

Corporate Governance Statement 2023

Valmet Oyj Corporate Governance Statement

February 7, 2024

Valmet Oyj (Valmet or the Company) complies without deviation with the Finnish Corporate Governance Code in force (the Code) adopted by the Securities Market Association. The Code is available in its entirety on the internet at www.cgfinland.fi/en.

This Corporate Governance Statement is issued separately from the report of the Board of Directors. It has been prepared in accordance with the requirements for Corporate Governance reporting of the Code, and it also covers other key corporate governance areas that Valmet wants to highlight. The Audit Committee of the Board of Directors has reviewed this Corporate Governance Statement in its meeting on February 6, 2024. This Corporate Governance Statement and updated information about 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 Market Abuse Regulation, the Company’s Articles of Association, the Guidelines for insiders of Listed Companies published by Nasdaq Helsinki Ltd (the Helsinki Stock Exchange), and 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 Supervisory Authority’s standards and the rules of the 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.

Valmet’s governing bodies

The Annual General Meeting is the highest governing body of Valmet in which the shareholders participate in the supervision, decision making and control of the Company. The Board of Directors is responsible for the administration and proper organization of the operations of the Company, including the selection and continuous performance evaluation of the President and CEO. The President and CEO, assisted by the Executive Team, oversees the day-to-day operative management of Valmet and its businesses.



Annual General Meeting of Shareholders

The Annual General Meeting is held once a year before the end of June on a date determined by the Board of Directors. At the Annual General Meeting, all the shareholders of the Company can participate in the supervision, decision making and control of the Company, and exercise their right to speak and vote. 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 Chair, Vice Chair 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; and
- Election of the Auditor and the decision on the Auditor's compensation.

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 an advance notice of participation at the latest by the date mentioned in the notice of the meeting.

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 and 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 Valmet's website at least three weeks prior to the meeting.

Shareholders are entitled to have an issue placed on the agenda of the Annual General Meeting, provided that the issue can be decided on by the Annual General Meeting in accordance with the Finnish Companies Act. The request must be submitted in writing to the Board of Directors sufficiently early for the issue's inclusion in the notice of the meeting. 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. In 2023, this date was January 20, 2023. 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 ensures that the Annual General Meeting is easily accessible to all shareholders by providing an opportunity to participate either at the venue or to follow virtually through a dedicated online platform.

Annual General Meeting in 2023

The Annual General Meeting was held in Helsinki on March 22, 2023. A total of 1,105 shareholders were present, either personally or represented by a statutory or authorized representative, including the shareholders who had voted during the advance voting period. It was recorded that 116,196,746 shares were represented at the beginning of the meeting, corresponding to approximately 63.0 percent of all the shares and votes in the Company. All Board members and the auditors of the Company were present at the meeting. Further information and the meeting documents of the Annual General Meeting are available on the Company's website at www.valmet.com.

Board of Directors

The Board of Directors is responsible for the administration and proper organization of the Company's operations. The Board also decides on significant matters related to strategy, investments, organization and finances, and ensures that the Company operates according to its established values in all its operations.

As a rule, the Board of Directors refers inquiries from stakeholders such as investors, media, customers and analysts to management for response. Valmet's top management, with representatives from Investor Relations or Group Communications, participates in meetings with investors, analysts and media when necessary.

Valmet's Board of Directors consists of no less than five and no more than eight members. The members of the Board of Directors are elected for a term expiring at the closing of the following Annual General Meeting.

The Board of Directors of Valmet meets when a meeting is convened by the Chair or, if the Chair is unavailable, the Vice Chair. The Board of Directors constitutes a quorum when more than half its members are present, and one is the Chair or the Vice Chair. A resolution of the Board of Directors will be the opinion which is supported by more than half the members present or, in the event of a tied vote, the opinion with which the Chair of the meeting concurs. The President and CEO and CFO of Valmet participate in the meetings of the Board of Directors, and the General Counsel acts as secretary of the Board of Directors. Other members of Valmet's Executive Team and other executives participate in the meetings when required.

Main duties

The duties of the Board are defined in Finnish laws and regulations, Valmet's Articles of Association, the Finnish Corporate Governance Code and Valmet's Corporate Governance Policy, and in the Charters of the Board. The main duties and working principles of the Board of Directors are defined in a written charter and include:

- The approval of Valmet's long-term goals and strategy;
 - The approval of the annual business plan and other major action plans;
 - The approval of Valmet's organizational structure and the principles for the incentive systems;
 - The appointment – and if necessary, the dismissal – of the President and CEO;
 - The monitoring and evaluation of the performance of the President and CEO and deciding on his/her remuneration and benefits;
 - Ensuring that the supervision of the accounting and financial matters is properly organized, and ensuring the proper preparation of the interim and annual financial statements;
 - Ensuring the adequacy of planning, information and control systems for monitoring results and managing risks in operations;
 - The approval of Related Party transactions that are not part of the Company's ordinary course of business or are not implemented under arm's-length terms;
 - Making proposals for and convening the General Meetings of Shareholders;
 - Deciding on 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 approval of Valmet's corporate policies in key management areas such as code of conduct, corporate governance, including insider guidelines, risk management, financial control, treasury, internal control, corporate communications, human resources, health, safety and the environment, disclosure, and related party transactions;
 - The conduct of an annual evaluation of its operations and working methods; and
 - Deciding on other matters falling under the Board's responsibility by law.

Board of Directors in 2023

The Annual General Meeting elected eight members to Valmet's Board of Directors for the term expiring at the close of the Annual General Meeting 2024.

Board composition

Board member	Member since	Born	Nationality	Education	Main occupation	Valmet shareholding on December 31, 2023
Mikael Mäkinen	2019, Chair	1956	Finnish	M.Sc. (Eng.)	Chair of the Board of Directors of Valmet Oyj	9,364
Jaakko Eskola	2022, Vice Chair	1958	Finnish	M.Sc. (Eng.)	Board Professional	3,472
Aaro Cantell	2016	1964	Finnish	M.Sc. (Tech.)	Entrepreneur, Chairman of the Board of Normet Group Oy	9,247
Anu Hämäläinen	2022	1965	Finnish	M.Sc. (Econ.)	Vice President, Group Finance and Treasury, Kesko Corporation	3,078
Pekka Kemppainen	2018	1954	Finnish	Lic.Sc. (Tech.)	Board professional	5,417
Per Lindberg	2021	1959	Swedish	M.Sc. Mechanical Engineering PhD, Industrial Management and Economics	Board professional	2,473
Monika Maurer	2018	1956	German	Diploma in Physics and Chemistry, Diploma in Pedagogy	President and CEO of Radio Frequency Systems (RFS)	5,417
Eriikka Söderström	2017	1968	Finnish	M.Sc. (Econ.)	Board professional	6,547
Personnel representative						
Juha Pöllänen	2021	1968	Finnish	Carpenter	Chief shop steward	

At its organization meeting, all elected Board members were assessed by the Board of Directors to be independent of the Company and of the significant shareholders, except Aaro Cantell, who was assessed to be independent of the Company and not independent of a significant shareholder (Solidium Oy) in accordance with the recommendation in the Code.

In 2023, the Board convened 11 times, with a total attendance rate of 99 percent.

Board attendance in 2023

	Number of meetings	Attendance %
Mikael Mäkinen	11/11	100
Jaakko Eskola	11/11	100
Aaro Cantell	11/11	100
Anu Hämäläinen	11/11	100
Pekka Kemppainen	11/11	100
Per Lindberg	11/11	100
Monika Maurer	10/11	91
Eriikka Söderström	11/11	100

Among other matters, the Board of Directors focused on Valmet’s long-term strategy, succession planning and two mid-sized acquisitions in 2023. The Board makes annual visits to gain a further understanding of and insight into Valmet’s global operations. In 2023, the Board made a visit to Jyväskylä, Finland, and Karlstad, Sweden.

Board evaluation

The Valmet Board of Directors undertakes an annual evaluation of the Board’s work, its committees and directors, with the aim of further developing and enhancing Board procedures and efficiency and identifying the future focus areas of the Board. The Board of Directors has internally reviewed and discussed the evaluation results in depth and identified development areas to further improve the Board’s performance, processes and effectiveness.

Board diversity principles

Valmet recognizes the importance of diversity, including gender, nationality, age, background and education, at the board and all levels of the group, and is committed to increasing diversity across all its operations.

The Valmet Nomination Board has reviewed and confirmed the principles for Board diversity and considers them in its work and proposals. Valmet’s principles of board diversity include the promotion of experience and a varied educational background, relevant qualifications, balanced gender diversity, and an adequate commitment regarding time contribution, availability and engagement. Board members should have sufficient expertise and knowledge of and competence in the Company’s field of business and industry. These objectives can be achieved with thorough and early preparation when considering the Board composition. The objectives regarding diversity are considered to be met in sufficient quantity. Sufficient diversity at the Board of Directors level is relevant for ensuring the efficient and optimal work and performance of the Board of Directors and supporting Valmet’s long-term shareholder value creation. The principles of Board diversity are available on the Company’s website at www.valmet.com.

Board diversity



Gender
● Male 62.5% (5/8)
● Female 37.5% (3/8)



Nationality
● Finnish 75.0% (6/8)
● German 12.5% (1/8)
● Swedish 12.5% (1/8)



Age
● 51-60 37.5% (3/8)
● 61-70 62.5% (5/8)



Tenure
● 1-2 yrs: 37.5% (3/8)
● 3-5 yrs: 37.5% (3/8)
● Over 5 yrs: 25.0% (2/8)

Valmet Board competence matrix

	Industry expertise	Financial/ Accounting	Corporate risk management	Corporate governance	Corporate strategy development	Corporate acquisitions	Corporate HR	CEO experience	International experience
Mikael Mäkinen									
Aaro Cantell									
Jaakko Eskola									
Anu Hämäläinen									
Pekka Kemppainen									
Per Lindberg									
Monika Maurer									
Eriikka Söderström									

Committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration and HR Committee. The composition of the Board committees and the qualifications of the committee members are set forth in Valmet’s Corporate Governance Policy. The Board of Directors elects the members of the committees from among its members at its organizing meeting and monitors the activities of the committees. Both committees have charters approved by the Board of Directors and report to the Board on their activities after each meeting.

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. Based on the Corporate Governance Policy and the Audit Committee Charter, the Audit Committee, among other things:

- Assesses Valmet’s draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements related to Valmet’s guidance, and the short-term market outlook;
- Assesses compliance with laws and provisions and with internal instructions, as well as the efficiency of internal control and risk management;
- Approves the audit plans of internal and external auditors and follows up reporting related to these plans;
- Prepares for the election of external 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. It pre-approves all non-audit services provided by the external auditors;
- Approves the procurement principles for external auditing services and external auditor’s annual auditing fees under the guidance given by the shareholders at the Annual General Meeting;

- Assesses Valmet’s financial reporting and reporting methods in collaboration with the Company’s management, internal auditing, and an external auditor or other external experts;
- Reviews Valmet’s Corporate Governance Statement;
- Reviews the Principles for Related Party transactions; 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 and third parties of misconduct, fraud, and accounting and auditing issues.

The Audit Committee convenes at least four times a year. The majority of the members must be independent of the Company and at least one of the members must be independent of the Company’s 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.

Audit Committee in 2023

The Audit Committee was comprised of Eriikka Söderström (Chair), Pekka Kemppainen and Anu Hämäläinen. The Audit Committee held five meetings in 2023, and the total attendance rate was 100 percent.

Audit Committee attendance in 2023

	Number of meetings	Attendance %
Eriikka Söderström	5/5	100
Pekka Kemppainen	5/5	100
Anu Hämäläinen	5/5	100

All committee members were independent of the company and of significant shareholders.

As in previous years, the Audit Committee conducted a self-assessment survey of the Audit Committee work and performance and will utilize the survey results to further improve and develop the identified key development areas and processes.

In 2023, the Audit Committee's special focus was on ESG (Environmental, Social and Governance) reporting, risk management, information security, and critical project management.

Remuneration and HR Committee

The Remuneration and HR Committee focuses on the development of remuneration plans for the President and CEO and the other executives, as well as the remuneration principles in general observed by the Company and in accordance with its Charter, the Remuneration and HR Committee among other things:

- Reviews and monitors the competitiveness of Valmet's remuneration and incentive systems and the development of personnel issues such as the competence and talent development and 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 Executive Team members, based on the President and CEO's preparation; and
- Decides on the remuneration and benefits of the Executive Team members;
- Reviews the Remuneration Policy and Remuneration Report.

The committee convenes at least twice a year and consists of the committee Chair and at least two members. All the members are independent of the Company. The President and CEO participates in the meetings, excluding situations when the agenda item concerns him/her.

Remuneration and HR Committee in 2023

The Remuneration and HR Committee was comprised of Mikael Mäkinen (Chair), Aaro Cantell, Monika Maurer and Jaakko Eskola (as of the Board organizing meeting). The committee had seven meetings in 2023 with a total attendance rate of 96 percent.

Remuneration and HR Committee attendance in 2023

	Number of meetings	Attendance %
Mikael Mäkinen	7/7	100
Jaakko Eskola	7/7	100
Aaro Cantell	6/7	86
Monika Maurer	7/7	100

The committee members were independent of the company and of significant shareholders, except for Aaro Cantell, who was assessed to be independent of the Company and not independent of a significant shareholder (Solidium Oy) in accordance with the recommendation in the Corporate Governance Code.

In 2023, the Remuneration and HR Committee's main focus was on the renewal of the Remuneration Policy and the preparation of the CEO succession process. The Committee prepared and conducted a management assessment to gain an insight into management capabilities and development opportunities.

Nomination Board

Valmet has a Nomination Board, which annually prepares a proposal regarding the composition and remuneration of the Board of Directors for the Annual General Meeting. According to the Nomination Board Charter, the Nomination Board must also seek prospective successor candidates for the members of the Board of Directors. The Nomination Board takes into account the principles of Board diversity in its work and proposals.

The Nomination Board consists of the representatives of Valmet's four largest shareholders, registered in Euroclear on July 1, who accept the assignment. In addition, the Nomination Board includes the Chair of the Board of Directors of Valmet. The Chair of the Board of Directors convenes the first meeting of the Nomination Board, and the Nomination Board elects a Chair from among its members. The Nomination Board gives its proposal to the Board of Directors annually no later than January 31 preceding the next Annual General Meeting.

The Nomination Board constitutes a quorum when more than half its members are present. No decision shall be made unless all members have been given the opportunity to consider the matter and to participate in the meeting. Decisions of the Nomination Board must be made unanimously.

The actions of the Board of Directors will be evaluated annually, and the results of this evaluation are disclosed to the Nomination Board. The results of the evaluation must be appropriately taken into account in the work of the Nomination Board. The Nomination Board may also use external experts.

Nomination Board in 2023

The shareholder representatives on the Nomination Board in 2023 were Reima Rytsölä (Chair), CEO of Solidium Oy; Jari Paasikivi, Chair of the Board of Directors of Oras Invest Oy; Markus Aho, Chief Investment Officer, Varma Mutual Pension Insurance Company; Mikko Mursula, Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company; and Mikael Mäkinen, Chair of the Valmet Board of Directors.

Upon its appointment, the Nomination Board convened four times.

Nomination Board attendance in 2023

	Number of meetings	Attendance %
Reima Rytsölä	4/4	100
Jari Paasikivi	4/4	100
Markus Aho	4/4	100
Mikko Mursula	4/4	100
Mikael Mäkinen	4/4	100
Total attendance rate %		100

The Nomination Board has submitted its proposals regarding Board composition and remuneration to the Valmet Board of Directors, and the Board has incorporated these proposals into the notice announcing the Valmet 2024 Annual General Meeting to be held on March 21, 2024.

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 Chair of the Executive Team.

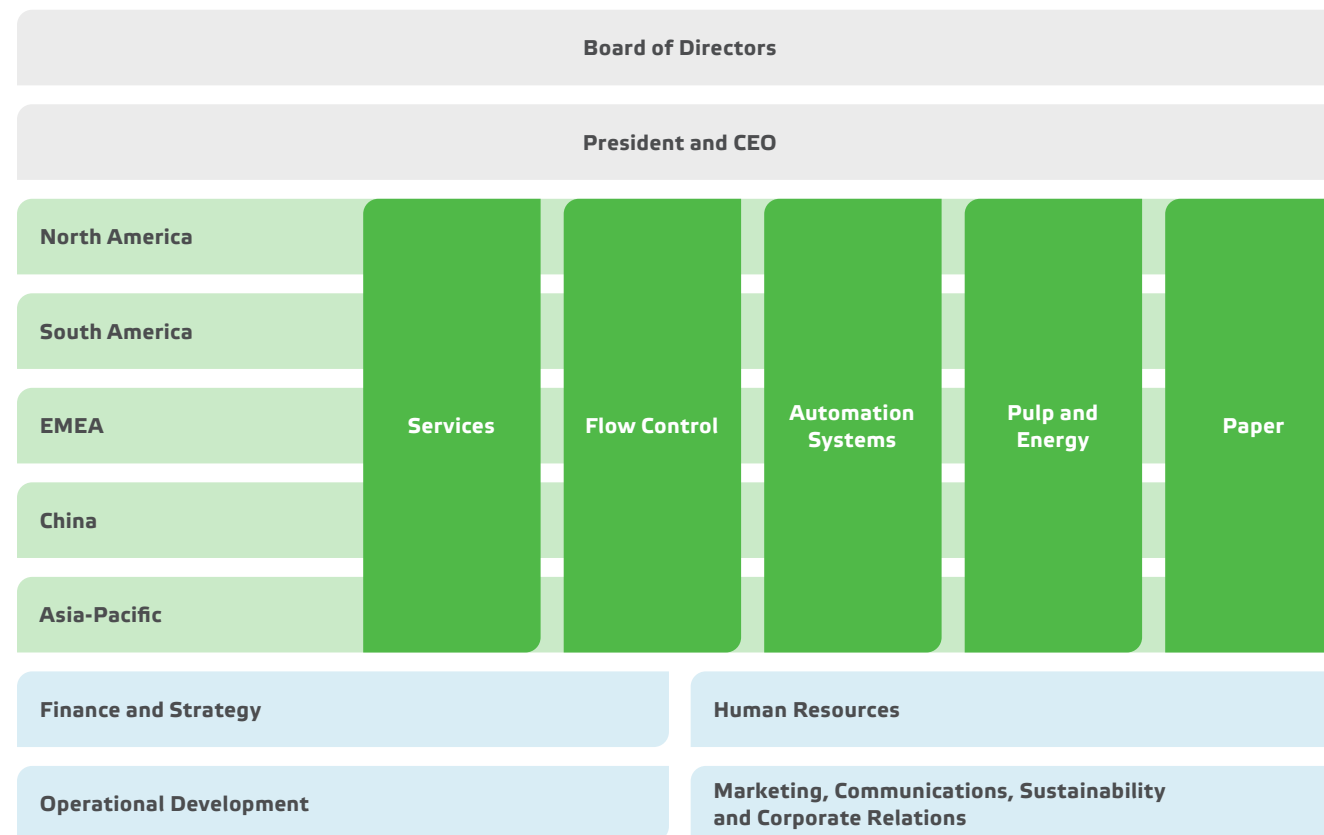
On August 18, 2023, the Company published a stock exchange release announcing that President and CEO Pasi Laine was to resign from Valmet during 2024. Valmet’s Board of Directors has accepted the resignation.

Valmet’s Operating model

Valmet’s operating model consists of five Business Lines, five Areas, and four support functions. The Business Lines are

Services, Automation Systems, Pulp and Energy, Paper and Flow Control; and the geographical areas are North America, South America, EMEA (Europe, Middle East and Africa), China and Asia-Pacific. The four main support functions are Finance and Strategy, Human Resources, Operational Development, and Marketing, Communications, Sustainability and Corporate Relations.

Pasi Laine, born 1963, serves as 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 operative matters of joint importance.

In 2023, Valmet's Executive Team consisted of:

Valmet's Executive Team in 2023

Executive Team member	Team member since	Born	Nationality	Education	Executive Team position	Valmet shareholding on December 31, 2023
Pasi Laine	2014	1963	Finnish	M.Sc. (Eng.)	President and CEO	185,946
Katri Hokkanen	2022	1981	Finnish	M.Sc. (Econ.)	Chief Financial Officer	7,145
Aki Niemi	2014	1969	Finnish	M.Sc. (Eng.)	Business Line President, Services	65,762
Sami Riekkola	2018	1974	Finnish	M.Sc. (Eng.)	Business Line President, Pulp and Energy	19,105
Emilia Torttila-Miettinen	2022	1979	Finnish	M.Sc. (Eng.)	Business Line President, Automation Systems	734
Jari Vähäpesola	2014	1959	Finnish	M.Sc. (Eng.) Diploma in International Marketing Management	Business Line President, Paper, until August 31, 2023	
Petri Rasinmäki	2023	1974	Finnish	M.Sc. (Eng.) EMBA	Business Line President, Paper, as of September 1, 2023	1,717
Simo Sääskilähti	2022	1971	Finnish	M.Sc. (Eng.) M.Sc. (Econ.)	Business Line President, Flow Control	4,401
Jukka Tiitinen	2014	1965	Finnish	M.Sc. (Eng.)	Area President, North America	96,822
Celso Tacla	2014	1964	Brazilian	MBA Production Engineer Chemical Engineer	Area President, South America	97,742
Vesa Simola	2015	1967	Finnish	M.Sc. (Eng.)	Area President, EMEA, until May 31, 2023	
Tero Kokko	2023	1973	Finnish	Ph.D. (Eng.), M.Sc. (Econ.)	Area President, EMEA, as of June 1, 2023	2,608
Xiangdong Zhu	2017	1967	Chinese	B.Sc. (Eng.) MBA	Area President, China	33,607
Petri Paukkunen	2021	1966	Finnish	B.Sc. (Eng.)	Area President, Asia Pacific	11,658
Julia Macharey	2014	1977	Finnish	M.Sc. (Econ.) B.A. (Intercultural Communication)	Senior Vice President, Human Resources and Operational Development	41,110
Anu Salonsaari-Posti	2014	1968	Finnish	M.Sc. (Econ.) MBA	Senior Vice President, Marketing, Communications, Sustainability and Corporate Relations	33,693

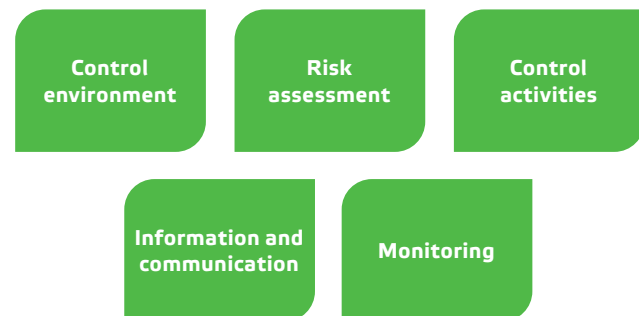
Main features of internal control and risk management related to the Financial Reporting Process

Valmet’s internal control mechanism seeks to ensure the Company’s compliance with the Code, applicable 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 the overall effectiveness and efficiency of operations to meet Valmet’s strategic, operational and financial targets.

Risk management processes are aligned with Valmet’s internal control practices. The goal of risk management is to support Valmet’s strategy and the achievement of business objectives by anticipating and managing potential business threats and opportunities, and thus to ensure business continuity.

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.

Principal components of internal control



The overall system of internal control in Valmet is based on 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 has established a written formal working order that clarifies its responsibilities and regulates the internal distribution of the work of the Board of Directors and its committees. The Board of Directors bears the overall responsibility for the internal control of financial reporting. 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 regarding 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 for internal control in Valmet, influencing the control awareness of its people. It provides discipline and structure for all the other components of internal control. Valmet’s control environment is based on Valmet’s corporate culture: the integrity, values, ethical behavior 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 with the basis for 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 creates the basis for the control environment. The same parties, with the Services, Automation

Systems, Pulp and Energy, Paper, Flow Control Business Lines (the Businesses) and Areas are responsible for communicating Valmet’s values to the organization.

Risk assessment

Risk assessment is the identification and analysis of relevant risks to the achievement of the objectives, forming a basis for determining how the risks should be managed. Valmet’s risk assessment regarding financial reporting aims to identify and evaluate the most significant threats affecting 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.

Internal control and risk management in 2023

Internal control procedures and various audits were executed throughout the year. Operational audits focused on, amongst

other things, supplier audits, sales network, anti-bribery and sound business practices.

Coordinated Risk Management processes and practices were executed during the year to ensure that enterprise risk management activities were performed in a consistent and ongoing manner in accordance with governance and business needs. Risk management evaluations were carried out to monitor risk management performance in the most significant units globally. The evaluations emphasized strategic, operational, hazard and financial risks, as well as business interruption, logistics and property damage risks.

Information and communication

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 and related responsibilities are taken seriously. Valmet's CFO and the Head of Internal Audit report the results of the work on internal control 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 and the management of the reporting businesses and affiliates.

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

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 assessment efforts.

Monitoring in 2023

Valmet has processes in place for monitoring projects with potential risks, starting from the sales phase to project completion. Valmet management and the Audit Committee have actively and specifically monitored identified critical projects and the project-specific progress.

Compliance with laws and the 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 the Company values. Valmet's Code of Conduct describes the Company's corporate culture, commonly accepted practices, and commitment to compliance with laws and regulations.

In addition to laws and regulations, 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 Labour 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. 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 applicable laws, regulations and principles related 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.

Reporting suspected 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, the Human Resources function, to other management, or, if necessary, directly to Legal Affairs or Corporate Internal Audit. Valmet employees and third parties can also report anonymously any suspected misconduct either by telephone or through a web-based channel managed by an external service provider. In 2023, the Company received 56 reports through its whistleblowing channel. All allegations are investigated confidentially without undue delay. None of the 2023 reported cases has a significant impact on Valmet's financial result. Valmet has enforced a principle of no retaliation against the reporter. This is monitored by the Audit Committee. The Head of Internal Audit reports the related cases regularly to the Audit Committee. The Legal Affairs and HR functions together implement any measures consequential to the misconduct.

Internal Audit

Valmet's Internal Audit assists the Company in achieving its objectives by providing a systematic and disciplined approach to evaluating and improving risk management, internal control and governance processes. This includes an assessment of the efficiency and effectiveness of operational processes and compliance with Valmet policies and procedures, as well as providing advice and support in improving the processes. The purpose, authority and responsibilities of Internal Audit are defined in the Internal Audit Charter, approved by the Audit Committee. Internal Audit work is risk-based, independent, objective and based on the International Standards for the Professional Practice of Internal Auditing. The Head of Internal Audit reports administratively to the CFO and functionally to the CEO and to the Audit Committee. All significant audit findings are reported to the Audit Committee, which also approves the annual internal audit plan.

Internal Audit in 2023

In 2023, Internal Audit completed the annual audit plan covering both a sample of Valmet locations and Valmet or Business Line-level processes. Internal Audit also worked with internal stakeholders in consultative assignments and development initiatives and took part in investigating suspected misconduct cases. The development of the internal control environment, as well as collaboration with compliance and other assurance functions in Valmet has been a focus area for Internal Audit.

Related party transactions

To ensure that possible conflicts of interest are appropriately taken into consideration in all decision making, the Company has group-wide procedures in place to identify and define its related parties. The Audit Committee monitors and assesses

how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary activities and arm’s-length terms in accordance with applicable laws and regulations.

Valmet’s Group Accounting monitors and supervises related party transactions as part of the Company’s normal reporting and monitoring procedures and reports on a regular basis to the CFO, who acts as the secretary to the Audit Committee.

Decision-making processes have been structured to avoid conflicts of interest. If the Company were to have any transactions that were not part of the Company’s ordinary course of business or were not implemented under arm’s-

length terms, such transactions must be handled by the Audit Committee and approved by the Board of Directors.

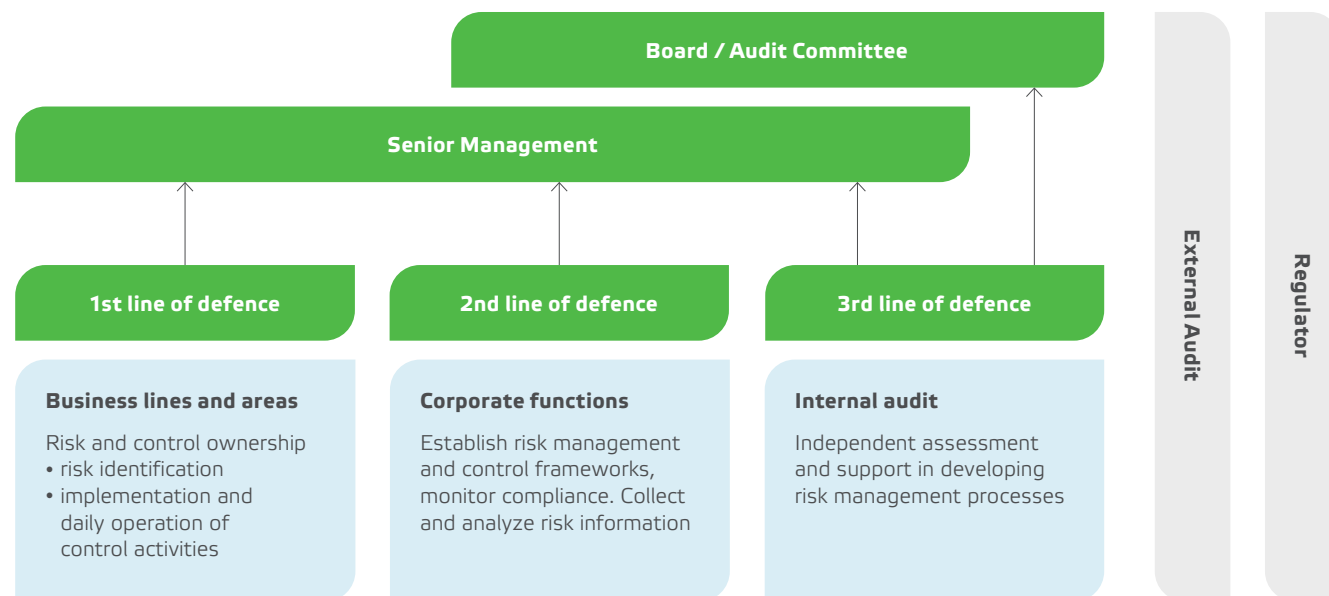
The legal department, with Valmet’s Group Accounting, is responsible for maintaining and updating the list of related parties.

The principles concerning the monitoring and evaluating of related party transactions have been established by the Audit Committee and approved by the Board of Directors.

Further information regarding related party transactions is provided in the Annual Report and the notes to the Financial Statements.

During the financial period, Valmet did not have material related party transactions or transactions deviating from the Company’s ordinary course of business, or transactions that were not made on customary commercial terms considering the market practices generally observed and accepted by the industry in which Valmet operates.

Roles and responsibilities in risk management



Main procedures relating to insider administration

Valmet complies with Nasdaq Helsinki Ltd’s Guidelines for Insiders of Listed Companies, the Market Abuse Regulation (596/2014/EU, as amended, (“MAR”)) and other applicable laws and regulations related to insider issues and trading restrictions. In addition, Valmet has supplemented the above regulations by collecting the relevant insider instructions and prohibitions to Valmet’s internal insider guidelines approved by the Board of Directors (“Valmet Insider Guidelines”). Valmet Insider Guidelines include provisions on: what constitutes inside information, prohibited use of insider information, insider groups, restrictions on trading, insider projects and the management of insider issues, i.e., the specifying tasks of management and the person in charge of insider issues, advance evaluation and supervision of insider issues.

Valmet Insider Guidelines are regularly updated to reflect any changes in applicable laws and regulations, Nasdaq Helsinki Ltd’s Guidelines, and instructions by the authorities. Valmet Insider Guidelines are made available to all Valmet employees on its web page.

Valmet’s insider administration under Valmet’s Legal function provides guidance and support to Valmet’s management and employees on the interpretation and application of Valmet Insider Guidelines and applicable regulations.

Management transactions

Valmet’s members of the Board of Directors, the President and CEO and members of the Executive Team (“Managers”) and their closely associated persons as defined in MAR have a duty to notify Valmet and the Finnish Financial Supervisory Authority of any transaction with Valmet’s financial instruments (exceeding EUR 5,000 cumulatively per annum). The Company maintains a list of the Managers and their closely associated persons (natural and legal). Valmet is obliged to disclose each aforementioned transaction as a stock exchange release. Although not legally obliged to do so, but for the sake of transparency, Valmet has with the Managers’ consent maintained an up-to-date list of Managers’ shareholdings, available on its web page: valmet.com/investors/shareholders/management-shareholding/.

Closed window

Valmet’s Managers, as defined above, are prohibited to trade in Valmet’s financial instruments during the “closed window,” i.e., for a period of 30 days immediately prior to the publication of each Valmet interim review or financial statements review (or financial statements including unpublished material information). By Valmet’s decision, the closed window also applies to an extended group with continuous access to the company’s financial reporting systems or potential access to sensitive information due to their close role with the Managers. The prohibition to trade applies, whether or not an individual subject to the closed window actually holds any

inside information at that time. The purpose of restrictions on trading imposed on the Managers and other relevant persons is to increase trust in Valmet and the functioning of the securities market generally.

Project-specific insiders

Valmet also maintains a project-specific insider list when necessary, by including any individuals with information about a material project. For avoidance of doubt, the Managers and persons subject to the closed window may also be included in the project-specific insider lists, as well as primary contact persons of external advisors and other third parties with a knowledge of the project (parties acting for and on behalf of Valmet also have a legal obligation to maintain their own project-specific insider list). The decision to establish a project-specific insider list is made by the Company’s Board of Directors or the President and CEO. Project-specific insiders are absolutely prohibited from trading with Valmet’s financial instruments until the termination of the project. Inclusion in project-specific insider lists is always separately notified to affected individuals.

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.

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.

In conjunction with Valmet’s 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.

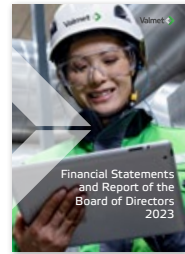
Authorized Public Accountant PricewaterhouseCoopers Oy, with Pasi Karppinen as responsible auditor, was elected as Valmet’s auditor by the Annual General Meeting 2023. Authorized Public Accountant PricewaterhouseCoopers Oy has been Valmet’s auditor since the Annual General Meeting in 2014.

Audit fees 2023

paid to PricewaterhouseCoopers Oy and its affiliates (PwC)

EUR million	Year ended Dec 31	
	2023	2022
Audit	-2.5	-2.3
Services under the Finnish Auditing Act, chapter 1, section 1 (1), point 2	-	-
Tax consulting	-	-
Other services	-0.2	-0.1
Total	-2.7	-2.5

Valmet reports 2023



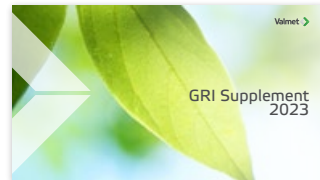
FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS 2023

The report includes Valmet's Financial Statements and Report of the Board of Directors for 2023.



ANNUAL REVIEW 2023

The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2023.



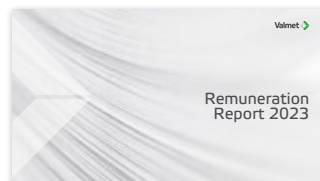
GRI SUPPLEMENT 2023

The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2023.



CORPORATE GOVERNANCE STATEMENT 2023

The report covers Valmet's governance principles and activities, the Board of Directors and management in 2023.



REMUNERATION REPORT 2023

The report covers Valmet's remuneration principles and remuneration in 2023.

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