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NESTE OIL

Annual Report 2011
Corporate Governance Statement

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Corporate Governance Statement 2011

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).

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 reporting 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.

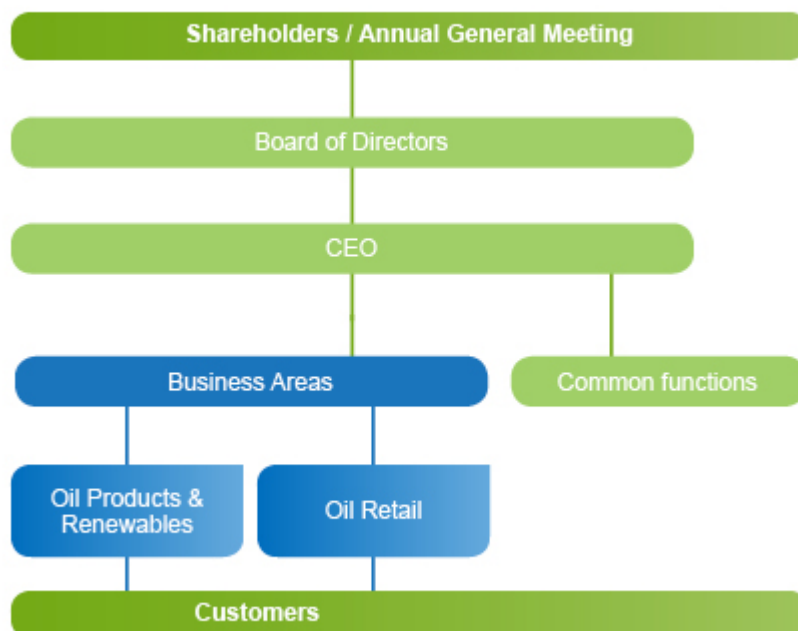
Governance bodies

The control and management of Neste Oil is split between the Annual General Meeting of Shareholders (AGM), the 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 Auditor. The Board of Directors is responsible for Neste Oil's strategy and overseeing and monitoring the Company's business. 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.

Up until 5 May 2011, the Company's governance bodies included a Supervisory Board appointed by the AGM. This was responsible for overseeing the Company's administration by the Board of Directors and the President & CEO. The AGM decided to abolish the Supervisory Board on 14 April 2011 when all the members of the Supervisory Board were re-elected to serve until 5 May 2011, when the amendment to the Articles of Association abolishing the body was registered with the authorities.

Neste Oil's headquarters are located in Espoo, Finland.

Neste Oil's Governance Bodies



The control and management of Neste Oil is split between the Annual General Meeting of Shareholders (AGM), the Board of Directors, and the President & Chief Executive Officer.

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 Board of Directors and the President & CEO from liability, and
- the election and remuneration of the members of 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.

2011

The 2011 AGM was held in Helsinki on 14 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2010 and discharged the Supervisory Board, the Board of Directors, and the CEO from liability for 2010. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2010, sanctioning payment of a dividend of EUR 0.35 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 19 April 2011. The payment was made on 28 April 2011. 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 Auditor. In accordance with a proposal by the State of Finland and the Finnish Shareholders Association, the Supervisory Board was abolished.

Nomination Board

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. Since 2011, Neste Oil has named the Nomination Committee, in accordance with the new Corporate Governance Code 2010, as the AGM Nomination Board to distinguish it from the Nomination Committee comprising members of the Board of Directors.

Annual General Meetings are responsible for establishing a Nomination Board, 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 Nomination Board normally 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 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 Nomination Board generally convenes the Nomination Board, while the Board elects its Chairman from among its members. The Nomination Board is required to present its proposal to the Board of Directors by 1 February prior to the AGM at the latest.

Activities

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

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

Composition of the Nomination Committee prior to the 2011 AGM

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

Composition of the Nomination Board prior to the 2012 AGM

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided on 14 April 2011 to establish an AGM Nomination Board to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM.

The AGM Nomination Board responsible for preparing the 2012 AGM comprised Pekka Timonen, Director General, Prime Minister's Office, Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company, and Mikko Koivusalo, Director, Investments, Varma Mutual Pension Insurance Company. Timo Peltola, Chairman of Neste Oil's Board of Directors, acted as the Nomination Board's expert member.

The Nomination Board 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 2012.

CVs of Nomination Board members:

Pekka Timonen

Ph.D. (Laws). Chairman of the Nomination Board.

Born 1960. Director General of the Ownership Steering Department at the Prime Minister's Office. Member of the Board of Finnair Oyj.

Timo Ritakallio

M.Sc. (Laws). Member of the Nomination Board.

Born 1962. Deputy CEO, Ilmarinen Mutual Pension Insurance Company. Member of the Boards of Outotec Oyj and Technopolis Oyj. Member of the Nomination Boards of Suominen Oyj, Uponor Oyj and Tikkurila Oyj, Kemira Oyj, VVO-Yhtymä Oyj, Oriola-KD Oyj, Ekokem Oy, Sponda Plc, Rautaruukki Oyj, and Orion Oyj.

Mikko Koivusalo

M.Sc. (Econ.). Member of the Nomination Board.

Born 1961. Director, Investments, Varma Mutual Pension Insurance Company. Member of the Boards of Tornator Oy and Realia Group Oy:n.

Supervisory Board (abolished on 5 May 2011)

In accordance with a proposal by the State of Finland and the Finnish Shareholders Association, the Supervisory Board was abolished by the AGM held on 14 April 2011 and all members of the Supervisory Board were re-elected for a short term of office ending 5 May 2011 when the appropriate amendments to the Company's Articles of Association were registered. The Supervisory Board met once in 2011 before it was abolished on 5 May 2011.

The members of the Supervisory Board until 5 May 2011 were: Heidi Hautala (Chairman), Kimmo Tiilikainen (Vice Chairman), Esko Ahonen, Timo Heinonen, Markus Mustajärvi, Anne-Mari Virolainen, and Miapetra Kumpula-Natri. The biographical details of the Supervisory Board members and details on their independent status and attendance at meetings can be found in the following table.

Supervisory Board, 1 January – 5 May 2011

	Position	Born	Education	Main Occupation, 5 May 2011	Independent of the company	Independent of major shareholders	Attendance at meetings
Heidi Hautala	Chairman	1955	M.Sc.	Member of the European Parliament	•	•	0%
Kimmo Tiilikainen	Vice Chairman	1966	M.Sc.	Member of the Finnish Parliament	•	•	100%
Esko Ahonen	Member	1955	Construction Engineer	Construction Engineer	•	•	0%
Timo Heinonen	Member	1975	M.Sc.	Member of the Finnish Parliament	•	•	100%
Markus Mustajärvi	Member	1963	M.Sc., Forest engineer	Member of the Finnish Parliament	•	•	100%
Miapetra Kumpula-Natri	Member	1972	B.Sc.	Member of the Finnish Parliament	•	•	100%
Anne-Mari Virolainen	Member	1965	M.Sc.	Member of the Finnish Parliament	•	•	100%

The remuneration paid to members is presented in a table in the [Remuneration and shareholdings](#) section 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 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 a 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 between 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.

2011

The Board met 11 times in 2011 and the attendance percentage on average was 97.7. In its strategy-related work, the Board of Directors concentrated on updating the Company's vision and followed up the implementation of the strategy through Neste Oil's Value Creation programs. The Board also monitored the completion of Renewable Fuels' strategic growth projects and followed up the implementation of the Company's efficiency enhancement program, which has resulted in improved cash flow performance through better management of costs, investments, and working capital.

The 2011 AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Timo Peltola, Michiel Boersma, Maija-Liisa Friman, Nina Linander, Hannu Ryöppönen and Markku Tapio. Jorma Eloranta and Laura Raitio were elected as new members. Eloranta was also elected as Vice Chairman. Timo Peltola continued as Chairman. Mikael von Frenckell and Ainomaija Haarla left Neste Oil's Board of Directors at the AGM on 14 April 2011.

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 2011

Attendance at meetings										
				Independent of Personnel						
				Main Occupation	Independent of the company	major shareholders	Remuneration Committee	Audit Committee	Company Board	mittees
Position Born Education										
Timo Peltola	Chairman	1946	M.Sc. (Econ.)	Non-Executive Director	•	•	•		100%	100%
Jorma Eloranta*	Vice Chairman	1951	M.Sc. (Tech.)	Non-Executive Director	•	•		•	100%	100%
Michiel Boersma	Member	1947	Ph.D. (Chem. Tech.)	Non-Executive Director	•	•	•		100%	100%
Maija-Liisa Friman	Member	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•	•		100%	100%
Nina Linander	Member	1959	M.Sc. (Econ.), MBA	Partner	•	•		•	100%	100%
Laura Raitio*	Member	1962	(Lic. Tech.),	Executive Vice President	•	•		•	100%	100%
Hannu Ryöppönen	Member	1952	B.A. (Business Adm.)	Non-Executive Director	•	•		•	100%	100%
Markku Tapio	Member	1948	M.Sc. (Econ.)	Senior Financial Counselor	•		•		100%	100%

* Board member since 14 April 2011, when Mikael von Frenckell and Ainomaija Haarla left Neste Oil's Board of Directors.

Board of Directors, 1 January – 14 April 2011*

Mikael von Frenckell	Vice Chairman	1947	M.Sc. (Soc.)	Partner	•	•	•		0%	0%
Ainomaija Haarla	Member	1953	Ph.D. (Tech.), MBA	President and CEO	•	•	•		100%	100%

* Mikael von Frenckell and Ainomaija Haarla left Neste Oil's Board of Directors at the AGM held on 14 April 2011.

The shareholdings of members and the remuneration paid to them are detailed in a table in the [Remuneration and shareholdings](#) section of the Annual Report.

Board of Directors

Timo Peltola

M.Sc. (Econ.), Hon. Ph.D (Econ.). Chairman of the Board. Member of the Board since 2005. Independent member.

Born in 1946. Former Chief Executive Officer of Huhtamäki Corporation, Vice Chairman of the Board of TeliaSonera Ab, Member of the Boards of SAS Ab and AW-Energy Oy, and an advisor to CVC Capital Partners Svenska Ab, Sveafastigheter Ab, CapMan Public Market Fund and Citigroup's Nordic Advisory Board. Chairman of Neste Oil's Personnel and Remuneration Committee.



Jorma Eloranta

M.Sc. (Tech). Vice Chairman of the Board. Member of the Board since 2011. Independent member.

Born in 1951. Former President and CEO of Metso 2004–2/2011. President and CEO of Kvaerner Masa-Yards Inc. 2001–2003. President and CEO of Patria Industries Group 1997–2000. Deputy Chief Executive of Finvest Inc. and Jaakko Pöyry Group 1996. President of Finvest Inc. 1985–1995. Chairman of the Supervisory Boards of Ilmarinen Mutual Pension Insurance Company and Gasum Corporation. Chairman of the Boards of Suominen Corporation, Finnish Foundation for Technology Promotion, Technology Industries of Finland Centennial Foundation, and ZenRobotics Oy. Chairman of the Board and President of Pienelo Oy. Member of the Boards of Uponor Corporation, Finnish Fair Foundation, and Ovako AB. Member of Neste Oil's Audit Committee.



Michiel Boersma

Ph.D (Chem. Techn.). Member of the Board since 2007. Independent member.

Born in 1947. Former CEO of Essent NV. Chairman of the Supervisory Boards of ProRail, KEMA, TMG and VieCuri Medical Centre. Member of the Supervisory Board of POST NL. Chairman of the Board of Prometheus Energy. Member of the Boards of various Dutch foundations. Senior Advisor of First State Investments. Served for many years in the Shell Group, most recently as President, Shell Global Solutions and Executive Vice President of the Shell Oil Products Executive Committee. Member of Neste Oil's Personnel and Remuneration Committee.



Maija-Liisa Friman

M.Sc. in Chemical Engineering. Member of the Board since 2010.
Independent member.

Born in 1952. President and CEO of Aspocomp Group Oyj 2004–2007. Managing Director of Vattenfall Oy in 2000–2004 and Managing Director of Gyproc Oy 1993–2000. Chairman of the Board of Ekokem and Vice Chairman of the Board of Metso. Member of the Boards of TeliaSonera and LKAB. Chairman of TeliaSonera's Audit Committee. Vice Chairman of the Board of Finnish Medical Science Foundation and Member of the Board of Helsinki Deaconess Institute Foundation. Member of the Board and partner of Boardman Oy. Member of Neste Oil's Personnel and Remuneration Committee.

**Nina Linander**

M.Sc. (Econ.), MBA. Member of the Board since 2005. Independent member.

Born in 1959. Partner and Member of the Board of Stanton Chase International AB and related companies. Member of the Boards of Specialfastigheter AB, Awapatent AB and AWA Konsult AB. Chairman of Specialfastigheter's Finance Committee. Former Group Treasurer of AB Electrolux and former Director, Product Area Electricity at Vattenfall AB. Chairman of Neste Oil's Audit Committee.

**Laura Raitio**

M.Sc. (Chem. Eng.), Lic. Tech. (Forest Products Technology). Member of the Board since 2011. Independent member.

Born in 1962. Executive Vice President, Building and Energy and Member of the Executive Management Team, Ahlstrom Corporation. 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 Oy 2001–2002. Several managerial positions within Ahlstrom's specialty paper business since 1990. Member of Neste Oil's Audit Committee.



Hannu Ryöppönen

B.A. (Business Adm.). Member of the Board since 2009. Independent member.

Born in 1952. Chairman of the Board of Altor Private Equity Funds. Vice Chairman of the Board of Rautaruukki Oyj. Member of the Boards of AmerSports Oyj, Korsnäs AB, Novo Nordisk A/S and Tiimari Oyj. Member of Neste Oil's Audit Committee.



Markku Tapio

M.Sc. (Econ.). Member of the Board since 2008. Independent of company, but non-independent of the major shareholder.

Born in 1948. Senior Financial Counselor at the Prime Minister's Office, Ownership Steering Department. Member of the Board of Directors and Remuneration Committee of VR-Group Ltd. Member of Neste Oil's Personnel and Remuneration Committee.



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 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 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 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 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.

2011

The Audit Committee until 14 April 2011 comprised Nina Linander (Chairman), Maija-Liisa Friman, Hannu Ryöppönen, and Markku Tapio. Starting from 14 April 2011, the Audit Committee comprised Nina Linander (Chairman), Jorma Eloranta, Laura Raitio, and Hannu Ryöppönen.

The Audit Committee convened 7 times and the attendance rate was 100%. In addition to its normal duties in 2011, the Committee concentrated on monitoring risk management and financial reporting, together with development work in these areas, as well as monitoring and following up the management of the market risks associated with the expansion of the 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.

2011

The Personnel and Remuneration Committee until 14 April 2011 comprised Timo Peltola (Chairman), Michiel Boersma, Mikael von Frenckell, and Ainomaija Haarla. Starting from 14 April 2011, the Personnel and Remuneration Committee comprised Timo Peltola (Chairman), Michiel Boersma, Maija-Liisa Friman, and Markku Tapio.

The Committee convened 5 times, and the attendance rate was 95%. Key activities during 2011 included developing the compensation and incentive systems for key personnel, monitoring the implementation of the Company's reorganization and change management, and preparing the successor plan for key executive 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 & 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 and shareholdings of the President & CEO](#) can be found in the Remuneration and shareholdings section of the Annual Report.

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 and shareholdings of the members of the NEB can be found in the [Remuneration and shareholdings](#) section of the Annual Report.

2011

The Neste Executive Board comprised 9 members and met 12 times in 2011. The NEB concentrated on improving the efficiency of Neste Oil's implementation of its strategy through a series of Value Creation programs, completing the Company's strategic growth investments, and improving cash flow management through better control of fixed costs, investments, and working capital.

Members of the Neste Executive Board

Matti Lievonen

President & CEO, Chairman of the Neste Executive Board

Born 1958. B.Sc. (Eng.), eMBA. 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, 1986 and 2008, and was with ABB earlier.

Member of UPM-Kymmene's Executive Board 2002–2008. Chairman of the Advisory Board, Excellence Finland. Vice Chairman of the Board of the Chemical Industry Federation of Finland. Member of the Boards of Rautaruukki and European Petroleum Industry Association. Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company and member of the Advisory Board, National Emergency Supply Agency.



Matti Lehmus

Executive Vice President, Oil Products and Renewables

Born 1974. M.Sc. (Eng.) and eMBA. Member of the Neste Executive Board since 2009.

Joined the company in 1997. Responsible for the Oil Products and Renewables business area. Previously served as 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. Chairman of the Board of the Finnish Petroleum Federation.



Sakari Toivola

Executive Vice President, Oil Retail

Born 1953. M.Sc. (Eng.). Member of the Neste Executive Board since 2007.

Joined the company in 2007. Responsible for oil retailing in Finland and the Baltic Rim, direct sales, and LPG. Served previously as Managing Director (2002–2007) and Retail Sales Director (2001–2002) of oy Esso ab (Finland). Member of the Boards of Directors of Luottokunta Oy and the Finnish Petroleum Federation.



Simo Honkanen

Senior Vice President, Sustainability and HSSE

Born 1958. M.Sc. (Econ.). Member of the Neste Executive Board since 2009.

Joined the company in 2006. Responsible for the Sustainability and HSSE corporate function. Served previously as Vice President, Marketing and Stakeholder Relations in the Renewable Fuels division (2008–2009), Vice President, New Ventures in the Components Division (2006–2007) and prior to that as Strategy Director in Shell Finland, Marketing Director, Retail in Shell Benelux and France, and in several other managerial positions in Finland and Sweden (1985–2005).

**Hannele Jakosuo-Jansson**

Senior Vice President, Human Resources

Born 1966. M.Sc. (Eng.). Member of the Neste Executive Board since 2006.

Joined the company in 1990. Responsible for the Group's Human Resources function. Served as Laboratory and Research Manager at the Technology Center (1998–2004) and Vice President, Human Resources at Oil Refining (2004–2005). Member of Tekes board.

**Osmo Kammonen**

Senior Vice President, Communications, Marketing and Public Affairs

Born 1959. M.Sc. (Laws). Member of the Neste Executive Board since 2004.

Joined the company in 2004. Responsible for the Group's communications, marketing and public affairs activities. 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.



Lars Peter Lindfors

Senior Vice President, Technology and Strategy

Born 1964. Ph.D. (Tech.), MBA. Member of the Neste Executive Board since 2009.

Joined the company in 2007. Responsible for Research and Technology, Neste Jacobs, strategic development, business excellence, and investment management. Served previously as Vice President for the company's Research and Technology unit (2007–2009), as 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 (1989–2001) as R&D Manager and various other positions.

**Ilkka Poranen**

Senior Vice President, Production and Logistics

Born 1960. M.Sc. (Eng.). Member of the Neste Executive Board since 2009.

Joined the company in 1985. Responsible for Production and Logistics. Previously served as Vice President, Corporate Safety (2007–2009), Vice President, Base Oils (1997–2007), and as Plant Manager at the Porvoo Refinery (1986–1997).

**Ilkka Salonen**

Chief Financial Officer

Born 1965. M.Sc. (Econ.), CEFA. Member of the Neste Executive Board since 2009.

Joined the company in 2009. Responsible for the Group's financial management, investor relations, risk management, corporate IT, and procurement. Served as Chief Financial Officer at Pohjola Bank and the OKO Group.

**Matti Hautakangas***

General Counsel and Secretary to the Neste Executive Board and the Board of Directors. Born 1963. M.Sc. (Laws).

Joined the company in 2003. Secretary to the Neste Executive Board and Board of Directors since 2004. Responsible for the Group's legal affairs. Served previously as Legal Counsel, Oil Refining (2003–2004) and an attorney-at-law at Procopé & Hornborg Law Offices Ltd. (1994–2003).



* Not a member of the Neste Executive Board

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.

2011

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO, and the Senior Vice President, Production and Logistics; and met 9 times in 2011.

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 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 in the [Financial Statements section](#) of the Annual Report.

2011

Ernst & Young Oy was elected as Neste Oil's Auditor on 14 April 2011, with Anna-Maija 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.

Fees charged by the statutory auditor, EUR 1,000

	2011	2010
Audit fees	1,044	995
Others	685	338
Total	1,729	1,333

Internal Audit

The Internal Audit Unit supports Neste Oil's Board of Directors, the Board's Audit Committee, and management in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The goal of Internal Audit is to generate added value by making recommendations designed to improve the Company's operations. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the operations of Neste Oil's units and functions on a regular basis and evaluate their internal controls, risk management, and administrative practices. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments on behalf of management or the Board of Directors' Audit Committee.

Internal Audit reports to the Board of Directors' Audit Committee and administratively to the President & CEO. The Audit Committee is responsible for approving the Internal Audit Charter and Internal Audit's annual operating plan. As a staff function, Internal Audit does not have any direct authority over the activities it reviews.

Misconduct

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

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
- costs generated 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 anonymously 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. Misconduct and suspected misconduct is reported to the Board of Directors' Audit Committee.

2011

During 2011, Internal Audit focused on the Company's overseas operations, data security issues, and the Renewable Fuels business area. Together with risk management personnel, Internal Audit developed a more systematic approach for evaluating the risk of misconduct in the Company's units and operations. Internal Audits' IT capabilities were also enhanced.

Ethics Online, Neste Oil's online tool for reporting misconduct and other activity incompatible with the Company's Code of Conduct, which was introduced in 2009, was further developed; and employee communication related to the Code was extended. No cases of misconduct took place in 2011 that would have had a material impact on the Company's financial performance.

Read more about internal communications related to the Code of Conduct in the [Sustainability section](#) of the Annual Report.

Insider guidelines

Neste Oil complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd. that came into force as of 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 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.ncsd.eu).

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 <http://nesteoil.com/investors>.

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.

Performance management



Main features of 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 systems 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 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 provides a systematic approach for 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 carried out effectively. 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.

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.

2011

In 2011, Neste Oil concentrated on developing internal control processes, especially in inventory management, and on monitoring the effectiveness of the controls of financial reporting related to the Company's most important processes.