

Metso Corporation's Extraordinary General Meeting held in Helsinki on October 1, 2013 approved the demerger plan as presented by Metso's Board of Directors and decided on the demerger of Metso into two companies such that Metso's Pulp, Paper and Power business operations were transferred to the newly founded company – Valmet Corporation – and Metso's Mining and Construction and Automation business lines remained within Metso.

The partial demerger was officially registered in the trade register as of December 31, 2013, whereupon Valmet Corporation was established and Valmet's Board of Directors' term of office began. Valmet had not, prior to this moment, formed a legal corporation; instead, its business had been steered as Metso's Pulp, Paper and Power segment and therefore as part of the Metso Group.

Valmet Corporate Governance Statement

February 6, 2014

Valmet Corporation (Valmet or the Company) complies without deviation with the Finnish Corporate Governance Code (the Code) adopted by the Securities Market Association and effective as of October 1, 2010. The Code is available in its entirety on the internet at www.cgfinland.fi.

This corporate governance statement is issued separately from the report of the Board of Directors. It has been prepared in accordance with Recommendation 54 of the Code and it also covers other key corporate governance areas that Valmet wants to highlight for investors. The Audit Committee has reviewed this Corporate Governance Statement. Updated information on the governance and remuneration of the Company is available on the Company's website at www.valmet.com.

Regulatory Framework

The duties of Valmet's bodies are governed by Finnish legislation and the duties of its subsidiaries' bodies by the legislation of their respective places of business. In addition to the Code, Valmet complies with the corporate governance principles defined by the Board of Directors. These principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. Valmet's decision-making and governance also complies with other Finnish legislation and regulations, the Company's Articles of Association, the guidelines for insiders published by NASDAQ OMX Helsinki Ltd (the Helsinki Stock Exchange) as well as the Helsinki Takeover Code published by the Securities Market Association.

Valmet prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and the rules of Helsinki Stock Exchange. The report of the Board of

Directors of Valmet's financial statements is prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

Annual General Meeting of Shareholders

The Annual General Meeting is the supreme decision-making body of Valmet. The Annual General Meeting is held once a year before the end of June. The first Annual General Meeting of Valmet is scheduled to be held on March 26, 2014. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association. Such issues include:

- Adoption of the financial statements;
- Use of the profit shown on the balance sheet;
- Election of the Chairman, Vice Chairman and members of the Board of Directors and the decision on their remuneration;
- Discharging the members of the Board of Directors and the President and CEO from liability;
- Election of the Auditor and the decision on compensation; and
- Proposals made by the Board of Directors or a shareholder (e.g., amendments of the Articles of Association, the repurchase the Company's own shares, share issue, giving special authorizations).

Every holder of Valmet shares has the right to participate in the Annual General Meeting, and each share entitles its holder to one vote. Decisions are primarily made by a simple majority of votes, such as decisions on the approving the financial statements, payment of dividends, election of the members of the Board of Directors and auditors and their remuneration, and discharging from liability the members of the Board of Directors and the President and CEO. A qualified majority of two-thirds is required for some decisions, such as, authorizing the Board of Directors to issue shares or to repurchase the Company's own shares or amending the Company's Articles of Association.

Participation in the Annual General Meeting requires that the shareholder is registered in Valmet's shareholder register on the record date of the meeting, which is eight business days before the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice. The holder of a nominee-registered share may be entered temporarily in the shareholder register for participation in the Annual General Meeting, if the shareholder based on his/her holding has the right to be registered in the shareholder register on the record date. In addition, participation requires advance notice of participation at the latest by the date mentioned in the meeting notice.

Shareholders are entitled to have an issue put on the agenda of the Annual General Meeting, provided that the issue can be decided upon by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board of Directors early enough so that the issue can be included in the meeting notice. The date by which the

shareholder must notify the Board of Directors of an issue to be added to the agenda of the Annual General Meeting will be announced on Valmet's website. The request is always deemed submitted early enough if the Board of Directors has been notified about it at least four weeks prior to the delivery of the meeting notice.

Valmet publishes a notice of the Annual General Meeting no more than three months and no less than three weeks before the meeting on the Company's website or in one or more widely circulated newspapers or delivers it directly to shareholders when required by law. Additionally, Valmet publishes the meeting notice as a stock exchange release immediately after the Board of Directors has decided on the convening of the Annual General Meeting. The agenda of the Annual General Meeting, decision-making proposals and meeting documents are available on the Company's website at least three weeks prior to the meeting.

Board of Directors

The Board of Directors oversees the management and operations of Valmet. It also decides on significant matters related to strategy, investments, organization and finances.

Valmet's Board of Directors will be composed of no less than five and no more than eight members. The members of the Board of Directors will be elected for a term expiring at the closing of the following Annual General Meeting. There is no specific order of appointment of directors.

The Board of Directors of Valmet will meet when a meeting is convened by the Chairman or, if the Chairman is unavailable, the Vice Chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the Chairman or the Vice Chairman. A resolution of the Board of Directors will be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs. The President and CEO of Valmet Pasi Laine and CFO Markku Honkasalo participate in the meetings of the Board of Directors, and General Counsel Rasmus Oksala acts as secretary of the Board of Directors. Other members of Valmet's Executive Team and other executives participate in the meetings when needed.

Main Duties

The main duties of the Board of Directors include the following:

- To approve Valmet's long-term goals and strategy;
- To approve annual business and other major action plans;
- To approve Valmet's organizational structure and the principles for the incentive systems;
- To appoint – and, if necessary, to dismiss – the President and CEO, and based on the preparation by the President and CEO and proposal by the Remuneration and HR Committee other members of the Executive Team;

- To monitor and evaluate the performance of the President and CEO and to decide upon his/her remuneration and benefits;
- To ensure that the supervision of the book-keeping and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements;
- To ensure the adequacy of planning, information and control systems for monitoring results and managing risks in operations;
- To make proposals for and convene the General Meetings of Shareholders;
- To decide upon other matters not belonging to the day-to-day operations, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements. The Board of Directors also decides upon guarantees granted by Valmet as separately defined by the Board of Directors; and
- To approve Valmet's corporate policies in key management areas, such as corporate governance, risk management, financial control, treasury, internal control, information security, corporate communications, human resources, environment and disclosure policy, and code of conduct.

Composition

The number of members of the Board of Directors of Valmet was resolved on and the members elected by the extraordinary general meeting of Metso Corporation, which was held on October 1, 2013. Valmet was incorporated and the term of office of the current Board of Directors commenced on December 31, 2013, when the partial demerger of Metso Corporation became effective. There are seven members in the Board of Directors. The term of office of the members of the Board of Directors commenced on the effective date of the demerger and will expire, according to Valmet's Articles of Association, at the end of the first Annual General Meeting of Valmet following the election.

Jukka Viinanen, born 1948, was elected the Chairman of the Board of Directors. His main occupation is chairman of the board of directors. Mr. Viinanen holds a Master of Science degree in Engineering.

Mikael von Frenckell, born 1947, was elected the Vice Chairman of the Board of Directors. His main occupation is chairman of the board of directors. Mr. von Frenckell holds a Master of Science degree in Social Sciences.

Erkki Pehu-Lehtonen, born 1950, was elected a member of Board of Directors. His main occupation is to act as a board professional. Mr. Pehu-Lehtonen holds a Master of Science degree in Mechanical Engineering.

Pia Rudengren, born 1965, was elected a member of the Board of Directors. Her main occupation is to act as a board professional. Ms. Rudengren holds a Master of Science degree in Business Administration and Economics.

Friederike Helfer, born 1976, was elected a member of the Board of Directors. She is a Partner at Cevian Capital. Ms. Helfer holds a Master of Science degree in Real Estate Development as well as a Diplom-Ingenieur degree in Urban Planning. She is a CFA charterholder.

Pekka Lundmark, born 1963, was elected a member of the Board of Directors. Mr. Lundmark is the President and CEO of Konecranes Plc. Mr. Lundmark holds a Master of Science degree in Engineering.

Rogério Ziviani, born 1956, was elected a member of the Board of Directors. His main occupation is to act as a board professional. Mr. Ziviani holds a Bachelor of Science degree in Business Management and a Master of Science degree in Business Administration.

Committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration and HR Committee. The Board of Directors elects the members of the committees from among its members at its annual assembly meeting and monitors the activities of the committees. Both committees have charters approved by the Board of Directors.

Audit Committee

The Audit Committee monitors the Company's financial reporting and prepares issues for the Board of Directors related to the monitoring of Valmet's financial situation, financial reporting, auditing, and risk management. Among other things, the Audit Committee:

- Assesses Valmet's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Valmet's short-term outlook;
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management;
- Reviews Valmet's Corporate Governance Statement;
- Approves the audit plans of internal and independent auditors and follows up reporting related to these plans;
- Prepares for the election of independent auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Valmet. Pre-approves all non-audit services provided by the independent auditors;
- Assesses Valmet's financial reporting and reporting methods in collaboration with the Company's management, internal audit and an external auditor or other external experts;

- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees; and
- Maintains procedures enabling the receipt and processing of complaints related to accounting, internal control and internal auditing, and the potential anonymous and confidential reporting by employees of misconduct, fraud, and accounting and auditing issues.

The Audit Committee convenes at least four times a year. It consists of the committee's chairman and two members, all of whom are elected by the Board of Directors from among its members independent of the Company. At least one of the members must be independent of significant shareholders. The members of the Audit Committee must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

The Audit Committee comprises Pia Rudengren as chairwoman and Erkki Pehu-Lehtonen and Friederike Helfer as members.

Remuneration and HR Committee

Among other things, the Remuneration and HR Committee

- Reviews and monitors the competitiveness of Valmet's remuneration and incentive systems and the development of the Human Resources related issues, such as competence and talent development and the successor planning of Valmet's senior management;
- Evaluates the performance and compensation of the President and CEO;
- Prepares and makes proposals to the Board of Directors for the compensation and benefits of the President and CEO;
- Makes proposals to the Board of Directors for the appointment of the Valmet Executive Team members, based on the President and CEO's preparations; and
- Decides upon the remuneration and benefits of the Valmet Executive Team members. The committee may authorize its chairman to decide upon the remuneration and benefits of these officers. The President and CEO submits the proposed remuneration and benefits of the other officers reporting to the President and CEO to the committee chairman for approval.

The committee convenes at least twice a year and consists of the committee chairman and at least two members. All the members are independent of the Company. The President and CEO participates in the meetings, except when the agenda includes items relating to him.

The Remuneration and HR Committee comprises Jukka Viinanen as chairman and Mikael von Frenckell and Pekka Lundmark as members.

Operational Management

President and CEO

The President and CEO manages Valmet's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board of Directors. The President and CEO guides and supervises the operations of Valmet and its businesses. The President and CEO is appointed – and, if necessary, dismissed – by the Board of Directors, and he reports to the Board of Directors about, for example, Valmet's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board of Directors and its committees and implements their decisions. Additionally, the President and CEO acts as chairman of the Executive Team.

Pasi Laine, born 1963, has been appointed the President and CEO of Valmet. Mr. Laine holds a Master of Science degree in Engineering.

Executive Team

The President and CEO and other members appointed by the Board of Directors constitute the Executive Team of Valmet. The Executive Team assists the President and CEO in the preparation of matters, such as Valmet's business plan, strategies, policies and other matters of joint importance.

Jukka Tiitinen, born 1965, has been appointed the Head of Valmet's Services business line. Mr. Tiitinen holds a Master of Science degree in Engineering.

Jyrki Holmala, born 1965, has been appointed the Head of Valmet's Pulp and Energy business line. Mr. Holmala holds a Master of Science degree in Engineering and a Master of Science degree in Economics and Business Administration.

Jari Vähäpesola, born 1959, has been appointed the Head of Valmet's Paper business line. Mr. Vähäpesola holds a Master of Science degree in Engineering and a Diploma in International Marketing Management.

William Bohn, born 1954, has been appointed Valmet's Head of North America area. Mr. Bohn holds Bachelor of Science degrees in Pulp and Paper and Forestry.

Celso Tacla, born 1964, has been appointed Valmet's Head of South America. Mr. Tacla holds a Master of Business Administration degree and is a Production engineer and a Chemical engineer.

Hannu Mälkiä, born 1952, has been appointed Valmet's Head of EMEA area. Mr. Mälkiä holds a Master of Science degree in Engineering.

Aki Niemi, born 1969, has been appointed Valmet's Head of China area. Mr. Niemi holds a Master of Science degree in Engineering.

Hannu Pietilä, born 1962, has been appointed Valmet's Head of Asia Pacific area. Mr. Pietilä holds a Bachelor of Science degree in Mechanical Engineering.

Markku Honkasalo, born 1964, has been appointed Valmet's Chief Financial Officer (CFO). Mr. Honkasalo holds a Master of Laws degree and an Executive Master of Business Administration degree.

Kari Saarinen, born 1961, has been appointed Valmet's Head of Strategy and Operational Development. Mr. Saarinen holds a Master of Science degree in Accounting and Finance.

Julia Macharey, born 1977, has been appointed Valmet's Head of Human Resources. Ms. Macharey holds a Master of Science degree in Economics and a Bachelor of Arts degree in Intercultural Communication.

Anu Salonsaari-Posti, born 1968, has been appointed Valmet's Head of Marketing and Communications. Ms. Salonsaari-Posti holds a Master of Science degree in Economics and in Business Administration and a Master of Science degree in Business Administration.

Main Features of Internal Control and Risk Management Systems Pertaining to Financial Reporting Process

Valmet's internal control mechanism seeks to ensure the Company's compliance with the Code, applicable EU laws, regulations and the Company's operating principles as well as the reliability of financial and operational reporting. Furthermore, the internal control mechanism seeks to safeguard the Company's assets and to ensure overall effectiveness and efficiency of operations to meet Valmet's strategic, operational and financial targets.

Internal control practices are aligned with Valmet's risk management process. The goal of risk management is to support Valmet's strategy and the achievement of objectives by anticipating and managing potential business threats and opportunities.

Valmet's operating model of internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles (IFRS) and other requirements for listed companies.

The overall system of internal control in Valmet is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

Control Environment

The Board of Directors bears the overall responsibility for the internal control over financial reporting. The Board of Directors has established a written formal working order that clarifies its responsibilities and regulates the internal distribution of work of the Board of Directors and its committees. Furthermore, the Board of Directors has appointed the Audit Committee, the primary task of which is to ensure that established principles for financial reporting, risk management and internal control are adhered to and that appropriate relations are maintained with the Company's auditors. The responsibility for maintaining an effective control

environment and the ongoing work on internal control as regards the financial reporting is delegated to the President and CEO. The Internal Audit function reports all relevant issues to the Audit Committee and the President and CEO.

The control environment sets the tone of internal control in Valmet, influencing the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Valmet's control environment include the corporate culture: integrity, ethical values and competence of Valmet's personnel, as well as the attention and direction provided to the personnel by the Board of Directors. Valmet's values and control environment provide the Board of Directors and Valmet's management the basis for the reasonable assurance of Valmet achieving the objectives for internal control. The President and CEO and the Executive Team define Valmet's values and ethical principles (reflected in the Code of Conduct) and set the example for the corporate culture, which create the basis for the control environment. The same parties, together with Services, Pulp & Energy and Paper (the Businesses) are responsible for communicating Valmet's values to the organization.

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Valmet's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the financial reporting at all levels. The risk assessment results in control targets through which Valmet seeks to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas and the activities executed and planned in these areas as well as the measures to mitigate them are communicated regularly to the Audit Committee.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks related to the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Valmet Internal Control Standards are designed to ensure that local management in every Valmet unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Valmet units. For each of these processes, the tasks that must be segregated are also listed. The units document the control activities in use for each of their respective key business process.

Information and Communication

In order to secure an effective and efficient internal control environment, Valmet seeks to ensure that the Company's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, that is, accounting principles, financial reporting instructions and the disclosure policy, are available on Valmet's intranet. Valmet arranges training for the Company's personnel regarding internal

control issues and tools. In this way Valmet management gives a clear message to all personnel that the internal controls responsibilities are taken seriously. Valmet's CFO and the Head of Internal Audit report the results of the work on internal control as a standing item on the agenda of the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported to the Board of Directors after every Audit Committee meeting.

Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, Corporate management, Internal Audit, and the management of the reporting businesses and affiliates.

Monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from internal and external audit.

Internal Audit annually assesses the effectiveness of Valmet's operations and the adequacy of risk management. Internal Audit compiles an annual audit plan, the status and findings of which it regularly reports to Valmet management, external auditors and the Audit Committee. Furthermore, Valmet's Internal Audit and external auditors meet regularly to coordinate the monitoring efforts.

Compliance with Laws and Code of Conduct

In all its operations Valmet seeks to comply with applicable laws and statutes as well as generally accepted practices. Additionally, the Company's operations are guided by Valmet's Code of Conduct, internal policies and guidelines as well as values. Valmet's Code of Conduct describes the Company's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations. They support Valmet's responsible operations, sustainability and the Company's success. The foundation of Valmet's Code of Conduct is the UN Universal Declaration of Human Rights, the UN Global Compact initiative, which the Company has endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into Valmet's Code of Conduct. Valmet requires that each one of the Company's employees is familiar with the legislation and operating guidelines of their own areas of responsibility. Business management is responsible for the internal control of the operations in their respective sector. Valmet strives to ensure that everyone in the Company is familiar with and compliant with the laws, regulations and principles relating to their own work. In addition to Valmet's management, the due course of operations is monitored by the Audit Committee, which reports any misconduct to the Board of Directors.

Internal Audit

Valmet's Internal Audit assesses the efficiency and appropriateness of the Company's operations and examines the functioning of internal controls. It provides reasonable assurance of the correctness of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the Company's assets. Additionally, Internal Audit proactively encourages the development of risk management in Valmet's various operations. The Head of Internal Audit reports administratively to the CFO and directly to the President and CEO and to the Audit Committee.

Reporting of Suspected Financial Misconduct

Valmet's guidelines on the prevention of misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Valmet employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to Legal Affairs and Internal Audit. Allegations are investigated immediately and confidentially. Internal Audit decides on how the matter will be investigated and reports any misconduct to the Audit Committee. The Legal Affairs and HR functions together implement any measures consequential to the misconduct.

Auditors

According to the Articles of Association, Valmet has one auditor, which must be a firm of public accountants certified by the Finland Chamber of Commerce. The Audit Committee prepares the auditor selection process. There are no term limits regarding the duration of the auditing firm.

The auditor's statutory obligation is to audit the Company's accounting, the Board of Directors' report, financial statements and administration for the financial year. The Company's auditor must also audit the consolidated financial statements and other mutual relationships between group companies.

In conjunction with Valmet's annual financial statements, the auditor gives the Company's shareholders an Auditor's Report as required by law. The auditor reports primarily via the Audit Committee and at least once a year to the Board of Directors. The Audit Committee evaluates the performance and services of the independent auditors each year and decides if there is a need to arrange an open tender process.

Authorized Public Accountant Ernst & Young Oy was elected as Valmet's auditor by the extraordinary general meeting of Metso Corporation, which was held on October 1, 2013.

Management Remuneration

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. Remuneration is aligned with company's financial performance, internal and external references and observing remuneration levels for similar positions among peer companies. Valmet's remuneration package for key personnel and executives includes a

competitive salary and employee benefits according to local market practices, short-term incentives based on predefined annual performance indicators and long-term incentives that align the interests of the key executives and shareholders.

Remuneration of Board of Directors

The Annual General Meeting decides on the remuneration to the members of the Board of Directors for one term of office at the time. In 2013 no annual fees were paid to the Board members since the partial demerger of Metso Corporation was officially registered in the trade register as of December 31, 2013, whereupon Valmet Corporation was established and Valmet's Board of Directors' term of office began.

Decision-making process and main principles of remuneration of the CEO and other Executive Team members

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO. The Board's Remuneration and HR Committee decides on the compensation and benefits of the other Executive Team members based on the President and CEO's proposal and general principles approved by the Board.

The remuneration of Executive Team members, including the President and CEO, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses decided by the Board. As long-term incentives, the Executive Team members are included in share ownership plans that are decided and implemented by the Board and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting.

Additionally in 2013, executive management benefits included a supplementary pension plan for some members of the current Valmet Executive Team.

Performance bonuses

The Board annually confirms the terms and targets of the performance bonuses on Valmet Corporation-level. The amount of bonus payment, if any, is based on achieving set financial performance targets of Valmet and/or the business in question. In addition to these, also individual and/or team targets are used. The Remuneration and HR Committee evaluates the achievement of the predefined targets of the President and CEO. For the President and CEO and for other Executive Team members, the maximum annual performance bonus is currently 30–60 percent of their annual total salary.

Share-based incentive plans

The Board decides and implements Valmet's share-based incentive plans, which are part of the remuneration program for management. The purpose of the plans is to align the goals of

shareholders and management to enhance the value of the company. The plans also aim to ensure commitment of management and to offer them a competitive, ownership-based reward scheme.

The plans that started in 2009, 2010 and 2011 required participants to make a personal investment in Metso shares. In the share-based incentive plans that started in 2012, 2013 and 2014, shares will be allocated to participants based on the achievement of predefined targets and a personal investment in shares is not required. Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value.

Share Ownership Plan 2010–2012

In October 2009, the Board approved a share-based incentive plan for management, Metso Share Ownership Plan 2010–2012. The plan included a three-year earning period and required participants to make a personal investment in Metso shares. The plan's performance criteria (total shareholder return and earnings per share) achieved 60 percent of the maximum. Members of the current Valmet Executive Team's received 10,807 shares in May 2013. The share transfer was carried out with a direct free share issue. Any shares earned must be held for one year after the reward payment.

Share Ownership Plan 2011–2013

In September 2010, the Board approved a similar share-based incentive plan for management, Metso Share Ownership Plan 2011–2013. The plan included one three-year earning period, which began on January 1, 2011, and ended on December 31, 2013. After the demerger the number of Valmet participants is 26. These Valmet participants have invested in 12,215 shares (initial investment), and the rewards that can be paid on the basis of the plan correspond to a maximum total of 30,538 Metso shares. The reward from the plan consists of grants of the base matching shares and performance shares. The amount of base matching shares is based on Metso share price development and it can be 2.5 or 1.25 times the number of shares in the initial investment. The potential reward in the form of performance shares is based on the combination of Metso's Total Shareholder Return (TSR) over the three-year period and on the annual earnings per share (EPS) in 2011–2013. If the TSR is zero or negative over the three-year period, no performance shares shall be distributed. The amount of the potential reward will be determined in February 2014, and it will be paid in both Metso and Valmet shares by the end of June 2014. In countries where the employer has a payroll tax withholding obligation, the company can pay a maximum of 60 percent of the reward in cash instead of shares, which is aimed to cover taxes and related payments. Any shares earned must be held for a minimum of one year after the reward payment. Members of the current Valmet Executive Team can receive a maximum total of 11,250 shares as share rewards.

The participant's annual reward payments (valued at the share's market price at the transfer date) from these ownership plans cannot exceed in any year the participant's annual total salary, defined as taxable annual gross income without bonus and long-term incentives, multiplied by 1.5 at the record date.

Long-term Incentive Plan 2012–2014

In December 2011, the Board decided to establish a new share-based incentive plan that has three performance periods, which are the calendar years 2012, 2013 and 2014. The Board shall decide on the performance criteria and participants in the beginning of each performance period. In the 2012 performance period, the reward was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share. After the demerger the number of Valmet participants is 32. The rewards to be paid to Valmet participants on the basis of the 2012 performance period correspond to a maximum of 115,422 Metso shares. The current Valmet Executive Team's share of the 2012 earnings period can be a maximum of 57,322 shares. However, according to the Board's decision, the number of maximum shares will be recalculated in April 2014 to take into account the effect of the demerger on to Valmet share value. The reward from the 2012 performance period will be paid at the end of an approximately two-year vesting period in 2015, partly in company shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the participants.

In December 2012, the Board decided to continue the share-based incentive plan approved in 2011. In the 2013 performance period and after the demerger the number of Valmet participants is 35. The potential reward generated will be based on the same criteria as the 2012 performance period. The potential rewards to be paid to Valmet participants on the basis of the 2013 performance period will correspond to a maximum total of 130,805 Metso shares. The current Valmet Executive Team can receive a maximum reward of 69,065 shares. However, according to the Board's decision, the maximum number of shares will be recalculated in April 2014 to take into account the effect of the demerger on the Valmet share value. The potential reward from the 2013 performance period will be paid at the end of an approximately two-year vesting period in 2016, partly in company shares and partly in cash.

In December 2013, the Board decided to continue the share-based incentive plan approved in 2011. The plan for the 2014 performance period will cover about 40 Valmet key executives. The potential reward generated will be based on Valmet EBITA % and the orders received growth of the services business. The potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of 197,000 Metso shares. The current Valmet Executive Team can receive a maximum reward of 106,684 Metso shares. The maximum total number in Valmet shares will be decided in April 2014. The potential reward from the 2014 performance period will be paid at the end of an approximately two-year vesting period in 2017, partly in company shares and partly in cash.

The reward for each performance period of the long-term incentive plan 2012-2014 may not exceed 120 percent of a participant's annual total base salary. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

Remuneration of President and CEO and other Executive Team members

2013

EUR	Annual salary	Paid 2012 performance bonus	Fringe benefits	Share-based payment	Total
President and CEO	387 610	205 443	15 300	282 030	890 383
Other Executive Team members (1)	2 233 655	681968	44 492	361 350	3 321 465
Total	2 621 265	887 411	59 792	643 380	4 211 848

1) Markku Honkasalo, starting September 1, 2013. Anu Salonsaari-Posti, starting May 2, 2013

Additionally, Valmet has subscribed pension plans for senior management and the beneficiaries include some members of the current Valmet Executive Team. For the year ended December 31, 2013, the pension insurance premium payments totaled approximately EUR 0.1 million.

Remuneration of the President and the CEO

Valmet's President and CEO Pasi Laine is entitled to participate in Valmet's short- and long-term incentive programs according to the respective terms and conditions of those programs. The terms and conditions are decided by the Board. The Board assesses the work and performance of the President and CEO and decides on his remuneration. The remuneration of Pasi Laine is described in more detail in the following table.

Employment terms and conditions of President and CEO Pasi Laine

Base salary and fringe benefits	Total monthly salary EUR 39,000, including salary and fringe benefits (company car and mobile phone).
Short-term incentive (annual bonus)	Annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 60 percent of total annual salary.
Long-term incentives	According to Metso's Share Ownership and Long-term Incentive Plans. In the share-based incentive plans starting in 2009, 2010 and 2011, the annual reward payment cannot

	<p>exceed the annual total salary, defined as taxable annual gross income without annual bonus and long-term incentives, multiplied by 1.5. In the long-term incentive plan 2012-2014, the maximum bonus is 120 percent of the total annual salary.</p>
Pension	<p>Retirement age is 63 years. Laine has a defined contribution pension plan. Contribution is 20% of annual salary.</p>
Termination of assignment	<p>Notice period for both parties is six months. Severance pay (if the company terminates the agreement) is six months' notice period compensation plus severance pay corresponding to the last total monthly salary multiplied by 18.</p>