

# REMUNERATION REPORT 2020

## DEAR SHAREHOLDER,

During 2020, we continued the work to strengthen our pay for performance culture. As planned, we built a new long-term incentive program, consisting of two plans: A Performance Share Plan for the Executive Team members, including a three-year performance period; and a Deferred Share Plan for other key employees and management talents. Both plans are designed to drive performance and support us in achieving our strategic targets, while aligning the interests of management and our shareholders. The renewal of our short-term incentive plan also supported our efforts to strengthen our pay for performance culture by broadening the group eligible for a short-term incentive and increasing incentive opportunities. These changes will be implemented during the coming year.

Last year, companies around the world encountered a new type of challenge in the COVID-19 pandemic, one that had the potential to significantly affect the remuneration practices used to drive business performance and generate results. At Valmet, we determined that the variable pay targets set at the beginning of 2020 were still valid, and would continue to drive performance and profitability in the desired direction. We believe that variable pay should reflect the business situation, and any potential payout should be in line with the market situation, even if targets become more challenging.

### Our remuneration approach

Valmet's remuneration approach continues to be built around the principles of driving high performance, competitive remuneration to retain talent with the best fit, and fairness and sustainability. These three remuneration principles guide us in developing a strong pay for performance culture across the company, which we believe leads to engaged and performance-driven teams, and ultimately to a more successful and profitable company.

The President and CEO's remuneration is in line with Valmet's Remuneration Policy. 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 directly linked to Valmet's business result. Furthermore, the President and CEO is expected to build and maintain a minimum shareholding in Valmet to ensure good alignment between shareholder and management interest.

The Board's Remuneration and HR committee regularly reviews market benchmark data on executive remuneration to determine the appropriate compensation level for the President and CEO. The most recent review was conducted in 2019. It recommended that the annual maximum short-term incentive opportunity for the President and CEO be increased to 100 percent of base pay. This was implemented in 2020.

The President and CEO's total earned remuneration in 2020 was approximately 1,725,000 EUR, of which 53 percent was in the form of variable pay. The variable pay percentage is directly impacted by the 2020 financial result, where comparable EBITA was within the targeted range, as was the EBITA margin, while stable business orders received fell short of the targeted level due to the COVID-19 pandemic impacts. Global travel restrictions and restricted access to the customer sites directly affected our stable business orders received. The President and CEO's shareholding in Valmet at the end of 2020 was four times the recommended minimum for Executive Team members, which is set at 100 percent of annual base salary.

With 2020 behind us, we look forward to 2021, when we will continue to utilize the company's incentive programs to drive our 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

*This report describes the remuneration in 2020 for the Board of Directors and the President and CEO of Valmet. This is the second year we are publishing a remuneration report. It is intended to openly communicate the principles, practices and processes Valmet has in place to ensure fair and consistent remuneration, drive performance and secure long-term financial success.*

*Remuneration for the Board of Directors and CEO is guided by Valmet's Remuneration Policy, which was amended at the end of 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.*

*Valmet's Remuneration Policy was approved by Valmet's Shareholders at the Annual General Meeting in June 2020.*

## REMUNERATION LINKED TO LONG-TERM BUSINESS PERFORMANCE

Valmet's business performance in the years leading up to the COVID-19 pandemic has been consistent, with steady, year-over-year improvement in net sales, orders received in stable businesses and profitability. This positive trend continued in 2020 for net sales and profitability development, but there was a decline for orders received in stable business, marking the first decrease in the figure in the company's history.

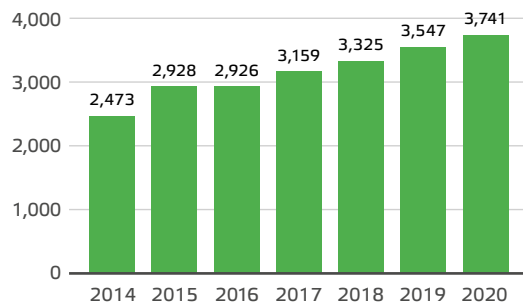
In line with our remuneration policy the remuneration of the Board of Directors was increased slightly in 2020 to reflect the positive business development of recent years. The President and CEO's remuneration decreased in 2020, which reflects the impact of variable pay, i.e. short- and long-term incentives, on the President and CEO's total remuneration. As our performance targets for short- and long-term incentives are linked to our business result, the business performance is directly reflected in the performance-based rewards paid to the President and CEO.

Compensation (in EUR)	2016	2017	2018	2019	2020
Chairman of the BoD	120,240	127,640	123,440	123,004	137,836
Vice Chairman of the BoD	69,484	85,384	72,784	79,522	87,332
Other members of the BoD (average)	63,503	66,607	65,627	75,357	85,665
President and CEO	1,532,704	2,216,918	1,813,633	1,948,234	1,756,724
Average Valmet employee*	56,309	57,620	57,375	59,470	57,784

\* 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

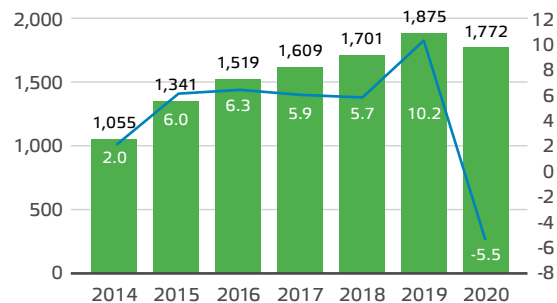
### Net sales

EUR million



### Stable business orders received development and growth, %

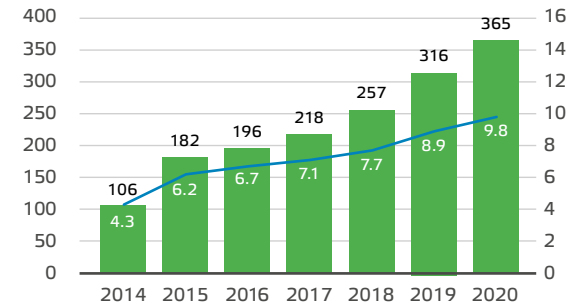
EUR million



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

### Comparable EBITA development

EUR million



■ Comparable EBITA  
— Comparable EBITA margin

## REMUNERATION OF THE BOARD OF DIRECTORS FOR THE PREVIOUS FINANCIAL YEAR

### Board of Directors' compensation in 2020 (in EUR)

Name	Total Annual Fee <sup>1</sup>	Share reward portion	Cash portion	Committee Fee	Meeting Fees	Total
Mikael Mäkinen	115,736	46,728	69,008	6,000	16,100	137,836
Aaro Cantell	67,932	27,420	40,512	4,000	15,400	87,332
Pekka Kemppainen	54,345	21,921	32,424	7,000	16,100	77,445
Monika Maurer	54,345	21,921	32,424	4,000	29,400	87,745
Eriikka Söderström	54,345	21,921	32,424	14,000	15,400	83,745
Tarja Tyni	54,345	21,921	32,424	7,000	16,100	77,445
Rogério Ziviani	54,345	21,921	32,424		47,600	101,945
<b>Total</b>	<b>455,394</b>	<b>183,753</b>	<b>271,640</b>	<b>42,000</b>	<b>166,600</b>	<b>663,994</b>

<sup>1</sup> Total Annual Fee consists of Share reward portion and Cash portion.

### Compensation of the Board of Directors' personnel representative in 2020 (in EUR)

Name	Total Annual Fee	Share reward portion	Cash portion	Committee Fee	Meeting Fees	Total
Eija Lahti-Jäntti <sup>2</sup>					3,500	3,500
Riina Vilander <sup>3</sup>					7,000	7,000

<sup>2</sup> as of September 1, 2020.

<sup>3</sup> until August 31, 2020.

Based on the decision of the Annual General Meeting, 40 per cent 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 OF THE PRESIDENT AND CEO FOR THE PREVIOUS FINANCIAL YEAR

## President and CEO total compensation in 2020 (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	680,104	492,266	448,333	136,021	1,756,724

The Total Compensation for the President and CEO in 2020 refers to the paid out compensation based on the 2019 performance period, whereas the sum on page 2 in the Chairman's foreword refers to the total earned remuneration for the 2020 performance period.

The share-based incentive payment for the President and CEO in 2020 was based on the long-term incentive plan 2019 and the performance period for the plan was the calendar year 2019. 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 corresponding to 48,086 shares. The performance measures for the plan were EBITA margin and the orders received growth percentage for our stable business, with 50 percent weight each. The achievement ratio for the long-term incentive plan 2019 was 62 percent, and the total reward earned corresponded to 29,640 shares, paid partly in shares and partly in cash. The share-price on the grant date of March 16, 2020 was EUR 15.0178. The long-term incentives paid in March 2020 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 2020 is 38 percent because the reward achievement was directly impacted by the COVID-19 pandemic. The share reward will

be granted in March 2021, and a two-year transfer restriction period will apply to the shares.

The maximum short-term incentive for the President and CEO was 80 percent of annual base salary in 2019 and was increased to 100 percent of annual base salary for 2020. 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 2019 paid in March 2020 was 95 percent. The achievement ratio for the year 2020 is 83 percent, and the bonus of EUR 539,723 will be paid in March 2021.

Variable pay, meaning short- and long-term incentives, forms a substantial part of the President and CEO's total remuneration. In 2020, the paid short- and long-term incentives formed 54 percent of total compensation and the fixed annual salary 39 percent. Variable pay paid in 2020 is based on the performance period corresponding to the calendar year 2019.

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 2020.

# VALMET REPORTS 2020



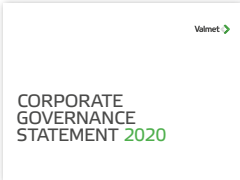
### ANNUAL REVIEW 2020

The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2020.



### GRI SUPPLEMENT 2020

The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2020.



### CORPORATE GOVERNANCE STATEMENT 2020

The report covers Valmet's governance principles and activities, Board of Directors and management in 2020.



### FINANCIAL STATEMENTS 2020 AND INFORMATION FOR INVESTORS

The report includes Valmet's Financial Statements for 2020 and information about its share, shareholders and management.



### REMUNERATION REPORT 2020

The report covers Valmet's remuneration in 2020.

# CONTACTS

## VISITING ADDRESS

Valmet Oyj  
Keilasatama 5  
FI-02150 Espoo, Finland

## POSTAL ADDRESS

Valmet Oyj  
P.O. Box 11  
FI-02151 Espoo, Finland

Tel. +358 (0)10 672 0000

firstname.lastname@valmet.com

**WWW.VALMET.COM**

## MEDIA CONTACTS

media@valmet.com

## INVESTOR RELATIONS

ir@valmet.com

## ORDER OR UNSUBSCRIBE PUBLICATIONS

www.valmet.com/subscribe

## FOLLOW VALMET ON SOCIAL MEDIA



[linkedin.com/company/valmet](https://linkedin.com/company/valmet)



[twitter.com/valmetglobal](https://twitter.com/valmetglobal)



[twitter.com/valmetir](https://twitter.com/valmetir)



[youtube.com/valmetglobal](https://youtube.com/valmetglobal)



[facebook.com/valmetcorporation](https://facebook.com/valmetcorporation)



[instagram.com/valmetglobal](https://instagram.com/valmetglobal)

# ABOUT THIS REPORT

This report is made from paper and pulp that were produced on Valmet machinery and equipment. It is printed on Maxioffset paper, which is certified according to the PEFC standard and the Nordic Ecolabel.

This report is from sustainably managed forests and controlled sources. PEFC certification requires that the forests are managed well with regard to biodiversity, forest health and maintenance, as well as recreational use. The PEFC logo promotes responsible consumption.

The Nordic Ecolabel ensures that products that are used in printed matter fulfill certain criteria. Inks are mineral-oil free, and for all other materials, those that are recyclable and environmentally friendly are preferred.

## DESIGN AND PRODUCTION

Miltton Oy

## PAPER

Maxioffset 250 g  
Maxioffset 120 g

## PRINTING

Grano Oy



**PEFC**<sup>™</sup>  
PEFC/02-31-201



4041 9955  
Printed matter

**Valmet Oyj**

Keilasatama 5 / P.O. Box 11  
FI-02151 ESPOO, FINLAND  
[www.valmet.com](http://www.valmet.com)

