Valmet Risk Profile 2021

CATEGORY	EXAMPLES OF RISKS	RISK PROFILE	GUIDELINES AND PRINCIPLES	RESPONSIBILITY
STRATEGIC RISKS				
S1. Business development risks	Brand and values. New markets and business opportunities. Mergers and acquisitions. Competence, resources. Company's balance sheet related risks, Natural resources, raw material and energy supply. Life cycle of products and production facilities. Global outsourcing, partners. Tax strategies. Customer reputation. Supplier reputation. Ownership structure.		Valmet strategies and business plans, Brand development and protection programs, Corporate governance, Compliance Controls, Code of Conduct, Mergers and acquisition process, Patents and intellectual property rights, Intellectual property policy, Valmet's values, Principles of sponsorship, Accounting principles, Risk management policy.	Business Management, Group Strategy, Human Resources function, Legal Affairs function, Finance function, Treasury function, Internal Audit, Communications function, Investor Relations function, Business Intelligence, Technology Management function.
S2. Business environment risks	Cycles in the global economy and customer industries. Depression and economic expansion.			
S3. Market risks	Changes in customers and customer demand. Customer mergers and acquisitions. Changes in customer product management, specific product requirements and environment factors. Competition. Business intelligence and competitor analyses.			
S4. Technology risks	Technology vision, R&D capability and future competence requirements. Management of intellectual property rights.			
S5. Political, regulatory, legislative and cultural development	Global political development, political unrest, terrorism, wars. Cultural and religious factors. Financial and environmental legislation. Trade restrictions and sanctions, customs duties, embargo etc.			
S6. Global climate, environmental and other phenomena	Changes within regional climate. Epidemics.			
FINANCIAL RISKS				
F1. Liquidity	Short term liquidity, risks in availability and cost of financing. Credit ratings.		Corporate treasury policy, Internal Controls.	Business management, Treasury function, Finance function, Business Control, Legal Affairs function.
F2. Interest rate risks	Changes in market interest rates and interest margins influencing financing costs, returns on financial investments and valuation of derivative contracts.			
F3. Currency risks	Exchange rate fluctuations effecting the prices of raw materials and production commodities purchased in non-domestic currencies. Exchange rate fluctuations effecting the prices of end-products for export, and cost competitiveness of the products. Equity of subsidiaries outside euro zone.			
F4. Credit and counterparty risks	Credit risks pertaining to trade activities. Counterparty liquidity and reliability.			
F5. Pension assets and liabilities risks	Pension assets and liabilities management related risks. Defined benefits and defined contributions.			
OPERATIONAL RISKS				
O1. Organization and management related risks	Organizational efficiency, key persons, competence, resources and management. Recruiting. Rotation of personnel. Innovation capability.		Corporate governance, internal controls, Information security principles, Production guidelines, Business interruption risk analyses, Treasury policy, Project activity safety guidelines, Product safety guidelines, Safety manuals, Contractual guidelines, Code of conduct, Guidelines on preventing misconduct, Guidelines on compliance with antitrust legislation, Corporate insurance program, Crisis Management instructions.	Business management, HR function, Production Management, Treasury function, Finance function, Risk Management function, Internal Audit, IT function, Sales Management function, Legal Affairs function.
O2. Information security risks	Data management. Confidentiality, integrity, availability, authenticity, non-repudiation and accountability of data and information.			
O3. Production, process and productivity risks	Production, sales, marketing, inventory, innovation, delivery and process risks. Environmental risk management, customer relationship work, efficiency and follow-up issues.			
O4. Business interruption risks	Production chain management. Supply chain management, outsourcing, dependencies and logistics risks. Resilience and agility.			
O5. Profitability risks	Profitability assessment and quotation calculation risks.			
O6. Project activity risks	Risks related to delivery schedules and payment terms, project teams and suppliers.			
O7. Contract and liability risks	Quality, contract and payment terms. Product technology risks and product safety risks. Product liability risks.			
O8. Crisis situations	Crisis management capability; operational capacity, emergency services and effective co-operation.			
O9. Compliance and crime related risks	Fraud, misconduct and crimes.			
HAZARD RISKS				
H1. Health, safety and environmental related risks	Work related illness, accidents and occupational well-being related risks.		Health, Safety and Environmental guidelines, HSE-Monitor, Certification principles, Travel safety guidelines, Rescue plans, Premises security guidelines, Crisis management organization, Corporate insurance program.	Business Management, HR function, and Health, Safety and Environmental organization, Risk Management organization, Crisis and Incident teams, and Real estate organizations.
H2. Personnel security risks	Kidnapping, theft, violence and murder.			
H3. Environmental risks	Leak, spill and explosion.			
H4. Fire and other disasters	Fire, explosion and traffic/cargo accident.			
H5. Natural events	Storm, drought, wild fire, flood, earthquake, mudslide, tsunamis, volcanic eruptions etc.			
H6. Premises security risks	Break-in, theft, arson and vandalism.			