

# Annual Report 2013



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# Corporate Governance Statement 2013

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/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](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, 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.

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 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](http://www.nesteoil.com/Investors/AGM) at least three weeks prior to the meeting.

Neste Oil is not aware of any shareholders' agreements regarding the Company's shares.

### 2013

The 2013 AGM was held in Helsinki on Thursday 4 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2012 and discharged the Board of Directors, and the President and CEO from liability for 2012. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2012, sanctioning payment of a dividend of EUR 0.38 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 9 April 2013. The payment was made on 16 April 2013. 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.

## 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.

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 Nomination Board shall also be responsible for identifying successors for existing Board members.

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

The 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 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 Nomination Board prior to the 2014 AGM

On 2 September 2013, 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; 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 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.

### 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 Chair, the Vice Chair, and the members of the Board of Directors.

### CVs of Nomination Board members:

#### Eero Heliövaara

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

Director General of the Ownership Steering Department, Prime Minister's Office. Member of the Boards of Paulig Ltd, Cancer Institute, HLD Healthy Life Devices Oy, and Solidium Oy.

#### Timo Ritakallio

M.Sc. (Laws), MBA. Member of the Nomination Board. Born 1962.

Deputy CEO, Ilmarinen Mutual Pension Insurance Company. Member of the Boards of Outotec Oyj, Technopolis Oyj, and Opstock Oyj. Chairman of Remuneration Committee of Technopolis Oyj. Chairman of the Boards of Pohjola Finance and Pohjola Finance AS. Member of the Nomination Boards of Suominen Oyj, Uponor Oyj, Tikkurila Oyj, Kemira Oyj, VVO-Yhtymä Oyj, Oriola-KD Oyj, Ekokem Oy, Sponda Plc, Rautaruukki Oyj, Orion Oyj, Elisa Oyj, Tieto Oyj, and Munksjö Corporation.

#### 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. Member of the Nomination Board of Fortum Corporation.

### Composition of the Nomination Board prior to the 2013 AGM

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided on 28 March 2012 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 2013 AGM comprised Jarmo Väisänen, Senior Financial Counselor, Prime Minister's Office; Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company; and Mikko Koivusalo, Director, Investments, Varma Mutual Pension Insurance Company. Jorma Eloranta, Chair of Neste Oil's Board of Directors, acted as the Nomination Board's expert member.

The Nomination Board convened four times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 1 February 2013.

## 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 68 years of age or older cannot be elected to the Board.

### 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
- 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 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.

## 2013

The 2013 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 Michiel Boersma, and Ms Laura Raitio. Mr Per-Arne Blomquist, Mr Willem Schoeber, and Ms Kirsi Sormunen were elected as new Board members. Jorma Eloranta was elected as the Chair of the Board, and Maija-Liisa Friman as the Vice Chair.

Nina Linander's, Hannu Ryöppönen's, and Markku Tapio's membership in the Board of Directors ended at the AGM held on 4 April March 2013.

The Board met 10 times in 2013 and attendance percentage was 100 %. In its work in 2013, the Board concentrated on monitoring the Company's financial result and status, oversaw the implementation of Neste Oil's strategy, and took decisions and established the Company's position on a variety of strategy-related matters, monitored progress on the Value Creation programs, and oversaw the ongoing development of the Company's way of working, particularly through the Way Forward initiative. The Board also devoted particular attention to monitoring efforts aimed at improving the profitability of the Renewable Fuels business, extending the Company's feedstock base, and complying with sustainability-related requirements in its operations. In addition, the Board focused on efforts aimed at improving Neste Oil's safety performance and other duties coming within the scope of its 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 2013

										Attendance at meetings
	Position	Born year	Education	Main occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Board	Committees
Jorma Eloranta	Chair	1951	M.Sc. (Tech.)	Non-Executive Director	•	•	•		100%	100%
Maija-Liisa Friman	Vice Chair	1952	M.Sc. (Chem. Eng.)	Non-Executive Director	•	•	•		100%	100%
Per-Arne Blomquist	Member	1962	B.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%
Michiel Boersma	Member	1947	(Ph.D. (Chem. Eng.))	Non-Executive Director	•	•		•	100%	100%
Laura Raitio	Member	1962	(Lic. Tech.)	Vice President	•	•		•	100%	100%
Willem Schoeber	Member	1948	Ph. D. (Chem. Eng.)	Non-Executive Director	•	•	•		100%	100%
Kirsi Sormunen	Member	1957	M.Sc. (Econ.)	Non-Executive Director	•	•		•	100%	100%

### Board of Directors, 1 January – 4 April 2013\*

Nina Linander	Member	1959	B.Sc. (Econ.) MBA	Partner	•	•		•	100%	100%
Hannu Ryöppönen	Member	1952	B.A. (Business Adm.)	Non-Executive Director	•	•		•	100%	100%
Markku Tapio	Member	1948	Pol. Sc. (Econ.)	Senior Financial Counsellor	•		•		100%	100%

\* Nina Linander, Hannu Ryöppönen, and Markku Tapio left Neste Oil's Board of Directors at the AGM held on 4 April 2013

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.

## 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.)

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.

Chairman of the Supervisory Board of Gasum Corporation.

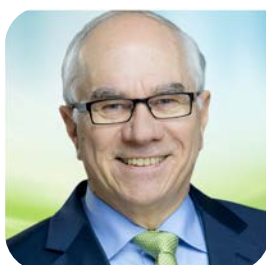
Chairman of the Boards of Suominen Corporation, Finnish Foundation for Technology Promotion, and ZenRobotics Oy.

Chairman of the Board and President of Pienelo Oy.

Vice Chairman of the Board of Uponor Corporation and Finnish Fair Foundation.

Member of the Boards of Cargotec Corporation and Ovako Group AB.

Chair of Neste Oil's Personnel and Remuneration Committee and member of the Shareholders' Nomination Board.



### Per-Arne Blomquist

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

(born 1962)

B.Sc (Econ.)

CFO of TeliaSonera AB 2009–2012 and Executive Vice President until November 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.



### Michiel Boersma

**Member of the Board since 2007. Independent member.**

(born 1947)

Ph.D (Chem. Eng.)

CEO of Essent NV 2003–2009.

Chairman of the Supervisory Boards of ProRail, 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 in 2000–2003, as President, Shell Global Solutions and Executive Vice President of the Shell Oil Products Executive Committee.

Member of Neste Oil's Audit Committee.



### 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 Oy 2004–2007.

Managing Director of Vattenfall Oy in 2000–2004 and Managing Director of Gyproc Oy 1993–2000.

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

Member of the Boards of Finnair, Talvivaara and LKAB.

Chairman of Finnair's Audit Committee.

Partner of Boardman Oy.

Member of Neste Oil's Personnel and Remuneration Committee.



### Laura Raitio

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

(born 1962)

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

Executive Vice President, Building and Energy 2009–2013 and Member of the Executive Management Team 2006–2013, 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.

**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.

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

Several positions at Royal Dutch Shell Group of companies 1977–2007, in particular in oil refining.

Chairman 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 Personnel and Remuneration 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 Talvivaara Mining Company plc and member of the Board of Directors of Sitra, The Finnish Innovation Fund.

Member of Neste Oil's Audit Committee.



Governance ► Corporate Governance Statement 2013 ► Board of Directors ► Board committees

## 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
- 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.

## 2013

The Audit Committee until 4 April 2013 comprised Nina Linander (Chair), Michiel Boersma, Laura Raitio, and Hannu Ryöppönen. Starting from 4 April 2013, the Audit Committee comprised Per-Arne Blomquist (Chair), Michiel Boersma, Laura Raitio, and Kirsi Sormunen.

During 2013, the Audit Committee convened nine 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 Fuels business. In addition, the Committee conducted a selection process covering the external auditor and provided the full Board with a recommendation thereon.

## 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.

## 2013

The Personnel and Remuneration Committee until 4 April 2013 comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Markku Tapio. Starting from 4 April 2013, the Personnel and Remuneration Committee comprised Jorma Eloranta (Chair), Maija-Liisa Friman, and Willem Schoeber.

The Committee convened seven times, and the attendance rate was 100%. In 2013, 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 structures and short- and long-term incentive plans, and monitored the functioning of the latter to ensure that they achieved their objectives and helped improve the Company's performance. The Committee also monitored the talent development and succession planning covering the Company's key personnel and carried out other duties detailed in the remuneration statement.

## 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 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.

### 2013

The Neste Executive Board comprises ten members. Matti Piri acted as the acting Chief Financial Officer and a member of the Executive Board until 6 May when Jyrki Mäki-Kala was appointed as CFO. The Executive Board met 12 times in 2013.

The NEB concentrated on enhancing the implementation of the Group's strategy by monitoring progress on individual Value Creation programs and the Way Forward initiative aimed at changing the way Neste Oil operates internally. The NEB also improved the efficiency of cash flow management by monitoring and controlling fixed costs, investments, and working capital. In addition, the NEB oversaw HR development work and launched a program to improve Neste Oil's safety performance.

## Members of the Neste Executive Board

### Matti Lievonen

**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 and 2008, and was with ABB earlier.

Member of UPM-Kymmene's Executive Board 2002–2008.

Chairman of the Board of the Chemical Industry Federation of Finland.

Vice chairman of the Boards of Rautaruukki Corporation and Nynas AB.

Member of the Board of the Confederation of Finnish Industries.

Chairman 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 & Renewables. Member of the Neste Executive Board since 2009.**

(born 1974)

M.Sc. (Eng.) and eMBA

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.

Vice Chairman of the Board of the Finnish Petroleum Federation.

### Sakari Toivola

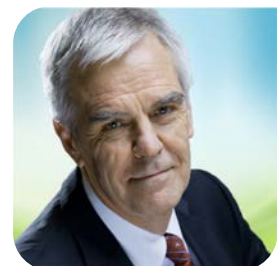
**Executive Vice President, Oil Retail. Member of the Neste Executive Board since 2007.**

(born 1953)

M.Sc. (Eng.)

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 Board of Directors of the Finnish Petroleum Federation.

**Simo Honkanen**  
Senior Vice President,  
Sustainability and HSSE. Member  
of the Neste Executive Board  
since 2009.

(born 1958)

M.Sc. (Econ.)

Joined the company in 2006.

Responsible for the Sustainability and HSEQ corporate function. 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).



**Tuomas Hyyryläinen**  
Senior Vice President, Strategy.  
Member of the Neste Executive  
Board since 2012.

(born 1977)

M.Sc. (Econ.)

Joined the company in 2012.

Responsible for strategy, Business Intelligence, M&A operations, as well as development of the Value Creation Programs.

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. 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 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 the Board of Tekes, the Finnish Funding Agency for Technology and Innovation and member of the Board of Directors of Munksjö.



**Osmo Kammonen**  
Senior Vice President,  
Communications, Marketing and  
Public Affairs. Member of the  
Neste Executive Board since  
2004.

(born 1959)

M.Sc. (Laws)

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. 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, Procurement, Information Technology and Neste Jacobs. Served previously as Senior Vice President, Technology and Strategy (2009–2012) and 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.

Board Member of the Fortum Foundation.



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

Previously worked for Finnish Chemicals.



**Ilkka Poranen**  
Senior Vice President, Production  
and Logistics. Member of the  
Neste Executive Board since  
2009.

(born 1960)

M.Sc. (Eng.)

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).

**Matti Hautakangas\***  
 General Counsel and Secretary to the Neste Executive Board, the Board of Directors and the Shareholders' Nomination Board.

(born 1963)  
 M.Sc. (Laws)



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

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

Governance ► Corporate Governance Statement 2013 ► Neste Executive Management 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.

### 2013

The Neste Executive Management Board comprised the President & CEO, business area Executive Vice Presidents, the CFO, the Senior Vice President, Strategy, and the Senior Vice President, Production and Logistics. The NEMB met 12 times in 2013.

Governance ► Corporate Governance Statement 2013 ► Company Auditor

## 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.

### 2013

Ernst & Young Oy was elected as Neste Oil's Auditor on 4 April 2013, 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	2013	2012
Audit fees	1,052	1,077
Other	392	352
Total	1,444	1,429



## 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, 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.

### 2013

Internal Audit focused on refinery maintenance procedures and overseas operations during 2013.

No cases of misconduct took place in 2013 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 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.

# Performance Management Process

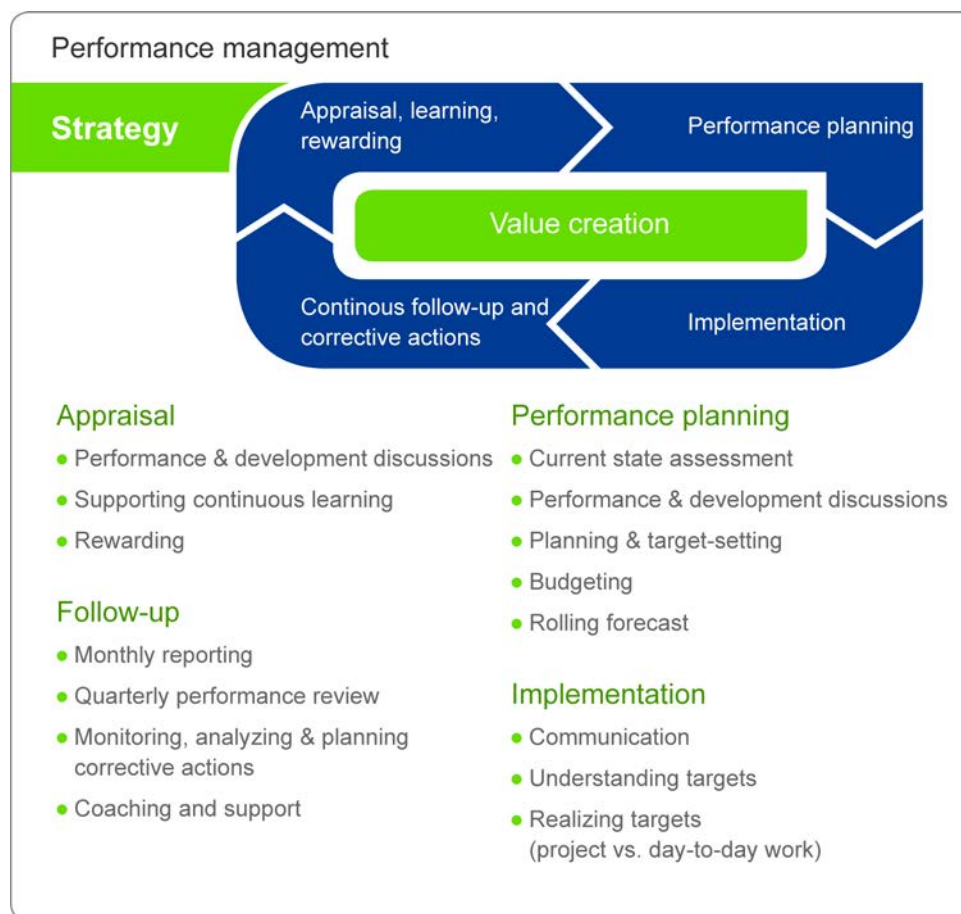
The Neste Oil Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset.

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 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.



# 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 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 control 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 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, the Finance Department 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 HSEQ 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 as part of the company's corporate governance.

## 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 control environment covers:

- 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, and
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 of Financial Reporting.

More information on Neste Oil's risk management and risks related to Neste Oil's business can be found in the [Risk management section](#) of the Annual Report.

## 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 control requirements and also include control activities 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 information on management and internal control. 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 evaluation of controls, their content and evaluation on the fact whether they are effective in mitigating the risks identified. 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 control activities themselves caused by changes in processes, IT, or personnel.

**2013**

During 2013, the internal control and monitoring of price and foreign exchange risks were further developed. This was organized as a project and work on responding to the findings began in early summer.

Neste Oil Group also had a project to implement the same financial applications and processes for all Group companies. This has improved the transparency from an internal control point of view.

**Annual internal control process in 2014**

