Remuneration Report
Dear shareholder

The year 2021 was the first full year as independent Neles, including full reported remuneration for Neles’ Board of Directors (“Board”) and the President and CEO (“CEO”). Pursuant to the Remuneration Policy, the remuneration was linked to the successful execution of Neles’ strategy and long-term shareholder value creation. There were no changes in the base compensation or benefits of the Board or the CEO. Neles performed well, improving toward the end of the year, and the annual short-term targets for 2021 were well met in most of the target areas.

On July 2, 2021 Valmet Oyj (“Valmet”) and Neles announced the plan to merge the two companies. In this context the Board decided to partly discontinue the long-term incentive (“LTI”) programs and convert the LTI rewards into cash payments.

On November 30, 2021, in relation to the planned merger with Valmet, it was announced that the President and CEO Olli Isotalo would relinquish his duties as the CEO of Neles, and Simo Sääskilahti, the Chief Financial Officer and Deputy CEO, would take over as the interim President and CEO on January 1, 2022 until the planned closing of the merger.

Remuneration principles and implementation

**Adherence to Remuneration Policy.** Neles adhered to its Remuneration Policy, with no deviations made in 2021. Neles’ main remuneration principles are to offer compensation which considers relevant market and industry practices and supports performance differentiation. Short-term incentive (“STI”) targets are determined to reflect key performance indicators, which measure the successful execution of Neles’ strategy. The key performance indicators were common for the President and CEO, Neles Executive Team and employees participating to the STI plan. In view of the planned merger, the treatment of LTI programs was benchmarked against market practice with external advisors.

The aim of the board remuneration is to attract and retain board members who possess relevant skills, competence, and experience to exercise their duties and responsibilities in the best interests of the company and its stakeholders. The board remuneration for 2021 remained at the same level as in 2020.

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**Remuneration and company performance**

The following historical evaluation data on the remuneration and company performance is based on the consolidated numbers from 2017 until June 30, 2020 (i.e. before the partial demerger of Metso Corporation), and the data therefore also includes Metso Corporation’s Minerals Business. The reported numbers do not include indirect employment costs. The performance metrics used in measuring the company performance were also used in the company’s short-term incentive plans.

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>137,798</td>
<td>116,000</td>
<td>140,000</td>
<td>139,000</td>
<td>126,000</td>
</tr>
<tr>
<td>Board of Directors (total)</td>
<td>560,743</td>
<td>558,000</td>
<td>631,000</td>
<td>668,000</td>
<td>582,000</td>
</tr>
<tr>
<td>President and CEO</td>
<td>883,950</td>
<td>1,158,533</td>
<td>752,574</td>
<td>819,238</td>
<td>706,173</td>
</tr>
<tr>
<td>Employee</td>
<td>48,041</td>
<td>47,283</td>
<td>44,798</td>
<td>46,172</td>
<td>47,766</td>
</tr>
</tbody>
</table>

**Orders (EUR m)**

- Board of Directors (total): 2021: 631,000, 2020: 668,000, 2019: 582,000

**Sales (EUR m)**

- Board of Directors (total): 2021: 631,000, 2020: 668,000, 2019: 582,000

**Adj. EBITA (EUR m)**


**Free Cash Flow (EUR m)**


1) Includes Metso data from January 1 to June 30 and Neles data from July 1 to December 31
2) Company performance metrics of the continuing business only
Remuneration of the Board of Directors

The remuneration of the Board was approved by the Annual General Meeting on March 26, 2021 based on the proposal made by the Shareholders’ Nomination Board.

The board remuneration includes a fixed annual remuneration based on the duties in the Board and its Committees (e.g. Chair, Vice Chair and Committee member), and an additional meeting fee for each meeting attended. The fixed annual remuneration remained unchanged in 2021. The members of the Board were obliged to use 40% of the fixed annual remuneration to purchase Neles’ shares. The board remuneration does not include the company’s bonus plans, share-based incentive schemes or pension plans.

Neles Board remuneration 2021

<table>
<thead>
<tr>
<th></th>
<th>Share reward €</th>
<th>Cash reward €</th>
<th>Meeting fees €</th>
<th>Total €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaakko Eskola, chair</td>
<td>49,874</td>
<td>72,724</td>
<td>13,600</td>
<td>136,198</td>
</tr>
<tr>
<td>Mark Vernon</td>
<td>21,882</td>
<td>31,911</td>
<td>16,800</td>
<td>70,593</td>
</tr>
<tr>
<td>Anu Hämäläinen</td>
<td>30,600</td>
<td>44,625</td>
<td>16,800</td>
<td>92,025</td>
</tr>
<tr>
<td>Niko Pakalén</td>
<td>23,977</td>
<td>34,960</td>
<td>17,600</td>
<td>76,537</td>
</tr>
<tr>
<td>Teija Sarajärvi</td>
<td>21,882</td>
<td>31,911</td>
<td>15,200</td>
<td>68,993</td>
</tr>
<tr>
<td>Jukka Tiitinen</td>
<td>23,410</td>
<td>34,136</td>
<td>18,400</td>
<td>75,946</td>
</tr>
<tr>
<td>Jukka Moisio, Chair</td>
<td>0</td>
<td>0</td>
<td>1,600</td>
<td>1,600</td>
</tr>
<tr>
<td>Britta Giesen, member</td>
<td>0</td>
<td>0</td>
<td>3,200</td>
<td>3,200</td>
</tr>
<tr>
<td>Petter Söderström,</td>
<td>0</td>
<td>0</td>
<td>1,600</td>
<td>1,600</td>
</tr>
<tr>
<td>Perttu Louhiuoto,</td>
<td>9,948</td>
<td>14,503</td>
<td>9,600</td>
<td>34,051</td>
</tr>
<tr>
<td><em>Total</em></td>
<td>181,573</td>
<td>264,770</td>
<td>114,400</td>
<td>560,743</td>
</tr>
</tbody>
</table>

Remuneration of the President and CEO

The compensation of the President and CEO is decided by the Board in accordance with the Remuneration Policy. The compensation includes a base salary, benefits, supplementary pension, and short- and long-term incentives paid during the evaluation period. There were no changes in the CEO’s base salary, benefits, or incentive plans during 2021.

**Base salary and fringe benefits.** The President and CEO, Mr. Olli Isotalo, was paid the base salary including fringe benefits (mobile phone and medical insurance) and annual bonus from 2020, but no long-term incentives.

**Supplementary contribution-based pension plans.** The CEO’s supplementary pension contribution amounted to 20% of his annual base salary. Olli Isotalo’s retirement age was 64 years and 4 months.

**Annual Bonus 2021.** The short-term incentive measures were all financial, i.e., Sales (30% weight), EBITA (50% weight) and Free Cash Flow (20% weight).

The President and CEO achieved 57.73% of his targets, where Sales ended to 51.3% of maximum, EBITA to 44.7% of maximum and Free Cash Flow to maximum 100%. This translates to an annual bonus of 46.18% of the CEO’s annual salary, i.e., EUR 221,775. The annual bonus for 2021 will be paid in March 2022.

**Neles Performance Share Plans (“PSP”) 2020–2022 and 2021–2023.** The key performance measures in both plans were relative TSR (weight 50%) and EPS (weight 50%).

The maximum allocation for the President and CEO in both plans is 75,750 Neles shares (value of 150% of his annual base salary).

Due to the planned merger with Valmet Oyj, the Board consulted external advisors to study market practice relating to treatment of long-term incentives in a change of control situation. Based on the results, the Board decided to partly discontinue the PSP plans. Potential earnings would be paid to key employees in cash after a retention period of 6–12 months from closing. The PSP plans were discontinued as follows:

- The performance measurement of relative TSR (total shareholder return) was discontinued in the announcement of the merger plan, i.e., July 2, 2021. It was considered that Neles shares would not trade as independent shares after the merger announcement. TSR measurement ended to maximum 200% for both PSPS plans and
- The performance measurement of EPS (earnings per share) was discontinued on December 31, 2021. EPS measurement for PSP 2020–2022 plan ended to 92% and PSP 2021-2023 plan to 88% (maximum being 200%).

The final earnings were calculated and banked until the expiry of the defined retention periods. The PSP 2020–2022 reward will be paid out in full, and the PSP 2021–2023 reward will be paid prorated to 2/3. All rewards will be paid in cash.
Neles President and CEO paid remuneration 2021

<table>
<thead>
<tr>
<th>2021 (€)</th>
<th>Annual salary and benefits</th>
<th>Short-term incentive</th>
<th>Long-term incentive in cash</th>
<th>Long-term incentive in shares</th>
<th>Pension plan</th>
<th>Total</th>
<th>Share of fixed remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olli Isotalo, President and CEO</td>
<td>502,107</td>
<td>281,421</td>
<td>0</td>
<td>0</td>
<td>100,422</td>
<td>883,950</td>
<td>68%</td>
</tr>
</tbody>
</table>

1) Includes the customary one-off retention bonus of €240k (equivalent to 6 months’ salary), which was granted by the Board of Directors to the President and CEO in 2020 in connection with the public tender offer for Neles, and any potential competing bids arising therefrom, including any subsequent corporate transactions. Reported as a deviation to the Remuneration Policy in the 2020 report.

Termination of the CEO Agreement

On November 30, 2021 it was announced that the CEO agreement with Olli Isotalo had been terminated, to expire on May 31, 2022, and Olli Isotalo was released from his duties on January 1, 2022. The CFO and Deputy CEO Simo Sääskilahti was appointed by the Board as interim President and CEO starting from the same date.

In addition to his base salary and holiday pay until May 31 2022 and annual bonus for 2021, Olli Isotalo will be entitled to the remuneration to be paid in 2022 as detailed below.

- EUR 1,318,812 LTI rewards (PSP 2020–2022 and PSP 2021–2023) after the successful closing of the merger with Valmet
- EUR 480,240 as severance pay (equivalent to 12 months’ salary)

Olli Isotalo will also be entitled to his additional pension contribution savings.
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