

Metso Corporate Governance Statement

We have prepared this corporate governance statement in accordance with recommendation 54 of the Finnish Corporate Governance Code published by the Securities Market Association, and it also covers other key corporate governance areas that we want to highlight for investors.

This corporate governance statement is issued separately from the Board of Director's report. We provide more detailed and updated information about our governance issues on our website www.metso.com.

Regulatory framework

The duties of Metso Corporation's bodies are governed by Finnish legislation and the duties of its subsidiaries' bodies by the legislations of their place of business. Metso complies with the Finnish Corporate Governance Code ("the Code") issued by the Securities Market Association and which came into effect on October 1, 2010, as well as with the corporate governance principles defined by our Board of Directors; these principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. The Code is publicly available on www.cgfinland.fi. Metso complies with the Code entirely and has not deviated from its recommendations. In our decision-making and governance, we also comply with other Finnish legislation and regulations, our Articles of Association, the guidelines for

insiders published by NASDAQ OMX Helsinki Ltd (hereinafter the Helsinki Exchange) as well as the Finnish Central Chamber of Commerce's Helsinki Takeover Code.

The Audit Committee of Metso's Board of Directors has reviewed this Corporate Governance Statement.

We prepare consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and Helsinki Exchange's rules. The Board of Directors' report of Metso and the Parent Company financial statements are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

Governing bodies of Metso



Metso's supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors (Board) and the President and CEO are responsible for the management of Metso. Other Metso executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate governance principles within Metso.

Annual General Meeting of Shareholders

Every holder of Metso shares has the right to participate in the Annual General Meeting, and each share entitles its holder to one vote. Decisions are primarily made by a simple majority of votes, such as decisions on the approving the financial statements, payment of dividends, election of Board members and auditors and their remuneration, and discharging from liability the members of the Board and the President and CEO. A 2/3 qualified majority is required for some decisions: authorizing the Board to issue shares or to repurchase the company's own shares or amending the company's Articles of Association.

Participation in the Annual General Meeting requires that the shareholder is registered in Metso'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.

Shareholders are entitled to have an issue put on the Annual General Meeting's agenda, provided that the issue requires a decision by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board early enough so that the issue can be included in the meeting notice. On our website we will announce the date by which the shareholder must notify the Board of an issue to be added to the Annual General Meeting agenda. The request is always deemed submitted early enough if the Board has been notified about it at least four weeks prior to the delivery of the meeting notice.

We publish 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 we deliver it directly to shareholders when required by law. Additionally, we publish the meeting notice as a stock exchange release immediately after the Board has decided on the convening of the Annual General Meeting. The Annual General Meeting agenda, decision-making proposals and meeting documents are available on our website at least three weeks prior to the meeting.

2012

The Annual General Meeting was held in Helsinki on March 29, 2012. A total of 1,591 shareholders representing about 54

percent of the company's votes participated in it either in person or by power of attorney. All members of the Board, the chairman of Metso's Nomination Board Kari Järvinen, Metso's President and CEO Matti Kähkönen, and Metso's Executive Team as well as the responsible auditor representing the audit firm appointed by the Annual General Meeting participated in the meeting. Eeva Sipilä, who was nominated for the first time as a Board candidate, was prevented from participating in the Annual General Meeting due to compelling reasons related to obligations in her principal job.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting is the supreme decision-making body of Metso. The Annual General Meeting of Shareholders is held once a year before the end of June. 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 and the decision on their remuneration
- Discharging from liability the members of the Board and the President and CEO
- Election of the Auditor and the decision on compensation
- Proposals made by the Board or a shareholder (e.g. amendments of the Articles of Association, the repurchase the company's own shares, share issue, giving special authorizations)

Nomination Board

The Nomination Board, established by decision of the Annual General Meeting, prepares proposals regarding the composition of the Board and remuneration to its members for the next Annual General Meeting. We have had this kind of procedure in place since 2004, at the proposal of Metso's largest shareholder Solidium (previously the Finnish State). The Nomination Board consists of representatives appointed by the four largest shareholders on a date annually defined by the Annual General Meeting. If a shareholder chooses not to exercise its right to appoint a representative to the Nomination Board, the right is transferred to the next largest shareholder. In addition, the Nomination Board includes the Chairman of the Board as an expert member. The Chairman of the Board convenes the Nomination Board, which elects its chairman from among its members.

Nomination Board ahead of 2013 AGM

Metso's four largest shareholders as of October 1, 2012, announced on October 8, 2012, the following representatives for the Nomination Board: Kari Järvinen (M.Sc. Engineering, MBA, b. 1962), Managing Director, Solidium Oy; Lars Förberg

(M.Sc. Econ. & Bus. Adm., b. 1965), Managing Partner of Cevian Capital; Harri Sailas (M.Sc. Econ. & Bus. Adm., b. 1951), President and CEO of Ilmarinen Mutual Pension Insurance Company; and Matti Vuoria (Master of Laws, BA, b. 1951), President and CEO of Varma Mutual Pension Insurance Company. The Nomination Board elected Kari Järvinen as its Chairman, and Jukka Viinanen, Chairman of the Board of Directors, served as its expert member.

The Nomination Board convened three times and the participation rate of its members was 100 percent. On January 11, 2013, the Nomination Board provided Metso's Board its proposal for the Annual General Meeting to be held on March 28, 2013. The Nomination Board proposes that Jukka Viinanen, Mikael von Frenckell, Christer Gardell, Ozey K. Horton, Jr., Erkki Pehu-Lehtonen, Pia Rudengren and Eeva Sipilä be re-elected and that Mikael Lilius be elected as a new member. It is proposed to elect Jukka Viinanen as Chairman of the Board of Directors and Mikael von Frenckell as Vice Chairman of the Board of Directors.

The Nomination Board proposes that the members of the Board of Directors be paid the following annual remuneration: to the Chairman EUR 100,000; to the Vice Chairman and the Chairman of the Audit Committee EUR 60,000; and to the other members EUR 48,000 each. The Nomination Board furthermore proposes that for each meeting of the Board of Directors or the committees of the Board of Directors a fee of EUR 700 be paid to the members of the Board that reside in the Nordic countries, a fee of EUR 1,400 be paid to the members of the Board that reside in other European countries and a fee of EUR 2,800 be paid to the members of the Board that reside outside Europe. As a condition for the annual remuneration, the members of the Board are obliged to use 40% of the fixed annual remuneration for purchasing Metso shares.

The Nomination Board notes that a personnel representative will participate as an external expert in the Board meetings also in the next Board term within the limitations imposed by Finnish law. The new Board of Directors will invite the personnel representative as its external expert in its organizing meeting after the Annual General Meeting.

Board of Directors

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organization and finances.

Metso's Board consists of five to eight permanent members, which the Annual General Meeting elects for a term that lasts until the end of the next Annual General Meeting. Individuals who have reached the age of 68 years cannot be elected to the Board. Pursuant to the Finnish Act on Personnel Representation in the Administration of Undertakings, a personnel representative participates in the meetings as an invited expert with no voting rights or legal liability for the Board's decisions. There is no specific order of appointment of directors.

The Board is convened by the Chairman, or if the Chairman is unavailable, by the Vice Chairman. The Board has a quorum when more than half of the members are present and one of these is the Chairman or the Vice Chairman. A decision of the Board shall be carried by a majority of those present or, in the case of a tie, the Chairman shall have the casting vote. Metso's

President and CEO Matti Kähkönen and CFO Harri Nikunen participate in the Board meetings, and General Counsel Aleksanteri Lebedeff acts as secretary of the Board. Other Metso Executive Team members and other executives participate in the meetings when needed.

MAIN DUTIES OF THE BOARD OF DIRECTORS

The board's main duties include the following:

- To approve Metso's long-term goals and strategy
- To approve annual business and other major action plans
- To approve Metso's organizational structure and the principles for the incentive systems
- To appoint and to dismiss the President and CEO; to approve the appointment and dismissal of the Deputy to CEO, Metso Executive Team members and the Presidents of the reporting segments based on proposal by 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 the bookkeeping and handling of financial matters and risk management
- To make proposals for and convene the Annual General Meeting of Shareholders and Extraordinary Meetings of Shareholders
- To decide upon other matters that do not belong to day-to-day operations or matters that are of major importance, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements as well as major financial guarantees. The Board also decides upon principles, within the framework of which Metso's management can make decisions on investments, business acquisitions and divestitures, and financial guarantees
- To approve Metso's corporate policies in key management areas, like corporate governance, risk management, financial control, treasury, internal control, information security, corporate communications, human resources, environment and disclosure policy, and code of conduct. Metso's President and CEO approves more detailed and supplementary guidelines for application of the Board approved policies

2012

The key theme of the Board's agenda was strategic development of Metso's business. The agenda covered Metso's global presence, HR processes, developing the services business, and regularly monitoring the financial development of Metso and its different businesses.

The Board carried out a self-assessment of its performance. The assessment consisted of a questionnaire and an interview of the Board members, conducted by the Chairman, which

assessed e.g. the composition of the Board, efficiency and quality of the Board and its Committees' work, the Board's strategy work, collaboration between the Board and operative management, quality of information, materials, and reporting and control systems provided to and used by the Board. The results of the assessment are used in developing the Board work.

The 2012 Annual General Meeting elected seven members to the Board. Jukka Viinanen was elected as Chairman and Mikael von Frenckell as Vice Chairman. The Board members re-elected were Christer Gardell, Ozey K. Horton, Jr., Erkki Pehu-Lehtonen and Pia Rudengren. Eeva Sipilä was elected as a new member of the Board. Eija Lahti-Jäntti, the personnel representative, participated in the meetings as an invited expert within the limitations prescribed by corporate governance legislation. All Board members were independent of the company and independent of Metso's significant shareholders. The Board did not allocate to its members any specific operational focus areas to monitor. The Board met 13 times during 2012 and it made two unanimous resolutions without convening. The meeting participation rate by its members was 95 percent.

Board committees

The Board has two permanent committees: an Audit Committee and a Remuneration and HR Committee. The Board 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.

Audit Committee

The Board's Audit Committee monitors the company's financial reporting and prepares issues for the Board related to the monitoring of our financial situation, financial reporting, auditing, and risk management. Among other things, the Audit Committee:

- Assesses Metso's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Metso'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
- Reviews Metso's Corporate Governance Statement
- Approves the audit plans of internal and independent auditors and follows up reporting related to these plans
- Prepares for the election of independent 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 Metso
- Assesses Metso's financial reporting and reporting methods in collaboration with the company's

management, internal audit and an external auditor or other external experts

- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees
- Maintains procedures enabling the receiving and processing of complaints related to accounting, internal control and internal auditing, and the possible anonymous and confidential reporting of misconduct, fraud, and accounting and auditing issues

The Audit Committee convenes at least four times per year. It consists of the committee's chairman and two members, all of whom are elected by the Board from among the members independent of the company. At least one of the members must be independent of significant shareholders. The Audit Committee members must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, book-keeping or auditing.

2012

In addition to its regulatory duties, among other things, the Audit Committee discussed Metso's financing situation and reporting practices. In addition, the committee assessed Metso's tax issues and reviewed the success of business acquisitions made in recent years, and it monitored the progress of global ERP projects. Additionally, the Audit Committee reviewed the impairment tests performed on the intangible assets with indefinite useful lives. As a result of these tests, no impairment was recognized. The Audit Committee also reviewed Metso's Corporate Governance Statement. The Audit Committee did not use any external advisors.

The Audit Committee comprised Pia Rudengren (Chairman), Erkki Pehu-Lehtonen, Eeva Sipilä (starting March 29, 2012) and Maija-Liisa Friman (until March 29, 2012). All committee members are independent of the company and of significant shareholders. The Audit Committee convened five times, and member attendance was 100 percent. Metso's CFO Harri Nikunen was the secretary of the Audit Committee. Metso's President and CEO and the independent auditor also participated in the meetings.

Remuneration and HR Committee

Among other things, the Remuneration and HR Committee

- Reviews and monitors the competitiveness of Metso's remuneration and incentive systems and the development of the Human Resources related issues, such as competence and talent development and the successor planning of Metso's senior management
- Evaluates the performance and compensation of the President and CEO
- Prepares and makes proposals to the Board for the compensation and benefits of the President and CEO
- Makes proposals to the Board for the appointment of the Metso Executive Team members, based on the President and CEO's preparations

- Decides upon the remuneration and benefits of the Metso Executive Team members. The committee may authorize its chairman to decide upon the remuneration and benefits of these officers. The President and CEO submits the proposed remuneration and benefits of the other officers reporting to the President and CEO to the committee chairman for approval

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, except when the agenda includes items relating to him.

2012

The main tasks of the Remuneration and HR Committee included monitoring the realization of the 2012 performance bonus plan and planning of the 2013 plan. The committee used external advisors relating to the share-based incentive scheme and has ensured that the advisors were not simultaneously advisors to the HR department or the operating management.

The Remuneration and HR Committee comprised Jukka Viinanen (Chairman), Christer Gardell, Mikael von Frenckell and Yrjö Neuvo (until March 29, 2012). Merja Kamppari, Senior Vice President, HR, was the committee secretary. The committee convened five times during the year and the participation rate was 88 percent.

Board member meeting participation

The Board convened 13 times in 2012. The member participation rate was 95 percent. Additionally, the Board made two unanimous resolutions without convening. The Audit Committee convened five times, and the member participation rate was 100 percent. The Remuneration and HR Committee convened five times, and its member participation rate was 88 percent.

	Board	Audit Committee	Remuneration and HR Committee
Jukka Viinanen	13/13	-	5/5
Maija-Liisa Friman (until March 29, 2012)	3/3	1/1	-
Mikael von Frenckell	12/13	-	5/5
Christer Gardell	12/13	-	4/5
Ozey K. Horton, Jr.	12/13	-	-
Yrjö Neuvo (until March 29, 2012)	3/3	-	1/2
Erkki Pehu-Lehtonen	13/13	5/5	-
Pia Rudengren	13/13	5/5	-
Eeva Sipilä (starting March 29, 2012)	8/10	4/4	-
Eija Lahti-Jäntti (personnel representative)	10/10	-	-

Management Structure

President and CEO

The President and CEO manages Metso's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board. The President and CEO is appointed – and, if necessary, dismissed – by the Board, and he reports to the Board about, e.g., Metso's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board and its committees and implements their decisions. Additionally, the President and CEO acts as Chairman of the Metso Executive Team (MET).

Metso Executive Team (MET)

The President and CEO and other members appointed by the Board constitute the Metso Executive Team. The MET assists the President and CEO in the preparation of matters, such as business plans, strategy, policies and other matters of joint importance.

Reporting segment management

The heads of the reporting segments report to Metso's President and CEO and provide him/her with information about their respective business's financial development and position, operational performance, operating environment development, customers and competitive situation. They are also responsible for the development of the business line operations and strategy, for implementing Metso's plans, strategies and operating policies within the business lines, and for collaboration between the business lines.

Subsidiary boards

The subsidiary boards ensure that operations in all Metso companies are managed in accordance with prevailing laws, regulations and operating policies. Metso's President and CEO, as chairman, and two to four other members appointed by the President and CEO, generally from the Metso Executive Team, constitute the boards of the major subsidiaries. The President and CEO decides on the possible additional responsibilities of the boards of holding and other similar companies belonging to Metso Group.

2012

The Metso Executive Team met 11 times during the year. Among its main tasks were strategic development of Metso's business and structure and monitoring financial development. The MET also focused on development of Metso's global presence, HR processes, development of the services business, as well as acquisitions and divestments. The Metso Executive Team also reviewed and updated Metso's strategy for the Board review.

Matti Kähkönen was Metso's President and CEO and Chairman of the Metso Executive Team. The other MET members

were Andrew Benko, President, Mining and Construction segment; Perttu Louhiluoto, President, Automation segment; Pasi Laine, President, Pulp, Paper and Power segment, and Executive Vice President and Deputy to the CEO; Harri Nikunen, CFO; Merja Kamppari, Senior Vice President, HR; and Kalle Reponen, Senior Vice President, Strategy and M&A.

Main features of the internal control and risk management systems pertaining to the financial reporting process

The internal control mechanism seeks to ensure the company's compliance with applicable EU laws, regulations and our 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 Metso's strategic, operational and financial targets. Internal control practices are aligned with Metso's risk management process. The goal of risk management is to support Metso's strategy and the achievement of objectives by anticipating and managing potential business threats and opportunities. The discussion below focuses on internal control and risk management related to the financial reporting process.

Metso's operating model of internal control and risk management related to financial reporting is designed to provide sufficient 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 Metso 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 bears the overall responsibility for the internal control over financial reporting. The Board has established a written formal working order that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an 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 function focuses on developing and enhancing internal control over

the financial reporting in Metso by proactively concentrating on the internal control environment and by monitoring the effectiveness of the internal control. Our internal steering instruments for financial reporting primarily comprise Metso's Code of Conduct, Internal Control Policy, Internal Control Standards, Treasury Policy and our accounting policies and reporting instructions, which define the accounting and reporting rules, and Metso's definition of processes and minimum requirements for internal control over financial reporting.

Risk assessment

Metso's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the financial reporting at the Group, reporting segment, unit, function and process levels. The assessment of risk includes, for example, risks related to fraud and unlawful activities, as well as the risk of loss or misappropriation of assets. The risk assessment results in control targets through which we seek 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

We have established an internal Metso Compliance Program to ensure the correctness and credibility of our financial reporting and compliance with our governance principles in all our units. Its purpose is to create a coherent control environment at Metso by implementing proper, internal control principles for different business processes and to share internal control-related best practices. The program stems from the listing of Metso's share in the United States until 2007 and the Sarbanes Oxley Act (SOX) requirements we complied with in conjunction with the listing. The Metso Compliance Program affects all our units and is more flexible and in some respects more comprehensive than SOX reporting. In line with the SOX requirements, our control standards define the basic level for internal controls that all units must achieve. Our internal audit function, assisted by trained Metso testers from different parts of our organization, is responsible for the testing of the units. Unlike with the SOX system, independent auditors do not issue a separate statement on the functionality of our internal controls, although in their work they do widely utilize the documentation created in conjunction with the Metso Compliance Program.

Our Internal Control Standards are designed to ensure that local management in every Metso unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Metso units. This is complemented with proper segregation of key duties and management oversight controls in the organizations. Properly established internal control mechanisms safeguard us also from possible misconduct. Internal Control Standards list the control standards for selected business processes, which are sales and project business, procurement, payroll, inventory, treasury, financial reporting, fixed assets and IT systems. 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. In Metso's Compliance Program the effectiveness of the monitoring procedures are assessed and tested. The program also requires the correction of any shortcomings.

2012

The integration of Metso's Compliance and internal audit activities continued as planned during the year. The use of testers for audit environment testing was active and the competence profile of the testers was diverse. Operative auditing focuses increasingly on the assessment of the assumption process of new systems taken into use and on the auditing of various special operative areas.

Information and communication

In order to secure an effective and efficient internal control environment, we seek to ensure that Metso's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, i.e. accounting principles, financial reporting instructions and the disclosure policy are available on Metso's intranet. We arrange training for our personnel regarding internal control issues and tools. Metso'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 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 CEO, Group management, internal audit, and the management of the reporting segments and Group companies. Monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from internal audit and quarterly reports by independent auditors. Our internal audit annually assesses the effectiveness of Metso's operations and the adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal audit compiles an annual audit plan, the status and findings of which it regularly reports to Metso management, auditors and the Audit Committee. Furthermore, our internal audit and independent auditor meet regularly to coordinate the monitoring efforts.

2012

Program updates and new sections for compliance requirements, like the adoption of measures that are in line with the anti-corruption and anti-bribery policy were planned for 2013.

Compliance with laws and code of conduct

In all our operations we seek to comply with applicable laws and statutes as well as generally accepted practices. Additionally, our operations are guided by Metso's Code of Conduct, internal policies and guidelines as well as values. Our Code of Conduct describes Metso's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations. They support Metso's responsible operations, sustainability and our success. The foundation of our Code of Conduct is the UN Universal Declaration of Human Rights, the UN Global Compact initiative, which we have 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 our Code of Conduct.

We require that each one of our 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. In conjunction with internal audits, we strive to ensure that everyone in the unit being audited is familiar with and compliant with the laws, regulations and principles relating to their own work. In addition to Metso's management, the due course of operations is monitored by the Board's Audit Committee, which reports any misconduct to the Board.

Internal audit

Metso's internal audit assesses the efficiency and appropriateness of our operations and examines the functioning of internal controls. It seeks to ensure the correctness of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the company's assets.

Additionally, internal audit proactively encourages the development of risk management in Metso's various operations. The head of internal audit reports administratively to the CFO, but has direct access also to the President and CEO and to the chairman of the Audit Committee.

Reporting of suspected financial misconduct

Our guidelines on the prevention of financial misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be submitted in several languages via the Internet, by phone or by email, and anonymously if necessary. Suspected misconduct is investigated immediately and confidentially. Internal audit decides on how the matter will be investigated and reports the suspicion to the Audit Committee. The legal affairs and HR functions together implement any measures consequential to the misconduct.

2012

We received 10 reports of suspected financial misconduct via the Whistleblower channel. Additionally, internal audit received 16 direct contacts. A total of 19 cases were investigated, six of the suspicions were classifiable as misconduct. There were no cases of misconduct revealed in conjunction with internal audits. The cases of misconduct were reviewed by the Audit Committee in line with our guidelines on reporting misconduct. The cases did not have a significant impact on our financial results.

Auditors

According to the Articles of Association, Metso has one auditor, which must be a firm of public accountants certified by the Finnish Central Chamber of Commerce. The Board's Audit Committee prepares the auditor selection process. Since 2008, the policy when electing the auditor has been that the aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Roger Rejström can act in that capacity no later than for the audit of financial period 2019. There are no term limits regarding the duration of the auditing firm.

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 parent company's auditor must also audit the consolidated financial statements and other mutual relationships between Group companies.

In conjunction with our annual financial statements, the auditor gives Metso'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. 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.

2012

The Audit Committee decided in autumn 2011 to invite tenders for Metso's auditor. As a result, the spring 2012 Annual General Meeting of Shareholders elected Authorized Public Accountant Ernst & Young Oy as the auditor, with Roger Rejström as principal auditor. Our auditor was last put out to tender in 2004. The fees related to auditing work in 2012 amounted to EUR 2.3 million.

Audit fees					
EUR million	2008	2009	2010	2011	2012
Audit	2.7	2.5	2.5	2.6	2.3
Tax services	1.8	1.7	2.0	2.0	0.3
Other services	1.1	0.8	1.0	1.1	0.2
Total	5.6	5.0	5.5	5.7	2.8

Insiders

We comply with the NASDAQ OMX Helsinki Guidelines for Insiders. Our permanent insiders are not permitted to trade in Metso's issued securities during the 21 days immediately prior to the publication of a Metso interim review or financial statements release. The ownership of Metso securities by statutory insiders (insiders subject to the disclosure obligation) and their interest parties is public. Statutory insiders include the Chairman, Vice Chairman and members of the Board of Directors, the President and CEO and his deputy, the principally responsible auditor of a firm of public accountants and Executive Team members.

Additionally, Metso also has permanent company-specific insiders and separately identified project-specific insiders whose securities ownership is not public. We update the register of our statutory insiders in the Euroclear Finland Ltd's Sire system, where information on the ownership of securities can be obtained directly from the book-entry system.

Management remuneration

The objective of remuneration at Metso 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 Metso's financial performance, internal and external references and observing remuneration levels for similar positions among peer companies. Metso's remuneration package for key personnel and executives includes a competitive salary and employee 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.

Remuneration of the Board

The Annual General Meeting decides on the remuneration to the members of the Board for one term of office at a time. According to the decision of the 2012 Annual General Meeting, the annual fees paid to Board members were:

- Chairman of the Board EUR 100,000
- Vice Chairman of the Board EUR 60,000
- Chairman of the Audit Committee EUR 60,000
- Other Board members EUR 48,000

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 and for those residing outside of Europe EUR 2,800. Compensation for travel expenses and daily allowances was paid in accordance with Metso's travel policy.

Based on the decision of the Annual General Meeting in 2012, 40 percent of the Board's annual fees were used to buy Metso shares from the market. The shares were acquired within the two weeks following the April 28, 2012 publication of the interim report. Altogether, 5,544 shares were acquired, which is 0.004 percent of Metso's total share capital. There are no special terms or conditions associated with owning these shares.

The number of shares acquired in this conjunction for Board members are listed in the table below.

Board member and number of shares

Jukka Viinanen	1,346
Mikael von Frenckell	807
Christer Gardell	646
Ozey K. Horton, Jr.	646
Erkki Pehu-Lehtonen	646
Pia Rudengren	807
Eeva Sipilä	646
Total	5,544

The Board members, none of whom are employees of Metso, were paid annual remuneration and meetings fees totaling EUR 514,200 during the financial year that ended December 31, 2012. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans.

Decision-making process and main principles of remuneration of the 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. 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.

The remuneration of Executive Team members, including the President and CEO, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses decided by the Board. As long-term incentives, the Executive Team members are included in share ownership plans that are decided and implemented by the Board and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting. There are no options outstanding or available from any of Metso's prior option programs.

Additionally, executive management benefits include a supplementary defined contribution pension plan for all members of the Executive Team, with the exception of President and CEO Matti Kähkönen, who had already earlier been in a supplementary defined benefit pension plan. Metso's Board has outlined that no new supplementary defined benefit pension plans will be introduced.

Performance bonuses

The Board annually confirms the terms and targets of our performance bonuses on the Group level. The amount of bonus payment, if any, is based on achieving set financial performance targets, such as EBITA and cash flow, of Metso and/or the business in question. In addition to these, also individual and/or team targets are used. The Remuneration and HR Committee evaluates 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 performance bonus is currently 40–60 percent of their annual total salary.

Share-based incentive plans

The Board decides and implements Metso's share-based incentive plans, which are part of the remuneration program for Metso management. The purpose of the plans is to align the goals of Metso's shareholders and management to enhance the value of the company. The plans also aim to ensure commitment of management and to offer them a competitive, ownership-based reward scheme. The plans that started in 2009, 2010 and 2011 required participants to make a personal investment in Metso shares. In the share-based incentive plans that started in 2012 and 2013, shares will be allocated to participants based on the achievement of predefined targets and the personal investment in Metso shares is not required. Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value.

Share Ownership Plan 2009–2011

In the share-based incentive plan for management approved by the Board in October 2008, the plan included a three-year earning period and required participants to make a personal investment in Metso shares. The plan's performance criteria (total shareholder return and earnings per share) achieved 69 percent of the maximum. In April 2012, the reward of a total 127,356 shares was paid to 82 individuals. The Executive Team's portion was 19,359 shares. The total reward, which includes the cash share used to cover taxes, corresponded to about 264,836 shares. The share transfer was carried out with a direct free share issue. Any shares earned must be held for a minimum of one year after the reward payment.

Share Ownership Plan 2010–2012

In October 2009, the Board approved a similar share-based incentive plan for management, Metso Share Ownership Plan 2010–2012. The plan included one three-year earning period, which began on January 1, 2010, and ended on December 31, 2012. The plan was initially targeted to about 100 Metso managers, of which 80 were participating at the end of 2012. The participants have invested in 45,600 shares (initial investment) and the rewards that can be paid on the basis of the plan correspond to a maximum total of 308,800 Metso shares. The reward from the plan consists of grants of the base matching shares and performance shares. The amount of base matching shares is based on Metso share price development and it can be 2.5 or 1.25 times the number of shares in the initial investment. The potential reward in the form of performance shares is based on the combination of Metso's Total Shareholder Return (TSR) over the three-year period and on the annual earnings per share (EPS) in 2010–2012. If the TSR is zero or negative over the three-year period, no performance shares shall be distributed. The maximum ratio of the performance shares for the President and CEO is six, for the other MET members five and for other participants four times of the number of shares in the initial investment. In addition to meeting the performance targets, receiving the reward requires that the participant holds the initial investment for the entire earning period and is employed by Metso until the reward payment. The amount of the potential reward will be determined in April 2013, and it will be paid in Metso shares in the first half of 2013. In countries where the employer has a payroll tax withholding obligation, Metso can pay a maximum of 60 percent of the reward in cash instead of shares, which is aimed to cover taxes and related

payments. Any shares earned must be held for a minimum of one year after the reward payment. Members of the current Metso Executive Team can receive a maximum total of 51,325 shares as share rewards.

Share Ownership Plan 2011–2013

In September 2010, the Board approved a third, similar share-based incentive plan for management, Metso Share Ownership Plan 2011–2013. The plan includes one three-year earning period, which began on January 1, 2011, and will end on December 31, 2013. The plan was initially targeted to about 100 of Metso's key personnel, of which 68 were participating at the end of 2012. The participants initially invested in 34,515 shares, and the rewards that can be paid on the basis of the plan correspond to a maximum total of 236,748 Metso shares. The criteria for the reward payment and the terms and conditions of the plan are essentially the same as in the plans for 2009–2011 and for 2010–2012 described above. The amount of the potential reward will be determined in April 2014, and it will be paid in Metso shares, or partly in cash, in the first half of 2014. Members of the current Metso Executive Team can receive a maximum total of 77,400 shares as share rewards.

The participant's annual reward payments (valued at the share's market price at the transfer date) from these ownership plans cannot exceed in any year the participant's annual total salary, defined as taxable annual gross income without bonus and long-term incentives, multiplied by 1.5 at the record date.

Long-term Incentive Plan 2012–2014

In December 2011, Metso's Board decided to establish a new share-based incentive plan that has three performance periods, which are calendar years 2012, 2013 and 2014. The Board

shall decide on the performance criteria targets and participants in the beginning of each performance period. In the 2012 performance period, 93 Metso management members were participating in the plan in the end of 2012, and the reward was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share. The rewards to be paid on the basis of the 2012 performance period correspond to a maximum of 414,880 Metso shares. The Executive Team's share of the 2012 earnings period can be a maximum of 95,132 shares.

The reward from the 2012 performance period will be paid at the end of an approximately two-year vesting period in 2015, partly in company shares and partly in cash. The proportion to be paid in cash is 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 one year earlier. The plan for the 2013 performance period covers about one hundred Metso managers, and the potential reward generated will be based on the same criteria as the 2012 performance period, i.e. net sales growth of Metso's services business, return on capital employed (ROCE) before taxes, and earnings per share. The potential rewards to be paid on the basis of the 2013 performance period will correspond to a maximum total of 460,000 Metso shares. The Executive Team can receive a maximum reward of 92,392 shares. The potential reward from the 2013 performance period will be paid at the end of an approximately two-year vesting period in 2016, 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's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

Remuneration paid to the President and CEO, Executive Vice President and other Executive Team members

2011 EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO ¹⁾	117,680	253,012	2,166	-	372,858
President and CEO ²⁾	419,357	190,113	12,349	-	621,819
Executive Vice President ³⁾	84,942	-	2,363	-	87,305
Executive Vice President ⁴⁾	304,900	200,340	9,500	-	514,740
Other Executive Team members	1,353,595	857,595	60,915	-	2,272,105
Total	2,280,474	1,501,060	87,293	-	3,868,827

¹⁾ Jorma Eloranta, until February 28, 2011

²⁾ Matti Kähkönen, starting March 1, 2011

³⁾ Matti Kähkönen, until February 28, 2011

⁴⁾ Pasi Laine starting March 1, 2011

2012 EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO	551,820	201,965	16,487	300,489	1,070,761
Executive Vice President	383,386	222,348	11,624	300,489	917,847
Other Executive Team members	1,504,274	428,050	74,326	776,085	2,782,735
Total	2,439,480	852,363	102,437	1,377,063	4,771,342

Additionally, Metso has subscribed pension plans for senior management and the beneficiaries include members of the Metso Executive Team. For the years ended December

31, 2011 and 2012, the pension insurance premium payments totaled approximately EUR 1.8 million and EUR 0.56 million, respectively.

Remuneration of the President and CEO

Metso's President and CEO Matti Kähkönen is entitled to participate in Metso's short- and long-term incentive programs according to the respective terms and conditions of those programs. The terms and conditions are decided by

the Board. The Board assesses the work and performance of the President and CEO and decides on his remuneration. The remuneration of Matti Kähkönen is described in more detail in the following table.

Employment terms and conditions of President and CEO Matti Kähkönen

Base salary and fringe benefits	Total monthly salary EUR 45,000, 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	According to Metso's Share Ownership and Long-term Incentive Plans. In the share-based incentive plans starting in 2009, 2010 and 2011, the annual reward payment cannot exceed the annual total salary, defined as taxable annual gross income without annual bonus and long-term incentives, multiplied by 1.5. In the long-term incentive plan 2012-2014, the maximum bonus is 120 percent of the total annual salary.
Pension	Retirement age is 63 years. Kähkönen has a supplementary defined benefit pension plan. His total pension is 60 percent of average monthly earnings during the past four full calendar years prior to retirement.
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.

Board of Directors Dec 31, 2012



Jukka Viinanen

Born 1948
Finnish citizen.

Main occupation:
Chairman of the Board.

M.Sc. Chemical Engineering.
Board member since 2008. Chairman of the Board since 2009. Chairman of Metso's Remuneration and HR Committee. Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 4,647

Key work experience: President and CEO of Orion Corporation 2000–2007; various management positions, Neste Corporation 1980–1999; President and CEO and Vice Chairman of the Board 1997–1999.



Mikael von Frenckell

Born 1947
Finnish citizen.

Main occupation:
Chairman of the Board.

MSc. (Soc.).
Metso Board member since 2010. Vice Chairman of the Board since 2012. Member of the Metso's Remuneration and HR Committee. Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 101,932

Key work experience: various management positions, Union Bank of Finland 1990–1995; various management positions (incl. Sponsor Oy, Ekström Oy).



Christer Gardell

Born 1960
Swedish citizen.

Main occupation:
CEO.

MSc. Business Administration and Economics.
Metso Board member since 2006. Member of Metso's Remuneration and HR Committee. Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 1,771

Key work experience: Founder and Managing Partner, Cevian Capital, 2001–; CEO, AB Custos 1996–2001; Partner at Nordic Capital and McKinsey & Company.



Ozey K. Horton, Jr.

Born 1951
U.S. citizen.

Main occupation:
Board professional,
independent advisor.

MBA, BSE.
Metso Board member since 2011. Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 1,098

Key work experience: Various management positions; McKinsey & Company 1981–2011.



Erkki Pehu-Lehtonen

Born 1950
Finnish citizen.

Main occupation:
Board professional.

MSc. Mechanical Engineering.
Metso Board member since 2010.
Member of Board's Audit Committee.
Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 2,521

Key work experience: President and CEO, Pöyry Plc 1999–2008; other management positions, Pöyry Plc, Neles-Jamesbury Inc. and Valmet Paper Machinery Inc.



Pia Rudengren

Born 1965
Swedish citizen.

Main occupation:
Board professional.

MSc. Business Administration and Economics.
Metso Board member since 2009.
Chairman of Board's Audit Committee.
Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 2,042

Key work experience: Board professional 2006–; Executive Vice President, W Capital Management AB 2001–2005; CFO, (member of the management team 1998–2001) Investor AB 1990–2001.



Eeva Sipilä

Born 1973
Finnish citizen.

Main occupation:
Executive Vice President, CFO, Cargotec Corporation.

MSc. Econ., CEFA.
Metso board member since 2012.
Member of Board's Audit Committee.
Independent of the company and of significant shareholders.

Metso shares Dec 31, 2012: 646

Key work experience: CFO, Cargotec Corporation 2008–; Senior Vice President, Investor Relations and Communications, Cargotec Corporation 2005–2008; Vice President, Investor Relations Metso Corporation 2002–2005.

Personnel representative

In accordance with the Finnish law on personnel participation, a personnel representative participates in the Board meetings as an invited expert. The representative does not have voting rights, nor is she or he legally responsible for Board decisions. The representative is elected by Metso's Finnish personnel groups for the same term as that of the Board members.



Eija Lahti-Jäntti

Born 1963
Finnish citizen.

Main occupation:
Customer Services Coordinator.
Lahti-Jäntti participates in the meetings of Metso's Board of Directors as an invited expert, and her term of office is the same as the Board members' term. Employed by Metso since 1988.

Executive Team Dec 31, 2012



Matti Kähkönen

Born 1956
Finnish citizen.

Main occupation:
President and CEO.

MSc. (Eng.).
Chairman of the Executive Team since 2011. Member of the Executive Team since 2001. Joined the company in 1980.

Metso shares Dec 31, 2012: 16,465

Key experience: President, Metso Minerals 2006–2011; Metso Automation 2001–2006.



Harri Nikunen

Born 1955
Finnish citizen.

Main occupation:
CFO.

BA, Finance and Business Administration.
Member of the Executive Team since 2011. Joined the company in 1994.

Metso shares Dec 31, 2012: 6,539

Key experience: Various senior management positions, Metso 1994–2011; various finance management positions, Rosenlew Group 1986–1994.



Andrew Benko

Born 1949
U.S. citizen.

Main occupation:

President, Mining and Construction.

MSc. Engineering.
Member of the Executive Team since 2011. Joined the company in 2001.

Metso shares Dec 31, 2012: 12,286

Key experience: President, Metso's Equipment and Systems 2009–2011, and Mining business line 2007–2009; President, Minerals Processing business line 2001–2006; various top management positions at Svedala 1993–2001.



Perttu Louhivuoto

Born 1964
Finnish citizen

Main occupation:

President, Automation.

Master of Laws, MSc. Economics.
Member of the Executive Team 2009 and since 2011. Joined the company in 2008.

Metso shares Dec 31, 2012: 4,336

Key experience: President, Energy and Environment Technology 2011; Senior Vice President, EMEA Market Area, Mining and Construction Technology 2009–2011; Senior Vice President, Operational Excellence, Metso Corporation 2008–2009; Partner, McKinsey & Company 2000–2008; various positions 1991–1999.



Pasi Laine

Born 1963
Finnish citizen

Main occupation:

President, Pulp, Paper and Power.
Executive Vice President and Deputy to CEO.

MSc. (Eng.).
Member of the Executive Team since 2006. Joined the company in 1998.

Metso shares Dec 31, 2012: 13,574

Key experience: President, Paper and Fiber Technology 2011; President, Energy and Environmental Technology 2008–2011; President, Metso Automation 2006–2008, Metso Automation's Field Systems Business Line 2003–2006.



Kalle Reponen

Born 1965
Finnish citizen

Main occupation:

Senior Vice President, Strategy and M&A.

MSc. Economics.
Member of the Executive team since 2008. Joined the company in 2006.

Metso shares dec 31, 2012: 5,741

Key Experience: Partner, MCF Corporate Finance 2003–2006; Head of Capital Goods, Nordea Corporate Finance 2000–2003; various positions, Wärtsilä Corporation 1991–2000.



Merja Kamppari

Born 1958
Finnish citizen

Main occupation:

Senior Vice President, Human resources.

MSc, Economics.
Member of the Executive Team since 2011. Joined the company in 2009.

Metso shares Dec 31, 2012: 3,708

Key experience: Various top management HR positions, Nokia Networks and Nokia Siemens Networks 1994–2009.