

# CHARTER FOR BOARD OF DIRECTORS OF NESTE CORPORATION

## 1. Preamble

The Board of Directors of Neste Corporation ("Board") has adopted this Charter on this day of 21 April 2005 to govern its work as part of the corporate governance of the Neste Group. The Charter has thereafter been amended on 10 September 2012, 4 April 2013, 23 April 2015 and 26 April 2016.

Neste Corporation ("Neste") is the ultimate parent company of the Neste Group and incorporated and is registered in Finland as a public limited liability company operating under Finnish law. This Charter will supplement the provisions of the Finnish Companies Act and the Articles of Association of Neste.

## 2. Areas of Responsibility

The Board's main duty is to direct Neste Group's strategy in a way that enables the delivery of the financial targets set for Neste Group and maximizes shareholder value and creates a long-term successful business for the Neste Group, while simultaneously taking into account the expectations of key stakeholders.

To this end, the Board shall approve the main *Corporate Strategies* for the Neste Group developed under leadership of the CEO. In order to have capabilities to perform such duty, the Board shall receive from the CEO and other members of the Neste Executive Board reports on markets, customers, competitors, technologies, R&D, the company image and brand as well as reports on general economic trends. The Board will also call on external expertise if and when it deems such expertise appropriate.

The Board shall make decisions on matters which are of major significance for Neste and/or the Neste Group, and on such other group-wide matters which may not be deemed to concern the day-to-day management of those companies.

The Board shall approve the *Corporate Values*, the *Corporate Policies* and the *most important Corporate Principles* including, among other things, Compliance Policy, the Code of Conduct, Corporate Risk Management Policy, Treasury Policy, Credit and Counterparty Risk Management Principles, Human Resources Policy, Communication Policy, Disclosure Policy and Sustainability Policy.

The Board shall be responsible for the *supervision and oversight of Neste Group* including, among other things, the following:

- the proper arrangement of the management and operations of Neste

- the proper arrangement of the supervision of the financial processes and control of the management of the funds of Neste;
- ensuring that an adequate and effective system of internal control and compliance function is established and maintained;
- establishing and maintaining procedures for the direction, development and follow-up of the operations of Neste;
- the establishment of this Charter, Instructions for the President and Chief Executive Officer ("CEO") and Instructions for the Neste Executive Board and Neste Executive Management Board (jointly hereinafter "NEB "); and
- deciding on those persons who shall be appointed as authorized signatories of Neste.

The Board shall be in charge of *financial matters of major significance to the Neste Group* including, among other things, the following:

- adoption of financial targets and financial forecasts;
- establishment of capital structure and financial risk limits;
- definition of dividend policy;
- adoption of Corporate Performance Plan;
- adoption of Neste's and Neste Group's interim and annual accounts and the publication of interim and annual reports and financial statements;
- making decisions on major investments, acquisitions, divestitures, joint ventures and strategically important reorganizations which are beyond the authority of the CEO;
- making decisions on taking of overdraft and other credit facilities and loans which are beyond the authority of the Chief Financial Officer and on providing mortgages and guarantees which are beyond his/her authority; and
- reviewing and overseeing critical risks in the business and assessing their management.

In order to perform the above duties, the Board shall regularly assess Neste's financial position.

The Board shall make decisions having major effect on the *Corporate Organization*, as well as decisions on *remuneration, nomination and dismissal of the senior executives of the Neste Group* including, among other things, the following:

- decisions on Main Corporate Structure and Neste Group's overall organization;
- decisions on Senior Executive Structure;
- on proposal of the Personnel and Remuneration Committee, appointment of the CEO and one or more Deputy CEOs if the Board deems it appropriate;
- on proposal of the Personnel and Remuneration Committee or the CEO, appointment of the members of the NEB and the other immediate executive subordinates of the CEO;

- on proposal of the Personnel and Remuneration Committee, decisions on fixed and variable salary, as well as pension and other employment terms and conditions for the CEO and the Deputy CEOs, if any;
- on proposal of the Personnel and Remuneration Committee or the CEO, decisions on fixed and variable salary, as well as pension and other employment terms and conditions for the members of the NEB and the other immediate executive subordinates of the CEO;
- dismissal of the CEO, the Deputy CEOs, if any, the members of the NEB and the other immediate executive subordinates of the CEO; and
- monitoring and evaluating of the performance of the CEO, the Deputy CEOs, if any, and the members of the NEB on a regular basis.

On proposal of the Personnel and Remuneration Committee, the Board shall also make decisions on *compensation and incentive systems* for the group management and the key personnel of the Neste Group. The Board shall also approve the appointment of the board members of subsidiaries of major significance to the Neste Group.

### **3. Chair**

The Chair of the Board shall see to it that the work of the Board is carried out effectively and that the Board fulfils its duties. The Chair shall in particular:

- organise and direct the work of the Board, encourage an open and constructive dialogue in the Board in which all members take part and create the best possible conditions for the Board's operations;
- ensure that the Board regularly updates and enhances its knowledge of the Neste Group and its business and otherwise acquires the knowledge required in order for the operations of the Board to be run efficiently;
- give notice of and prepare the agenda for meetings of the Board in consultation with the CEO;
- act as spokesperson for Neste in issues regarding the appointment and dismissal of the CEO;
- have regular contact with the CEO;
- ensure that the Board receives satisfactory information and decision-making materials; and
- ensure that the Board performs an annual assessment of its work.

The provisions above shall apply equally to the Deputy Chair, if any, where the Deputy Chair acts in the Chair's stead.

### **4. Quorum and Voting**

A quorum of the Board shall exist where more than half of the total number of Board members is present. However, resolutions may not be adopted unless, to

the extent possible, all members have been afforded the opportunity to participate in the consideration of the matter under discussion.

Resolutions of the Board shall be adopted by a simple majority of the members present or, in the event of a tied vote, by the Chair who shall have a casting vote.

## **5. Meetings**

The Board shall hold its first meeting as soon as possible after the commencement of the term of office of its members and shall thereafter meet as frequently as necessary to properly discharge its responsibilities. There shall be approximately 6-8 regular ordinary meetings annually, all scheduled well in advance. In addition, extraordinary meetings shall be convened by the Chair, or should the Chair be unable to do so, by the Vice Chair, and held at the request of a member of the Board or the CEO or where the Chair considers such a meeting to be necessary.

The meetings of the Board shall be held at the Head Office of Neste in Espoo but may also be held in any other place stated in the notice of the meeting.

The agenda for the meeting and any proposal for a resolution as well as any other pre-read material in relation to the items on the agenda shall be sent to the members of the Board in good time before the meeting. The Chair shall decide the agenda for each meeting based on proposals made by the CEO or the secretary.

The members of the Board shall use their reasonable efforts to participate in all Board meetings and to be prepared for such meetings. Members of the Board are also expected to participate in shareholders' meetings.

Where approved by the Chair, Board meetings can also be held as conference calls, per capsulam or on internet in a controlled and protected meeting system (e.g. at the Director's Desk), and such meetings shall be recorded in the minutes in paper format.

A secretary appointed by the Chair shall be entitled to be present at Board meetings in addition to the members of the Board, unless otherwise resolved in a particular case. The CEO shall, unless expressly resolved otherwise by the Board, participate in Board meetings. In addition, the Board may also deal with a particular matter without the Management being present (including, among others, a non-executive session or discussions with the External or Internal Auditor). The Board may specifically instruct other officers or persons to attend the meeting and participate in the consideration of certain matters from time to time.

Matters shall be presented at Board meetings by the Chair, the CEO or by a member of the NEB or another officer appointed by the Chair or the CEO. All

issues included on the agenda shall be carefully prepared and introduced by the person making the presentation or proposal thereon and shall be in written format, unless due to urgency or some other special reason an issue is introduced orally. All proposals for the meeting shall include a clear proposal for a decision, the alternatives to that proposal, grounds for the proposal and rejection of the alternatives, as well as any background or appended material or information thereon. Such presentations and proposals shall summarize all the points that can be assumed to influence the eventual decision. Presentation material shall be delivered to the secretary on a confidential basis at least seven (7) days prior to the meeting, if possible, and sent thereafter as pre-reading material to the members of the Board in such an electronic or other format (including, among others, electronic format on internet in a controlled and protected meeting system like the Director's Desk) as to be appended to the minutes, if possible. If the matter has been discussed on the basis of an oral presentation, written material shall be delivered to the secretary as soon as possible after the meeting, unless otherwise decided.

## **6. Minutes**

Minutes of Board meetings shall be taken in the English language. However, in the event the minutes are needed in the Finnish language for filing purposes or otherwise, the minutes shall be taken in both English and Finnish.

The Chair and one other member of the Board appointed at each meeting shall verify the minutes in paper format. The minutes shall be numbered in consecutive order and the originals shall be kept in paper format and stored in a safe manner by the secretary.

Board members and the CEO are entitled to have his/her dissenting opinion recorded in the minutes. The minutes of the meeting may also contain short summaries of the discussions which took place during the meeting in addition to any resolutions adopted.

The minutes shall be made available to the members of the Board and the auditor of Neste (i.e. the person with the main responsibility for the audit and the persons appointed by him) in electronic format on internet in a controlled and protected meeting system like the Director's Desk, as well as to any relevant supervisory or other authority to the extent required by law, and otherwise to the extent determined by the Chair.

## **7. Conflict of Interest**

A member of the Board may not take part in matters regarding:

- agreements between such member and any entity within the Neste Group;

- 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
- 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 provision shall not apply where the party contracting with Neste is a company within the Neste Group.

The term "agreement" as used in the first paragraph above shall be deemed to include also litigation or other legal proceedings arising from or relating to such agreement.

Members of the Board shall act in the best interest of Neste and all of its shareholders and, for instance, not pursue the interests of the parties who have proposed their election as members of the Board, if any.

## **8. Board Committees**

In order to increase the effectiveness of their work, the Board shall establish the following regular Board Committees:

1. Audit Committee
2. Personnel and Remuneration Committee.

In addition, the Board may decide to install ad-hoc committees in cases where a special preparation of board matters by a limited number of board members is deemed appropriate.

The Committees shall assist the Board by preparing matters within the competence of the Board. The Board shall establish written charters for the regular Committees' work and shall be regularly informed of the Committees' activities. The assignment of an ad-hoc committee will be decided by the Board, and such committees will report back to the Board at the dates decided by the Board.

The Audit Committee shall prepare matters in the areas of finance, accounting, risk management, ITC and auditing, all as more precisely set forth in the Charter adopted by the Board for the Audit Committee.

The Personnel and Remuneration Committee shall advise on and prepare matters in the areas of personnel and remuneration as more precisely set forth in the Charter adopted by the Board for the Personnel and Remuneration Committee.

## 9. Corporate Communication

As a general rule, the CEO shall speak on behalf of Neste. At the direction of the CEO, other representatives of the senior management may also speak on behalf of Neste. Comments and other statements from the Board will generally be made by the Chair. The Chair speaks on behalf of Neste on issues concerning the ownership structure of Neste or issues relating to the CEO.

## 10. Corporate Governance

As a publicly listed company, Neste has undertaken to comply with the Finnish Corporate Governance Code issued by the Securities Market Association on 1 October 2015 .

The Board shall oversee and monitor Neste's operations with expertise and care in accordance with the Finnish Companies Act and other applicable laws and regulations, the Articles of Association of Neste and this Charter.

The Board shall prepare *matters for consideration at general meetings of shareholders* and *convene* such meetings.

The Board annually establishes an Operational Plan for the work of the Board to be carried out during the period between Annual General Meetings of Neste. The Operational Plan establishes, among other things, a schedule for board meetings and the highest priority matters to be addressed in each meeting. The matters addressed at board meetings are confidential, unless or until they become public information by means of stock exchange release or press release.

The Board and each of its Committees will conduct an annual performance evaluation to determine whether the full Board and each of its Committees is functioning effectively. The Board will establish the criteria to be used in such evaluations. The performance review will be discussed with the full Board during September or October each year.