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# Corporate Governance Statement 2014

This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Corporate Governance Code 2010 and Chapter 7, Section 7 of the Securities Markets Act, and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and can be consulted online at [www.nesteoil.com/Investors](http://www.nesteoil.com/Investors).

## 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](http://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, PricewaterhouseCoopers Oy, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

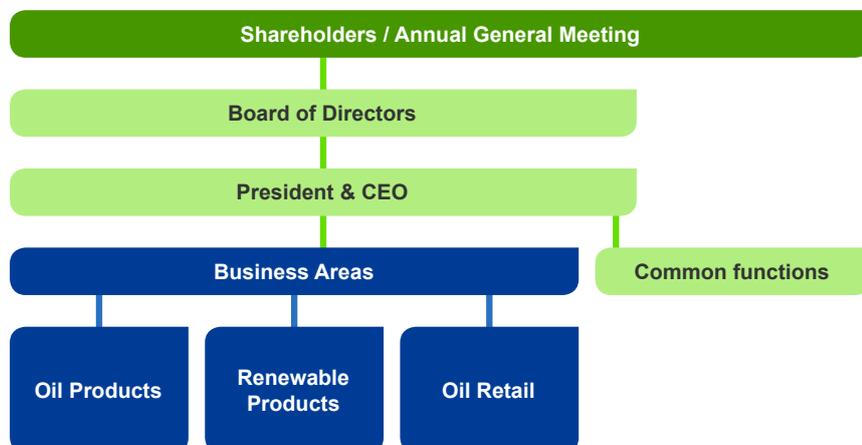
Neste Oil issues consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Markets Act, as well as the appropriate Financial Supervisory Authority standards, and NASDAQ OMX Helsinki Ltd.'s rules. 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.

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

## Neste Oil's Governance Bodies



## 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 Chair, the Vice Chair and 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 by publishing it on the Company's website [www.nesteoil.com](http://www.nesteoil.com) no earlier than two months and no later than three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. In addition, the Company shall publish details on the date and location of the meeting, together with the address of the Company's website, in one or more newspapers within the same period of time. Neste Oil is not aware of any shareholders' agreements regarding the Company's shares.

#### 2014

The 2014 AGM was held in Helsinki on Thursday 3 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2013 and discharged the Board of Directors, and the President and CEO from liability for 2013. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2013, sanctioning payment of a dividend of EUR 0.65 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 8 April 2014. The payment was made on 15 April 2014. 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.

## Shareholders' Nomination Board

Following the proposal by the Board of Directors, the 2013 AGM decided to establish a permanent Shareholders' Nomination Board to be responsible for drafting and presenting proposals covering the remuneration and number of members of the Company's Board of Directors and for presenting candidates as potential Board members to the AGM and to an Extraordinary General Meeting of Shareholders where needed. The Shareholders' Nomination Board shall also be responsible for identifying successors for existing Board members.

The Shareholders' Nomination Board shall consist of four (4) members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member.

The Company's largest shareholders entitled to elect members to the Shareholders' Nomination Board shall be determined annually on the basis of the registered holdings in the Company's list of shareholders held by Euroclear Finland Ltd. as of the first weekday in September in the year concerned. The Chair of the Company's Board of Directors shall request each of the three largest shareholders established on this basis to nominate one member to the Shareholders' Nomination Board. In the event that a shareholder does not wish to exercise his or her right to appoint a representative, it shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member.

The Chair of the Board of Directors shall convene the first meeting of the Shareholders' Nomination Board, which will be responsible for electing a Chair from among its members; the Shareholders' Nomination Board's Chair shall be responsible for convening subsequent meetings. When the Shareholders' Nomination Board has been selected, the Company will issue a release to this effect.

The Shareholders' Nomination Board shall serve until further notice, unless the AGM decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

The Shareholders' Nomination Board shall forward its proposals for the AGM to the Company's Board of Directors annually by 31 January, prior to the holding of the AGM. Proposals intended for a possible Extraordinary General Meeting shall be forwarded to the Company's Board of Directors in time for them to be included in the invitation to the meeting sent out to shareholders.

### Composition of the Shareholders' Nomination Board prior to the 2015 AGM

On 8 September 2014, the following members were appointed to Neste Oil's Shareholders' Nomination Board: Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department (Chair); Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Reima Ryttsölä, Chief Investment Officer of Varma Mutual Pension Insurance

Company; and Jorma Eloranta, the Chair of Neste Oil's Board of Directors.

The above mentioned Shareholders' Nomination Board convened 5 times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 20 January 2015.

### Activities

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

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

### Shareholders' Nomination Board members:

#### Eero Heliövaara

M.Sc. (Econ.) and M.Sc. (Eng.). Chair of the Shareholders' Nomination Board.  
Born 1956.

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

#### Timo Ritakallio

LL.M., MBA. Member of the Shareholders' Nomination Board.  
Born 1962.

Deputy CEO, Ilmarinen Mutual Pension Insurance Company (President & CEO as of 1 February 2015). Vice-chairman of the Board of Directors of Outotec Oyj, member of the Board of Directors of Technopolis Plc and Securities Market Association. Chair of the Remuneration Board of Technopolis and member of the Audit Committee of Outotec Corporation.

Member of the Nomination Boards of Neste Oil Corporation, Elisa Corporation, Tieto Corporation, Suominen Corporation, Tikkurila Corporation, Kemira Corporation, VVO Group plc, Oriola-KD Corporation, Ekokem Oy and Orion Corporation.

#### Reima Rytsölä

M.Sc. (Pol.Sc.), University of Helsinki, CEFA (1998), Svenska handelshögskolan, AMP (2010), Harvard Business School. Member of the Nomination Board.  
Born 1969.

Chief Investment Officer of Varma Mutual Pension Insurance, Member of the Board of VVO Group plc. Member of Nomination Boards of Neste Oil Corporation, Uponor Corporation, Tikkurila Group, Suominen Corporation, Elisa Corporation and Componenta Corporation.

### Composition of the Shareholders' Nomination Board prior to the 2014 AGM

The Shareholders' Nomination Board responsible for preparing the 2014 AGM comprised Eero Heliövaara, Director General of the Prime Minister's Office's Ownership Steering Department; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; Mikko Koivusalo, Vice President, Capital Markets, Varma Mutual Pension Insurance Company; and Jorma Eloranta, the Chair of Neste Oil's Board of Directors.

The Shareholders' Nomination Board convened five times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 22 January 2014.

## 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.

### Activities

The Board shall meet as frequently as necessary, with approximately 9 to 12 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 Chair, or, if the Chair is prevented from attending, by the Vice Chair, or if deemed necessary by the Chair. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for its period of office between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively after the end of each financial year.

### Duties

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
- approving of the strategy of Neste Oil and being responsible for supervising and steering its business
- deciding on Neste Oil's key operating principles
- confirming the annual performance 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
- being responsible for its duties in accordance with the Limited Liability Companies Act, Articles of Association and other charters.

A member of the Board of Directors may not take part in decision-making in matters regarding (i) agreements between such member and any entity within the Neste 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.

## 2014

The 2014 AGM confirmed the membership of the Board of Directors at seven members, and the following were re-elected to serve until the end of the next AGM: Mr Jorma Eloranta, Ms Maija-Liisa Friman, Mr Per-Arne Blomquist, Ms Laura Raitio, Mr Willem Schoeber, and Ms Kirsi Sormunen. Mr Jean-Baptiste Renard was elected as a new Board member. Mr Eloranta was re-elected as Chair and Ms Friman as Vice Chair.

Mr Michiel Boersma's membership in the Board of Directors ended at the AGM held on 3 April 2014.

The Board met 14 times in 2014 and attendance percentage was 100%. In its work in 2014, the Board of Directors concentrated on monitoring the company's financial performance and position, supervised the implementation of the strategy and made decisions related to matters such as the production structure of refineries and securing their competitiveness, monitored the implementation of the special efficiency program targeting variable and fixed costs, and monitored measures to improve the availability of production plants. The Board of Directors focused on developing risk management and making investment plans, as well as assessing investments made. The Board of Directors also monitored increasing the flexibility of the feedstock base for renewable products and raising the capacity of renewable diesel production plants. In addition, the Board of Directors paid attention to improving safety and took care of its other tasks pursuant to the charter.

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 2014

	Position	Born	Education	Main Occupation	Independent of the company	Independent of majorshare-holders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings	
									Board	Committees
<b>Jorma Eloranta</b>	Chair	1951	M.Sc. (Tech) Dr. (Tech.) h.c.	Non-Executive Director	•	•	•		100%	100%
<b>Maija-Liisa Friman</b>	Vice Chair	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•	•		100%	100%
<b>Per-Arne Blomquist</b>	Member	1962	B.Sc. (Econ.)	CFO	•	•		•	100%	100%
<b>Laura Raitio</b>	Member	1962	(Lic.Tech.)	CEO of Diacor terveyspalvelut Oy	•	•	•		100%	100%
<b>Jean-Baptiste Renard</b>	Member	1961	M.Sc. (Eng.)	Non-Executive Director	•	•		•	100%	100%
<b>Willem Schoeber</b>	Member	1948	Dr. (Tech.)	Non-Executive Director	•	•		•	100%	100%
<b>Kirsi Sormunen</b>	Jäsen	1957	M.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%
<b>Board of Directors, 1 January–3 April 2014*</b>										
<b>Michiel Boersma*</b>	Member	1947	Ph.D. (Chem. Tech.)	Non-Executive Director	•	•		•		

\* Mr Michiel Boersma's membership in the Board of Directors ended at the AGM held on 3 April 2014.

The shareholdings of members of the Board of Directors are presented on the [company's web site](#). The remuneration paid to the members of the Board of Directors are detailed in the Remuneration Statement 2014.

## Members of the Board of Directors

### Jorma Eloranta

Chair of the Board. Member of the Board since 2011. Independent member.

(born 1951)

M.Sc. (Tech.)

Doctor of Science in Technology h.c.

President and CEO of Metso Corporation 2004–2011.

President and CEO of Kvaerner Masa-Yards 2001–2003.

President and CEO of Patria Industries Group 1997–2000.

Deputy Chief Executive of Finvest and Jaakko Pöyry Group 1996.

President of Finvest 1985–1995.

Chair of the Boards of Suominen Corporation and Uponor Corporation.

Chair of the Board and President of Pienelo Oy.

Vice Chair of Finnish Fair Foundation and member of the Board of Cargotec Corporation.

Chair of Neste Oil's Personnel and Remuneration Committee. Member of the Shareholders' Nomination Board of Neste Oil Corporation and Suominen Corporation. Expert member of the Shareholders' Nomination Board of Uponor Corporation.

### Maija-Liisa Friman

Vice Chair of the Board. Member of the Board since 2010. Independent member.

(born 1952)

M.Sc. (Chem. Eng)

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.

Chair of the Boards of Ekokem and Helsinki Deaconess Institute Foundation.

Member of the Boards of Finnair, Talvivaara and LKAB.

Chair of the Audit Committees of Finnair and Talvivaara.

Partner of Boardman Oy.

Member of Neste Oil's Personnel and Remuneration Committee.



### Per-Arne Blomquist

Member of the Board since 2013. Independent member.

(born 1962)

B.Sc (Econ.)

CFO & Executive Vice President Dometic Group since 2014.

CFO & Executive Vice President of TeliaSonera AB 2008–2013.

CEO TeliaSonera 2013. CFO & Executive Vice President of the SEB Group 2006–2008 and as Chief Group Controller & Head of Group Finance 2001–2006.

CFO & Executive Vice President at Halogen AB 2000–2001.

Several managerial positions at Telia AB during 1997–2000 and several positions at Alfa Laval Group during 1989–1997.

Member of the Board of Djurgården Hockey AB. Chair of Neste Oil's Audit Committee. Chair of Freedom Finance Nordic Group.

### Laura Raitio

Member of the Board since 2011. Independent member.

(born 1962)

M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)

CEO of Diacor terveyspalvelut Oy 2014–.

Executive Vice President, Building and Energy 2009–2014 and Member of the Executive Management Team 2006–2014, 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 Personnel and Remuneration Committee.

### Jean-Baptiste Renard

Member of the Board since 2014. Independent member.

(born 1961)

M.Sc. (Eng.) an engineering diploma in petroleum economics from the French Petroleum Institute (IFP).

Founder and CEO, 2PR Consulting, independent energy expert and consultant.



Several positions at BP 1986–2010; Regional Group Vice President for Europe and Southern Africa BP Plc 2006–2010, Group Vice President, Business Marketing and New Markets, and member of Downstream Executive Committee BP Plc 2003–2006.

Non-Executive Director of Masana Petroleum Solutions, President of the Alumni Association of IFP School (French Petroleum Institute), Founding and Supervisory Board Member of Investir & +, an investment fund for social entrepreneurship; pro bono consulting for social entrepreneurs. Member of Neste Oil's Audit Committee.

**Willem Schoeber**  
Member of the Board since 2013.  
Independent member.

(born 1948)

Dr. (Chem. Eng.)

Former member of the Management Board of EWE AG, responsible for power generation and international business 2010–2013.



Chair of the Management Board at swb AG (Bremen), 2007–2011.

Several positions at Royal Dutch Shell Group's companies 1977–2007, in particular in oil refining. Chair of the Boards of Directors of EWE Turkey Holding AŞ, Bursagaz AŞ and Kayserigaz AŞ. Member of the supervisory board of Gasunie N.V. Member of Neste Oil's Audit Committee.

**Kirsi Sormunen**  
Member of the Board since 2013.  
Independent member.

(born 1957)

M.Sc. (Econ.)

Vice President, Corporate Responsibility at Nokia Corporation until December 2013.



Vice President, Head of Sustainability 2009–2012, Vice President, Head of Environmental Affairs 2004–2009 and Vice President, Strategy Development at Nokia Corporation 2003–2004.

Also served as Senior Vice President of Finance, Control & Planning for Nokia Americas at Nokia Inc., Irving, Texas 1999–2003, Senior Vice President of Finance & Control at Nokia Telecommunications 1995–1999, and Vice President & Group Treasurer Head of Global Treasury activities at Nokia Group 1993–1995.

Several positions within Nokia Group's Treasury functions since 1982.

Member of the Board of DNA Ltd and member of the Board of Directors of Sitra, The Finnish Innovation Fund. Member of Neste Oil's Audit Committee.

## Board committees

The Board has established an Audit Committee, which has four members, and a Personnel and Remuneration Committee, which has three members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each committee are defined in their charters, which are approved by the Board. The schedule and frequency of committee meetings are determined by the Chair and committee members. Committees meet at least twice a year. Each committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each committee conducts an annual self-evaluation of its performance and submits a report to the Board.

### Audit Committee

Under its Charter, the Audit Committee shall consist of a minimum of three Board members that are independent of the Company and its subsidiaries and at least one of whom shall be independent of Neste Oil's major shareholders. Members are required to have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications that the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

### Duties

The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board 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
- monitoring the most material risks of the Company and ensuring the proper management of the risks of the Company
- reviewing ICT structure
- 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 for 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.

**2014**

The Audit Committee until 3 April 2014 comprised Per-Arne Blomquist (Chair), Michiel Boersma, Laura Raitio, and Kirsi Sormunen.

Starting from 3 April March 2014, the Audit Committee comprised Per-Arne Blomquist (Chair), Jean-Baptiste Renard, Willem Schoeber, and Kirsi Sormunen.

During 2014, the Audit Committee convened 7 times and the attendance rate was 100%. In addition to its normal duties, the Committee concentrated on monitoring and development work regarding financial reporting, risk management and the investment process, as well as monitoring the management of the market risks associated with the expansion of the Renewable Products business. In addition, the Committee focused on developing of ICT systems and selection of the provider of the platform for the enterprise resource planning (ERP).

**Personnel and Remuneration Committee**

The Personnel and Remuneration Committee consists of the Chair of the Board and at least two non-executive members of the Board.

**Duties**

The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in 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.

**2014**

The Personnel and Remuneration Committee until 3 April 2014 comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Willem Schoeber. Starting from 3 April 2014, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Laura Raitio.

In 2014, the Committee convened 9 times, and the attendance rate was 100%. In addition to the normal duties coming within the scope of its Charter, the Personnel and Remuneration Committee concentrated on discussing, reviewing, and developing the Company's remuneration principles and disclosure. The Committee also monitored the functioning of short and long-term incentive plans to ensure that they supported the achievement of the objectives and helped improve the Company's performance. The Committee also monitored the organization change, statutory employer-employee negotiations fall 2014 and the talent development and succession planning among key personnel.

## President & CEO

Neste Oil's President & CEO, Matti Lievonen (b.1958, B.Sc. (Eng.), eMBA), manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President & CEO shall oversee the executive management of the company in accordance with instructions and orders given by the Board of Directors and is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The President & CEO is appointed by the Board of Directors, which evaluates the performance of the President & CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee.

Information on the remuneration and shareholdings of the President & CEO can be found in the Remuneration Statement 2014.

## 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 Statement 2014.

**2014**

The Neste Executive Board comprised ten members and The Executive Board met 14 times in 2014. The Neste Executive Board (NEB) focused on cash flow management by monitoring and guiding investments and working capital and by establishing a special efficiency program targeting variable and fixed costs. The Executive Board boosted the implementation of the strategy by implementing decisions related to issues including the production structure of refineries and securing their competitiveness, and took measures to improve the availability of production plants. The Executive Board also worked to increase the utilization of renewable feedstocks, especially waste and residues, and to increase the capacity of renewable diesel refineries. In addition, the Executive Board continued measures to improve safety and change the operating methods with the Way Forward initiative.

## Members of the Neste Executive Board

### Matti Lievonon

**President & CEO, Chair 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 (1986–2008), and prior to that at ABB. Member of UPM-Kymmene's Executive Board 2002–2008.

Chair of the Board of Nynas AB.

Vice Chair of the Board of the Chemical Industry Federation of Finland.

Member of the Board of SSAB AB.

Chair of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company and Member of the Advisory Board of National Emergency Supply Agency.

Member of the Supervisory Board of The Finnish Fair Corporation.



(2011–2014), Vice President of Supply in Singapore (2009–2011), Commercial Director in Singapore (2008), and Feedstock Manager in the Renewable Fuels Business operations (2006–2008).

### Antti Tiitola

**Executive Vice President, Oil Retail. Member of the Neste Executive Board as of 8 October 2014.**

(born 1967)

Commercial college graduate

Joined the company in October 2014.

Responsible for Oil Retail business area in Finland and the Baltic Rim, direct sales, and LPG.

Served previously as Senior Vice President in Passenger traffic division of VR-Group Ltd (2012–2014), Managing Director of Lidl Finland (2000–2011), and in several marketing related positions in Örum Oy Ab (1992–2000).

Member of the Board of Broman Group Oy, Raisio Oyj, and Verkkokauppa.com Oyj.

Member of the Board of the Finnish Petroleum & Biofuels Association and the German-Finnish Chamber of Commerce.



### Matti Lehmus

**Executive Vice President, Oil Products. Member of the Neste Executive Board since 2009.**

(born 1974)

M.Sc. (Eng.), eMBA

Joined the company in 1997.

Responsible for the Oil Products business area. Previously served as Executive Vice President of the Oil Products and Renewables business area (2011–2014), Executive Vice President of the Oil Products business area (2009–2010), Vice President of the Base Oils business in the Specialty Products Division (2007–2009), Vice President of Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division.

Vice Chair of the Board of the Finnish Petroleum & Biofuels Association.



### Simo Honkanen

**Senior Vice President, Sustainability and Public Affairs. Member of the Neste Executive Board since 2009.**

(born 1958)

M.Sc. (Econ.)

Joined the company in 2006.

Responsible for the Sustainability and Public Affairs activities. Served previously as Vice President, Marketing, Raw Material Procurement, 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).



### Kaisa Hietala

**Executive Vice President, Renewable Products. Member of the Neste Executive Board as of 16 June 2014.**

(born 1971)

M.Sc.(Physics), Finland and M.Sc.(Env.Sc.), UK

Joined the company in 1998. Responsible for the Renewable Products business area. Served in several positions at Neste Oil, most recently as Vice President of the Renewable Fuels business



### Tuomas Hyryläinen

**Senior Vice President, Strategy and New Ventures. Member of the Neste Executive Board since 2012.**

(born 1977)

M.Sc. (Econ.)



Joined the company in 2012. Responsible for Strategy, New Ventures, Market Intelligence and M&A operations.

Previously served as Vice President for Strategy at F-Secure and served in various strategy- and business development-related positions at Nokia.

Member of the Board of Directors of Nynas AB.

### Hannele Jakosuo-Jansson

**Senior Vice President, Human Resources and Safety. Member of the Neste Executive Board since 2006.**

(born 1966)

M.Sc. (Eng.)



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

Member of the Board of Directors of Munksjö.

### Osmo Kammonen

**Senior Vice President, Communications and Brand Marketing. Member of the Neste Executive Board since 2004.**

(born 1959)

M.Sc. (Laws)



Joined the company in 2004.

Responsible for the Group's Communications and Brand Marketing.

Served as Senior Vice President, Corporate Communications and Investor Relations; and Communications Manager in various companies in the electronics, engineering, construction materials, and forest products industries.

### Lars Peter Lindfors

**Senior Vice President, Technology. Member of the Neste Executive Board since 2009.**

(born 1964)

Ph.D. (Tech.), MBA

Joined the company in 2007.

Responsible for Research &



Development, Investment Management, Information Technology, Procurement, and Business Processes. Served previously as Senior Vice President, Technology and Strategy (2009–2012), Vice President for the company's Research and Technology unit (2007–2009), Executive Vice President, Renewal and Development at Perstorp Group (2004–2007), Executive Vice President, R&T&D at Perstorp Group (2001–2004), and prior to that at Neste as R&D Manager and various other positions.

Member of the Boards of the Fortum Foundation, Finnish Foundation for Technology Promotion and Neste Jacobs.

### Jyrki Mäki-Kala

**Chief Financial Officer. Member of the Neste Executive Board since 2013.**

(born 1961)

M.Sc. (Econ.)



Joined the company on 6 May 2013.

Responsible for the Group's financial management, investor relations, and risk management. Chair of the Board of Directors of Neste Jacobs.

Served in various business and corporate financial positions at Kemira (2005–2013).

Previously worked for Finnish Chemicals.

### Matti Hautakangas\*

**General Counsel and Secretary to the Neste Executive Board, the Board of Directors, the Audit Committee, and the Shareholders' Nomination Board.**

(born 1963)

M.Sc. (Laws)



Joined the company in 2003. Responsible for the Group's legal affairs. Secretary to the Neste Executive Board, Board of Directors, and the Audit Committee since 2004 and to the Shareholders' Nomination Board since 2013.

Served previously as Legal Counsel, Oil Refining (2003–2004) and as an attorney-at-law at Procopé & Hornborg Law Offices Ltd. (1994–2003).

\* Not a member of the Neste Executive Board

Ilkka Poranen acted as a Senior Vice President, Production, until June 2014, and Sakari Toivola as Executive Vice President, Oil Retail, until October 2014.

## 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.

### 2014

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Strategy and New Ventures. The NEMB met 12 times in 2014.

The Senior Vice President, Production and Logistics was member in The Neste Executive Management Board until June 2014.

## 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 by 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.

### 2014

Ernst & Young Oy served as Neste Oil's Auditor until 3 April 2014, with Anna-Maija Simola, Certified Public Accountant, as principally responsible auditor. PricewaterhouseCoopers Oy was elected as the company's Auditor on 3 April 2014, with Authorized Public Accountant Mr Markku Katajisto as the principally responsible auditor for Neste Oil Corporation, until the end of the next AGM.

### Fees charged by the statutory auditors, EUR 1,000

Fees charged by the statutory auditor, PwC, EUR, 1,000	2014	2013
Audit fees	751	–
Other	698	–
Total	1,449	

Fees charged by the former statutory auditor, EY, EUR, 1,000	2014	2013
Audit fees	250	1,052
Other	232	392
Total	482	1,444

## 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 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 critical for Neste Oil. 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, and
- 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, Human Resources 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.

## 2014

Internal Audit focused on securing regulatory compliance and overseas operations during 2014. Conducting of two audits was outsourced. To gain additional assurance about the level of internal controls in Neste Oil, Internal Audit carried out a control self-assessment study in the company. COSO-model was used as a basis for the study.

No cases of misconduct were found in 2014 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 1 July 2013. 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 supervizes 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 Ltd.

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 insider information on a regular basis due to their position or duties, together with various other people who otherwise work for the Company and receive inside information on a regular basis, 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 [nesteoil.com/investors](http://nesteoil.com/investors).

Individuals who participate in the development and preparation of projects that involve insider 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.

## 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, ensure reliable 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 ensure an appropriate level of control. In addition to daily monitoring, line organizations are responsible for evaluating their level of internal control by reviewing and assessing their processes, and develop their systems by taking corrective actions as needed. Line management also has primary responsibility for organizing sufficient controls to ensure compliance with the Company's overall management practices, 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 management have been arranged in a reliable manner.

The heads of business areas and common functions are responsible for establishing and maintaining appropriate, up-to-date, effective and adequate 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.

To ensure sufficient control and support to the line organization, Neste Oil's controllers have an independent role in controlling their business line. In certain areas, such as credit and counterparty risks, the Finance Department has risk control responsibility. In respect of financial reporting, Finance has a key role in control activities.

Internal Audit has the 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 as part of the company's corporate governance.

### Control environment

Neste Oil's values and management system are the foundation of the control environment. With respect to financial reporting control environment covers:

- the President & CEO and corporate management are responsible for emphasizing 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

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 of Financial Reporting-documentation.

Furthermore, the most significant risks run by the Company are inventorised, quantified and discussed systematically in the Audit Committee and the Board of Directors.

### Control activities

Control activities are instructions, guidelines and procedures established and executed to help ensure that the actions identified by management to address the relevant risks are carried out effectively. Policies and other principles to be followed are documented in Neste Oil's management system. 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- documentation. These establish the minimum control requirements covering also control activities related to transactions in relevant processes as well as controls carried out as part of the monthly reporting process.

### Internal communications

Information and communication systems enable Neste Oil's personnel to capture information on management and internal controls. 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 relevant matters for appropriate financial reporting are the Controller's Manuals for controllers at common function and business areas. These contain instructions covering accounting principles, planning, forecasting and reporting.

### Monitoring

Monitoring enables the management, the Board of Directors and the Audit Committee to determine whether the other components of the internal controls are functioning as they should and to ensure that internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate.

Effective controls are based on monitoring, whether they are in mitigating the identified risks. The efficacy of controls is monitored regularly as part of 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 systems or personnel.

#### 2014

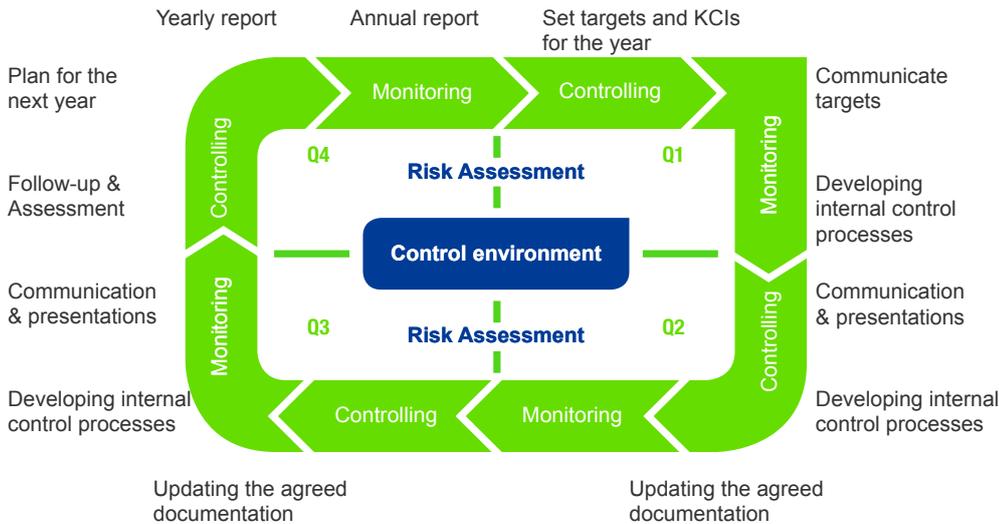
In 2014, the focus areas of internal controls development were implementation of financial reporting related systems, strengthening of closing of accounts related controls and monitoring activities.

As for the systems implementation, the most significant ones were the renewal of the Group reporting system and to extend the usage of common ERP in the major sales companies.

In 2013, the common global financial applications and processes were implemented in the Group companies. This enabled to strengthen and formalize the closing of accounts related controls in the Group companies this year.

The main project related to monitoring activities concentrated on the development and implementation of control indicators of the reporting process. A self-assessment survey of internal controls was conducted in the summer.

### Annual internal control process



### 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.

Performance management comprises daily management, through which individuals, teams, units and the company can reach their goals. Performance management is used to ensure that everybody knows the values and objectives of our company, and the purpose of our business. The objective is to ensure that each employee of Neste Oil knows their short- and long-term tasks and objectives, and what kind of competence is needed to reach these objectives.

Individual and team objectives are based on Neste Oil's strategy and own unit's priorities. When performance management is successful, everyone understands how their own performance is linked to the achievement of the business objectives. The way of working is according to jointly agreed principles based on our values. Good performance is rewarded. There is a clear link between well-being at work and good performance management.

The objective is that every employee of Neste Oil commits to acting in accordance with the performance development process, i.e.

- sets challenging objectives and follows how they are achieved
- offers feedback
- evaluates achieved results
- develops operational methods and own competence
- participates actively in performance and development discussions

From a financial reporting point of view, Neste Oil's Performance Management Process consists of a monthly Management Reporting Process and a 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

