



Neste

2017

Remuneration Statement

NESTE

Neste Remuneration Statement 2017

Dear shareholder,

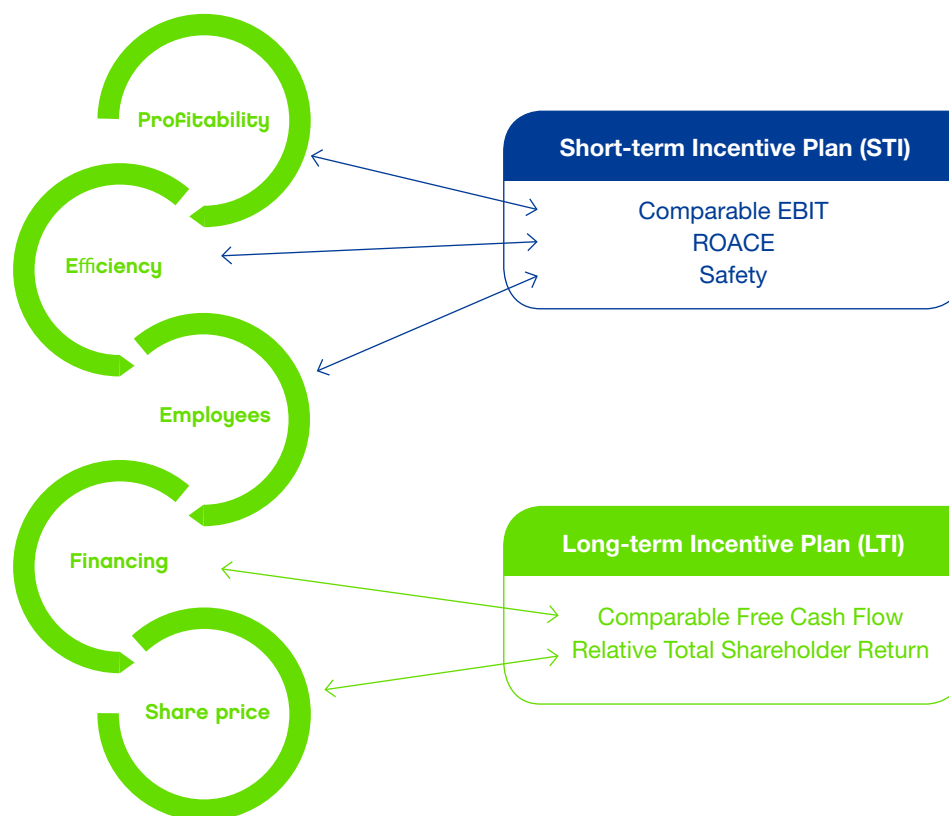
In 2016 we renewed our Remuneration Statement by, among other things, explaining the indicators related to the performance pay of the CEO and Chair of the Management Board, their weights and, on the other hand, the achieved results. This year, the structure and content of the statement correspond with last year's statement, but we are nevertheless aware that the content needs to be specified further over the next two years, once it becomes clear how the EU directive concerning shareholder rights, which was amended in the spring of 2017, will be implemented in Finland.

Our approach

Our remuneration policy is designed to:

- **Drive performance** – striving for world-class operational and financial performance.
- **Support value-based behaviour** – we are a responsible employer and encourage all employees to live up to their commitments. We care about the well-being of others and ensure that our operations have the minimum possible negative impact on the natural environment and surrounding community.
- **Encourage individual and team accountability** – we strive for an honest and open atmosphere. Our competitive edge is based on our ability to combine the wide-ranging experience and ideas of our people to create better solutions.
- **Be fair and transparent** – we set tough challenges and acknowledge success when goals are met.

Measuring performance at Neste



How we structure remuneration

It is not the Company's objective to be the market leader in pay, but we want to be able to compete for the best workforce and senior management. Salaries and incentive plans form one part of the whole that is used to achieve this. Selecting the right individuals for key positions, the use of performance reviews and performance-based incentives as well as job rotation, proactive succession planning and the competence and appropriate rewarding of the entire personnel are key to our success – now and in the future. We feel that the policy definitions and decisions we have made in the field of remuneration have contributed to the company's continuing success.

For our President and CEO and key personnel, a significant proportion of remuneration is derived from variable pay to ensure that there is strong alignment between performance and reward.

The performance criteria used for the incentive schemes are linked to the execution of our business strategy. Further, through the delivery of rewards under the long-term incentive scheme in shares and the requirement for the President and CEO and Neste Executive Board (NEB) members to build and maintain a minimum shareholding in Neste, the policy supports alignment of interest between management and our shareholders. At the end of 2017, all members of NEB, with the exception of the most recent member, the company's General Counsel, who started working in May, held a number of company shares that exceeded their fixed annual earnings.

We also want to reward all our employees for good performance, believing that fair remuneration motivates our people to strive for excellence. All our employees are therefore able to participate in short-term incentive programs. In 2017 we paid out EUR 35 million through short-term incentive programs and profit sharing fund. This

sum represents approximately 4% of comparable EBIT for 2017.

Remuneration for 2017

Over the past few years the Company's profitability has increased considerably, and its corporate structure has become more diversified and more international. This positive development is reflected in the competitive performance-based rewards earned by the President and CEO and NEB members through both the short-term and the long-term share-based incentive plans. The Company's share price has roughly doubled over the past two years, and we have been able to pay dividends to shareholders in compliance with our dividend policy without compromising our growth and the development of our business.

- Neste's Board of Directors has deemed it correct to take into consideration the Government Resolution on State-ownership Policy, issued in 2016, regarding executive remuneration in state-owned companies in Finland. In 2017 as well as in 2016, the long-term share incentive rewards to the President and CEO and certain NEB members were limited to ensure that the total value of incentives (short-term and long-term incentives combined) did not exceed 1.2 times fixed annual base salary. No salary increase was allocated for the President and CEO. Increases for other NEB members were modest and based on new broader roles and responsibilities.
- An additional safety measure was introduced to the short-term incentive program. As well as measuring the rate of accidents requiring medical treatment per million hours worked including contractors (Total Recordable Injury Frequency, TRIF), at a Group level and for Oil Products and Renewable Products we also looked at the rate of process safety events per million hours worked (PSER).

Safety is imperative to the delivery of our strategy and we wanted to ensure that we continue to drive performance improvements in this area.

- On the long-term incentive plan for the 2017–2019 LTIP cycle, the target incentive opportunity for CEO and Neste Executive Board was reduced from 40% to 30% of salary and the lock-up period for shares vesting under the plan was reduced from three years to one year.
- At the Annual General Meeting of 2017, we presented the main structure of the company's remuneration policy more extensively than before and the grounds for the realized performance pay of the CEO and Chairman of the Management Board as well as Neste Executive Board, as a whole.

Remuneration policy for 2018

During the course of the year, the Committee reviewed the remuneration principles to ensure that it continued to meet its objectives and supports the business strategy. No essential changes were made.

In 2018 the remuneration practices are continued based on the decision made in 2017.

- At Group level, the indicators of the short-term incentive scheme will remain the same as in 2017: Comparable EBIT, Return on Average Capital Employed (ROACE), Total Recordable Incident Frequency (TRIF, including contractors) and Process Safety Event Rate (PSER).
- On the long-term incentive program, the performance measures were also kept the same as earlier: Comparable Free Cash Flow and Relative Total Shareholder Value. The number of participants in the latest 2018–2020 plan was decided to be increased from approximately 100 to 130 persons to support the implementation of the growth strategy.

- As a part of normal annual clock the base salaries and total rewarding of the Neste Executive Board were reviewed. The base salary of the CEO was increased by 1.6% and moderate increases were allocated for some of the other members of the NEB as of 1.1.2018.

Remuneration reporting

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

1. **Letter from the Chair of the Personnel and Remuneration Committee.** This section highlights the key activities and decisions undertaken by the Personnel and Remuneration Committee during the year. The Personnel and Remuneration Committee reports to the Board of Directors, which makes the final decisions concerning the proposals made by the Committee.
2. **Neste Executive Remuneration Policy Report.** This section explains how the executive remuneration policy and performance criteria are used to determine the remuneration of the President and CEO and members of the Neste Executive Board over future financial years. It also describes the remuneration principles that apply to our senior managers.

3. **Neste Executive Annual Remuneration Report.**

This section presents a full report on the remuneration of Neste's President and CEO and the members of the Neste Executive Board in light of the Company's financial and operational performance over the latest reporting year.

4. **Neste's Board of Directors Remuneration Review.**

This section describes the remuneration paid to Neste's Board of Directors during the latest financial period and how remuneration levels have developed over the recent years. The Shareholders' Nomination Board submits proposals on the remuneration of Neste's Board of Directors to the Annual General Meeting for approval.



Jorma Eloranta

Chair of the Personnel and Remuneration Committee

Neste Executive Remuneration Policy Report

Principles guide our performance

We regularly review the Company's guiding remuneration principles. The performance and reward main principles introduced in the beginning of 2014 continue to apply as no changes were found necessary in 2017. The four principles underpin the remuneration programs across the Company and are founded on the platforms of "fairness" and "pay for performance."

We want to recognise and reward high performance and responsible behaviour in support of the attainment of Neste's strategic targets and the long-term sustainable development of the business.

Remuneration principles for the Neste Executive Board and senior management

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

- Remuneration should be sufficient to attract and retain senior management with the requisite skills and experience to ensure that we meet our strategic goals, yet at the same time make financial sense from the Company's point of view so as not to jeopardize its competitive cost structure.
- For the Company to operate effectively in a global context, remuneration should be fair and competitive within the international markets where the Company operates. Salaries and other pay components should be based on local market conditions and be sufficient to attract key management talent.

- To help drive performance in the short and the long-term, to maintain a flexible cost base, and to avoid creating incentives for excessive risk-taking, an appropriate proportion between fixed and performance-based pay should be maintained in incentive plans.
- Remuneration should also guide and encourage the achievement of challenging strategic, operational and financial targets.
- Senior management interests should align with those of the Company and its broad base of domestic and international stakeholders.
- The senior management remuneration policy should be consistent with the global remuneration applied to Neste employees worldwide.
- Neste will always endeavor to treat senior managers and personnel equally and impartially, regardless of their gender, national origin, age, religion, political opinion, and other comparable factors.
- Remuneration is defined according to the "grandfather principle" whereby the pay of any individual is subject to the approval of a manager's manager. No individual may decide matters relating to their own remuneration.

Ensure the execution of our strategy

We aim to chart a clear path forward by executing our corporate strategy and sharing our business objectives.

Drive performance and value-based behavior

We aim to drive results on the individual, the team and business-unit level by rewarding excellence, development and value based behavior.

Encourage individual and team accountability

We promote clear targets and a focus on continuous improvement of our performance. We make this possible by maintain ongoing dialogue with our personnel and welcoming their feedback.

Be fair and transparent

We run our performance and total rewards process ethically and with integrity, and support this with clear communication.

Summary of Remuneration Policy for the Neste Executive Board

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

Remuneration element	Purpose and link to strategy	Description and operation
Base salary	To provide a core level of reward for the role.	Fixed salary which includes taxable fringe benefits (car and telephone). CEO's salary was EUR 55,039 per month (1.1.2012–31.12.2017). It increased to EUR 55,920 per month as of 1.1.2018.
Insurances	To protect NEB members in the performance of their duties.	The NEB members have private accident, life and disability insurance, business travel, directors' and officers' liability insurance. The NEB members may participate in the sickness fund (in Finland).
Additional pension	To provide a competitive retirement benefit in line with local market practices.	President and CEO: defined benefit (DB) plan approved in 2008, based on a retirement age of 60 years and 60% of retirement salary. NEB members: DB plan based on a retirement age of 60 (up to 60% of retirement salary) or, for those who have started after 1 January 2009, a defined contribution (DC) pension scheme (based on retirement age of 62, 63 or as prescribed under Finnish pension legislation). Retirement salary for DB schemes is calculated based on the average monthly salary and related statutory pension insurance contributions over the ten years prior to retirement. DC pension allocation is 16% of annual fixed base salary. New DB plans are no longer made.
Short-term incentives	To reward and incentivize improvements in short-term financial and operational performance and support the delivery of the business strategy.	Based on the attainment of annual financial and non-financial measures. Maximum award value is 40% of annual fixed base salary. President and CEO: based on group financial targets (comparable EBIT, Return on Average Capital Employed [ROACE%] and group safety targets [Total Recordable Injury Frequency per million hours worked, TRIF, including contractors] and, new for 2017, Process Safety Event Rate per million hours worked [PSER]). NEB members with business area responsibility based on comparable Group EBIT and ROACE, business area specific comparable EBIT, business area specific TRIF and, for Oil Products and Renewable Products, PSER (new for 2017). For NEB members with common function responsibility based on Group comparable EBIT, ROACE, TRIF, PSER and specific strategic measures of the function in question.
Long-term share-based incentives	To drive long-term sustainable growth and align the interests of executives with shareholders.	Based on the attainment of three-year financial and share price performance targets for Neste. For award cycles commencing in 2017 and 2018, 75% of the awards are based on cumulative comparable free cash flow and 25% are based on the total return of Neste shares relative to the STOXX Europe 600 Index. Awards vest in one tranche after three years, partly in shares and partly in cash. The cash element will cover taxes and other tax-like costs. The award for President and CEO varies between 0–100% of annual salary, based on performance and share price appreciation. Awards for NEB members vary between 0–80% of annual salary. Target award levels for both the President and CEO and NEB members are 30% of salary. Should the amount of total incentive awarded to executives (STI + LTI) exceed 120% of annual salary, the excess amount of LTI shares vesting in any one year will be cut to maintain this limit.
Shareholding restriction	To promote a longer term outlook and align the interests of members with those of shareholders.	For LTI award cycles commencing in 2017 onwards, the President and CEO and NEB members are not permitted to sell or transfer shares awarded under the LTI plan for one year after vesting (previously three years). During this 'lock-up' period shares may be subject to forfeiture on termination, at the discretion of the Board of Directors.
Claw back	To ensure pay for performance.	Claw back provisions apply to LTI and STI plan awards in exceptional circumstances such as misconduct or misstatement of financial results.
Share ownership guidelines	To encourage executives to build a meaningful shareholding in Neste.	President and CEO and NEB members must accumulate and maintain a shareholding which is equivalent to their annual fixed salary. Until this threshold is met, participants must retain 100% of vested incentive shares after tax.
Service contracts and loss of office payments	To ensure clear contractual terms are followed.	Notice period for both the Company and the President and CEO and NEB members is 6 months. In the event of termination by the Company, the President and CEO is entitled to severance payment equivalent to 18 months' salary. NEB members are entitled for 6 months' severance payments. Change of control terms are same as for termination.

Neste Executive Annual Remuneration Report

Supplementary information

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

Shareholder alignment: The Company's largest shareholder, the State of Finland, issued updated Government Resolution on State-ownership Policy in 2016. Neste's Board of Directors has deemed it correct to take these guidelines into consideration, along with the interests of its wider shareholder base, when determining the remuneration policy for its senior executives.

The year in review

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

Year 2017 was very successful for Neste, as we posted a record-high comparable operating profit of EUR 1,101 million.

Short-term incentives (STI)

STI for 2016 (paid in 2017)

The STI program for 2016 was based on:

- Group and business area specific comparable EBIT
- Group ROACE
- Group safety target TRIF
- Specific strategic targets also featured for part of the STI program for NEB members with business area or functional responsibility.

In 2016, Neste's financial result was at a record high (EUR 983 million) and the company achieved an excellent return on average capital employed (16.9%). Neste utilized all of its business areas better than before with Oil Products delivering comparable EBIT of EUR 453 million. The company set a new record both in the sales of Renewable Products delivering comparable EBIT of EUR 469 million and in the sales of Marketing & Services (former Oil Retail) delivering

comparable EBIT of EUR 90 million in 2016. Renewable Products had the largest full-year profit contribution for the first time.

Safety management is an integral part of our daily work. In 2016, we continued to focus on safety management, working with unit management teams and the entire personnel to deliver the Way Forward to Safety program. Notwithstanding these efforts, the rate of accidents requiring medical treatment per million hours worked including contractors (Total Recordable Injury Frequency, TRIF) rate in 2016 was 2.8 and our target for 2016 was not reached although it was clearly better than in 2015 (3.3). In PSER (process safety event rate) the development was for the worse, and the figure was 3.1. To encourage greater focus on this area, targets linked to PSER was incorporated into the STI program for 2017.

Overall, Neste exceeded the financial goals of the 2016 short-term incentive plan. Taking the business and function level performance and safety targets into account, the Board of Directors awarded the President and CEO and the NEB rewards at above-target levels for performance year 2016. On average, the rewards were slightly lower than in previous year and remained within the maximum limits of the short-term incentives (40% of annual salary).

Details of the short-term incentive plan award for the President and CEO for 2016 are set out below:

President and CEO 2016 STI (paid in March 2017)

Weighting	Measures	2016 results
60%	Group comparable EBIT	Level of achievement
30%	Group ROACE	At maximum
10%	Group Safety (TRIF)	At maximum
	Total	Between threshold and target
		Between target and maximum

STI for 2017 (payable in 2018)

The STI performance measures for 2017 were based on:

- Group and business area specific comparable EBIT
- Group ROACE
- Group safety target TRIF
- Group process safety target PSER (new)
- Specific strategic targets also featured for part of the STI program for NEB members with business area or functional responsibility.

Neste's high performance continued in 2017, with the Group delivering comparable EBIT of EUR 1,101 million. Similarly the Group's free cash flow was strong at EUR 628 million. Solid profits and a well-managed balance sheet lead to a healthy ROACE for Neste's business, 17.5%.

In 2017 we reached the set two targets for safety: TRIF, including contractors (Total Recordable Incident Frequency per million hours worked) with result of 2.1 and for PSER (Process Safety Event Rate per million hours worked) with result of 2.1. We continued to implement the development actions of our strategic program Way Forward to Safety program involving all personnel. Also several local improvement activities were carried out. Both TRIF and

PSER continue to be included into the STI program with even more challenging targets.

Overall, Neste exceeded the financial goals of the 2017 short-term incentive plan. Taking the business and unit-level performance and safety targets into account, the Board of Directors awarded the President and CEO and the NEB rewards, on average, at above-target levels for performance year 2017. The rewards remained within the maximum limits of the short-term incentives (40% of annual salary).

Long-term incentives (LTI)

Neste's 2010 long-term incentive program ran in three year plan cycles from 2010 to 2012, 2011 to 2013 and 2012 to 2014. The 2013 long-term incentive program runs in three-year plan cycles from 2013–2015, 2014–2016 and 2015–2017. The 2016 long-term incentive program started with 2016–2018 and 2017–2019 plans and continues with 2018–2020 plan.

Details of the short-term incentive plan award for the President and CEO for 2017:

The President and CEO 2017 STI (payable in March 2018)

2017 results

Weighting	Measures	Level of achievement
60%	Group comparable EBIT	At maximum
20%	Group ROACE	Between target and maximum
10%	Group Safety (TRIF)	At target
10%	Group Process Safety (PSER)	Between target and maximum
Total		Between target and maximum

Details of the awards under the long-term incentive programs:

	LTI 2010			LTI 2013			LTI 2016		
Earnings period	2010–2012	2011–2013	2012–2014	2013–2015	2014–2016	2015–2017	2016–2018	2017–2019	2018–2020
Total number of participants at the delivery or grant	34	50	66	86	92	81	94	95	130
Earnings criteria	50% Renewables Product sales volume & 50% relative TSR*	50% Renewables Product sales volume & 50% relative TSR	50% Renewables Product sales volume & 50% relative TSR	75% comparable cashflow & 25% comparable operating profit of the Renewable Products business	75% comparable cashflow & 25% relative TSR	75% comparable cashflow & 25% relative TSR	75% comparable cashflow & 25% relative TSR	75% comparable cashflow & 25% relative TSR	75% comparable cashflow & 25% relative TSR
Extent to which criteria achieved	19.6%	64.6%	100%	100%	100%	100%	–	–	–

Number of shares delivered after tax:

– to President and CEO	10,912	25,064	14,823	10,458	7,791	4,068	–	–	–
– to other members of NEB	21,214	48,993	39,124	25,856	18,241	10,271	–	–	–
Year of vesting	2013	2014	2015	2016	2017	2018	2019	2020	2021
Lock-up period on vested shares	3 years			3 years for the President and CEO & NEB (1 year for others)			3 years	1 year	1 year

* Total Shareholder Return

LTI plan cycle 2014–2016 (paid in 2017)

For the 2014–2016 LTI plan cycle, paid in 2017, the targets set for group cumulative comparable free cash flow in December 2013 were exceeded and Neste generated a total shareholder return clearly out-performing the peer group of ten oil industry peers. As a result, the total reward in 2017 corresponded to 167,693 company shares, of which 58,513 shares were awarded to President and CEO and current NEB members. The number of shares to be paid to President and CEO and NEB members after tax was 26,032 (further details of the shares awarded are shown on page 95). The shares were subject to a 3-year lock-up period for the President and CEO and NEB members.

LTI plan cycle 2015–2017 (payable in 2018)

For the 2015–2017 LTI plan cycle, the targets set for group cumulative comparable free cash flow in December 2014 were exceeded and Neste generated a total shareholder return clearly out-performing the peer group of ten oil industry peers. As a result, the total reward in 2018 corresponds to 95,779 company shares, of which 33,515 shares will be awarded to President and CEO and NEB members. The number of shares to be paid to President and CEO and NEB members after tax will be 10,271 (further details of the shares awarded are shown on page 95). The shares are subject to a 3-year lock-up period for the President and CEO and NEB members.

The performance targets for the cycles that started in 2016, 2017 and 2018 are shown in the previous table above. For the 2016–2018, 2017–2019 and 2018–2020 cycles, the awards correspond to the value of an approximate maximum total of 272,000, 191,000 and 176,000 Neste Corporation shares, respectively.

Remuneration paid to the President and CEO and NEB members

EUR	President and CEO		NEB members (in aggregate)	
	2017	2016	2017	2016
Annual remuneration				
Base salary ¹⁾	667,328	685,702	1,973,276	1,845,731
Taxable benefits ²⁾	21,660	7,034	106,501	101,675
Annual incentive (STI plan) ³⁾	237,521	260,337	593,753	683,492
Total annual remuneration	926,509	953,072	2,673,530	2,630,898
Vested long-term remuneration ⁴⁾				
LTI 2013: 2014–2016 plan	597,228	–	1,398,859	–
LTI 2013: 2013–2015 plan	–	630,226	–	1,538,602
Additional pension (see page 90)	1,191,415	957,062	490,707	487,153
Total remuneration	2,715,152	2,540,360	4,563,096	4,656,653

¹⁾ Base salary amount includes vacation pay which has varied between the years 2016 and 2017. The fixed gross base salary (incl. taxable benefits) of the President and CEO was unchanged since 1.1.2012.

²⁾ Members of the NEB receive taxable car and mobile phone benefits as part of their fixed salary. For the President and CEO, the value of benefits comprises: EUR 21,180 for car and EUR 480 for telephone.

³⁾ 2017 figures relate to performance in 2016. 2016 figures relate to performance in 2015. 2018 payments, based on performance in 2017: the President and CEO EUR 251,945 and NEB members EUR 641,434.

⁴⁾ Total taxable value of LTI payments awarded (including transfer tax).

Vested LTI plan share awards

Share incentive awards for the Neste Executive Board

Name	Position	NEB member since	2017 ¹⁾ (paid 2018)	2016 ²⁾ (paid 2017)
Matti Lievonen	The President and CEO	2008	4,068	7,791
Kaisa Hietala	EVP, Renewable Products	2014	1,402	1,572
Panu Kopra	EVP, Marketing & Services ³⁾	2016	740	1,244
Matti Lehmus	EVP, Oil Products	2009	1,612	2,528
Simo Honkanen	SVP, Sustainability and Public Relations	2009	771	1,907
Tuomas Hyyryläinen	SVP, Emerging Businesses	2012	1,121	1,991
Hannele Jakosuo-Jansson	SVP, Human Resources and Safety	2006	1,121	2,096
Osmo Kammonen	SVP, Communications and Brand Marketing	2004	771	1,768
Lars Peter Lindfors	SVP, Technology	2009	1,121	2,122
Jyrki Mäki-Kala	CFO	2013	1,612	3,013
Christian Ståhlberg ⁴⁾	General Counsel	2017	–	

¹⁾ The 2017 column refers to share incentives to be paid in spring 2018 for the earning period 2015–2017. The figures indicate the net amount of shares after tax and other statutory payments. Shares are subject to holding period restrictions and ownership requirements (for more information see remuneration table).

²⁾ The 2016 column refers to share incentives paid in 2017 for the earning period 2014–2016. The table gives the net amount of shares transferred (after tax).

³⁾ Marketing & Services has been the new name of Oil Retail business area as of 7 February 2017.

⁴⁾ Appointed as member of the Neste Executive Board as of 22 May 2017.

Executive share ownership

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

Our executive share ownership policy requires that the President and CEO and the members of the NEB build up and maintain shareholdings which are equivalent to their annual fixed base salary. Until this threshold is met, participants must retain 100% of vested incentive shares, net of tax.

For LTI plan cycles commencing in 2016–2018 and prior, the President and CEO, and NEB members, are not permitted to sell or transfer any vested LTI plan shares for a period of three years after vesting. Once the share ownership requirements have been met, the restriction period may be cut from three years to one year at the Board's decision. For LTI plan cycles commencing in 2017–2019 and beyond, the lock-up period has been reduced to one year for all participants.

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

Shareholdings¹⁾ of the Neste Executive Board 31 December 2017

Name	Position	NEB member since	2017	2016
Matti Lievonen	The President and CEO	2008	45,548	50,757
Kaisa Hietala	EVP, Renewable Products	2014	10,000	11,174
Panu Kopra	EVP, Marketing & Services ²⁾	2016	5,849	10,605
Matti Lehmus	EVP, Oil Products	2009	16,810	18,282
Simo Honkanen	SVP, Sustainability and Public Relations	2009	19,519	17,162
Tuomas Hyyryläinen	SVP, Emerging Businesses	2012	8,709	6,718
Hannele Jakosuo-Jansson	SVP, Human Resources and Safety	2006	17,072	14,976
Osmo Kammonen	SVP, Communications and Brand Marketing	2004	14,043	17,275
Lars Peter Lindfors	SVP, Technology	2009	14,063	14,941
Jyrki Mäki-Kala	CFO	2013	14,013	11,000
Christian Ståhlberg	General Counsel ³⁾	2017	–	–

¹⁾ Shareholdings include shares paid under the long-term incentive plan subject to prohibition of sale until share ownership requirement is fulfilled. In case of an executive leaving the Company during restriction period, the Board of Directors may, at its discretion, decide to recover the shares. The figure also includes the shares personally acquired by the executive (if any). On 31 December 2017 all NEB member exceeded the ownership requirement, except General Counsel who started in May 2017.

²⁾ Marketing & Services has been the new name of Oil Retail business area as of 7 February 2017.

³⁾ Appointed as member of the Neste Executive Board as of 22 May 2017.

Remuneration of personnel

Short-term Incentives. Neste wants to ensure that its employees have the opportunity to share in the Company's success and excellent performance of its personnel. STI schemes are in place in all countries, and incentives are paid on the basis of the set goals.

For the 2016 performance year, Neste was able to fund a payout of EUR 30.7 million (EUR 29.1 million) in performance-based incentives for senior managers and employees in the spring of 2017 (including pension and social insurance contributions).

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

Personnel fund. Neste offers permanent and fixed-term employees based in Finland an entitlement to a profit share award through its personnel fund after six months of continuous service. The profit share earnings paid into the fund are distributed equally between members. The employees who participate in LTI plans are not entitled to profit share awards during the earning period of the plan.

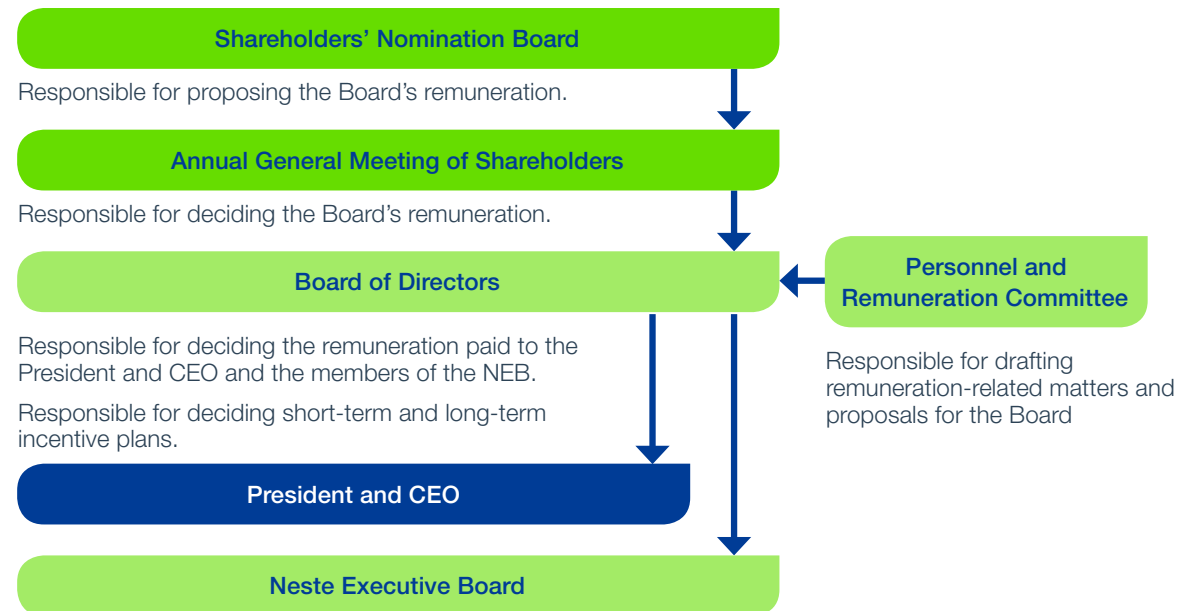
The Board of Directors sets the earning criteria for the profit share award annually. The award is tied to Neste's comparable operating profit. In 2017, the Company's personnel fund contribution was EUR 4.4 million (EUR 5.7 million) based on the excellent comparable operating profit result achieved in 2016.

Neste's Board of Directors Remuneration Review

Remuneration governance

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

The decision-making process in remuneration-related matters



Remuneration of the Board of Directors

The Annual General Meeting (AGM) is responsible for remuneration matters related to the Board of Directors. In 2017, the AGM decided to keep the fees payable to the Board unchanged as follows:

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

The amounts have remained unchanged since 2008.

In addition, members receive an attendance payment of EUR 600 for each Board or Committee meeting held in the member's home country and EUR 1,200 for each Board or Committee meeting held in another country, plus compensation for expenses in accordance with Company's travel policy. The meeting fee for telephone meetings will be paid according to the fee payable for meetings held in each member's home country.

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

Remuneration paid to members of the Board

	Annual board fees (EUR)		Meeting attendance fees (EUR)	
	2017	2016	2017	2016
Jorma Eloranta	66,000	66,000	11,400	10,800
Matti Kähkönen	36,900	–	10,200	–
Maija-Liisa Friman ¹⁾	12,300	49,200	1,200	11,400
Martina Flöel	26,550	–	14,400	–
Heike van de Kerkhof ²⁾	23,600	–	13,200	–
Laura Raitio	35,400	35,400	12,000	10,800
Jean-Baptiste Renard	35,400	35,400	18,600	18,000
Willem Schoeber	35,400	35,400	16,200	23,400
Kirsi Sormunen ¹⁾	8,850	35,400	1,200	12,000
Marco Wirén	35,400	35,400	12,000	12,000

¹⁾ Maija-Liisa Friman and Kirsi Sormunen were members of the Board of Directors until 5 April 2017.

²⁾ Heike van de Kerkhof' resigned from the membership of Board of Directors on 30 November 2017.

The meeting attendance fees include also meeting fees paid due to special tasks set by the Board of Directors, but not travel expenses.

Details of the shareholdings of the Board of Directors are shown in the Annual Report on pages 69–70. These shares are personally acquired.