

Remuneration Policy

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Introduction

This Remuneration Policy ("Policy") on the remuneration of the President and CEO, and any Deputy CEO should such Deputy CEO be appointed, and of the Board of Directors is prepared and issued pursuant to the Finnish Corporate Governance Code 2020 published by the Securities Market Association. The Poli-

cy describes the decision-making procedure and remuneration principles for the Board of Directors and the President and CEO and will be presented to the General Meeting every four years or whenever substantial changes are made to it. All remuneration paid to the Board of Directors and the President and CEO is in line with this Remuneration Policy presented to the shareholders.

Valmet's Remuneration Principles

Well-functioning and competitive remuneration is an essential tool for engaging competent members at the Board-level, as executives and as experts on all levels of the organization. Remuneration must be in proportion to the long-term value creation and the achievement of the strategic objectives of the Company.

Remuneration on all levels of the organization is built on the following principles:

DRIVING HIGH PERFORMANCE

The objective of remuneration at Valmet is to encourage employees as individuals and as team members to achieve the set financial and operational targets and to strive for excellent performance. A key element of Valmet's remuneration is the implementation of a pay-for-performance culture. All employees are eligible for a performance reward or bonus, linking rewarding to performance and strengthening individual and team accountability.

For key personnel and top management, including the President and CEO, a notable part of remuneration comes from variable pay, i.e. short-term and long-term incentives, to ensure that remuneration is aligned with the Company's financial performance and linked to the successful implementation of the business strategy. Board member compensation is set in the Annual General Meeting.

COMPETITIVE REMUNERATION TO RETAIN TALENT WITH THE BEST FIT

In determining appropriate remuneration levels, Valmet applies a benchmark approach, ensuring that remuneration is aligned with internal and external references and observing remuneration levels for similar positions among peer companies in the geographical area. Valmet's approach is not to be the market leader in pay, but to offer competitive remuneration to retain talent with the best fit. Valmet also utilizes a benchmark approach when determining remuneration levels for the President and CEO and the Board of Directors.

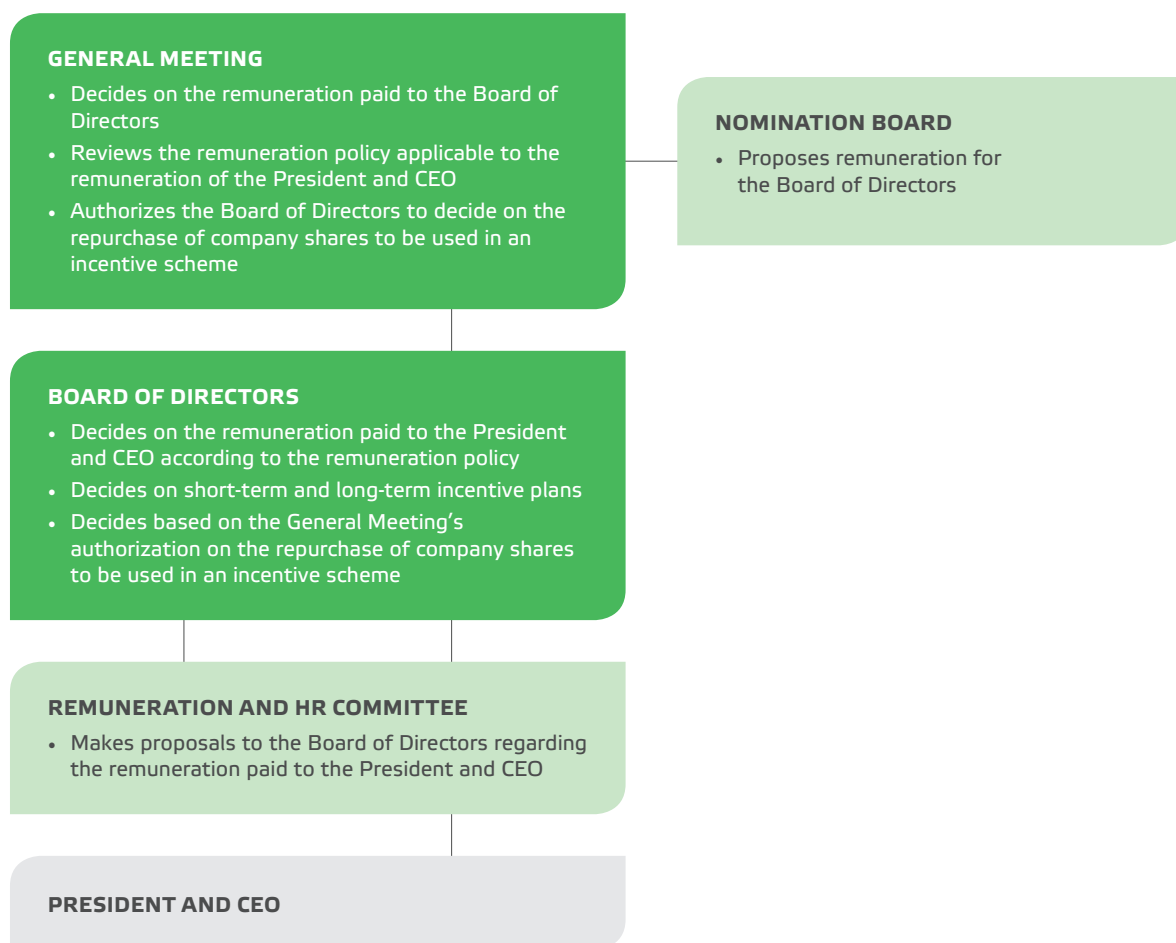
FAIRNESS AND SUSTAINABILITY

Valmet aims to ensure equal treatment and fair remuneration of employees at all levels of the organization by linking remuneration to role, local salary market and individual and/or team performance. Valmet's remuneration approval principles are designed to ensure that changes in pay are always subject to grandparent approval. This supports the equality and impartiality of decisions related to pay at all levels of the organization.

Valmet's variable pay schemes support sustainable business by linking selected sustainability topics, such as health and safety and sustainable supply chain, to remuneration. Sustainability is important to Valmet's overall financial success as well as share price development and thus affects the total remuneration of Board members as well as the President and CEO.

Decision-making process

All remuneration-related decisions require grandparent approval. In other words, the remuneration of an employee must always be approved by the manager's manager. The decision-making process for the remuneration of the Board of Directors and the President and CEO is summarized in the chart below.



Decision-making process regarding the remuneration of the Board of Directors

The General Meeting decides on the remuneration of the members of the Board of Directors and the Board's Committees for one term of office at a time. The preparation of the election and remuneration of the members of the Board of Directors is delegated to Valmet's Nomination Board which submits its proposals to the Board of Directors. In the preparatory work the Nomination Board may also use external experts to determine the level of remuneration.

In accordance with its charter, the Nomination Board presents its proposals and reports on its activities to the General Meeting. More detailed information describing the procedures used for the preparatory work relating to the remuneration is available on the Company's website at www.valmet.com.

Decision-making process regarding the remuneration of the President and CEO

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO based on the preparatory work by the Remuneration and HR Committee and according to the guidelines set forth in this Remuneration Policy presented to the General Meeting. External market data is used to support the process. The Board determines the total remuneration elements of the President and CEO based on market benchmarking and other relevant facts.

Remuneration of the Board of Directors

Remuneration of the members of the Board of Directors consists of an annual fee and a fee per meeting. Furthermore, an additional annual fee is paid to the members of the Board's committees. In addition, Board member's travel expenses and daily allowanc-

es are compensated in accordance with Valmet's travel expense policy. The personnel representative of the Board of Directors is entitled to a meeting fee for those meetings they have been invited to attend and have attended.

Remuneration of the President and CEO

The remuneration of the President and CEO is comprised of the total salary (monthly base salary and customary fringe benefits, such as a car and a mobile phone, according to the local legislation and market practice), short- and long-term incentives, pension

benefits and customary insurances. The relative proportion of the variable pay elements of the President and CEO at maximum level is 2–3 times the fixed pay.

The below table summarizes the elements of remuneration for the President and CEO.

| Remuneration element | Purpose and link to strategy | Operation |
|----------------------|---|---|
| Base salary | Core reward for the role at an appropriate level to attract and retain. | Valmet follows the peer company market median to set the level of base salary, taking into consideration experience and performance. Fixed base salary includes taxable fringe benefits according to local market practice. The base salary is normally reviewed annually with effect from January 1. Salary market movement and company performance, as well as individual performance are considered when determining a salary increase, if any, that is approved by the Board of Directors. |
| Short-term Incentive | To incentivize and recognize the achievement of specific annual financial and business objectives in support of the Company's strategy. | The short-term incentive is an annual performance bonus for which the Board of Directors sets the annual maximum incentive opportunity (as % of the base salary), performance measures and target levels for the President and CEO. The CEO's annual bonus is earned in accordance with terms approved by the Board. The short-term incentive performance criteria include Company level key financial targets with a significant weight and strategic individual targets defined by the Board of Directors. |
| Long-term incentive | To align the objectives of shareholders and executives to increase the value of the Company, commit executives to the Company, and offer a competitive reward plan based on long-term shareholding in Valmet. | The President and CEO is included in share-based incentive plans that are decided and implemented by the Board of Directors and for which share repurchase and share issue authorizations are obtained from the General Meeting. The plan mainly follows a 3-year earning period with company level strategic and financial performance targets. The performance targets for the long-term incentive plan are determined and decided by the Board of Directors annually. Performance targets are measurable, and the achievement of these targets determines the payout level of the share-based incentive plan. For the President and CEO, the reward for each performance period is capped at grant to a maximum number of shares. |

| Remuneration element | Purpose and link to strategy | Operation |
|---|--|---|
| Clawback provision for long-term incentives | To provide terms and conditions for defining the procedure to cancel the long-term incentive or recollect paid rewards in case of unethical or unlawful behavior | The Board shall have the right to cancel the reward or recollect paid rewards that are subject to transfer restriction, fully or partly, if the long-term incentive plan participant has acted against the law or against the ethical guidance of the Company or otherwise unethically. |
| Share ownership recommendation | To encourage a significant shareholding in the Company | The President and CEO is recommended to own and hold Company shares equaling to the CEO's gross annual base salary (100 percent ownership recommendation). |
| Pension plans | Appropriate level of retirement benefit | <p>Pension arrangements for the President and CEO follow local market practice and legislation: Finland has a statutory pension system (Finnish TyEL) in place, which the President and CEO participates in. Under the Finnish TyEL pension, base salary, short-term incentives and other taxable benefits are included in the definition of earnings while gains from share-based plans are not.</p> <p>According to local market practice, the President and CEO may receive an additional pension benefit in the form of a defined contribution pension plan calculated based on a percentage of the CEO's annual fixed base salary or a cash allowance in lieu of a pension contribution.</p> <p>The President and CEO's retirement age follows the local statutory retirement age.</p> |
| Insurances | To protect the President and CEO in the performance of duties | Private accident, life and disability insurance, business travel, director's and officer's liability insurance according to local market practice and requirements. Optional participation in the sickness fund. |
| Notice period and termination benefits | To have clear contractual terms in place | <p>The notice period for the President and CEO is six months for both parties.</p> <p>The CEO's severance pay (if the company terminates the agreement) equals to six months' notice period plus severance pay corresponding to the last total monthly salary multiplied by 18.</p> <p>If the agreement of the President and CEO is terminated, the Board uses discretion as provided under the rules of the STI and LTI plans regarding STI and LTI award payments to the President and CEO.</p> |
| Special reward forms or bonuses, such as sign-on bonus or restricted shares | Only under special circumstances | Under special circumstances to facilitate onboarding and retention. These additional awards must always be structured to reflect Valmet's remuneration principles in terms of their value, time horizon and performance requirements and in case of the President and CEO, be approved by the Board of Directors. |

Conditions for temporary deviations:

In the event of unexpected or unforeseen changes in the business environment the company may be required to temporarily deviate from the Remuneration Policy regarding the remuneration of the President and CEO to be able to secure the company's success in

the long-term. These exceptional circumstances might arise from the need to secure the company's financial success, competitive position or the company's value development if for example the President and CEO of the company changes, the company merges

with another company or significant changes take place in the company's regulatory environment regarding taxation. These temporary deviations from the Remuneration Policy need to be approved by the Board of Directors.

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