

NESTE

Neste  
Remuneration  
Report  

---

2022



# Neste Remuneration Report 2022

## Dear Shareholder,

On behalf of Neste's Personnel and Remuneration Committee (the 'Committee') I am pleased to present our 2022 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 2022 and describing how the Remuneration Policy approved by the 2020 Annual General Meeting of Shareholders (AGM) has been implemented in practice. 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 2023 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, versatile career progression, proactive succession planning and appropriate market competitive rewarding are key to our success also in the future.

Neste's safety culture has been developed systematically for several years and the measures related to the improvement in both process and personnel safety constitute 20% of the short-term incentives' measures. Similarly, Neste's commitment to our strategic sustainability targets is also reflected in our long-term incentives plan where 20% of measures are based on our combined Greenhouse Gas impact.

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 sustainable value creation for shareholders, company performance and reward. The Board of Directors sets the targets for both short- and long-term incentives and the variable payouts are directly linked to both operational, ESG and strategic measures.

### Neste performance in 2022

The challenges and turbulency in the world have had significant impacts on global energy markets, and energy prices have risen to high levels. However, Neste was able to deliver a comparable EBITDA of EUR 3,537 million and take important steps in executing its growth strategy.

The performance measure for Performance Share Plan (PSP) 2020–2022 has been relative Total Shareholder Return (relative TSR) of Neste share compared to the STOXX Europe 600 index between 2020 and 2022. Neste Total Shareholder Return was at the 84.9<sup>th</sup> percentile compared to the index.

### Application of the Remuneration Policy in 2022

The remuneration for the Board of Directors and the CEO during the financial year 2022 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 2022.

### Advisory Shareholder vote regarding the Remuneration Report 2021 and shareholder engagement

At the Annual General meeting in 2022, 95.82% of the Neste Shareholders supported the Neste Remuneration Report 2021.

### Looking ahead to 2023

During 2022, the Personnel and Remuneration Committee of Neste focused on the renewal of both long-term incentive (LTI) and short-term incentive (STI) plans to strengthen our pay for performance approach on total remuneration and to ensure the competitiveness and attractiveness as an employer in the international markets where Neste operates. Neste President and CEO Peter Vanacker stepped down in April 2022 and Matti Lehmus started as a President and CEO in May 2022. The remunerations of the new and the outgoing President and CEO are in accordance with the Remuneration Policy 2020 adopted by shareholders at the Annual General meeting in 2020.

### 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 2022:

- **John Abbott** from 30 March 2022
- **Martina Flöel**
- **Jean-Baptiste Renard** until 30 March 2022
- **Johanna Söderström**

# Remuneration of the Board of Directors For the previous financial year

The Annual General Meeting decides on the remuneration to the members of the Board, based on the proposal of the Shareholders' Nomination Board, for one period at a time until the closure of the next AGM. On 30 March 2022, the 2022 AGM confirmed the following annual fees for the members of the Board of Directors. 98.89% of the votes cast were in favor of the proposal of the Shareholders' Nomination Board.

Chair	78,100 EUR per annum
Vice Chair	54,400 EUR per annum
Member	37,900 EUR per annum
Chair of Audit Committee <sup>1)</sup>	54,400 EUR per annum

<sup>1)</sup> If he or she does not simultaneously act as Chair or Vice Chair of the Board

The AGM confirmed that 40% of the annual fixed fee will be paid in the form of Neste shares and the remainder in cash.

In addition, the AGM decided that the following fixed annual committee fees are paid:

- Member of the Audit Committee EUR 3,000;
- Chair of the Personnel and Remuneration Committee EUR 5,000 and Member of the Personnel and Remuneration Committee EUR 2,000; and
- the Chair of another committee established based on Board decision will, for such position, be paid EUR 5,000, and its members will, for such position, be paid EUR 2,000.

Following meeting fees were paid based on attendance, plus compensation for expenses in accordance with the Company's travel guidelines:

- Meeting held in the member's home country EUR 800;
- Meeting held in the same continent as the member's home country EUR 1,600; and
- Meeting held outside the same continent as the member's home country EUR 2,400.

The meeting fee for meetings held over the telephone or through other means of data communication was paid according to the fee payable for meetings held in each member's home country. 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.

### Remuneration paid to the members of the Board in 2022

In 2022, the remuneration of the members of the Board exceptionally consisted of two separate Board annual membership fees (three month fee of the Board membership 2021–2022 and the full annual fee of the Board membership 2022–2023), due to the structural change of the fee payments for the membership 2022–2023 decided by the AGM 2022. The AGM 2022 decided that 40% of the fixed annual fee is to be paid in the form of shares and the remainder in cash. The shares were purchased directly on behalf of the Board members within two weeks after the publication of the interim report for the period 1 January to 31 March 2022 from the market at a price formed in public trading. The Company has paid all costs and transfer tax related to the purchase of Company shares. The total cash part of the annual Board fee and committee fees for the Board membership period 2022–2023 were paid in May 2022. Meeting fees were paid during the year after the meetings.

	Annual fee for the period 1–3/2022 in cash (EUR)	Annual fee for the period 4/2022–3/2023 (EUR) <sup>1)</sup>	Committee and meeting fees (EUR) <sup>2)</sup>	Total (EUR)
Matti Kähkönen, Chair	16,975	78,100	29,200	124,275
Marco Wirén, Vice Chair	12,400	54,400	27,600	94,400
John Abbott	8,925	37,900	27,800	74,625
Nick Elmslie	8,925	37,900	29,000	75,825
Martina Flöel	8,925	37,900	28,600	75,425
Just Janz <sup>3)</sup>	-	37,900	21,400	59,300
Jean-Baptiste Renard <sup>4)</sup>	8,925	-	4,800	13,725
Jari Rosendal	8,925	37,900	22,600	69,425
Eeva Sipilä <sup>3)</sup>	-	37,900	17,400	55,300
Johanna Söderström	8,925	37,900	36,000	82,825

<sup>1)</sup> The total annual fee for the Board membership 2022–2023 was paid in May 2022 and 40% of the annual fee was paid in shares and 60% in cash. Neste has paid the transfer tax for share purchase and it has been handled as a taxable income for each member.

<sup>2)</sup> Meeting fees include annual committee fee and fees based on attendance.

<sup>3)</sup> Member of Board since 30 March, 2022

<sup>4)</sup> Member of the Board until 30 March, 2022

Remuneration has been paid from the parent company.

# Remuneration of the President and CEO in 2022

Neste's Board of Directors decides on the remuneration of the President and CEO based on the proposal by the Board's Personnel and Remuneration Committee. The available remuneration elements are defined in the Neste's Remuneration Policy and aligned with market practices. 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 and supplementary pension.

President and CEO Matti Lehmus did not receive any share-based payments during his CEO period, starting from May 2022 onwards. As previous President and CEO Peter Vanacker had given notice of his resignation from the company in December 2021, the share allocation to him was canceled.

The supplementary pension of the President and CEO is a defined contribution plan with an annual contribution of 16% of the fixed annual salary and retirement age of 62 years. This supplementary pension benefit is originally based on his previous positions and a member of Neste Executive Committee. For those Executive Committee members who have started in their position after 1 January 2009 but before 31 August 2018, are eligible for a defined contribution (DC) pension scheme (based on retirement age of 62, 63 or as prescribed under Finnish pension legislation). No other financial benefits were paid to the President and CEO in 2022.

The table below includes the taxable value of the remuneration:

		Fixed Annual Remuneration	Variable Remuneration			Supplementary pension	Total Remuneration	Proportion of fixed and variable remuneration
		Fixed Annual Salary <sup>1)</sup>	Short-term incentive plan	Long-term incentive plans			Total Annual Compensation	
				Cash	Shares			
<b>Matti Lehmus</b> (from 5/2022)	Paid during 2022 (based on financial year 2021 performance)	636,773.98	-	-	-	94,666.67	731,440.65	100% and 0%
<b>Peter Vanacker</b> (until 4/2022)	Paid during 2022 (based on financial year 2021 performance)	443,285.70 <sup>2)</sup>	261,179.08	-	-	-	704,464.78	63% and 37%

<sup>1)</sup> Benefits and vacation pay included in fixed remuneration.

<sup>2)</sup> This includes vacation compensation of EUR 106,303.92 paid at the end of employment.

Remuneration has been paid from the parent company.

## Short-term incentives

The President and CEO's short-term incentives, including the terms and conditions for these plans, are determined by Neste's Board of Directors. The Board of Directors annually sets and evaluates targets for the President and CEO. The maximum short-term incentive for the President and CEO was 40% of annual base salary in 2021 and 80% of annual base salary in 2022. The President and CEO's Peter Vanacker's achievement ratio for the short-term incentives for the year 2021 paid in March 2022 was 26.6%.

Details of the short-term incentive plan award for the President and CEO, Peter Vanacker for 2021 paid in March 2022:

<b>President and CEO 2021 STI</b>		<b>2021 results</b>
<b>Weighting</b>	<b>Measures</b>	<b>Level of achievement</b>
60%	Group comparable EBIT	Between threshold and target
20%	Free Cash Flow	At maximum
10%	Group Safety (TRIF)	At maximum
10%	Group Process Safety (PSER)	At maximum
	Total	Between target and maximum

The achievement ratio for the year 2022 to be paid in 2023 is 61.6% and the incentive payment of EUR 369,219 (prorated to CEO time 5–12/2022) will be paid in March 2023. Comparable ROACE was introduced into measures to measure how efficiently Neste uses its capital to generate profits from its current active operations.

Details of the short-term incentive plan award for the President and CEO; Matti Lehmus for May–December 2022 to be paid in March 2023:

<b>President and CEO 2022 STI</b>		<b>2022 results</b>
<b>Weighting</b>	<b>Measures</b>	<b>Level of achievement</b>
50%	Group comparable EBITDA	At maximum
20%	Free Cash Flow	Between target and maximum
10%	Comparable ROACE	At maximum
10%	Group Safety (TRIF)	Below threshold
10%	Group Process Safety (PSER)	Between target and maximum
	Total	Between target and maximum

Details of the short-term incentive plan award for the President and CEO for 2023, potential reward payment in March 2024:

<b>President and CEO 2023 STI</b>	
<b>Weighting</b>	<b>Measures</b>
50%	Group comparable EBITDA
20%	Free Cash Flow
10%	Comparable ROACE
10%	Group Safety (TRIF)
10%	Group Process Safety (PSER)

## Long-term incentives

The Board of Directors decides on and implements Neste's long-term incentive plans and the earning opportunity for the President and CEO. The purpose of these plans is to drive Neste's long-term performance and success. As previous President and CEO Peter Vanacker had given notice of his resignation from the company, the share allocation to him has been canceled and no shares were delivered.

President and CEO Matti Lehmus is entitled to following long-term incentive plans:

<b>Performance Share Plan</b>	<b>Measure</b>	<b>Weight</b>	<b>Grant date</b>	<b>Number of shares originally granted</b>	<b>Vesting date</b>
PSP 2022–2024	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	9 Feb. 2022	26,400	31 Mar. 2025
	Combined Greenhouse Gas Impact 2022–2024	20%			
PSP 2023–2025	Relative Total Shareholder Return (TSR) compared to the STOXX Europe 600 Index	80%	13 Dec. 2022	23,600	31 Mar. 2026
	Combined Greenhouse Gas Impact 2023–2025	20%			

Based on Matti Lehmus' previous role as Executive Vice President, Renewables Platform he is also entitled to PSP 2020–2022 and PSP 2021–2023 share plans which will vest in 2023 and in 2024.

# Remuneration and company performance over the last five financial years

<b>Average compensation, EUR</b>		<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Average compensation of Members of the Board <sup>1)</sup>		53,283	50,272	44,386	51,368	72,512
President and CEO (taxable value of the remuneration in each year)	Matti Lievonen (until 10/2018)	2,497,774	-	-	-	-
	Peter Vanacker (from 11/2018 until 4/2022)	150,040	2,131,983	1,804,816	2,046,357	704,465
	Matti Lehmus (from 5/2022)	-	-	-	-	731,441
Average compensation of Neste employee <sup>2)</sup>		57,258	57,906	70,751 <sup>3)</sup>	77,529 <sup>4)</sup>	86,367 <sup>5)</sup>
<b>Company performance</b> Comparable EBITDA (MEUR)		1,838	2,452	1,929	1,920	3,537

<sup>1)</sup> Average compensation of members of the Board includes all fees paid to the members (annual board fees, meeting fees, committee fees).

<sup>2)</sup> 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.

<sup>3)</sup> Cost provision for personnel arrangements relating to the Naantali refinery closure of EUR 22 million has been eliminated from wages and salaries before calculating the average.

<sup>4)</sup> The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of EUR 11 million has been eliminated from wages & 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, and between 2020 and 2021 due to personnel decreases related to the closure of Naantali refinery. Simultaneously, strategic headcount increase has focused on white collar and higher employee cost markets.

<sup>5)</sup> The unused amount of cost provision reversal for personnel arrangements relating to the Naantali refinery closure of EUR 500,000 has been eliminated from wages & salaries before calculating the average. The average compensation has increased partly due to strategic headcount increase on higher employee cost markets. Simultaneously, short-term incentive provision is higher than in previous year.



**NESTE**