

CORPORATE GOVERNANCE STATEMENT 2015

Valmet Corporate Governance Statement

February 9, 2016

Valmet Corporation (Valmet or the Company) complies without deviation with the Finnish Corporate Governance Code 2015 (the Code) adopted by the Securities Market Association. The Code is available in its entirety on the internet at www.cgfinland.fi.

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 for investors. The Audit Committee of the Board of Directors has reviewed this Corporate Governance Statement in its meeting on February 8, 2016. This Corporate Governance Statement and updated information on 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 Company's Articles of Association, the guidelines for insiders published by NASDAQ Helsinki Ltd (the Helsinki Stock Exchange) as well as 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 Supervision Authority's standards and the rules of 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.

Annual General Meeting of Shareholders

The Annual General Meeting is the highest governing body of Valmet in which 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. The Annual General Meeting is held once a year before the end of June on a date determined by the Board of Directors. 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 Chairman, Vice Chairman 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 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 advance notice of participation at the latest by the date mentioned in the meeting notice.

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 or 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 put on the agenda of the Annual General Meeting, provided that the issue can be decided upon by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board of Directors early enough so that the issue can be included in the meeting notice. 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. 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.

Annual General Meeting in 2015

The Annual General Meeting was held in Helsinki on March 27, 2015. The Annual General Meeting documents are available on the Company's website at www.valmet.com.

Board of Directors

The Board of Directors is responsible for the administration and the proper organization of the operations of the Company. It also decides on significant matters related to strategy, investments, organization and finances and ensures that the Company has established the corporate values applied to its operations.

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

The Board of Directors of Valmet will meet when a meeting is convened by the Chairman or, if the Chairman is unavailable, the Vice Chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the Chairman or the Vice Chairman. A resolution of the Board of Directors will be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs. The President and CEO of Valmet Pasi Laine and CFO Kari Saarinen participate in the meetings of the Board of Directors, and General Counsel Rasmus Oksala acts as secretary of the Board of Directors. Other members of Valmet's Executive Team and other executives participate in the meetings when needed.

Main Duties

The duties of the Board are defined in the Finnish laws and regulations, Valmet's Articles of Association, Finnish Corporate Governance Code and Valmet's Corporate Governance 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 following:

- To approve Valmet's long-term goals and strategy;
- To approve the annual business plan and other major action plans;
- To approve Valmet's organizational structure and the principles for the incentive systems;
- To appoint – and, if necessary, to dismiss – the President and CEO;
- To monitor and evaluate the performance of the President and CEO and to decide upon his/her remuneration and benefits;
- To ensure that the supervision of the accounting and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements;
- To ensure the adequacy of planning, information and control systems for monitoring results and managing risks in operations;
- To make proposals for and convene the General Meetings of Shareholders;
- To decide upon other matters not belonging to the day-to-day operations, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements.;
- To approve Valmet's corporate policies in key management areas, such as corporate governance, risk management, financial control, treasury, internal control, corporate communications, human resources, environment and disclosure policy, and code of conduct;
- To conduct an annual evaluation of its operations and working methods; and
- To decide on other matters falling under the Board's responsibility by law.

Board of Directors in 2015

The 2015 Annual General Meeting elected seven members to Valmet's Board of Directors.

- Bo Risberg, born 1956, was elected the Chairman of the Board of Directors. His main occupation is chairman of the board of directors. Mr. Risberg holds a Bachelor of Science degree in Mechanical Engineering, MBA.
- Mikael von Frenckell, born 1947, was re-elected the Vice Chairman of the Board of Directors. His main occupation is chairman of the board of directors. Mr. von Frenckell holds a Master of Science degree in Social Sciences.
- Lone Fønss Schröder, born 1960, was re-elected a member of the Board of Directors. Her main occupation is to act as a board professional. Ms. Fønss Schröder holds a Master of Science degree in Accounting.
- Friederike Helfer, born 1976, was re-elected a member of the Board of Directors. She is a Partner at Cevian Capital. Ms. Helfer holds a Master of Science degree in Real Estate Development as well as a Diplom-Ingenieur degree in Urban Planning. She is a CFA charterholder.
- Pekka Lundmark, born 1963, was re-elected a member of the Board of Directors, at the time the President and CEO of Konecranes Oyj. Mr. Lundmark holds a Master of Science degree in Engineering.
- Erkki Pehu-Lehtonen, born 1950, was re-elected a member of the Board of Directors. His main occupation is to act as a board professional. Mr. Pehu-Lehtonen holds a Master of Science degree in Mechanical Engineering.

- Rogério Ziviani, born 1956, was re-elected a member of the Board of Directors. His main occupation is to act as a board professional. Mr. Ziviani holds a Bachelor of Science degree in Business Management and a Master of Science degree in Business Administration.
- Eija Lahti-Jäntti, born 1963, was invited by the Board as the personnel representative to act as an invited expert. Her main occupation is Customer Services Coordinator at Valmet Technologies Oy.

All Board members elected were assessed by the Board of Directors independent of the company and of significant shareholders.

Jukka Viinanen, born 1948, main occupation chairman of the board of directors, elected as the Chairman of Board of Directors by the Annual General Meeting in 2014 acted as the Chairman until the election of Bo Risberg as the Chairman of the Board of Directors at the Annual General Meeting in 2015. Mr. Viinanen holds a Master of Science degree in Engineering.

On April 7, Pekka Lundmark announced his resignation from the Board of Directors of the Company due to his appointment as the President and CEO of Fortum Corporation as of September 2015.

In 2015 the Board convened 13 times with a total attendance rate of 95,1% and an individual attendance as follows: Jukka Viinanen (5/5), Bo Risberg (13/13), Mikael von Frenckell (12/13), Lone Fønss Schrøder (10/13), Friederike Helfer (12/13), Pekka Lundmark (6/6), Erkki Pehu-Lehtonen (13/13), Rogério Ziviani (13/13) and Eija Lahti-Jäntti (13/13).

Principles concerning the diversity of the Board

The composition of the Board of Directors should reflect the Company's operations and the markets in which it operates. Sufficient diversity at the Board of Directors level is relevant in ensuring the efficient and optimal work and performance of the Board of Directors.

The Valmet Nomination Board has reviewed and confirmed the principles for Board diversity. Valmet's principles of board diversity include, amongst others, promoting experience and varied educational background, relevant qualifications, balanced gender diversity and adequate commitment with regards to time contribution, availability and engagement. The objectives from the principles can be achieved with thorough and early preparation when considering the Board composition. The objectives of the principles on diversity are considered to be met in sufficient quantity.

Committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration and HR Committee. The Board of Directors elects the members of the committees from among its members at its annual assembly meeting and monitors the activities

of the committees. Both committees have charters approved by the Board of Directors.

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 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 relating to Valmet's short-term outlook;
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses 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. Pre-approves all non-audit services provided by the external auditors;
- Assesses Valmet's financial reporting and reporting methods in collaboration with the Company's management, internal audit and an external auditor or other external experts;
- Reviews Valmet's Corporate Governance Statement;
- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees; 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 of misconduct, fraud, and accounting and auditing issues.

The Audit Committee convenes at least four times a year, consisting of members elected by the Board of Directors from among its members independent of the company. The majority of the members must be independent of the Company and at least one member shall 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 2015

The Audit Committee comprised Lone Fønss Schröder (Chairman) and Friederike Helfer and Erkki Pehu-Lehtonen as members. The Audit Committee held six meetings in 2015. Friederike Helfer and Erkki Pehu-Lehtonen attended all meetings. Lone Fønss Schröder was excused for one meeting. All committee members were independent of the company and of the significant shareholders.

Remuneration and HR Committee

The Remuneration and HR Committee focuses on the development of remuneration plans of 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

- Reviews and monitors the competitiveness of Valmet's remuneration and incentive systems and the development of personnel related issues, such as 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 Valmet Executive Team members, based on the President and CEO's preparations; and
- Decides upon the remuneration and benefits of the Valmet Executive Team members. The committee may authorize its chairman to decide upon the remuneration and benefits of these officers. The committee convenes at least twice a year and consists of the committee chairman and at least two members. All the members are independent of the Company. The President and CEO participates in the meetings with the exception when the agenda includes items relating to him.

Remuneration and HR Committee in 2015

The Remuneration and HR Committee comprised of Jukka Viinanen (Chairman) until the Annual General Meeting and Mikael von Frenckell and Pekka Lundmark as members. After the Annual General Meeting Bo Risberg elected as the Chairman of the Board of Directors replaced Jukka Viinanen as the chairman of the committee. Erkki Pehu-Lehtonen replaced Pekka Lundmark in the committee after Pekka Lundmark announced his resignation from the Board of Directors of the Company. The committee had 6 meetings during the financial period with the following attendance: Jukka Viinanen (3/3), Bo Risberg (3/3), Pekka Lundmark (3/3), Mikael von Frenckell (6/6) and Erkki Pehu-Lehtonen (3/3). All committee members were independent of the company and of significant shareholders.

Nomination Board

Valmet's Annual General Meeting 2014 resolved to establish a Nomination Board to annually prepare proposals regarding the composition of the Board and remuneration to its members for the Annual General Meetings. According to the Nomination Board charter, the Nomination Board shall also seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board consists of the representatives of Valmet's four largest shareholders, registered in Euroclear on September 1, who accept the assignment. In addition, the Nomination Board includes the Chairman of the Board who should act as an expert member of the Nomination Board. The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board shall elect a chairman from among its members. The Nomination Board shall give its proposal to the Board of Directors annually no later than 31 January preceding the next Annual General Meeting.

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

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

Nomination Board in 2015

Shareholder representatives on the Nomination Board in 2015 were Solidium Oy, Cevian Capital Partners Ltd., Triton and Varma Mutual Pension Insurance Company represented by the following individuals: Kari Järvinen (Chairman), Managing Director of Solidium Oy, Martin Oliw, Partner at Cevian Capital; Roger Hagborg, Investment Advisory Professional at Triton; Risto Murto, CEO of Varma Mutual Pension Insurance Company and Bo Risberg, Chairman of the Valmet Board of Directors, served as an expert member.

Upon its appointment, the Nomination Board convened 5 times with an attendance as follows: Kari Järvinen (5/5), Martin Oliw (5/5), Roger Hagborg (5/5), Risto Murto (4/5) and Bo Risberg (5/5). The Nomination Board has submitted its proposals regarding Board composition and remuneration to Valmet's Board, and the Board has incorporated these proposals into the notice announcing the Valmet 2016 Annual General Meeting to be held on March 22, 2016.

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 chairman of the Executive Team.

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 2015 Valmet’s Executive Team consisted of:

- Pasi Laine, President and CEO, born 1963, MSc. (Eng.)
- Markku Honkasalo, CFO, until November, born 1964, LL.M. eMBA
- Kari Saarinen, SVP, Strategy and Operational Development, until November, CFO since November, born 1961, MSc. (Accounting and Finance)
- Jukka Tiitinen, Business Line President, Services, born 1965, MSc. (Eng.)
- Sakari Ruotsalainen, Business Line President, Automation, since April, born 1955, MSc. (Eng.)
- Bertel Karlstedt, Business Line President, Pulp and Energy, since February, born 1962, MSc. (Eng.)
- Jari Vähäpesola, Business Line President, Paper, born 1959, MSc. (Eng.), Diploma in International Marketing Management
- William Bohn, Area President, North America, born 1954, B.Sc. (Pulp and Paper), B.Sc. (Forestry)
- Celso Tacla, Area President, South America, born 1964, MBA., Production Engineer, Chemical Engineer
- Hannu Mälkiä, Area President, EMEA, until June, born 1952, MSc. (Eng.)
- Vesa Simola, Area President, EMEA, since August, born 1967, MSc. (Eng.)
- Aki Niemi, Area President, China, born 1969, MSc. (Eng.)
- Hannu T. Pietilä, Area President, Asia Pacific, born 1962, B.Sc. (Mechanical Engineering)
- Julia Macharey, SVP, Human Resources, born 1977, B.A. (Intercultural Communication) M.Sc. (Econ.)
- Anu Salonsaari-Posti, SVP, Marketing and Communications, born 1968, MSc. (Econ.) MBA
- Juha Lappalainen, Senior Vice President, Strategy and Operational Development, since January 2016, born 1962, MSc. (Eng.)

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 EU 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 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 objectives by anticipating and managing potential business threats and opportunities.

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.

The overall system of internal control in Valmet is based upon 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 work of the Board of Directors and its committees. The Board of Directors bears the overall responsibility for the internal control over 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 as regards the 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 of 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, ethical values 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 the basis for the 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 create the basis for the control environment. The same parties, together with Services, Automation, Pulp and Energy and Paper (the Businesses) are responsible for communicating Valmet's values to the organization.

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Valmet's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the 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 2015

Internal control procedures and different audits were executed throughout the year. Operational audits focused on, among other things, supplier audits, the sales network, anti-bribery and sound business practices.

Information and Communication

In order 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 responsibilities are taken seriously. Valmet's CFO and the Head of Internal Audit report the results of the work on internal control as a standing item 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. Corporate Internal Audit provides a reasonable assurance regarding the effectiveness of internal control related to financial reporting.

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

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 2015

Valmet has processes for monitoring projects with potential risks starting from the sales phase to project completion. Valmet management has actively and specifically monitored the large projects and the project related process development. The project monitoring process has continued to be a focus area of Internal Audit.

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. The regulations in the areas, which typically guide corporates code of conduct i.a. anti-bribery, human rights, environment, sustainability, have developed during recent years. In year 2015 management reviewed the Code of Conduct to ensure the Company's Code of Conduct continues to meet the

Company's requirements and expectations with the purpose of protecting Valmet's businesses, as well as the Company's partners and suppliers. The Board of Directors approved Valmet's new Code of Conduct in April, which supports Valmet's responsible operations, sustainability and the Company's success.

In addition to the 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 Labor 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. Valmet requires that each one of the Company's employees is familiar with the legislation and operating guidelines of their own areas of responsibility. 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 laws, regulations and principles relating 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 of 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, to other management or, if necessary, directly to Legal Affairs and Corporate Internal Audit. Valmet employees and third parties can also report suspected misconduct anonymously either by telephone or through a web-based channel managed by an external service provider. Allegations are investigated immediately and confidentially. Valmet has enforced a principle that there is no retaliation to the one who reports. This is monitored by the Audit Committee. The Head of Internal Audit reports regularly to the Audit Committee the related cases. The Legal Affairs and HR functions together implement any measures consequential to the misconduct.

Internal Audit

Valmet has an Internal Audit department separate from the operational management. The duties of the Internal Audit function include assessing the efficiency and appropriateness of the Company's operations and examining the functioning of the internal controls. It seeks to provide reasonable assurance of the correctness of financial and operational reporting, proper management of the Company's assets and compliance with applicable laws and regulations. Furthermore, Internal Audit proactively encourages the development of risk management in Valmet's various operations. The Head of Internal Audit reports administratively to the CFO and directly to the President and CEO and to the Audit Committee.

Internal Audit in 2015

The Internal Audit completed the annual internal audit program 2015 approved by the Audit Committee in addition to its consultative assignments. Furthermore, Internal Audit investigated three cases of suspected financial misconduct which were classified as misconduct. The cases of misconduct revealed did not, however, have a significant impact on Valmet's financial results. The cases of misconduct were reviewed by the Audit Committee and, when necessary, corrective and disciplinary actions were taken in line with Valmet's guidelines. In addition through the anonymous web-based reporting channel TrustLine, the Company received four cases, which the Internal Audit either investigated by itself or coordinated the investigation through the Company's Compliance Organisation. None of the cases investigated have a significant impact on Valmet's financial results.

Related party transactions

During the financial period Valmet did not have material related party transactions or such transactions deviate from the Company's normal business operations or not made on market or market equivalent terms taking into account the market practices generally observed and accepted with the industry Valmet operates.

Main procedures relating to insider administration

Valmet adheres to the insider guidelines of the NASDAQ Helsinki Ltd. These guidelines are supplemented with internal insider guidelines approved by the Board of Directors. The internal insider guidelines include provisions on the management of insider issues, i.a. specifying tasks of management and the person in charge of the insider issues, advance evaluation and supervision of insider issues.

Valmet's permanent insiders are not permitted to trade in Valmet's issued securities during a 21 day period immediately prior to the publication of a Valmet interim review or the release of a financial statement. The Company maintains a register of its statutory insiders in the Euroclear Finland Ltd's SIRE system. In addition to the statutory public insiders, in compliance with the Finnish Securities Markets Act, Valmet has company-specific insiders and separately identified project-specific insiders whose securities ownership is not public.

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 and other mutual relationships between group companies.

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 Jouko Malinen as principal auditor was elected as Valmet's auditor by the Annual General Meeting 2015.

The fees paid to companies in the PricewaterhouseCoopers chain for 2015 were EUR 1,1 million for auditing and EUR 0,9 million for tax and other consulting services.

Remuneration Statement

Remuneration

Well-functioning and competitive remuneration is an essential tool for engaging competent members of the Board of Directors and executives for Valmet. The remuneration must be in proportion to the development and long-term enhancement of the value of the Company.

The objective of remuneration at Valmet is to encourage employees as individuals and as team members to achieve the set financial and operational targets and to strive for excellent performance. Remuneration is aligned with the Company's financial performance, internal and external references and observing remuneration levels for similar positions among peer companies. Valmet's remuneration package for key personnel and executives includes a competitive salary and benefits according to local market practices, short-term incentives based on predefined annual performance indicators and long-term incentives that align the interests of the key executives and shareholders.

Decision-Making Procedure Concerning the Remuneration

Board of Directors

The Annual General Meeting decides on the remuneration to the members of the Board of Directors for one term of office at the time. The preparatory work relating to the remuneration of the Board of Directors is delegated to Valmet's Nomination Board. The Nomination Board shall submit its proposals to the Board of Directors of the Company at the latest on January 31 preceding the next Annual General Meeting. In the preparatory work preceding the Annual General Meeting the Nomination Board used also external experts.

In accordance with its charter, the Nomination Board shall also present its proposals and report on its activities to the Annual General Meeting. More detailed information describing the procedures used in preparatory work relating to the remuneration is available on the Company's website at www.valmet.com.

CEO and other Executive Team members

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO based on the preparatory work by the Remuneration and HR Committee. The Board's Remuneration and HR Committee decides on the compensation and benefits of the other Executive Team members based on the President and CEO's proposal and general principles approved by the Board.

Authorizations of the Board of Directors concerning the remuneration

In the Annual General Meeting on March 27, 2015, it was resolved to authorize the Board of Directors to repurchase company shares in accordance with the proposal of the Board of Directors in one or more tranches. The maximum number of shares to be repurchased is 10,000,000 shares, which correspond to approximately 6,7 percent of all the shares in the Company. Company shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Company shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the main list of the Helsinki Stock Exchange on the date of the repurchase.

Company shares may be repurchased for reasons of developing the Company's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme.

The authorization shall stay in force until the next Annual General Meeting.

In the Annual General Meeting on March 27, 2015, it was also resolved to authorize the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares, pursuant to Chapter 10(1) of the Finnish Companies Act, in one or more tranches, in accordance with the proposal of the Board of Directors. The issuance of shares may be carried out by issuing new shares as well as transferring treasury shares of the Company. Based on the authorization, the Board of Directors may resolve to issue shares in derogation from the shareholder's pre-emptive right and to issue special rights within the conditions by Finnish law.

The maximum number of new shares which may be issued shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in Valmet Corporation. The maximum number of treasury shares which may be issued shall be 10,000,000 shares, which corresponds to approximately 6,7 percent of all the shares in the Company.

The Board of Directors is furthermore authorized to issue special rights pursuant to Chapter 10(1) of the Finnish Companies Act entitling their holder to receive new shares or treasury shares for consideration. The maximum number of shares which may be issued based on the special rights shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in

Company. This number of shares shall be included in the aggregate numbers of shares above mentioned in previous paragraph.

The new shares and treasury shares may be issued for consideration or without consideration.

The Board of Directors shall also be authorized to resolve on issuing treasury shares to the Company without consideration. The maximum number of shares which may be issued to the Company shall be 10,000,000 shares when combined with the number of shares repurchased based on an authorization. Such number corresponds to approximately 6,7 percent of all shares in the Company. The treasury shares shall not be taken into account in the limits pursuant to the preceding paragraphs.

The above authorization may be exercised by the Board of Directors for example for reasons of developing the Company's structure, in financing or carrying out acquisitions, or for the shares to be used in an incentive scheme

The authorization shall stay in force until the next Annual General Meeting.

Main principles of Remuneration

Board of Directors

On March 27, 2015 the Annual General Meeting decided, based on the proposal prepared by the Nomination Board, on the remuneration to the members of the Board of Directors for the term of office until the next Annual General Meeting. According to the decision, the annual fees paid to Board members were; to the Chairman of the Board of Directors EUR 100,000; to the Vice Chairman of the Board of Directors and the Chairman of the Audit Committee EUR 60,000; and to the other members of the Board of Directors EUR 48,000 each.

In addition, for Board members whose place of domicile is in the Nordic countries, a fee of EUR 700 per meeting was paid for each Board and committee meeting they attended. The meeting fee for members residing elsewhere in Europe was EUR 1,400 per meeting and for those residing outside of Europe EUR 2,800. Board member's travel expenses and daily allowances are compensated in accordance with Valmet's travel expense policy.

Based on the decision of the Annual General Meeting, 40 percent of the Board's annual fees were used to buy Valmet shares from the market. There are no special terms or conditions associated with owning these shares.

CEO and other Executive Team members

The remuneration of the President and CEO, as well as the Executive Team members, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) a supplementary pension plan as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses that the Board of Directors sets for the President and CEO. The CEO sets the Executive Team members' short-

term incentive targets and the Remuneration and HR Committee approves them. As long-term incentives, the CEO and the other Executive Team members are included in share-based incentive plans that are decided and implemented by the Board of Directors and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting.

Special reward forms or bonuses, such as sign-on, can be utilized under special circumstances to facilitate onboarding and retention of key executives. These additional awards must always be structured to reflect Valmet's remuneration principles in terms of their value, time horizon and performance requirements and in case of the CEO be approved by the Board of Directors and in other cases by the Remuneration and HR Committee.

Short term incentives

The Board of Directors annually confirms the terms and targets of the short term incentives on Valmet company level. The amount paid out as short term incentives, if any, is based on achieving set financial performance targets of Valmet and/or the business in question. In addition to these, also individual and/or team targets are used. The Remuneration and HR Committee evaluates and the Board of Directors approves the achievement of the predefined targets of the President and CEO. For the President and CEO and for other Executive Team members, the maximum annual short term incentive is currently 40–60 percent of the person's annual total salary.

Share-based incentive plans

The Board of Directors decides and implements Valmet's share-based incentive plans, which are part of the remuneration program for management.

The purpose of the plans is to align the goals of shareholders and management to enhance the value of the Company. The plans also aim to ensure commitment of management and offers them a competitive, ownership-based reward scheme.

Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Long-term Incentive Plan 2012–2014

Prior to the partial demerger of Metso Corporation and before Valmet Corporation was incorporated, in December 2011, the Board of Directors of Metso Corporation decided to establish a new share-based incentive plan that has three performance periods, which are the calendar years 2012, 2013 and 2014. The Board decided on the performance criteria and participants in the beginning of each performance period. The rewards paid to Valmet participants on the basis of the 2012 performance period correspond to a maximum of 321 438 Valmet shares and were earned by 31 participants. Valmet's Executive Team was awarded with a maximum of 134 573 Valmet

shares for the performance period 2012. The reward from the 2012 performance period was paid at the end of an approximately two-year vesting period in spring 2015. The total reward includes both company shares and a cash portion intended to cover taxes and tax related costs arising from the reward to the participants.

In December 2012, the Board decided to continue the share-based incentive plan approved in 2011. For the performance period 2013 and after conclusion of the demerger the number of Valmet participants in the incentive scheme was 35. The 2013 performance criteria were not met and as a result there was no reward payment for the 2013 performance period.

In December 2013, the Board decided to continue the share-based incentive plan approved in 2011. The plan for the 2014 performance period was targeted to 40 Valmet key executives. The reward generated is based on Valmet EBITA % and orders received growth of the services business. From the performance period 2014 a gross number of 268 003 shares were earned. The current Valmet Executive Team can receive a maximum reward of 136 186 Valmet shares. The potential reward from the 2014 performance period will be paid at the end of an approximately two-year vesting period in 2017, partly in company shares and partly in cash.

The reward for each performance period of the long-term incentive plan 2012-2014 may not exceed 120 percent of a participant's annual total base salary. If a participant gives notice or a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

Long Term Incentive Plan 2015-2017

In December 2014, The Board of Directors approved a new share based incentive plan for Valmet's key employees. The plan has three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board shall decide on the performance criteria and number of participants in the beginning of each performance period. The potential reward of the Plan from the discretionary period 2015 is based on EBITA % and Services orders received growth %. As part of the Plan members of the Valmet Executive Team shall have a possibility to receive a matching share reward for the discretionary period 2015 provided that he or she owns or acquires the Company's shares up to the number determined by the Board

of Directors by December 31, 2015. Reward receipt is tied to continued employment or service of the Valmet Executive Team member upon reward payment.

The Plan is directed to approximately 80 key employees including the Executive Team. The potential rewards to be paid on the basis of the 2015 performance period correspond to a maximum total of 667 338 Valmet shares. The current Valmet Executive Team can receive a maximum reward of 317 559 Valmet shares. The potential reward of the Plan from the discretionary period 2015 will be paid partly as Company shares and partly in cash in 2016. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key employee. The shares paid as reward may not be transferred during the restriction period, which will end two years from the end of the discretionary period. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

In December 2015, The Board of Directors decided to continue the share based incentive plan for Valmet's key employees approved in December 2014. The potential reward of the plan from the discretionary period 2016 is based on EBITA % and orders received growth % of the stable business, that is, the Services and Automation business lines. As part of the Plan members of the Valmet Executive Team shall have a possibility to receive a matching share reward for the discretionary period 2016 provided that he or she owns or acquires the Company's shares up to the number determined by the Board of Directors by December 31, 2016. Reward receipt is tied to continued employment or service of the Valmet Executive Team member upon reward payment.

The Plan is directed to approximately 80 key employees including the Executive Team. The potential rewards to be paid on the basis of the Plan 2016 are in total an approximate maximum of 850,000 shares in Valmet. The potential reward of the Plan from the discretionary period 2016 will be paid partly as Valmet shares and partly in cash in 2017. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key employee. The shares paid as reward may not be transferred during the restriction period, which will end two years from the end of the discretionary period. The reward of the Plan from the discretionary period 2016 may not exceed 120 percent of the key employee's annual total base salary.

Employment terms and conditions of President and CEO Pasi Laine

Base salary and fringe benefits	Total monthly salary EUR 40,170.00, including salary and fringe benefits (company car and mobile phone).
Short-term incentive (annual bonus)	Annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 60 percent of total annual salary.
Long-term incentives	<p>Prior to the partial demerger of Metso Corporation and before Valmet Corporation was incorporated, long-term incentives according to Metso's Long-term Incentive Plan 2012–2014, the maximum bonus is 120 of the total annual salary.</p> <p>In the Long-term Incentive Plan 2015–2017 approved by Valmet's Board of Directors, there are three discretionary periods, namely calendar years 2015, 2016 and 2017. The reward for each period may not exceed 120 percent of the annual total base salary.</p>
Pension	Retirement age is 63 years. Laine has a defined contribution pension plan. Contribution is 20% of annual salary.
Termination of assignment	Notice period for both parties is six months. Severance pay (if the company terminates the agreement) is six months' notice period compensation plus severance pay corresponding to the last total monthly salary multiplied by 18.

Retirement age and pension plan of the other Executive Team members

All other Executive Team members belong to the pension systems of their country of residence and have a statutory retirement age. In addition to the statutory pension plans they belong to a supplementary defined contribution pension plan. Contribution to this plan equals 15%-20% of annual salary.

Notice period and termination benefits of the other Executive Team members

The notice period for all other Executive Team members is six months for both parties. The severance pay in case the company terminates the agreement is six months' notice period plus severance pay corresponding to the last total monthly salary multiplied by 6.

Remuneration Report

Board of Directors

Name	Total Annual Fee	Share reward portion of annual fee	Cash portion of annual fee	Meeting fees	Total
Lone Fønss Schrøder	60,000.00	24,378.64	36,005.28	10,500.00	70,883.92
Friederike Helfer	48,000.00	19,498.77	28,808.30	25,200.00	73,507.07
Eija Lahti-Jäntti	0.00	0.00	0.00	7,700.00	7,700.00
Pekka Lundmark ¹⁾		0.00	0.00	7,000.00	7,000.00
Erkki Pehu-Lehtonen	48,000.00	19,498.77	28,808.30	15,400.00	63,707.07
Bo Risberg	100,000.00	40,634.51	60,005.40	15,400.00	116,039.91
Jukka Viinanen ²⁾		0.00	0.00	6,300.00	6,300.00
Mikael von Frenckell	60,000.00	24,378.64	36,005.28	13,300.00	73,683.92
Rogério Ziviani	48,000.00	19,498.77	28,808.30	36,400.00	84,707.07
Total	364,000	147,888.10	218,440.86	137,200.00	503,528.96

¹⁾until April 7, 2015

²⁾until March 27, 2015

President and CEO

2015

EUR	Annual salaries and other short term benefits	2014 performance bonus	Post-retirement benefits	Share-based payment	Termination benefits	Total
President and CEO	506,142	260,302	232,963	411,177		1,410,584

Other Executive Team members

2015

EUR	Annual salaries and other short term benefits	2014 performance bonus	Post-retirement benefits	Share-based payment	Termination benefits	Total
Other Executive Team members	2,972,107	760,960	1,093,115	1,581,104	291,000	6,698,286