



Neste
Remuneration
Report
2020

Neste Remuneration Report 2020

Dear Shareholder,

On behalf of the Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2020 Remuneration Report outlining the remuneration of the members of the Board of Directors and the President and CEO (the CEO) for the financial year of 2020. This Remuneration Report has been prepared in accordance with the Finnish Corporate Governance Code 2020, and the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act, and the Decree of the Ministry of Finance. The report will be presented at the 2021 AGM of Neste for an advisory shareholder vote.

Our approach to remuneration and link to sustainability

Our purpose as a Personnel and Remuneration Committee is to ensure that remuneration programs at Neste reflect our longstanding remuneration principles of supporting the business strategy, paying for performance, encouraging value-based behavior and individual accountability, and paying competitively and fairly.

Based on our remuneration principles we have designed our remuneration policies, practices and processes to ensure that we are able to compete and retain the best workforce, talents and senior management in the diverse markets in which we operate. We believe that our performance-based remuneration programs together with selecting the right individuals for key positions, job rotation, proactive succession planning and appropriate market competitive rewarding are key to our success also in the future.

Our remuneration structure aims to reinforce and support our key strategic target to become a global leader in renewable and circular solutions, which will support sustainable, long-term value creation for all stakeholders. For our President and CEO a significant proportion of remuneration is derived from variable pay to ensure that there is strong alignment between company performance and reward. The Board of Directors set the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational and strategic measures. To further support and align shareholder interest with management interest we are requiring all members of the Executive Committee to build and maintain a minimum level of share ownership in the company.

To further drive our strategy and leadership in sustainability, in 2020 we set a new performance measure of Combined Greenhouse Gas (GHG) impact into our long-term incentive plan in addition to relative Total Shareholder Return. The Combined GHG Impact includes GHG emission reductions achieved with Neste renewable products by customers (GHG Handprint of Renewable Products) and GHG emissions from Neste production (Production GHG Footprint).

Neste performance in 2020

In 2020, our renewables growth strategy implementation continued building on the success of 2019. Despite of the market turbulence during the year, we posted a solid comparable operating profit of EUR 1,416 million.

The performance measures for Performance Share Plan (PSP) 2018–2020 have been comparable free cash flow and relative Total Shareholder Return (TSR)

of Neste share compared to the STOXX Europe 600 index between 2018 and 2020. The company outperformed both of the set measures and as the outcome the Performance Share Plan 2018–2020 vested at maximum level.

Application of the Remuneration Policy in 2020

The remuneration for the Board of Directors and the CEO during the financial year 2020 was executed in accordance with the 2020 Remuneration Policy. No deviations from the Remuneration Policy have been made and no remuneration of the Board of Directors or the CEO has been reclaimed or restated during the financial year 2020.

Looking ahead to 2021

In 2021 we will strengthen our pay for performance approach on remuneration and we will design a new long-term incentive program as the current one comes to the end of its implementation period. We aim to continue utilizing the company's short- and long-term incentive programs to drive company performance and continued long-term financial success.

Matti Kähkönen

Chair of the Personnel and Remuneration Committee

Neste Personnel and Remuneration Committee



Matti Kähkönen

Chair of the Personnel and Remuneration Committee

Committee members during 2020:

- **Elizabeth (Elly) Burghout** until 18 May 2020
- **Martina Flöel** from 18 May 2020
- **Jean-Baptiste Renard**
- **Jari Rosendal** until 18 May 2020
- **Johanna Söderström** from 18 May 2020

Remuneration of the Board of Directors For the previous financial year

Remuneration paid to the members of the Board in 2020

| | Board fees (EUR) | Meeting attendance fees (EUR) | Total (EUR) |
|----------------------------|------------------|-------------------------------|-------------|
| Matti Kähkönen | 67,182 | 11,400 | 78,582 |
| Marco Wirén | 49,449 | 18,600 | 68,049 |
| Sonat Burman-Olsson | 35,587 | 12,000 | 47,587 |
| Elizabeth (Elly) Burghout* | 13,508 | 5,400 | 18,908 |
| Nick Elmslie** | 22,234 | 7,200 | 29,434 |
| Martina Flöel | 35,587 | 15,000 | 50,587 |
| Jari Rosendal | 35,587 | 12,600 | 48,187 |
| Jean-Baptiste Renard | 35,587 | 13,800 | 49,387 |
| Willem Schoeber* | 13,508 | 12,000 | 25,508 |
| Johanna Söderström** | 22,234 | 5,400 | 27,634 |

* Member of Board until 18 May, 2020.

** Member of the Board since 18 May, 2020.

The meeting attendance fees include 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 web pages. These shares are personally acquired.

On May 18th 2020, the 2020 AGM confirmed the following annual fees for the members of the Board of Directors.

| | |
|------------|----------------------|
| Chair | 67,900 EUR per annum |
| Vice Chair | 49,600 EUR per annum |
| Member | 35,700 EUR per annum |

In addition to the annual fees, members of the Board of Directors received a meeting fee of EUR 600 for each meeting hold in the member's home country and EUR 1,200 for each meeting hold in another country, plus compensation for expenses in accordance with the Company's travel guidelines. The meeting fee for telephone meetings was paid according to the fee payable for meetings held in each member's home country.

Remuneration of the President and CEO in 2020

The remuneration of the CEO consists of fixed annual remuneration, such as base salary and fringe benefits and variable remuneration, such as short- and long-term incentives plans. The table below includes the taxable value of the remuneration in each year.

| Peter Vanacker | Fixed Annual Remuneration | Variable Remuneration | | | Total Remuneration | Proportion of fixed and variable remuneration |
|--|---------------------------|-----------------------------|---------------------------|------------|---------------------------|---|
| | Fixed Annual Salary* | Short-term incentive plan** | Long-term incentive plans | | Total Annual Compensation | |
| | | | Cash | Shares | | |
| Paid during 2020 (based on financial year 2019 performance) | 925,440.00 | 311,271.48 | 190,907.70 | 377,197.17 | 1,804,816.35*** | 51% / 49% |
| Paid during 2019 (based on financial year 2018 performance) | 967,446.52 | - | 407,611.79 | 756,924.70 | 2,131,983.01 | 45% / 55% |

* Benefits and vacation pay included in fixed remuneration.

** STI to be paid for 2020 in 2021 is 215,931.59 EUR

*** The Board of Directors of the Company evaluates how it, taking into account the best interest of the Company, observes the relevant shareholder views on remuneration applicable at any given time. In 2020, as well as in 2019, the long-term share incentive rewards paid out to the President and CEO was limited to ensure that the total value of incentives (short-term and long-term incentives combined) does not exceed 1.2 times fixed annual base salary (cap). In 2020, the share price for the cap calculation was 36.23 EUR (the prevailing share price in January–February) and the taxation value at the time of the share delivery (16.3.2020) was 25.01 EUR. For this reason, reported total value of incentives may deviate from 1.2 times fixed annual base salary. The table above includes the taxable value of the paid remuneration in each year.

Variable, performance based pay, meaning short- and long-term incentives, forms a substantial part of the President and CEO's total remuneration. In 2020, the paid short- and long-term incentives formed 49 percent of total compensation and the fixed annual salary 51 percent.

The retirement age of the President and CEO is set according to the Finnish Employee's Pension Act (TyEL); he does not have an additional pension scheme. No other financial benefits were paid to the President and CEO in 2020.

Short-term incentives

The maximum short-term incentive for the President and CEO was 40 percent of annual base salary both in 2019 and in 2020. The short-term incentive was based on EBIT comparable with 60% weight, Comparable Free Cash Flow with 20% weight and safety measure of TRIF and PSER with 10% weight each both in 2019 and in 2020.

The President and CEO's achievement ratio for the short-term incentives for the year 2019 paid in March 2020 was 32.9 percent.

Details of the short-term incentive plan award for the President and CEO for 2019 paid in March 2020:

| President and CEO 2019 STI | | 2019 results |
|-----------------------------------|-----------------------------|------------------------------|
| Weighting | Measures | Level of achievement |
| 60% | Group comparable EBIT | Between target and maximum |
| 20% | Comparable Free Cash Flow | At maximum |
| 10% | Group Safety (TRIF) | Between threshold and target |
| 10% | Group Process Safety (PSER) | Between target and maximum |
| | Total | Between target and maximum |

The achievement ratio for the year 2020 to be paid in 2021 is 22.4 percent and the incentive payment of EUR 215,931.59 will be paid in March 2021.

Details of the short-term incentive plan award for the President and CEO for 2020 to be paid in March 2021:

| President and CEO 2020 STI | | 2020 results |
|-----------------------------------|-----------------------------|------------------------------|
| Weighting | Measures | Level of achievement |
| 60% | Group comparable EBIT | Between threshold and target |
| 20% | Comparable Free Cash Flow | At maximum |
| 10% | Group Safety (TRIF) | At maximum |
| 10% | Group Process Safety (PSER) | Between target and maximum |
| | Total | Between target and maximum |

Long-term incentives

The share-based incentive payment for the President and CEO during the year 2020 was based on the Performance Share Plan 2017–2019. The maximum long-term incentive reward for the President and CEO at grant was 24,534 shares. Performance measures for the plan were cumulative comparable free cash flow (75% weight) and the relative total shareholder return of Neste shares relative to the STOXX Europe 600 index (25% weight).

Performance Share Plan 2017–2019

| Weighting | Measure | How the targets were set | Level of achievement |
|-----------|--|---|----------------------------|
| 75% | Cumulative Group Comparable Free Cash Flow | The Board of Directors set the performance requirements for threshold, target and maximum levels. | Maximum level was achieved |
| 25% | Relative Total Shareholder Return compared to the STOXX Europe 600 Index | The Board of Directors set the performance requirements for threshold and maximum levels. | Maximum level was achieved |

The achievement ration for the PSP 2017–2019 was 100 percent and 15,083 net shares were delivered to the President and CEO. The total value of short- and long-term incentives was limited to 1.2 times fixed annual base salary and the gross amount of shares was limited. The share price on the share delivery date of March 16, 2020 was 25.01 EUR.

Performance Share Plan 2018–2020

| Weighting | Measure | How the targets were set | Level of achievement |
|-----------|--|---|----------------------------|
| 75% | Cumulative Group Comparable Free Cash Flow | The Board of Directors set the performance requirements for threshold, target and maximum levels. | Maximum level was achieved |
| 25% | Relative Total Shareholder Return compared to the STOXX Europe 600 Index | The Board of Directors set the performance requirements for threshold and maximum levels. | Maximum level was achieved |

The achievement ratio for the PSP 2018–2020 was 100 percent and the share reward will be delivered in March 2021.

Performance Share Plans President and CEO Peter Vanacker

| Performance Share Plan | Grant date | Number of shares originally granted | Vesting date | Number of gross shares vested* | End of the holding period |
|------------------------|------------|-------------------------------------|--------------|--------------------------------|---------------------------|
| PSP 2016–2018 | 1.9.2018 | 48,000 shares | 23.9.2019 | 39,123 shares | 23.9.2022 |
| PSP 2017–2019 | 1.9.2018 | 24,534 shares | 16.3.2020 | 22,717 shares | 16.3.2021 |
| PSP 2018–2020 | 1.9.2018 | 33,600 shares | 30.4.2021 | xx | 30.4.2022 |
| PSP 2019–2021 | 24.4.2019 | 40,300 shares | 31.3.2022 | xx | 31.3.2022 |
| PSP 2020–2022 | 6.2.2020 | 31,600 shares | 31.3.2023 | xx | 31.3.2023 |
| PSP 2021–2023 | 11.12.2020 | 18,600 shares | 31.3.2024 | xx | 31.3.2024 |

* This number of shares represents a gross earning, from which the applicable payroll tax is withheld and the remaining net value is paid to the recipients in shares.

Remuneration and company performance over the last five financial years

| Average compensation EUR | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Chair of the Board | Annual Board fee | 66,000 | 66,000 | 66,000 | 66,000 | 67,900 |
| | Meeting fee home/abroad | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 |
| Vice Chair of the Board | Annual Board fee | 49,200 | 49,200 | 49,200 | 49,200 | 49,600 |
| | Meeting fee home/abroad | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 |
| Other members of the Board | Annual Board fee | 35,400 | 35,400 | 35,400 | 35,400 | 35,700 |
| | Meeting fee home/abroad | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 | 600/1,200 |
| President and CEO (taxable value of the remuneration in each year) | Matti Lievonen (until 10/2018) | 2,715,152 | 2,540,360 | 2,497,774 | | |
| | Peter Vanacker (from 11/2018) | | | 150,040 | 2,131,983 | 1,804,816 |
| Average Neste employee* | | 53,044 | 54,822 | 57,830 | 58,378 | 71,216** |
| Company performance | | | | | | |
| Comparable operating profit (MEUR) | | 983 | 1,101 | 1,422 | 1,962 | 1,416 |

* Average Neste employee includes all wages and salaries incl. incentive payments (LTI based on accounting value) without indirect employee costs (social security costs, pension costs, other costs) divided by the average number of personnel during the year.

** Cost provision for personnel arrangements relating to the Naantali refinery closure of 22 MEUR has been eliminated from wages and salaries before calculating the average. The average compensation between 2019 and 2020 has increased partly due to the divestment of Neste operations in Russia in 2019 covering 1,133 employees. In addition, strategic headcount increase in 2019–2020 focused on white collar positions in higher employee cost markets.

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