

# Remuneration Report 2019



## Dear Shareholder,

As transparency requirements for stock-listed companies increase, it is now more important than ever for companies to be able to openly communicate the principles, practices and processes in place to ensure fair and consistent remuneration, drive performance and secure long-term financial success. Valmet's Remuneration Policy and Remuneration Report were amended in 2019 in line with the new requirements outlined in the EU Shareholder Rights Directive (SRD) and the renewed Finnish Corporate Governance Code 2020 published by the Securities Market Association.

### Our remuneration approach

Valmet's remuneration approach is built around the principles of driving high performance, competitive remuneration to retain talent with the best fit, and fairness and sustainability. We are committed to developing a strong pay for performance culture for employees at all levels and all corners of the organization. A strong pay for performance culture combined with a healthy mix of non-monetary rewarding practices 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 supports 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-term and long-term incentives. This ensures we maintain a strong connection between company performance and CEO remuneration as the performance targets for our short-term 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 further support and align shareholder interest with management interest.

In 2019, the total earned remuneration for Valmet's President and CEO was 1,976,000, of which 51 percent was in the form of variable pay. The high variable pay percentage is directly correlated with the 2019 financial result, where comparable EBITA exceeded the expectation and the EBITA margin was within the targeted range while stable business orders received grew. At the end of 2019 the President and CEO held Valmet's shares exceeding his 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. At the end of 2019 the Committee conducted a benchmark study to analyze CEO compensation against peer companies. The study showed that the President and CEO's base salary is at market median, while the short-term and long-term incentive opportunities were clearly below market practice.

Looking forward, we will continue to strengthen our pay for performance culture. Our aim is not to be the market leader in base pay, but instead to utilize variable pay schemes to reward based on performance. In 2020, we will increase the annual maximum short-term incentive opportunity for the President and CEO to equal 100 percent of his base pay to be closer to market practice. We will also design a new long-term incentive program for 2021-2023 as the current one comes to the end of its implementation period. We aim to continue utilizing the company's long-term incentive program to drive company performance in line with our pay for performance culture and continued long-term financial success.



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

**Mikael Mäkinen**

Chairman of the Board of Directors

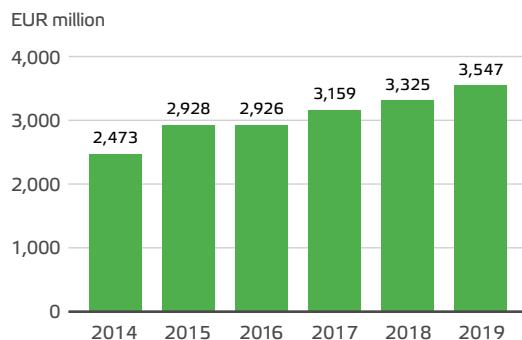
## Remuneration linked to long-term business performance

Our business progress during the past five years has been consistent and our net sales, orders received in stable businesses and profitability show steady improvement. The remuneration of the Board of Directors was reviewed in 2019 to reflect the positive development of the business results. According to our remuneration policy the President and CEO is paid for performance and a notable part of his remuneration is based on variable pay, i.e. short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to our business result this positive development is reflected in the performance-based rewards paid to the President and CEO.

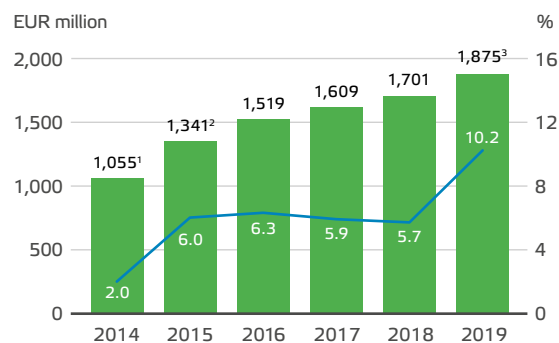
Average compensation (in EUR)	2015	2016	2017	2018	2019
Chairman of the BoD	116,040	120,240	127,640	123,440	123,004
Vice chairman of the BoD	73,684	69,484	85,384	72,784	79,522
Other members of the BoD on average	58,561	63,503	66,607	65,627	75,357
President and CEO	1,410,584	1,532,704	2,216,918	1,813,633	1,948,234
Average Valmet employee*	55,738	56,309	57,620	57,375	59,470

\* Average Valmet employee is personnel expenses without indirect employee costs divided by the average number of personnel during the year

### Net sales



### Stable business orders received development



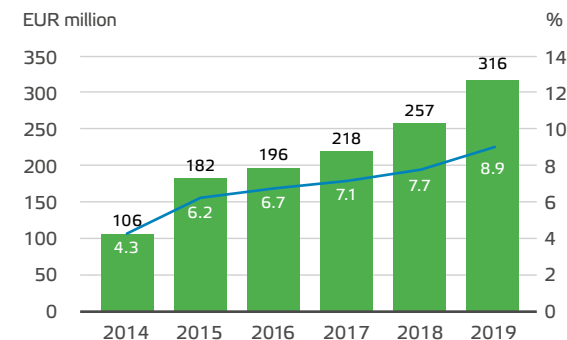
- Stable business orders received development
- Stable business orders received growth

<sup>1</sup> Only Services business line orders received growth %

<sup>2</sup> Including Automation business line orders received since the acquisition in 2015

<sup>3</sup> Including GL&V service orders and J&L orders received since the acquisition

### Comparable EBITA development



- Comparable EBITA
- Comparable EBITA margin

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

### Board of Directors' compensation in 2019 (in EUR)

Name	Total Annual Fee <sup>3</sup>	Share reward portion	Cash portion	Committee Fee	Meeting Fees	Total
Mikael Mäkinen <sup>1</sup>	110,703.98	44,702.90	66,001.08	6,000.00	6,300.00	123,003.98
Aaro Cantell	66,422.23	26,811.61	39,610.62	4,000.00	9,100.00	79,522.23
Pekka Kempainen	53,137.62	21,439.14	31,698.48	7,000.00	10,500.00	70,637.62
Monika Maurer	53,137.62	21,439.14	31,698.48	4,000.00	19,600.00	76,737.62
Eriikka Söderström	53,137.62	21,439.14	31,698.48	14,000.00	10,500.00	77,637.62
Tarja Tyni	53,137.62	21,439.14	31,698.48	7,000.00	10,500.00	70,637.62
Rogério Ziviani	53,137.62	21,439.14	31,698.48		28,000.00	81,137.62
Bo Risberg <sup>2</sup>					7,000	7,000.00
<b>Total</b>	<b>442,814.31</b>	<b>178,710.21</b>	<b>264,104.10</b>	<b>42,000.00</b>	<b>101,500.00</b>	<b>586,314.31</b>

<sup>1</sup> as of March 21, 2019

<sup>2</sup> until March 21, 2019

<sup>3</sup> Total Annual Fee consists of Share reward portion and Cash portion.

### Compensation of the Board of Directors' personnel representative in 2019 (in EUR)

Name	Total Annual Fee	Share reward portion	Cash portion	Committee Fee	Meeting Fees	Total
Riina Vilander					7,000.00	7,000.00

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 the share ownership.

## Remuneration of the President and CEO for the previous financial year

### President and CEO total compensation in 2019 (in EUR)

	Fixed Annual Salary (incl. taxable benefits)	Variable Compensation		Post-retirement benefit	Total Compensation
		2018 short-term incentive payment	Share-based incentive payment	Supplementary pension	
President and CEO	680,104	291,278	840,831	136,021	1,948,234

The Total Compensation for the President and CEO in 2019 refers to the paid out compensation based on the performance period 2018 whereas the sum on page 1 in the Chairman's foreword refers to the total earned remuneration for the performance period 2019.

The share-based incentive payment for the President and CEO during the year 2019 was based on the long-term incentive plan 2018 and the performance period for the plan was the year 2018. The maximum long-term incentive reward for the President and CEO was capped at grant to 130 percent of annual base salary and determined as a number of shares with the average share price of December 2018. Performance measures for the plan were EBITA margin and orders received growth percentage for our stable business with 50 percent weight each. The achievement ration for the long-term incentive plan 2018 was 71 percent. The share-price on the grant date of March 15, 2019 was EUR 22.9467. The long-term incentives paid in March 2019 are under transfer restriction and the President and CEO may not transfer or otherwise execute the shares during this two-year period. The achievement ratio for the long-term incentive plan 2019 was 62 percent and the share reward will be granted in March. A two-year transfer restriction period applies to the shares.

The maximum short-term incentive for the President and CEO was 80 percent of annual base salary in 2018 and 2019. The short-term incentive is based on comparable EBITA development of the company with 80 percent weight and strategic targets decided by the Board of Directors with 20 percent weight. The President and CEO's achievement ratio for the short-term incentives for the year 2018 paid in March 2019 was 77 percent. The achievement ratio for the year 2019 is 95 percent and the bonus of EUR 492,265 will be paid in March 2020.

Variable pay, meaning short- and long-term incentives, form a substantial part of the President and CEO's total remuneration. In 2019, the paid short- and long-term incentives formed 58 percent of total compensation and the fixed annual salary 35 percent.

The supplementary pension is a defined contribution plan at 20 percent of the President and CEO's fixed annual salary. The President and CEO is entitled to retire at the age of 63 years, which was the statutory retirement age at the commencement of his employment as President and CEO. No other financial benefits were paid to the President and CEO in 2019.

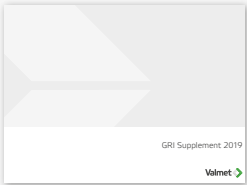
# Valmet reports 2019



**ANNUAL REVIEW 2019**  
The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2019.



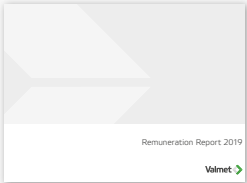
**FINANCIAL STATEMENTS 2019 AND INFORMATION FOR INVESTORS**  
The report includes Valmet's Financial Statements for 2019 and information about its share, shareholders and management.



**GRI SUPPLEMENT 2019**  
The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2019.



**CORPORATE GOVERNANCE STATEMENT 2019**  
The report covers Valmet's governance principles and activities, Board of Directors and management in 2019.



**REMUNERATION REPORT 2019**  
The report covers Valmet's remuneration in 2019.

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