

Remuneration and shareholdings

Introduction

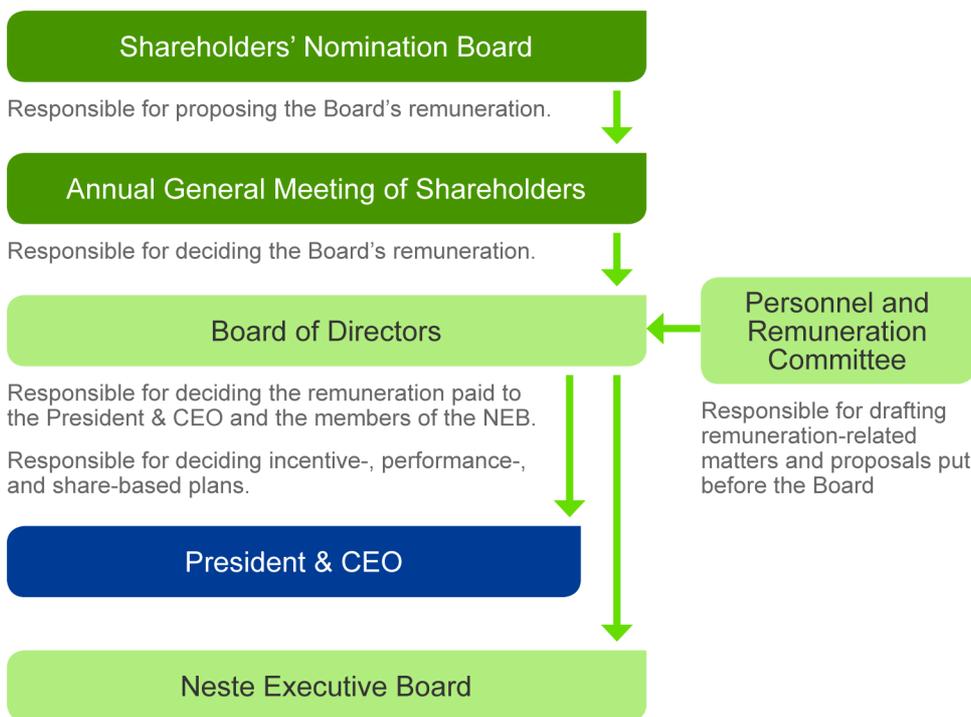
Remuneration-related discussion and decision-making at Neste Oil involves the Shareholders' Nomination Board, the Annual General Meeting of Shareholders, the Board of Directors, and the Board's Personnel and Remuneration Committee. The Nomination Board is responsible for presenting a proposal covering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

Remuneration at Neste Oil is based on remuneration principles proposed by the Personnel and Remuneration Committee and

approved by the Board of Directors. The remuneration principles covering Neste Oil's senior management and other personnel comply with the 2010 Corporate Governance Code covering Finnish listed companies; remuneration also takes account of the recommendations of the Ownership Steering Department of the Prime Minister's Office.

The salary, fringe benefits, and short-term and long-term incentives paid to the President & CEO, together with the bases on which they are determined, are published for each financial year. The salaries and benefits received by the other members of the Neste Executive Board (NEB) are published as a combined sum. Itemized information on the shares and share-based entitlements received as remuneration is also published. The Remuneration Statement required by the Governance Code can be consulted at www.nesteoil.com.

Decision-making process followed in remuneration-related matters



During 2013, the Personnel and Remuneration Committee concentrated on renewing Neste Oil's remuneration principles. The aim was to clarify the incentive-related aspects and fairness of remuneration and link remuneration more clearly to the achievement of the Company's strategic targets. In addition, the Personnel and Remuneration Committee oversaw the development of a new short-term incentive program aimed at improving performance management across the Group and tying remuneration more clearly to the Company's financial success. The updated remuneration principles and new short-term incentive system came into force at the beginning of 2014.

Personnel and Remuneration Committee's view of 2013:

The success of senior management is measured in terms of how well Neste Oil achieves its strategic and financial targets. We were extremely satisfied with the performance of the Renewable Fuels business in 2013, which exceeded the targets that had been set for the business. This excellent result should be rewarded and is in the interest of both the Company and shareholders.

Neste Oil was incorporated in 2005, and since 2013 was the first year in which we rewarded key personnel on the basis of the

Group's long-term share-based incentive programs. The rewards paid in 2013 were earned through the success achieved in implementing Renewable Fuels' strategy. In 2014, the financial performance recorded in 2013 will result in a higher level of remuneration for senior managers and whole personnel through combined short-term and long-term incentive plans than in 2012.

The Board updated the criteria to be used for the 2014-2016 earning period under the share-based incentive plan approved in 2012. The total return yielded by Neste Oil's share compared to a group of 10 oil industry peers was chosen as one criterion. The Group's cumulative comparable free cash flow* was chosen as the other criterion. By selecting these indicators, the Board's aim is to help secure Neste Oil's competitiveness and position in the industry.

*) comparable free cash flow = Cash flow after maintenance investments, tax, interest, proceed sales of assets, and gain and losses of inventory

Short-term incentives

The Company may pay annual short-term incentives (STI) to senior managers and to whole other personnel in addition to their salary and fringe benefits. The criteria for any short-term incentives are based on individuals' success in reaching their personal targets and on the Company's financial performance and success in reaching its goals. The short-term incentive paid to senior managers may not exceed 40% of their annual salary.

Read more about [Group-wide remuneration and fringe benefits](#) in the Sustainability section of the Annual Report.

2013

Neste Oil paid a total of EUR 19.6 (24.5) million in performance-based, short-term incentives to personnel in spring 2013; this figure included pension and social insurance contributions. The Group-level performance indicators used in 2012 were Neste Oil's comparable operating profit and comparable earnings per share. The Group-level performance indicators in 2013 were comparable operating profit and ROACE% (Return on Average Capital Employed, After Tax).