

Remuneration
Report **2021**



Introduction

Valmet's Remuneration Report describes the remuneration of the Board of Directors and the President and CEO of Valmet in 2021. The report has been prepared by Valmet's Remuneration and HR Committee to openly communicate the practices and processes Valmet uses to ensure fair and consistent remuneration, drive performance and secure the company's long-term financial success.

The remuneration of the Board of Directors and the President and CEO is implemented in accordance with Valmet's Remuneration Policy, which was approved for the ongoing four-year cycle by Valmet's shareholders at the Annual General Meeting in June 2020. The report shows that the remuneration practices set by the Remuneration and HR Committee continue to be effective in driving Valmet's long-term business performance and supporting the implementation of the company strategy.

This report follows the requirements outlined in the EU Shareholder Rights Directive (SRD) and the Finnish Corporate Governance Code 2020 and is presented each year at the company's Annual General Meeting for an advisory

vote. The 2021 report has been expanded to meet shareholder expectations more fully and offer more detailed information on the President and CEO's short- and long-term incentives (p. 8–9).

Comments on Valmet's Remuneration Report 2020

At the Annual General Meeting held on March 16, 2021, Valmet received an advisory vote against its Remuneration Report 2020. Valmet has since met with its biggest shareholders to explain the company's approach and obtain feedback on its existing and planned remuneration practices. Valmet has also reached out to ISS Corporate Solutions and Glass Lewis to ensure full understanding of their reporting expectations.

Valmet's remuneration approach

Valmet's remuneration approach is built around the principles of driving high performance, competitive remuneration to retain talent with the best fit, as well as fairness and sustainability. We are committed to developing a strong pay-for-performance culture for employees at all levels and

corners of the organization, combined with a healthy mix of non-monetary rewarding practices. This leads to truly engaged and performance-driven teams – and ultimately, a more successful and profitable company.

The President and CEO's remuneration package is aligned with and supported by our pay-for-performance culture. A significant portion of the President and CEO's remuneration package is based on variable pay, in the form of short- and long-term incentives. This ensures we maintain a strong connection between company performance and CEO remuneration, because the performance outcomes for our short- and long-term incentives are directly linked to Valmet's business result. In addition, the President and CEO is expected to build and maintain a minimum shareholding in the company to align shareholder interest with management interest.

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Chairman's foreword

Dear Shareholder,

2021 has been another successful year for Valmet. Valmet achieved its targeted profitability range, continued to develop its pay-for-performance culture, and through the planned Valmet-Neles merger, is navigating its way to becoming a stronger and even more competitive company in the future. This is now the eighth consecutive year of profitability improvement for Valmet, an achievement of which everyone working for the company can be proud.

Valmet has a strong set of remuneration principles which have successfully guided remuneration at all levels of Valmet. The Board of Directors, through the Remuneration and HR Committee, works to ensure that remuneration is structured to drive business performance, motivate and engage key personnel, support strategy implementation, and meet shareholder expectations.

In 2021, we made several changes to this report as a result of shareholder feedback, including the provision of more detailed information on the President and CEO's short- and long-term incentives. We also implemented the new Performance Share Plan 2021–2023 for our Executive Team members based on a three-year performance period, and a Deferred Share Plan 2021–2023 for other key employees and management talents. Both plans are designed to drive performance based on long-term strategic and financial performance measures set for the whole three-year period and support us in achieving our strategic targets, while aligning the interests of management and our shareholders.

The President and CEO's total earned remuneration in 2021 was approximately EUR 2.8 million, of which 70 percent was in the

form of variable pay. The variable pay percentage is directly affected by the 2021 financial result, where comparable EBITA was above the targeted range, whereas the EBITA margin was within the targeted range, and stable business orders received were above the targeted level. The President and CEO's shareholding in Valmet at the end of 2021 was eight times the recommended minimum for Executive Team members, which is set at 100 percent of annual base salary.

The Remuneration and HR Committee regularly reviews market benchmark data for executive remuneration to determine the right compensation level for the President and CEO. In 2021, the Committee conducted two benchmark studies to analyze CEO compensation against peer companies, taking the impact of the planned Valmet-Neles merger on the size and scope of the company into account. The study showed that the President and CEO's base salary was somewhat below the market level, whereas the short- and long-term incentive opportunities were aligned with market practice. We will therefore increase the base salary for the President and CEO by 10 percent to be closer to the market.

Under the successful leadership of President and CEO Pasi Laine, we were able to achieve and even exceed many of our stretched targets, while continuing to find ways of coping with the pandemic as well as planning the merger with Neles. Though the pandemic created unprecedented challenges for global logistics, mobility of resources and face-to-face customer service, targets were not adjusted in spite of circumstances changing. In 2022, we will continue working towards achieving an even more ambitious set of targets all the while putting customer needs at the heart of everything we do.



A handwritten signature in black ink, appearing to read 'Mikael Mäkinen', written in a cursive style.

Mikael Mäkinen
Chairman of the Board of Directors

Remuneration linked to long-term business performance

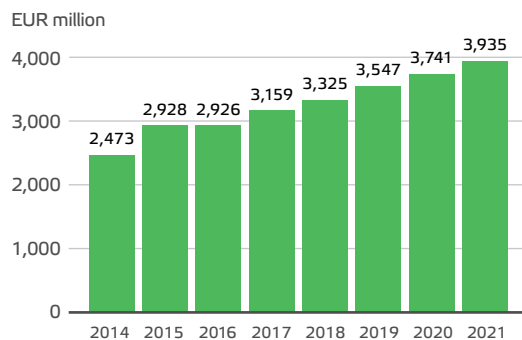
Valmet's business performance has been consistent, with a steady, year-on-year improvement in net sales and profitability each year during Valmet's history. Due to COVID-19 impacts, stable business orders received declined in 2020 for the first time in Valmet's history. The positive trend continued in 2021 for net sales and profitability development, in addition to which we were able to reach and exceed the pre-pandemic level for orders received in stable business. In line with our remuneration policy, the remuneration of the Board of Directors was increased slightly in 2021 to reflect the positive business development of recent years. The President and CEO's remuneration increased in 2021, which reflects the impact of variable pay, i.e. short- and long-term incentives, on the President and CEO's total remuneration.

Paid compensation (in EUR)	2017	2018	2019	2020	2021
Chairman of the Board of Directors	127,640	123,440	123,004	137,836	141,005
Vice Chairman of the Board of Directors	85,384	72,784	79,522	87,332	89,198
Other members of the Board of Directors (average)	66,607	65,627	75,357	85,665	78,633
President and CEO	2,216,918	1,813,633	1,948,234	1,756,724	1,868,841
Average Valmet employee*	57,620	57,375	59,470	57,784	59,182

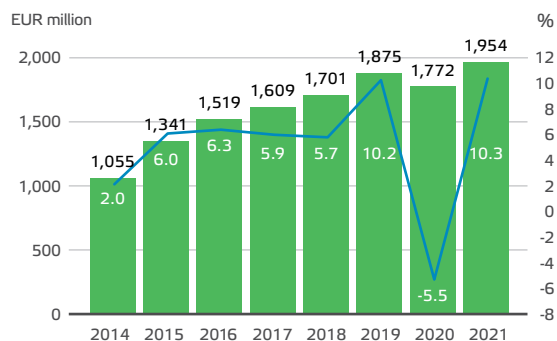
* The average compensation in this table is the paid out compensation during the year. The remuneration of the average Valmet employee is based on all personnel expenses without indirect employee costs, divided by the average number of personnel during the year.

As our performance targets for short- and long-term incentives are linked to our business result, the business performance is directly reflected in the variable incentives paid to the President and CEO.

Net sales

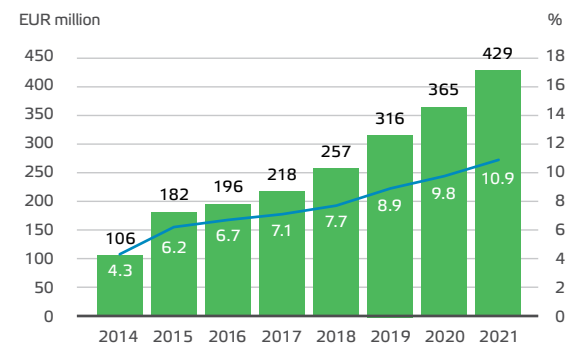


Stable business orders received development and growth, %



■ Stable business orders received development
 — Stable business orders received growth

Comparable EBITA development



■ Comparable EBITA
 — Comparable EBITA margin

Remuneration Policy for the Board of Directors

The remuneration of the Board of Directors is decided for one term of office at a time by the General Meeting, based on the proposal of the Shareholders' Nomination Board. The remuneration of the members of the Board of Directors consists of an annual fee and a fee per meeting. An additional annual fee is paid to the members of the Board's committees. Board

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

Remuneration of the Board of Directors for the previous financial year

Board of Directors' compensation in 2021 (in EUR)

Name	Total annual fee ¹	Share reward portion	Cash portion	Committee fee	Meeting fees	Total
Mikael Mäkinen	118,755	47,942	70,813	6,000	16,250	141,005
Aaro Cantell	70,448	28,416	42,031	4,000	14,750	89,198
Pekka Kempainen	56,358	22,726	33,632	7,000	17,000	80,358
Per Lindberg ²	56,358	33,632	22,368		10,500	66,858
Monika Maurer	56,358	22,726	33,632	4,000	21,250	81,608
Eriikka Söderström	56,358	22,726	33,632	14,000	17,750	88,108
Tarja Tyni	56,358	22,726	33,632	7,000	17,750	81,108
Rogério Ziviani	56,358	22,726	33,632		17,400	73,758
Total	527,350	212,714	314,636	42,000	132,650	702,000

¹ Total Annual Fee consists of a Share reward portion, transfer tax and a Cash portion.

² Board member as of March 23, 2021.

Compensation of the Board of Directors' personnel representative in 2021 (in EUR)

Name	Total annual fee	Share reward portion	Cash portion	Committee fee	Meeting fees	Total
Eija Lahti-Jäntti ³					2,100	2,100
Juha Pöllänen					11,250	11,250

³ Eija Lahti-Jäntti was the personnel representative until March 23, 2021. Juha Pöllänen has been the personnel representative as of March 23, 2021.

Based on the decision of the Annual General Meeting, 40 percent of the Board's annual fees were reinvested to buy Valmet shares from the market. No special terms or conditions are associated with share ownership.

Remuneration Policy for the President and CEO at a glance

The Remuneration Policy provides a remuneration structure that aligns the remuneration of the President and CEO with the Company's long-term value creation and the achievement of its strategic objectives, in accordance with its remuneration principles. The table below describes the policy's content at a glance.

The table below summarizes the elements of the President and CEO's remuneration:

Remuneration element	Purpose and link to strategy	Operation
Fixed 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 President and CEO's base salary level, considering experience and performance. 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 any salary increase, which is approved by the Board of Directors.
Pension and insurance benefits	Provides a retirement benefit in addition to the statutory pensions, in line with local market practice, and supports employee attraction, engagement, and retention.	Pension arrangements for the President and CEO follow local market practice and legislation: Finland has a statutory pension system (Finnish TyEL) in 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. According to local market practice, the President and CEO has an additional pension benefit in the form of a defined contribution pension plan of 20 percent annual fixed base salary. The President and CEO's retirement age is 63 years, which was the statutory retirement age at the commencement of the President and CEO's employment. Other insurance benefits will be provided in line with appropriate levels indicated by local market practice and requirements in the country of employment.
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 percentage of the base salary), performance measures and target levels for the President and CEO. 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 a long-term shareholding in Valmet.	The President and CEO is included in share-based incentive plans 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 three-year earning period with company-level strategic and financial performance targets. The long-term incentive plan's performance targets are determined and decided annually by the Board of Directors. 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 of the President and CEO for the previous financial year

President and CEO total paid compensation in 2021 (in EUR)

	Fixed Annual Salary (incl. taxable benefits)	Variable Compensation		Post-retirement benefit	Total Compensation
		Short-term incentive payment	Share-based incentive payment	Supplementary pension	
President and CEO	697,106	538,642	493,672	139,421	1,868,841

The Total Compensation for the President and CEO in 2021 refers to the paid out compensation based on the 2020 performance period, whereas the sum on page 3 in the Chairman's foreword refers to the total earned remuneration for the 2021 performance period.

Valmet follows the peer company market median to set the base salary level for the President and CEO, considering experience and performance. Salary market movement and company performance, as well as individual performance, are considered when determining any salary increase, if any, which is approved by the Board of Directors. The President and CEO's remuneration and other terms of the agreement of the President and CEO are in accordance with Valmet's Remuneration Policy.

In 2021, the President and CEO's monthly fixed compensation was EUR 55,326. The fixed salary includes a company car and phone allowance as fringe benefits.

Variable pay, meaning short- and long-term incentives, constitutes a substantial part of the President and CEO's total remuneration. In 2021, the paid short- and long-term incentives corresponded to 55 percent of total compensation, and the fixed annual salary to 37 percent. Variable pay paid in 2021 is based on the performance period corresponding to the calendar year 2020. The President and CEO received no other financial benefits in 2021.

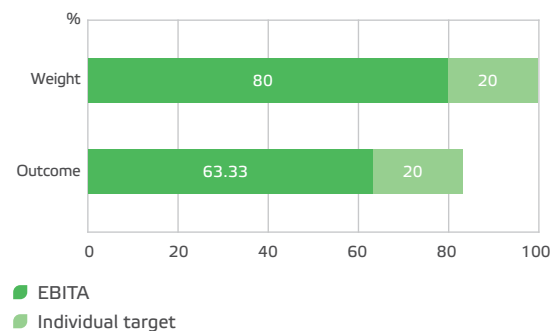


Performance outcomes

Short-term incentives for 2020, paid in 2021

The maximum short-term incentive for the President and CEO corresponded to 100 percent of the annual base salary for 2020. The short-term incentive is based on the company's comparable EBITA development with 80 percent weight, and strategic targets decided by the Board of Directors with 20 percent weight. The outcome of the 2020 Valmet-level comparable EBITA target was approximately 80 percent of the min/max range. The achieved performance based on the strategic targets decided by the Board was evaluated in connection with the individual performance review and confirmed at the beginning of 2021. In 2020, the Board of Directors had set one individual target for the President and CEO Pasi Laine related to the company's strategic development. The target was achieved in full (100%). The accrued incentives for 2020 were paid in March 2021. The graph on the right presents the STI target setting and outcome for the President and CEO Pasi Laine for the financial year 2020.

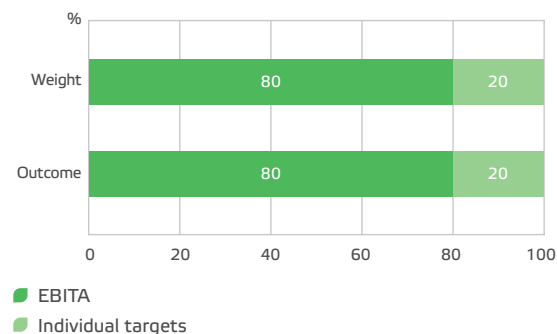
Short-term incentives for 2020, paid in 2021



Short-term incentives for 2021, payable in 2022

The maximum short-term incentive for the President and CEO corresponds to 100 percent of the annual base salary for 2021. The short-term incentive is based on the company's comparable EBITA development with 80 percent weight, and strategic targets decided by the Board of Directors with 20 percent weight. The outcome of the 2021 Valmet-level Comparable EBITA target was 100 percent of the min/max range. In 2021, the Board of Directors set individual targets for the President and CEO Pasi Laine related to achieving strategic targets and sustainability development. President and CEO Pasi Laine's individual targets were achieved in full in 2021 (100%). The accrued incentives for 2021 will be paid in March 2022. The graph on the right presents the STI target setting and outcome for the President and CEO Pasi Laine for the financial year 2021.

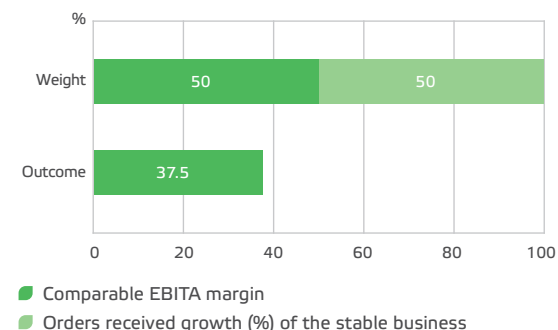
Short-term incentives for 2021, payable in 2022



Long-term incentive plan 2020 (LTI 2020), paid in 2021

The maximum long-term incentive reward for the President and CEO was 130 percent of annual base salary determined as a number of shares with the average share price of December 2019. The maximum reward corresponded to 42,833 shares. The performance measures for the LTI plan 2020 were EBITA margin with 50 percent weight and orders received of the stable businesses, that is, Services and Automation, with 50 percent weight. The pandemic’s impact, with its lockdowns and travel restrictions making customer service more challenging, meant that the achievement level of the stable business orders received was below the targeted range, resulting in an outcome of 0 percent. The EBITA margin was within the targeted range and resulted in an outcome of 75.1 percent. The overall outcome for the LTI 2020 was therefore only 37.5 percent. The total reward earned corresponded to 16,080 shares, paid partly in shares and partly in cash. The share price on the grant date of March 15, 2021, was EUR 30.4525. The long-term incentives paid in March 2021 are under transfer restriction, and the President and CEO may not transfer or otherwise execute the shares during the two-year restriction period.

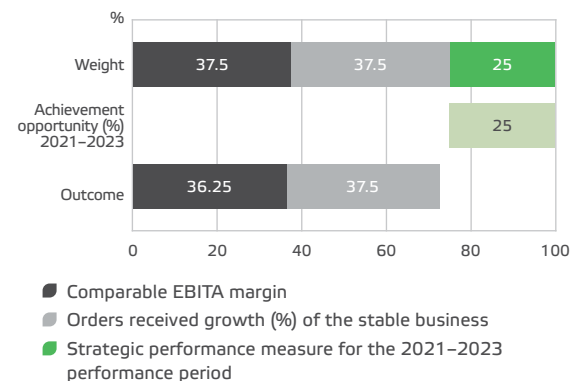
Long-term incentive plan 2020 (LTI 2020), paid in 2021



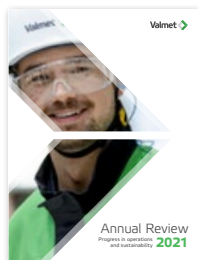
Performance Share Plan 2021–2023 (PSP 2021–2023), payable in 2022 and 2024

The maximum long-term incentive reward for the President and CEO was 150 percent of annual base salary determined as a number of shares with the average share price of December 2020. The maximum reward corresponds to 45,879 shares. The potential reward for the 2021–2023 performance period for the Performance Share Plan 2021–2023 is based on achieving a predefined strategic performance measure, as well as measures supporting Valmet’s long-term strategic and financial development. The strategic performance measure drives the company’s strategic development and growth through successful business-relevant mergers and acquisitions. The performance measures supporting long-term strategic and financial development are set for the full three-year period. They are comparable EBITA margin and orders received growth (%) of the stable business, that is, Services and Automation. The outcome for the 2021 performance period was 98 percent of the maximum, driven by strong profitability development and a recovery of the stable business order intake after COVID-19 impacts in 2020. The strategic performance measure’s outcome will be determined after the full 2021–2023 performance period. Part of the total reward will be paid in the spring of 2022, followed by a two-year restriction period, which determines the final value of this portion of the share reward, while a portion based on the strategic performance measure will be paid out in the spring of 2024 after the performance measure’s final outcome has been determined. The aggregate reward based on the Performance Share Plan 2021–2023 will be available in the spring of 2024, when the reward will be paid out in full.

Performance Share Plan 2021–2023, payable in 2022 and in 2024



Valmet reports 2021



ANNUAL REVIEW 2021

The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2021.



GRI SUPPLEMENT 2021

The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2021.



REMUNERATION REPORT 2021

The report covers Valmet's remuneration principles and remuneration in 2021.



CORPORATE GOVERNANCE STATEMENT 2021

The report covers Valmet's governance principles and activities, Board of Directors and management in 2021.



FINANCIAL STATEMENTS 2021 AND INFORMATION FOR INVESTORS

The report includes Valmet's Financial Statements for 2021 and information about its share, shareholders and management.

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