



Neste in 2015

Neste Remuneration Statement

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Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholder

In our report published in spring 2015 I described how Neste had reshaped its organization on the senior management level during the previous year. In this letter I am able to report to you that the objectives set for this reshaping have been achieved. The company has now been able to respond more dynamically to the constantly changing market situation – an ability that has certainly played a role in our continuing good financial performance in 2015.

One of the objectives of Neste's corporate strategy that was approved in spring 2015 is to develop business based on renewable raw materials and to identify product segments and customers also outside fuel applications. This is very ambitious, because under this strategy Neste is – once again – pioneering new markets for renewable products. Continuous development of our present business in terms of, for example, safety and the availability of our refineries, requires strong expertise and focus on our evolving tasks from our senior management and the company's entire personnel.

It is the task of the Personnel and Remuneration Committee to ensure from its part that the company commands the expertise it needs to execute the strategy, and to support this ability through incentives and rewards. It is to this end that the Committee prepared and the Board of Directors approved in December 2015 an initiative for establishing a new share-based incentive plan for 2016 and onward. In addition, the Committee has regularly monitored how the targets of earlier share-based incentive plans, the 2015 short-term incentive plans and the personnel fund have been achieved, and what their forecasts are, and prepared for setting targets for 2016. Following its annual timeline, the committee has also examined the total remuneration of the senior management in light of internal and external benchmarks.

It is not the company's objective to be the salary leader, but it must be able to compete for the skilled workforce and efficient senior management. Salaries and incentive plans form one part of the whole that is used to achieve this. Right selection of key individuals, the use of performance reviews and performance-based incentives as well as job rotation, succession planning and the competence and appropriate rewarding of the entire personnel are our key to success – now and in the future. We feel that the policy definitions and decisions we have

made in the field of remuneration have contributed to the company's continuing success.

The base salary of the company's CEO was previously raised on 1 January 2012. Over the past few years the company's profitability has increased considerably, and its corporate structure has become more diversified and more international. The Board of Directors has felt that the CEO's role in this positive trend has been substantial, and the CEO has received positive feedback for his performance from the Board. This positive development is reflected in the competitive performance-based rewards earned by the CEO and our key personnel through both the short-term and long-term share-based incentive plans and the trend continues also in 2016. In step with this, the company's share price has roughly doubled over the past three years, and we have been able to pay dividends to shareholders in compliance with our dividends policy without compromising our growth and the development of our business. And this is exactly how well-thought incentive plans should work.

Neste's Board of Directors has also taken the State of Finland's incentive guidelines into account. In 2015, for example, the maximum limits, which are defined in relation to the base salaries specified in the guidelines, limited the share incentive amounts considerably as the reward may not exceed the fixed annual base salary during any earning year. Increases of base salaries have also been very moderate.

The company has, through its annual short-term incentive system alone, paid its senior management and entire personnel approximately EUR 24 million in 2014 and in 2015. The entire personnel have achieved their unit-level and personal performance targets commendably. On average, rewards have exceeded target levels in all personnel categories.

Based on the record results for 2015, the company will pay more short-term incentives in 2016 than ever before. The criteria of the incentive program for the 2013–2015 earning period were also fully met: the targets were exceeded in cumulative comparable free cash flow, and the comparable operating profit of the Renewable Products business area clearly exceeded the target set in December 2012. Therefore, the key persons will receive the maximum rewards under the terms and conditions of the program.

The salary and remuneration report is divided into four sections as follows:

- 1. Letter from the Chair of the Personnel and Remuneration Committee.** This section highlights the key remuneration related activities and decisions undertaken by the Personnel and Remuneration Committee during the year. The Personnel and Remuneration Committee reports to the Board of Directors, which makes the final decisions concerning the proposals made by the Committee.
- 2. Neste Executive Remuneration Policy Report.** This section explains how the executive remuneration policy and performance criteria are used to determine the remuneration of the President & CEO and members of the Neste Executive Board over future financial years. It also describes the remuneration principles that apply to our senior managers.
- 3. Neste Executive Annual Remuneration Report.** This section presents a full report on the remuneration of Neste's President & CEO and the members of the Executive Board in light of the company's financial and operative performance over the latest reporting year.
- 4. Neste's Board of Directors Remuneration Review.** This section describes the remuneration paid to Neste's Board of Directors during the latest financial period and how remuneration levels have developed over the recent years. The Shareholders' Nomination Board submits proposals on the remuneration of Neste's Board of Directors to the Annual General Meeting for approval. Whilst the Chair of Neste's Board of Directors is a member of the Shareholders' Nomination Board, he does not participate in either proposing or deciding his own remuneration, nor does he participate in the Nomination Board's proposal for the Chair of the Board for the AGM.

We have received positive feedback concerning the new reporting procedures introduced in 2014, and we will continue developing our reporting procedures further in the future.

We are happy to receive comments and feedback on the reporting (corpcomviestinta@neste.com) to be able to improve our reporting further.

Jorma Eloranta

Chair of the Personnel and Remuneration Committee
jorma.eloranta@neste.com

Neste Executive Remuneration Policy Report

Principles guide our performance

We review the company's remuneration principles as necessary approximately every two years. The performance and reward principles introduced in the beginning of 2014 were applied unchanged as no updates were found necessary in 2015. They underpin the remuneration programs across the group and are founded on the two platforms of fairness and pay for performance.

We want to recognize and reward high performance and responsible behavior in support of the attainment of the group's strategic targets and the long-term sustainability of the business.

Underpinning our group remuneration philosophy are the following four guiding principles:

- 1. Ensure the execution of our strategy** – We aim to chart a clear path forward by executing our corporate strategy and sharing our business objectives.
- 2. Drive performance and value-based behavior** – We aim to drive results on the individual, the team and the business-unit level by rewarding excellence, development and value based behavior.
- 3. Encourage individual and team accountability** – We promote clear targets and a focus on continuous improvement of our performance. We make this possible by maintaining ongoing dialogue with our personnel and welcoming their feedback.
- 4. Be fair and transparent** – We run our performance and total rewards processes ethically and with integrity, and support this with clear communication.

Remuneration principles for the Neste Executive Board and senior management

Based on the proposal submitted by the Personnel and Remuneration Committee, the board takes into account the following objectives in determining the remuneration for the Executive Board and senior managers:

Remuneration should be sufficient to attract and retain senior management with the requisite skills and experience to ensure that we

meet our strategic goals, yet at the same time make financial sense from the company's point of view so as not to jeopardize its competitive cost structure.

For the company to operate effectively in a global context, remuneration should be fair and competitive within the international markets where the company operates. Salaries and other pay components should be based on local market conditions and be sufficient to attract key management talent.

To help drive performance in the short and the long term, to maintain a flexible cost base, and to avoid creating incentives for excessive risk-taking, an appropriate proportion between fixed and performance-based pay should be maintained in incentive plans.

Remuneration should also guide and encourage the achievement of challenging strategic, operational and financial targets.

Senior management interests should align with those of the company and its broad base of domestic and international stakeholders.

The senior management remuneration policy should be consistent with the global remuneration applied to Neste employees worldwide.

Neste always treats to senior managers and personnel equally and impartially, regardless of their gender, national origin, age, religion, political opinion, and other comparable factors.

Remuneration is defined according to the "grandfather principle" whereby the pay of any individual is subject to the approval of a manager's manager. No individual may decide matters relating to their own remuneration.

External advisors

The Personnel and Remuneration Committee received advice for the planning work of the new 2016 long-term share-based incentive plan from incentive consultants of Alexander Finance Corporate. Incentive consultants from PCA and Mercer were consulted in the planning of the 2013 long-term share-based incentive plans.

Summary of Remuneration Policy for the Neste Executive Board

The Neste Executive Board's remuneration policy consists of the following key elements.

Remuneration element	Description and operation
Base salary	Fixed salary which includes taxable fringe benefits (car and telephone). CEO's salary is EUR 55,039 per month as of 1.1.2012.
Insurance	The members have private accident, life and disability insurance, business travel, directors' and officers' liability insurance. The NEB members may participate in the sickness fund (in Finland).
Additional pension	CEO: Defined benefit (DB) plan approved in 2008, based on a retirement age of 60 years and 60% of retirement salary. NEB members: DB plan based on a retirement age of 60 up to 60% of retirement salary or, for those who have started after 1 January 2009, additional defined contribution (DC) pension scheme based on retirement age of 62 or 63. (Retirement salary for DB schemes is calculated on the basis of the average monthly salary and related statutory pension insurance contributions over the ten years prior to retirement. New DB plans are no longer made.)
Short-term incentives	Based on the attainment of annual financial and non-financial measures. Maximum award value is 40% of salary paid in cash in March after the end of the performance year. CEO (2015): 90% based on group financial targets – EBIT comparable, Return on Average Capital Employed (ROACE%); 10% based on group safety target – Total Recordable Injury Frequency (TRIF). NEB members with business area responsibility (2015): 50% group, 50% business unit targets. NEB members with common function responsibility: 80% group, 20% function targets.
New long-term share-based incentives (2016)	Based on the attainment of three-year financial and share price performance targets for Neste. Awards will vest in one tranche after three years, partly in shares and partly in cash. The cash element will cover taxes and other tax-like costs. 2016–2018* earnings criteria: 75% cumulative comparable free cash flow and 25% of total return of Neste shares relative to the STOXX Europe 600 Index. Allocation for CEO (share based) will be vary between 0–100% of annual salary (target level is 40%) at December 2015 salary and share price information. Awards for NEB members are between 0–80% of annual salary (target 40%). Should the amount of total incentive awarded to executives exceed 120% of annual salary, the excess amount of STI and LTI shares vesting in any one year will be cut to maintain this limit.

Remuneration element	Description and operation
Shareholding restriction	CEO and NEB members are not permitted to sell or transfer their shares for a period of three years after vesting. During this lock-up period shares may be subject to forfeiture on termination, at the discretion of the Board of Directors.
Claw back	Claw back provisions apply to LTI and STI plan awards in exceptional circumstances such as misconduct or misstatement of financial results.
Share ownership guidelines	CEO and NEB members must accumulate and maintain a shareholding which is equivalent to their annual fixed salary. Until this threshold is met, participants must retain 100% of vested incentive shares after tax (~50% for 2010 LTI plan). Once this shareholding requirement is reached, the shareholding restriction period may be cut by decision of the Board.
Service contracts and loss of office payments	Notice period for both the company and the CEO and NEB members is 6 months. In the event of termination by the company, the CEO is entitled to severance payment equivalent to 18 months' salary in addition to salary for notice period. NEB members are entitled for 6 months' severance payments. Change of control terms are same as for termination.

* **Long-term stock incentive plan 2013: 2013–2015** plan earnings criteria are 75% group cumulative comparable free cash flow (cash flow after maintenance investments, tax, interest, asset sale proceeds, and net gains/losses on inventory) and 25% comparable operating profit of the Renewable Products business area. **2014–2016 and 2015–2017** plans earnings criteria are 75% group cumulative comparable free cash flow and 25% total return of Neste shares relative to a peer group of 10 oil industry peers.

Supplementary information

Benchmarking approach: The Personnel and Remuneration Committee reviews market benchmark data from Finnish and, where necessary, international industrial companies of a similar size and complexity to Neste when setting total remuneration packages for the CEO and the members of the NEB. This is used more as a guide than a direct determinant of pay levels. Other factors considered include each individual's role and experience, as well as company and personal performance.

Shareholder alignment: The Company's largest shareholder, the State of Finland, issued guidelines for the remuneration of executives within state-owned listed companies in August 2012. Neste's Board of Directors has deemed it correct to take these guidelines into consideration, along with the interests of its wider shareholder base, when determining the remuneration policy for its senior executives.

Neste Executive Annual Remuneration Report

The year in review

We measure the success of our Executive Board by how well Neste achieves its strategic and financial targets.

In 2015, Neste's financial result was a record high, and the company achieved an excellent return on equity. Neste also made progress with regard to its strategic objectives. The company's position in the Baltic Sea region strengthened as Neste utilized all of its business areas better than before. Combining premium-quality fossil and renewable products with Neste services, such as logistics, turned out to be a competitive solution to customer needs. The company set a new record in the sales of renewable products. Focusing sales on carefully selected markets and customers was the key to success. Oil Retail obtained a considerable new customer base with the same method.

We see that the interests of our Executive Board members should be aligned with the company and its shareholders. Our financial result and other achievements during 2015 will mean that incentives of short term and long-term incentive programs in 2016 are higher than in many previous years. Share incentives paid under the long-term incentive program 2013–2015 are realized at allocated near-maximum levels under the terms and conditions of the programme.

Short-term incentives (STI) 2014 paid in 2015

In 2014, comparable operating profit and return on average capital employed (ROACE) after tax remained on the same commendable levels as in 2013. After the turning point of 2013, our Renewable Products business has produced good results. In Oil Products, comparable operating profit increased slightly from 2013, while the comparable operating profit of the Oil Retail business area decreased slightly from the record levels seen in 2013.

As a result, the group exceeded the financial goals of the 2014 short-term incentive plan, which are based on comparable operating profit and ROACE figures. Taking the business- and unit-level performance targets also into account, the Board of Directors awarded the CEO and the NEB rewards at above-target levels for performance year 2014. On average, however, the rewards were lower than in 2013, and

remained clearly within the maximum limits of the short-term incentives (40% of annual salary).

Long-term incentives (LTI)

Neste's 2010 long-term incentive program ran in three-year plan cycles from 2010 to 2012, 2011 to 2013 and 2012 to 2014. Awards were based 50% on the attainment of Renewable Product's sales volume target and 50% on the TSR performance of Neste shares relative to the Dow Jones Nordic Return Index. In the latest cycle, 2012–2014, earnings criteria were achieved in full: sales volume targets were exceeded, and the share price continued to improve relative to the index. As a result, total reward for 2015 corresponds to 414,509 company shares, of which 95,992 shares are paid to President & CEO and current NEB members. The number of shares paid to the President & CEO and the NEB members after tax is 46,142.

The 2013 long-term incentive program consists of three plans that started in 2013, 2014 and 2015. In the first cycle, 2013–2015, earnings criteria were achieved in full: targets set for group cumulative comparable free cash flow were exceeded, and the comparable operating profit of the Renewable Products business exceeded the target set in December 2012. As a result, total reward for 2016 corresponds to 232,482 Company shares, of which 76,769 shares are awarded to President & CEO and current NEB members. The number of shares paid to President & CEO and NEB members after tax is 36,314.

The performance targets for the cycles that started in 2014–2016 are shown in the table. In case the cycle targets are achieved, shares corresponding to EUR 3.5 million are paid at target level for each cycle. If target levels are achieved, maximum value of share incentives is EUR 7 million per cycle. The rewards to be paid on the basis of the performance period 2016–2018 of the new LTI program correspond to the value of an approximate maximum total of 273,000 Neste Corporation shares.

Remuneration paid to the President & CEO and NEB Members as of 31 December 2015

EUR	CEO		NEB members (in aggregate)	
	2015	2014	2015	2014
Annual remuneration				
Base salary	667,623	666,867	1,860,683	1,741,154
Taxable benefits ¹⁾	17,040	25,500	113,992	119,293
Annual incentive (STI plan) ²⁾	221,501	228,962	505,950	648,225
Total annual remuneration	906,164	921,329	2,480,625	2,508,772
Vested long-term remuneration				
LTI 2010: 2012–2014 and 2011–2013 plans ³⁾	716,954	803,897	1,538,552	1,625,696
Additional pension	824,019	618,700	462,914	620,110
Total remuneration	2,447,137	2,343,926	4,483,091	4,754,578

¹⁾ Members of the NEB receive taxable car and mobile phone benefits as part of their fixed salary. For the President & CEO, the value of benefits comprises: EUR 16,560 for car and EUR 480 for telephone.

²⁾ 2016 payments: CEO EUR 260,337 and NEB members EUR 683,492.

³⁾ Total taxable value of LTI payments awarded (including transfer tax). The long-term awards paid for any year cannot exceed the annual gross salary of the year in question. To build commitment,

share-based incentive programs are multi-year systems. It is possible that an award is paid several years after the beginning of the earning period. On the payment date, the rules that were accepted when the plan was set up and which complied with the Government's shareholder control guidelines that were valid at the time but may differ from the Cabinet Finance Committee's position valid on the payment date will be followed. In 2014 and 2015, share-based incentive awards were delivered on the basis of the plan set up in 2009. The table presents the taxable total value of the award including transfer tax earned in earning period (2011–2013 and 2012–2014). The long term awards do not, for any earning year, exceed the annual fixed salary of the year in question.

Remuneration of personnel

Group short-term incentives. Neste wants to ensure that its employees have the opportunity to share in the company's success and excellent performance of its personnel. A group STI scheme is in place in all countries, and incentives are paid on the basis of the set goals.

For the 2014 performance year, Neste was able to fund a payout of EUR 23.5 million (24.3 million) in performance-based incentives for senior managers and employees in the spring of 2015 (including pension and social insurance contributions).

The Company's short-term incentive system for the personnel was updated in the beginning of 2014. The personnel's target incentive is determined according to the job grade and posting country, and is 4–20% of the basic salary at an annual level. The final incentive is determined by the Company's result multiplier which, depending on the Company's comparable operating profit, ranges between 0 and 1.5 if the threshold value has been exceeded. As a result, the incentive is determined according to the Company's financial situation.

Personnel fund. Neste offers employees based in Finland an entitlement to a profit share award through its personnel fund after six months of continuous service. The profit share earnings paid into the fund are distributed equally between members. Whilst the scheme is intended to build up participation over the long-term, part of the award can be withdrawn each year in cash. Note, however, that employees who participate in group LTI plans will not be entitled to profit share awards during the earning period of the plan.

The Board of Directors sets the earning criteria for the profit share award annually. For 2014 and 2015, the award was tied to Neste's comparable operating profit. In 2014, the company's personnel fund contribution was EUR 2.6 million (4.4 million). The comparable operating profit result was on nearly equal level in both 2013 and 2014, but due to the more challenging target levels set for 2014, the total sum decreased by approximately 40%. Based on excellent comparable operating profit 2015, the contribution to personnel fund will be 5.7 million euros in 2016.

Vested LTI plan share awards

Share incentive awards for the Neste Executive Board

Name	Position	NEB member since	Distributed shares of LTI Plans	
			2014 ¹⁾ reward 2015	2015 ²⁾ reward 2016
Matti Lievonen	CEO	2008	14,823	10,458
Kaisa Hietala	EVP, Renewable Products	2014	3,168	2,569
Matti Lehmus	EVP, Oil Products	2009	5,466	3,997
Antti Tiitola	EVP, Oil Retail	2014	–	1,183
Simo Honkanen	SVP, Sustainability and Public Relations	2009	3,376	2,473
Tuomas Hyryläinen	SVP, Strategy & New Ventures	2012	3,878	2,840
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	3,928	2,718
Osmo Kammonen	SVP, Communications & Brand Marketing	2004	3,876	2,833
Lars Peter Lindfors	SVP, Technology	2009	4,397	3,023
Jyrki Mäki-Kala	CFO	2013	3,230	4,217

¹⁾ The 2014 column refers to share incentives paid in spring 2015 for the earning period 2012–2014. The table gives the net amount of shares transferred after tax.

²⁾ The 2015 column refers to share incentives awarded and to be paid in 2016 for the earning period 2013–2015. The figures indicate the net amount of shares after tax and other statutory payments.

The maximum combined sum of short- and long-term incentives paid is 120% of annual fixed gross salary. Shares are subject to holding period restrictions and ownership requirements (for more information see remuneration table).

Executive share ownership

A major principle of our executive remuneration policy is to ensure that there is strong alignment between the interests of Neste executives and those of its shareholders.

Our executive share ownership policy requires that the President & CEO and the members of the NEB build up and maintain shareholdings which are equivalent to their annual salary. Until this threshold is met, participants must retain 100% of vested incentive shares, net of tax (~50% for 2010 LTI plan).

The President & CEO, and NEB members, are not permitted to sell or transfer any vested LTI plan shares for a period of three years after vesting. Once the share ownership requirements have been met, the restriction period may be cut from three years to one year at the board's decision.

The following table shows the current shareholdings of members of the Neste Executive Board.

Shareholdings of the Neste Executive Board as of 31 December 2015

Name	Position	NEB member since	Shareholdings ⁽¹⁾	
			2015	2014
Matti Lievonen	CEO	2008	50,799	35,976
Kaisa Hietala	EVP, Renewable Products	2014	14,224	14,224
Matti Lehmus	EVP, Oil Products	2009	23,285	17,819
Antti Tiitola	EVP, Oil Retail	2014	5,000	5,000
Simo Honkanen	SVP, Sustainability and Public Relations	2009	15,136	11,760
Tuomas Hyryläinen	SVP, Strategy & New Ventures	2012	3,878	–
Hannele Jakosuo-Jansson	SVP, Human Resources & Safety	2006	17,258	13,330
Osmo Kammonen	SVP, Communications & Brand Marketing	2004	17,442	18,566
Lars Peter Lindfors	SVP, Technology	2009	14,828	11,831
Jyrki Mäki-Kala	CFO	2013	7,000	7,500

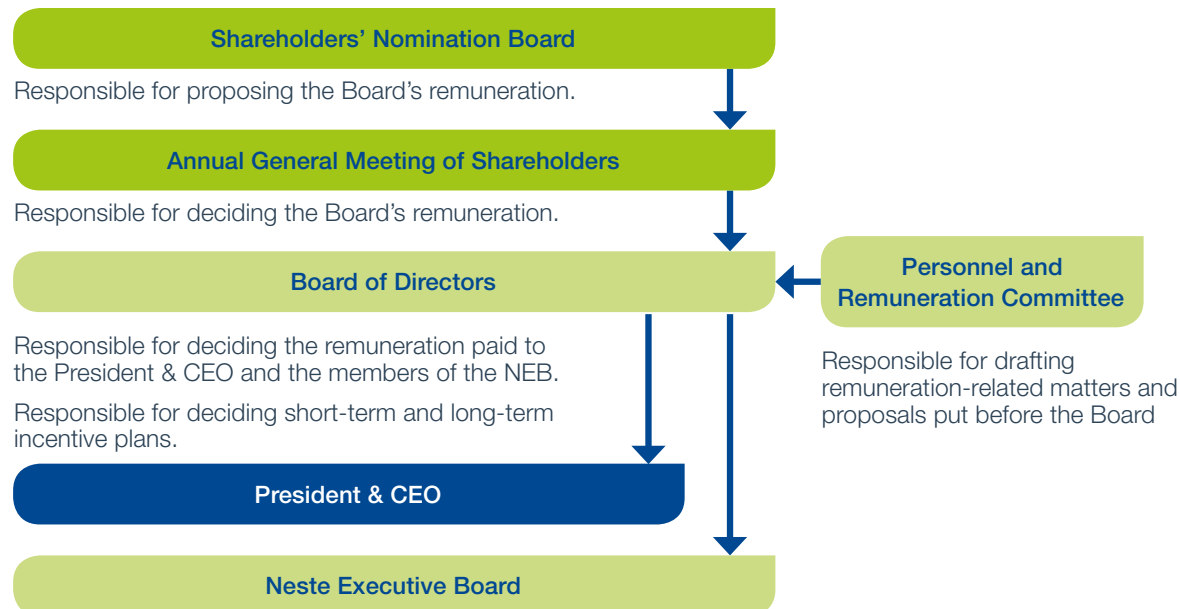
¹⁾ Shareholdings include shares paid under the long-term incentive plan subject to a three-year prohibition of sale. In case of an employee leaving the company during this period, the Board of Directors may, at its discretion, decide to recover the shares. The figure also includes the shares personally obtained by the employee (if any).

Neste's Board of Directors Remuneration Review

Remuneration governance

Remuneration-related discussion and decision-making at Neste involves the Shareholders' Nomination Board, the Annual General Meeting of Shareholders, the Board of Directors, and the Board's Personnel and Remuneration Committee. The Shareholders' Nomination Board submits a proposal concerning the remuneration payable to the Board of Directors to the AGM, while the Board of Directors is responsible for making decisions on remuneration and incentive arrangements for senior management and key personnel based on proposals made by its Personnel and Remuneration Committee. The decision-making process, which is outlined in the chart below, guarantees that decisions are fair and unbiased.

The decision-making process in remuneration-related matters



Remuneration of the Board of Directors

The Annual General Meeting (AGM) is responsible for remuneration matters related to the Board of Directors. In 2015, the AGM decided to keep the fees payable to the Board unchanged as follows:

Chair	EUR 66,000 a year
Vice Chair	EUR 49,200 a year
Members	EUR 35,400 a year

In addition, members participating in board meetings and meetings convened by the Board's committees receive a payment of EUR 600 per meeting in addition to travel costs as specified in the company's travel policy. A payment of double this, EUR 1,200 per meeting, is made to Board members living outside Finland.

Board members are not within the scope of the company's incentive systems and do not receive any performance or share-related payments.

The remuneration paid to Neste's Board of Directors has been changed once since the establishment of Neste Oil: in the Annual General Meeting of 2008. The Shareholders' Nomination Board unanimously proposed an increase to the Annual General Meeting in 2015, but the State of Finland did not approve the proposition in the AGM and, consequently, no increase was carried out. The Company's Board of Directors did not participate in the preparatory process or the decision-making in any way.

The remuneration paid to members of the company's Board of Directors has developed as follows since the establishing of Neste Oil.

According to the decision made by the Annual General Meeting of 22 March 2006:

Chair	EUR 55,000 a year
Vice chair	EUR 42,000 a year
Members	EUR 30,000 a year

According to the decision made by the Annual General Meeting of 14 March 2008:

Chair	EUR 66,000 a year
Vice chair	EUR 49,200 a year
Members	EUR 35,400 a year

The amounts have remained unchanged since 2008.

Remuneration paid to members of the board as of 31 December 2015

	Annual board fees (EUR)		Meeting attendance fees (EUR)	
	2015	2014	2015	2014
Jorma Eloranta	66,000	66,000	13,200	12,600
Per-Arne Blomquist ¹⁾	8,850	35,400	3,600	22,800
Majja-Liisa Friman	49,200	49,200	11,400	12,600
Laura Raitio	35,400	35,400	13,200	12,000
Jean-Baptiste Renard	35,400	26,550	24,000	19,200
Willem Schoeber	35,400	35,400	20,400	24,000
Kirsi Sormunen	35,400	35,400	11,400	11,400
Marco Wirén ²⁾	26,550	–	8,400	–

¹⁾ Per-Arne Blomquist's term in the Board of Directors ended on 1.4.2015.

²⁾ Marco Wirén joined the Board of Directors on 1.4.2015, and has been remunerated for the period 1.4.–31.12.2015. The meeting attendance fees do not include travel expenses.