

Opening speech by Jorma Eloranta, Chairman of the Board of Directors  
Neste Annual General Meeting, April 5, 2018 at 1 pm, Messukeskus, Helsinki

**Arvoisat Neste Oyj:n osakkaat, hyvät naiset ja herrat**  
**Ärade aktieägare, mina damer och herrar,**  
**Dear fellow shareholders, ladies and gentlemen!**

My name is **Jorma Eloranta**, and I am the chair of the company's Board of Directors. As I open this Neste Corporation Annual General Meeting for 2018, I bid you all a warm welcome on behalf of the Board.

First, I would like to briefly introduce the members of the Board of Directors and explain the Board's work since the last Annual General Meeting and over the past year.

The business review and financial statements will be presented by our President and CEO **Matti Lievonen**, who is sitting here next to me, as he always does at our board meetings too. He will also talk about the latest turns in Neste's seventy-year history, which has been a story of continual reinvention since the company's founding in January 1948.

So I'll begin by introducing the members of the Board of Directors, who as in previous years we have called here to the front:

- **Martina Flöel** joined the Neste board in spring 2017 and has been a member of the Audit Committee since then.
- **Matti Kähkönen** joined the board last spring as vice chair, and has been a member of the Personnel and Remuneration Committee since then.
- **Laura Raitio** is a member of the Audit Committee last year, and since **Heike van de Kerkhof** left the board in December of last year she has also been a member of the Personnel and Remuneration Committee.
- **Jean-Baptiste (J.B.) Renard**, is a member of the Personnel and Remuneration Committee.
- **Willem Schoeber** is a member of the Audit Committee.
- **Marco Wiren** is chair of the Audit Committee
  
- I have been the Chair of the Board of Directors and its Personnel and Remuneration Committee. I have also served as a member of the Shareholders' Nomination Board. My term of office for the positions I hold in Neste expires at the end of this meeting, because I have announced that I am no longer available for consideration for membership of the Board of Directors at this meeting.

More detailed information on the background and experience of each of the board members is available in the Neste 2017 annual report, which is available on our website, and from the publication distributed at this meeting (Neste Corporation Annual General Meeting 2018).

All of the board members, as well as **Markku Katajisto**, Chartered Public Accountant with our principal auditor, the Chartered Public Accountant Company PriceWaterhouseCoopers Oy, are independent of Neste Corporation and of its major shareholders.

Present also is the company's future CEO, **Peter Vanacker**. He will be employed by the company in early September, and will take over from Matti Lievonen as CEO of the company on November 1,

2018. Peter, would you please stand up. Peter Vanacker is 52 years of age, and is a German and Belgian citizen. He holds a Master's Degree in chemistry, and is currently managing director of CABB Group. CABB is a global leader in fine and specialty chemicals. Prior to CABB, Peter had a long career with Bayer, holding various management positions. He is moving to Finland to lead Neste Corporation, and his wife and dog are moving with him.

### **From the point of view of the Board of Directors,**

2017 was a successful year for Neste. The great merit here is the company's highly focused operations improvement programs, such as the Fight Forward program. Several market factors were also favorable for Neste. However, markets themselves don't buy anything; retailers need to win over the customer every single time.

Last year we clearly exceeded our challenging profit target for invested capital after taxes. The profit target was to exceed 15%, and last year's result of 17.5% is really impressive in the capital-intensive processing sector. Also, our indebtedness is clearly below the lower limit of 40% that we have set, and the company has almost zero net liabilities at the moment. Matti Lievonon will tell you more in his own presentation.

The stock market has also been favorable to our company for several years now. Neste's shareholder's annual total shareholder return (TSR) for the 2012–2016 period was 30% – 51% – 44% – 41% and 36%. Total shareholder return last year was over 50%. These Neste figures are considerably higher than the development of the general index of the Helsinki Stock Exchange, and are also clearly above the development of our international benchmark companies.

If an investment of EUR 1,000 were made at the beginning of 2012, it would have bought 128 shares, and the value of that investment by the end of 2017 would have been over EUR 6,829. In addition to this, over EUR 772 would have been paid in dividends on that investment if the dividend proposal being discussed today were accepted. I hope our shareholders will be happy with the return that Neste shares have given. At least I am!

The Board of Directors aims to act so that stock market actors can trust Neste as a listed company. Neste endeavors to act in the best interests of its stockholders by renewing its business operations and taking good care of the profitability of its current activities.

### **Activity of the Board of Directors and statistics for 2017**

The key task of Neste's Board of Directors is to guide the Group's strategy in a way that lays the foundations for meeting the financial targets set for the Group, and the creation of shareholder value in the long term while taking into account the expectations of the various stakeholders.

The development of the company's results, market value and dividend over the past few years shows that we have succeeded well in our core business operations.

It is clear to all who work for Neste that the company cannot operate profitably over the long term unless it works sustainably and responsibly. That is why we were very happy that the strategic choices we made have been recognized, and that Neste ranked second on the Global 100 list of

the world's most responsible companies. The number one ranked company is a French software company, making Neste the world's most responsible company in the energy sector.

Neste is living proof that even a company in the traditional industrial sector can be a success story, as long as it is brave and continuously renewing its business operations. This is exactly what we do, and will continue to do.

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The Board of Directors convened 13 times in 2017, with a participation rate of 97 percent. The areas of emphasis decided on by the board in 2017 was an implementation of the approved growth strategy, acceleration of R&D operations, continuous improvement of the quality of operations, development of expertise in a changing business environment, and the issue of successors in top management.

The board has evaluated the company's performance and status, held discussions with management on the development of the business strategy, approved the strategic points of departure prepared by management and monitored implementation of this strategy, and has assessed changes in the long-term operating environment and their impact on the company's business. Last year the company's strategy work involved two time periods, the first lasting until 2021 and the second until 2030.

The board has drawn attention to the development of security, and has evaluated measures to improve the usability of production units and develop their operations. The board has also carefully examined the company's growth program for renewable products. This program includes plans to increase production capacity and a flexible raw material base for renewable products, and business development based on various renewable product solutions. Examples of such solutions are renewable aviation fuels and bio-based chemicals and plastics. In addition, the board paid attention to improving risk control, and took care of its other tasks in accordance with the agenda.

The most important individual matter for any company's board is the change of CEO. For this reason, I would like to report to the Annual General Meeting on how the Neste board handled this process. The starting point was that Neste has been excellently led since CEO Matti Lievonon took over leadership of the company in 2008. He and his team have made the entire Neste staff part of renewing the company. Years ago I had a frank discussion with Matti and he told me about his own long-term plans.

Based on this discussion, we proceeded on the plan that in line with his leadership agreement Matti would retire at the end of 2018.

The board started preparing for the election of his successor as CEO over three years ago. Based on an assessment of the company's status and strategy, we approved the document "Next CEO Profile and Process". This set out the qualities we would require from the next CEO, and the process that result in the selection of this person. We reviewed and modified this document annually based on the results of the strategy work.

The board began the actual recruitment process in April 2017. We noted that among the agreed criteria for selection of the new CEO were

- Prior experience as a CEO, or a position of responsibility for business results in a branch of industry that is relevant to Neste's operations
- Experience leading a world-class company or business
- Experience in managing business culture change related to strategic change and international growth, and solid overall change management skills
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We did not set any criteria for nationality, and after careful consideration we decided that knowledge of Finnish is not essential for success in the position of CEO. We paid particular attention to the commitment of the candidates to managing Neste.

The recruitment process itself was systematic and thorough. From the beginning, we thought it wise that we would work as a team – that is, Eloranta and Kähkönen (Vice Chair) – at all stages of the recruitment process. In this way, we wanted to ensure the chair of the board of directors and incoming CEO would have good personal chemistry and would be able to work together as well as possible. We also wanted to ensure that in addition to the Personnel and Remuneration Committee, the whole board was closely involved in the process from start to finish.

The first lists had more than 300 candidates, and that number decreased step by step. The candidates with the most potential were interviewed and evaluated. At the end of this phase, there were five candidates. This shortlist included both Finnish and international candidates, as well as both men and women. Compensation was one of our challenges, because we wanted to find a solution that would be in line with the general principles made public by our largest shareholder, the Finnish State.

And as always, in the end it came down to just one person. The board unanimously decided that Peter Vanacker met our criteria, and was the best choice for Neste. As I said earlier in introducing Peter, he will join Neste on 1 September 2018 to get to know the company and its business operations, and will take up the position of Neste CEO on 1 November 2018. Matti Lievonon will continue in his full capacity as our CEO until then, and in line with his contract will retire at the end of 2018.

For over 40 years running, I have worked on the boards of various companies, and have been involved with around 25 changes of CEO. Of all these, the process I just described at Neste is one of the best I've seen, if not the very best. We are very satisfied with the outcome.

### **Evaluation of the Board of Directors**

Neste's Board of Directors carries out an annual self-evaluation, and did the same last year. Each member anonymously responded to a series of questions assessing the content of the board's work, operating methods and internal dynamics, the activities of the board members and the chairman, and the performance of the CEO. A corresponding self-assessment is also made by both Board Committees. Last year, we also asked for anonymous feedback on the Neste board from the members of the company's management team.

I also interviewed each member of the board last year. Alongside these evaluations, at the end of each board meeting the board assesses the preparations for each meeting, the materials used,

presentations from the management, and our general performance as a board of directors in the board meeting in question.

The results of these evaluations are been used in the continuous improvement of the board's work.

The board's overall assessment of its work has remained highly positive.

The results of the board's self-evaluation, Neste management team's evaluations of the board, and the interviews by the chair of the board were also relayed to the shareholders' nomination board elected by the Annual General Meeting. After considering the matter and taking account of the company's principle of diversity, the nomination board made a proposal to the Annual General Meeting concerning the chair, vice chair and members of the board of directors. Pekka Timonen, chair of the Shareholders' Nomination Board, will discuss the work and proposals of the Nomination Board at this meeting.

### **Opening the meeting**

Dear shareholders, ladies and gentlemen,

thank you for showing your faith in Neste Corporation by investing in its shares. I would like to thank you for attending this Annual General Meeting to hear how the company's board of directors and management have taken care of the duties entrusted to us, the company's plans for the future, and the important decisions that the Annual General Meeting is required to make.

Since this is the last Neste Annual General Meeting that I will be opening, I would like to take this opportunity to thank my colleagues on the board. Both individually and collectively you have created a strong team, and have worked together responsibly and ambitiously. You have put your impressive expertise to work for the benefit of Neste and all its shareholders. We thank the company's management and the entire staff for Neste's success.

I would also like to thank our shareholders for constructive annual general meetings in all the years that I have had the honor of chairing the board of Neste. I am confident that this meeting also will inspire the board that is elected and the acting management to do a great job for the success of the company that belongs to you – to all of us.

The Neste that I am handing over to my successor at this annual general meeting is an extremely strong company. I have every faith that the company will continue to yield good results, while at the same time tirelessly developing and implementing new growth initiatives and new business.

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