diversity of the Board of Directors

In planning the composition of a skilled, competent, experienced and effective Board of Directors from the viewpoint of diversity, the Shareholders' Nomination Board also follows these diversity principles defined by the company.

A cooperative and functional Board of Directors requires diversity for it to be able to respond to the requirements set out in Neste's business and strategic objectives and to support and challenge the company's operational management in a proactive and constructive manner. Significant factors concerning the composition of the Board of Directors include a variety of competences that complement the other members of

the Board, education and experience in different professional and industrial fields and in business operations and management existing in different development phases, as well as the personal qualities of each member, all of which add diversity to the Board of Directors. The diversity of the Board of Directors is also supported by experience in industrial fields and markets that are strategically significant for Neste, experience and abilities in technologies and the international operating environment, and a diverse age and gender distribution so that both genders are always adequately represented in the Board of Directors. In considering the composition of the Board of Directors, it is important to pay attention to Neste's current and evolving needs, and to ensure that the Board of Directors, as a whole, enables the current and future business development of Neste, which diversity also supports.

Neste's 2016 Board of Directors was composed of seven members, all of whom hold a university-level degree, and one of whom has a doctorate. All of these degrees are from different fields, with technical fields being in the majority. Each member of the Board of Directors has international work experience in different types of positions, and has worked or is working in the Board of Directors or management of listed or unlisted companies. Two members have worked in managerial positions at major international oil companies. The Board of Directors is also diverse in terms of cultural backgrounds: its members come from three different countries and speak four different native languages. Women comprise 43% of all members of the Board of Directors, which meets the objective set out in the decision-in-principle issued by the Finnish Government on 17 February 2015. With regard to age, the members of the Board of Directors are divided evenly between 50 and 68 years of age. The duration of the terms of office

of the Board members is also divided evenly: three members have been on the Board of Directors for more than five years, while four members have been on the Board of Directors for less than four years.

### Activities of the Board of Directors

The Board shall have at least 8 regular meetings annually, all scheduled in advance, with extraordinary meetings when necessary. 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 of the Board of Directors

The Board's responsibilities and duties are defined in detail in the board-approved [Charter](#).

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.

### 2016

The 2016 AGM confirmed the membership of the Board of Directors as being comprised of seven members. Mr. Jorma Eloranta, Ms. Maija-Liisa Friman, Ms. Laura Raitio, Mr. Jean-Baptiste Renard, Mr. Willem Schoeber, Ms. Kirsi Sormunen, and Mr. Marco Wirén were elected to sit until the conclusion of the next AGM. Mr. Eloranta was elected as Chair and Ms. Friman as Vice Chair.

The Board convened 10 times in 2016. The attendance rate at the meetings was 100%. The Board focused on monitoring the company's financial performance and status, engaged in discussions with management on developing the business strategy and approved their base strategic approach, oversaw strategy execution and evaluated the changes in the long-term operational environment and their impact on the company's business operations. The Board paid attention to the development of safety whilst monitoring 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, with a specific eye on the use of waste and residue feedstock solutions. The Board also monitored the development of the business in various renewable product solutions, such as renewable aviation fuels and bio-based chemicals, for which the company founded the Emerging Businesses business unit. In addition, the Board paid attention to improving risk control and took care of its other tasks in accordance with its agenda.

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 2016

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings	
									Board	Committees
<b>Jorma Eloranta</b>	Chair	1951	M.Sc. (Tech.) D.Sc. (Tech.) h.c	Non-Executive Director	•	•	•		10/10	6/6
<b>Maija-Liisa Friman</b>	Vice Chair	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•	•	•	10/10	2/2*, 5/5**
<b>Laura Raitio</b>	Member	1962	Lic.Tech.	CEO of Diacor Medical Services	•	•	•	•	10/10	5/5*, 1/1**
<b>Jean-Baptiste Renard</b>	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•	•		10/10	6/6
<b>Willem Schoeber</b>	Member	1948	Dr. (Tech.)	Non-Executive Director	•	•		•	10/10	7/7
<b>Kirsi Sormunen</b>	Member	1957	M.Sc. (Econom.)	Non-Executive Director	•	•		•	10/10	7/7
<b>Marco Wirén</b>	Member	1966	M.Sc. (Econom.)	Executive Vice President and CFO of Wärtsilä	•	•		•	10/10	7/7

\* Audit Committee: Maija-Liisa Friman until 30 March 2016. Laura Raitio as of 1 April 2016.

\*\* Personnel and Remuneration Committee: Laura Raitio until 30 March 2016. Maija-Liisa Friman as of 1 April 2016.

The shareholdings of the members of the Board of Directors are presented next to their CVs. The remuneration paid to the members of the Board of Directors are detailed in the Remuneration Statement.

# Members of the Board of Directors



## Jorma Eloranta

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

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

\* Holdings in Neste Corporation on 31.12.2016: 12,985 shares



## 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 2000–2004 and Managing Director of Gyproc 1993–2000. Chair of the Board of Helsinki Deaconess Institute Foundation. Member of the Boards of SCA, Finnair, LKAB and Securities Market Association. Chair of the Audit Committee of Finnair. Partner of Boardman. Member of Neste's Personnel and Remuneration Committee.

\* Holdings in Neste Corporation on 31.12.2016: 6,000 shares



## 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 and Suominen. Member of Neste's Audit Committee.

\* Holdings in Neste Corporation on 31.12.2016: 1,500 shares



## Jean-Baptiste Renard

M.Sc. (Eng) and 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); Non-Executive Director of IFP Training (France); Non-Executive Director of CLH (Spain); pro bono consulting for social entrepreneurs. Supervisory Board Member of Entrepreneurs+. Advisory Board Member of IFP School; Member of Neste's Personnel and Remuneration Committee.

\* Holdings in Neste Corporation on 31.12.2016: 7,650 shares





### Willem Schoeber

Dr. (Chem. Eng.)

Born in 1948

Member of the Board since 2013

Independent member

Independent business consultant. Formerly 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 (Turkey and Poland) 2010–2013. Chair of the Management Board at swb AG (Germany), 2007–2011. Several positions at Royal Dutch Shell Group's companies 1977–2007, in particular in oil refining. Presently Member of the Supervisory Board of Gasunie N.V. (The Netherlands) since 2013 and Member of the Board of Directors of Societatea Energetică "Electrica" S.A. (Romania) since 2016. Member of Neste's Audit Committee.

\* Holdings in Neste Corporation on 31.12.2016: 2,000 shares



### 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 the Board of Directors of Unicef, Finland. Member of Neste's Audit Committee.

\* Holdings in Neste Corporation on 31.12.2016: 0 shares



### Marco Wirén

M.Sc. (Econ.)

Born in 1966

Member of the Board since 2015

Independent member

Executive Vice President and Chief Financial Officer of 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.

\* Holdings in Neste Corporation on 31.12.2016: 1,000 shares

Board of  
Directors CVs on  
Neste.com >>

\* Holdings in Neste Corporation on 31.12.2016: own holdings and controlled entities.

# 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.

## 2016

Starting from 1 April 2016, the Audit Committee comprised Marco Wirén (Chair), Laura Raitio, Willem Schoeber, and Kirsi Sormunen. Until 30 March 2016, the Audit Committee comprised Marco Wirén (Chair), Maija-Liisa Friman, Willem Schoeber, and Kirsi Sormunen.

During 2016, the Audit Committee convened 7 times and the attendance rate was 100%. In addition to the tasks specified in the Charter, the Audit Committee focused on financial reporting and risk management, and reviewed the hedging of the company's market risks. Moreover, the committee monitored the management of market risks associated with the growth of the renewable fuel business in particular. The focus areas of the committee's work also included the development of ICT systems and reforming the ERP system, as well as monitoring the related project.

## 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 the [Charter](#) approved by the Board.

## 2016

Starting from 1 April 2016, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Jean-Baptiste Renard. Until 30 March 2016, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Laura Raitio, and Jean-Baptiste Renard.

The Personnel and Remuneration Committee convened 6 times in 2016, 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 based on the new Government Resolution on State-Ownership Policy (13 May 2016). The Committee also followed 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. In addition, the Committee focused on developing the key personnel and competences required for the new growth strategy, new key personnel nominations and the management review, as well as monitoring the developmental progress of the organizational culture.

### 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 of the President & CEO can be found in the 2016 Remuneration Statement.

### 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 of the members of the NEB can be found in the 2016 Remuneration Statement.

### 2016

The Neste Executive Board comprised ten members and met 12 times in 2016. The 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. The NEB boosted the implementation of the strategy by increasing flexibility in the renewable product raw material base, with a specific eye on the use of commercial and technology-based waste and residue feedstock solutions. The NEB also initiated the development of the business in various renewable product solutions, such as renewable aviation fuels and bio-based chemicals, for which the company founded the Emerging Businesses business unit. In addition, the NEB founded a program to improve the international recognition of the company and its brand. The NEB also 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

D.Sc. (Tech.) h.c.

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-Kymmene 1986–2008, and prior to that at ABB. Member of UPM-Kymmene's Executive Board 2002–2008. Vice 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.

\* Holdings in Neste Corporation on 31 December 2016: 50,757 shares.



## 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.

\* Holdings in Neste Corporation on 31 December 2016: 18,282 shares.



## Kaisa Hietala

Executive Vice President, Renewable Products

M.Sc. (Physics), Finland and M.Phil. (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 and Commercial Director in Singapore 2008–2011 and Feedstock Manager in the Renewable Fuels Business operations 2006–2008. Member of the Board of Kemira Oyj.

\* Holdings in Neste Corporation on 31 December 2016: 11,174 shares.



## Panu Kopra

Executive Vice President, Marketing & Services

BBA, MBA

Born in 1972

Member of the Neste Executive Board since May 2016

Joined the company in 1996. Responsible for Marketing & Services Business Area (before 7 February 2017 Oil Retail) in Finland, Baltic Rim and Russia. Previously served as Vice President in Oil Retail Sales in Finland and Baltic Rim (2014–2015), Vice President in Oil Retail Russia and Baltic Rim (2010–2014), General Manager in St. Petersburg Russia (2009), Business Development Manager in Renewable Products (2007–2008), Sales Director (2006), General Manager in Latvia (2003–2005) and in several other positions in the company.

\* Holdings in Neste Corporation on 31 December 2016: 10,605 shares.



### Tuomas Hyyryläinen

Senior Vice President, Emerging Businesses business unit

M.Sc. (Econ.)

Born in 1977

Member of the Neste Executive Board since 2012

Joined the company in 2012. Responsible for Emerging Businesses business unit. Previously served as Senior Vice President, responsible for Strategy, New Ventures, Market Intelligence, and M&A operations 2014–2016 and as Senior Vice President, Strategy 2012–2014. Prior to that served as Vice President for Strategy at F-Secure and in various strategy and business development related positions at Nokia. Member of the Boards of Nynas AB and Vapo Oy.

\* Holdings in Neste Corporation on 31 December 2016: 6,718 shares.



### 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. Prior to that various positions in Finland and abroad in Shell. Deputy Member of the Board of the Chemical Industry Federation of Finland, Member of the Board of the Smart & Clean Foundation, Vice Chair of the Board of World Energy Council Finland, Member of the Advisory Board for Sustainable use of natural resources at the Technical Research Centre of Finland (VTT).

\* Holdings in Neste Corporation on 31 December 2016: 17,612 shares.



### 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 2004–2005 and as Laboratory and Research Manager at the Technology Center 1998–2004. Member of the Boards of Munksjö and Neste Jacobs.

\* Holdings in Neste Corporation on 31 December 2016: 14,976 shares.



### 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.

\* Holdings in Neste Corporation on 31 December 2016: 17,275 shares.



### 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 in various other positions. Member of the Boards of the Fortum Foundation, Finnish Foundation for Technology Promotion, and Neste Jacobs.

\* Holdings in Neste Corporation on 31 December 2016: 14,941 shares.



### 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 strategy, 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 Neste Jacobs.

\* Holdings in Neste Corporation on 31 December 2016: 11,000 shares.



### 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 Board CVs on [Neste.com](http://Neste.com) >>

\* Holdings in Neste Corporation on 31.12.2016: own holdings and controlled entities.

# 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.

## 2016

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Emerging Businesses business unit. The NEMB met 12 times in 2016.

## Company Auditor

The Annual General Meeting elects an Audit Firm annually. The Audit Firm's term of office ends at the end of the next AGM following election.

The Audit Firm is responsible for auditing the Company's accounts, its financial statements, and Neste's

administration. The Auditor's Report covers the Consolidated Financial Statements and the Parent Company's Financial Statements, and can be found in the Financial Statements section of the Annual Report.

## 2016

Audit Firm PricewaterhouseCoopers Oy served as Neste's Auditor until 30 March 2016, with Authorized Public Accountant Mr. Markku Katajisto as the principally responsible auditor. The Annual General Meeting re-elected PricewaterhouseCoopers Oy as the Audit Firm on 30 March 2016, with Authorized Public Accountant Mr. Markku Katajisto continuing to serve as the principally responsible auditor, until the end of the next AGM.

## Internal Audit

Neste's 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 enable 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.

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 related to them are the key elements of audit planning and 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 a process and governance point of view.

## Fees charged by the statutory auditor

EUR 1,000	2016	2015
Audit fees	936	990
Other	288	1,517
Total	1,224	2,507

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 with. Neste has an internal ethical online system where personnel can anonymously report possible 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.

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.

## 2016

Internal Audit function continued cooperation with other Neste assurance and service functions to create and enhance risk and compliance based audit activities.

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, locations, projects and risk areas were focus areas during the year 2016, including for example significant investment projects, ICT projects and supply chain 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 the company, its businesses and employees.

The purpose of Neste's Compliance function 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.

## 2016

To create a comprehensive view on compliance and to support the work of the Compliance Committee founded by the operative management, the Company has initiated company-wide compliance reporting. An Ethics Committee was founded by the operative management to steer and support fraud and other misconduct related notifications' resolution process. Compliance risk assessment in the Company and the definition of action points began in 2016. The Neste Supplier Code of Conduct was approved in late 2015 and its inclusion in procurement and supply contracts began.

## Insider administration procedures

Neste complies with the EU Market Abuse Directive (596/2014) and the 2nd and 3rd level rules that complement it, as well as Nasdaq Helsinki Oy's Insider Guideline, which came into force on 3 July 2016, as a minimum standard on insider matters. In addition, the Board of Directors has approved the Company's own Guidelines for Insiders on 9 June 2016. The Company's Guidelines for Insiders are available to all personnel. The Company arranges training related to the insider guidelines.

The Company's General Counsel is responsible for the coordination and supervision of insider matters, along with the insider register manager, insider communication manager and a possible insider project manager. All the above individuals have their own deputies. In addition, the head of each common function or business area is responsible for supervising insider matters within his or her organization.

The creation and maintenance of project-specific insider registers is the responsibility of that insider project's



manager, who is named in the project-specific insider register.

It is an executive's and his/her circle of acquaintances' personal responsibility to report their transactions to the Company and the Financial Supervisory Authority. The Company has defined as executives the members of the Board of Directors and its secretary, the President and CEO, as well as the members of the Executive Board and its secretary. These executives and their circles of acquaintances must report their own transactions conducted with the Company's financial instruments or financial derivatives to the Company and the Financial Supervisory Authority without delay, and no more than three business days of completing the business transaction. Reports to the Company and the Financial Supervisory Authority can be made by following the instructions on [www.neste.com/trading](http://www.neste.com/trading).

The Company has also named other, specific individuals as persons with insider knowledge, as they have access to insider company knowledge based on their tasks. These individuals are typically ones that prepare the company's Interim Reports and Financial Statements, persons responsible for the Company's finances, financial reporting or communication, or persons that have access to said information, as well as certain individuals in executive positions.

Executives and persons with insider knowledge may not trade with or conduct business with the company's financial instruments for themselves or a third party, directly or indirectly 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 for that period. The minimum period concerned is always 30 days prior to the date of publica-

tion of the interim report or the financial statements, including the date of publication ('closed window').

The Company also maintains a project or event-specific list of insiders for all individuals that have access to insider information and that are employed by the Company or otherwise perform tasks that provide them access to insider information. Individuals who participate in the development and preparation of projects or events that involve insider information, such as mergers and acquisitions, are considered project or event-specific insiders. Project-specific insiders may not trade or conduct other business using the Company's financial instruments during the project.

# 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 at 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 re-

porting. To ensure sufficient control in business areas, the Neste controllers network and process owners have a key role in developing an internal control system and reporting practices. In some key areas, the 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.

Additional information on risk management principles is available in the Risk Management section of the Annual Report.

## Control activities

Neste's 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.

## Communications

The Neste corporate level communication practices support completeness and correctness of financial reporting. Neste personnel has 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 is the Controllers' Manual for controllers at common functions and business areas. It contains instructions covering accounting principles, forecasting and reporting.

Neste's 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 the 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.

### 2016

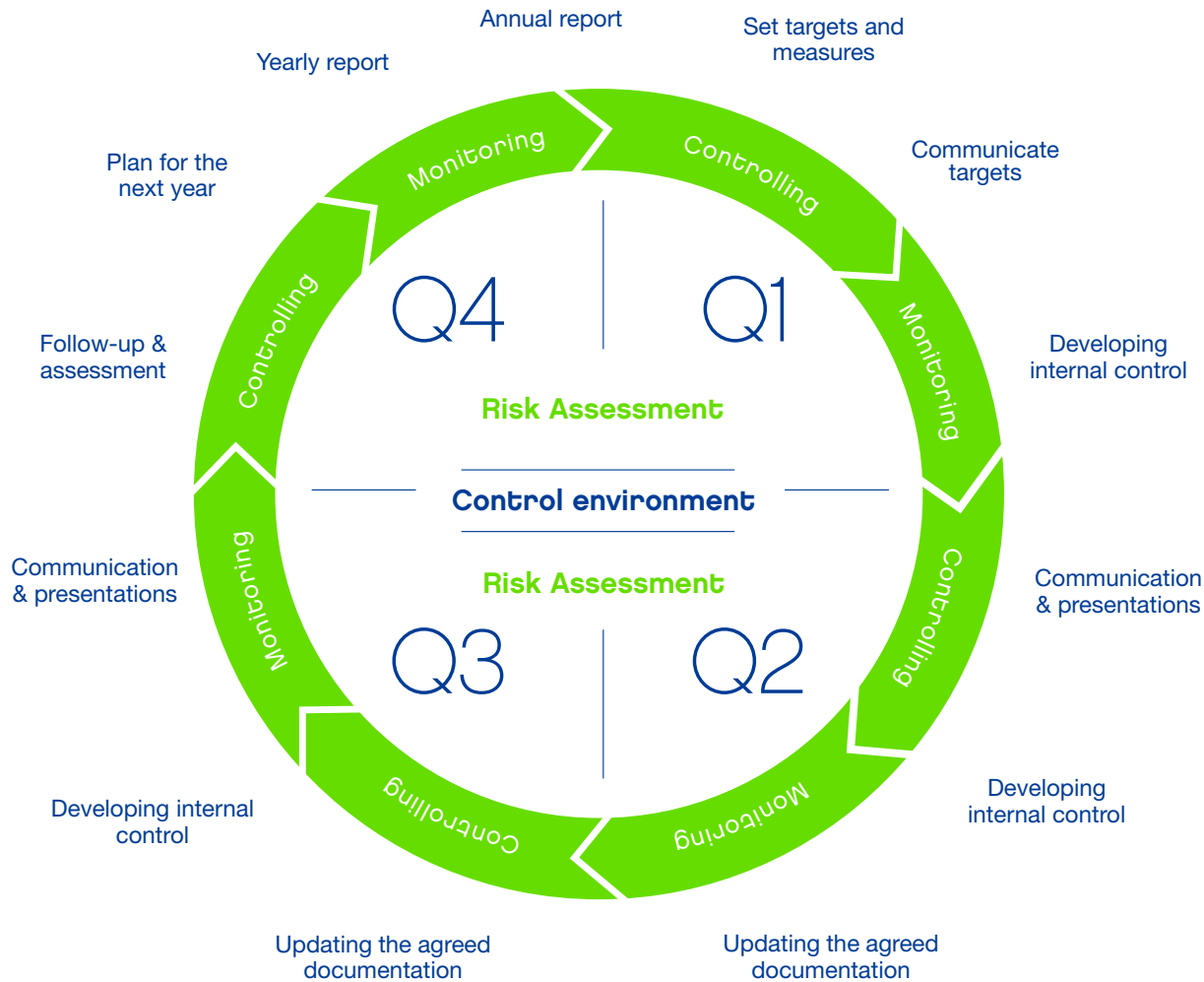
In 2016, the focus areas of internal controls development were the design of a new ERP system (SAP), development of control evidence and improving cooperation of corporate assurance functions (e.g. Internal Audit, Compliance, Risk management, Internal controls).

Design of the new ERP system has progressed from the global design phase to the detailed process-level design. Process design includes risk identification and control design. The first unit was taken into production over the course of 2016.

The theme of internal control was to improve control evidence, with the focus especially on supply and sales processes.

Cooperation between corporate assurance functions was improved by reviewing the tasks of each function and by designing forms of cooperation.

**Internal control over Financial reporting**



In 2016, the focus areas of internal controls development were the design of a new ERP system, development of control evidence and improving cooperation of corporate assurance functions.

The company's internal control is maintained and developed in cooperation with business areas and finance function. Focus areas to be developed are reviewed annually.

### 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. Neste has taken a step change in developing its performance leadership towards a more agile model supporting daily operations.

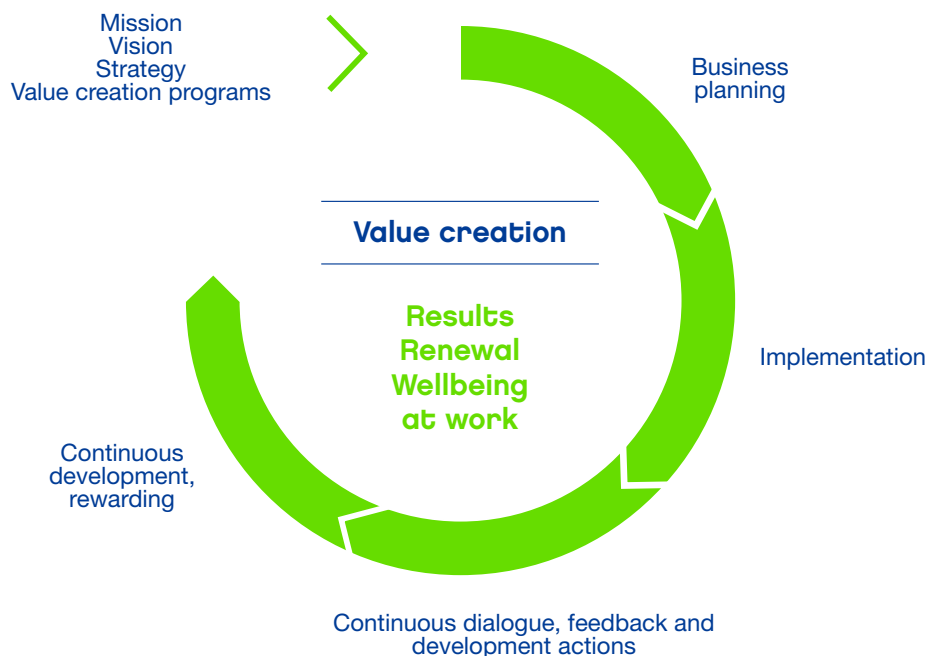
Performance management comprises daily leadership, through which individuals, teams, units and the Company can reach selected strategic priorities and develop organizational capability. Performance leadership is used to ensure that everyone knows the values and objectives of the Company, and their short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

Individual and team objectives are based on Neste's 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 daily performance leadership approach are:

- setting challenging objectives and following them through
- supporting the achievement of objectives with up-to-date feedback
- evaluating one's own performance and results
- developing ways of working and taking responsibility of own competence development
- holding personal development discussions and discussions that support day-to-day work.

### Performance Management Process



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

Results, 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.

### Leading performance in daily work

