

Remuneration Statement 2017



Remuneration Statement

Remuneration

Well-functioning and competitive remuneration is an essential tool for engaging competent members at Board-level, as executives and as experts on all levels of the organization. Remuneration must be in proportion to the long-term value creation and development of the Company.

Our remuneration is built on the following principles:

DRIVING HIGH PERFORMANCE

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. A key element of Valmet's remuneration is the implementation of a pay for performance -culture. All employees are eligible for a performance reward or bonus, linking rewarding to performance and strengthening individual and team accountability. For key personnel and top management, a notable part of remuneration comes from variable pay, i.e. short-term and long-term incentives, to ensure that remuneration is aligned with the Company's financial performance and linked to the successful implementation of business strategy.

COMPETITIVE REMUNERATION TO RETAIN TALENT WITH THE BEST FIT

In determining the appropriate remuneration levels, Valmet applies a benchmark approach, ensuring that remuneration is aligned with internal and external references and observing remuneration levels for similar positions among peer companies. Valmet's approach is not to be the market leader in pay, but to offer competitive remuneration to retain talent with the best fit.

FAIRNESS AND SUSTAINABILITY

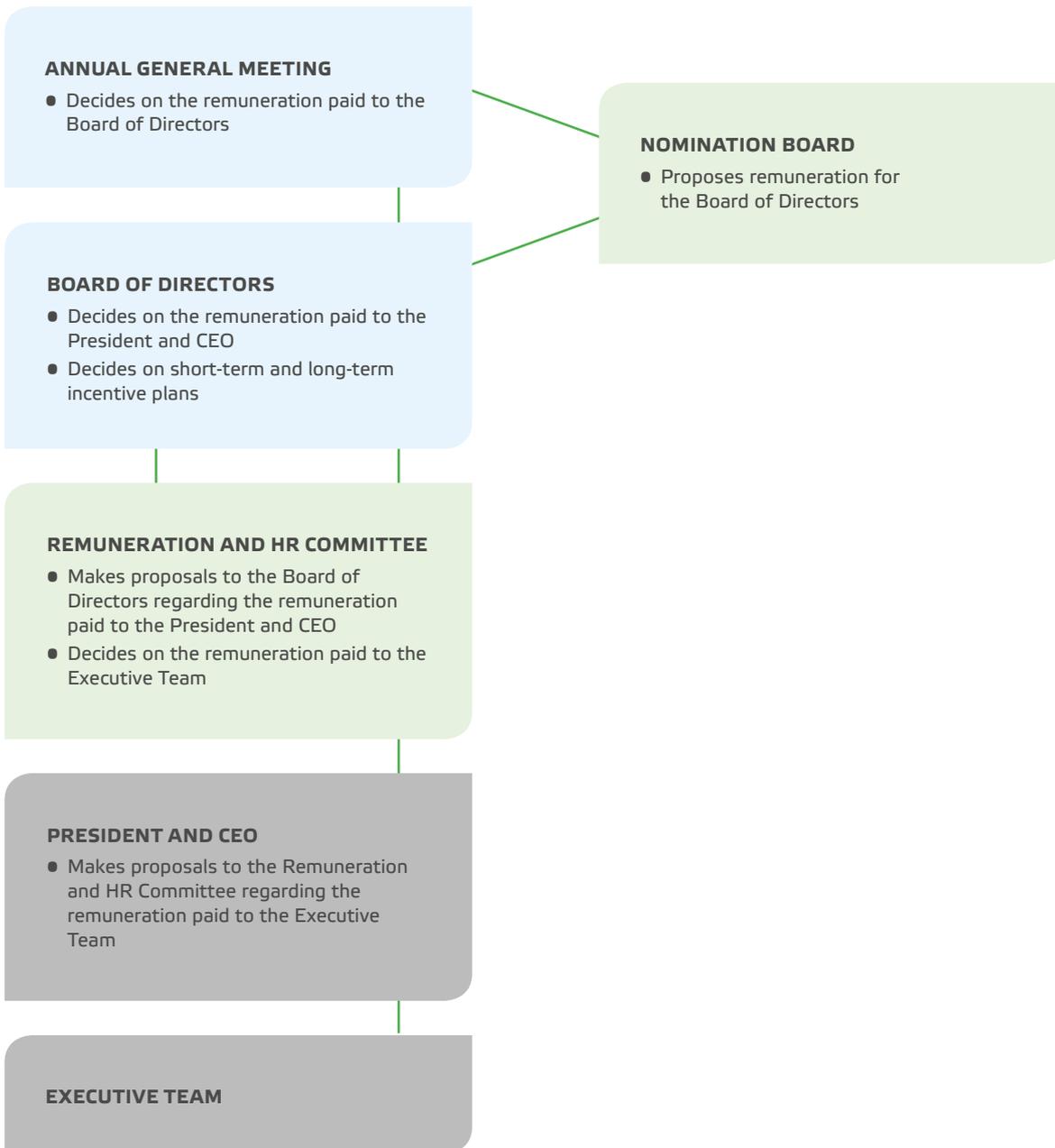
Linking remuneration to the role, local salary market and individual and/or team performance, Valmet aims to ensure equal treatment and fair remuneration of all employees.

Valmet's remuneration approval principles are designed to ensure that changes in pay are always subject to grandfather approval. This supports the equality and impartialness of decisions related to pay.

Valmet's variable pay components support sustainability by tying selected sustainability topics, such as health and safety as well as the sustainable supply chain, to remuneration.

Decision-making process concerning board and executive remuneration

The below picture summarizes Valmet's decision-making process regarding the remuneration of the Board of Directors, the President and CEO and the Executive Team.



Board of Directors

The Annual General Meeting decides on the remuneration of the members of the Board of Directors for one term of office at a time. The preparation of the remuneration of the Board of Directors is delegated to Valmet's Nomination Board. The Nomination Board submits its proposals to the Board of Directors at the latest on January 31 preceding the Annual General Meeting. In the preparatory work preceding the Annual General Meeting the Nomination Board also uses external experts.

In accordance with its charter, the Nomination Board presents its proposals and reports on its activities to the Annual General Meeting. More detailed information describing the procedures used for the 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.

Board authorizations regarding share repurchase and share issue

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.

In the Annual General Meeting on March 23, 2017, 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. The authorization shall stay in force until the next Annual General Meeting.

In the Annual General Meeting on March 23, 2017, 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 ten percent of all the shares in Valmet Oyj. 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 board and executive remuneration

Main principles of board remuneration

On March 23, 2017 the Annual General Meeting decided, based on the proposal prepared by the Nomination Board, on the remuneration for 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 EUR 60,000; and to the other members of the Board of Directors EUR 48,000 each.

Furthermore, a base fee of EUR 14,000 was paid to the Chairman of the Audit Committee and EUR 7,000 to other members of the Audit Committee, and EUR 6,000 to the Chairman of the Remuneration and HR Committee and EUR 4,000 to other members of the Remuneration and HR Committee.

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.

Main principles of remuneration for the CEO and other Executive Team members

The remuneration of the President and CEO, as well as the Executive Team members, is comprised of a monthly total salary (including a 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.

The below table summarizes the elements of remuneration for the CEO and other Executive Team members.

Elements of remuneration for the CEO and other Executive Team members

	Remuneration element	Purpose and link to strategy	Operation
Fixed pay	Base salary and fringe benefits	Core reward for the role at an appropriate level to attract and retain individuals needed to execute and deliver on Valmet's strategic objectives.	Valmet follows the market median to determine the correct level for the base salary, taking into consideration an individual's experience and performance in the role. Fringe benefits are determined according to local market practice. Base salaries are normally reviewed annually with effect from January 1. Salary market movement and Company performance, the responsibility area as well as individual performance are considered when determining salary increases. The CEO's total monthly salary in 2017 was EUR 50,635.00 including salary and fringe benefits (company car and mobile phone).
	Supplementary pension plan	Appropriate level of retirement benefit	The CEO has a defined contribution pension plan. Contribution is 20% of annual base salary. Retirement age is 63 years. The Executive Team members, excluding the CEO, 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 supplementary defined contribution pension plans. The contribution level to the plans varies between 15%-20% of annual base salary based on role.

	Remuneration element	Purpose and link to strategy	Operation
Variable pay	Short-term Incentive	To incentivize and recognize the achievement of specific annual financial and business objectives in support of the Company's strategy.	<p>Short-term incentives are annual performance bonuses for which the Board of Directors sets the target levels for the President and CEO. The CEO sets the Executive Team members' short-term incentive targets and the Remuneration and HR Committee approves them. The CEO's annual bonus is earned in accordance with terms approved by the Board. The maximum bonus is 60 percent of annual base salary.</p> <p>The short-term incentive plans for Executive Team members include Company level and business specific financial and operational targets, as well as strategic individual targets. The maximum bonus is 50 percent of annual base salary.</p>
	Long-term Incentive	To align the objectives of shareholders and management to increase the value of the Company, commit management to the Company, and offer management a competitive reward plan based on long-term shareholding in Valmet.	<p>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. The plan includes a performance period with company level strategic performance targets and a restriction period, during which the shares paid as reward may not be transferred.</p> <p>President and CEO Pasi Laine: Prior to the partial demerger of Metso Corporation and before Valmet Oyj was incorporated, long-term incentives according to Metso's Long-term Incentive Plan 2012–2014, the maximum LTI payment was 120 percent of the annual base salary.</p> <p>The Long-term Incentive Plan 2015–2017 approved by Valmet's Board of Directors, included three performance periods, namely the calendar years 2015, 2016, and 2017. The reward for each period may not exceed 120 percent of the annual base salary.</p>
Share ownership	Share ownership recommendation	To encourage a significant shareholding in Valmet	All members of Valmet's Executive Team are recommended to own and hold Company shares equaling to their gross annual base salary (100 percent ownership recommendation).
Other	Notice period and termination benefits	To have clear contractual terms in place	<p>Notice period for all Executive Team members including the President and CEO is six months for both parties.</p> <p>The CEO's severance pay (if the company terminates the agreement) equals six months' notice period plus severance pay corresponding to the last total monthly salary multiplied by 18.</p> <p>The severance pay for Executive Team Members, excluding the CEO, equals six months' notice period plus severance pay corresponding to the last total monthly salary multiplied by six if the company terminates the agreement.</p>
	Special reward forms or bonuses, such as sign-on bonus	Only under special circumstances	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 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 50–60 percent of the person's annual base salary.

Performance targets and respective weights are reviewed annually to ensure alignment with Company strategy. In setting performance targets and target levels, annual budgets set by the Board of Directors, internal and external forecasts as well as the prevailing economic environment are considered. Performance targets are meant to be stretching but achievable.

For the President and CEO and the Executive team, Valmet Comparable EBITA is a common bonus target. All Valmet's financial and operational targets are planned to support reaching the Valmet-level Comparable EBITA target. For the President and CEO, Comparable EBITA is a direct bonus target with a significant target weight. For the Executive Team Members as well as other participants in Valmet's Global Bonus Plan, Valmet EBITA is used as the basis for funding the payout. If the set minimum level is not reached, no bonus payouts are executed. A payout factor of 0–1 is used when determining the correct level of bonus payout.

Valmet ties selected sustainability topics, such as health and safety as well as sustainable supply chain, to remuneration. Safety targets are part of team performance targets in bonus plans for selected employee groups and top management. Individual performance targets might also include targets for emissions reductions or other sustainability-related topics. Sustainable supply chain targets are part of selected groups' performance targets in Valmet's global procurement.

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 key personnel.

The purpose of the plans is to align the goals of shareholders and management to enhance the long-term 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 awarded 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 Oyj was incorporated, in December 2011, a share-based incentive plan including three performance periods, which were the calendar years

2012, 2013, and 2014 was approved. The reward for each performance period of the plan could not exceed 120 percent of a participant's annual base salary. As a rule, no reward was paid if the key employee's employment or service ended before the reward payment.

From the performance period 2014 a gross number of 262,980 shares were earned. The reward was paid partly as Company shares and partly in cash in March 2017. The cash portion was dedicated to cover taxes and tax-related payments.

Long-term incentive plan 2015–2017

The Board of Directors of Valmet Oyj approved in December 2014 a share-based incentive plan for Valmet's key employees. The Plan included three performance periods, which were the calendar years 2015, 2016 and 2017. The Board of Directors decided on the performance criteria and targets in the beginning of each performance period. The plan has been directed to approximately 80 key employees (including Executive Team members).

The rewards from the plan are paid partly as Company shares and partly in cash. The cash portion is dedicated to cover taxes and tax-related payments arising from the reward to the key employee. The reward of the plan from one performance period may not exceed 120 percent of the key employee's annual base salary. As a rule, no reward is paid, if the key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during the restriction period, which will end two years after the end of each performance period. Should a key employee's employment or service end during the restriction period, as a rule, he or she must gratuitously return the shares given as reward to Valmet.

The key attributes of the 2015–2017 long-term incentive plan

Performance period	2015	2016	2017
Incentive based on	EBITA % and Services orders received growth %	Comparable EBITA % and orders received growth % of the stable business	Comparable EBITA % and orders received growth % of the stable business
Reward payment	in spring 2016	in spring 2017	in spring 2018
Total gross number of shares earned (including the matching share rewards)	540,035 shares	556,049 shares	As at December 31, 2017 a total of 390,820 shares has been allotted to participants

As part of the share-based incentive program, members of the Executive Team have had the possibility to receive a matching share reward

for each performance period, provided that the Executive Team member owned or acquired Valmet shares up to a number determined by the Board of Directors by the end of each performance period. Reward receipt is tied to continued employment or service of the Executive Team member upon reward payment.

Long-term incentive plan for 2018–2020

The Board of Directors of Valmet Oyj has in December 2017 decided on a new long-term share-based incentive plan for Valmet's key employees. The plan includes three performance periods, which are the calendar years 2018, 2019, and 2020. Valmet's Board of Directors shall decide on the performance criteria and targets in the beginning of each performance period. The plan is directed to a total of approximately 120 participants, of which 80 are key employees in management positions (including Executive Team members), and 40 are management talents, which is a new target group in Valmet's share-based incentive plan.

For all plan participants the maximum reward is capped at grant to a fixed number of shares. For the President and CEO the reward is capped at grant to a maximum number of shares calculated based on 130% of his annual base salary. For maximum reward calculation purposes, other Executive Team members are allocated into two groups based on the position each one of them holds. For both groups, a fixed maximum number of shares is calculated based on 110% of the groups' internal average annual base salary.

The rewarded shares may not be transferred during the restriction period, which will end two years after the end of the performance pe-

riod. As a rule, no reward is paid if the key employee's employment or service at Valmet ends before the reward payment. Should a key employee's employment or service end during the restriction period, he or she must, as a rule, gratuitously return the shares given as reward to the Company.

The potential reward is purely performance based for all plan participants, and the reward from the performance period 2018 is based on Valmet's Comparable EBITA margin and orders received growth (%) of the stable business, that is, the Services and Automation business lines. The potential reward from the performance period 2018 will be paid partly in Company shares and partly in cash in 2019. 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 rewards to be paid based on the performance period 2018 are capped to an approximate maximum of 586,000 shares in Valmet.

Share ownership recommendation

To recognize and highlight the importance and value of having the members of Valmet's Executive Team own and hold Company shares, the Board of Directors have in December 2017 approved a share ownership recommendation for Valmet's Executive Team members. All members of Valmet's Executive Team are recommended to own and hold Company shares equaling to their gross annual base salary (100 percent ownership recommendation). The below table outlines the Executive Team members' current shareholdings.

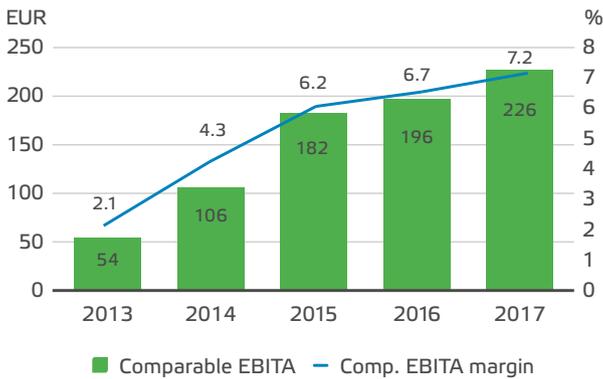
Executive Team members' current shareholdings

ET member	Title	Shareholding (PCS)
Pasi Laine	President and CEO	101,997
Aki Niemi	Business Line President, Services	36,690
Sakari Ruotsalainen	Business Line President, Automation	21,088
Bertel Karlstedt	Business Line President, Pulp&Energy	27,045
Jari Vähäpesola	Business Line President, Paper	35,175
David King	Area President, North America	11,517
Celso Tacla	Area President, South America	56,449
Vesa Simola	Area President, EMEA	26,249
Xiangdong Zhu	Area President, China	9,244
Jukka Tiitinen	Area President, Asia Pacific	60,288
Kari Saarinen	CFO	26,753
Julia Macharey	SVP, Human Resources	17,984
Juha Lappalainen	SVP, Strategy & Operational Development	25,597
Anu Salonsaari-Posti	SVP, Marketing & Communications	13,342

Remuneration Report

Rewarding linked to business performance

Comparable EBITA development



Share price development



Since the demerger from Metso, Valmet has achieved consistent business progress. Our profitability, orders received as well as the share price development have shown steady improvement. As our performance targets for short-term incentives and long-term incentives are directly linked to our business results, this positive development is reflected in the performance-based rewards paid to the top management and other personnel that belong to Valmet's incentive schemes.

The Remuneration and HR committee regularly reviews market benchmark data for executive remuneration to be able to determine correct compensation levels for the members of Valmet's Executive Team. In the autumn 2016 Valmet conducted an extensive analysis on executive salaries with an external party to determine possible gaps. The market benchmark analysis included companies of a similar size and complexity to Valmet. In addition to benchmark data, the analysis

included data regarding business performance and individual performance. The outcome of the analysis showed a significant gap between the market median for CEO roles and the fixed and variable compensation for Valmet's President and CEO. In addition to the benchmark data, the Remuneration and HR committee considered the changes that took place in the CEO's responsibility area since Valmet becoming an independent, stock-listed company. Due to the integration of Automation business line in 2015, the Company has become stronger, resulting in a wider business as well as personnel responsibility for the CEO. As a result of the analysis, the Board of Directors implemented a 25% base salary increase for the President and CEO Pasi Laine. This increase, effective as of January 1, 2017, was executed to align his salary with the salary market, strong business progress and good individual performance.

President and CEO

2017

EUR	Annual salaries and other short-term benefits	2016 performance bonus	Post-retirement benefits	Share-based payment ¹⁾	Termination benefits	Total
President and CEO	638,001	185,008	265,454	613,448 (LTI 2016)		1,701,911
				515,007 (LTI 2014)		515,007
				1,128,455 (total)		2,216,918

¹⁾ Due to changes in plan structures, two separate share-based rewards (LTI 2014 and LTI 2016) were paid out in 2017.

Other Executive Team members**2017**

EUR	Annual salaries and other short-term benefits	2016 performance bonus	Post-retirement benefits	Share-based payment ²⁾	Termination benefits	Total
Other Executive Team members ¹⁾	3,175,533	927,614	1,253,289	3,477,202 (LTI 2016)		8,833,638
				1,383,409 (LTI 2014) ³⁾		1,383,409
				4,860,611 (total)		10,217,047

¹⁾ Hannu T Pietilä until September 30, 2017 and Xiangdong Zhu as of October 1, 2017

²⁾ Due to changes in plan structures, two separate share-based rewards (LTI 2014 and LTI 2016) were paid out in 2017.

³⁾ Reported figure limited to share-based payments for the eight individuals, who were members of the Executive Team 2014–2017.

Board of Directors' compensation

Name	Total Annual Fee	Share reward portion of annual fee	Cash portion of annual fee	Committee Annual Fee	Meeting fees	Total
Aaro Cantell	48,306.97	19,492.90	28,814.07	4,000.00	9,800.00	62,106.97
Lone Fønss Schrøder	48,306.97	19,492.90	28,814.07	14,000.00	7,000.00	69,306.97
Friederike Helfer ²⁾					4,200.00	4,200.00
Jouko Karvinen	60,383.85	24,374.75	36,009.10	4,000.00	21,000.00	85,383.85
Bo Risberg	100,639.75	40,624.59	60,015.16	6,000.00	21,000.00	127,639.75
Eriikka Söderström ¹⁾	48,306.97	19,492.90	28,814.07	7,000.00	7,700.00	63,006.97
Tarja Tyni	48,306.97	19,492.90	28,814.07	7,000.00	9,800.00	65,106.97
Mikael von Frenckell ²⁾					2,100.00	2,100.00
Rogério Ziviani	48,306.97	19,492.90	28,814.07		25,200.00	73,506.97
Total	402,558.45	162,463.84	240,094.61	42,000.00	107,800.00	552,358.45

¹⁾ as of March 23, 2017

²⁾ until March 23, 2017

Compensation of the Board of Directors' personnel representative**2017**

Name	Total Annual Fee	Share reward portion of annual fee	Cash portion of annual fee	Committee Annual Fee	Meeting fees	Total
Eija Lahti-Jäntti					6,300.00	6,300.00

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Valmet reports 2017



ANNUAL REVIEW 2017

The report describes Valmet's market environment and the progress of its strategy, operations and sustainability in 2017.



FINANCIAL STATEMENTS 2017 AND INFORMATION FOR INVESTORS

The report includes Valmet's Financial Statements for 2017 and information about its shares, shareholders and management.



GRI SUPPLEMENT 2017

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



CORPORATE GOVERNANCE STATEMENT 2017

The report covers Valmet's governance principles and activities, Board and management in 2017.



REMUNERATION STATEMENT 2017

The report covers Valmet's remuneration principles and remuneration in 2017.

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.

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220

With 220 years of industrial history, we are committed to moving our customers performance forward – every day.

Valmet Oyj

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