Valmet's Enterprise Risk Management Program 2022

Valmet's Enterprise Risk Management Program is composed annually by the Corporate Risk Management function to organize risk management activities at Valmet. The purpose of the program is to ensure that all the defined risk management processes and practices are covered, coordinated and prioritized in respect of the coming year. In addition, the Program gives a short overall description of the most common processes and practices including their annual up-date routines.

The program is derived from the processes and practices listed in Valmet's Enterprise Risk Management Policy.

The Risk Management Team confirms the annual Risk Management Program. The line management of Valmet's reporting segments, business lines and business units are operatively accountable for implementation of the Risk Management Program. The Corporate Risk Management function is responsible for supporting and controlling the implementation of the Risk Management Program.

The Enterprise Risk Management program creates basis for the Corporate Risk Management's annual schedule and performance targets.

1. Enterprise Risk Management Policy

Valmet's Enterprise Risk Management Policy was approved by the Valmet Board in 2022.

The Policy is founded on the existing risk management operating models, recognized development needs and the ISO 31 000 Risk Management Standard. The Policy is available on the official Valmet Policy database and the Risk Management database.

The Policy will be reviewed in 2023.

2. Risk Map and Risk Assessments

The Risk Map defines all Valmet's risks on the headline level including basic management procedures and responsibilities.

The content of the Map will be re-evaluated in connection with annual Risk Assessment workshops.

The annual Risk Assessment focuses on assessing the probability and impact of opportunities and threats and defining the need and priority of the actions. The Assessment workshops are executed on the reporting segment level.

The overall Risk Assessment procedure has been developed to better respond to Valmet's strategic needs.

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3. Risk treatment and residual risk management

Risk treatment involves current risk management practices and actions needed in the future, accountabilities and time frame of which all are defined in connection with the Risk Assessment workshops.

The line management of Valmet's reporting segments, business lines and business units are operatively responsible for the implementation of risk treatment actions.

Residual risk management implies to the management of the remaining risk after the above described risk treatment is accomplished.

The line management of Valmet's reporting segments, business lines and business units are operatively responsible for the residual risk management actions.

The Corporate Risk Management monitors Valmet's global risk environment explicitly emphasizing uncertainties, evaluating new assessment methods and utilizing external risk and security networks.

4. Risk Management performance evaluations

Risk Management performance evaluations refer to evaluation of the risk management level at Valmet's units globally.

The purpose of the evaluation audits is to support Valmet's units to find the best ways to manage risks and to train the unit's personnel to use existing tools and procedures to manage risks. Furthermore, Risk Management Evaluation audits provide a forum for unifying and improving procedures and sharing the best practices throughout the company.

The overall risk management evaluation (FRiME) is managed by the Valmet Risk Management and other audits are conducted by other Valmet functions and insurers.

Risk Management Evaluation audits (FRiME) will be conducted according to the separate evaluation audit program in approximately 5 Valmet units covering about 80% of the Group's net sales within the 5-year cycle. The holistic geographical presence of Valmet's units and good cross-section of different type of businesses are also taken into account.

The FRiME question set will be reviewed annually.

<u>Other audits and training sessions</u>

The Corporate Risk Management function coordinates schedules, accountabilities and themes of the major safety and security evaluation and audit programs at Valmet.

In 2022, the Corporate Risk Management function will produce a comprehensive plan to coordinate schedules of the major safety and security evaluation programs at Valmet in an appropriate and consistent manner.

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Valmet's external Property Damage and Business Interruption insurer's risk engineering audit schedule and reports, Marine Cargo and Inland Transit insurer's Logistics Review audits and training schedule and audit reports will be included in the 5-year evaluation cycle.
Valmet's internal audit programs like Compliance Audit Program carried out by Internal Audit and Server Room and Server Hotel audits carried out by Valmet Information Technology as well as Health, Safety and Environment (HSE) audits will be included in the 5-year evaluation cycle as applicable.

5. Internal and external benchmarks

Internal benchmarking of units' risk management performance level is conducted by using the Risk Management Evaluation audits. The audit done by insurance broker also includes the benchmarking against peer companies and their risk management level.

Valmet's Property Damage and Business Interruption insurer's risk engineering audits and statistics are used for evaluating Valmet's performance internally and against peer companies.

Valmet's risk management processes are subject to Valmet's external independent auditor's evaluation.

Valmet has unified the performance level scores in the major risk management evaluations:

1 = Weak, the unit has not met the basic requirements of the Company's instructions or the instructions are not known. The targets are not met.
2 = Fair, the unit has met some of the basic requirements of the Company's instructions and there is an existing plan or process to improve the performance. The targets are not met, but there is a clear way to improve.
3 = Good, the unit has met all the basic requirements of the Company's instructions and there is an existing plan or process to constantly improve the performance. Targets are met.
4 = Very good, the unit has exceeded the basic requirements of the Company's instructions and there is an existing plan or process to constantly improve the performance. Targets are exceeded.
5 = Exceptional, the unit has exceeded expectations and targets in all respects. The performance and the existing process can be utilized as a "best practice model" within the Company.

6. Crisis management procedures

Crisis management is initiated by the Crisis Management Team. The related operational actions are divided between Crisis Management Team and segment level Incident Management Teams.

7. Global insurance programs

Valmet's global insurance programs include Property Damage, Business Interruption and Erection All Risk Insurance, Marine Cargo and Inland Transit Insurance, General and Product

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Liability Insurance, Director's and Officers' Liability Insurance, Business Travel Insurance, Assignment Insurance, Crime Insurance, Cyber Insurance and some other insurance administration.

Basic principles

Adequate insurance limits are purchased based on the companies' estimated maximum loss values. The "risk horizon" is maintained globally solid to avoid any gaps of the coverage. The deductibles and risk retentions are considered reasonable for the businesses. The insurance policies' wordings are checked by Valmet's insurance broker to be of the world class level. The cost effectiveness is considered and the continuation of the loss prevention programs is connected to the services of the insurers and the insurance broker. The overall performance of insurance programs is evaluated by following the policy-based loss ratio and overall per mill of the insurance premium and insured value.

In 2022, the Corporate Risk Management will conduct a general evaluation of existing insurance policies to ensure their relevance. The Corporate Risk Management examines on a regular basis that premium rates, terms, conditions and limits of Valmet's all insurance programs' are right and adequate.

8. Process reviews and development

The Corporate Risk Management reviews and develops the processes annually in co-operation with the risk management network and business representatives. Each year the Enterprise Risk Management Policy and the Risk Management Program as well as the annual schedule are reviewed.

9. Risk management network and organization

The Corporate Risk Management has strengthened the global risk management network by defining more point of contacts in major Valmet countries. In addition, the core internal function based network is redefined to serve and support better Valmet's strategic needs. The focus of the network development work is to enhance the global two-way communications.

The Corporate Risk Management continues co-operation with the Finland's national Risk Management organization (FINRIMA) and develops co-operation with international institutions like International Chamber of Commerce.

Valmet will participate, as one part of FINRIMA's actions, in the European level risk management development work in connection with the Federation of European Risk Management Associations (FERMA).

Valmet continues co-operation with Confederation of Finnish Industries by participating in the development of corporate security management framework and tools.

Additionally, the Corporate Risk Management will continue collaboration with national and international corporations regarding sharing information and learning.

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10. Instructions

All the relevant risk, crisis, security and insurance instructions are available on the Risk Management Database and on Valmet's intranet Flow.

The Corporate Risk Management constantly develops the instructions to accomplish the basic needs of Valmet's units to support their daily tasks of risk, crisis, security and insurance.

In general, a special focus will be on ensuring the good quality and clarity of the instructions to support all Valmet's current businesses.

11. Training

Most of the trainings related to risk management and security issues are provided in connection with the Risk Assessment workshops, Risk Management Evaluation audits and insurers' audits.

In 2023, focus will be on travel security trainings and insurance trainings. Other training sessions will be arranged according to needs. Valmet Risk Management will facilitate engineering data security material compilation and information delivery launching.

12. Communications and consultation

The Corporate Risk Management's official reporting practices, both organizational and operational, are described in detail in the Enterprise Risk Management Policy.

Crisis communication is a prerequisite for successful crisis management. Therefore, the Corporate Risk Management pays a special attention to fast and accurate information by comprehensively using text messages, emails and intranet during the crisis situations.

The Corporate Risk Management provides content to the Annual Report and other external and internal disclosure documents regarding risk management issues. Risk reporting is under constant development to meet the standards and best practices of good and transparent risk communication.

The Risk Management Team and the Crisis Management Team will meet upon request.

The Corporate Risk Management provides consultation case by case throughout the company regarding risks, crisis and security issues.

13. Risk awareness

Risk awareness building is embedded in the Corporate Risk Management's every-day work. Accordingly, it is emphasized in connection of each Risk Assessments workshops and Risk Management Evaluation audits as well as in separate risk and security trainings and individual briefings.

Valmet's intranet pages are systematically used to increase risk awareness and inform all Valmet employees about topical issues and incidents.

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